

## CABINET MEETING – 21 OCTOBER 2015

### EXECUTIVE SUMMARY SHEET- PART I

**Title of Report:**

Budget Planning Framework 2016/2017 and Medium Term Financial Strategy 2016/2017 – 2019/2020

**Author(s):**

Interim Head of Paid Service and Director of Finance

**Purpose of Report:**

This report identifies the key factors influencing the development of the Councils financial plans into the medium term and sets out the budget planning framework for the Council for 2016/2017. The report sets out the headlines and context for the Medium Term Financial Strategy 2016/2017 to 2019/2020 which will be formally considered in due course.

**Description of Decision:**

Cabinet is recommended:

- to agree the proposed Budget Planning Framework summarised at Section 11 of the report which will guide the preparation of the Revenue Budget for 2016/2017
- to note that the full Medium Term Financial Strategy 2016/2017 to 2019/2020 will be presented to Cabinet in February

**Is the decision consistent with the Budget/Policy Framework?** Yes

**If not, Council approval is required to change the Budget/Policy Framework**

**Suggested reason(s) for Decision:**

Adoption of the Budget Planning Framework forms an essential part of the process of the preparation and compilation of the Revenue Budget for 2016/2017.

**Alternative options to be considered and recommended to be rejected:**

There are no alternative options recommended.

**Impacts analysed:**

Equality ☐ Privacy ☐ Sustainability ☐ Crime and Disorder ☐

**Is the Decision consistent with the Council's co-operative values?** Yes

**Is this a "Key Decision" as defined in the Constitution?** No

**Is it included in the 28 day Notice of Decisions** No

**Budget Planning Framework 2016/2017 and Medium Term Financial Strategy  
2016/2017 – 2019/2020**

**Report of the Interim Head of Paid Service and Director of Finance**

**1 Purpose of Report**

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**2 Description of Decision**

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**3 National Economic Context**

**3.1 Deficit Reduction Plan**

On 8<sup>th</sup> July 2015 the newly elected Government confirmed in their Summer Budget Statement that the economy is continuing to grow and that steady growth is projected in each year of the next parliament (2015/2016 to 2019/2020). The Chancellor set out revised high level plans to address the remaining deficit, with the aim of generating a budget surplus of circa £10bn in 2019/2020. This is a year later than that announced previously in the Coalition government's March Budget.

The government set out plans to achieve this position through an updated 'Consolidation Plan' which requires £37bn of savings, of which £32bn will come from public sector expenditure cuts by 2019/2020. This represents an increase in the cuts required across the period of £7bn compared to that announced in the March Budget. The Chancellor indicated savings were to be made in the following areas:

	£ billion			
	2016/17	2017/18	2018/19	2019/20
Welfare reform	5	7	9	12
Tax avoidance and evasion	1	2	4	5
Government Departmental Spending	3	11	18	20
<b>Total National Consolidation Plans</b>	<b>9</b>	<b>20</b>	<b>31</b>	<b>37</b>

Where the cuts in departmental spending will fall will be determined by the outcome of the Spending Review.

### 3.2 Inflation

CPI inflation decreased from 0.1% in July 2015 to 0.0% in August 2015, below the Government target level of 2%. While inflation levels may fall further in the short term, within the next 2 years the Bank of England intends to set monetary policy in order to ensure there is a return to the inflation target of 2%. The low level of inflation is welcomed as the impact of price increases on local government costs is not funded by central Government and must be contained within the Council budget planning.

### 3.3 Base Rate

The Bank Base Rate has remained at an all-time low of 0.50% since March 2009. The Bank of England Governor, has said that a rise in the base rate is “drawing closer”.

Financial analysts are speculating on the timing of an increase in the current Bank Rate with most anticipating a rise will not take place until the second quarter of 2016 following which base rates are expected to increase gradually to 1.75% by March 2018. This position will continue to be monitored and reviewed and the impact taken into account in budget planning.

## 4 Local Government Core Funding

4.1 At this stage the Government has not published details of funding for local government either nationally or at a local level as this will depend on the outcome of the autumn Spending Review to be announced on 25<sup>th</sup> November 2015. The following is therefore based on best available intelligence.

### 4.2 In year Funding Reductions 2015/2016

On 4<sup>th</sup> June 2015 the government announced £3bn of spending reductions to be achieved in year for 2015/2016. Included within this are:

- £230m DCLG savings to be achieved mainly through the sale of assets
- £200m of savings from Non - NHS Department of Health budgets which relates to proposed reductions in Local Authority Public Health grant allocations. The government has consulted on various options to deliver the savings but the outcome is awaited. Details on the potential impact for Sunderland are set out at paragraph 4.5. This funding was frozen in 2015/2016 at the 2014/2015 level, and at this stage it is not known if the government intends to cut this funding on an on-going basis;
- There is also concern that some of the in year cuts made by the government are one-off savings achieved through capital receipts and one-off under spending. If equivalent savings need to be found on a permanent basis from 2016/2017 the total departmental savings requirement may increase.

### 4.3 Spending Review 2015 - HM Treasury Guidance

The Chancellor has confirmed that some services would either be protected or see their funding increased in real terms as part of the spending reductions, including:

- NHS will receive £10bn additional funding by 2020/2021;
- Defence funding will grow by 0.5% above inflation and security spending will increase by £1.5bn by 2019/2020 to meet the NATO 2% pledge;
- Schools will have their funding ‘protected’;

- Foreign Aid will be increased in line with the growth in GDP.

As a result the cuts to non-protected government departments (of which DCLG is one) will need to be higher. As a consequence the Chancellor requested all such departments to provide details of cuts of 25% and 40% by 4<sup>th</sup> September 2015 followed by a period of discussion and negotiation.

The outcome of the Spending Review 2015 will be announced on 25<sup>th</sup> November, although the detailed impact on individual councils will not be known until late December when the Local Government Finance Settlement is announced.

#### 4.4 HM Treasury Announcement 5<sup>th</sup> October

##### 4.4.1 The Chancellor has announced a series of major reforms to local government finance linked to Business Rates:

- By the end of this Parliament, local government will retain 100 per cent of local taxes – including all £26 billion of revenue from business rates.
- The government will abolish the Uniform Business Rate although only to allow authorities to cut business rates to boost economic activity in their areas.
- Local areas which successfully promote growth and attract businesses will keep all of the benefit from increased business rate revenues.
- Directly elected mayors – once they have support of local business leaders through a majority vote of the business members of the Local Enterprise Partnership – will be able to add a premium to business rates to pay for new infrastructure (up to 2p in the pound has been indicated).
- The core (RSG) grant from Whitehall will be phased out by 2020, and local government will take on new responsibilities.
- The system of top up and tariffs which currently operates would be extended to protect authorities with lower levels of business rate income.

The government is to set out further details in the Spending Review.

##### 4.4.2 Detail underpinning the Government announcement is needed to understand the overall net impact for each local authority:

- Sunderland currently receives £69.9m in RSG. If the council retains full business rates this would provide an additional business rates income of £44.0m. Therefore the council would be £25.9m worse off as a consequence of phasing out RSG if no other actions are taken to offset the loss.
- The council currently receives Top-up grant of £35.9m. More detail is needed to understand how the Top-up and Tariff system will work under the new proposals, and whether that will result in any change to the cash amount currently received. Top ups and Tariffs are the only elements in the current system that recognise differing needs and the varying ability of individual authorities to raise income (resource equalisation).
- In addition the Government have indicated there will be 'new responsibilities' on Local Authorities. Detail of this is needed together with information on whether it is planned these will to be funded from the 100% locally retained business rates.

- It is also noted that RSG currently includes funding for a number of specific elements of government funding such as Council Tax Support scheme funding (circa £20m) and Council Tax Freeze Grant. The question arises as to how / if government will compensate for the loss of these elements as RSG is phased out.
- Self-sufficiency is the main theme of the government's proposals but this brings concerns around the fairness of the distribution of resources across authorities and over the adequacy of recognition in the system of the ability of differing areas to be able to raise income through local taxes.

Whilst high level detail will be available from the spending review announcement, the impact at a local level is pending the settlement announcement which will not be until late December. This creates more uncertainty for Local Government.

#### 4.5 Summary Prognosis on Core Funding

It is clear that local government is to face at least 4 more years of funding reductions. The scale of the cuts is very difficult to accurately assess at this stage however the request by the Chancellor for proposals for cuts of 25% and 40% from departments demonstrates the cuts over the next 4 years are going to be significant. This comes on top of the sustained cuts already experienced since 2010.

The Summer Budget also included policy measures such as a commitment to the National Living Wage which will also add significant additional cost pressures to local authority budgets, in addition to the proposed cuts to funding and inflationary and demand pressures faced.

While there is considerable uncertainty on the level of future funding, not least arising from the most recent announcement of the intention to phase out RSG and future full retention of business rates, it is clear that local government is entering the most challenging period yet faced.

#### 4.6 Other Funding Streams Issues

##### 4.6.1 Public Health

The final allocation for 2015/2016 was £21.036m. This reflected the transfer to LA's of commissioning responsibilities for '0 to 5 Healthy Child Programme' from 1<sup>st</sup> October 2015. This is the final part of the overall public health transfer to local government.

As referred to in section 4.2, Government is to implement an in-year reduction in 2015/2016 to Public Health Grant of £200m nationally. The Department of Health favours a flat rate reduction of 6.2% applied to all LAs which equates to circa £1.5m reduction for Sunderland although it is consulting on a range of options. It is unclear at this stage whether the Government plan this to be the basis of an on-going reduction in future years.

In addition, from 2016/17 the government has indicated Public Health allocations will be moved towards a distribution based on population needs. The fair shares formula would be based on advice from the Advisory Committee on Resource Allocation (ACRA). The Council will need to consider the impacts of the proposals once further detail is available.

#### 4.6.2 Better Care Fund

From April 2015 Sunderland established a Better Care Fund with CCG partners of £156m for an initial one year period. It is anticipated the Spending Review will inform next steps and funding implications for future Health and Social Care Integration.

#### 4.6.3 Adult Social Care New Burdens

The 2015/2016 settlement included £1.404m in relation to the Care Act. Recent Government announcements have delayed the implementation of the Care Act and the Government have begun consultation to ascertain if this funding can be clawed back. It is anticipated the outcome of the Spending Review will inform next steps.

#### 4.6.4 New Homes Bonus

The New Homes Bonus grant funding arrangement was introduced in 2011/2012 to cover a six year cycle which plateaus after 2016/2017. It is anticipated the outcome of the Spending Review will inform the position beyond this.

#### 4.6.5 Housing and Council Tax Benefit Administration and Local Council Tax Support Administration Grant

No announcement on future funding has been announced to date, however provision for a further reduction in funding of 10% has been included within the planning for 2016/2017 in line with reductions experienced in recent years. Given other reductions arising from welfare reform there is a potential that the reduction could be more than this. The position will be kept under review and the MTFS updated as more details emerge.

#### 4.6.6 Waste Collection – Weekly Collection Support Scheme

In November 2012, the council was successful in its bid for government funding to support the retention of weekly domestic refuse collections through to the end of 2016/2017.

#### 4.6.7 Schools Funding

The introduction of a national funding formula, will be considered by Government as part of the Spending Review. The Government through the new formula is seeking to develop a clear and transparent funding formula that supports the needs of pupils and enables Schools and Academies to be funded on a broadly comparable basis.

The Dedicated Schools Grant (DSG) is defined across three separate blocks (a funding allocation per pupil for each school, early years block and a base funding level for the high needs block). The Government has published the schools block funding for 2016/2017 with a decrease from £4528.48 to £4523.22 per pupil.

Long term the government is committed to reforming High Needs and Early Years Block funding as soon as possible and it is anticipated this will be published after the Spending Review.

#### 4.6.8 Education Services Grant (ESG)

The ESG is allocated on a simple per-pupil basis to local authorities and academies according to the number of pupils for whom they are responsible. The amount of funding to be received by the Council reduces with each school that transfers to an academy. Provision has been included within the Budget Planning Framework for the impact of a reduction in funding from academy transfers. The rates for 2016/2017 ESG are yet to be announced.

### 5 Other considerations which could impact on planning

#### 5.1 Business Rates (Revaluation and Review)

The government is undertaking a review of the Business rates system to “make them fit for purpose in a 21<sup>st</sup> century economy”. In addition to the proposed changes to retained business rates already announced (referred to at paragraph 4.4,) the Chancellor will report the outcome of this review in the Spring 2016 Budget. The government has indicated that the outcomes of the review will be fiscally neutral..

The current rating list is based on the 2010 revaluation with a new list due to be introduced from April 2017. At this stage it is not possible to quantify the potential impact on the Councils financial position, although it is anticipated that the Government will seek to neutralize the impact via a top-up/tariff arrangement. However it is anticipated there will be an increase in appeals following the introduction of the new rating list which will result in additional financial uncertainty.

#### 5.2 Devolution

As part of the Spending Review the Government invited submissions for proposals in line with their Devolution agenda. The North East Combined Authority has responded with a submission based on the principle of subsidiarity, with devolution from Whitehall, accompanied by a strengthening of local and community leadership. The proposals include a number of asks from government relating to both fiscal and financial elements as well as seeking to deliver an ambitious vision for the social and economic future of the North East.

Discussions with government are on-going. As the position becomes clearer, including as a consequence of the outcome of the Spending Review, the implications for the North East and specifically for Sunderland will be taken into consideration as part the council's budget setting process and medium term financial strategy.

### 6 Summary Outlook

6.1 At this stage, the outlook for local government funding remains very bleak with continued unprecedented reductions and change until 2019/2020 at least.

6.2 The scale of reductions faced is very uncertain at an individual council level and detailed funding allocations for 2016/2017 will not be available until late December. Council planning at this stage assumes a 29% reduction in core funding over the medium term reflecting the trajectory of previous years reductions which is mid-range within the government Spending Review guidance.

6.3 Therefore, given the significant uncertainties at this stage it is proposed to progress with current planning of a £19m reduction in core funding for 2016/2017 subject to

the release of high level Spending Review information on 25th November 2015 when the position will be reviewed.

## **7 Local Income Position**

### **7.1 Council Tax**

- 7.1.1 The Localism Act provides for the provision of referendums to veto excessive council tax increases. This effectively places a limit on council tax increases and if councils exceed the government limits then the public will be able to vote to agree or veto any considered 'excessive' increase.

For 2015/2016 a referendum requirement applied for proposed increases in Council Tax above 2%. There is no definitive indication at present as to the proposed limit for 2016/2017.

- 7.1.2 Government have given no indication as to whether Council Tax Freeze Grant will be available for 2016/2017 or future years and is likely to emerge as part of the outcomes of the Spending Review. Consideration of this approach will be taken once information is available.
- 7.1.3 The Local Council Tax Support Scheme was introduced from April 2013 and is currently in its third year of operation. A review of the scheme is currently being undertaken to inform whether any changes should be introduced for the 2016/2017 financial year. Depending on the scale of proposed changes, proposals arising from the review will be subject to consultation and the financial impacts included in the budget planning as necessary.
- 7.1.4 Growth in the council tax base as a result of new homes built will be kept under review and additional income reflected in the budget planning as appropriate.

### **7.2 Business Rates**

- 7.2.1 Under the current Retained Business Rates funding arrangement the Council retains locally 49% of increased income arising from growth in Local Business Rates base (equally it shares the risk of any under achievement of income targets). (As outlined at paragraph 4.4 the Government have announced its intention to phase out RSG and move to a system of 100% locally retained business rates by 2020.)
- 7.2.2 Inherent within the scheme is growth arising from annual inflationary increases to Business Rates. However, there is continuing uncertainty specifically around appeals and avoidance tactics which can significantly impact on the level of income achieved.
- 7.2.3 The most significant opportunity for Business Rates growth arises through new developments. The position will be kept under review and additional income reflected in the Budget Planning Framework as appropriate.



### 7.3 Reserves and Balances

The Local Government Finance Act 1992 requires local authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.

In accordance with the approach adopted to date all earmarked reserves will be revisited as part of the budget process to ensure they still accord with the Council's priorities and overall funding position.

## 8 Spending Pressures and Commitments

It is proposed to take into account the following spending commitments in the Budget Planning Framework for 2016/2017, noting that at this stage in a number of cases specific cost detail require finalisation and will be subject to review and refinement throughout the budget setting process:

### 8.1 Replacement of One-off Resources and Budget Pressures in 2015/2016

In meeting the funding gap for 2015/2016 the Council utilised £8.8m of one off resources to meet specific costs on a one off basis. Where these pressures are of an on-going nature, reference is included within the relevant spending pressures paragraph below.

### 8.2 Pay and Pensions

#### 8.2.1 Pay

The Government has indicated a limit on public sector pay of a 1.0% pay increase. For planning purposes a prudent provision has been built into the MTFS from 2016/2017.

#### 8.2.2 Pensions

The Triennial Actuarial review of the Local Government Pension Scheme was undertaken in 2013 covering 2014/2015 to 2016/2017. The outcome of the review has been reflected in the planning for 2016/2017. Prudent provision has been included in the MTFS for the potential impact of the next actuarial triennial review due in 2017.

The Pensions Act 2008 introduced the requirement to automatically enrol certain workers into a pension scheme. The Council opted to defer auto-enrolment for current workers until 2017. Prudent provision for the cost pressure has been factored into the medium term planning.

#### 8.2.3 National Insurance

The Pensions Act 2014, provided for reform of the state pension system, introducing a single tier pension. As part of the reforms, the contracting out for occupational pension schemes from April 2016 will be abolished. For employers, the abolition of contracting out will result in an increased cost of 3.4% on national insurance contributions. The Act provides no method to alleviate the additional financial burden. The impact for 2016/2017 of £2.5m is reflected within the planning.

#### 8.2.4 National Living Wage

The government's proposal to implement the national living wage of £7.20 rising to £9.00 by 2020 represents a significant additional cost pressure for local councils both through council own staff costs and external contract suppliers passing the cost on through increased contract prices.

At this stage there is significant lobbying of government from both public and private sectors on the implications of this policy proposal. Government have indicated they are considering the impact as part of the spending review. Lobbying will therefore continue to seek to ensure the impact is fully funded by government and the position will be kept under review.

#### 8.2.5 Workforce Transformation

Latest financial implications associated with workforce transformation have been factored into the budget planning and will be kept under review.

#### 8.3 Energy Prices

Energy and vehicle fuel prices continue to be volatile. It is therefore proposed that prudent provision be included for continued annual increases in charges for gas, electricity and vehicle fuel in the medium term.

#### 8.4 Adult Services Demand Issues

The increasing longevity of the national and specifically, the city's population continues to place pressure on Adult Social Services budgets. In addition, client expectations and increasing demand to support clients with complex cases to enable clients to maintain independent living, is requiring reconfigured services and additional investment. The position will be kept under review and prudent provision included as appropriate.

#### 8.5 Children's Services Demand Pressures

There continues to be increasing demand pressures in relation to safeguarding and looked after placements. Provision within the planning reflecting the improvement plan arrangements will be reviewed once finalised.

#### 8.6 Local Economy

Resources have previously been earmarked to support service pressures and actions in response to the economic position as part of the previous years' budgets. Given the continuing uncertainties, this will need to be kept under review and appropriate provision made throughout the budget process.

#### 8.7 Welfare Reform

The Council continues to monitor and plan for the Welfare Reform changes and the potential adverse impacts anticipated across the city. This will need to be kept under review and appropriate provision made throughout the budget process.

## 8.8 Capital Financing

Prudential borrowing has been provided for within the medium term financial position in relation to known investments over the period, together with a provision to provide future flexibility at this stage to enable strategic priorities of the Council to proceed in the future.

## 9 Spending Priorities

### 9.1 Priorities from Consultation

9.1.1 The Budget Consultation for 2015/2016 was undertaken within the context of the need to significantly reduce spending for a fifth year in light of the Government funding reductions. The findings demonstrated general support amongst respondents for the direction of travel of services and for the councils overall approach to making savings.

9.1.2 The proposals for the 2016/2017 Budget Consultation process are set out elsewhere on today's Cabinet agenda.

## 10 Summary Resource, Pressures and Commitments Position

10.1 The total reduction in resources and spending pressures represents the estimated gross funding gap. However at this stage there remain significant uncertainties:

- The outcome of the Spending Review and the level of government funding reductions in 2016/2017 and beyond;
- Settlement confirmation for 2016/2017, probably not available until late December;
- The outcome of the development of revised funding approaches e.g. Business rates review and revaluation, and devolution proposals;
- Significant other changes within the system (Welfare Reform, Schools etc.);
- The general economic position and public sector finances (direct connectivity between the economy and public finances).

10.2 The level of funding reduction as currently presented represents an unprecedented challenge given the already compound impact of significant reductions and increased cost pressures since 2010. It is clear that further significant reductions will be required year on year over the 2016-2020 period.

10.3 As outlined the savings requirement for 2016/2017 and beyond remains very uncertain. However high level estimated reductions over the next four years are set out below:

	2016/17	2017/18*	2018/19*	2019/20*	Total
	£'m	£'m	£'m	£m	£m
Government Grant Changes	19.0	13.1	8.8	5.7	46.6
Total Ongoing Spending Pressures	21.5	20.0	10.7	10.8	63.0
<b>Total Funding Gap</b>	<b>40.5</b>	<b>33.1</b>	<b>19.5</b>	<b>16.5</b>	<b>109.6</b>

*\*high level assumptions at this stage*

- 10.4 As part of the 2015/2016 budget process initial high level plans were approved for 2016/2017 to part address the initial funding gap for that year. After taking these plans into account the remaining funding gap is as set out below.

	2016/17	2017/18*	2018/19*	2019/20*	Total
	£'m	£'m	£'m	£m	£m
Estimated Funding Gap	40.50	33.10	19.50	16.50	109.60
Previously approved high level plans	-2.10				-2.10
<b>Remaining Estimated Funding Gap</b>	<b>38.40</b>	<b>33.10</b>	<b>19.50</b>	<b>16.50</b>	<b>107.50</b>

## 11 Budget Planning Framework

- 11.1 As a result of the scale of reductions faced by the council over the medium term it is necessary to radically reconsider the role of the council as fundamental change will be required to the way the council operates in the future. This will involve further transforming service delivery, reducing service standards and commissioned activity and prioritising resources to support statutory requirements and key priorities:

- People - protecting and supporting the most vulnerable adults and children in our communities;
- Place - keeping our communities as safe, clean and well maintained as possible within the resources available;
- Economy - continuing support to the economic regeneration of the city by encouraging businesses and jobs into the city.

- 11.2 The councils approach to transforming services, which is required to deliver the significant savings over the medium term, is embraced within the council's community leadership role in the city which seeks to build relationships with partners and in communities.

### 11.3 Community Leadership Programme

- 11.3.1 The Council is committed to strengthening its Community Leadership role in the city. As a democratically elected body, the Council will continue to be

- champion and advocate for Sunderland communities and interests;
- a focal point of leadership for partners to work together to deliver on priority outcomes on Health and Well Being, Education, and Skills and the economy.

- 11.3.2 The approach includes working with partners in getting closer to communities, to understand and interpret needs and local priorities and in developing innovative means of addressing those needs priorities. The approach continues to focus on:

- understanding the priorities of communities, using intelligence and evidence to focus attention on the right priorities and decisions;
- shaping the most appropriate response to needs;
- developing relationships with partners, and communities to promote self-help and self-reliance and maximising the contribution of communities;
- harnessing the potential contribution from other organisations and individuals in achieving key outcomes;
- promoting Sunderland's interests at sub-regional, regional, national or international levels.

11.3.3 The Council will continue to use innovative approaches to address priority needs through:

- development of improved customer and service insight and intelligence which provides the Council and partners with the information necessary to understand and prioritise what it needs to do and ensure it is doing the right things;
- implementing strategies and policies that enable the Council to manage demand and facilitate those services which make a difference in the most effective way. The CSN continues to be the focus as the gateway for demand and supply for services, encouraging and supporting self-help where appropriate;
- developing alternative models for service delivery and increasing commercialisation to ensure the most effective and efficient models of service provision;
- further and continual review of Strategic Services and fixed assets to meet the future needs of the Council and its communities;
- intelligent strategic commissioning, using improved intelligence and strong performance management to ensure the council commissions services in the most cost effective way .

#### **11.4 Addressing the Savings Requirement**

It is proposed the budget planning framework as set out below is adopted:

- General Issues
  - Budget planning be based on high level position outlined at paragraph 10 and updated in light of the Spending Review in November and the Local Government Settlement in December;
  - Provision for spending commitments be included at this stage on the basis set out at paragraph 8 and kept under review;
  - Spending priorities be considered in line with the findings of the budget consultation and service improvement plans as set out in paragraph 9;
  - Budgets be prepared on the basis that all spending pressures not specifically identified above as commitments be accommodated within Directorate cash limits;
  - All commitments against reserves to be reviewed;
  - The position regarding Council Tax to be considered as part of the budget process;
  - Commitments against general balances as set out in Appendix 1 be noted and updated throughout the budget process.
- Current Budget Savings Programme:

In accordance with the budget planning framework agreed for 2015/2016

  - Original permanent planned savings for 2015/2016 will be achieved or an alternative must be delivered on an on-going basis in 2016/2017;
  - Savings originally identified for 2016/2017 will be achieved. Alternative savings will need to be identified by Directorates where a proposal has become unviable;

- **Additional Savings Proposals**

A programme of activity be developed to address the gap taking into account the strategic vision of the council's role in the future and reflecting the Improvement Framework key principles outlined at 11.1 to 11.3. For all service areas this will include consideration of:

- Ensuring resources are targeted on statutory services and protecting key priority services;
- Redesigning and reshaping services to deliver required outcomes at least cost;
- Reduced commissioning and service standards;
- Pressing forward with new models of service delivery at reduced cost and increasing commercialisation;
- Continued focus on progressing Regeneration, Funding Leverage & Commercial Opportunities.

The framework will be robustly managed to ensure financial resilience is maintained.

## **12 Reasons for Decision**

- 12.1 The Budget Planning Framework forms an essential part of the process of the preparation and compilation of the Revenue Budget for 2016/2017.

## **13 Alternative Options**

- 13.1 There are no alternative options recommended.

## **14 Impact Analysis**

- 14.1 Impact assessments of Directorate actions to ensure the achievement of savings targets and a balanced budget position will be undertaken within Directorates as each action is developed.

## Statement of General Balances

	£m
<b>Balances as at 31<sup>st</sup> March 2014</b>	<b>7.570</b>
<b>Use of / Addition to Balances 2014/2015</b>	0
<b>Balances 31<sup>st</sup> March 2015</b>	<b>7.570</b>
<b>Use of Balances 2015/2016</b>	
- Contribution to Revenue Budget	(8.812)
<b>Additions to Balances 2015/2016</b>	
- Transfer from Strategic Investment Reserve to support the budget over the medium term	3.212
- Reserves released to support 2015/2016 budget	5.600
<b>Estimated Balances 31<sup>st</sup> March 2016</b>	<b>7.570</b>