**POLICY & RESOURCES COMMITTEE – 6 OCTOBER 2016**

**PART I - DELEGATED**

**10. STRATEGIC, SERVICE AND FINANCIAL PLANNING 2017- 2020**

(DoF)

# **Summary**

## The purpose of this report is to seek agreement to the process whereby the Council will determine its three-year medium-term strategic plan for 2017-2020, the related service plans, and the allocation of financial resources to achieve them.

# **Details**

 ***Introduction***

## Each year the Council is required to set a realistic, achievable in-year budget and indicative budgets for the following two years. Overall responsibility for the budget setting process is the responsibility of the Director of Finance. (shared services)

## The process for agreeing the strategic, service and financial plans relies upon the principles that:

* The Policy and Resources Committee concentrates at a strategic level on how the Council allocates resources between its key objectives, the level of council tax to be set, and the financial reserves to be held.
* Service committees formulate recommendations to the Policy and Resources Committee on the provision and level of services within their remit and validate the details of the budget to achieve this.
* Officers prepare savings & growth proposals for consideration by the service committees.

 ***Strategic Plan***

## The Council adopted its three-year Strategic Plan for the period 2016-2019 on 23 February 2016. This was prepared taking into account consultation on priorities with the Local Strategic Partnership and the public, and national priorities. The themes within the plan are:

* Safety and Well Being,
* Clean and Green,
* Economic Opportunities and
* Customer Service

## The Strategic Plan consists of three elements,

* an Introduction that outlines the purpose of the plan and the internal and external influences that have been taken into account during the plan’s development, and
* a tabular representation of each of the themes and corresponding aims and objectives. Various activities, measures and targets are also linked to each objective.
* appendices outlining the Council’s approach to data quality, procurement and risk management.

## As a part of the Council’s corporate planning process a draft Strategic Plan for the period 2017-2020 is currently under consultation with Cabinet and will be presented to Council as a draft on 16 October 2016.

 ***Service Plans***

## Officers will prepare service plans based on the Strategic Plan. These will be presented to committees in November. The plans will include:-

* Summary of the latest approved budgets for the period 2017-2020
* Performance Management including performance indicators.
* Details of major projects
* Risk assessment

***Financial Plan***

 *Revenue*

2.8 The Local Government and Finance Act 2012 brought in fundamental changes to the way in which local government is financed. These changes are designed to stimulate growth but they also transfer more financial risk from central government to local government.

2.9 With Government funding continuing to reduce and an increasing reliance on generating additional business rates income, then it becomes important for the Council to manage its budgets prudently and services need to continually investigate new initiatives to generate additional sustainable revenue income whilst also looking to realise opportunities to reduce costs.

## The Council prepares and monitors a rolling Three-Year Medium-Term Financial Plan. This contains estimates calculated at a detailed level. The latest comprehensive budget monitoring report (at end of July – Period 4) is elsewhere on this agenda.

* 1. Officers will convert the high level forecast for 2018/19 into a detailed budget for inclusion as the ‘new’ third year of the three-year plan. They will also revisit the figures for 2016/17 and to 2018/19. **Appendix 1** details the assumptions to be used in preparing these detailed budget figures.

## Current plans include council tax increases of 1.98% per year from 2016/17.

## In determining a budget strategy, the Committee is asked to consider the following financial objectives:-

a) that, if any savings already factored into the three-year medium-term financial plan are unlikely to be achieved then equivalent savings must be identified;

b) that the Council should aim to balance its budget over the medium term whilst retaining prudent balances of around £2m.

1. that any proposals for growth, including those to pump-prime initiatives in the draft strategic plan, should be matched in service plans by equivalent savings (preferably savings that do not impact on the level of service provided). The scheme used to prioritise revenue & capital growth is shown at **Appendix 2.**
2. that savings and additional income generation schemes that have been identified from the service reviews are included in the draft service plans

## The Strategic Service Review Working Party will be reviewing the proposed the savings targets already included in the Medium Term Financial Plan of £1.021 million and £1.394 million in 2017/18 and 2018/19 respectively.

 ***Capital Investment Programme***

## The monthly budget monitoring reports provide the current position on progress against the 2016/17 capital investment programme and the resources available for future investment.

## Officers will carry out option appraisals on the future capital investment schemes. It is proposed to use again the method of prioritising schemes applied last year.

## Officers should be instructed that schemes requiring growth in revenue expenditure are far less likely to be regarded favourably than those that could be described as ‘invest to save’.

2.18 In accordance with the Protocol on Member / Officer Relations, briefings on the strategic, service or financial plans can be requested by party groups.

 ***Budget Consultation***

2.19 Members are asked to consider whether the Council wishes to carry out any budget consultation, and if so, what form it should take.

 ***Timetable***

2.20 Attached at **Appendix 3** is the draft timetable. The Strategic and Financial Plans for 2017-2020 will be recommended for adoption to Council on 21 February 2017 by the Policy & Resources Committee resulting from its meeting on 23 January 2017. Final service plans will be approved in March 2017.

3. **Options/Reasons for Recommendation**

3.1 The recommendation, if accepted, allows the planning process to commence.

4. **Policy/Budget Implications**

4.1 The recommendations in this report are within the Council’s agreed policy and budgets.

4.2 The recommendations in this report do not relate to the achievement of any performance indicators.

5. **Environmental, Community Safety, Public Health, Customer Services Centre, Communications & Website Implications**

5.1 None specific.

6. **Financial Implications**

6.1 There are no changes to the budget or the savings targets already agreed by Members as a result of this report.

7. **Legal Implications**

7.1 The Council must set its budget before 11 March 2017 in accordance with Section 32 (10) of the Local Government Finance Act 1992.

7.2 The Council’s Chief Financial Officer (Director of Finance (shared services)) has a statutory duty to report to the Council if it is likely to incur expenditure that is unlawful or likely to exceed its resources.

7.3 The Localism Act includes powers to allow local residents to veto through a referendum council tax rises that propose to exceed the limit imposed by Central Government.

8. **Equal Opportunities Implications**

* + - * 1. 8.1 Relevance Test

|  |  |
| --- | --- |
| Has a relevance test been completed for Equality Impact? *There is no proposed change to current policy.*  | No |

9. **Staffing Implications**

9.1 Staff and their representatives will be kept fully aware of the consequences of this year’s planning process as it evolves.

10. **Risk Management and Health & Safety Implications**

10.1 There are no risks associated with agreeing the recommendations.

10.2 The following table gives the risks that would exist if the recommendation is rejected, together with a scored assessment of their impact and likelihood:

|  |  |  |
| --- | --- | --- |
| Description of Risk | Impact | Likelihood |
| 1 | Failure to agree the Strategic Plan and Service Plans for implementation from 1 April 2017 and failure to meet statutory deadline for setting a legal budget | IV | C |

10.3 The Council has determined its aversion to risk and is prepared to tolerate risks where the combination of impact and likelihood are plotted in the shaded area of the matrix. The remaining risks require a treatment plan.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Likelihood** | A |  |  |  |  |  | Impact | Likelihood |
| B |  |  |  |  |  | V = Catastrophic | A = >98% |
| C |  |  |  | 1 |  | IV = Critical | B = 75% - 98% |
| D |  |  |  |  |  | III = Significant | C = 50% - 75% |
| E |  |  |  |  |  | II = Marginal | D = 25% - 50% |
| F |  |  |  |  |  | I = Negligible | E = 2% - 25% |
|  | I | II | III | IV | V |  | F = <2% |
| **Impact** |  |  |

11. **Recommendation**

11.1 That the assumptions to use in preparing the detailed budgets for the period shown in Appendix 1 be agreed.

11.2 That the scheme used to prioritise revenue & capital growth shown in Appendix2be agreed**.**

11.3 That the draft timetable at Appendix 4 be agreed.

11.4 That the format of any budget consultation if agreed be approved by the Director of Finance in consultation with the Lead Member for Resources.

 Report prepared by:

 Nigel Pollard – Section Head (Accountancy)

 **Data Quality**

Data sources: Financial Management System

Data checked by: Bob Watson

 Data rating:

|  |  |  |
| --- | --- | --- |
| 1 | Poor |  |
| 2 | Sufficient |  |
| 3 | High | ✓ |

 **Background Papers**

 Medium Term Financial Plan 2016-2019

 **APPENDICES**

1 Assumptions to be used in preparing budgets

2 Scheme for Prioritising Revenue Growth, Savings and Capital Bids

 3 Timetable

**APPENDIX 1**

**ASSUMPTIONS TO BE USED IN PREPARING BUDGETS**

The following assumptions will be made in preparing the detailed estimates for the three-year medium-term financial plan.

***Employee Costs***

Salary estimates will assume the following pay awards:-

|  |  |
| --- | --- |
| *Year* | *%* |
|  |  |
| *2017/18* | *1* |
| *2018/19**2019/20* | *1**1* |

A 1% vacancy provision.

The change to the employers National Insurance contributions from April 2016 has been built into the financial projections.

***Parish Precepts***

This is assumed to increase by 2%.

***Other Cost Inflation - Supplies & Services***

As in past years, a cash freeze will be applied to detailed budgets unless there is a contractual agreement to the contrary or there are known increases (e.g. in fuel prices).

***Investment Interest***

In the current markets, the estimate for income from investment interest will be left to as late a date as possible, i.e. January 2017. The bank base rate changed to 0.25 in August 2016. Council Investments placed since the rate change are averaging a return of 0.40.

***Fees & Charges***

An average increase of 2.5% will be factored into the forecast. However, Heads of Service will be asked to review increases in the light of their effect on demand, affordability and vulnerability.

**APPENDIX 2**

**SCHEME FOR PRIORITISING REVENUE GROWTH, SAVINGS AND CAPITAL BIDS**

| **Criteria** |  | **Revenue Growth** |  | **Savings** |  | **Capital Bids** |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |
|  |  | Score | Description |  | Score |  |  | Score |  |
|  |  |  |  |  |  |  |  |  |  |
| Measure of Quality of Service |  | 3 | Maintaining Current Service |  | 3 | Reducing External Service |  | 3 | Maintaining Current Service |
|  |  | 6 | Improved Internal Service |  | 6 | Reducing Internal Service |  | 6 | Improved Internal Service |
|  |  | 9 | Improved External Service |  | 9 | Maintaining Current Service |  | 9 | Improved External Service |
|  |  |  |  |  |  |  |  |  |  |
| Customer Impact / Quantity of  |  | 3 | Affects < 10% of residents  |  | 3 | Affects all residents |  | 3 | Affects < 10% of residents  |
| Service |  | 6 | Affects < 50% of residents |  | 6 | Affects < 50% of residents |  | 6 | Affects < 50% of residents |
|  |  | 9 | Affects all residents |  | 9 | Affects < 10% of residents |  | 9 | Affects all residents |
|  |  |  |  |  |  |  |  |  |  |
| Links to Strategic Plan |  | 2 | Contributes to General Theme |  | 2 | Contributes to Specific Objective |  | 2 | Contributes to General Theme |
|  |  | 4 | Contributes to General Aim |  | 4 | Contributes to General Aim |  | 4 | Contributes to General Aim |
|  |  | 6 | Contributes to Specific Objective |  | 6 | Contributes to General Theme |  | 6 | Contributes to Specific Objective |
|  |  |  |  |  |  |  |  |  |  |
| Impact on Partners(as defined in the Community |  | 1 | No impact on partner agencies or joint priorities |  | 1 | Impacts several partners / priorities |  | 1 | No impact on partner agencies or joint priorities |
| Strategy) |  | 2 | Impacts on 1 partner agency / priority |  | 2 | Impacts on 1 partner agency / priority |  | 2 | Impacts on 1 partner agency / priority |
|  |  | 3 | Impacts several partners / priorities |  | 3 | No impact on partner agencies or joint priorities |  | 3 | Impacts several partners / priorities |
|  |  |  |  |  |  |  |  |  |  |
| Partnership Funding |  | 1 | No Partnership Funding |  | 1 | Fully Funded by Partners |  | 1 | No Partnership Funding |
|  |  | 2 | Partly Funded by Partners |  | 2 | Partly Funded by Partners |  | 2 | Partly Funded by Partners |
|  |  | 3 | Fully Funded by Partners |  | 3 | No Partnership Funding |  | 3 | Fully Funded by Partners |
|  |  |  |  |  |  |  |  |  |  |
| Equalities |  | 1 | No impact on vulnerable groups |  | 1 | Impacts several vulnerable groups |  | 1 | No impact on vulnerable groups |
|  |  | 2 | Impacts on one vulnerable group |  | 2 | Impacts on one vulnerable group |  | 2 | Impacts on one vulnerable group |
|  |  | 3 | Impacts several vulnerable groups |  | 3 | No impact on vulnerable groups |  | 3 | Impacts on several vulnerable groups |
|  |  |  |  |  |  |  |  |  |  |
| Asset Management |  | 1 | Not related to asset maintenance |  | 1 | Saving means backlog repair remains |  | 1 | Not related to asset maintenance |
|  |  | 2 | Allowing asset to continue in use |  | 2 | Allowing asset to continue in use |  | 2 | Allowing asset to continue in use |
|  |  | 3 | Expenditure required to bring asset up to standard enabling service to continue (i.e. an element of ‘backlog’ repair exists) |  | 3 | Not related to asset maintenance |  | 3 | Expenditure required to bring asset up to standard enabling service to continue (i.e. an element of ‘backlog’ repair exists) |
|  |  |  |  |  |  |  |  |  |  |
| Statutory/Discretionary Service |  | 1 | Entirely Discretionary |  | 1 | Entirely Statutory |  | 1 | Entirely Discretionary |
|  |  | 2 | Partly Statutory |  | 2 | Partly Statutory |  | 2 | Partly Statutory |
|  |  | 3 | Entirely Statutory |  | 3 | Entirely Discretionary |  | 3 | Entirely Statutory |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| Contractually Committed  |  | 1 | No Commitment |  | When proposing a saving, the net saving, i.e. the saving after any costs of withdrawing from a contract should be used |  | 1 | No Commitment |
|  |  | 2 | Moral Obligation (e.g. SLA) |  |  | 2 | Moral Obligation (e.g. SLA) |
|  |  | 3 | Contractually Committed |  |  | 3 | Contractually Committed |
|  |  |  |  |  |  |  |  |  |  |
| Financial Implications |  |  |  |  |  |  |  | 1 | Revenue Cost |
|  |  |  |  |  |  |  |  | 2 | Revenue Neutral |
|  |  |  |  |  |  |  |  | 3 | Revenue Saving |
|  |  |  |  |  |  |  |  |  |  |

**TIMETABLE – STRATEGIC, SERVICE AND FINANCIAL PLANNING 2017-20 APPENDIX 3**

|  |  |  |
| --- | --- | --- |
| **Date** | **Responsibility** | **Details** |
| 06-Oct-16 | Policy & Resources Committee | 2016/17 Period 4 Budget Monitoring report  |
| 07-Oct-16 | PIDs for Revenue and Capital growth items closes | All PIDS added to group share folder by this date |
| 12-Oct-16 | PID scoring meeting | PID scores to go to Committees during November |
| 18-Oct-16 | Draft Service Plans Management Board |  |
| 18-Oct-16 | Council |   |
| 24-Oct-16 | Strategic Service Review Working Party |   |
| 08-Nov-16 | Policy and Resources Committee |   |
| 15-Nov-16 | Strategic Service Review Working Party |   |
| 15-Nov 16 | Sustainable Development, Planning and Transport Committee | Review draft service plans. 2016/17 Quarter 2 (Period 6) Budget Monitoring report  |
| 30-Nov-16 | Leisure, Wellbeing and Health Committee |
| 01-Dec-16 | General Public Services & Community Safety Committee |
| 05-Dec-16 | Policy and Resources Committee |
| 13-Dec-16 | Council | 2017/18 Council Tax base agreed |
| 19-Dec 2016 TBC | Strategic Service Review Working Party TBC |   |
| 23-Jan-17 | Policy and Resources Committee | Draft 2017-2020 Medium Term Financial Plan |
| 30-Jan-17 | Strategic Service Review Working Party |   |
| 21-Feb-17 | Council  | 2017-2020 Medium Term Financial Plan approved |
| 21-Feb-17 | Council Tax Setting Committee | Council Tax for 2017/18 approved including Parishes, HCC and Police |
| 09-Mar-17 | General Public Services and Community Safety Committee | Final service plans approved |
| 14-Mar-17 | Sustainable Development, Planning and Transport Committee |
| 20-Mar-17 | Policy and Resources Committee |
| 22-Mar-17 | Leisure, Wellbeing and Health Committee |