

**REPORT OF THE HEAD OF FINANCE**  
**TO THE EXECUTIVE**  
**5 OCTOBER 2007**

**Budget setting process 2008/09**

**1.0 Introduction and Report Summary**

- 1.1 Following the creation of the finance shared services partnership there is a need to develop common practices across the Council's and South Oxfordshire District Council's (SODC) finance function to ensure operational efficiencies are realised. This report proposes a harmonised approach to budget setting.
- 1.2 The report sets out the four stages the budget setting process will follow.
- 1.3 The contact officer for this report is William Jacobs (Head of Finance) telephone (01235 540455). **Email address William.jacobs@ridgeway-ssp.gov.uk.**

**2.0 Recommendations**

- (a) *That the budget setting process as detailed in this report and summarised in the timetable at appendix 1 is approved by the Executive.*
- (b) *That the Executive delegate authority to the Head of Finance in consultation with the Portfolio Holder for Finance to develop virement and supplementary estimate procedures appropriate to the budget setting process.*

**3.0 Relationship with the Council's Vision, Strategies and Policies**

Sound financial management underpins the delivery of all the Council's Vision, strategies and policies. A robust and timely budget setting process contributes towards this.

**4.0 Budget setting**

- 4.1 Following the creation of the finance shared services partnership there is a need to ensure common practices across the VWHDC's and SODC's finance function. This is of particular importance within accountancy where robust, effective and logical processes are needed across a range of tasks where staff will be working on behalf of both councils on potentially complex issues.
- 4.2 Currently the two authorities have distinctly different budget setting processes. It is proposed that for the 2008/09 budget build exercise as carried out by officers will be harmonised. This will result in standard outputs. The political decision making process however will be unique to each authority.
- 4.3 There is a need for a wide range of people across two authorities to understand the process and so it is proposed that terminology used is kept as simple and self explanatory as possible.

- 4.4 At VWHDC the future year's budget setting process is intrinsically linked to the revision of the current year's budget. This is not a common practice across local government where it is more usual to build both a revised estimate and the future year's estimate from a starting position of the current year's original budget.
- 4.5 Additionally, the value of the current year's revised estimate has been significantly reduced with the introduction of a more regular budget monitoring regime. In the past the revised estimate was the main indication of the likely year end outturn position, but now such an estimate is produced monthly as a result of budget monitoring. The production of a revised estimate is not a legal requirement and it has no legal standing. The Council's constitution allows for budget virements and it is the resulting budget, known as the latest budget (the original budget plus approved changes), that officers have authority to spend against. It is proposed therefore to no longer prepare a revised budget.

## **5.0 Budget setting timetable**

- 5.1 The proposed budget setting timetable divides the budget setting process into four distinct phases as follows:
- i) Stage 1 – gathering of base data and the production of a standstill budget.
  - ii) Stage 2 – consolidate the standstill budget and share with the Executive.
  - iii) Stage 3 – budget proposals issued for consultation.
  - iv) Stage 4 – Final budget proposed and approved.
- 5.2 **Stage 1 (ends 12 October 2007)** – Officers prepare a standstill budget. A standstill budget is an estimate of the cost of providing the current level of service at the current standards in 2008/09. It will also include all savings that can be realised and any growth that officers believe is unavoidable, i.e. new expenditure over which members have no discretion. During this period deputy directors will be asked to identify other cost reduction ideas (CRI) and discretionary growth.
- 5.3 **Stage 2 (15 October – early December 2007)** – During this stage the process of informing members starts. The standstill budget, CRIs and growth bids are shared with the directors group and Executive members to prompt a discussion about the issues to be faced. The Executive member for Finance will work through the higher level detail to gain a thorough understanding of the overall need for further savings or scope for growth.
- 5.4 **Stage 3 (mid December 2007 – Mid January 2008)** – The Executive will issue its budget proposals for consultation. The report will include details of the standstill budget, expenditure added as unavoidable growth, CRI and discretionary growth bids. It will also include the Government's initial estimate of the grant support the council is likely to receive in 2008/09 (known as the 'provisional settlement'). Non-Executive Members will be able to question the Executive on its proposal either informally, by lobbying, or formally, by way of a Scrutiny committee.
- 5.5 Also during this stage a business breakfast meeting will be held to allow the business community to be consulted on the Executive budget proposals.
- 5.6 **Stage 4 (February 2008)** – The Executive will propose its final budget to Council. Council sets a budget.

5.7 The timetable attached at appendix 1 provides further details.

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