

Chichester District Council

Corporate Governance & Audit Committee

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Establishment of a Budget Review Group

1. Contacts

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2. Recommendation

- 2.1 That Corporate Governance & Audit Committee recommend to Cabinet the setting up of a Budget Review Group, and the Terms of Reference as set out in Appendix 1 of the report.**

3. Background

- 3.1 The Council identified in its approved Financial Strategy in November 2022, that there was an underlying funding gap that would need to be addressed in the medium term. This position has been kept under review, but the situation remains that the Council needs to address this funding gap to ensure compliance to the Council's statutory obligation to set a balanced budget.
- 3.2 In line with the Council's key financial principles, forward planning is key to being able to make considered decisions rather than reactive ones in seeking to address any estimated funding gap.
- 3.3 The Council has a good record for achieving efficiency savings and increasing income opportunities. The last efficiency programme was created in 2021 due to the impact that COVID had on the Council's finances. At that time a target to achieve £1.570m was agreed by Full Council, and we remain on course to deliver the full amount during the current financial year 2023-24. However, further uncertainties in government funding, higher than anticipated inflation and some service specific cost pressures mean that a forecast structural deficit from 2026-27 is expected to materialise unless action is taken. It is therefore proposed that a budget review group be created to help the Council plan its response.

4. Outcomes to be Achieved

- 4.1 To ensure that the Council has developed options available to address the estimated funding gap in the medium term, and inform the annual budget setting exercise.
- 4.2 To return the Council to a balanced budget without the ongoing use of reserves, to ensure the long-term sustainability of the Council's finances, and the affordability of its spending plans. Maintaining an adequate level of reserves to mitigate the impact of any emergencies or need in the future.

5. Proposal

- 5.1 It is recommended that a Budget Review Group, made up of key Members and Senior Officers should be formed to review and scrutinise the Council's current spending, and develop a prioritisation tool which aids the identification of options of either efficiency savings or new income generation opportunities to address the estimated funding gap. Appendix 1 sets out the proposed Terms of Reference for the Group.
- 5.2 Since the current financial forecast indicates that the Council will be able to set a balanced budget for 2024-25, the proposed review process will focus on identification and selection of options in preparation of the 2025-26 budget and beyond. This will allow members to take a measured approach working up options that can be deployed in the future as and when necessary. The Council already has an approved prioritisation process to aid members in the assessment of new projects that come forward at any time. The review group will be tasked with reviewing that process to further develop and improve it. The outcome of the work undertaken by the Budget review Group will influence future Financial Strategies and the relevant annual budget cycles over the life of the new administration of the Council. It will also aid the development of the Corporate Plan objectives and influence the key strategies and policies of the Council.

6. Alternatives Considered

- 6.1 To do nothing to address the estimated funding gap could mean that the Council would not be fulfilling its legal obligation to set a balance budget and having spending plans that are unsustainable. This would be contrary to the Council's Financial Strategy and key financial principles. Any inaction would also be considered by the Council's appointed external auditors as part of their annual review for both Value for Money assessments and the financial stability of the Council.

7. Resource and Legal Implications

- 7.1 The proposal to establish the Budget Review Group as set out in Appendix 1 will have no new resource or legal implications. The recommendations from the Group will need to consider their resource and legal implications as necessary.

8. Consultation

- 8.1 This proposal to set a Budget review Group has been considered by the Strategic Leadership Team (SLT) and informally with the Cabinet.
- 8.2 Corporate Governance and Audit Committee are asked to consider the proposal and make recommendations to Cabinet.
- 8.3 Future consultations of the outcome of the Group's findings and recommendations may require community input, or for some service areas, consultation.

9. Community Impact and Corporate Risks

- 9.1 The work of this Group will enable the members to have an in-depth awareness of the impact of the options and ideas identified to address the estimated funding gap on the community and the Council's priorities.
- 9.2 Any proposals for changes in services or service delivery will undergo the relevant impact assessment as part of the decision make process.
- 9.3 The work from the Group will have an impact of the strategic risk of Financial Resilience. The proposal of this report is to mitigate the risk on financial stability, thereby fulfilling the Council's obligation to set a balanced budget.

10. Other Implications

	Yes	No
Crime and Disorder		X
Biodiversity and Climate Change Mitigation		X
Human Rights and Equality Impact		X
Safeguarding and Early Help		X
General Data Protection Regulations (GDPR)		X
Health and Wellbeing		X
Other (please specify) The overall financial resilience of the Council will be impacted by the work of this Group.	X	

11. Appendices

- 11.1 Appendix 1 – Draft Terms of Reference.

12. Background Papers

- 12.1 None.