

Committee:	COUNCIL	Agenda Item No.:	9
Date:	12 th December 2012	Status	Open
Subject:	Revised Budget 2012/13		
Report by:	Assistant Director – Accountancy and IT. Chief Accountant		
Other Officers Involved	Principal Accountant		
Director	Director of Resources		
Relevant Portfolio Holder	Councillor E. Watts, Leader of the Council.		

RELEVANT CORPORATE AIMS

STRATEGIC ORGANISATIONAL DEVELOPMENT – to continually improve the efficiency and effectiveness of all Council Services by maximising the potential use of Council resources

TARGETS

All.

VALUE FOR MONEY

This report is intended to ensure that the Council has in place an appropriate framework for agreeing and managing the budget. A robust budget process is an essential foundation for securing Value for Money.

1 Purpose of Report

- 1.1 To inform Cabinet of the outcome of the revised budget process undertaken during October and November 2012 and to seek approval for the revised budget for the General Fund in respect of 2012/13.

2 Background Information

- 2.1 Officers commenced the budget process in October 2012 in order to establish the revised budget figures for the current year (2012/13) and to provide an early indication of the financial position of the General Fund in respect of 2013/14 prior to the Government Grant settlement details being received in December.
- 2.2. With regard to the General Fund it was particularly important to commence the Revised Budget process earlier than is normally the case given that there remain outstanding savings of £0.2m which need to be identified before the year end. Early agreement to the Revised General Fund budget for

2012/13 will ensure that all budget managers are working to the revised budgets in the General Ledger and in the provision of their services. This will allow any identified savings to be captured. Given the extent of the financial pressures that will continue to face the Council over future financial years it is essential that the budget in respect of the current financial year is managed in a manner that will assist the Council in addressing the pressures that will arise from the Comprehensive Spending Review.

- 2.3. As part of the process of improving budgetary management the half year monitoring arrangements stripped out accounting recharges from the position reported to Members. While it is necessary to recharge these costs at the year end to ensure the Council's accounts are prepared in line with statutory requirements, for the purpose of budget monitoring the Council's finance team consider that it is more appropriate to report the position prior to recharges. This helps ensure that cost centre managers are only accountable for those elements of the Council's budget which are under their direct control. The original budget was, however, agreed on the basis that recharges were included and therefore there are some significant differences between the Original and the Revised budgets which reflect the removal of recharges rather than any movement in underlying expenditure. Full detailed budgets are available for Members should they wish to review the detailed changes between the Original and the Revised budgets.
- 2.4. A further change in accounting treatment which has also previously been reported to Members is that where expenditure is being funded by earmarked reserves this expenditure is reported as expenditure in the Income and Expenditure account which is then funded by the use of earmarked reserves. This change in policy explains the increased contribution from Earmarked Reserve and holding accounts which is offset by a corresponding increase in reported expenditure.

3 Issues for Consideration

- 3.1 The revised budget process is now complete and the proposed revised budget for 2012/13 for the General Fund is attached at **Appendix 1**. The appendix shows the Original Budget for 2012/13 which was agreed in March 2012 against the proposed Revised Budget for 2012/13. The revised budget shows that total net expenditure remains at some £9.640m, but the Savings to be Identified line has now fallen from a position of £975,353 to one of £9,769. The reduction reflects the savings that have been delivered and implemented by officers during the current financial year, together with the steps that have been taken to reduce all non employee budgets wherever that is feasible.
- 3.2. Officers will continue to work towards identifying the remaining amount of £9,769 in order to secure an outturn position which is in line with that set out within the Original General Fund budget. While the original budget required the use of £0.520m of Transition Grant it crucially did not require the use of any General Fund balances, and therefore assisted in moving the Council into a more sustainable financial position. In certain areas individual budgets have been marginally increased to offset cost pressures and service requirements. Budget managers have been consulted and are in agreement with the budget changes that are proposed within this report. In terms of

the exercise that has been undertaken in order to develop the revised budget officers have worked to the principle that agreed service levels and standards to local residents will be maintained. **Appendix 2** shows the proposed revised budgets at cost centre level.

- 3.3. In comparing the position reported in the original budget against the Revised Budget as set out within the attached Appendices there are two issues that need to be considered which are set out in the sections below.
- 3.4. With regard to specific changes within the budget there are two areas where officers consider it appropriate to bring these specifically to the attention of Members. In the first instance it is proposed to increase the budget of the contact centres by £10,000 in respect of the current financial year in order to enable the employment of a total of 4 part time cashiers on a temporary basis until the end of the current financial year. It is proposed to bring these additional staff into the contact centre to reflect the fact that the contact centre is currently experiencing a significant increase in the incidence of long term sickness. Officers consider that the proposed temporary staff will support performance levels over this period, while providing the contact centres additional capacity during the period leading up to the introduction of some significant welfare reforms in April 2013 which it anticipated will have a significant impact upon call levels. Secondly, it is proposed that £25,000 will be allocated to fund a comprehensive condition survey in respect of the Council's General Fund properties. This will allow the Council to give informed consideration to its Asset Management Plans and to the level of capital expenditure which will be required over the coming years. The Asset Management Plan costs will be partially funded by a reallocation of property maintenance budgets where some offsetting savings have been identified.
- 3.5. Officers will continue to monitor the position in respect of 2012/13 given that the resources available to non employee budgets are significantly reduced below those in previous financial years. The development of the Revised Budget has, however, enabled the Council to anticipate an outturn position in line with the Original Budget in respect of 2012/13. Given that the Council commenced this financial year with a savings target of £0.975m this marks significant progress in addressing the issues raised by the ongoing reductions in the level of central government financial support arising from the Comprehensive Spending Review.

4. 2013/14 Original Budget

- 4.1. In addition to developing a revised Budget in respect of 2012/13 Officers have at the same time undertaken the work necessary to prepare a roll forward budget in respect of 2013/14. At this stage the grant settlement in respect of 2013/14 has not yet been announced and the latest information available suggests that the details at individual authority level will be available on the 19th December 2012. Given that the grant figure is not yet available Officers have taken the view that there would be little purpose served by providing details in respect of the roll forward expenditure budget for 2013/14. It is, however, clear that there will be significant grant reductions for all local authorities with a potential grant reduction of up to 13% being discussed by

commentators. The authority has currently allowed for a grant reduction of 5% in its Medium Term Plan which results in an indicative shortfall of £0.6m. Given the extent of the grant reduction that is now being discussed the projected savings target for next year will if anything increase and clearly under any scenario the Council will be required to implement some significant expenditure reductions.

- 4.2 While the grant settlement is likely to be worse than has been allowed for in the Medium Term Financial Plan many of the budget savings identified as part of the revised budget process will continue into future years and will contribute towards meeting the savings target for 2013/14. Despite these ongoing savings there will almost certainly be a requirement to identify and implement further measures at the earliest opportunity in order to achieve a balanced budget in respect of 2013/14. Council should note that this is likely to incur restructuring costs in delivering the savings. Any such restructuring costs are not included within the revised budget proposed and it is currently envisaged that any such costs will be met – subject to the approval of Council – from transition funding.
- 4.2. Officers are currently planning that a report setting out the budget position in respect of 2013/14 will be prepared for consideration by Members in January 2013. While Officers have undertaken the work necessary to provide a roll forward expenditure budget given the timing of the grant settlement (December 19th 2012), January is the earliest date at which Officers will be able to provide an overview of the position. In light of the above the Council's Medium Term Financial Plan is almost certain to be balanced by way of a "Savings to be Identified" figure which will be incorporated within the new Medium Term Financial Plan 2013/14 to 2015/16. The full Medium Term Financial Plan will be brought to Members for consideration in February 2013. In developing our proposals for savings there will be full consultation with Elected Members to ensure that any savings proposals have Member support.

5 Legal Aspects

- 5.1 There are no legal issues arising directly from this report.

6 Risk Management

- 6.1 The issue of Financial Risk is covered throughout the report. In addition, however, it should be noted that the risk of not achieving a balanced budget is outlined as a key risk within the Council's Strategic Risk Register. While officers are of the view that these risks are being appropriately managed it needs to be recognised that continued reductions in budgets means that it will become more difficult to absorb any adverse variances arising from particular issues or pressures within approved budgets.

7. Policy and Performance

- 7.1 This report is intended to agree the revised budgets for the General Fund for 2012/13. In turn they will allow progress to be made in achieving the objectives set out in the Council's Corporate Strategies. The achievement of the targets set out in the Medium Term Financial Plan is therefore crucial for achieving against a range of key policy issues.

8 Financial Implications

- 8.1 Financial issues and implications are covered in the relevant sections throughout this report.

9 Reasons for Recommendations

- 9.1 To set revised budgets at an early stage of the 2012/13 financial year for the General Fund, which will ensure that identified budget savings are realised and that all budget managers are working to the revised budgets.

10 Recommendations

- 10.1 It is recommended that Council approves the Revised General Fund budget for 2012/13 as set out in appendix 1 and detailed in appendix 2, to include the additional expenditure in respect of the contact centre and property surveys.