

Committee:	Executive	Agenda Item No. 8
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Subject:	Budget Process for 2012/13	
Report by:	Director of Corporate Resources	
Other Officers: Involved	Assistant Director of Corporate Resources/Chief Accountant	
Director:	Director of Corporate 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 part of the budget process which challenges existing spending levels to ensure that resources are effectively used and directed towards the delivery of the Corporate Aims.

1 BACKGROUND:

- 1.1 The Medium Term Financial Plan was approved at Council on the 15th February 2012. It was agreed at that stage that budgets and progress against the savings target would be reported back to Members on a regular basis. The first of such reports was taken to Executive at its meeting of 2nd April 2012 and this report provides a further update regarding progress concerning the achievement of the budgeted level of savings. While there is clearly a significant time lag between the April 2012 report and this report to Executive Committee in August 2012 an interim report was not considered to be appropriate due to the fact that in previous months there have been some significant uncertainties regarding the position in respect of the agreed savings targets. These have now largely been resolved and the position as set out within this report should be a good indication of the likely outturn position in respect of our achievement of financial savings.

- 1.2 A report elsewhere on this agenda outlines the outcome of the budget monitoring exercise which has been conducted at the end of the first quarter of the 2012/13 financial year. It is helpful to consider this report alongside that concerned with budget monitoring.
- 1.3 In addition to considering the budget in respect of the current financial year this report also sets out the position in respect of 2013/14 and future financial years. The Medium Term Financial Plan had forecast a shortfall of £0.628m in respect of 2013/14 on the basis that all of the targeted savings in respect of 2012/13 were fully secured to help address the ongoing impact of the Comprehensive Spending Review on the Council.

2 GENERAL FUND BUDGET POSITION

- 2.1 The financial savings as agreed by Council in February 2012 are set out within the Medium Term Financial Plan as follows:

Summary of Identified Savings

Proposal	2012/13	2013/14
	£000's	£000's
Vacancy Saving (inc disestablishment of posts)	250	250
Environmental Health Review	100	180
Head of Service Review	120	120
Garage and Fleet Review	50	50
Other Strategic Alliance Reviews	150	150
Remove allowance for Pay Award	101	101
Reduction in non employee budgets	204	200
Essential Car User Review	0	200
Savings to be Identified	0	628
Overall Savings Target	975	1,879

- 2.2 The sections below provide a brief summary of the progress that has been secured in achieving each of the above savings:
- 2.3 **Vacancy Savings £0.250m:** These need to be secured during the course of the financial year by an on going process of vacancy management. In the first instance it is important to note that there have been relatively limited opportunities for achieving savings. This reflects the fact that turnover rates amongst staff have declined reflecting the wider position within the national economy. Where posts have become vacant they have generally been in areas where not to recruit to the post would have a direct impact on front line services, or would result in a corresponding loss of resources to the Council. On the basis of the evidence to date £105,000 of actual savings were identified in the first quarter of which £20,000 related to a saving which has been assumed with the Corporate Services saving target.

On the basis of current trends and given that the position as at August has not changed significantly from that as at the end of the first quarter an overall saving level of £100,000 would seem to represent a prudent and reasonable assumption for the full financial year.

- 2.4 **Environmental Health Review £0.1m:** A Joint Service has now been instituted between Bolsover and North East Derbyshire as part of the Strategic Alliance which should generate the savings agreed within the budget. A revised establishment structure is currently out for formal consultation and this is a key strand in the strategy of achieving the agreed level of savings. Interim measures that have been put in place to reduce costs pending the introduction of the new structure should, however, assist in achieving financial savings. With the structure only being implemented part way through the current financial year the profile of the savings will be below the budgeted saving. It is anticipated that the savings in 2012/13 will now be £0.035m. While the figure of £0.180m is still being assumed in respect of 2013/14 this will be kept under review given the limited progress that has been made to date.
- 2.5 **Head of Service Review £0.120m :** The detailed recommendations required in order to implement this restructure and achieve the appropriate savings were agreed by both Council's on the 28th March 2012, and the process of implementation has now effectively been concluded. Officers are now in the process of making the budget adjustments which are necessary to reflect these managerial changes and have calculated that the savings will be £0.150m. Given that the costs of restructuring will be charged against the Transitional Grant available to the Council full year revenue savings will be secured in respect of 2012/13.
- 2.6 **Garage and Fleet Review £0.050m:** The outcome of this review has been formally approved by Members and is in the process of implementation. The majority of the savings arise, however, from the implementation of MOT testing. While good progress is being made in implementing these changes they do require a range of formal approvals and notifications which result in a longer timeframe for implementation. Ultimately a combination of increased income and reduced costs will save Bolsover just under £0.040m in a full year. Realistically in the current year this is only likely to yield £0.020m.

In addition to the savings resulting from the introduction of MOT testing potential savings in management costs and vehicle management arrangements have been identified which officers will give further consideration to once the MOT testing arrangements are in place.

- 2.7 **Other Strategic Alliance Reviews £0.150m:** This consists of a Corporate Services Review and a Street Scene review. With respect to the Corporate Services Review the following savings have been identified:

Corporate Services Savings	£000's
Corporate Training Budgets	28
Secondment of Monitoring Officer / Strategic Alliance.	32
Legal & Other Maternity Leave	30
Reduced Costs of Shared Services (Procurement / Internal Audit)	5
Total (Target £100k)	95

While the current figures are marginally below the identified target of £0.100m it should be noted that it is anticipated that all of the identified savings will be achieved in the current financial year. For future financial years, however, the savings achieved will reduce to a figure of £0.065m per annum. It is therefore recommended that Management Team be tasked with identifying further efficiencies to meet this savings target with respect from 2013/14 onwards.

- 2.8 **Street Scene Review :** Significant progress has been made in respect of the Street Scene review and a detailed report on progress to date will be brought to Members in the near future. In the current financial year it would be reasonable to assume that savings of £25,000 will be achieved if Members are of the view that it would be appropriate to move to achieve the financial savings which are currently available.
- 2.9 **Remove Allowance for Pay Award £0.1m :** On the basis of announcements from the employers side it is unlikely that any national pay offer will be made by the employers in respect of 2012/13. Accordingly this provision has been removed from the approved budget.
- 2.10 **Reduction in Non Employee Budgets £0.204m:** The accountancy team have undertaken a desktop review of all General Fund budgets considering in particular the adequacy of budgets against the level of actual expenditure incurred in 2011/12. This has indicated there are a range of budgets which should either be reduced to reflect potential savings or increased to reflect cost pressures. Full details of this exercise are set out in the first quarters monitoring report which appears elsewhere on this agenda. In summary changes are recommended which should secure net savings of £0.158m. The budget monitoring also identified savings in respect of interest rates which should secure further savings of £0.108m. Taken together these will secure an overall level of efficiency savings of £0.266m which should also be achievable in respect of 2012/13. These will, however, be partially offset by the fact that £28,000 of the savings have already been assumed within the Corporate Services savings. Given the significance of the scale of the changes in the Council's budgets it is considered appropriate that they be reported to and approved by Council. Given the importance of securing the underlying savings the Chief Financial Officer has instructed that the changes should be actioned in the ledger with immediate effect in order to ensure that officers are working to these budgets at the earliest opportunity.

Prior to a report being taken to Cabinet on the 16th September cost centre managers will be given the opportunity to make representations concerning the budgets that have been amended, which will be subject to the consideration of the Budget Working Group. The position will continue to be actively monitored and where necessary further adjustments to budgets will be recommended to Executive and or Council as is appropriate. Subject to the agreement of Executive it is recommended that the proposed budget changes should be reported to Council for approval at its meeting of 16th September.

- 2.11 While good progress is being made against all of the above targets it should be noted that the inevitable delay in implementing agreed policies means that full year savings will not be achieved in all areas. Future reports to Members will provide a more detailed analysis of the savings that will be secured in both 2012/13 and future years as the implementation of each stage is completed.

3 OVERVIEW IN RESPECT OF POSITION CONCERNING SAVINGS

- 3.1 The progress that has been made in securing our savings target is summarised in the table below. While further work remains to be done to secure certain of these savings officers are of the view that the assumed level of savings is a prudent one. In summary the details provided indicate that by the end of the current financial year the Council will be £0.2m short of securing its agreed savings target and budget. This figure is in line with that arrived at within the first quarters monitoring report.

A summary of the position in respect of the 2012/13 savings target is set out in the table below:

Proposal	2012/13 Target	2012/13 Projected	2013/14 Target	2013/14 Projecte d
	£000's	£000's	£000's	£000's
Vacancy Saving (inc disestablishment of posts)	250	100	250	100
Environmental Health Review	100	35	180	100
Head of Service Review	120	150	120	150
Garage and Fleet Review	50	20	50	67
Other Strategic Alliance Reviews : Corporate Services	100	95	100	60
Other Strategic Alliance Reviews : Street Scene	50	25	50	50
Remove allowance for Pay Award	101	101	101	101
Reduction in non employee budgets (inc interest savings)	204	238	200	183
Essential Car User Review	0	0	200	200
Clowne Relocation	0	0		100
Savings to be Identified	0	211	628	768
Overall Savings Target	975	975	1,879	1,879

4 POSITION IN RESPECT OF 2013/14

- 4.1 The earlier sections of this report have been concerned with the position in respect of the current financial year (2012/13). On the basis of the figures given in the table (above) if the Council is able to secure the full level of currently assumed savings in respect of 2012/13 then we will have a budget deficit of some £0.2m at the year end unless other measures are put in place.
- 4.2. The Table given in 3.1 indicates that in overall terms the Council will be in a position to benefit from the full level of £0.975m of 2012/13 savings in 2013/14. That will leave the Council with an issue of securing further indicative savings of £0.7m for the next financial year (2013/14). While that figure obviously has a range of uncertainties around it including the fact that the level of Government Grant will not be released until November or December 2012, it needs to be recognised that it is clear that this and all other District Council's will need to achieve significant financial savings for next financial year.
- 4.3 Given the requirement to achieve savings in respect of both the current and next financial year the Senior Alliance Management Team has been requested by the Budget Working Party to identify a range of savings for consideration by the next meeting of this Executive on 26th September 2012. The intention of this process is that the Council will begin the process of identifying and agreeing savings in order to secure the savings of £0.2m necessary to balance the budget in 2012/13, together with savings of £0.5m as a contribution towards the savings requirement in respect of 2013/14.
- 4.4 This report effectively commences the Council's budget process in respect of 2013/14 and an indicative timetable is given below. The key target dates for agreement of the budget are set out in the table below:

Target	Event / Date
SAMT proposals concerning savings options brought to Executive for consideration. Where appropriate Consultation process commences.	26 th September 2012 (Executive)
Outcome of Consultation Process, etc reported back to Executive	22 nd October 2012 (Executive) / 19 th November 2012 (Executive)
Budget Scrutiny	26 th November 2012
Second Quarters Budget Monitoring / MTFP Update to Executive (Budget)	10 th December 2012
Government Grant Settlement	December 2012
Council	12 th December
Updated MTFP to include Grant Figures, draft Expenditure Budgets and savings proposals.	January 2013 Executive, Scrutiny Committees, Council).
Council (MTFT / Budget)	13 th February 2013
Special Council (Council Tax)	1 st March 2013

It should be noted that as part of the budget process regular updates will be taken to both Executive and Audit Committee.

5 RECOMMENDATIONS

- 5.1 That Executive notes the report and the progress that has been made in achieving the agreed level of savings in the budget in respect of both the current (2012/13) and future financial years.**
- 5.2 That Executive agrees the proposals as set out within the report concerning a process to achieve further savings to assist in balancing the budget position in the current financial year where a shortfall approaching £0.2m has been identified, and in future financial years where an indicative shortfall of £0.7m has been identified in respect of 2013/14.**
- 5.3. That Executive requests a report detailing the proposals of SAMT concerning the achievement of the savings outline in paragraph 5.2 (above) be brought back to the next meeting of this Committee on 26th September 2012.**
- 5.4. That the Budget Working Group considers any requests for the reinstatement of budgets provisionally removed as part of the process of securing the targeted level of savings from non employee budgets.**
- 5.5. That the position as set out within this report be reported to Council at its meeting of 19th September 2012.**