

<b>DECISION-MAKER:</b>	CABINET COUNCIL
<b>SUBJECT:</b>	CHANGES TO EXISTING REVENUE AND CAPITAL BUDGETS
<b>DATE OF DECISION:</b>	10 JULY 2012 11 JULY 2012
<b>REPORT OF:</b>	CABINET MEMBER FOR RESOURCES
<b>STATEMENT OF CONFIDENTIALITY:</b>	
NOT APPLICABLE	

**BRIEF SUMMARY:**

The purpose of this report is to outline proposed variations to the Budget for 2012/13 in response to the priorities of the new Executive whilst recognising the financial challenges facing Local Government and to set out further savings in advance of the budget for 2013/14.

Consultation will be undertaken on these savings proposals and the results will be reported alongside the Executive's final proposals which will be presented to Cabinet in September and recommended to Council on 12 September 2012.

Further proposals may be brought forward to Cabinet and Council if appropriate throughout the course of the year in order to continue to effect change at the earliest opportunity and ensure timely delivery in keeping with the principles of sound financial management.

**RECOMMENDATIONS:**

Cabinet recommends Full Council to:

- (i) Approve one-off expenditure of £240,000 in 2012/13 set out in Appendix 1 to be funded from balances.
- (ii) Note the high level forecast for the General Fund for 2013/14 as detailed in paragraphs 13 to 16.
- (iii) Note the Executive's proposals for efficiencies and service reductions which are put forward for consultation and are set out in Appendix 2.
- (iv) Note that formal consultation on the proposals as set out in Appendix 2 will now commence with trades unions, affected staff and any people or organisations affected by the proposals to ensure all options have been considered.
- (v) Delegate authority to the Chief Financial Officer (CFO) following consultation with the Cabinet Member for Resources to do anything necessary to give effect to the recommendations in this report.

That Full Council:

- (i) Approve one-off expenditure of £240,000 in 2012/13 set out in Appendix 1 to be funded from balances.
- (ii) Note the high level forecast for the General Fund for 2013/14 as detailed in paragraphs 13 to 16.
- (iii) Note the Executive's proposals for efficiencies and service reductions which are put forward for consultation and are set out in Appendix 2.
- (iv) Note that formal consultation on the proposals as set out in Appendix 2 will now commence with trades unions, affected staff and any people or organisations affected by the proposals to ensure all options have been considered.
- (v) Delegate authority to the Chief Financial Officer (CFO) following consultation with the Cabinet Member for Resources to do anything necessary to give effect to the recommendations in this report.

#### **REASONS FOR REPORT RECOMMENDATIONS:**

1. The recommendations have been put forward to ensure that the operating budget for 2012/13 reflects the priorities of the Executive and to ensure that proposals are advanced as early as possible as part of the budget process for 2013/14.
2. The current medium term financial forecast highlights the challenges facing the Authority. This combined with the potential impact of reductions in future funding levels for Local Government and a continuing weak economic position make it imperative that proposals for 2013/14 onwards are developed and savings achieved as early as possible.

#### **ALTERNATIVE OPTIONS CONSIDERED AND REJECTED:**

3. The option to not consider changes to existing revenue and capital budgets is not compatible with the need to ensure effective and robust financial planning given the financial challenges facing the Authority. There are almost limitless options that can be applied to budget changes in the year most of which are driven by political priorities. In formulating the final options to present in this paper the Executive have taken into account the relevant impact of all options that were under consideration and as a result some have not been progressed.

#### **DETAIL (Including consultation carried out):**

##### **CONSULTATION**

4. Where new proposals have been put forward these have been subject to consultation with the Management Board of Directors and relevant Cabinet Members.

5. Consultation will be undertaken with trades unions and staff affected by the proposals in line with the agreed HR policies.
6. Full consultation will be undertaken with any people or organisations affected by the proposals to ensure all options have been considered.

### **EQUALITY IMPACT ASSESSMENT**

7. The Equality Duty is a duty on public bodies which came into force on 5 April 2011 and requires the Council to show that it has 'had regard' to the impact of its decisions on its equality duties and the need to advance equality of opportunity between people who have protected characteristics and those who do not.
8. While the Equality Duty does not impose a legal requirement to conduct an Equality Impact Assessment (EIA), it does require public bodies to show how they considered the Equality Duty and that they have been consciously thinking about the aims of the Equality Duty as part of the process of decision-making. To comply with these requirements as well as the Community Safety legislation, the Council has used its existing Impact Assessment framework so that it can ensure the use of a consistent, council wide mechanism to evidence how decision making took into account equality and safety considerations.
9. Individual EIAs have been completed by Directors and Senior Managers for those proposals contained in Appendix 2 that they identified require such an assessment, as they could have an adverse impact on a particular group or individuals. The individual EIAs for services delivered by the Council are available in Members' Rooms. For proposals that relate to contractual or commissioning arrangements, further work will be undertaken to assess the impact.

### **SPENDING INITIATIVES**

10. The Executive have been considering additional priorities that they may wish to progress in the current year and have put forward proposals for new one off expenditure in 2012/13 in order to take these forward.
11. Appendix 1 details the new one off spending proposals that have been highlighted for 2012/13 which total £240,000.
12. These initiatives will be funded from balances which subject to the approval of the recommendations contained in the General Fund Revenue Outturn 2011/12 report elsewhere on the agenda will stand at £5.5M. The Chief Financial Officer (CFO) recommends that the minimum level of the General Fund Balance should be £5.0M, which has been derived by looking at a risk-based approach to the overall General Fund Revenue Account and after funding these one off spending proposals they will reduce to £5.3M.

## HIGH LEVEL FORECAST 2013/14 to 2015/16

13. The medium term financial forecast presented to Council in February 2012 highlighted the challenges facing the Authority. The position for 2013/14 and 2014/15 based on a 2.5% Council Tax increase are forecast budget gaps of £30M and £46M respectively after allowing for potential pressures the council may face.
14. This forecast has been further developed and extended to maintain a three year planning horizon.  
Whilst no figures have been released for 2013/14 onwards, it has been assumed for planning purposes that further reductions in grant funding of 7% per annum will be made and this indicates that the council faces a cumulative budget gap of £60M by 2015/16.
15. The savings proposals approved in February 2012 have been implemented and the incremental increase in a number of these savings proposals serves to reduce the gap in future years as shown below:

	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Roll Forward	29,305.5	43,716.2	57,236.0
Unknown Pressures	1,000.0	2,000.0	3,000.0
<b>Published Gap – February 2012</b>	<b>30,305.5</b>	<b>45,716.2</b>	<b>60,236.0</b>
Future Years Impact of February 2012 Approved Savings Proposals	(2,305.0)	(2,490.0)	(2,490.0)
<b>Roll Forward Gap</b>	<b>28,000.5</b>	<b>43,226.2</b>	<b>57,746.0</b>

16. This forecast provides an indication of the likely gap that will be faced by the Council each year, but there remains a significant element of uncertainty in forecasting the position for future years. There are a range of variables which can impact on the budget, and in particular the actual grant funding position for individual authorities will not be known until December 2012. Nevertheless our current assumptions provide the medium term financial forecast set out above to inform the financial strategy for tackling the overall position that is presented for future years.

## OPTIONS FOR SAVINGS

17. The budget setting process within the Council has generally been focused on the final decisions made at the February Council meeting, although in reality the development of the budget is a year long activity.
18. In the past there has been a general tendency to wait until the February meeting before progressing new options for spending and saving which can mean that implementation is delayed until later in the financial year depending on the lead in times required for the different proposals.

19. The scale of the financial challenge facing the Council combined with the potential impact of an ongoing difficult economic position make it imperative that proposals for 2013/14 onwards are developed and savings achieved as early as possible.
20. Appendix 2 sets out savings proposals which have been developed and where possible these will be implemented as soon as practicable in the current financial year, leading to savings of £833,000 in 2012/13 which can be added to balances and utilised to make a one off contribution to reduce the gap in 2013/14.
21. For the majority of the proposals contained in Appendix 2, however, the intention is to take steps during 2012/13 to implement the saving so that they become effective from 1 April 2013 leading to savings of just under £2.0M in 2013/14 rising to just over £2.5M in 2014/15.

### **STAFFING IMPLICATIONS**

22. It is inevitable that when the Council is faced with such a significant funding shortfall, that the savings proposals put forward by the Council will have an impact on staff cost and staff numbers.
23. Aware of this fact, the Council has continued to have in place a carefully planned approach to recruitment, ensuring that vacant posts have only been recruited to where absolutely necessary.
24. Based on the savings proposals contained in this budget report 20.13 FTE posts are affected of which 4.00 are currently vacant and 16.13 are in post and are at risk of redundancy.
25. Through the consultation process the Executive are keen to explore all avenues with the Trade Unions and staff to minimise the level of staffing redundancies. The City Council has an excellent past record of using its redeployment policies to minimise any compulsory redundancies arising out of the budget proposals, and the Executive will seek to strengthen the support for employees who find themselves on the redeployment register as a result of savings implemented as part of the proposals contained in this report.
26. Moving forward, the Executive remain committed to minimising job losses within the Council, and will bring forward proposals to Full Council in September for a revised redeployment policy which it will seek to pilot for any proposed redundancies which arise as a consequence of the proposals contained in this report. The revised policy will also apply to any savings which were agreed for 2012/13 as part of the February 2012 budget, but which have not yet been progressed.

### **BUDGET DEVELOPMENT FOR 2013/14 AND FUTURE YEARS**

27. The savings proposals for 2012/13 and future years will be taken into account in the development of the budget for 2013/14 as part of the approach detailed but early decision making will enable implementation to be progressed in advance of the February 2013 budget meeting.

28. The overall impact of the savings proposals, as set out in paragraphs 20 and 21 above is shown below:

	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Roll Forward Gap (Paragraph 15)	28,000.5	43,226.2	57,746.0
Savings Proposals	(1,997.0)	(2,537.0)	(2,537.0)
Contribution from Balances	(833.0)		
<b>Remaining Gap</b>	<b>25,170.5</b>	<b>40,689.2</b>	<b>55,209.0</b>

29. Given the forecast for future years a fundamental review of all service areas is underway to consider what changes could be made to deliver up to £55M of additional savings over the next three years with £25M to be delivered for 2013/14. Options will be developed by Officers and the Cabinet over the summer period with a view to producing a consultation report for publication in October.

#### **RESOURCE IMPLICATIONS:**

##### **Capital/Revenue:**

30. There are no capital implications and the revenue implications are set out in the report.

##### **Property/Other:**

31. None.

#### **LEGAL IMPLICATIONS:**

##### **Statutory power to undertake proposals in the report:**

32. Local Government Acts 1972, 2000 and 2003 and Local Government Finance Act 1992.

##### **Other Legal Implications:**

33. Not applicable.

#### **POLICY FRAMEWORK IMPLICATIONS:**

34. This report proposes variations to the budget that was approved by Council on 15 February 2012.

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**KEY DECISION?** Yes/No

<b>WARDS/COMMUNITIES AFFECTED:</b>	
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### **SUPPORTING DOCUMENTATION**

**Non-confidential appendices are in the Members' Rooms and can be accessed on-line**

**Appendices:**

1.	Summary of Spending Initiatives
2.	Summary of Efficiencies and Service Reductions

**Documents In Members' Rooms:**

1.	Budget Proposals - Equality and Safety Impact Assessments
2.	

**Integrated Impact Assessment**

Do the implications/subject of the report require an Integrated Impact Assessment (IIA) to be carried out.	Yes/No
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**Other Background Documents**

**Integrated Impact Assessment and Other Background documents available for inspection at:**

Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
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1.	GENERAL FUND REVENUE BUDGET 2012/13 TO 2014/15 – Council 15 February 2012	
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