

Report of the Cabinet Member for Corporate Services

2012/14 Budget Process

Summary

1. The purpose of this report is to provide Cabinet with an overview of the proposed 2012/14 budget strategy, highlighting the key issues in relation to the councils Medium Term Financial Forecast (MTFF).

Background

2. All aspects of the public sector are continuing to face challenging times in light of the Government's commitment to reduce the national deficit as outlined in the Comprehensive Spending Review (CSR) published in November 2010. The CSR provided certainty for the first two years of the spending period, however beyond 2012/13 the position is less certain and could easily change depending on the national financial climate, the outcome of the Local Government Resource review and the council's success or otherwise in delivering current savings proposals.
3. The proposed approach set out in this report reflects the proven methodology for ensuring a robust budget is developed and approved within the statutory timeline. It also introduces a two year budget period to allow for longer term decision making and will cover both capital and revenue.

2012/13 – 2013/14 Budget outline plan

4. The proposed 2012/13 – 2013/14 budget process builds on the success of the changes implemented for the 2011/12 process, including a clearer timeline and earlier planning.
5. Annex 1 contains the plan in the form of a flow diagram. The timeline shows the issuing of this report as the starting point and that over the summer months Directorate Management Teams will be considering their budget pressures and putting together officer proposals to manage the council's overall financial position. The information gathered in this phase will

be fed into a series of meetings with Cabinet members in the lead up to Budget Council in February. Alongside this, the budget consultation commences in September and this is considered further in paragraphs 11 and 12 of this report.

6. As part of the budget process, briefings with Group Leaders, senior managers, unions and all staff will be undertaken. Detailed equality impact assessments will be conducted for any potential proposals, and a full equalities impact assessment will be completed for the overall budget.
7. Final budget reports will be taken to Cabinet and Council in February 2012.

Medium Term Financial Forecast

8. The budget report to Council in February of this year identified that the council faced the potential need to identify savings of around £10m per annum. A more detailed review has identified that the likely level of savings for 2012/13 is £13m, with a further £8m required in 2013/14. The strategy therefore needs to consider proposals that identify approximately £20m over the two year budget period. This assumes that the current programme of savings is delivered during 2011/12
9. The main assumptions underpinning the MTFF are set out in the table below:

	2012/13	2013/14
Council Tax increase	1%	1%
Pay award	1%	2%
Increase in cost of pensions	1%	1%
Reduction in Government Grant	£5m	nil

10. It should be noted that the level of council tax increase is merely indicative at this stage, for financial planning purposes.
11. There continues to be a reduction in specific grants across a range of services. The current assumption is that any reductions in these grants will be met from within the service where the grant loss is experienced.

12. The capital programme will continue to be shown over a five year period, to identify the ongoing capital investment required, along with the revenue funding implications of any increase in the councils borrowing.

Consultation

13. York has traditionally undertaken extensive consultation as part of the annual budget process. Last year this consultation comprised
 - Citizen Survey
 - You Choose
 - Equality Advisory Group
 - Business Community Consultation (statutory)
14. A major consultation exercise will be undertaken this year through the Fairness Commission, which will report to Cabinet in November so that issues can be considered in the budget setting process. This will replace the Citizen Survey and the other forms of consultation listed above will continue to be undertaken.

Resource Review

15. The spending review and subsequent Localism Bill announced a raft of policy changes for Local Government, both in terms of the way services will be provided and how they will be funded. These changes have been consolidated into what is now known as the Local Government Resource Review, a wide ranging assessment of the financing of local authorities across the UK, the results of which will be reported back to the Secretary of State for Communities and Local Government sometime in 2011 with a view to the changes taking effect from 2013/14.
16. The Government recently announced again it's intention to localise business rates. However, they have also made it clear that no authority will receive less funding when the new arrangements are introduced than they would have done previously. As very few authorities actually get back what they put in to the current system, and there would be massive gainers and losers by implementing the straight retention of collected rates, some form of alternative grant funding system or 'pooling' arrangement to protect councils who would lose out is likely to be implemented.

17. It is expected that there will be no immediate financial impact in 2013/14 as other funding streams will be adjusted to ensure that each Authority maintains its current overall funding position. However, there will be future potential for the city to benefit directly from economic activity and development.

Risks

18. There are a number of risks associated with the timetable and the MTF. Externally, there may be further reductions in grants the council receives. If such grants are subject to cuts, late settlement notification will obviously have an impact in terms of reaching a balanced budget. It is therefore imperative that as much work is carried out as early as possible to allow informed judgements to be made should the council lose out on funding. Internally, risk to financial projections exists through both the non-delivery of previously agreed savings programmes, and increased demand for financial resources resulting from changing economic and demographic pressures.

Recommendations

19. It is recommended that Cabinet:

- a) Note the financial position outlined in the report and agree to the proposed budget timetable set out in Annex 1 and the plans to commence budget consultation in September.

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Approved

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For further information please contact the authors of the report

Annexes:

Annex 1 – 2012/13 Budget Process – Outline Timetable

Annex 2 – Medium Term Financial Forecast