

## **2012 – 14 Budget Process**

### **Purpose of Report**

1. The purpose of this report is to provide an overview of the 2012-14 budget process. The report does not consider the budget proposals themselves, but provides an opportunity to consider the principles used in developing the budget.

### **Background**

2. The 2012-14 budget process will be the second and third annual budgets to be set under the current spending review and as such continue to present councils across the country with significant challenges. In York, demand for council services continues to rise against a backdrop of reduced central funding which creates significant financial pressures.
3. As part of the financial planning process, the council maintains a detailed Medium Term Financial Forecast (MTFF) and the latest version shows that savings of £12m are required in 2012/13 and £10m in 2013/14, a total of £22m.
4. A number of significant pressures are driving this savings requirement, not least in 2012/13:
  - i) A significant reduction in the council's Formula Grant settlement of £5m.
  - ii) Continued pay and pension pressures. The council is currently budgeting for prudent pay increases whilst building increased capacity to deal with future changes to the Local Government Pension Scheme.
  - iii) Continuing the increased capacity for waste management in line with the requirements of the PFI project.
  - iv) Meeting the challenges of rising demand for other council services such as social care.

## **Budget Process**

5. Financial planning is embedded within the organisation as a continual process, which ensures financial pressures are dealt with in a timely and appropriate manner. Regular monitoring reports covering both revenue and capital are presented at both Departmental Management Teams (DMT) and the Council Management Team (CMT). These reports identify ongoing pressures and potential areas of under spend in the current financial year. A quarterly update on finance and performance is then presented to Cabinet and scrutiny committees.
6. Over the summer months, DMTs have been reviewing budget pressures and working with the finance team to explore the financial and other implications of a range of proposals. Meetings have been ongoing between officers and Members to formulate final budget proposals that meet the current challenges. These meetings consider the equalities impact of any proposals, along with any impact on customers or staff. A key principle is to protect the most vulnerable with more focused targeting of available resources and, as far as possible, to protect front line delivery of services. Services are continuing to drive out efficiencies, explore partnership and joint working arrangements as well as trying to be creative and radical in looking for solutions.
7. A final set of proposals that form a balanced budget that will be presented at Cabinet on 14 February 2012 before recommendation to Council on 23 February 2012.

## **Capital**

8. Resources available to support new schemes are limited and pressure continues to be placed on the funding of the existing capital plans. As part of the CRAM process new bids are being considered that support the council plan along with a review of all existing approved capital schemes. Extension of rolling programmes for future years are also being considered in line with the 5 year rolling capital programme to ensure capital investment remains available for those priority areas.
9. The capital programme places reliance for funding on prudential borrowing and as such the revenue implications of all schemes are being considered.

## **Consultation**

10. The council's budget process has numerous consultation strands. Equalities advice is being sought, and implications noted, at all stages of the budget planning process. Furthermore, members of the public and business leaders are being consulted in the run up to setting the budget in February.
11. There continues to be extensive consultation with Trade Union groups on the ongoing implications of the council's financial situation via corporate and directorate JCC's.
12. The Fairness Commission released its recommendations on 28 November 2011 and Members will consider their findings as part of formulating their final budget proposals.

### **Council Plan**

13. This report demonstrates that early and comprehensive planning of the budget process is essential to ensure effective management of the Council's resources and delivery of the Council Plan.

### **Implications**

14. The implications are:
  - Financial - the financial implications are dealt with in the body of the report.
  - Human Resources - there are no specific human resource implications to this report.
  - Equalities – there are no specific equality implications to this report, however equalities issues are being accounted for at all stages of the budget process.
  - Legal - there are no legal implications to this report.
  - Crime and Disorder - there are no specific crime and disorder implications to this report.
  - Information Technology - there are no information technology implications to this report.
  - Property - there are no property implications to this report.
  - Other - there are no other implications to this report.

### **Risk Management**

15. There are a number of risks associated with the budget process, in particular with regard to the delivery of the overall savings target over the 2 year budget period. Ongoing monitoring of the financial position will

continue so that any issues are identified, along with mitigating action to ensure a balanced budget position.

## Recommendations

16. Members are asked to note the contents of this report.

Reason: To inform Members of the principles used in developing the 2012-14 budget.

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**Report Approved**



**Date**

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**Wards Affected:**

All



For further information please contact the authors of the report