

REPORT TO EXECUTIVE



DATE	10th December 2012
PORTFOLIO	Resources and Performance Management
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Revenue Budget 2013/2014 – Latest Position and Savings Proposals

PURPOSE

1. To update Members on the latest position reached towards balancing the Council's 2013/14 revenue budget.
2. To outline non-staffing/posts savings to Members for recommendation to full Council.

RECOMMENDATION

3. Members are asked
 - a) to note the latest projected 2013/14 budget deficit figure.
 - b) to recommend approval by full Council of non-staffing/posts savings totalling £820k to assist in balancing the 2013/14 revenue budget (see Appendix 1).

REASONS FOR RECOMMENDATION

4. To progress the preparation of the Council's revenue budget and the setting of the Council Tax for 2013/2014

SUMMARY OF KEY POINTS

5. **Background**
A three-year forward assessment of the revenue budget is provided for under the Council's Financial Procedure Rules. This is a key component of the Council's medium-term financial strategy and is also provided for under the Council's Strategic Plan for 2012/13 covering the period 2012/15. It is now established procedure to present half-yearly reports on the projected revenue budget. Where necessary the projections will be revised and reported upon during the financial year to reflect developments.
6. An initial budget projections report was prepared for Members in Spring 2012 which outlined a £1.8 million revenue budget savings requirement for 2013/14. An updated assessment was undertaken and presented to Members in October which reported an increase in the savings requirement to **£1.955 million**. The deficit figure assumes that the Government will continue to apply the principles of transition funding in some form. This

protects the Council against the most extreme excesses of Government funding withdrawal and limits the loss of the Council's "spending power" to a maximum of 8.8% (in line with the previous two financial years). However, it needs to be recognised that the Government has given no undertakings that this will be the case. There can be no certainty on this issue until the grant settlement announcement later this month.

7. **Savings Requirement**

During the course of this year Management Team have reviewed the possibilities for 2013/14 savings with all the heads of service and allocated provisional target figures which reflect each service's capacity to deliver savings balanced with the need to achieve the Council's strategic priorities. A report was approved by the Executive in September which set out the basis upon which the savings required could be found. The first step that was taken was to identify the extent of any corporate savings that might be achieved. The following areas were identified.

- New Homes Bonus. An additional payment to the Council of around **£200k** per annum.
 - Accommodation Review. Annual revenue savings of around **£70k** should be delivered.
 - Supplies & Services. A budget reduction of **£150k** should be achievable in this area.
 - Training Budget. A reduction of **£20k** could be made while still retaining sufficient flexibility to be able to carry out retraining as a result of any redeployment of staff under the Council's Redundancy Policy.
8. The second step was to identify savings that are service based, but which do not require the deletion of any posts from the current staffing establishment. Within this category, heads of service also examined the possibility of achieving additional income, but only in excess of a general 3% increase in tariffs from January 2013 that has been assumed in the overall budget projections. The total of service based savings identified was **£372k**.
9. The combined effect of these savings that do not require the deletion of any staffing posts from the establishment totalled **£812k** in the September Executive report.
10. Since the Executive meeting in September it is now proposed, after consultation with the Executive Member for Leisure and Culture, not to proceed with the originally intended removal of Passport prices and discounts to clubs and societies. This change will reduce the savings through the review of concessionary charges in Sport and Culture by **£19k**.
11. There have also been further savings identified in conjunction with the workforce planning exercise to consider staffing savings. These further savings are in relation to a reduction in hours in Finance and Property Management (**£19k**) and the non-renewal of a software support agreement in Customer and IT Services (**£8k**).
12. Taking account of these adjustments, the current overall total for savings that do not require the deletion of any staffing posts from the establishment now totals **£820k** as set out in Appendix 1 attached.
13. Elsewhere on your agenda is also a report dealing with the savings required from the deletion of posts. The workforce planning exercise has proceeded during the past few months and has now reached a position where it is recommended to delete 16 vacant posts and 21 occupied posts from the staffing establishment. If this report is approved this

will produce a further **£958k** of savings which has been included in the summary of the budget deficit position at Appendix 2

14. **Continuation Budget**

During the last few months heads of service as usual were asked to consider their continuation budgets and determine exceptionally any areas where these do not reflect the anticipated level of spending or income going forward. The continuation budgets were further scrutinised by the accountancy team and various adjustments and changes have been identified during this review. The net effect of these changes is an additional revenue budget requirement of £47k and this figure is also shown in Appendix 2.

15. **Latest 2013/14 Revenue Budget Position**

It can be seen in Appendix 2 that the £1.955 million savings requirement to balance the 2013/14 revenue budget (based upon the important assumption in relation to Government grant funding next year referred to in paragraph 6 above) has been increased further to £2.002 million after the review of the Council's continuation budget by heads of service. The majority of this deficit savings requirement (£1.778 million) is achieved through the savings in posts and other non-staffing/posts savings proposed. This leaves a balance of £224k to find by way of net savings during the remainder of the budget process.

16. Members are requested to recommend approval of the non-staffing/posts savings shown in Appendix 1 totalling £820k to full Council.

17. **Reserves**

It is necessary to review the Council's policy governing the use of earmarked reserves and general balances during the course of the budget process. The estimated amount of savings required has been calculated without including any contribution from earmarked reserves or general balances.

18. It is not proposed that there should be any support for the 2013/14 revenue budget from general balances which are currently at the minimum level of £1.1 million. The level of general balances and the prospect of an increase in the current level will be considered further in the 2013/14 budget process in the context of a general risk assessment including any new risks from the operation of the new system of local government core revenue funding.

19. There are however estimated to be significant sums in earmarked reserves by the end of 2012/13 (the total estimated balance of earmarked reserves at the end of 2012/13 is around £5 million) which could be used to mitigate the impact of any additional savings requirements for 2013/14 and beyond.

20. **Further Issues to be Considered**

There are still a number of issues to consider before the revenue budget is finalised. The two-year funding contribution of £87k per year for police community support officers (PCSOs) ends at the end of 2012/13 and consideration need to be given as to whether this funding will continue next year. In addition the contribution to the Ward Opportunities Fund is due to be reviewed. These are just two important outstanding issues relating to expenditure items.

21. As regards funding and income items, no account has been taken in reaching the residual deficit position referred to in paragraph 15 above of any additional income generated as a result of the proposed technical changes to Council tax discounts and exemptions.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

22. As shown in the body of the report

POLICY IMPLICATIONS

23. The revenue budget determines the extent to which the Council's strategic objectives can be pursued and achieved. Community impact assessments have been undertaken in respect of the proposed savings.

DETAILS OF CONSULTATION

24. Director of Resources
Management Team
Executive Member for Resources

BACKGROUND PAPERS

25. None

FURTHER INFORMATION

PLEASE CONTACT:

**Phil Moore - Head of Finance and Property
Management**

ALSO:

**Dave Donlan – Accountancy Division
Manager**