

Meeting: Executive

Portfolio Area: Resources

Date: 15th October 2003

GENERAL FUND REVENUE STRATEGY & BUDGET FRAMEWORK

(Chief Executive Department)

NON-KEY DECISION

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1 PURPOSE

1.1 To advise Members of the current financial position of the Council's General Fund, and to agree the approaches to be pursued for the budget setting process for 2004/05 onwards.

2 RECOMMENDATIONS

- 2.1 That the Council's revised Budget Framework be approved.
- 2.2 That no Revenue Forward Plan is presented for the setting of the 2004/05 budget except for specifically identified uncontrollable / statutory expenditure pressures.
- 2.3 That for 2004/05, a departmental review of operational budgets is undertaken (Option a.) with potential savings brought forward for consideration by Chief Officers and Members, together with full description of potential service implications.
- 2.4 That a joint Officer / Member team is set up (option d.) to commence a fundamental review of Council budgets, priorities and statutory and expenditure processes.
- 2.5 That this joint Member / Officer team is chaired by the Executive Portfolio Holder for Resources and supported by the Acting Assistant Chief Executive (Finance).

3 BACKGROUND

- 3.1 The Executive maintains a strategic overview of the Council's financial position through a 5 year Financial Strategy. The Council has operated within a robust General Fund Financial Strategy for a number of years, and has considerable resources. This has enabled it to maintain and improve services within a constrained local government finance environment. The Strategy is continuously revised and updated as new information / data becomes known.
- 3.2 As part of the annual planning cycle, the Council reviews its forward planning requirements and financial strategies in October, thus setting the scene for consideration of its budget in January / February.

3.3 A finance seminar was held on the 11th August 2003 with the Councils Chief Officer Board to review;

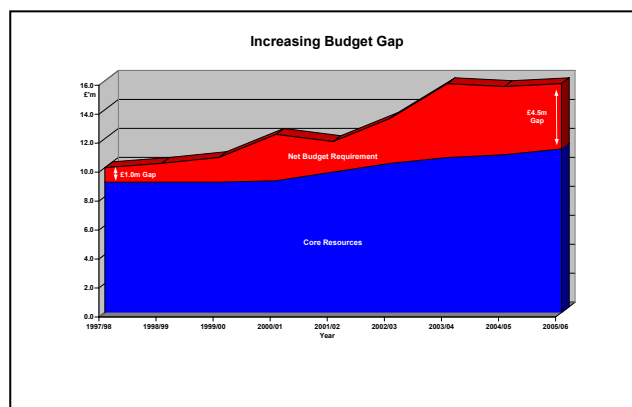
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| <p>(a.) Latest financial position / financial strategy</p> <p>(b.) New proposed Budget Framework for 2004/05</p> <p>(c.) Approach to Budget Saving Targets</p> <p>(d.) Progress against 'Targeted' savings</p> | <p>(e.) Fees & Charges</p> <p>(f.) Replacement Financial Management Systems</p> <p>(g.) Linking financial resources to the Councils Service Plans</p> <p>(h.) Budget Consultation (a separate non key decision has been presented to the Resources Portfolio Holder on this matter)</p> |
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3.4 The key proposals that were agreed during this seminar are presented in this report.

4 REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 Latest Financial Position / Strategy

4.1.1 Attached in Appendix A is the Councils latest financial position / strategy. The identified core gap has now reached approximately £4.5 million, although is currently being dampened with the use of the Negative Subsidy Transfer from Housing (which Members will recall is being phased out through the use of transitional measures), and the use of the Council's balances. This position is not sustainable in the medium term (4 / 5 years) with balances currently forecasted to be exhausted during 2007/08.



4.1.2 In previous financial strategy projections Council Tax levels have been assumed to increased by 4.5% per annum. In the figures presented in Appendix A, this assumption has been revised to 9% per annum. This is broadly the level of increase required each year to merely compensate for the annual reduction in the Negative Subsidy Transfer.

4.1.3 The Council is also experiencing financial pressures from changes in responsibilities for statutory services e.g. parking enforcement and Licensing Bill and uncontrollable expenditure / income e.g. lower investment returns. It is not clear whether additional funding will be received for the additional statutory services via the annual finance settlement. These pressures may also be added to, with key decisions required from the Executive over the next few months on funding streams relating to areas such the Neighbourhood Warden Scheme and extending the Councils recycling scheme which are included in the strategy. A key task for the joint Officers/Members team referred

to later in this report will be critically reviewing these statutory and expenditure pressures with the objective of neutralising them as far possible.

- 4.1.4** Consequently, a revised budget framework has been developed for Members approval to bring the General Fund core budget into balance over the next 4 / 5 years.

4.2 Revised Budget Framework

- 4.2.1** Attached in Appendix B is a proposed Budget Framework that illustrates the key linkages between the different stages of the budget process, with the objective of achieving savings to bridge the core budget gap referred to in this report. It is important to note that this approach recommends a joint approach between officers and Members to align policies and resource priorities. It needs to be recognised that the scale of the core budget gap means that this will undoubtedly be a demanding and difficult process.

- 4.2.1** Following examination of the latest financial position it is clear that a sustained delivery of ongoing savings will be necessary over the coming years to address the core budget gap. To put the savings required into context, the achievement of an ongoing £1m saving will only delay the exhaustion of balances by one year.

- 4.2.2** It is proposed that there will be no Revenue Forward Plan for the setting of the 2004/05 budget except for specifically identified uncontrollable / statutory expenditure pressures. Departments have been requested to provide this information to Finance so a co-ordinated list can be prepared and presented to Members. Finance has included departmental estimates of the known pressures into the financial strategy. Therefore, departments will be expected to fund any further new initiatives by diverting existing budgets through their Service Plans.

4.3. Approach to Budget Savings – Short Term

- 4.3.1** The approach for officers to address the savings targets must now be agreed. The options put forward for consideration are as follows;

- (a.)** That departments undertake an internal review of operational budgets and present draft proposals to Chief Officers / Members with service implications clearly defined.
- (b.)** That a traditional Base Budget Review is undertaken by Finance with nominated officers from the departments against the backdrop of the departmental savings targets.
- (c.)** That savings are purely focussed on establishment i.e. vacancies, redeployment and potential redundancies.
- (d.)** That a joint Officer / Member team is set up to undertake a fundamental review of Council budgets, priorities and statutory and expenditure pressures.
- (e.)** That a 'top slice' of budgets is performed by Finance at a cost centre / divisional level and Departments manage / balance their services within these reduced budget levels.

4.3.2 Each option has its benefits in achieving the budget saving targets identified. However, for 2004/05 it is proposed that a departmental review of operational budgets is undertaken (Option a.) with potential savings brought forward for consideration by Chief Officers and Members, coupled with full description of potential service implications. In addition, it is proposed that a joint Officer / Member team is set up (option d.) to commence a fundamental review of Officer and Member service priorities. This review should present proposals for immediate and medium terms budget savings. It is suggested that this team is chaired by the Executive Portfolio Holder for Resources and supported by the Acting Assistant Chief Executive (Finance).

4.4 Approach to Budget Savings – Medium Term

Following the completion of phase 1 of Changing Gear and the initiation of Phase 2, an approach regarding the process re-engineering of services to drive out efficiencies in service processes has been agreed. It is essential that this work is joined up with the overall budget savings work being undertaken across the Council. In particular, there remains a level of savings contained within the Financial Strategy relating to Changing Gear that at present are only 'targeted savings' and consequently still need to be delivered. It is expected that the process re-engineering of services will accrue savings in the medium term.

4.5 Budget Monitoring 2003/03

An initial report on possible budget savings will be brought forward to the Executive meeting in November. As part of the work currently being carried out by departments on identifying possible budget savings, a detailed budget monitoring exercise is being undertaken on the projected position for 2003/04. This work is in addition to the normal budget monitoring carried out by officers and reported to Chief Officer Board each month. The results of this budget monitoring will also be reported to the Executive in November, and will incorporate the projected position for the Housing Revenue Account.

5 IMPLICATIONS

5.1 Financial Implications

This report is financial in nature and consequently financial implications are included in the above.

5.2 Legal Implications

None identified at this time.

5.3 Policy Implications

The approval of the revised budget framework includes a link for the Councils service planning requirements to ensure service priorities are identified. In addition the

budget framework represents a development of a policy led budgeting approach across Council services and the overall Financial Strategy.

BACKGROUND DOCUMENTS

- **Chief Officer Board Finance Seminar Pack** **11th August 2003**

APPENDICES

- **Latest Financial Position / Strategy** **Appendix A [Attached]**
- **Revised Budget Framework** **Appendix B [Attached]**

