

**CONFIDENT CAPABLE COUNCIL  
SCRUTINY PANEL**Date **18 JULY 2013**

Originating Service Group(s)

**DELIVERY**

Contact Officer(s)/

**MARK TAYLOR**

Telephone Number(s)

**6609**

Title/Subject Matter

**BUDGET UPDATE AND REVIEW**

---

**1. PURPOSE OF REPORT**

1.1 To bring to Councillors' attention information about the council's finances, including:

Reports relating to the 2014/15 Budget Setting and Budget Consultation Processes

- The council's revised approach to the budget setting process for 2014/15 and subsequent years;
- The council's revised approach to the budget consultation process for 2014/15 and subsequent years.

1.2 To bring to Councillor's attention the key points resulting from the Spending Review 2015/16 announced by the Chancellor on 26 June 2013.

1.3 To recommend establishing a working group to review Specific Reserves during 2013/14.

**2. RECOMMENDATION**

2.1 That Scrutiny Panel consider the arrangements for:

- Ensuring adequate provision for budget risks;
- Budget planning and forecasting for future years.

2.2 That Scrutiny Panel establish a working group to review earmarked reserves during 2013/14.

**3. BACKGROUND**

3.1 As set out in Scrutiny Panel's work plan, the Panel will receive regular updates on the budget and medium term financial strategy throughout the year. This is the first report of this nature for 2013/2014.

- 3.2 Reports focussing on the council's finances have been received by Cabinet and Cabinet (Resources) Panel as set out below:

Cabinet, 10 April 2013

- Revising the Budget Setting and Budget Consultation Processes.

Cabinet, 22 May 2013

- 2014/15 Budget Setting and Budget Consultation Processes.

**\*In order to minimise printing costs the Panel Chair has agreed that full versions of the reports will not be circulated again - however it is recommended that Panel members review the reports ahead of the meeting, and are requested to please bring the full versions that were circulated with the relevant Cabinet agenda papers to this meeting.**

**4. 2014/15 BUDGET SETTING AND BUDGET CONSULTATION PROCESSES**

- 4.1 The reports to Cabinet on 10 April 2013 and 22 May 2013 detail the development of a revised approach to the budget setting and budget consultation processes for 2014/15 and the medium term, to help develop plans to save £59.2 million over the next five years. Delivering savings of this magnitude will undoubtedly involve considering options that take several years to develop and implement. It is therefore important that future plans address the entire five year (medium term) period rather than considering each financial year in isolation on an annual basis, as has been the case over recent years.
- 4.2 The revised approach to the budget setting process has been developed to help the council compare its expenditure against its priorities taking into account the level of available resources. This will enable the council to target resources to areas of citizen need, whilst also developing a structured approach to identifying potential areas for budget savings. In effect the revised approach seeks to adopt the principles of zero based budgeting; whereby all services will need to be justified.
- 4.3 The 2014/15 budget engagement process will move away from a traditional consultation approach to a more dialogue-based approach where stakeholders are given the opportunity to influence and shape proposals, rather than commenting on predefined proposals with little scope to influence the overall budget.
- 4.4 The table below details the key milestones in the budget setting and budget consultation processes:

<b>Key Dates</b>	
July 2013	Interactive budget consultation sessions and city wide stakeholder group to take place.
August – September 2013	Development of investment/savings proposals following feedback from the interactive budget consultation sessions/city wide stakeholder group and Simalto exercise.
3 October 2013	Investment/savings proposals presented to Cabinet.
October 2013 – January 2014	Formal budget consultation.
February 2014	Outcome of budget consultation to be presented to Cabinet. Final budget recommendations of Cabinet to Council.

4.5 Although the revised budget setting and budget consultation processes will be very challenging in the current year, there are anticipated to be significant longer-term benefits.

## **5. SPENDING REVIEW 2015/16**

5.1 The Spending Review 2015/16, announced by the Chancellor highlighted further significant cuts to local government budgets.

5.2 The key points arising from the Spending Review 2015/16 are as follows:

- A 10% cut in local government budgets.
- Council tax freeze in 2014/15 and 2015/16 – the Government will make funding available for Local Authorities that choose to freeze their council tax.
- There will be a 1% cap on public sector pay rises.
- Schools budget continues to be protected, with the Education budget to increase to £53 billion by 2015/16. A New National Funding Formula will ensure fairer funding distribution.
- Automatic pay progression in schools to end by 2015/16.
- Investing a further £200 million to extend the Troubled Families' Programme.
- Joint £3.8 billion commissioning plan between NHS and councils - health and social care services to work more closely together in local areas, in order to deliver better services to older and disabled people; keeping them out of hospital and avoiding long hospital stays.
- £200 million to be provided to Local Authorities from the NHS in 2014/15 to ensure changes to health and social care services can start immediately through investment in new systems and ways of working.
- £335 million will be made available to Local Authorities in 2015/16 so that they can prepare for reforms to the system of social care funding, including the introduction of a cap on care costs from April 2016 and a universal offer of deferred payment agreements from April 2015.
- Capital spending plans will increase by £3 billion a year from 2015/16 and by £18 billion over the next Parliament.
- Health funding will continue to be protected in real terms in 2015/16.
- The Government will, for the first time, introduce a cap on the country's welfare spending from April 2015. The cap will improve spending control, support fiscal consolidation, and ensure that the welfare system remains affordable. This will not include the state pension.
- More than £3 billion of capital investment in affordable housing.

## **6. REVIEW OF SPECIFIC RESERVES**

- 6.1 At the beginning of 2013/14, £44.7 million was held within specific reserves, including £17.6 million of schools' balances.
- 6.2 In accordance with the Constitution, earmarked reserves must be reviewed at least twice per year for their continued relevance and adequacy.
- 6.3 The Scrutiny Panel are therefore recommended to establish a working group to review specific reserves during 2013/14, as part of the 2014/15 budget process, and in line with the practice of recent years.

## **7. FINANCIAL IMPLICATIONS**

- 7.1 These are detailed within the reports to Cabinet.

[MH/09072013/B]

## **8. LEGAL IMPLICATIONS**

- 8.1 These are detailed within the reports to Cabinet.

[MW/09072013/W]

## **9. EQUALITIES IMPLICATIONS**

- 9.1 These are detailed within the reports to Cabinet.

## **10. ENVIRONMENTAL IMPLICATIONS**

- 10.1 These are detailed within the reports to Cabinet.