

Budget Proposals for 2012/13 and Preparing for the Medium Term

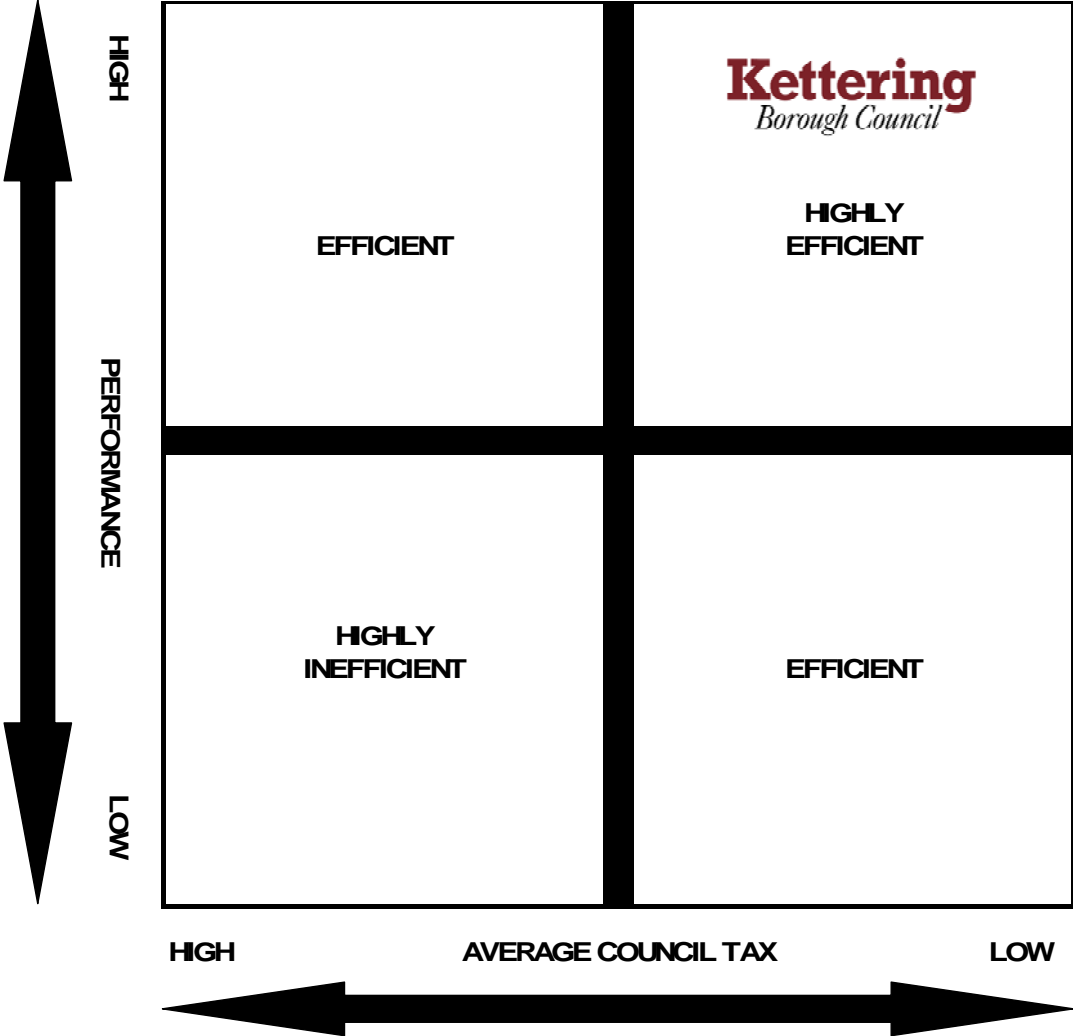
Research & Development Committee

24th January 2012

Purpose of Report

Consideration of the Council's draft budget proposals and submit any comments back to the Executive for consideration at it's meeting on 15th February 2012.

Context



Context

- ◆ 'Being Prepared'

- ◆ Strategic Financial Capacity
- ◆ Anticipating and Influencing
- ◆ Well motivated and flexible workforce

- ◆ 'Staying Focused'

- ◆ Sticking to budget guiding principles
- ◆ Budget approach that suited KBC
- ◆ Finding innovative methods of service delivery

Context

- ◆ MTFS Guiding Principles (para 3.6)
- ◆ Modelling for Recovery Principles (para 3.8)
- ◆ Budget Containment Strategy (para 3.9)

“The cornerstone of a balanced budget”

Budget Monitoring 2011/12

- ◆ Original savings target of £1.906m successfully being delivered
- ◆ In addition, a further £750,000 of in-year cash savings (early delivery of next years savings and a number of one-off cash items)
- ◆ Cash savings in excess of original £1.906m target to be transferred to smoothing reserves

Estimated Position to 31/03/2013

Table 7 - Estimated Position to 31/03/2013			
		2011/12	2012/13
		Forecast	Forecast
		£000	£000
1	Net Council Budget	13,928	12,708
2	Forecast Resources:		
	Central Government Grant	(5,464)	(4,784)
	Council Tax / Coll'n Fund	(25)	(25)
	Income From Council Tax	(6,389)	(6,411)
	Total Resources	(11,878)	(11,220)
3	Budget (Surplus) / Deficit	2,050	1,488
4	Council Tax Grant	(158)	(158)
5	Budget Frameworks	(1,906)	(1,330)
6	Savings - To be secured	0	0
7	Budget (Surplus) / Deficit	(14)	0
GENERAL FUND WORKING BALANCE			
		2011/12	2012/13
		£000	£000
8	Estimated Opening Balance	(1,415)	(1,429)
	Budget (Surplus) / Deficit	(14)	0
9	Estimated Closing Balance	(1,429)	(1,429)

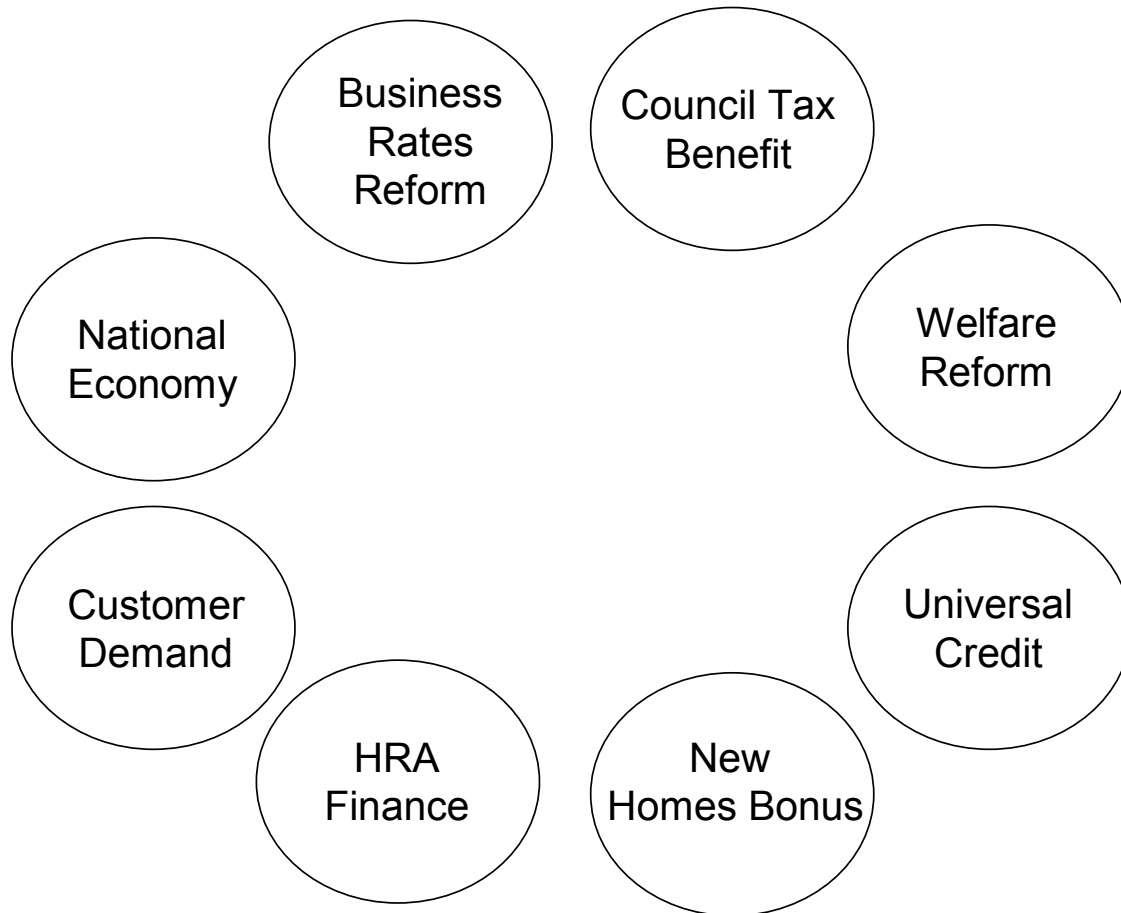
Identified Framework Savings 2012/13

	£000
Staff Suggestions / Service Plan / Innovation	(515)
Lobbying	(290)
Capital Review	(247)
Fees and Charges	(234)
Partnerships	(44)
Total Identified Framework Savings	(1,330)

Efficiency Savings

Table 4 – Efficiency Savings	£000
2010/11	1,260
2011/12	1,910
2012/13	1,330
Total	4,500
Cash Savings (%)	40%

Financial Tectonic Plates



Summary & Conclusions

2011/12

- ◆ The Council adopted a unique 'budget delivery framework' for the consideration and subsequent delivery of the £1.9m of savings required for the General Fund for 2011/12.
- ◆ Once the budget was approved in February 2011, the challenge was to turn the 'paper based savings exercise' into reality so that the £1.9m of savings were actually delivered.
- ◆ From the information contained in the budget report (and previously reported to the Executive Committee through a series of Durable Budget Reports) it can be seen that the original savings target of £1.9m is being delivered successfully.
- ◆ In addition to the original £1.9m target, the Council is currently projecting a further £750,000 of underspend during 2011/12. As previously approved by the Executive, this underspend will be put into reserves to help the council protect itself from the many service and budget pressures that are likely to manifest in the post April 2013 world.

Summary & Conclusions

2012/13

- ◆ The Council needs to continue its excellent track record of delivering budget savings to balance the budget for 2012/13.
- ◆ Prior to the consideration of any council tax increase, it is estimated that £1.3m of savings will be required. We will start 2012/13 in a better place than twelve months ago because the continued use of the Council's budget delivery framework has resulted in the Council already having secured some of the on-going savings required for 2012/13. The remaining savings have also been identified and the Council is confident that these will be delivered during 2012/13.

Summary & Conclusions

2012/13 (continued)

- ◆ The current system of housing finance will be replaced with a new self financing system from April 2012. In effect, this will mean that, rather than the Council making a payment to the national housing pool each year (which was £4.5m in 2011/12), the council will have to take on a proportion of the national housing debt. For this Council that amounts to £73.3m which is equivalent to £21,000 per property.
- ◆ Although the Capital programme has been reduced, a programme in excess of £5.5m is not inconsiderable for a District Council of Kettering's size.

Summary & Conclusions

2013/14 and Beyond

- ◆ The national landscape is going to change significantly from 1 April 2013 with the introduction of the Business Rates Reform and Localisation of Council Tax Benefit. This brings considerable uncertainty and risk to future projections.
- ◆ Assumptions have been made for future levels of government grant (and other funding changes) with annual decreases of 6% applied. This will need to be reviewed when more information becomes available.

Summary & Conclusions

2013/14 and Beyond (continued)

- ◆ The current economic times are unprecedented. Therefore the delivery of the budget is dependent upon successfully tracking the other budget assumptions that have been made (eg, inflation and interest rates) and it must be recognised that any major changes in such variables can have a significant impact on the Council's budget figures and resultant levels of required savings.
- ◆ Based upon the assumptions applied, the future years' budgets would require further savings of:

2013/14	£777,000
2014/15	£707,000
2015/16	£989,000
2016/17	£577,000

Summary & Conclusions

Other Considerations

- ◆ The projections in all years rest on the Executive adherence to the “*Guiding Principles*” (para 3.6); the “*Modelling for Recovery Principles*” (para 3.8) and the Budget Containment Strategies (para 3.9):
- ◆ Depending on the decisions taken in relation to Council Tax, year on year savings of these magnitudes have and will continue to take capacity out of the organisation. The priority has been front line delivery and accordingly members may notice a reduction in some areas of internal delivery, as well as our capacity to influence longer term strategic issues.

Summary & Conclusions

Other Considerations (continued)

- ◆ Many of the changes to be implemented are untested and it is inevitable some transition turbulence may be experienced even with the focus on protecting front line service delivery.
- ◆ All the council's partners, elected councillors and staff should feel proud of reaching this point. However we must maintain this extraordinary effort if we are to continue to achieve our ambitious objectives.

Recommendations

- 8.1 That the Committee consider the draft budget proposals of the Executive and submit any comments back to the Executive meeting of 15th February 2012.