

**Report to:** Cabinet

**Date of Meeting:** 11 October 2012

**Subject:** Transformation Programme - 2012/2013 Budget Update

**Report of:** Head of Corporate Finance & ICT

**Wards Affected:** All

**Is this a Key Decision?** No

**Is it included in the Forward Plan?** Yes

**Exempt/Confidential** No

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### **Purpose/Summary**

1. To consider the transfer of service underspends to earmarked reserves;
2. To note progress on the achievement of the approved savings for 2012/2013; and
3. To consider the utilisation of earmarked reserves as set out in the report to finance the non-achievement of specific budget savings.

### **Recommendation(s)**

Cabinet is recommended to: -

- a) Agree the transfer of specific areas of underspend in the revenue budget, as set out in the report, to earmarked reserves.
- b) Note the progress to date on the achievement of approved savings for 2012/2013; and
- c) Agree the utilisation of earmarked reserves, as set out in the report, to finance the non-achievement of specific budget savings.

### **How does the decision contribute to the Council's Corporate Objectives?**

	<b><u>Corporate Objective</u></b>	<b><u>Positive Impact</u></b>	<b><u>Neutral Impact</u></b>	<b><u>Negative Impact</u></b>
1	Creating a Learning Community		√	
2	Jobs and Prosperity		√	
3	Environmental Sustainability		√	
4	Health and Well-Being		√	
5	Children and Young People		√	
6	Creating Safe Communities		√	
7	Creating Inclusive Communities		√	
8	Improving the Quality of Council Services and Strengthening Local Democracy		√	

**Reasons for the Recommendation:**

To ensure Cabinet are informed of the latest position on the achievement of savings for the current financial year and to facilitate the achievement of the savings targets for 2012/2013.

**What will it cost and how will it be financed?**

**(A) Revenue Costs**

Any under-achievement of the agreed savings will need to be financed from within any underspending identified within other areas of the 2012/2013 budget, or from the Council’s earmarked reserves. The report recommends the utilisation of £3.169m of earmarked reserves to meet specific areas of non-achievement of savings.

Any usage of these reserves will reduce the amount available to support the phased introduction of savings in future years, unless they can be replenished from revenue savings achieved in the current financial year.

**(B) Capital Costs**

None.

**Implications:**

The following implications of this proposal have been considered and where there are specific implications, these are set out below:

<b>Legal</b>	None
<b>Human Resources</b>	None
<b>Equality</b>	
1. No Equality Implication	<input checked="" type="checkbox"/>
2. Equality Implications identified and mitigated	<input type="checkbox"/>
3. Equality Implication identified and risk remains	<input type="checkbox"/>

**Impact on Service Delivery:**

None.

**What consultations have taken place on the proposals and when?**

The Head of Corporate Finance & ICT (FD1837/12) and Head of Corporate Legal Services (LD1155/12) have been consulted and any comments have been incorporated into the report.

**Are there any other options available for consideration?**

None.

**Implementation Date for the Decision**

Immediately following call-in.

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**Background Papers:**

Budget monitoring working papers

## 1. Introduction

- 1.1 The report considers a number of issues regarding the 2012/2013 Budget: -
- a) The current projection of the year-end financial position (as at the end of August) for the Authority as a whole;
  - b) The potential transfer of identified underspending in specific budget areas within 2012/13 to central earmarked reserves;
  - c) The latest position with regard to the achievement of the individual approved savings; and
  - d) The proposed utilisation of resources from central earmarked reserves to meet the costs of the non-achievement of specific budget savings i.e. those items identified in red in Appendix 1.

## 2 Current Projection of the Year-End Financial Position for the Council

- 2.1 A detailed budget monitoring exercise is completed by service departments on a monthly basis. This process includes the position of the Council's wider budget, in order that a comprehensive picture is known.
- 2.2 The latest projection of the year-end position, based upon data as at the end of August, currently estimates a small overall surplus of £0.2m. This includes the non-achievement of saving proposals highlighted in section 4 below (£3.169m), and also includes a number of projected overspends in other areas e.g. Adult Social Care placements / care packages. In effect, at the present time, there are areas of underspending that are matching these additional costs and non-achievement of savings.

## 3 Potential Virement of Areas of Underspend to a Central Budget

- 3.1 It is relatively early in the financial year to have firm indications of the outturn position, especially with the volatile position of care packages costs. However, after excluding the non-achievement of saving proposals highlighted in section 4 below (£3.169m) the adjusted position is an overall projected underspend for 2012/2013 of £3.4m.
- 3.2 It is therefore appropriate to review current significant areas of projected underspending which are considered to be very likely to be achieved, and to consider the transfer of these resources to earmarked reserves. The areas of current underspend that are recommended to be transferred to earmarked reserves are as follows: -

	£m
• Employees Vacancy Management target	0.4
• Children's Services care package / inflationary uplift	0.8
• Government refund re excess deduction for Academy transfer	0.2
• Environment – Supplies and Services	0.1
• Capital Financing costs	0.1
• Health & Wellbeing – Utility costs	0.2
• Street Scene – Waste Recycling Credits	<u>0.1</u>
	<b><u>1.9</u></b>

3.3 This will leave a forecast net underspend position of £1.5m. This will be reviewed throughout the remainder of the year, to identify whether any further transfers to earmarked reserves can be made.

#### **4 Approved savings for 2012/2013 – Current position**

4.1 Council approved the 2012/2013 Revenue Budget on 1 March 2012. This included the requirement to achieve savings in excess of £20m; of this amount £2.5m was financed as a one-off from Council reserves. The remainder of the saving was comprised of a large number of amendments to individual service areas. In order for the Council to remain within its financial budget for the year, it is essential that as much of the identified saving areas are actually achieved during the year. It is therefore important that officers and Members are kept up to date on the achievement of the agreed savings.

The table at **Appendix 1** identifies the current position of the agreed savings for 2012/2013. As with last year's update reports, they have been analysed into four categories

- Savings achieved to date (Blue);
- Progress is satisfactory (Green);
- Outcome is unknown and is at risk of not being fully achieved (Amber); and
- Known shortfalls, or significant risk of not being achieved (Red). Officers are currently reviewing whether there is a risk these savings will also not be achieved in future years. A report will be presented to the next Cabinet with the outcome of this review and detailing any impact this has on the MTFP.

This approach is designed to ensure complete transparency, effective risk management and improved consultation and engagement.

4.2 It should be noted that individual savings may be categorised into more than one area; for example, part of the work to achieve a required saving may be on track (and a value can be shown in Green), whilst another element is potentially at risk (and therefore shown as Amber).

4.3 A summary of the current position of the achievement of savings is shown below: -

	<b>£m</b>
Achieved to 31 July 2012	8.220
Progress is satisfactory (Green)	6.532
Review scheduled/risk of saving not being fully achieved (Amber)	2.852
Known shortfalls/significant risk of saving not being fully achieved (Red)	3.169
<b>Total Approved Savings</b>	<b>20.773</b>

## **5 Utilisation of Central Reserves**

- 5.1 The above statement identifies £3.169m of savings that are expected not to be achieved in 2012/2013. Whilst some service areas have areas of underspending in the current financial year (see above) that could be matched against the non-achieved budget savings, it is considered more appropriate to treat these items as corporate decisions. It is therefore proposed that resources from central earmarked reserves should be used in order to fully finance this budget gap. Consequently, Members are recommended to allocate £3.169m from the Transforming Sefton / Modernisation Reserve to support the balancing of the budget.
- 5.2 Future updates on the achievement of 2012/2013 savings will therefore include the currently identified “Red” items, in the “Blue” list of implemented savings.
- 5.3 Therefore, based on the transfers to and from earmarked reserves described above, there will be a net reduction in earmarked reserves of approximately £1.3m. Earmarked reserves were increased in 2011/2012 due to underspends across the Council which will offset this reduction. However, if the forecast outturn position of a further £1.5m underspend is maintained (see paragraph 3.3) then there will be no reduction required in earmarked reserves.