

Scrutiny Committee



Report of Head of Finance

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Wards affected: All

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2013/14 budget process report

Recommendation

The scrutiny committee is asked to note the planned budget-setting process for 2013/14 and advise the cabinet of any concerns or recommended changes it wishes to make.

Purpose of Report

1. The purpose of this report is to inform the scrutiny committee of the budget process for developing the 2013/14 budget and the Medium Term Financial Plan (MTFP) to 2017/18. The final agreed budget setting timetable has not yet been agreed, so a timeframe rather than a specific date has been provided.

Background

2. The Council is obliged by statute to set a "balanced budget" in which net expenditure is balanced by funding and prudent use of reserve balances in the short-term. The council is also required to set a medium term financial plan. The council's s.151 chief finance officer is responsible for ensuring the processes are robust.
3. In February 2013 the Cabinet will consider a report on the revenue and capital budgets for 2013/14 and the MTFP and capital programme to 2017/18; Cabinet will recommend its MTFP and budget to the next council meeting (scheduled for late February). To allow the Cabinet to propose its budget, all relevant issues affecting funding, expenditure and income must be brought to its attention in a timely manner to allow it an opportunity to challenge and consult on the options available.

Revenue budget 2013/14 - process

4. The objectives to be achieved when setting the MTFP and the annual revenue budget are:
- To set a balanced revenue budget (prepared in accordance with proper accounting practice), i.e. the estimated expenditure is covered by the estimated income in the year (including that from council tax) and any planned use of revenue balances.
 - To set a revenue budget requirement that maintains a level of revenue balances that is sustainable over the medium term. A sustainable level of balances has previously considered to be not less than 10% of the annual budget requirement (although this may be inadequate in future given much greater risks of substantial annual deficits arising from the localisation of business rates and other financial reforms).
 - To direct resources to meet council priorities.
 - To continually strive to deliver services in an efficient and effective way.

Budget composition 2013/14

5. In order to meet the budget-setting deadline (Council meeting in February 2013) there are various phases to be completed. The proposed process is as follows:

<u>When</u>	<u>Event and detail</u>
Late August	Budget Timetable drafted, agreed with CFO and published for officers to adhere to.
September/October	<p><u>Base budgets.</u> The first stage of budget setting is to formulate the base budget. This is achieved by taking the working budget from the previous year and adjusting it for known changes (eg: inflation, staff costs and establishment changes, full year effect of budget savings/increases). This is coordinated by accountancy.</p> <p><u>Essential growth.</u> Each year the budget will change based on new legislative requirements, demographic pressures, contractual obligations and agreed changes in policy. These result in additional expenditure which is considered unavoidable, and reflect changes that have occurred in the current year or which are known will occur in 2013/14.</p> <p><u>Savings.</u> These are reductions in costs identified by officers which are the result of more efficient working, previously agreed policy decisions, cost reductions outside of the council's control. For 2013/14 officers are not planning to generate any service-cutting cost reduction ideas ahead of December's government funding announcement.</p>

When

Event and detail

Revenue and capital growth. In setting the annual budget the council will consider if it wishes to enhance, improve or extend existing service provision. Heads of service will submit any suggestions for additional spend that support the council's key aims as set out in the council's corporate plan.

Consultation. The council is planning to commence its budget consultation in September this year. This will focus on the council's spending priorities.

November

Accountancy produces an "officer neutral" budget that records the base budget and also all the proposed growth and savings proposals from the service areas.

Strategic Management Board (SMB) and then Corporate Management Team (CMT) scrutinise the "officer politically neutral" budget. Challenge of growth and savings proposals; any that SMB agree merit further consideration as part of the budget-setting process are included in the budget proposal. All proposals are still subject to political decision as to whether they should be progressed.

Officer politically neutral budget scrutinised by cabinet members

Council Tax Base notified to accountancy (and then to town/parish councils). For 2013/14 this will be affected by the 'council tax reduction scheme' reform, replacing council tax benefit with council tax support.

December

Officer politically neutral budget presented to Scrutiny committee

Provisional Government settlement figure announced and open to consultation

January

Cabinet considers feedback from budget consultation and defines its budget proposal

Opposition budget (if required) proposed

Town/parish councils notify accountancy of their precept requirements

February

Budget and MTFP recommended by cabinet to council

OCC and TVPA* approve budgets and inform accountancy of their precept requirements.

Final Government settlement figure announced

When**Event and detail**

Cabinet's proposed budget and MTFP presented to council for approval. (* For 2013 there is a slightly increased risk that this council meeting will slip into March if there is a delay in receiving the police precept - due to the introduction of police and crime commissioners)

Cabinet's proposed level of district council tax presented to council for approval

Council tax leaflet prepared

Central government notified of local council tax requirement (statutory requirement)

March

Council tax notices prepared and bills despatched to residents

Budget books produced and published on intranet

Approved budgets loaded onto council's ledger system