

Open Report on behalf of the Executive Director, Adults and Children's

Report to:	Children and Young People Scrutiny Committee
Date:	21 October 2011
Subject:	2012/2013 to 2014/2015 Budget Setting Process

Summary:

This report outlines the process Lincolnshire County Council will undertake to set its Revenue and Capital budgets for 2012/13 to 2014/15. The process will also report how the Council will manage the "core offer" savings proposed last year as part of the budget setting process.

Actions Required

That members of this committee note and participate in the 2012/13 to 2014/15 budget setting process.

Background

1. This report outlines the overall budget process the Council will follow setting its 2012/13 to 2014/15 revenue and capital budgets.
2. The 2012/13 to 2014/15 Council budget will be set against the background of the core offer savings built into the existing 2011/12 to 2014/15 budget delivering total savings of £125m over the four year period.
3. It is envisaged that this year's revenue budget process will be one of consolidation and refinement of the four year budget already set, together with a review of progress against the current year's savings. There may be issues and cost pressures that have arisen in the last 12 months that were not included in the original core offer. These include the review of Local Government Funding especially the review of business rates that is likely to impact on 2013/14, and the movement of schools to academy status taking funding away from central administrative service areas. These issues will need to be built into this round of budget setting.
4. More substantial work is required in terms of the capital programme where sizable unallocated provisions exist in 2013/14 and 2014/15.

Revenue Budget

5. The process is about updating the core offer and will concentrate on the following areas:

- Cost Pressures - Indicating those that are existing, updated or new
- Savings - Indicating those that are existing, updated or new
- Unfunded issues – relevant issues that will not be undertaken

6. Savings included in the core offer will be monitored on a monthly basis. The methodology of this process is detailed in paragraph 14 to 19.

Capital Programme

7. The current capital programme for the County Council extends to 2014/15, however, the last two years (2013/14 and 2014/15) have not been fully allocated with £33.5m and £39.1m respectively remaining unallocated.

8. The review of the Capital Programme for 2012/13 will focus on bids for the unallocated amounts in 2013/14 and 2014/15, and provide an opportunity to rephrase the current approved schemes over the remaining life of the programme.

Directorate input

9. Directors and Assistant Directors will prepare, agree and sign off budget proposals put forward to the Executive for consideration.

Vision, Performance and Business Plan

10. There is a need, as in previous years to ensure that there is a link between the Council's vision, budget and performance. This will be achieved by working on the three elements together, culminating in the Business Plan and Budget being presented as one to full council on 10th February 2012. The Council's Business Plan will demonstrate how the budget will be spent delivering the County Council's vision and objectives.

11. Work started back in June when the Informal Executive discussed the vision, purpose and objectives. A small group of Executive Members consisting of Councillors Hill, Bradwell and Poll and the Chief Executive met in August to further develop the draft.

12. The Leader and Chief Executive have met with Key Leaders in Lincolnshire for early discussion about our vision. This group is interested in working together on issues to provide a stronger collective voice for issues faced in Lincolnshire.

13. Assistant Directors and Heads of Service will work on the Organisational Strategy on behalf of Corporate Management Board and the Executive during October. This sets out how we will need to change over the next few years to respond to the economic, political, social and technological influences. It is a framework for senior managers which will inform the Council Business Plan and Budget. The Business Plan will include key activities to deliver the Council's Vision.

Monitoring Core Offer Savings

14. Savings initiatives in the County Council 2011/12 Budget identified saving across all areas of the Council amounting to £124.313m (after post budget grant adjustments) over the four year period 2011/12 to 2014/15. This includes savings being delivered as part of the Managing Workforce Change programme.

15. It is essential that the County Council delivers the savings targets identified in the 2011/12 Budget and that regular tracking is required to understand the progress and the risks associated with delivery of savings not yet delivered.

Core offer budget savings - Baseline overall risk assessment

16. All budget savings have been assessed for delivery risk, the key points to note are:

- The risk assessments updates have been provided by the Directorates, co-ordinated through Heads of Finance. The Programme Centre has collated all the responses, seeking clarification where necessary and produced an update report.
- Directors and Assistant Directors have been informed of the outcome of the risk assessments and invited to comment on mitigating actions being undertaken to ensure savings targets are met.

Methodology

17. The level of risk was originally determined through holding discussions with the officer/officers identified as responsible for delivering the savings and ascertaining if a robust plan was in place to ensure confidence in delivery. The risk assessment applied was based on three levels of risk.

- Low Risk (Green) Rating
High confidence of successful delivery of the identified savings - based on minimal difficulties in the delivery of the cash savings e.g. on there being a robust plan to deliver the savings with appropriate resources to ensure delivery is achieved.
- Medium Risk (Amber) Rating
Medium confidence of successful delivery of the identified savings - based on some difficulties in the delivery of the cash savings e.g. an outline plan for delivery with a degree of uncertainty about delivery.
- High Risk (Red) Rating
Low confidence of successful delivery of the identified savings - based on major difficulties in the delivery of the cash savings e.g. there being no agreed robust plan for delivery or lack of available resources to deliver the savings etc.

18. Ratings were originally agreed with the Head of Service and or identified Project/Delivery Manager in the presence of the relevant Head of Finance. Monthly updates to monitor the progress of delivery of the budget savings are co-ordinated through the Heads of Finance/Financial Advisors and reported back to the Programme Centre for consolidation and analysis.

19. Directorates are requested to review the information and devise plans to mitigate the risk to still achieve savings targets. This will alleviate further pressure on future budgets.

Leader/Resources Executive Councillor Budget Meetings

20. It is proposed that Leader/Executive Councillor for Resources budget meetings will be held mid/late November with a separate briefing per budget monitoring area. At these meetings the following will be discussed:

- Director/Assistant Director paper on core offer and emerging issues
- Revenue proforma
- Capital proforma
- Performance Information

21. Following the conclusion of all briefings the Leader and Executive Councillor for Resources will meet with senior finance colleagues to propose changes to the existing budgets and propose a detailed capital programme for discussion by the Council's Executive.

Member Consultation

22. Members will be consulted via scrutiny committees during October and again in January. The October meetings will inform Members of the progress made against the existing core offer and set out the broad approach and timetable. The January meetings will detail the changes made to the core offer as part of the budget process and cover the updated capital programme.

Other Consultation

23. It is difficult to consult meaningfully within the current difficult economic climate, especially when a four year revenue budget has already been set. However on a similar basis to that above for scrutiny committees, the Council will meet with Businesses, District Councils, Police, NHS in Lincolnshire and other partner organisations in both November and January.

Key Committee Dates and Timetable Summary

24. The key Committee Dates for budget discussion at the Executive and Council are:

Executive – 20th December 2011

Executive – 7th February 2012

Full Council – 10th February 2012

25. The overall timetable for setting the Councils 2012/13 to 2014/15 is outlined in the table below:

Sept	<p>Management Board and the Informal Exec consulted on the process.</p> <p>Budget Holders update Core Offer and complete proforma.</p>
Oct	<p>Directorate Management Teams consider updated core offer, emerging issues, finalise and sign off proforma and submit capital bids for 2013/14 and 2014/15.</p> <p>Group Leaders discuss Council vision and purpose (4th Oct).</p> <p>Scrutiny committees discuss progress against current core offer.</p> <p>Consultation with Businesses, Districts and partners.</p> <p>Overview and Scrutiny Management Committee discuss vision and purpose (27th Oct).</p>
Nov	<p>Executive discuss vision and purpose (1st Nov).</p> <p>Leader/Resources Executive Councillor Briefings on updated core offer.</p> <p>Members consider capital bids.</p> <p>Updated Organisational Strategy discussed at Overview and Scrutiny Management committee (24th Nov).</p> <p>Directorates revisit core offer/capital bids where appropriate.</p> <p>Initial consultation meeting with external stakeholders.</p>
Dec	<p>Full Council discuss vision and purpose (9th Dec).</p> <p>Local Government Finance Settlement.</p> <p>Executive propose budget.</p>
Jan	<p>Scrutiny Committees discuss new budget.</p> <p>Final consultation with external stakeholders.</p> <p>Updated Organisational Strategy discussed at Executive (10th Jan).</p>
Feb	<p>Executive meeting and Full Council approve budget and Council Business Plan.</p>

Conclusion

26. The budget process outlined above will enable the Council to set a robust budget for both capital and revenue within the financial constraints placed upon it. Work continues to be undertaken to ensure savings are delivered or corrective action taken when there is a deviation from this plan.

3. Consultation

a) Has Local Member Been Consulted?

n/a

b) Has Executive Councillor Been Consulted?

n/a

c) Policy Proofing Actions Required

n/a

4. Appendices

These are listed below and attached at the back of the report	
Appendix A	Children's Services Budget Reductions

5. Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

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Children's Services Budget Reductions

The current position – 2011/12

Children's Services are required to make the following budget reductions over the following 4 years:

2011/12	£11.379m
2012/13	£9.564m
2013/14	£1.520m
2014/15	£0.589m

Children's Services are confident that all the savings required for 2011/12 will be delivered. Year one and two staffing savings were delivered in year one through the Core Offer review, therefore the year two savings delivered earlier were able to support the additional costs through the delay in the Core Offer.

The table below provides a summary of the savings:

Area of Savings	Value of Savings	RAG Rating
Management Savings	£1.146m	GREEN
Back Office Functions	£0.921m	GREEN
Schools Support	£0.550m	GREEN
School Improvement	£2.733m	GREEN
Home to School Transport	£1.907m	GREEN
Preventative Services	£3.567m	GREEN
Safeguarding & Children Looked After	£0.555m	GREEN

Capital Programme

Children's Services manage and maintain a comprehensive annual capital programme of individual projects which is overseen by the Children's Services Programme Board. All projects that comprise the programme are separated into related and prioritised work streams and are managed to the standards laid down by the LCC Programme Centre:

1. Projects to Meet Statutory Provision of School Places.
2. School Condition Repair and Maintenance.
3. School Suitability and Modernisation.
4. Sufficiency of Early Years and Extended Provision.

The Children's Services Capital Programme is planned to initiate across two successive years.