

BUDGET STRATEGY 2013/14

Reason for the Report

1. To provide an opportunity for the Committee to consider the budget strategy and timetable for 2013/14 set within a background of continuing financial restraint.

Background

2. In July the Cabinet and Council considered the report attached at **Appendix A** agreeing the strategy and timetable for preparation of the 2013/14 budget (*Appendix 1 of Appendix A*), and announcing the adoption of the Living Wage. The 2013/14 budget report will be presented to Council on 28 February 2013 and is reported against a three year indicative budget published by Welsh Government (WG) in November 2011.
3. The framework for the budget strategy is the Corporate Plan and the Year One Vision Document. The financial strategy for 2013/14 will be based on the Corporate Plan and issues arising from the Council's Statement of Internal Control, the Corporate Risk Register and performance management reports.

Issues

4. The 2012/13 budget identified savings of £14.379million and increased Council Tax by 1.44%. Included in the savings was £10.2million of savings to be achieved through transformation. The past four years of budget setting has identified £59.1million of savings. The next four years will seek to maximise savings through changing the way activities are carried out in

order to ensure that any impact on service delivery as a result of savings is minimised. The report to Cabinet records the gap between expenditure and financing that will need to be found from service area savings and use of reserves, as £18.4million for 2013/14 potentially increasing to £21million, dependent on Welsh Government funding. The new administration has committed to holding Council Tax at its current level in 2013/14.

5. Members are particularly referred to the following:

- Service areas are required to propose saving targets representing 12.5% and 14.8% of their controllable budgets for 2012/13.
- Many risks have been identified that will financially challenge operations. *Ref paragraph 21 page 4 of Appendix A*
- Welsh Government (WG) require Councils to protect schools and social care budgets. This will require an increased budget of 2.08% for both these areas in 2013/14. It is currently understood that 2014/15 protection will be limited to schools and will require a minimum budget increase of 1.27% to maintain current levels of service.
- Protection requirements may mean that savings identified within social care are re-invested within the service. Historic Council Policy of protecting delegated schools budget from efficiency savings has been continued for 2013/14. This protection is in effect found from all service areas, although schools budgets contribute efficiency savings as a funding stream of the Schools Organisational Plan.
- The updated Medium Term Financial Plan (MTFP) suggests that in order to stand still in financial terms, there will be a budget gap of circa £18 million, which could potentially increase to £21million if Welsh Government transfer specific grants into the Revenue Support Grant.
- Capital schemes can only be considered where they are self financing through revenue savings or by releasing land and property; or where they attract significant external grant support.

- Following the Simpson Review of local government services in Wales the Council is committed to increasing collaborative activities where there is a service improvement benefit for our citizens together with a positive business case, such as a Joint Education Service.
- The proposed welfare reforms in Wales suggest that from April 2013 responsibility for the delivery of Council Tax Benefit will transfer to Local Government from the Department of Work and Pensions, based on a 10% cut in funding with no funding currently available for set up costs.
- The Cabinet 's Year One Vision Document includes plans to pay staff the Living Wage (£7.20 per hour) at an estimated cost of £1million, to be implemented from September 2012.
- The cost of implementation will be funded from reserves in the current financial year with a full year's cost to be committed within the 2013/14 budget.

6. The Welsh Government's provisional settlement is expected in October 2012, and the final settlement in December 2012.

7. Following its consideration of the 2012-13 budget strategy the Committee raised the following concerns:

Welsh Government directive to Councils - referring specifically to the requirement to protect schools and social care budgets. The Committee observed that to achieve such a directive the Council would be forced to impose disproportionately large savings on other service areas. Members urged the Executive to explore the possibility of Welsh Local Government Association taking up this matter with Welsh Government.

Reserves - The Committee highlighted a need to build reserves as they felt that in the future it may not be possible for service areas to bail out overspending services.

Resources and responsibility – The Committee endorsed the benefits to be achieved by the Council working in partnership with other agencies to

secure greater efficiencies of the public purse. However stressed the need for resources to follow responsibility, particularly for care in the community.

8. To facilitate consideration of this report Councillor Russell Goodway, Cabinet Member Finance, Business & Local Economy, Christine Salter, Corporate Chief Officer (Corporate) Marcia Sinfield, Operational Manager Projects & Technical Accounts, and Allan Evans, Operational Manager, Service Accountancy will be in attendance to answer Members' questions.

Legal Implications

9. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct legal implications. However, legal implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any legal implications arising from those recommendations. All decisions taken by or on behalf the Council must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers of behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. Scrutiny Procedure Rules; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances

Financial Implications

10. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct financial implications at this stage in relation to any of the work programme. However, financial implications may arise if and when the matters under review are implemented with or without any modifications. Any report with

recommendations for decision that goes to Cabinet/Council will set out any financial implications arising from those recommendations.

RECOMMENDATIONS

The Committee is recommended to:

- (i) Note the Cabinet's approach to preparing for the financial challenge for 2013/14.
- (ii) Consider whether it wishes to refer comments for consideration by the Cabinet as it continues its budget preparations.

MIKE DAVIES

Head of Scrutiny, Performance & Improvement
28 August 2012

CABINET MEETING:12 JULY 2012

BUDGET STRATEGY 2013/14

**REPORT OF CORPORATE CHIEF OFFICER (CORPORATE &
SECTION 151 OFFICER)**

AGENDA ITEM: 12

PORTFOLIO : FINANCE, BUSINESS AND LOCAL ECONOMY

Reason for this Report

1. To establish the financial strategy of the Council in readiness for preparation of the 2013/14 revenue and capital budgets and to consider the financial pressures facing the Council both now and in the medium term.
2. To outline the timetable for the budget process in order to present the budget report to Council on 28 February 2013.
3. To agree the adoption of the Living Wage for all employees of Cardiff Council.

Background

4. This budget strategy is written in the context of continuing financial restraint and within the period of the three year indicative budget published by the Welsh Government in November 2011.
5. The Chancellor's budget announcement in March 2012 set out the economic context against which the budget strategy will be set. Some of the main indicators from this statement were:
 - 2013 growth forecast downgraded from 2.1% to 2%.
 - Inflation to be between 2% and 3%.
 - National debt forecast at 67% of national income in 2012, rising to 76% in 2014/15
6. The Eurozone debt crisis continues to impact negatively on financial markets and growth prospects for the UK and Eurozone with both investment returns and borrowing rates at historically low levels.

7. Current indicators are that the Welsh Government (WG) budget process for 2013/14 will seek to update the key pressures and risks facing the WG and local government. To inform this process the Welsh Local Government Association will produce a Financial Outlook 2013/14 paper which will be considered by the WLGA Co-ordinating Council on 27 July 2012. At this stage the timetable for release of the provisional and final budget settlements is expected to be October and December respectively.
8. Although indicative figures are available for the WG settlement for 2013/14, uncertainty still exists in respect of:
 - Potential formula and data changes in the funding formula.
 - Impact of any further specific grants transferred into the settlement together with any changes to the quantum.
9. Early indications are that the Council may be adversely impacted by changes in these areas in 2013/14. The Deputy Minister for Children and Social Services in her letter of 23 November 2011 signalled her intention to bring the Learning Disability Resettlement Grant into the Revenue Support Grant in 2013/14. The Council currently receives a grant of £7.732 million and potential reductions could have a significant impact on the Council's budget strategy. The Council will closely monitor any potential changes and take action to mitigate the impact of these wherever possible. In addition there is an expectation that changes to the Free School Meals indicator will be agreed in time for 2013/14 and this is a further risk with the potential to move significant resources out of Cardiff's settlement.
10. As part of the overall settlement for Wales, the Council will also receive information in respect of specific grants. Generally these specific grants will be available to a particular service area as additional resources, subject to the relevant terms and conditions. In setting the budget for 2013/14 the Council will need to consider how it manages the impact of changes to specific grants.
11. The Council sets a Corporate Plan which will be approved by Council in February 2013 to determine the strategic direction of the Council and provide a framework for more detailed service plans and performance management objectives. The Corporate Plan will be developed alongside the budget process for 2013/14 to ensure that the Council's strategic and service plans are resourced and aligned. As part of this process any financial implications arising from the Year One Vision document can also be considered, although may also impact on the current year's budget and if so will be included in the Month 3 financial monitoring report.
12. The Corporate Plan together with significant issues identified through the Council's Statement of Internal Control, the Corporate Risk Register and performance management reports will form the basis of the financial strategy for 2013/14. In addition, the development of the new year's

budget over the next six months will be informed by the current year's monitoring position as the year unfolds.

Issues

SETTING THE STRATEGY

13. The 2012/13 budget was a challenging exercise from both a revenue and capital perspective. The Council's Aggregate External Finance (AEF) was increased by 1.4% in cash terms over 2011/12, and when measured on a per capita basis was £1,149 which was well below the Welsh average of £1,315.
14. The approved budget for 2012/13 included making significant savings amounting to £14.379 million together with an increase of 1.44% in the rate of Council Tax.
15. Over the past four years the level of savings identified as part of the budget setting has amounted to circa £59.1 million and these have become more challenging to achieve year on year. For 2012/13 the overall savings included £10.2 million to be achieved through transformation.
16. The Medium Term Financial Plan (MTFP) contained within the 2012/13 Budget Report suggested that the gap between expenditure and financing would stand at circa £48.7 million over the period to 2015/16. In general terms this cumulative gap would need to be found through a combination of service area savings, use of reserves or increases in the rate of council tax.
17. The Budget Report for 2012/13 included a number of medium term policy initiatives. These initiatives were considered holistically across both capital and revenue budgets and the impact included in the MTFP. The previous approach to these initiatives will need to be revisited as part of the 2013/14 Budget Report. The service pressures included in this approach to funding are the following:
 - Highways Policy and the Highways Asset Management Plan
 - Central Business District Phase 2
 - ICT Refresh
 - Enterprise Architecture
18. Given the extent of the projected gap over the next four years the Council will need to continue to seek to maximise savings through changing the way activities are carried out in order to ensure that any impact on service delivery as a result of savings is minimised. In updating the MTFP for the 2013/14 Budget Report the Council will consider what elements of savings it will seek to drive out in this way over the medium term.
19. The gap for 2013/14 was recorded as £18.4 million excluding any new growth proposals and including only known and costed commitments

although experience has shown that additional expenditure which is effectively committed will also emerge. This gap will need to be closed through a combination of service area savings or use of reserves as the new administration has, all things being equal, committed to holding council tax at its current level in 2013/14.

20. The WG requirement for councils to protect the delegated schools budgets and social care budgets was introduced in 2011/12 and continues to be a requirement for 2013/14. Based on WG's indicative budget for 2013/14 these areas are required to be increased by a minimum of 2.08%. In 2014/15 based on indicative WG budgets the minimum increase would be 1.27% and it is understood that this would apply to schools budgets only.
21. In addition, the Risk Assessment process carried out as part of the 2012/13 budget preparation identified significant operational and financial challenges in the medium term which will now need to be addressed by the new Administration. These included:
 - Necessity to deliver net cashable savings from transformation across the programme areas within services.
 - Total quantum of savings to be achieved from Waste Management through reduced waste disposed to landfill.
 - Service impact of the significant reduction in headcount expected over the medium term.
 - Continuing demographic demand for social care services if trendlines vary adversely from the anticipated position.
 - The ability to react to new service demands such as homelessness.
 - Actual financial impact of the new pay and grading model when fully implemented.
 - The level of additional borrowing undertaken in previous years and proposed will require more revenue resources to be diverted for capital financing in future years.
 - Self funding capital schemes that are approved on the basis of generating savings, increasing income or capital receipts but which fail to do so will also serve to increase pressure on the revenue budget.
 - Accumulative effect of resources required to finance the Schools Organisation Plan.
 - Management of the arrangements for the Council's exit from the current Asylum Seeker contract.
 - Management of the results of the 2011 Census as they begin to feed into the RSG formula datasets
 - Concern that the cost to the Council of services delivered in collaboration with others is not clearly identified.
22. The impact of these challenges are reviewed as part of the financial monitoring process and through the Corporate Risk register both of

which are reported regularly to the Cabinet and the Corporate Management Board.

23. Council policy has historically been to protect the delegated schools budget from the requirement to make efficiency savings as part of the budget albeit that the schools budget is currently in excess of the WG's Indicator Based Assessment (IBA). This protection is in effect found from all service areas and the continuation of this policy will need to be reviewed by the Cabinet as part of their budget deliberations. However, it is of relevance that since 2009/10 one of the funding streams for the School Organisation Plan has been an efficiency saving to be deducted from the staffing element of delegated schools budgets. In addition, following the budget decisions made in respect of increasing pupil numbers in 2012/13 it is planned to use 25% of this increase in 2013/14 and 2014/15 to support ICT improvements in schools.
24. The WLGA and WG have committed to increasing the percentage of delegated funding to schools as a proportion of the Education Budget. The current commitment is to ensure delegated rates are at least 80% but with a target of 85% in the near future. The delegation rate for the Council is currently 81.44% and a response to the target will need to be considered when the Council sets its budget for 2013/14.
25. The preceding paragraphs form the backdrop to a challenging budget exercise for 2013/14 and in the medium term. As part of the budget preparation work, the current Medium Term Financial Plan has been updated at a high level for financial planning purposes.
26. As a result the updated MTFP suggests that in order to stand still in financial terms, there will be budget gap of circa £18 million which will need to be closed by savings and the use of reserves. This budget gap could potentially increase to £21 million should the changes to the Learning Disability Resettlement Grant as detailed in paragraph 8 and other potential funding changes take place. Until this position is clarified the Council will need to plan for both scenarios with the budget gap covering the cost to the Council of:
 - Full year effect and future year implications of the 2012/13 budgetary decisions.
 - Areas of significant inflationary and demographic pressures.
 - Increments and the financial implications of the ongoing implementation of the new pay and grading model.
 - Indicative funding level from the Welsh Government.
27. The financial pressures included in the MTFP have been revisited to ensure they are still necessary. Any new items proposed for inclusion in 2013/14 or beyond must have a direct link to the achievement of priority outcomes in the Corporate Plan or assessed as a firm invest to save initiative.
28. The requirement to meet the above mentioned gap of £18 million will require service areas to propose savings of 12.5% of their controllable

budgets. However, given the uncertainty around the transfer of specific grants into the revenue support grant a higher gap of £21 million will also be considered with service areas asked to identify further savings as well at a higher level of 14.8% It should also be noted that as a result of the required protection for social care and schools budgets set out in paragraph 19, a proportion of the savings required from these services may need to be reinvested with them rather than used as part of the overall budget calculation.

29. The quantum of savings required in 2013/14 will be such that a stepped change in the speed of implementation of savings proposals will be necessary. Efforts to reduce expenditure on the way the organisation works (business processes), to achieve savings from commissioning & procurement (buying less and buying more effectively) and to obtain greater value from the use of assets (buildings, fleet transport, IT) will all need to be significantly accelerated. These activities cut across the whole of the organisation and it is clear that the greater the proportion of savings that are captured from these areas, then the less impact there is likely to be on service delivery. This expectation will be tested further with service areas as the budget setting process continues. In this way, savings required from services will be comprised of an element of savings from cross-cutting business activity changes and savings required from traditional mechanisms.
30. Savings from either source will be considered together throughout the budget preparation process in order that:
 - There is a shared understanding and ownership of savings at an early stage.
 - The risk of duplication of savings is minimised.
 - Transparency of all savings will ensure clarity at scrutiny and other consultation forums.
31. Given the level of savings required both in 2013/14 and beyond the Council will need to consider opportunities to deliver savings across a wider range of service delivery models. The emphasis being to ensure that all options to maximise value for money have been considered.
32. In setting the Council's budget strategy for 2013/14 it is acknowledged that the budget setting process must be flexible enough to react to both unknown and also anticipated but not fully quantified financial risks and challenges. The consideration of the appropriate level of general and earmarked reserves will be part of the consideration of these financial risks.

Capital

33. It is clear that as central government capital funding has reduced, local government has had to find a greater share of its capital funding requirement.

34. Work carried out by WLGA has established that since 2005/06 there has been a 400% increase in the value of prudential (additional) borrowing undertaken by councils in Wales and in 2011/12 for the first time it became the biggest single source of funding for capital expenditure. However, they found concerns amongst local authorities that their unique power in the Welsh public service to borrow may bring an unrealistic expectation from stakeholders about their ability to undertake more long term borrowing than they can prudently afford to do given reducing revenue budgets.
35. Members will be aware that the Council's General Fund Capital Programme for 2012/13 to 2016/17 demonstrated the cumulative need for additional borrowing and general capital receipts of £140 million and £9.5 million respectively and included the impact of the forecast cut in WG capital funding of 40% by 2013/14.
36. Following the increasing level of approved unsupported borrowing as part of the Capital Programme the Corporate Chief Services and Section 151 Officer will continue to monitor the affordability of borrowing to ensure that long term borrowing is affordable. The local affordability indicators that were developed as part of the 2012/13 budget setting process will be updated to consider the implications of the Capital Programme for 2013/14 to 2017/18.
37. Although this leaves little scope for new schemes it is important to provide opportunities for investment that are affordable, sustainable and are in accordance with the Council's corporate priorities. These schemes must:
 - Be self financing over a prudent period of time through revenue savings or additional income all to be demonstrated by a robust business case.
 - Attract a significant level of partner/external grant support where a council contribution is also required.
 - Be self financing by releasing land and property with certainty of disposal within a short period of time in order to facilitate both office rationalisation and service redesign.

Future Developments

38. The Council will continue to participate in collaborative activities where there is both a service improvement for its citizens and a positive business case. The Council is currently working with other local authorities to progress the development of a Joint Education Service for school improvement services and this Cabinet Agenda includes a detailed report on the current position. The financial impact of the first full year of operation will be picked up as part of the budget setting process.
39. The Council will also continue to work to understand the financial and wider implications as a result of the welfare reforms in Wales as these become clear. Current indications are that from April 2013 the

responsibility for the delivery of council tax benefit will transfer from the Department of Work and Pensions (DWP) to local government. Negotiations are ongoing between the WG and the DWP but indications are that the transfer of responsibility will be based on a 10% cut in funding and associated reductions in administration subsidy. In addition there is currently no funding available for set up costs.

40. Consideration will also be given to potential Housing Revenue Account (HRA) reforms which could be introduced from April 2013. The WG and the WLGA are currently leading on a task group and the Council will closely monitor how this progresses.
41. As the national financial planning cycle moves into the next Comprehensive Spending Review period (CSR 2013), it will be necessary to monitor the developing picture in order to inform Cardiff's financial planning activity. To assist Council's generally in this, the WLGA has commissioned the Institute for Fiscal Studies to undertake a piece of work looking into local government expenditure implications for the next spending review period and beyond.

Living Wage

42. The Cabinet's new Year One Vision Document includes plans to pay staff the Living Wage. Whereas the national minimum wage (currently £6.08 per hour rising to £6.19 from October 2012 for employees aged 21 and over) is a legal requirement, the Living Wage Foundation has calculated that the 'living wage' should be £8.30 per hour in London and £7.20 per hour elsewhere. Although the Living Wage scheme is a voluntary one, it has been adopted by many employers as good employment practise with reported benefits such as reduced absenteeism and better recruitment and retention.
43. For Cardiff, this will impact on over 2,000 of its lowest paid staff at an estimated cost of £1 million and this has been assumed in the updating of the MTFP. As the annual living wage calculation is set independently, can be quite volatile and increased last year by over 5%, the proposal will be to introduce a supplement to recognise the difference between the current pay rates and the living wage thereby maintaining the integrity of the new Single Status pay structure. A local agreement with the Trade Unions on the specific details will need to be negotiated on this issue in due course with a view to implementation from September 2012.

Reasons for Recommendations

44. To seek Cabinet approval for the budget strategy in respect of 2013/14 and to allow officers to commence preparatory work through the identification of saving proposals amounting to 12.5% of controllable budgets (with an additional scenario of 14.8% should this be required).
45. To note the budget timescale and forward to Council for approval.

46. To progress the adoption of the Living Wage for all employees of Cardiff Council.

Legal Implications

47. It is the responsibility of the Cabinet to receive financial forecasts, and develop a medium term financial strategy with a view to proposing a budget for the Council to approve. There are no direct legal implications arising from this report. Any specific legal issues will be addressed in detail as part of the proposed budget preparation.

Financial Implications

48. The report sets out the budget strategy for 2013/14 which has as its context, the financial challenges facing the public sector in the medium term.
49. The likely budget gap of £18 million (with £21 million as an alternative scenario) is based on current knowledge of the WG's indicative budget for 2013/14 and takes into account the Council's Medium Term Financial Plan which has been updated since its approval in February 2012.
50. Targets have been set in order to close the gap and to enable choices to be made between savings options and services while also covering the usual level of base commitments. The WG's requirement that councils increase Social Care and Individual School budgets by no less than 2.08% in 2013/14 will also impact on choices that can be made.
51. The service areas' target of 12.5% of controllable budgets (14.8% under the alternative scenario) is particularly challenging as a result of significant budget reductions over a number of years as shown in the following table:

Budget Savings	
Year	£M
2012/13	14.4
2011/12	22.0
2010/11	14.0
2009/10	8.7

52. As noted, the Council will need to accelerate change activities in order to deliver significant savings over the medium term. However, as in any period of material change, it will be important to ensure that care is taken to ameliorate the risk of changes to significant business processes impacting on the financial control environment in a negative manner.
53. In proposing savings or pressures for 2013/14, Chief Officers will undertake a formal risk assessment exercise in order that Members are aware of any likely consequences when considering options. In accordance with the Equality Impact Assessment duty, they will also consider their proposals in this context through working with the

Council's Equalities Officer. Chief Officers will also need to consult with Trade Unions particularly where proposals impact on employees.

54. Throughout the report reference is made to the continuation of the period of financial constraint into the long term and so it will be necessary to develop and commence projects now that may have a long lead-in time before savings are realised. Thus a savings plan covering the next four years will be developed to inform the process.
55. The report also sets out the continuing bleak picture of the quantum of capital resources in the medium term and confirms that there is little opportunity for new schemes unless they can be seen to be self financing. The scarcity of resources adds to the pressure to ensure that the activity profile behind any funding approved is accurate and slippage minimised. Further work has been undertaken to understand the reasons for and response to slippage within the Capital Programme and officers are regularly reminded of the need to provide accurate and update forecasts in respect of capital spend.
56. Following the increasing level of planned unsupported borrowing as part of the Capital Programme the Corporate Chief Services and Section 151 Officer will continue to monitor the affordability of borrowing to ensure that long term borrowing is affordable. The local affordability indicators that were developed as part of the 2013/14 budget setting process will be updated to assist this monitoring exercise.

57.

Indicators Determined from above	2012/13	2013/14	2014/15	2015/16	2016/17	Difference 12/13-16/17
	%	%	%	%	%	%
Net Capital Financing excluding Investment Income as % of total base for savings	13.14	13.86	14.02	14.58	14.80	12.63
Gross Capital Financing excluding Investment Income as % total base for savings	15.80	17.47	18.52	19.21	19.31	22.22

58. In setting the Council's budget strategy for 2013/14 it is acknowledged that the budget setting process must be flexible enough to react to both unknown and also anticipated but not fully quantified financial risks and challenges. These include changes to council tax benefits under the Welfare Reform Bill and the potential impact as detailed earlier in respect of the transfer of specific grants into the settlement.
59. When setting the budget for 2013/14 the Council will consider the level and sufficiency of both general and earmarked reserves. The Council will risk assess its need to hold reserves, which may be needed for amongst other things, sudden, unexpected spending pressures.
60. The report also confirms plans to introduce the Living Wage for all employees of Cardiff Council. The cost of this change is expected to be

£1 million in a full year and circa £584,000 in 2012/13. For the current year, this expenditure will be found from resources in accordance with the Council policy whereby the Cabinet has the authority, subject to the Chief Corporate Services & Section 151 Officer raising no objection, to use reserves and to commit expenditure in future years up to a total in the year of £1.5 million.

HR Implications

61. There continues to be significant people implications associated with actions needed to manage the financial pressures facing the Council as outlined in this report. Preparing savings proposals on budget reductions will inevitably impact on posts, particularly in those Service Areas where staff costs represent the most significant element within the overall budget.
62. Service Areas will shortly commence the process of discussing and consulting on savings proposals with the trade unions, and it will be essential that there continues to be appropriate consultation on proposals which are taken forward by the Cabinet.
63. The new Single Status Pay and Grading arrangements agreed by the Council in September 2011 were implemented from 1 April 2012. A significant range of staff implications and employee relations impacts have been addressed and will need to continue to be managed going forward. The costs of implementing the new pay and grading arrangements were factored into the 2012/13 budget and within the Medium Term Financial Plan.
64. Mechanisms are already in place to support implementation of business changes, budget challenges and the impact of implementing Single Status, particularly for those staff in detriment until 31 March 2013. These include:
 - a rigorous process for Vacancy Management and Review, aimed at building up a pool of posts filled on a temporary basis which would be available for offer to those at risk and those financially impacted by Single Status;
 - a specific and detailed Single Status Support Scheme designed to help staff in detriment by offering a range of support mechanisms
 - continued use of the Council's Voluntary Severance scheme and use of the Flexible Retirement Policy
 - a strengthened Redeployment Policy & Procedure and support for those displaced;
 - skills enhancement guidance to be made available for employees, including opportunities for re-training and re-skilling via the Academy;
65. In addition there will be a continued focus on reducing agency spend, with particular emphasis on reviewing agency workers covering vacant

posts. Where possible these posts will be used for redeployment opportunities.

66. Through the above mechanisms, and through appropriate developments in workforce planning strategies, the Council continues to seek every opportunity to avoid compulsory redundancies where possible.

RECOMMENDATIONS

The Cabinet is recommended to:

- (1) Agree that Service Areas work to identify potential savings to meet the indicative budget gap of £18 million, with an alternative scenario of £21 million should this be required.
- (2) Propose that Council agree that the budget timetable set out in Appendix 1 be adopted and that the work outlined is progressed with a view to informing budget preparation.
- (3) Grant delegated authority to the Chief Executive in consultation with the Leader to negotiate with the Trade Unions a local agreement on the Living Wage as a supplement to pay for those staff impacted, for implementation from September 2012.
- (4) Approve the use of reserves to fund the Living Wage in 2012/13 and to commit for the full year cost in the budget for 2013/14.

CHRISTINE SALTER

Chief Corporate Services & Section 151 Officer
6 July 2012

The following Appendices are attached:

Appendix 1 - Proposed Budget Timetable 2013/14

The following Background Documents have been taken into account:

Deputy Minister for Children and Social Services' letter of the 23 November 2011 in respect of Learning Disability Resettlement Grant

PROPOSED BUDGET TIMETABLE 2013/14

July 2012:	Budget Strategy report considered.
July – September 2012:	Services Areas developing financial planning scenario options.
October 2012:	Initial meetings re preparatory budget work.
October 2012:	Provisional Budget Settlement received.
December 2012:	Council approval of Council Tax Base.
December 2012:	Final Budget Settlement received.
January 2013:	Fine-tuning of budget proposals and consideration of medium term plans.
February 2013:	Approval of Corporate Plan and Budget.

In addition, throughout this period there will be continued involvement/consultation with the Budget Forum, Scrutiny Committees, Trade Unions, and statutory consultation with schools.