

### GUIDELINES FOR THE PREPARATION OF THE 2012-13 BUDGET

#### Principles

- Protect Frontline Services
- Focus attention on corporate and service priorities and improving performance
- Maximise joint working potential
- Maximise Procurement Opportunities and Contract Negotiations
- Consideration to be given to impacts of Localism, Reform Agenda's and any legislation changes.

These budget guidelines have been developed within a consistent corporate framework to ensure:

- implementation of agreed savings and efficiency proposals
- resources are allocated to Council priorities
- inappropriate competition between services for resource allocations is minimised
- there is a transparent method for charging a fair cost between internal Council services.

The guidelines are designed to positively encourage managers and elected members to do the following:

- bring forward innovative ideas and options to make more effective use of existing resources, clearly identifying how the ideas may develop over a 3-year period, including any requirements for pump priming money.
- link the budget setting process to Service Plans, Action Plans already in place, Value for Money Reviews and the requirement for the identification of options, which will produce efficiency savings.
- focus attention on corporate and service priorities and improving performance.

#### Budget Deliverables

1. Prepare and submit draft revenue estimates for 2012/13 and the next 4 years which fully reflect the service priority and consultation event findings and match the current duration of the MTFS.
2. Prepare and submit a draft four-year capital programme. All schemes to carry a full project appraisal including strategic objective, priority, value for money assessment, and details of any revenue impacts. All capital project appraisals will be validated by the Capital Investment Delivery Group. All schemes previously approved for commencement in 2012/13 and onwards will be carried through for consideration.
3. The 2011/12 projected outturn at September 2011, adjusted to take account of the full year effect of savings identified in setting the 2011/12 budget, and one off items will be assumed to be the "**base budget**". This will then be further adjusted for savings identified within the Executive's £1m promise action plan and the savings "Building Blocks" that have been identified and approved, (these savings building blocks are options for additional savings that are being identified as part of

preparation for the 2012/13 budget process.) The budget will be prepared by the Service Accountant and signed off by Head of Service.

4. The final draft of the budget should be accompanied by a one page word document which will include key expenditure indicators, efficiency targets and overview of service and key projects for 2012/13. This template will be sent out in December 2011 for completion.

### **Budget Timetable**

The revenue and capital budget is agreed by full Council before 11 March each year. The 2012/13 budget will be considered at Council in February 2012. (or Reserve – March 2012)

A summary timetable is attached in Appendix 3. This timetable dovetails with the service and financial planning timetable.

### **Revenue Budget Guidelines**

#### **Income**

In building income budgets it is essential that a realistic assessment of income achievement is undertaken. Budget holders should use their knowledge of past trends and current market conditions in assessing income levels for the future and the scope for increases in fees and charges.

It is important to look at not only financial information but also non-financial information such as activity data on customer usage and trends to help build realistic income estimates.

Variations to the existing approved budget for income must be clearly identified and explained.

Variations in fees and charges need to be considered taking into account the Council's priorities and objective to ensure that proposals are consistent with these priorities and objectives.

### **Growth**

- The net impact of all growth items should be **ZERO**.
- Growth arising from changes in legislation/ regulation or service planning will **ONLY** be allowed if it is fully funded by transferring resources within the same service or from within the same Directorate. Any such transfer either within the same service or the same Directorate can only come from demonstrably lower priority services. A growth proforma should be completed detailing full requirements.

**Financial assumptions** - should be used in estimating changes in expenditure and income over the medium term.

- Provide for general inflation in 2012/13 on all expenditure (excl payroll) and fees and charges as per forecasts in our MTFS (based on MTFS realistic model) and will be used in the budget module as below:

Year	CPI %
2012/13	3.0%
2013/14	3.0%
2014/15	3.0%
2015/16	3.0%

(current July CPI is 4.4%)

- Payroll - there is currently no local agreement in place and negotiations will commence in Q3. We will therefore provide for payroll inflation at 1% below our inflation forecast as detailed above until such time as the outcome of these negotiations is known.

Year	%
2012/13	2.0%
2013/14	2.0%
2014/15	2.0%
2015/16	2.0%

- Council Tax should be forecasted with 0% increases (based on MTFS realistic model) and held at 2009/10 levels.

Year	CPI %
2012/13	0%
2013/14	0%
2014/15	0%
2015/16	0%

- Interest rates should be forecasted as below (info from Sector- based on three month money rate)

Year	Average Interest Rate
2012/13	1.5%
2013/14	2.25%
2014/15	3.25%
2015/16	3.25%

***All financial indices above are subject to further review in the budget process and may be subject to change.***

## **Savings**

Over an above the £1m public promise, each Directorate is required to work up a full range of budget savings options for consideration that will result in a cumulative 2% reduction in the Directorate's controllable expenditure.

These options will be presented as potential Budget savings "Building Blocks". A standard template will be provided (requesting information on lead in times, one off costs and impact on priorities, services and policies.

Directorates are encouraged to be "free thinking" in drawing up options which:

- identify opportunities for new efficiency savings, consistent with the requirements of the Efficiency Savings Review process.
- identify areas with reducing levels of income and identify opportunities for reducing corresponding expenditure.
- challenge current methods of service delivery and identify alternative ways of providing services.
- challenge existing policies and service levels so a complete range of service reductions are identified.
- have considered every issue relating to the potential saving. (including lead-in times, one-off costs and impact on services and policies).
- have considered the statutory requirement to provide the service and at what minimum level, or whether the service is discretionary.
- Explicitly consider if there is scope for efficiencies via closer working with other local authorities particularly in light of our own and South Northants current considerations on closer working.

### **Capital programme Guidelines**

- Officer arrangements for drawing up and monitoring the capital programme and generation of resources is via the Capital Investment and Delivery Group (Officer led group with representation from across the Council )
- The development of 4 year rolling capital programme and resources should be drawn up within the context of the following objectives:
  1. The generation of additional reserves and balances, with appropriate contingencies.
  2. The opportunities to invest to save.
  3. Maintaining Council assets and the Council's infrastructure to agreed standards.
- A capital project appraisal is required for each bid and this will be validated by the Capital Investment Delivery Group. All schemes previously approved for commencement in 2011/12 and onwards will be carried through for consideration.

### **Procurement**

When setting both the 2012/13 budget and future years, regard should be given to the Corporate Procurement Strategy and The Council's Contract Procedure rules. In particular, budgets and projections should be based on Corporate and agreed framework contracts. Further advice and guidance can be obtained from the Councils Procurement Team.

### **Risk**

The budget process is fundamental to the Council's financial management regime and Members need to be assured that all pertinent issues are properly considered when making key decisions on the Council's future finances.

In drawing up revenue budget proposals, risk assessments should be undertaken to test the robustness of proposals and to identify key factors which may impact on the proposals put forward. Where appropriate

action plans should be put in place to manage/mitigate the risks identified – this may include a risk provision within the budget which can be calculated by your service accountant.

With a ~ £15.8m Revenue Budget and ~ £15m annual Capital Budget covering all the Council's services and activities the potential for an issue to be missed or not considered properly will always be there. The budget process is designed to minimise this risk and throughout the process there are frequent meetings with Corporate Management Team and Executive to review