

PERSONNEL COMMITTEE

10 November 2003

PERSONNEL DEPARTMENT BUDGET 2004/05 AND PERFORMANCE MONITORING

REPORT OF THE DIRECTOR OF PERSONNEL

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RECENT REFERENCES:

PER 56 Performance Monitoring to July 2003 - 8 September 2003

PER 52 Personnel Department Actual Expenditure 2002/03 - 9 June 2003

EXECUTIVE SUMMARY:

This report looks at the budget process from a departmental perspective within the context of the Council's corporate and financial strategies. As part of the budget process each Performance Improvement Committee is asked to consider whether, within its areas of interest, the proposals for growth and savings, levels of fees and charges and reserves help the Council achieve its agreed corporate aims and whether there are any other changes that Cabinet should be considering in order to help meet the Council's agreed objectives.

The report provides a summary of the proposed budget for 2004/05 and revised budget for 2003/04 within the Personnel Department and also the half yearly performance monitoring to the end of September 2003.

RECOMMENDATIONS:

- 1 That the detailed budget for 2004/05 and revised budget for 2003/04 be considered and recommendations made to Cabinet together with any other recommendations within the Personnel Department that the Committee believes Cabinet should also be considering.
- 2 That the half yearly performance monitoring be noted.

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### PERSONNEL DEPARTMENT BUDGET 2004/05 AND HALF YEARLY PERFORMANCE MONITORING

#### Report of the Director of Personnel

#### DETAIL:

#### 1 Introduction

1.1 The Council's financial strategy set out in report CAB676 dated 16 July 2003 gave guidance on the review of existing budgets. The principles agreed by Cabinet were:

- a) A balanced revenue budget (within a margin of £0.5m)
- b) Nil net base budget growth
- c) Inflation allowance for salaries and third party contracts only
- d) Prudent approach to income estimates
- e) A net overall underspend at year end
- f) A presumption in favour of revenue over capital income

#### 2 Budget Context

2.1 At the meeting on 15 October Cabinet gave initial consideration to the revenue budget for 2004/05 in the light of the financial strategy and the revised corporate strategy (reports CAB718 and CAB726). There are a number of financing changes scheduled for next year that will impact on the Council, although there is a lack of information about the precise effect and assumptions have been made where possible. Overall the projections show a deficit for next year and beyond that would be difficult to eliminate through Council Tax increases alone. With no increase in Revenue Support Grant (RSG) and a 3% increase in tax the possible deficit for next year is in the order of £1.5m. Allowing for underspends, perhaps of £0.5m, the remaining deficit of £1m will require funding from a combination of tax increases, reductions in expenditure, increases in income or contributions from reserves.

2.2 Until the effect of various Government changes are known it is difficult to be sure of the exact position that the Council will be in next year and beyond. The likelihood is that there will be a shortfall that will need to be made good by tax increases, reductions in current budgets or reduced growth proposals. In deliberating the budget, for next year and beyond, Members should consider prioritising their aspirations, their current service provision and the level of council tax. This should ensure that, when final information about next year is known, they are in a position to set a budget that does not have a significant revenue deficit.

2.3 Budget growth required to meet the Council's corporate priorities and allow the authority to continue to function efficiently and savings proposed to help balance the budget while respecting agreed priorities were considered by Corporate Management Team (CMT) and Cabinet and are summarised in report CAB718.

2.4 At the meeting on 15 October Cabinet resolved:

*That Performance Improvement Committees be asked to consider in the forthcoming cycle of meetings:*

- a) *Proposals for growth and savings, including the relative priorities of proposals*
- b) *Proposals for fees and charges*
- c) *Balances and forward programmes for reserves*

2.5 As part of the budget process each Performance Improvement Committee is asked to consider whether the proposals help the Council achieve its agreed corporate aims and whether there are any other changes that Cabinet should be considering in order to help meet the Council's agreed objectives.

2.6 This report gives information on the revised budget for 2003/04 and on detailed budget proposals for 2004/05 to assist the Committee in making these considerations. Monitoring information for the current half year is also contained in this report. Details of Personnel services may be found in the Budget Book pages 37 to 42.

### 3 Revised Revenue Budget 2003/04

3.1 Appendix A gives objective and subjective summaries of Personnels' services. There are changes between the original budget for this year and the revised budget that are accounted for principally by cost of job evaluation appeals and salary inflation.

### 4 Revenue Budget 2004/05

4.1 The budget ceiling for Personnel services for 2004/05 has been calculated as follows:

	£
<b>2003/04 Original Budget</b>	480,850
Add net inflation	11,030
Add training bids no longer allocated to departments	40,590
Less difference in Capital Financing	(3,020)
Less net change in management overheads	4,150
Other allowable expenses (insurance/training)	10,570
<b>2004/05 Budget Ceiling</b>	<b>544,170</b>
2004/05 Budget	544,170
<b>Net Under Ceiling</b>	<b>0</b>

4.2 The budget for 2004/05 is as the ceiling. The principal changes from the 2003/04 original budget are accounted for by the retention of the training bid monies in the Employee Expenses budget. There has been an allocation of training monies to departments

4.3 It was decided at CMT that the additional amount that departments bid would be retained to fund corporate training and development initiatives that are key to achieving corporate priorities.

## 5 Proposals for growth and savings

5.1 Appendix B sets out the corporate priorities recommended to Cabinet on 15 October. Appendix C reproduces in full the list of revenue and capital growth and savings proposals within these new suggested corporate priorities.

5.2 For the Personnel Department there are no growth items and no capital growth proposal. Saving items have been considered and it has been decided not to progress these further at this time.

5.3 The scope for additional income from charges is not great and cannot be expected to generate substantial additional revenue, but any opportunities to do so will be realised.

5.4 There are no balances to be brought forward and there are no reserves managed by the Personnel Department.

## 7 Performance Monitoring to September 2003

7.1 The performance monitoring to the end of September is shown at Appendix D. The revised budget for 2003/04, however is not yet incorporated.

7.2 Main variances are as follows:

7.3 The employees budget head is showing an overspend. This is due to agency and temporary staff employed to carry out various corporate projects and staff advertising.

7.4 The overspend on supplies and services (line n) is mainly due to job evaluation appeal costs.

7.5 The management overheads variance (line p) is mainly owing to filing and mail charges less than expected

## 8 Performance Indicators

8.1 The Corporate Health Indicators and the local performance indicators covering the period April 2003 to September 2003 are shown in Appendix E. There are no significant changes in the Corporate Health Indicator information since they were last reported to committee on 8 September 2003.

8.2 The local performance indicators show an increase in the number of cases referred to the council's Occupational Health Adviser and this reflects the slight increase in the number of long term sickness cases and the priority being given to Sickness and Absence Management which was reported previously in PER 56.

## 9 Business Plan 2003/04

9.1 Detailed progress was reported on the current business plan objectives in PER 56 on 8 September 2003. There have been no significant changes and it is estimated that all objectives will be completed by the end of the business plan period.

OTHER CONSIDERATIONS:

CORPORATE STRATEGY (RELEVANCE TO):

The need to maintain budget stability through strong financial performance and resource management within the City Council is an integral part of the Corporate Strategy.

RESOURCE IMPLICATIONS:

As detailed in the body of the report.

BACKGROUND DOCUMENTS:

Working papers in the Finance and Personnel Departments

APPENDICES:

- Appendix A Personnel Department Budget - Summary of Service and Subjective Budgets
- Appendix B Analysis of change from 2003/04 Original Budget to 2004/05 Budget
- Appendix C Corporate priorities recommended to Cabinet on 15 October in CAB 726
- Appendix D Personnel Department – Performance Monitoring to Sept 2003
- Appendix E Performance Indicators – Update on Progress