

Briefing note on future use of Resources Portfolio underspends

1. Background

1.1 With the aim of increasing the financial autonomy of Services the City Council approved an amendment to the Council's Budget Guidelines and Financial Rules at its meeting of 12 November 2013. This action is intended to remove financial barriers to the delivery of savings and promote medium term financial and service planning by enabling services to retain any year end underspendings and accepting the responsibility of managing and funding their overspends, cost pressures and contingent items.

1.2 Specifically:

- Each portfolio retains 100% of any year end underspend to be held in an earmarked reserve for the relevant portfolio
- The Portfolio Holder is responsible for approving any releases from their earmarked reserve in consultation with the Head of Finance & S151 Officer
- Any retained underspend (held in the reserve) will be used in the first instance to cover the following within the Portfolio:
 - Any year end overspend
 - Any one off budget pressures on the portfolio
 - Any temporary budget pressures on the Portfolio whilst actions are formulated to permanently manage or mitigate the implications of such ongoing budget pressure
 - Any item of a contingent nature that would historically have been funded from the Council's corporate contingency provision
 - Spend to Save schemes unless they are of a scale that is unaffordable by the earmarked reserve (although the reserve may make a contribution to the STS)
- Once there is confidence that the above instances can be satisfied, the earmarked reserve may be used for any other development or initiative.

2 Practical Application for Resources Portfolio

2.1 It is proposed that within the Portfolio earmarked reserve, the individual contributions made by services from their underspends, be recorded. For the Resources portfolio, which currently includes areas of budget under the responsibility of 10 heads of Service including the CX, this will indicate an equivalent number of 'pots'.

When services obtain approval to utilise the reserve, this will be similarly recorded.

2.2 A process for submitting requests and granting approvals will be agreed with the Portfolio holder; this may be via weekly briefings, email or specific budget meetings and a record of the decision will be included within the quarterly monitoring reports to the Resources Portfolio meeting.

2.3 Financial Services will provide the Portfolio Holder with a regular updated statement of the Reserve balances.

3. Principles, Issues and resolutions

3.1 Underspendings transferred to the Earmarked Reserve exclude the following items:

- i. Designated windfall items (for this portfolio : Benefits, audit fees, land charges)
- ii. Designated 'corporate' items (funded for a specific purpose from e.g MTRS Reserve)
- iii. Members Expenses(not under any Head of Service)

3.2 Treatment of Non Portfolio balances - underspends re committees will be incorporated within the appropriate Portfolio Earmarked reserve i.e. G& A Committee to Resources.

The Leader Portfolio will have its own Portfolio Reserve

3.3 Ongoing treatment of existing contributions to specific reserves.

Where a service is currently making a planned annual contribution to a reserve for a specific purpose such as equipment renewal, this contribution will be ring fenced providing a clear profile of future spending plans is published.

3.4 Carry Forward Requests- items previously identified as deferred for a specific reason and submitted as requests to carry forward budget into subsequent year will be treated in the same way as any other requests for use of the earmarked reserve i.e. the unspent budget will form part of the year end underspend and be transferred to the Earmarked Reserve. A request to appropriate the equivalent sum in the following year will require the approval of the Portfolio Holder.

3.5 Use of Reserve to cover individual Service overspends.

Given the number of HOS' with budgets in the Resources Portfolio, a situation may arise where one or more services are overspent at year end whilst others are underspent. The net contribution of others to the Reserve is therefore reduced by these overspends. It is proposed that, in the first instance, the other portfolio services will effectively cover this overspend but that in subsequent years, the overspending service 'repays' this contribution.

3.6 Joint Portfolio Initiatives- The Portfolio Holder may approve the use of Services' earmarked reserves for general Portfolio developments/initiatives.

3.7 Forecast underspendings may be transferred to the Earmarked reserve at Revised budget stage.

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