

LG Group Proposed Budget 2011/12

Summary

The LG Group's proposed budget for 2011/12 is presented in the attached Budget Book for decision. This is recommended to the LG Group Executive by the Resources Panel who reviewed the 2011/12 budget at its meeting on 27th April. A provisional budget for 2011/12 was agreed by LG Group Executive in March, before the start of the financial year. Since then, work has been underway on the final budget for the year, following the restructuring exercise across the Group that is now close to being completed.

Recommendation

Members are asked to:

1. agree the proposed budget for 2011/12 for the LG Group, prior to this being agreed by the boards of the individual entities of the Group
2. agree that at its next meeting the Resources Panel should review progress with achieving the substantial reduction in the LG Group's fixed overheads planned in the 2011/12 budget.

Action

Group Finance Director

Contact officer:

Stephen Jones/Helen Platts

Position:

Group Finance Director/ Head of Business Development

Phone no:

020 7664 3171/0207 296 6799

E-mail:

stephen.jones@local.gov.uk / Helen.platts@local.gov.uk

LG Group Budget and Budget Book 2011/12

Background

1. At its meeting in March, LG Group Executive agreed a provisional budget for 2011/12 for the LG Group, before the start of the financial year. Since then, work has been underway on a final budget for the year, following the restructuring exercise across the Group that is now close to being completed.
2. The 2011/12 budget is driven by the business strategy for the Group, which is set out in the Group's annual business plan and which was also agreed by Executive in March 2011. This has been developed in line with the feedback from councils through our wider consultation with local government over the last year, and also the steer provided by members at Executive and through the LG Group's programme boards. It takes account of the changing needs of local government against a background of significantly reduced public spending and an exceptionally tough financial settlement.
3. The budget also takes account of the reduced funding base of the Group – from nearly £100m in 2010/11 to expected income of just over £50m in 2011/12.

This report

4. The 2011/12 Budget Book presents for the first time an annual budget for the LG Group as a whole. This is part of the transformation programme, through which the political leadership and management of the five organisations in the LG Group – the LGA, LG Improvement and Development, LG Employers, LG Regulation and LG Leadership – is being integrated and co-ordinated to deliver greater value for money for councils.
5. Given that the company structure of the organisations in the LG Group is being retained in 2011/12, there is still also a need for budgets to be agreed for the individual organisations in the Group to demonstrate clear accountability to the individual company boards and the LGA Leadership Board. These individual budgets are set out at Appendix B in the 2011/12 Budget Book and are in effect sub-sets of the overall Group budget.
6. The 2011/12 Budget Book sets out the context for the budget and explains how, through the restructuring exercise and wider budgeting process, resources are being directed to achieve the LG Group's strategy and priorities. The Budget Book includes the LG Group's Strategic Risk register which identifies the key risks associated with delivering this strategy and the actions being taken to mitigate those risks.

7. The key changes to income and expenditure in 2011/12 are outlined in the Budget Book along with the transition costs of moving to the new organisational structure.
8. For the first time, a four year financial strategy is presented for the Group. This indicates that the current levels of pay and non-pay activity can be maintained, even in the face of a declining core funding base - membership subscriptions and RSG top-slice. In particular, it highlights the need for a rigorous programme of work to ensure that fixed overhead costs reduce in line with core funding.

Resources Panel Review

9. The Resources Panel met on 27th April 2011 to review the proposed budget where the discussion focused on:
 - 9.1 the efficiency savings that can be achieved across the Group from a reduction in the fixed cost of the Liberata contract and the letting of Layden House;
 - 9.2 the need for formal governance and reporting arrangements to ensure accountability and value for money in respect of the £1.6m top-slice funding of the National Foundation for Educational Research (NFER), the National Institute of Adult Continuing Education (NIACE) and the National Youth Agency (NYA);
 - 9.3 the impact of options to procure “top-up” services for those who require them, for example, Welsh and Northern Irish Local Authorities, in the fact of the more limited service that LG Regulation will be providing in the future;
 - 9.4 the funding of the Political Group Office’ non-pay activities in the light of agreements previously applied on funding by reference to political proportionality – changes have subsequently been made to the proposed budget in the light of the Resources Panel’s steer;
 - 9.5 the need to consider how we can support those local authorities who might have difficulty paying for potentially valuable services, for example, conferences and leadership programmes.
10. The Resources Panel asked to receive a report at its next meeting on progress with achieving the substantial reduction in the LG Group’s fixed overheads planned in the 2011/12 budget.

Implications for Wales

11. Welsh RSG totalling £0.5m has been awarded to the Group in 2011/12, at the same level as 2010/11. This is to fund the improvement and workforce services provided by the Group to Welsh authorities. The four year financial strategy assumes that Welsh RSG will cease from 2013/14 with the move to greater devolution, although this would not preclude the LG Group being paid directly by the Welsh LGA or local authorities in Wales for specific services.