

Forest Heath District Council

(This report is not a key decision. This report has been subject to appropriate notice of publication under the Council's Access to Information Rules)

Report of the Cabinet Member for Resources, Governance and Performance

CABINET

6 NOVEMBER 2012

CAB12/041

DELIVERING A SUSTAINABLE BUDGET 2013/2014 (Key Decision Reference: SEP12/02)

1. Summary and reasons for recommendation(s)

1.1 This report sets out the context of the 2013/2014 budget.

2. Recommendation(s)

2.1 The Cabinet is requested to note the progress made on delivering a balanced budget for 2013/2014.

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3. How will the recommendations help us meet our strategic priorities?

- 3.1 The budget setting process plays an important role in understanding how the Council's financial plans and strategies will contribute towards the achievement of the corporate objectives and strategic plan priorities.
- 3.2 In order for the Council to be able to meet its strategic priorities it is essential that sufficient and appropriate financial resources are available.

4. Key issues

4.1 The Budget Context

- 4.2 Forest Heath has delivered significant savings over the last 3 years, as set out in Table 1 below. However, there is no let up in the financial pressures we face, and it is therefore critical that we continue to deliver savings and create new income opportunities through an increasingly commercial approach.

Table 1: Savings

Savings	10/11	11/12	12/13 - Budget
Annual Savings	£0.9m	£1.6m	£1.0m
Cumulative Savings	£0.9m	£2.5m	£3.5m

4.3 Future budget pressures

- 4.4 The latest copy of the Medium Term Financial Strategy (MTFS) is attached at **Appendix A**. Time will be spent at the meeting going through the MTFS, to ensure all Members fully appreciate its relevance. The presentation of the Medium Term Financial Strategy has been slightly amended to reflect a jointly agreed layout with St Edmundsbury Borough Council. Feedback on the success of this new presentation would be appreciated.
- 4.5 The Comprehensive Spending Review, combined with income pressures, continues to have a direct and significant effect on our budget. The gap going forward is as follows:

Table 2: Budget Gap for 2013/2014 – 2015/2016

Budget Gap	13/14	14/15	15/16
Annual Savings Target	£0.4m	£0.3m	£0.4m
Cumulative Savings Target	£0.4m	£0.7m	£1.1m

- 4.6 The gap is derived from the MTFS (Appendix A), at reference numbers 18-21.
- 4.7 There are a number of uncertainties in the projections, and a range of assumptions incorporated which increase the sensitivities in terms of projecting forward. The main areas of uncertainty are set out below.

4.8 Asset Management Plan

4.9 Members will recall from the February 2012 main budget report, that the Council would be undertaking a detailed review of its Asset Management Plan (AMP) during 2012/2013. It is anticipated that further revenue and capital investment will be required during 2013/2014 and throughout the MTFS period generally, on the management of our asset portfolio.

4.10 This AMP work is likely to run parallel to the budget process, with details around the overall financial impact being included within the main budget and Council tax setting reports in February 2013.

4.11 Budget Uncertainties

4.12 2013/2014, perhaps more so than any previous year in recent times, carries significant budget uncertainty. There are two key risks:

4.13 The first is that it is unclear what level of grant we will receive from central government, and will remain unclear until December 2012. Since the last Comprehensive Spending Review in 2010, a range of grants have been 'rolled up' together, meaning that it is very hard to disaggregate the numbers and gain any clarity around funding lines and amounts.

4.14 The second risk is that whereas under the previous regime we were guaranteed a cash sum in terms of grant (which was a combination of redistributed business rates and revenue support grant), the entire system of business rate collection is changing from 1 April 2013, and the risk of collection is now firmly in the domain of local authorities. In other words, if we don't collect all of our business rates, we could have an in-year budget shortfall.

4.15 For these reasons, we have currently taken a pessimistic approach to the 2013/2014 budget plans, in order to ensure that we mitigate these two key risks.

4.16 Other known uncertainties across the Council's MTFS period include:

4.17 The future of other sources of funding (eg. the New Homes Bonus) and their impact on the overall level of council funding;

4.18 The impact of localism on the council's budget (with a potential for some increased budget pressures in areas such as neighbourhood planning);

4.19 The future of Housing Benefits, and the potential for all benefit processing (except council tax benefit) to move to the administration of the DWP (Department for Work and Pensions), under the auspices of Universal Credit.

4.20 There are almost definitely 'unknown unknowns', and it is therefore likely to be the case that the picture will change between now and February 2013, when the final budget will be approved.

4.21 Budget Assumptions

4.22 Attached at **Appendix B** to this paper is the current list of budget assumptions.

- 4.23 We have undertaken a good deal of work with our colleagues at St Edmundsbury Borough Council, to bring our budget assumptions into line wherever possible and to ensure that the assumptions are clearly evidenced, where evidence is available. As noted above, there is still significant uncertainty around some of the assumptions.
- 4.24 Members should note that small changes in the assumption percentages can have significant impact on the budget.
- 4.25 Delivering the Savings
- 4.26 The key strategy to deliver savings for the next two years is through shared services and progress to date has been very good, and we are well on track. Further details will be provided at the meeting.
- 4.27 For 2013/2014, we will also be looking to close the current gap through efficiency and procurement savings.

5. Other options considered

- 5.1 None.

6. Community impact

6.1 Crime and disorder impact *(including Section 17 of the Crime and Disorder Act 1998)*

- 6.1.1 As outlined in paragraph 6.4.1 below.

6.2 Diversity and equality impact *(including the findings of the Equality Impact Assessment)*

- 6.2.1 As outlined in paragraph 6.4.1 below.

6.3 Sustainability impact *(including completing a Sustainability Impact Assessment)*

- 6.3.1 As outlined in paragraph 6.4.1 below.

6.4 Other impact *(any other impacts affecting this report)*

- 6.4.1 Wherever applicable, the community impact has been assessed by the individual services as part of their ongoing operational functions.

7. Consultation *(what consultation has been undertaken and what were the outcomes?)*

- 7.1 This report and the figures therein have been compiled by the Finance team in consultation with the relevant budget holders and services.

8. Financial and resource implications *(including asset management implications)*

- 8.1 As set out in the body of this report.

9. Risk/opportunity assessment *(potential hazards or opportunities affecting corporate, service or project objectives)*

9.1 As set out in the body of this report.

9.2 There are inevitable risks associated with the assumptions for both revenue and capital projections and an analysis of these formed part of the overall budget report.

10. Legal and policy implications

10.1 As outlined in the body of the report.

11. Ward(s) affected

11.1 All Wards.

12. Background papers

12.1 None.

13. Documents attached

13.1 Appendix A - Medium Term Financial Strategy (MTFS).

13.2 Appendix B - Budget Assumptions 2013/2014 – 2016/2017.

Appendix A: Medium Term Financial Strategy

FOREST HEATH DISTRICT COUNCIL		MEDIUM TERM FINANCIAL STRATEGY - WORKING DOCUMENT					
Description	Item	2011/12 Actual £000s	2012/13 Approved Budget £000s	2013/14 Proposed Budget £000s	2014/15 Proposed Budget £000s	2015/16 Proposed Budget £000s	2016/17 Proposed Budget £000s
Net Service Expenditure after Reserves	11	9,397	11,530	10,968	11,138	11,303	11,516
Interest received on investment of cash balances	12	(821)	(778)	(628)	(627)	(607)	(580)
External Interest payable	13	171	170	170	170	170	170
Minimum Revenue Provision	14	157	150	144	138	138	138
Reversal of Capital Adjustment Account	15	(1,331)	(2,511)	(1,504)	(1,501)	(1,468)	(1,468)
Total Net Expenditure after Interest and Capital	16	7,573	8,561	9,150	9,318	9,536	9,776
<i>less</i> Shared Service Savings already assumed	17	0	(485)	(1,228)	(1,319)	(1,371)	(1,371)
Total Net Expenditure after Interest and Capital and shared services		7,573	8,076	7,922	7,999	8,165	8,405
Saving Requirements							
2013/14	18	0	0	(355)	(357)	(357)	(357)
2014/15	19	0	0	0	(302)	(302)	(302)
2015/16	20	0	0	0	0	(407)	(407)
2016/17	21	0	0	0	0	0	(445)
Increase / (reduction) in General Fund balance	22	64	0	0	0	0	0
Total Net Expenditure	23	7,637	8,076	7,567	7,340	7,099	6,894
Collection Fund Deficit / (Surplus)	24	(26)	(25)	0	0	0	0
Formula Grant - Revenue Support Grant	25	(1,072)	(77)	0	0	0	0
Formula Grant - Redistributed Non-domesticated Rates	26	(3,467)	(3,993)	(3,570)	(3,259)	(2,933)	(2,640)
New Homes Bonus	27	(562)	(1,436)	(1,436)	(1,436)	(1,436)	(1,436)
Council Tax Freeze Grant	28	(61)	(63)	0	0	0	0
Amount to be charged to Council taxpayers	29	2,449	2,482	2,562	2,644	2,729	2,817
Council Tax Base	30	17,819	18,058	18,185	18,312	18,440	18,569
Council Tax at Band D (£ P)	31	£137.43	£137.43	£140.87	£144.39	£148.00	£151.70
Budgeted % increase year on year	32	0.00%	0.00%	2.50%	2.50%	2.50%	2.50%
Increase year on year in monetary terms (£ P)	33	£0.00	£0.00	£3.44	£3.52	£3.61	£3.70
Total Council Tax generated	34	2,449	2,482	2,562	2,644	2,729	2,817

Appendix B: Budget Assumptions 2013/2014 – 2016/2017

Details	Authority	2013/2014		2014/2015		2015/2016		2016/2017		Source
		Original %	Updated %	Original %	Updated %	Original %	Updated %	Original %	Updated %	
Pay Assumption	FHDC	2.00%		2.00%		2.00%		2.00%		Base on Chancellor's Autumn Statement / Regional Employers best estimate - linked to inflation target
	SEBC	3.00%	1.00%	3.00%	1.00%	3.00%	2.00%	3.00%	2.00%	
Employers' Pension	FHDC	21.00%	19.00%	23.70%	20.70%	23.70%	22.40%	23.70%	24.10%	Based on Actuarial report.
	SEBC	19.70%	19.70%	21.70%	22.80%	21.70%	25.70%	21.70%	28.70%	
General Inflation	FHDC	Various	2.00%	Various	2.00%	Various	2.00%	Various	2.00%	Linked to Bank of England inflation target
	SEBC	3.00%		3.00%		3.00%		3.00%		
Fees and Charges	FHDC	2.50%	2.00%	2.50%	2.00%	2.50%	2.00%	2.50%	2.00%	Linked to Bank of England inflation target
	SEBC	3.00%		3.00%		3.00%		3.00%		
Council Tax Increase	FHDC	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	Based on previous capping limit. Political decision.
	SEBC	2.50%		2.50%		2.50%		2.50%		
Vacancy Savings	FHDC	0.00%	2.50%	1.00%	2.50%	1.00%	2.50%	1.00%	2.50%	Based on historical trends
	SEBC	2.50%		2.50%		2.50%		2.50%		
Utilities	FHDC	2.50%	5.00%	2.50%	5.00%	2.50%	5.00%	2.50%	5.00%	Based on historical trends, service knowledge and contract assumptions
	SEBC	5.00%		5.00%		5.00%		5.00%		
Transport - Fuel	FHDC	5.00%	10.00%	5.00%	10.00%	5.00%	10.00%	5.00%	10.00%	Based on historical trends, service knowledge and contract assumptions
	SEBC	10.00%		10.00%		10.00%		10.00%		
Investment Interest	FHDC	3.50%	3.00%	3.75%	3.10%	4.00%	3.10%	4.00%	3.10%	Based on external support assumptions and risk appetite
	SEBC	2.00%	1.50%	2.60%	1.70%	4.30%	2.50%	4.30%	3.25%	
Government Grant	FHDC	2.85%	12.30%	5.60%	8.70%	5.60%	10.00%	5.60%	10.00%	Comprehensive Spending Review, but a lot of uncertainty around this figure
	SEBC	5.00%		5.00%		5.00%		5.00%		