



## Performance and Audit Scrutiny Committee 25 September 2012

### Delivering a Sustainable Budget 2013/14

#### 1.0 Background and Purpose of Report

1.1 This report sets out the context of the 2013/14 budget.

1.2 Members are asked to **note the progress made on delivering a balanced budget for 2013/14.**

#### 1.3 The Budget Context

1.3.1 St Edmundsbury has delivered significant savings over the last 8 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: DR-IVE savings**

	DR-IVE 1 2005-6	DR-IVE 2 2006-7	DR-IVE 3 2007-8	DR-IVE 4 2008-9	DR-IVE 5 2009-10	DR-IVE 6 2010-11	DR-IVE 7 2011-12	DR-IVE 8 2012-13
<b>Actual</b>	£1.3m	£0.8m	£0.8m	£0.7m	£1.1m	£1.6m	£1.9m	£2.4m

#### 2.0 Future budget pressures

2.1 The latest copy of the Medium Term Financial Strategy (MTFS) is attached at **Appendix A**. I will spend some time 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, which will hopefully make it easier to read. Feedback on the success of this new presentation would be appreciated.

2.2 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 13/14 – 15/16**

	13/14	14/15	15/16
<b>Budget Gap (= DR-IVE target)</b>	£0.9m	£0.9m	£1.5m

- 2.3 The gap is derived from the MTF5 (Appendix A), at reference numbers 15-17.
- 2.4 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.

#### 2.4.1 **Budget Uncertainties**

- 2.4.2 2013/14, perhaps more so than any previous year in recent times, carries significant budget uncertainty. There are two key risks:

2.4.2.1 The first is that it is unclear what level of grant we will receive from central government, and this 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.

2.4.2.2 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.

- 2.4.3 For these reasons, I have currently taken a pessimistic approach to the 2013/14 budget plans, in order to ensure that we mitigate these two key risks.

- 2.4.4 Other known uncertainties include:

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

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

2.4.4.3 The impact of other changes in government policy, such as the change in planning requirements for house extensions and resultant loss of income;

2.4.4.4 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.

- 2.4.5 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.

#### 2.5 **Budget Assumptions**

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

2.5.2 We have undertaken a good deal of work with our colleagues at Forest Heath 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.

2.5.3 Members should note that small changes in the assumption percentages can have significant impact on the budget.

## **2.6 Delivering the savings**

2.6.1 The key strategy to deliver savings for the next two years is through shared services. Progress to date has been very good, and we are well on track. Further details will be brought to the next meeting of this Committee, to identify 'local' savings (ie those not related to shared services).

**Liz Watts**  
**Chief Finance Officer**  
**September 2012**

## Appendix A: Medium Term Financial Strategy

### **ST EDMUNDSBURY BOROUGH COUNCIL** **MEDIUM TERM FINANCIAL STRATEGY - WORKING DOCUMENT**

Description	Item	2011-12 Actual £'000	2012/13 Approved Budget £'000	2013/14 Proposed Budget £'000	2014/15 Proposed Budget £'000	2015/16 Proposed Budget £'000	2016/17 Proposed Budget £'000
<b>Net Service Expenditure after Reserves</b>	11	<b>12,709</b>	<b>12,185</b>	<b>13,800</b>	<b>14,551</b>	<b>15,447</b>	<b>16,368</b>
<i>less Interest received on investment of cash balances</i>	12	(618)	(445)	(430)	(483)	(718)	(945)
<b>Total Net Expenditure after Interest and Capital</b>	13	<b>12,091</b>	<b>11,740</b>	<b>13,370</b>	<b>14,068</b>	<b>14,729</b>	<b>15,423</b>
<i>less shared services delivered so far</i>	14			(636)	(636)	(636)	(636)
<b>Total Net Expenditure after Interest and Capital and shared services</b>				<b>12,734</b>	<b>13,432</b>	<b>14,093</b>	<b>14,787</b>
<b><u>Savings required:</u></b>							
2013/14	15			(922)	(922)	(922)	(922)
2014/15	16				(914)	(914)	(914)
2015/16	17					(1,529)	(1,529)
2016/17	18						(922)
Increase / (reduction) in General Fund balance	19	50	(146)	(767)	(705)	0	0
<b>Total Net Expenditure</b>	20	<b>12,141</b>	<b>11,594</b>	<b>11,045</b>	<b>10,891</b>	<b>10,729</b>	<b>10,500</b>
Collection Fund Deficit / (Surplus)	21	(39)	45	45	45	45	45
Formula Grant - Revenue Support Grant	22	(1,238)	(90)	(79)	(72)	(65)	(59)
Formula Grant - Redistributed Non-domesticated Rates	23	(4,005)	(4,662)	(4,089)	(3,733)	(3,360)	(2,915)
Council Tax Freeze Grant	25	(167)	(168)	0	0	0	0
<b>Amount to be charged to Council taxpayers</b>	26	<b>6,692</b>	<b>6,719</b>	<b>6,923</b>	<b>7,131</b>	<b>7,349</b>	<b>7,572</b>

Appendix B: Budget Assumptions 13/14 – 16/17

Details	Authority	2013/2014		2014/2015		2015/2016		2016/2017		Source
		Original %	Updated %	Original %	Updated %	Original %	Updated %	Original %	Updated %	
Pay Increase	FHDC	2.00%	1.00%	2.00%	1.00%	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%		3.00%		3.00%		3.00%		
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 increase	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%				
Fees and Charges increase	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%				
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%				
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%				
Utilities increase	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%				
Transport – Fuel increase	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%				
Investment Interest projection	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%	
Reduction in 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%	12.30%	5.00%	8.70%	5.00%	10.00%	5.00%	10.00%	