

Forest Heath District Council

**PERFORMANCE AND
AUDIT SCRUTINY
COMMITTEE**

28 NOVEMBER 2013

PAS13/022

(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 Chief Financial Officer (Section 151 Officer)

DELIVERING A SUSTAINABLE BUDGET 2014-2015

1. Summary and reasons for recommendation

- 1.1 It is essential that the Council's financial and budgetary strategies are sufficiently robust to enable it to deliver a sustainable budget position in the short and medium term. The Council continues to face significant financial challenges due to on-going public sector funding cuts. This Committee has a key role in the scrutiny of the budget process and proposals for achieving a balanced budget.
- 1.2 In September 2013 the committee received report PAS13/015 "Delivering a sustainable Budget 2014-2015" which set out the context of the 2014/15 budget, including details of savings targets and known pressures for 2014/15 and future years. The purpose of this report is to update members on progress made towards delivering a balanced budget for 2014/15.

2. Recommendation

- 2.1 Members are asked to:
- (i) Note the progress made on delivering a balanced budget for 2014/15.

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

3.1 The budget underlies all services provided by the Council and the recommendations meet the objectives of its Strategic Plan particularly the priority of being an efficient and effective Council.

4. Key issues

4.1 Position at September 2013

4.1.1 In September 2013 the Committee received report PAS13/015 which sets out the context of the 2014/2015 budget, including details of budget assumptions, pressures and uncertainties. Members were advised that the comprehensive spending round, combined with other pressures, was continuing to have a direct and significant effect on the Council's budget. At the time the projected gap going forward were reported as follows:

4.1.2 Table 2: Budget Gap for 2014/15-2016/17

	2014/15	2015/16	2016/17
Budget Gap per annum	£0.4m	£0.6m	£0.4m
Budget Gap cumulative	£0.4m	£1.0m	£1.4m

4.2 Budget Assumptions

4.2.1 The table below shows the current budget assumptions for 2014/15 and for the period of the MTFS:

	2014/15	2015/16	2016/17
General inflation	2%	2%	2%
Fees & charges	2%	2%	2%
Utilities	5%	5%	5%
Pay increase *	1%	2%	2%
Employer's pension contribution – based on the latest actuarial report	22.4%	24.7%	27.0%
Impact of pension auto-enrolment **	50% take up £75k	50% take up £75k	50% take up £75k
Vacancy savings	2.5%	2.5%	2.5%
Transport fuel	5%	5%	5%
Investment interest	1.9%	1.75%	2.15%
Grant reduction as % of RSG	Per consultation July 2013 49% Reduction over the two years		24%
Council tax increase	2.5%	2.5%	2.5%

- * Pay increase assumptions are subject to the national announcement
- ** Pension auto-enrolment budget assumptions to be revised as part of the budget process.

4.3 Latest Budget Projections

4.3.1 Table 1 below sets out additional pressures and the progress made to date in achieving the 2014/15 savings target. A number of these themes were brought to member's attention in September, these are now being incorporated into the budgets.

	2014/15
Description	£'000 Pressure/ (Saving)
Budget Gap	400
Reduction in interest income due to capital programme profiling and reduced interest rate projections	110
Pensions – increased contributions per latest actuarial review compared to the original MTFS assumptions	100
Pensions – automatic enrolment, employer contributions costs currently not budgeted for	75
Further government grant reduction per July 2013 consultation	30
Additional shared service savings not assumed in the 2014/15 base budget	(300)
Additional Housing Benefit Subsidy	(150)
Procurement and review of budgets – including reviewing controllable supplies and services	(85)
Flagship VAT shelter – additional income	(60)
ARP ICT contract	(20)
Car parking running costs under shared services arrangements	(15)
Remaining Budget Gap / (Surplus)	85

4.4 Delivering the savings

4.4.1 Whilst there may be additional pressures which will result in a larger budget gap, the work that has been done in delivering the shared services savings will go some way to meeting this gap as shown above. So far shared services across both Councils have delivered in total £3.5m in savings, for Forest Heaths share of this is an additional £300k above the amount already assumed within the MTFS.

4.4.2 The final local savings and MTFS position will be presented to this committee in January 2014, at this point in time we believe the 2014/15 budget is achievable.

5. Other options considered

5.1 Not applicable

6. Community impact

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

6.1.1 Not applicable

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

6.2.1 Not applicable

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

6.3.1 Not applicable

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

6.4.1 Not applicable

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

7.1 All shared service arrangements are subject to joint agreement between the two councils. Formal consultation exercises are undertaken with trade unions and staff regarding restructuring proposals, including staff redundancies and changes to pay and conditions.

7.2 Plans are currently in progress for budget consultation for setting the 2014/15 budget.

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

8.1 As set out above

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

Risk area	Inherent level of risk (before controls)	Controls	Residual risk (after controls)
	High/Medium/Low		High/Medium/Low
Savings projections are not achieved resulting in budget deficit	Medium	Budgetary control, including reporting of variances to members. Use of general fund reserves to cover budget deficits.	Low
The business rate retention scheme underachieving the yield assumed in the MTFS	High	Work with the Anglia Revenues Partnership team to monitor the position and deliver a realistic forecast.	Medium

Risk area	Inherent level of risk (before controls)	Controls	Residual risk (after controls)
Adverse Changes in the assumptions used in the MTFS resulting in a larger budget gap	Medium	The assumptions are regularly monitored and updated. Use of general fund reserves to cover budget deficits.	Low

10. Legal and policy implications

- 10.1 The Local Government Finance Act 1988 (Sc 114) - requires the chief finance officer to report to councillors if there is or is likely to be an unbalanced budget.

11. Wards affected

- 11.1 All

12. Background papers

- 12.1 Delivering a sustainable Budget 2014-2015 PAS13/015 24 September 2013

13. Documents attached

- 13.1 Not applicable