



Performance and Audit Scrutiny Committee 27 November 2013

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 E123 "Delivering a sustainable Budget 2014-2015" which set out the context of the 2014/2015 budget, including details of savings targets and known pressures for 2014/2015 and future years. The purpose of this report is to update members on progress made towards delivering a balanced budget for 2014/2015.

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. Corporate priorities

3.1 The budget underlies all services provided by the Council and the recommendations meet the following, as contained within the Corporate Plan:

(a) Corporate priority 3: *'Working together for an efficient Council.'*

4. Key issues

4.1 Position at September 2013

4.1.1 In September 2013 the Committee received report E123 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 2014/2015-2016/2017

	2014/2015	2015/2016	2016/2017
Budget Gap per annum	£0.5m	£1.7m	£0.5m
Budget Gap cumulative	£0.5m	£2.2m	£2.7m

4.2 Budget Assumptions

4.2.1 The table below shows the current budget assumptions for 2014/2015 and for the period of the MTFS:

	2014/2015	2015/2016	2016/2017
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	21.7%	23.7%	25.7%
Impact of pension auto-enrolment	Currently all employees are budgeted for as though they were in the pension scheme, however this may be revised as part of the budget assumptions		
Vacancy savings	2.5%	2.5%	2.5%
Transport fuel	10%	10%	10%
Investment interest	1.5%	1.5%	2.25%
Grant reduction as % of RSG	Per consultation July 2013 47% Reduction over the two years		24%
Council tax increase	2.5%	2.5%	2.5%

* Pay increase assumptions are subject to the national announcement

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.

	2014/2015
	£'000
Description	Pressure/ (Saving)
Budget Gap	500
Reduction in industrial properties rental income due to vacancy rates	170
Reduction in car parking income, mainly linked to reduction in fine income	140
Additional costs for homelessness provisions	80
Further government grant reduction per July 2013 consultation	40
Additional shared service savings	(380)
Pensions – decreased contributions per latest actuarial review compared to the original MTFS assumptions	(100)
Procurement and review of budgets – including reviewing controllable supplies and services budgets	(115)
Office space partnership – more efficient use of existing sites	(75)
ARP ICT contract	(35)
Additional trade waste income and reduction in waste operational costs	(80)
Additional planning income	(60)
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 St Edmundsbury's share of this is an additional £380k 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 2014/2015 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 2014/2015 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
Adverse Changes in the assumptions used in the MTFS resulting in a larger budget gap	Medium	The assumptions are regularly monitored and updated and the changes are reflected and reported	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 (E123 26 September 2013)

13. Documents attached

13.1 Not applicable

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