

Performance and Audit Scrutiny Committee



Forest Heath
District Council

Title of Report:	Delivering a Sustainable Budget 2015-16 and Budget Consultation Results	
Report No:	PAS/FH/14/008	
Decisions plan reference:	Oct14/02	
Report to and date/s:	Performance and Audit Scrutiny	26 November 2014
	Cabinet	9 December 2014
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Purpose of report:	<p>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. This Committee has a key role in the scrutiny of the budget process and proposals for achieving a balanced budget.</p> <p>This report sets out the context of the 2015/16 budget process, including a summary of the budget consultation focus group results and the proposed saving and income generation items for delivering a balanced budget for 2015/16.</p>	

Recommendation:		Performance and Audit Scrutiny Committee:	
		<p>It is <u>RECOMMENDED</u> that, Members are asked to:</p> <p>(i) Note the progress made on delivering a balanced budget for 2015/16</p> <p>(ii) Taking into account the public consultation results outlined in Appendix A, recommend to Cabinet:</p> <p>a) the inclusion of the proposals, as detailed in Table 2 at paragraph 1.5.1 of this report,</p> <p>b) the removal of the proposals, as detailed in paragraph 1.5.2 of this report</p>	
Key Decision:		<i>Is this a Key Decision and, if so, under which definition?</i>	
<i>(Check the appropriate box and delete all those that do not apply.)</i>		Yes, it is a Key Decision - <input type="checkbox"/> No, it is not a Key Decision - <input checked="" type="checkbox"/>	
Consultation:		<ul style="list-style-type: none"> As detailed in the body of this report. 	
Alternative option(s):		<ul style="list-style-type: none"> Not applicable 	
Implications:			
<i>Are there any financial implications? If yes, please give details</i>		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> As detailed in the body of this report 	
<i>Are there any staffing implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> 	
<i>Are there any ICT implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> 	
<i>Are there any legal and/or policy implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> 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. 	
<i>Are there any equality implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> To be considered as part of implementation of service changes 	
Risk/opportunity assessment:		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
Risk area	Inherent level of risk (before controls)	Controls	Residual risk (after controls)
	Low/Medium/ High*		Low/Medium/ High*
Savings projections are not achieved resulting in budget deficit	Medium	Budgetary control, including reporting of variances to members.	Low
Ward(s) affected:		All	

<p>Background papers: <i>(all background papers are to be published on the website and a link included)</i></p>	<p>COU14/661 West Suffolk Strategic Plan 2014-16</p> <p>COU14/662 Budget and Council Tax Setting 2014-15 and MTFS 2014-16</p>
<p>Documents attached:</p>	<p>Appendix A – Summary of budget consultation results</p> <p>Appendix B – Budget assumptions 2015-16 and across the MTFS</p>

1. Key issues and reasons for recommendation(s)

1.1 Future budget pressure and challenges

- 1.1.1 Forest Heath continues to face considerable financial challenges as a result of uncertainty in the wider economy and constraints on public sector spending. In this context, and like many other councils, we have to make difficult financial decisions.
- 1.1.2 The MTFS, approved at Full Council on 26 February 2014 (Report COU14/662), sets out the current and future financial pressures and challenges facing Forest Heath. Our MTFS document also sets out the approach that Forest Heath District Council will take to the sound management of its finances over the next two years.

1.2 Budget gap and budget assumptions

- 1.2.1 The revenue position forecasted and as reported in the Budget and Council Tax Setting 2014/15 (Report COU/662) is summarised below in Table 1. It is important to note that there are limitations on the degree to which Forest Heath can identify all of the potential changes within its medium term financial projections. It is also important to remember that these financial models have been produced within a financial environment that is constantly changing and that they will be subject to significant change over time.

Table 1: Budget gap for 2015/16-2017/18

	2015/16	2016/17	2017/18
Budget gap (a year)	£1.1m	£0.6m	£0.2m
Budget gap (cumulative)	£1.1m	£1.7m	£1.9m

- 1.2.2 The medium term financial projections include a number of key budget assumptions as detailed in **Appendix B**. These key budget assumptions continue to be reviewed as more accurate information becomes available.

1.3 Methodology for securing a balanced budget 2015-16

- 1.3.1 The scale of financial changes that need to be made to ensure that Forest Heath's shared priorities can be delivered in 2015/16 is more difficult compared to previous years, especially as the projected £1.1m budget gap for 2015/16 is above the £3.5m annual shared service savings already delivered to across West Suffolk.
- 1.3.2 As a result, a considerable amount of work has already begun on identifying potential savings and income generation ideas in order to secure a balanced budget for 2015/16 and prepare for 2016/17.
- 1.3.3 In previous years, Forest Heath has addressed the need for financial savings by sharing the burden across all services. This year, rather than allocating a proportion of the £1.1m savings to all areas of the council's business, the

approach has been that the council's resources for 2015/16 should be allocated according to its strategic priorities. In practice, this will mean prioritising the projects, actions and themes outlined in the West Suffolk Strategic Plan for 2014-16, as well as the essential work that the councils needs to do, including statutory functions.

1.3.4 The projects and actions relate to West Suffolk's three priority areas as set out in the Strategic Plan approved at Full Council on 26 February 2014 (Report number COU14/661):

- increased opportunities for economic growth;
- resilient families and communities that are healthy and active; and
- homes for our communities.

1.3.5 The process of allocating resources according to priorities and essential services has helped to identify areas of the council's work which could either be scaled back or where further opportunities for the generation of income could be pursued. The process then focused on non-priority areas, and challenged whether the council should continue with the activities at all or in their current form, in order to ensure they provided value for money to council taxpayers.

1.3.6 The six themes within our agreed MTFS relate to areas of the West Suffolk councils' business which will support sustainability in a more financially constrained environment. The themes are:

- aligning resources to both councils' new strategic plan and essential services;
- continuation of the shared service agenda and transformation of service delivery;
- behaving more commercially;
- encouraging more use of digital forms of customer access;
- taking advantage of new forms of local government finance (for example, business rate retention); and
- considering new funding models (for example, acting as an investor).

1.3.7 It should also be noted that savings achieved through sharing services with St Edmundsbury Borough Council have to date been predominately delivered through the joining up of services and staff structures. During September and October business partners and advisors from the Resources and Performance team held a number of budget challenge meetings with heads of service and portfolio holders. The focus of these meetings was to review all supplies, service and income budgets across West Suffolk. This review took into account previous spending patterns, but more importantly what the projected spending and income requirement under a shared service for 2015/16 would look like. The challenge meetings also provided the opportunity to consider potential contractual savings as a result of joining up contracts across West Suffolk.

1.3.8 A significant number of the proposals generated from the process outlined in paragraphs 1.3.1 to 1.3.7 above are relatively straightforward to implement with minimal impact on service delivery as these items fall mainly in the categories of contract, supplies and service efficiencies, further shared service savings and income generation opportunities from making better use of council

assets.

- 1.3.9 However, other proposals require more detailed analysis in order to develop options and to provide clarity as to the potential savings/income. Indeed, some proposals required input from users and the public and were therefore explored as part of this year's budget consultation exercise detailed in paragraphs 1.4.1 to 1.4.2 below.

1.4 **Budget consultation approach and feedback**

- 1.4.1 A public consultation exercise was carried out over the summer in order to inform the budget setting process and help councillors to make decisions about the 2015/16 budget. The purpose of the consultation was to gauge public opinion on the main savings/income generating options and to test views on a range of issues relating to the council priorities and themes in the MTFS, such as channel shift, families and communities and our commercial approach.
- 1.4.2 The consultation exercise included five public focus groups and four town and parish council focus groups. Focus groups are an opportunity to test public opinion and can be used to discuss both specific ideas and general concepts. During the focus groups opinions were sought on specific ideas which could generate budget savings and the findings are included in **Appendix A** of this report.

1.5 **Budget proposals for 2015-16**

- 1.5.1 The Performance and Audit Scrutiny Committee is asked to support and recommend to Cabinet the **inclusion of the following proposals**, as detailed in Table 2 below, taking into account the consultation results outlined in **Appendix A**, in order to progress securing a balanced budget for 2015/16. It may be helpful to read **Appendix A** first before considering the proposals below.

Table 2: Budget proposals for 2015/16

Description	2015/16 £'000 Pressure/ (Saving)
Budget gap	1,100
<i>Budget saving proposals</i>	
Budget challenge day – including supplies and service efficiencies identified through shared services	(278)
Contract efficiencies through new banking arrangements	(10)
Contract efficiencies through waste tipping arrangements	(50)
Further shared service staffing structural savings, (taking into account increase in planning and enforcement staff linked to report COU14/696).	(29)

Description	2015/16 £'000 Pressure/ (Saving)
Grants and contributions review	(70)
Income generation - waste and street cleansing services	(13)
Income generation - ICT income, shop mobility and street name and numbering	(11)
Income generation from photovoltaics - linked to last two years' average levels	(42)
Income - additional planning fee income linked to report COU14/696.	(85)
Income through Business Rate Retention Scheme - S31 grants compensating for the central Government's imposed inflation cap on business rates (announced December 2013) and retention of renewable energy business rates growth under the new scheme. Final share of business rates growth, including from the Suffolk Pool, to be determined - update to be provided at January 2015 meeting	(220)
Further reduction in Leisure Management Fee	(82)
Further reduction in business mileage	(5)
Reduction in printing costs for officer committee papers	(6)
Office space partnership - more efficient use of existing sites	(10)
West Suffolk Letting Partnership income generation	(5)
Removal of Discretionary Rate Relief budget (now part of Business Rates Retention Scheme)	(21)
Reduction in Housing Benefit payment assumptions and subsidy income	(105)
Reduction in external audit fees	(18)
Waste management back office support and in-cab technology efficiency savings	(14)
<i>Additional budget pressures</i>	
Increase in bad debt provision	10
Increase in utilities and business rates - inflation linked	36
Remaining Budget Gap *	72

* Proposals for the remaining balance will be presented to this committee in January 2015, at this point in time we believe the 2015/16 budget is achievable.

- 1.5.2 A number of potential savings/income generation options were explored as part of the budget consultation exercise (as detailed in Appendix A). Taking into account the consultation results, it is recommended that a number of these proposals are not pursued for the 2015/16 budget. The Performance and Audit Scrutiny Committee is asked to recommend to Cabinet **that the following proposals are not pursued:**

- (a) **Charging for replacement bins:** The council should not introduce a charge for bins that have been lost or deliberately damaged by the householder. Whilst there was public support for this in principle, it was recognised that there would be practical problems in terms of implementation and collecting payment. However, the council will continue to monitor requests for bins and usually charge if a household requires three or more replacement bins a year.

***Recommendation:** That the Performance and Audit Scrutiny Committee supports the removal of this 2015/16 budget proposal. However, the council will continue to monitor requests for bins and charge (if appropriate) a household which requires three or more replacement bins a year.*

- (b) **Use of volunteers:** The council will (where it makes financial and operational sense) continue to encourage volunteers and support them as appropriate.

***Recommendation:** That the Performance and Audit Scrutiny Committee supports the continued exploration of this area, however a financial savings target is not included within the 2015/16 budget.*

1.5.3 Some of the budget consultation areas, as detailed below, still require further work and are likely to be the subject of individual business case over the coming months. The Performance and Audit Scrutiny Committee is **asked to note these areas.**

- (a) **Markets:** The budget consultation shows there was some support for the markets in the towns and for providing different offers. Development of the markets continues to be explored during the 2015/16 budget process.

***Recommendation:** The Performance and Audit Scrutiny Committee support the exploration of this area.*

- (b) **Bus station building:** A number of options were considered to reduce the costs of running the Mildenhall bus station building. Whilst there was little support for charging for use of the public toilets, there was support for exploring other options, such as reducing opening hours and exploring community/commercial use. In order to establish whether or not a community/commercial use is even a viable option, with any interest from those sectors, a marketing exercise was carried out in October 2014. The results of this marketing exercise, along with a consideration of all the options proposed, will be subject to a further report to Cabinet in the New Year. This report will also include the findings from the public consultation.

***Recommendation:** That the Performance and Audit Scrutiny Committee notes that options for the bus station building will be outlined in a report to Cabinet in the New Year and as part of further budget setting reports to Full Council in February 2015.*

- (c) **Housing:** Housing is a strategic priority for the council. The public supported in principle the proposal for the council to invest in building houses to rent and sell. It is suggested that options for a housing company are developed. This would be subject to further consideration by Cabinet and other councillors.

Recommendation: *That the Performance and Audit Scrutiny Committee to support the exploration of this area.*

- (d) **Money from Development:** The budget consultation shows there was general support for a mixture of 'no strings attached' money from development being spent on both the neighbourhood affected by the development and also held centrally and used for larger projects.

Recommendation: *The Performance and Audit Scrutiny Committee note the budget consultation results.*

- (e) **Renewable Energy:** The budget consultation shows there was general support agreement that investing in renewable energy is a good idea however further work is required. It is suggested that options for investing in renewable energy are developed. This would be subject to further consideration by Cabinet and other councillors.

Recommendation: *That the Performance and Audit Scrutiny Committee support the exploration of this area.*

1.6 **Budget timetable**

- 1.6.1 The table below outlines the timetable of budget information through the committees and to Full Council.

Table 3: Budget timetable

Task	Date
Performance and Audit Scrutiny Committee – consider 2015/16 budget proposals and budget consultation results	26 November 2014
Cabinet to consider recommendations from Performance and Audit Scrutiny Committee – 26 November 2014	9 December 2014
Council approval of the 2015/16 Tax Base including any Council Tax technical changes	10 December 2014
Council approval of Local Council Tax Reduction Scheme 2015/16	10 December 2014
Performance and Audit Scrutiny Committee Further progress report on 'Delivering a Sustainable Budget 2015/16'	29 January 2015
2015/16 Budget and Council Tax Setting - Cabinet.	17 February 2015
2015/16 Budget and Council Tax Setting - Full Council.	27 February 2015