

DRAFT BUDGET 2014/15

Cabinet – 5 December 2013

Report of Chief Finance Officer

Status: For Decision

Key Decision: No

Executive Summary: The Council has an excellent track record in identifying, planning for and addressing financial challenges. In light of the challenging financial position facing all authorities three years ago, for 2011/12 the Council produced a 10-year budget together with a four-year savings plan for the first time. This will be the fourth year this method has been used and provides the Council with a stable basis for future years.

This report sets out progress made in preparing the 2014/15 budget and updates Members on key financial information.

Since the last report on 12 September 2013, the Advisory Committees have proposed additional growth and savings items.

There remains uncertainty over the level of Government Support; therefore a further report will be presented to Cabinet on 9 January 2014 subject to settlement figures being received in time.

The Cabinet will make its final recommendation on the budget at its meeting on 6 February 2014, after taking into account any updated information available at that date.

This report supports the Key Aim of effective management of Council resources.

Portfolio Holder Cllr. Ramsay

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Recommendation to Cabinet:

- (a) Consider and respond to the comments and recommendations of the advisory Committees.

Introduction and Background

- 1 The Council's financial strategy over the past nine years has worked towards increasing financial sustainability and it has been successful through the use of a number of strategies including:

- implementing efficiency initiatives;
 - significantly reducing the back office function;
 - improved value for money;
 - maximising external income;
 - the movement of resources away from low priority services; and
 - an emphasis on statutory rather than non-statutory services.
- 2 Over this period the Council has focused on delivering high quality services based on Members' priorities and consultation with residents and stakeholders through the Community Plan. In financial terms, the adoption of this strategy has to date allowed the Council to move away from its reliance on general fund reserves which has ensured that the general fund reserves have remained largely unchanged.
- 3 In setting its budget for 2011/12 onwards, the Council recognised the need to address both the short-term reduction in Government funding as well as the longer-term need to reduce its reliance on reserves. The outcome was a 10-year budget, together with a four-year savings plan, that ensured the Council's finances were placed on a stable footing but that also allowed for flexibility between budget years.
- 4 Local Government generally appears to be feeling the impacts of the Government funding reductions and the impact of the recession. However, productivity and morale within this Council remain high which has a positive impact on the financial bottom line.
- 5 At the Cabinet meeting on 12 September 2013, Members considered a report setting out the Council's financial prospects for 2014/15 and beyond. That report set out the major financial pressures the Council is likely to face, together with a proposed strategy for setting a balanced and sustainable budget for 2014/15 and beyond.
- 6 As part of the budget process officers put forward their Service Plan Summaries to Advisory Committees in October and November, which set out their objectives for the coming year. The Advisory Committees recommended new growth and savings items which will be considered at this meeting.

Updates to the Financial Prospects Report

- 7 The Financial Prospects report considered in September raised a number of financial risk areas for the Council. These are updated below and Members will be aware that this is a rapidly evolving situation, and the Council needs to be prepared to act flexibly in response to changes in economic conditions.

Government Support

- 8 Further information has been obtained concerning Government Support for 2014/15. The Government will be reducing the provisional amount announced in February 2013 by a further 1% resulting in a 7.5% reduction instead of 6.5%.

- 9 The Council's current budget assumptions for Government support include a reduction of 18% in 2015/16. However, in this year the level of complexity and uncertainty remains high, therefore projections and forecasts are having to be made with minimal data.
- 10 The Government is now not expected to announce figures for 2014/15 and 2015/16 until later in December.

Council Tax

- 11 The assumptions in the 10-year budget were reduced before the last report to 2% for 2014/15 to 2015/16 and 3% for later years.

Interest Receipts

- 12 Interest receipts have been reviewed taking in to account the latest interest rates forecasts together with investment balances.

Use of reserves

- 13 The changes explained above together with the growth and savings ideas proposed by the Advisory Committees result in a surplus over the 10-year budget period. Therefore, it is proposed to put the remaining balance of £70,000 per annum into the Financial Plan Reserve which would be able to fund year 11 (2024/25) of the budget, should it still be available when the budget is set in February. It will also provide further flexibility with the 10-year budget should it be needed before the budget is approved in February.
- 14 A more detailed review of reserves will be included in the February Cabinet report. Reserves may be requested to fund 'invest to save' schemes and to support the initial investigation in to delivering the new Corporate Plan ambitions. However, this will need to be informed by the Peer Challenge work that is being carried out in December.

Pay

- 15 The 10-year budget assumes the pay award for 2014/15 to 2015/16 will be 1%; 1.5% in 2016/17 to 2017/18 and 2% in later years.

Superannuation Fund

- 16 Initial results of the triennial valuation of the Kent County Council Superannuation Fund have been received. These show this council in an improved position compared to many others across Kent. This appears to be largely due to the decision made several years ago to pay fixed contributions each year to reduce the deficit position instead of paying a percentage of the payroll costs.
- 17 Further information has been requested from the actuaries to gain a greater understanding of the position before any change is made to the 10-year budget assumptions.

Current Budget Gap and Savings Proposals

- 18 The following table shows the differences between the 10-year budget included in the Financial Prospects report on 12 September 2013 and the latest version set out in Appendix B.

10-Year Budget			£m
Previous 10-year Budget deficit:	12/09/13		0.7
Changes:			
Government Support 2014/15: further 1% reduction			0.3
Interest receipts: reviewed			(0.3)
Growth: Advisory Committees			1.7
Savings: Advisory Committees			(3.1)
Contribution to Financial Plan Reserve			0.7
Revised budget gap			0.0

- 19 The 10-year budget (Appendix B) shows a balanced budget position. Due to the uncertainty regarding Government Support and Council Tax a further report will be presented to Cabinet on 9 January 2014 containing a more complete picture. Members' views will then be sought if proposals are required to close any budget gap.
- 20 The Cabinet will make its final recommendation on the 2014/15 budget at its meeting on 6 February 2014, after taking account of the latest information available at that date.

Collection Fund and Tax base

- 21 The 2014/15 tax base will be agreed at Cabinet on 9 January 2014. At the same time, Members will be presented with an estimate of the Collection Fund balance as at 1 December 2013.

2013/14 Outturn

- 22 Supported by the Finance and Resources Advisory Committee (and previously the Finance Advisory Group), tight financial monitoring and control has been in place for a number of years and again for 2013/14. Given the constraints being placed on all budgets, and the savings planned for 2014/15 and future years, it will be essential to continue on this basis.
- 23 The latest monitoring figures indicate a small favourable variance at the year end. However, it should be recognised that once again, this has been a challenging

budget year. In spite of this, officers, with the support of the Finance and Resources Advisory Committee, are continuing to ensure the year-end outturn remains within budget.

24 Key risk items in the current year include:

- Property related income such as Development Control (particularly pre-application fees and s106 monitoring), Building Control and Land Charges remain vulnerable.
- The Benefits workload continues to increase. Activity levels increased by 27% in 2012/13 and have increased by a further 17% in the first seven months of 2013/14. Agency staff are being used to address the workload and to fill any vacancies due to uncertainties relating to Universal Credit.
- Council Tax collection rates, though currently in line with the previous year, could be affected by increased unemployment and squeezed household incomes.
- The investment strategy is constantly under review in light of the changing long term credit ratings which affect the number of organisations the Council can invest in.

Budget Consultation

25 As part of the Council's budget setting process, and its commitment to listening to the views of the community, the Council consulted with local people asking for their views on the principles by which the 2014/15 budget should be set.

26 The primary vehicle for this was a telephone survey of 201 Sevenoaks District residents. The survey was run by independent research specialists between 16 and 30 October 2013. The survey respondents formed a broadly representative sample of the District population.

27 In addition, the same budget questions were made available as website survey. Residents could request paper copies of the survey, so that everyone had an opportunity to offer their views.

28 In total 43 people took part in the website survey. It should be stressed that this was not a statistically representative survey, but gives a very general indication of the community's opinions.

29 Respondents were asked about the Council's budget priorities for 2014/15 and were asked to say how strongly they agreed or disagreed with the following statements:

	Telephone survey	Website survey
The Council should continue to look for further efficiency savings	84% agreed	91% agreed
The Council should find new opportunities to work in partnership with others to further reduce costs	91% agreed	86% agreed

Charges for services that the Council does not have a duty to provide should at least cover costs	79% agreed	79% agreed
The Council should increase Council Tax to continue to deliver its services	27% agreed	28% agreed
The Council should invest its money and resources in areas that would generate income to help fund the services it provides to the community	85% agreed	86% agreed

Key Implications

Financial

All financial implications are covered elsewhere in this report.

Legal Implications and Risk Assessment Statement.

There are no legal implications.

An effective integrated policy and priority driven long-term financial and business process is required for the Council to deliver on its priorities and maintain a sustainable budget. It is also essential that continuous improvements are identified and implemented in order to take account of the changing climate within which the Council operates and to meet the expectations of both Government and the public on the quality of service demanded from this Council.

The risks associated with the 10-year budget approach include uncertainty around the level of shortfall and the timing of key announcements such as future grant settlements. The risk will be mitigated by continuing to review assumptions and estimates and by updating Members throughout the process.

Community Impact and Outcomes

Members' early consideration of the issues raised in this report would be beneficial to residents in that a planned approach to achieving a balanced budget should produce the best outcome for the community in limiting the level in budget reductions.

Equality Impacts

Consideration of impacts under the Public Sector Equality Duty:		
Question	Answer	Explanation / Evidence
a. Does the decision being made or recommended through this paper have potential to disadvantage or discriminate against different groups in the community?	Yes	Individual equalities assessments have been completed for all of the Service Change Impact Assessments (SCIAs) to ensure the decision making process is fair and transparent.
b. Does the decision being made or recommended through this	No	

Consideration of impacts under the Public Sector Equality Duty:		
Question	Answer	Explanation / Evidence
paper have the potential to promote equality of opportunity?		
c. What steps can be taken to mitigate, reduce, avoid or minimise the impacts identified above?		

Conclusions

Government Support remains a major uncertainty contained in the 10-year budget with further information not expected until late December.

The outcome of this announcement may result in a budget gap, therefore an updated position will be reported to Cabinet on 9 January 2014 subject to settlement figures being received in time.

This budget process, although currently presenting a balanced outcome, will once again be a major financial challenge for a Council that already provides value for money services to a high standard. In making any budget proposals, Members will need to consider the impact on customers, service quality and staff well-being, to ensure that these proposals lead to an achievable 10-year budget that supports the Council's aspirations for customer-focused services.

Appendices

Appendix A – Budget Timetable

Appendix B – 10-year Budget

Appendix C – Summary of the Council's agreed 4 year savings plan and growth items

Appendix D – New growth and savings items proposed by the Advisory Committees

Appendix E – Service Change Impact Assessment forms (SCIAs)

Background Papers:

Report to Council 19 February 2013 – Budget and Council Tax Setting 2013/14

Report to Cabinet 12 September 2013 – Financial Prospects and Budget Strategy 2014/15 and Beyond

Report to Strategy and Performance Advisory Committee 8 October 2013, Housing and Community Safety Advisory Committee 15 October

2013, Economic and Community Development
Advisory Committee 24 October 2013, Finance and
Resources Advisory Committee 12 November 2013,
Local Planning and Environment Advisory Committee
19 November 2013 - 2014/15 Budget and Review
of Service Plans

Adrian Rowbotham
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