

## **BUDGET 2015/16: SERVICE REVIEWS AND SERVICE PLAN IMPACT ASSESSMENTS (SCIAs)**

### **Strategy and Performance Advisory Committee – 7 October 2014**

Report of	Chief Finance Officer
Status:	For Decision
Also considered by:	Housing and Community Safety Advisory – 8 October 2014 Economic and Community Development Advisory Committee – 21 October 2014 Local Planning and Environment Advisory Committee – 23 October 2014 Finance and Resources Advisory Committee – 11 November 2014
Key Decision:	No

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**Executive Summary:** This report sets out updates to the 2015/16 budget within the existing framework of the 10-year budget and savings plan. The report presents proposals that have been identified which need to be considered, together with further suggestions made by the Advisory Committees, before finalising the budget for 2015/16.

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<b>Portfolio Holder</b>	Cllr. Fleming
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#### **Recommendation to each Advisory Committee:**

- (a) Advise Cabinet with views on the growth and savings proposals identified in Appendix C (if applicable to this Advisory Committee).
- (b) Advise Cabinet with further suggestions for growth and savings for the services within the terms of reference of the Advisory Committee.

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**Reason for recommendation:** It is important that the views of the Advisory Committees are taken into account in the budget process to ensure that the Council's resources are used in the most suitable manner.

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## Introduction and Background

- 1 The Council's financial strategy over the past ten 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. 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 Due to the level of funding and other potential changes and uncertainties, it is increasingly difficult to anticipate with sufficient accuracy what the level of Government settlement is likely to be after 2015/16. However, using the data sources available to the Council, this report sets out a budget position over the 10-year period but recognises that this is a constantly changing situation and more accurate data will become available in future months.
- 4 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.
- 5 With the amount of Revenue Support Grant provided by Government continuing to reduce at a significant rate it is important that the council aims to become more self-sufficient by having a balanced economy with local solutions. These solutions include:
  - continuing savings;
  - below inflation increases;
  - council tax; and
  - increased income.
- 6 The intention of this report is to provide Members of each Advisory Committee an opportunity to give their views on potential growth and savings items that could be

included in the updated 10-year budget that will be presented to Council on 17 February 2015.

- 7 The 'Financial Prospects and Budget Strategy 2015/16 and Beyond' report has been presented to Cabinet to start the budget setting process for 2015/16.
- 8 This report presents members with the following documents relating to the budget for 2015/16:
  - Service Overviews relating to the Advisory Committee (Appendix A);
  - Summary of the Council's agreed savings plan and growth items (Appendix B);
  - New growth and savings items proposed (Appendix C);
  - Service Change Impact Assessment forms (SCIAs) for the new growth and savings items relating to the Advisory Committee – if applicable (Appendix D);
  - 10-year budget (Appendix E);
  - Budget timetable (Appendix F).

### **Service Overviews**

- 9 This is a new document as it is the intention to provide Members with improved information during the budget setting process to provide context and inform any growth and savings ideas that Members may put forward.
- 10 The Service Overviews cover a summary of what each service provides, importantly a summary of current and future issues or pressures and details of current budget levels and previous savings for each service.
- 11 Additional information will also be sent to Members of each Advisory Committee to provide greater detail.
- 12 Appendix A contains the Service Overviews for those services directly relevant to this Advisory Committee.

### **Savings Plan**

- 13 Appendix B to this report sets out a summary of the savings and growth items approved by Council since the 10-year budget strategy was first used in 2011/12, which have allowed the Council to deliver a 10 year balanced budget.
- 14 The savings plan requires a total of £4.8 million to be saved between 2011/12 and 2015/16 which is an average saving of nearly £1m per annum. In the eleven years from 2005/06, over £10m of savings will then have been made.
- 15 Further savings are scheduled to be made in later years as agreed by Council.

## Proposed Growth Items

- 16 Growth items are items that are in addition to non-service issues and risks, such as grant settlements, impacts of economic change and other pressures highlighted in the 'Financial Prospects and Budget Strategy 2015/16 and Beyond' report considered by Cabinet on 12 September 2014.
- 17 A list of the growth items proposed can be found in Appendix C and a summary by Advisory Committee is shown in the following table:

<b>Advisory Committee</b>	<b>Annual Impact £000</b>	<b>10-year Budget Impact £000</b>
Economic and Community Development	-	-
Finance and Resources	381	3,610
Housing and Community Safety	-	-
Local Planning and Environment	28	280
Strategy and Performance	-	-
<b>Total</b>	<b>409</b>	<b>3,890</b>

## Proposed Savings Items

- 18 A number of savings items are also being proposed which can also be found in Appendix C and a summary by Advisory Committee is shown in the following table:

<b>Advisory Committee</b>	<b>Annual Impact £000</b>	<b>10-year Budget Impact £000</b>
Economic and Community Development	-	-
Finance and Resources	(301)	(1,990)
Housing and Community Safety	(85)	(670)
Local Planning and Environment	-	-
Strategy and Performance	-	-
<b>Total</b>	<b>(386)</b>	<b>(2,660)</b>

## Financial Summary

- 19 It is increasingly difficult to produce an accurate forecast at this early stage due to the level of uncertainty, in particular for Government Support. The assumptions currently included take into account the latest information available but a number of assumptions may change before the final budget meeting in February 2015.
- 20 Since the 'Financial Prospects and Budget Strategy 2015/16 and Beyond' report was presented to Cabinet on 2 September 2014, no further information has been obtained concerning Government Support.

- 21 Interest receipts are currently being reviewed as we work with our treasury advisors, Capita Asset Services. Different scenarios are being modelled to see which option is the most viable and realistic. The outcome will be included in the report to Cabinet on 11 December 2014. The current assumption uses the current 3 month LIBID (London Inter-Bank Bid) rate increased in line with the Capita Bank Base Rate forecast. This results in increased interest receipts over the 10-year budget due to increased bank base rate forecasts compared to one year ago, and higher balances pending use in the property investment strategy.
- 22 The 10-year budget attached at Appendix E includes the changes in interest receipts and the growth and savings proposals put forward in this report.
- 23 It is proposed to put any remaining balance into the Financial Plan Reserve which would be able to fund year 11 (2025/26) 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.
- 24 Views of the Advisory Committees on the growth and savings items proposed together with any additional suggestions will be considered by Cabinet at its meeting on 11 December 2014.

### **Process and Timetable**

- 25 This report is the second stage of the budget process as shown in the Budget Timetable (Appendix F).
- 26 It is possible that Advisory Committees may have to re-address service budgets in January if significant changes have taken place (including government support changes) leading to a large and unmanageable deficit.

### **Key Implications**

#### Financial

All financial implications are covered elsewhere in this report.

#### Legal Implications and Risk Assessment Statement.

There are no legal implications.

For the effective management of our resources and in order to achieve a sustainable budget it is essential that all service cost changes and risks are identified and considered.

Current and future pressures are included in the Service Overviews and each Service Change Impact Assessment (SCIA) includes the likely impacts including a risk analysis.

Financial risks will be reviewed again when the Cabinet publishes its proposals for the annual budget.

## 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 equality impact assessments have been completed for all 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 paper have the potential to promote equality of opportunity?	No	
c. What steps can be taken to mitigate, reduce, avoid or minimise the impacts identified above?		

## **Conclusions**

Members' consideration and scrutiny of the relevant services is an essential and key element in the business and financial planning process. Any growth items agreed which are outside the existing 10-year budget will require additional savings, and subsequent service changes, to ensure a balanced budget position.

By incorporating the proposed growth and savings items into the 10-year budget, it will allow an annual contribution to be made to the Financial Plan Reserve which will help to fund the council into year 11 (2025/26) and beyond.

## **Appendices**

Appendix A – Service Overviews relating to this Advisory Committee.

Appendix B – Summary of the Council's agreed savings plan and growth items.

Appendix C – New growth and savings items proposed.

Appendix D - Service Change Impact Assessment forms (SCIAs) for the new growth and savings items relating to this Advisory Committee (if applicable).

Appendix E – 10-year budget.

Appendix F – Budget timetable.

**Background Papers:**

- a) Report to Council 18 February 2014 – Budget and Council Tax Setting 2014/15
- b) Report to Cabinet 11 September 2014 – Financial Prospects and Budget Strategy 2015/16 and Beyond
- c) Budget details and performance reports

**Adrian Rowbotham  
Chief Finance Officer**