

BUDGET PLANNING REPORT FOR RESIDENTS SERVICES 2014/15

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REASON FOR ITEM

This is the first opportunity for the Policy Overview Committee to discuss the current stage of development of budget planning work with regard to Residents Services (excluding Housing & Education). Within the context of the Council's overall financial position, this paper sets out the main financial issues facing the Group's services and the work being undertaken to respond to them. This paper gives a strategic context in which the detailed proposals to be discussed at Policy Overview Committee meetings in January 2014 will need to be considered.

OPTIONS AVAILABLE TO THE COMMITTEE

It is recommended that the Committee notes the development of the financial planning process undertaken to date and comments as appropriate on the response to the issues being developed by the Group.

INFORMATION

- 1 This is the first of two opportunities within the planning cycle for the Policy Overview Committee to consider issues relating to budget planning for 2014/15. The focus of this report is the major issues that have been identified through the service and financial planning process for Residents Services. The report to be considered in January 2014 will set out the detailed budget proposals for the Group, those proposals having been included in the report to Cabinet on the Medium Term Financial Forecast (MTFF) on 19 December 2013.

Corporate Summary

- 2 While the focus of the discussion for the Policy Overview Committee should be the specific services within its remit, it is important that this discussion is conducted in the context of the overall corporate financial position.
- 3 The Comprehensive Spending Review 2010 set out the financial challenge facing local government over the following four year period, the last of which is 2014/15. Whilst the initial assessment of the CSR suggested that the cuts were heavily front loaded in the first two years, it has since become apparent that the estimates on which the CSR was based were over optimistic and the period of austerity will continue for a significantly longer period, potentially until 2018 or later. The budget report to Council in February 2013 identified the savings requirement for 2014/15 as £17.0m and work is currently underway to refresh this figure. Whilst the finance settlement announced in December 2012 was for a two year period, the figures for 2014/15 were indicative rather than confirmed at that time. The budget in March introduced a further 1% cut for 2014/15, however, until the final settlement is

announced towards the end of the year the final funding position will not be clarified.

- 4 In addition, there is significant other uncertainty within the budget for next year both from changes introduced in 2013 and from the ongoing welfare reforms:
 - The responsibility of public health transferred to local government on 1 April 2013 and significant work remains outstanding in the allocation of that funding.
 - Council Tax benefit was abolished on 1 April 2013 and replaced with a local Council Tax Reduction scheme with a 10% cut in funding. The new scheme has only been in operation for just over 3 months and so the impact on Council Tax revenue is unclear.
 - The retention of business rates commenced in April 2013 giving local authorities a stake in the generation of additional business rates income. However, the system is sensitive to changes in the rateable value of the Borough and at this early stage of the year it is not easy to predict the impact on next year's funding.
 - Central Government are introducing significant Welfare Reforms including Universal Credit, under occupancy and the Benefit Cap all of which are forecast to impact significantly on Council services and on budgets. Early indications of budget pressures are starting to emerge in Month 2 monitoring.
 - A reform of education funding is also expected, but details on this scheme are not yet available.
- 5 Alongside this, any other emerging pressures which arise throughout this financial year will have to be provided for in next year's budget. The budget gap will be monitored throughout the year and the budget strategy adjusted accordingly to ensure that a balanced budget for 2014/15 can be set.

Strategy to deal with the budget gap

- 6 The Council remains strongly placed to deal with the challenges ahead. We have a good track record of coming in or under budget each year and have accumulated balances of £30.2m by the end of 2012/13. We have a well established HIP programme that has helped steer the Council from a position of having low balances to one of having healthy balances at the same time as dealing with significant external challenges. This has been enhanced by the development of the BID programme as the main vehicle for delivering the fundamental changes required to the Council's structure and ways of working in order to address the reductions in funding going forward.

MTFF process update

- 7 The timetable for the budget process was refreshed in February 2013 and the first MTFF sessions with Groups took place during late June and early July to review the detailed budget proposals developed by each group. Progress on the

development and delivery of these proposals will be monitored monthly by CMT and the Leader of the Council throughout the remainder of the year.

Timetable for 2014/15 Budget

8 The broad timetable is as follows:

Process	Timetable
Monthly BTB updates (March 13 to Feb 14)	Monthly
Monthly Leader MTFF updates (March 13 to Feb 14)	Monthly
Special Budget CMT to address opening 14/15 gap	Late February
MTFF BID Proposals – Firm up plans on cross cutting BID Initiatives	March
MTFF strategy report to Leader	May
MTFF Review – 1st Challenge Sessions	June/July
Initial MTFF 2014/15 Report to Leader	End July
POC Reviews – Context for 2014/15 Budgets	July
MTFF Review (2) – 2 nd Challenge Session	Sept/Early October
Updated MTFF Report to Leader	November
Joint CMT and Cabinet Awayday	November
Draft Local Government Finance Settlement	December
Draft MTFF reported to Cabinet	December
POC review of draft Group Plans and budget proposals	January
Council Tax setting	February

Budget Planning in Residents Services

Summary of Key Financial Issues

- 9 Residents Services (excluding Housing & Education) have identified significant budget savings for 2013/14 totalling £4.7 million. These include efficiency savings from reviews of Technical Admin & Business Support, ICT, Facilities & Maintenance support services and an ongoing review of discretionary spend. In addition further income has been received through the New Homes Bonus grant, and recycling income has been increased through the implementation of a new dry recycling contract.
- 10 The 2014/15 MTFF proposals are continuing to develop a number of existing workstreams, and identifying any new opportunities for savings and efficiencies emerging from the work undertaken through the Council's now well established HIP and BID processes. Examples of these include a widening of Technical Support review, ICT modernisation, and a number of restructures following on from a review of the Senior Management team to integrate Housing services. The emphasis continues to be on generating savings through service improvement based on process efficiency, use of technology and consolidation of provision. This work will be supported by the detailed budget monitoring process, alongside the established and rigorous processes for challenging expenditure and recruitment decisions.

- 11 It is anticipated that there will be limited opportunities for significant further income generation from fee-based services within Residents Services given the economic climate and that any increases would fall upon residents and businesses. Where applicable the levels of non-residential charges will be kept under review, in the context of usage and capacity levels. The Group will also continue to vigorously pursue any opportunities for additional grant income, where these are aligned to Council objectives.

Next Steps

- 12 The Medium Term Financial Forecast setting out the draft revenue budget and capital programme will be considered by Cabinet on 19 December 2013 and issued for consultation during the remainder of December 2013 and January 2014. This will include detailed consideration by each of the Policy Overview Committees of the proposals relating to their respective services.

SUGGESTED COMMITTEE ACTIVITY

Consider whether there are comments or suggestions that the Committee wishes to make.

BACKGROUND PAPERS

The Council's Budget: General Fund Revenue Budget and Capital Programme 2013/14 – reports to Cabinet 14 February 2013 and Council 28 February 2013.