

BUDGET PROPOSALS REPORT FOR ADMINISTRATION & FINANCE SERVICES 2015/16

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REASON FOR ITEM

To comply with the Budget and Policy Framework procedure rules as part of the agreed consultation process for the General Fund revenue budget, Housing Revenue Account budget and capital programme for 2015/16, this report sets out the draft revenue budget and capital programme of the Administration and Finance Group for 2015/16, along with indicative projections for the following four years. Following consideration by Cabinet on 18 December 2014, these proposals are now under consultation, and the proposals for each Group are being discussed at the January cycle of Policy Overview Committees.

Cabinet will next consider the budget proposals on 12 February 2015, and the report will include comments received from Policy Overview Committees. At the meeting on 12 February 2015 Cabinet will make recommendations to full Council regarding the budget and Council Tax levels for 2015/16, who will meet to agree the budgets and Council Tax for 2015/16 on 26 February 2015.

The Committee needs to consider the budget proposals as they relate to Administration and Finance Group, but within the corporate context and the constraints applying as a result of the aggregate financial position of the authority.

OPTIONS AVAILABLE TO THE COMMITTEE

It is recommended that the Committee notes the budget projections contained in the report, and comments as appropriate on the combined budget proposals put forward by the Administration and Finance Group, within the context of the corporate budgetary position.

INFORMATION

Background

1. The Council continues to operate within the constraints of Government's deficit reduction programme, which has seen a reduction of 37% (£58m) in central government funding since 2010/11 and all indications are that funding will continue to decline. As reported to Council in February 2014, indicative sums for 2015/16 have been published by DCLG and indicate a further 13.8% reduction in that one year alone. When combined with the broad range of demographic and other service pressures impacting upon the Council's finances, this requires the Council to continue to identify savings and efficiencies to protect services to residents.

2. Since February, groups have been developing savings proposals sufficient to manage the overall funding reduction and to manage any increased cost pressures within their services. In addition, a comprehensive review of the corporate elements of the budget has been undertaken, including funding, inflation and capital financing. During June and early July, and then again during September and October, a series of budget challenge sessions were held at officer level covering Administration, Finance, Residents Services, Adult Social Care, Children and Young People, the Capital Programme, the Housing Revenue Account and Corporate Budgets. Each session followed a similar format reviewing:
 - The 2013/14 outturn, particularly any ongoing issues arising.
 - The current position in 2014/15 - both monitoring and savings delivery.
 - Existing and emerging pressures which need to be addressed in the 2015/16 budget and forecasts for future years.
 - Progress on the development of savings proposals for 2015/16.
 - Identification of any potential growth or invest-to-save bids.
 - Capital programme requirements.
3. Alongside these budget challenge sessions, Finance Managers have been leading a number of reviews focused on understanding and simplifying the Council's base budget position in order to ensure that budgets are fully aligned with management responsibility and to improve transparency around the existing cost base. These reviews have removed a significant number of notional internal charges and centralised a number of externally-set levies, enabling operational managers to focus on controllable expenditure and accountants to reduce unnecessary reworking of data.
4. The budget report presented to Cabinet in December 2014 collated the output from work undertaken and presents a balanced draft budget for consideration by Cabinet in December and wider consultation during January, prior to the final budget for 2015/16 being approved by Cabinet and Council in February 2015. Alongside the 2015/16 position, the report also considered the financial outlook for the Medium Term which considers the likelihood of sustained reductions in funding over the period from 2016/17.

The Budget and Policy Framework Procedure Rules

1. The consultation on the budget proposals commenced on 19 December 2014 following decisions taken by Cabinet on 18 December 2014.
2. There will be a further consideration by Cabinet of the budget proposals on 12 February 2015, including comments from Policy Overview Committees. These will be collated and reported back to Cabinet by the Corporate Services and Partnerships Policy Overview Committee. Council will be requested to approve the Cabinet's proposals on 26 February 2015, and if approved without further amendment they will be effective immediately.

Corporate Summary

3. 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.
4. The budget proposals included in this report represent Cabinet's budget strategy for 2015/16 and beyond. The revenue budget proposals have been developed to deliver a zero increase in Council Tax for 2015/16 whilst maintaining balances and reserves at well above the minimum recommended level. The final funding settlement for 2015/16 will not be available until late January / early February, and so the budget has therefore been drafted on the latest estimated position.
5. The principal challenge in delivering a balanced budget for 2015/16 is the development of significant savings, with the initial budget gap of £20,284k reported to Cabinet in February 2014 being managed through a drawdown of £5,000k from balances, £7,672k being secured by groups through savings and managed reductions in contingency and the balance being met through corporate and policy items such as the collection fund surpluses and capital financing costs.
6. The budget proposals presented to Cabinet in December are analysed below, with a reduction of £8,529k in funding - principally driven by reductions in government funding - and other budget movements resulting in £10,113k savings proposals. With £3,234k of this sum relating to the full year effect of previously agreed savings, £6,879k new proposals have been developed and outlined in the report to Cabinet.

Table 1: Headline Budget Movements

	£'000
<u>Funding Sources</u>	
Council Tax Receipts	104,196
Retained Business Rate Receipts	46,955
Central Government Grant	52,508
Total Resources	203,659
Budget Requirement 2014/15	212,188
Inflation	2,920
Corporate Items	(5,278)
Contingency	2,942
New Priority Growth	1,000
Savings	(10,113)
Budget Requirement 2015/16	203,659
Surplus / (Deficit)	0

7. The development of savings proposals has continued to concentrate on more efficient service delivery methods, the rolling out of the new Council operating model, focusing on core services and by not creating new pressures by providing services that are no longer

funded by Central Government. As previously noted, the Council's Business Improvement Delivery Programme is now well established and able to drive the delivery of these savings - evidenced by £13,407k of the £16,491k 2014/15 savings being either already banked or on track in Month 7 monitoring.

8. The draft general fund capital programme for the period 2015/16 – 2019/20 proposes significant capital investment of around £336,290k, including the continuation of the Primary schools capital programme, the development of a new Secondary Schools capital programme, the provision of a new landmark theatre and museum, investment in roads and pavements, as well as investment in new Youth Centres and improvement work associated with the borough's highways, environmental and recreational facilities.

ADMINISTRATION AND FINANCE GROUP BUDGET PROPOSALS

Summary of Key Financial Issues

9. The Administration and Finance Group have proposed savings totalling £1,521k for 2015/16. The savings are a combination of service efficiencies, additional income generation and retendering of contracts, therefore ensuring that the level of services provided are not affected. Of the total savings proposal, £140k relate to the full year effect of savings made in 2014/15.
10. A number of the 2015/16 savings relate to restructures within specific service areas and work has been undertaken during 2014/15 to ensure that these savings will provide a full year impact in 2015/16. The outcome of the retendering of the Revenues and Benefits Administration Contract will provide part year savings in 2015/16, with savings increasing in future years up to 2019/20. However, the renewed Banking and Merchant Services Contract will provide full year savings in 2014/15.
11. Administration and Finance Group have consistently provided savings through service efficiencies and will continue to explore ways to improve productivity in order to provide the most effective support to front line services.

Group Revenue Budget 2015/16

12. The movement between the current year's budget and the draft budget requirement for 2015/16 is summarised in Table 1 below. Each of the lines in Table 1 is set out in the following sections and in Appendix A.

Table 1: Group Revenue Budget 2015/16

	Administration Group £'000	Finance Group £'000	Total £'000
Budget Requirement 2014/15	11,987	13,443	25,430
Inflation	162	239	401
Corporate Items			
Contingency			
Priority Growth			
Savings	(595)	(926)	(1,521)
Other Virements			
Budget Requirement 2015/16	11,554	12,756	24,310

Development and Risk Contingency

13. The Development and Risk Contingency provides for resources within the revenue budget that are unallocated at the beginning of the year, but that can be applied to issues as they arise during the year. The contingency is therefore used to budget for items where the probability or value of items is uncertain at the beginning of the year. The current draft Development and Risk Contingency £400k for 2015/16 for the Administration and Finance Group.

14. This sum, as in previous years, represents a provision of £400k, which is proposed to be provided for the Council's Liability for uninsured claims where the Council has, under its current insurance policy agreed to fund the excess values, which in most cases stand at £100k. The only exception to this relates to Public Liability where the excess stands at £250k.

Savings

15. The savings proposals contained within this draft budget have been developed through the HIP Business Improvement Delivery programme (BID), the Council's response to Central Government's austerity programme.

16. Savings proposals currently developed total £10,113k across the Council for 2015/16 including £3,234k of full year effects of prior year savings. The savings included in the

draft budget for the Administration and Finance Group total £1,521k and are shown in Appendix A.

17. The majority of savings are new proposals for 2015/16, however, there are some smaller savings that are being delivered as the full year effect of savings agreed for the 2014/15 financial year. £38k further savings are being delivered in Administration as a result of the outsourcing of Occupational Health by Human Services and the review of the staffing structure in Legal Services, following the implementation of a new case management system.
18. The Finance Savings also include £102k for the full year effect of the savings agreed in the previous year. A review of the structure of Revenue and Benefits resulted in a £200k saving in 2014/15 and a further £102k for the full year impact in 2015/16. These savings have been achieved by the centralisation of Reconciliations, Systems Administration and General Administration functions and the Adult Social Care Financial Assessment Team.
19. The bulk of the savings within Administration are to be delivered through increased income from Legal Services, with £140k being delivered through higher rates charged for S106 agreements. There is also increased income of £40k anticipated in Registration Services from the introduction of additional services, such as extended hours of operation and the marketing of wedding packages. The other savings have been derived from a budget realignment exercise across the service, following a review of non salary expenditure on items such as printing, postage, data communications and computer licenses and a minor restructure in Human Resources.
20. Revenues and Benefits service area will deliver £646k worth of savings out of the total £926k savings proposed for Finance. The retender of the Revenues and Benefits Administration Contract has led to a saving of £261k for 2015/16 which increases over the life of the contract to £1,010k p.a. by 2019/20 (51% of the cost of the current service). There is a saving of £325k within Revenue and Benefits, which relates to re-aligning income budgets on various streams. Council Tax collection has steadily increased due to more effective use of resources and efficiency of processes. Better contract management has enabled collection rates to improve on overpaid Housing Benefits and also resulted in assessing benefits more accurately, which in turn, has resulted in a reduced risk of Local Authority error. A further saving of £60k will be delivered through the restructure of the corporate payments team, due to the implementation of automated processes for invoice payments.
21. The other savings within Finance will be delivered through restructures within Internal Audit and the Brokerage Team within Procurement, general re-alignment of budgets and the renewal of the Banking and Merchant Services Contract.

Fees and Charges

22. The Council is empowered to seek income from fees and charges to service users across a wide range of activities. Some of these fees and charges are set by the

Government or other stakeholders, but many others are set at the discretion of the Council, based on Cabinet's recommendations.

23. Schedules detailing the proposals relating to fees and charges for 2015/16 for the Finance and Administration Group are attached at Appendix B.

SUGGESTED COMMITTEE ACTIVITY

To consider whether there are suggestions or comments the Committee wish to make.

BACKGROUND PAPERS

Medium Term Financial Forecast 2015/16 - 2019/20 – report to Cabinet 18 December 2014