

SUBJECT:	Budget 2014/15 and Later Years
REPORT OF:	Leader of the Council

1. Purpose of Report

- 1.1. The report provides members with an update on the budget position for 2014/15, and the proposed measures to bridge the forecast funding gap for 2014/15, in order for the Cabinet to agree a draft budget to be the basis of budget reports to PAGs and Overview & Scrutiny Committee.

2. Links to Council Policies & Plans

- 2.1 The Council's code of corporate governance highlights the importance of having in place clearly documented processes for policy development, review and implementation, decision making, and monitoring and control. Following from this is the requirement for sound financial management, being able to demonstrate resources are aligned to the corporate priorities of the Council, and that any material risks are assessed. The prudent use of resources is one of the authority's management principles and having a medium term financial strategy is a key element in demonstrating this principle.

3. Information

2014/15

- 3.1 The general background to the Council's revenue budget position for the coming years can be summarised as follows:
 - The 2013 Spending Review clearly indicated the continuation of the trend of reduced central government funding to local authorities, for South Bucks this is likely to result in a reduction in revenue support grant (RSG) of over 20% or around £300k.
 - Business rates are not anticipated to show any material change other than the impact of the ending of the additional small business rates relief scheme in March 2014.
 - Council tax rises will be limited to less than 2% otherwise a referendum is triggered. Freezing the council tax will attract a grant for two years equivalent to a 1% tax rise.
 - Investment income will decline significantly as rates continue at an all time low, and the position is not expected to change before 2015.
- 3.2 If a general allowance for cost uplifts is made based on:
 - Contract price increases for major contracts
 - Utilities and NNDR costs
 - Employee costs at 1%

Then in very broad terms the gap between expenditure and resources for the coming three years is shown in the table below.

Expenditure	2014/15 £k	2015/16 £k	2016/17 £k
Base Expenditure Budget	8,572	8792	8992
+ Cost uplift estimate	220	200	200
Starting Expenditure Position	8,792	8,992	9,192
Resources			
RSG	1,118	869	637
Retained Business Rates	1,201	1,168	1,204
C/Tax Freeze Grant (incl 14/15)	94	141	0
Council Tax	4,530	4,540	4,650
Investment Income	550	500	450
New Homes Bonus	794	794	794
Total Resources	8,287	8,012	7,635
Gap	505	980	1,457

- 3.3 The declining resources open up a financial gap for 2014/15 of over £500k which needs to be addressed. The gap continues to widen in future years, so the medium term position will also need to be considered as well as that for 2014/15.
- 3.4 Clearly given the financial position it would be prudent not to include any funding for new recurring expenditure to improve or expand services. The one exception to this is the introduction of the new Waste service as this is being implemented on the basis that it will generate annual savings from 2015/16, and that the set up costs will be met from capital or reserves.
- 3.5 The shared working with Chiltern DC is projected to start to deliver savings from 2014/15 onwards, and for the 2014/15 an estimate of savings accruing to South Bucks, at this stage would be £150k. This figure will increase in future years as further reviews are concluded.
- 3.6 Officers have looked at options to reduce net expenditure whilst minimising impact on services to residents and customers. This is something that is proving increasingly challenging each year that the Council is forced to identify savings. The schedule of savings for consideration by members is attached at confidential Appendix A. In summary across the Portfolio areas the savings breakdown as follows:

	2014/15 £k	2015/16 £k
Community	47	121
Environment	78	115
Health & Housing	39	39
Resources	81	98
Sustainable Development	40	40
Corporate	108	158
Total	393	571

- 3.7 The Council's Medium Term Financial Strategy is based using reserves only for specific non recurring issues. The proposed savings package should allow that aim to be maintained.

	2014/15 £k	2015/16 £k	2016/17 £k
Initial Funding Gap	505	980	1,457
Savings from Joint Working/New Waste service	-150	-364	-364
Additional Savings (Appendix A)	-393	-571	-571
Residual surplus/deficit	-38	45	522

- 3.8 In the coming weeks the PAGs will be considering the Portfolio budgets and therefore will be able to consider further the proposed savings amongst other matters. In particular they will need to review the draft budgets for the major income areas of the Council which may come under the Portfolio Holder's area.
- 3.9 When the draft budgets have been considered by the PAGs which will have been done by mid December, then they can be brought together with final information about Government funding levels in order to produce an overall budget that can then be finally considered by Cabinet in February and which will have been considered by Overview & Scrutiny.
- 3.10 Some of the savings proposals will have initial costs. Similarly the service reviews give rise to the need for some initial investment to facilitate change, mainly through enabling ICT changes identified in the business cases. It would therefore be sensible to reallocate resources within the Council's reserves to provide a funding source for this one off expenditure without it placing an additional burden on the council tax.
- 3.11 The General Reserve is currently forecast to be approximately £2.5m at the end of 2013/14. This figure is £1.5m above the minimum prudent level of reserves, therefore there is scope to transfer resources into the earmarked Transformation Reserve, and £300k would be proposed at this stage. This would still leave the Council with £400k in a separate earmarked reserve to support the budget while changes are put in place to cope with reducing Government funding.

2015/16 and Beyond

- 3.12 The situation for 2015/16 and beyond continues the uncertainties previously referred to.
- Government grant is now known to continue to reduce beyond the next planned General Election.
 - Local and national circumstances indicate there will be continuing pressures on a housing and benefits services. It is likely that there will continue to be a mismatch between the supply and demand for affordable housing, even allowing for the range of approaches being used by the authority to encourage supply.
 - There are some material cost risks to the authority arising from potential major infrastructure project such as Heathrow spur to HS2, and an expansion of Heathrow.
 - The Government will be consulting on changes to the Local Government Pension scheme to take effect from 2015/16, in the context of the Hutton Report. The changes will have the effect of reducing the Council's pension costs, but the extent of this will not be clear until advice has been received from the actuary to the Bucks Fund.

- 3.13 The overall financial strategy for the medium term will need to recognise the key strategic risks facing South Bucks, and the top two strategic risks currently identified are shown below.

Strategic Risk	Comment
Authority forced into short term reactive measures to a) reduced Govt funding, b) unavoidable cost increases. Reputational risk from decisions that have to be taken as a consequence. Reduced financial capacity to manage transformation.	The key project in the future will be the joint working with Chiltern DC and clear governance arrangements are in place for this project. However there will be other issues the authority will need to deal with so management capacity will need to be well focused on priorities.
Transformation needed to cope with reducing financial resources affected by lack of acceptance of change to ways of working and service delivery by officers and members, and from capacity issues.	The use of programme management, including work around change management with staff one of the keys to delivering change. This will need to be supported by making finance available for transition, pump priming, start up costs.

- 3.14 In addition there are a number of key financial risks to be aware of in the medium term and these are set out in the following table.

Risk	Response
Uncertainty over impact of retention of business rates and the general level of future Government funding	Once details of the Financial Settlement for 2013/14 are known the financial impact for SBDC for future years can be reassessed.
Effect of housing and council tax benefit changes leads to increased demand in the area for affordable housing, and issue of withdrawal of benefits to working age claimants.	Effect in 2013/14 of housing and council tax support changes will be monitored. Issues have been raised in PAGs. Potential financial risks to temporary accommodation budgets, and collection rates
Uncertainty over cost and nature of arrangements for the disposal of waste and recycling material collected could lead to higher costs than necessary, and or poorer service delivery.	Costs will need to be monitored and negotiations undertaken as appropriate with the disposal authority and with the Council's waste collection contractor.

4. Resource and Wider Policy Implications

- 4.1 The strategic and financial risks facing the authority are set out in the report.
- 4.2 Any savings for the coming year have been considered from an equalities point of view and all of the proposals do not have any implications. The savings proposed are not anticipated to have a material impact on the Council's plans for sustainability, and in respect of energy efficiency work would help with this objective.
- 4.3 The draft 2014/15 budget will be reviewed by the Overview & Scrutiny Committee at its meeting in February and any comments will be made known at the Cabinet meeting in February.
- 4.4 In order to finalise the council tax in February it is necessary for the authority to have an agreed council tax base determined in accordance with the appropriate regulations by the

31 January each year¹. Calculation of the tax base is prescribed by regulations and approval is a Council function. However, this can be delegated to officers and to streamline the administrative process and ensure that the tax base is set and communicated to all precepting authorities in a timely manner, it is proposed that determining the council tax base be delegated to the Director of Resources for 2014/15 and future years.

5. Recommendations

The Cabinet is recommended to:

1. Note the report and agree for inclusion in the draft revenue budget for 2014/15 the savings proposals detailed in Appendix A.
2. Agree to transfer £300k from the council's General Reserve into the Transformation Reserve for the reasons outlined in para 3.10.

That Council is recommended to:

Agree the determination of the council tax base be delegated to the Director of Resources for 2014/15 and future years.

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Background Papers:	None

¹ The Local Authorities (Calculation of Tax Base) Regulations 1992