
BUDGET STRATEGY 2014-15

1 SUMMARY

- 1.1 This report sets out some key issues for the Council to consider in agreeing its budget strategy for 2014-15. Taking account of the commitments in the SOA, challenging financial outlook and the current stability offered by the proposed flat cash finance settlement it is proposed to set a savings target for 2014-15 and 2015-16 of 1%. Over the next 6 months updated criteria and guidance for the service prioritisation process will be developed.

2 RECOMMENDATION

- 2.1 The budgets strategy set out in paragraphs 3.5 and 3.6 is approved.

3 DETAIL

- 3.1 The Council as part of the community planning partnership has set out an ambitious set of outcomes for the future in the single outcome agreement that are based around reversing the trend of population decline and achieving economic growth. This is doubly challenging given current demographic projections and the financial outlook facing the public sector. Adopting an appropriate budget strategy will be critical to ensuring the Council is able to support the SOA by allocating resources to underpin delivery of SOA outcomes. To do otherwise increases the risk of the vicious circle of decline.
- 3.2 A service prioritisation process of some form will be essential to ensure there is the necessary focus on allocating resources to deliver the SOA. This approach will also need to focus on the allocation and use of resources rather than simply how budget cuts are achieved. It is not an easy option but without this approach it will be even more difficult to get the focus required in relation to investment, changes in service delivery, reallocating resources across the CPP and levering funding in from outwith the CPP.
- 3.3 The proposal for a "flat cash" finance settlement (each Council receives the same base level of funding in 2015-16 as it received in 2014-15) provides a degree of financial stability for 2014-15 and 2015-16. It creates an opportunity to ensure we develop appropriate processes to address the above issues. If we are to be successful in delivering on the SOA we need to get the right foundations in place and we have some time now to do that.
- 3.4 In developing a budget strategy there are a small number of questions/issues the Council needs to consider and these are set out below:
- What period should the budget cover?
 - What levels of savings should be made?

- What is the approach to developing these savings?
- Where should savings be taken from?
- Is there any additional income to be taken from increased fees and charges?
- Where is further scrutiny and review required in relation to any cost elements of the budget?
- How are reserves to be deployed?

3.5 In relation to budget strategy then the following approach is proposed. This approach has been developed in discussion with the Budget Working Group and from the contributions from elected members at the Members Seminar on 11 November.

- The budget should cover a 2 year (2014-15 and 2015-16) to match finance settlement but must be aware of the longer term outlook that will need to be addressed in later budgets. The budget outlook sets out the longer term forecasts.
- A saving of 1% per annum is achieved in both 2014-15 and 2015-16.
- These savings are achieved by efficiency savings that do not have policy implications.
- Officers are given delegated authority to develop and secure these savings with progress reported through budget monitoring.
- In the event any proposal might have policy implications then such proposals are considered by the Council in advance.
- The saving of 1% is applied to all budgets apart from PPP/NPDO, landfill tax, loan charges, insurance, historic pensions costs and NDR payments.
- Policy Leads and Heads of Service will review the base budget, inflation and cost and demand pressures with a report back on revised budgets for these as part of the December budget outlook.
- Application and deployment of reserves in support of the SOA and/or leveraging in additional funding on a strategic basis is considered as part of the final budget consideration in February 2014.
- The 2 year period (2014-15 and 2015-16) is used to develop and put in place proposals to address the longer term funding outlook on a strategic and structured basis considering how resources are aligned to the SOA and priorities, future savings and options for additional income.

3.6 The service prioritisation process is critical to ensuring the Council's resources are aligned to and support delivery of the SOA. In order for the service prioritisation process to be effective it needs to be informed by delivery plans for the SOA that are well developed. It is proposed that as the SOA delivery plans are developed over the next 6 months then the framework, criteria and guidance for the service prioritisation process are reviewed and developed with involvement of elected members through members seminars. This should create sound foundations for the service prioritisation process based on clear criteria and guidance and delivery plans for the SOA.

3.7 It is proposed to use the quarterly revenue budget outlook and capital plan monitoring reports to present most of the routine budget information to

Council. This includes information on base budget, pay costs, inflation and cost and demand pressures etc for the revenue budget and capital plan changes due to profiling (slippage/acceleration), cost changes for existing projects and funding available. In relation to the overall timeline then key stages/dates in the budget process are as follows:

- November Council – Reports on September revenue budget outlook, September capital plan monitoring and budget strategy.
- December Members Seminar – Presentations on key issues relating to service plans, capital projects, asset management plans and revenue budget update covering updated revenue budget outlook, fees and charges, financial risk analysis and reserves.
- December Council – Update for new information arising from issue of the finance settlement circular.
- January – Budget papers issued in 3 packs (Service Plans, Revenue Budget and Capital Plan) around mid-January. Revenue budget pack comprises – November revenue budget outlook, fees and charges and financial risks analysis, Capital plan pack comprises – November capital plan monitoring, new project proposals/business cases and asset management plans.
- January – Option for further members seminar.
- Late January/Early February – Revenue budget outlook and capital plan monitoring as at 31 December issued (replaces 30 November reports issued with budget papers).
- 13 February – Council meeting.

4 CONCLUSIONS

- 4.1 This report sets out an approach to the budget strategy for 2014-15 that will provide a period of stability based on 1% efficiency savings and allow plans to be developed for aligning future resources and spending to the commitments in the SOA.

5 IMPLICATIONS

- 5.1 Policy – Sets out proposed budget strategy.
- 5.2 Legal – None.
- 5.3 Finance – Sets out overall approach to budget savings for 2014-15.
- 5.4 Human Resources – None directly but may be HR implications from budget savings.
- 5.5 Equalities - None directly but may be equalities implications from budget savings.
- 5.6 Customer Service - None directly but may be customer service implications from budget savings.
- 5.7 Risk - None directly but may be risk issues from budget savings.

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