

TITLE OF REPORT: ITEM REFERRED FROM FINANCE, AUDIT AND RISK COMMITTEE: 11 DECEMBER 2014 – CORPORATE BUSINESS PLANNING – DRAFT BUDGET 2015/16

The following is an extract from the Draft Minutes of the Finance, Performance and Risk Committee meeting held on 11 December 2014.

47. CORPORATE BUSINESS PLANNING: DRAFT BUDGET 2015 - 2016

The Accountancy Manager (AM) presented the report of the Strategic Director of Finance, Policy and Governance and advised the Committee that this report to Cabinet on 16 December 2014 was in a draft format at the publication of this agenda. The AM stressed that this budget was very much in draft form with the final budget presented to Council on 12 February 2015 preceded by presentation to Cabinet on 27 January 2015 and to this Committee on 26 January 2015. The AM advised the Committee that the Government announcement on the grant settlement for 2015-2016 would not be known until 17 December (the day after Cabinet) and that this may well have an effect on this draft budget for 2015-2016.

The AM reminded the Committee that the Medium Term Financial Strategy was adopted by Full Council on 4 September 2014 (Minute 39 refers). This Strategy provided the financial background to the Corporate Business Planning process for 2015-2020. The AM was pleased to advise the Committee that NHDC over achieved the efficiencies target of £600K needed to balance the 2014-2015 budget with £1.514M savings achieved. Unfortunately the reduction in size and capacity in response to a reduction of resources had meant that any continuation of such efficiencies without impacting on services or performance was now extremely restricted. However, the need to address the on-going and widening budget gap whilst ensuring a sustainable financial position was unavoidable.

The AM stressed that the challenging budget balancing requirements would continue for several years and consequently the use of non government funds sources of income would be critical in achieving the Council's statutory duty to set a balanced budget year on year.

The AM also stated that attached to the on-going impacts of reduced Government funds there were a number of key risks (see Table 3): Localisation of Business Rates; Implications of the Welfare Reform Bill (Universal Credit); Possible changes to the New Homes Bonus system and changes to existing funding streams. The sources of income were a major worry for the Council and the question of raising Council Tax was a very critical aspect of the budget. The Committee noted that if there was a 0 per cent increase in Council Tax and there were no efficiencies the special reserve and balances would fall from £7M in 2014-2015 to only £2.1M in 2019-2020. This balance would leave the Council in an exposed position, however by a continuation of efficiencies with modest Council Tax increases and that to maintain a reasonable use of reserves the Council would have to make savings of £1.7M in the period 2016-2017 to 2019-2020. The AM referred the Committee to Table 1 which detailed the estimated amounts of government funding for 2015-2016 onwards to 2019-2020 and to Table 2 which presented an analysis of specific government grants. Other Reserves and provisions for 2014-2015 were presented at Table 4 and Key Factors for Capital and Revenue Investment were presented at Table 5.

The AM reminded the Committee that staff costs was one of the major costs to the Council each year and approximately 47 per cent of gross expenditure – when housing benefits were excluded – and this area of spend must be considered when deciding on efficiencies and Table 7 gave details of the reductions in this budget from 2009-2010 to 2015 – 2016.

The AM referred the Committee to Appendices 1 to 9 which gave details of all the contributing factors for the preparation of the 2015-2016 budget including comments made at the Members Workshops (Appendices 7a, 7b, 7c and 7d).

The Chairman thanked the Accountancy Manager for the clarification of the many aspects of the Corporate Business Planning Process and the Budget for 2015-2016 and onwards to 2019-2020 and invited comments and or questions from the Committee.

A Member referred to Appendix 7d and the IT investment proposals (Items C46, C47, C48, C49, C50, C51 and C55) where the investments were indicated for the 2015 - 2016 financial year only. The Member advised that he was very experienced in IT and that IT software and associated support could easily change within 24 months. The overall budget of £300K to purchase IT products could be out of date in a short time and he was concerned that there was no budget estimates for IT in ensuing years and that the IT investment policy should be for a least five years. The Head of Finance, Performance and Asset Management (HF) advised the Committee that a reference to a 'cloud provider' could be very expensive as the Cabinet Office had dictated to all Local Authorities that only one approved 'cloud provider' could be used. The Committee agreed that Cabinet should be advised of the concerns expressed over IT budget forecasts and that IT developments evolved very quickly as did costs.

Following an introduction by a Member on the Efficiency Savings E6 – Area Committees moving to Local Forums it was established very quickly that Members were very concerned that the comments made at Members Workshops in November 2014 by the three political parties at NHDC had not been recognised by officers. It was agreed that Cabinet should be advised that this Committee were not minded to support any changes to the Area Committee format and that any decisions on a change should follow discussions on amending policy and not as part of the budget setting process.

In response to a question concerning I 4 – Parking Services and C 23 – King George V Recreation Ground the AM agreed to advise the Member outside of the meeting of additional information supporting these two items. The HF noted the concern of the Member regarding any increases in car parking charges which should be levied throughout North Hertfordshire and not in one town and that there should be involvement of local community groups when any works were carried out at the car parking area to avoid any clash with the timing of structural works at the Rugby Club Pavilion.

RESOLVED:

- (1) That the expected announcement of the provisional finance settlement from central government on 17 December 2014 be noted;
- (2) That the estimated position on the Collection Fund and impact on the General Fund for 2015-2016 as identified at Paragraph 9.1.17 to the draft report be noted;
- (3) That the position on the General Fund balance as identified at Paragraph 9.2.3 to the draft report be noted;
- (4) That the position of the other reserves and provisions as identified at Paragraph 9.3 to the draft report be noted;
- (5) That the inclusion of the efficiencies and investment proposals as detailed in Appendices 3,4,5 and 6 to the draft report be noted;
- (6) That the proposal to included details of the draft budget for 2015 – 2016 in a future Members Information Service be noted;

- (7) That the comments made at the Members Budget Workshops as detailed at Appendices 7a,7b,7c and 7d be noted;
- (8) That Cabinet be requested to consider the comments made by the three political parties at the Members Workshops concerning efficiency E6 – Replace Area Committees with Informal Area Forums where it was clear that debate was sought on the NHDC policy concerning Area Committees and that there was no support for this efficiency saving as it was un – democratic and should be a policy decision and not part of the budget setting process;
- (9) That Cabinet be requested to consider the removal of Efficiency Saving E6 from the budget proposals for 2015-2016 due to this proposal being a policy decision and that excess savings had been made to date for 2015-2016 that would accommodate the removal of this item;
- (10) That Cabinet be requested to consider the concerns of the Committee concerning the lack of budget forecasts for IT investment beyond 2015-2016 and that IT investment forecasts should be considered for at least three more years to 2018 – 2019;
- (11) That Cabinet be requested to ensure that there was a good and detailed IT Strategy at NHDC;
- (12) That the advice on budget estimates and the provisional Council Tax charge may be subject to change before 27 January be noted;

RECOMMENDED TO CABINET:

- (1) That Cabinet be requested to consider the comments made by this Committee concerning Efficiency E6 – Replace Area Committees at with Informal Area Forums where it was clear at Members Workshops that debate was sought on the NHDC policy concerning Area Committees and that there was no support by Members for this efficiency saving as it was un – democratic, it should be a policy decision and not part of the budget setting process;
- (2) That Cabinet be requested to consider the removal of Efficiency Saving E6 from the budget proposals for 2015-2016 as this proposal should be subject to a policy decision and that excess savings had been made to date for 2015-2016 that would accommodate the removal of this item;
- (3) That Cabinet be requested to consider the concerns of the Committee concerning the lack of budget forecasts for IT investment beyond 2015-2016 and that IT investment forecasts should be considered for at least three more years to 2018 – 2019.
- (4) That Cabinet be requested to ensure that there was a good and detailed IT Strategy at NHDC;

REASON FOR DECISION:

For the Finance, Audit and Risk Committee to comment as appropriate on the Corporate Business Planning – Draft Budget for 2015-2016.

[NOTE: The report to which this referral relates is Item 18 on this agenda.]