

KPMG – Local Government Budget Survey

MEMBER DEVELOPMENT DAY : 2016

Introduction

- Opportunities – Economic Growth (NDR,NHB), Devolution.
- Increased Volatility of income, demand pressures on services
- 1% reduction in Social Rents, reduced emphasis on social renting nationally.

INTRODUCTION

- “As the public sector recession bites and the localism agenda gathers pace, local gov will have to address both the threats and opportunities that these forces are creating”
- “In an age of austerity an iron-like grip on the organisations financial position will be imperative”

Introduction

- Paper aimed at helping our clients take a fresh look at approach to budget setting and monitoring.
- Budgets will need to become more flexible and responsive to changes within financial years.
- How to Strengthen budget preparation, analysis, monitoring and reporting?

BUDGET REPORTS

- Evaluate impact of savings / show underlying savings.
- Financial Ratios / Sensitivity Analysis
- Potential Financial Impact of Emerging Risks
- Actual Against Budget to Date and Projected Outturn
- Allow Decision makers sufficient information to understand financial position / projections.

KPMG QUESTIONS

- Are budget monitoring reports appropriate? Have members necessary training, skills and experience to interpret budgetary reports / information provided?
- Do you know if your savings plans are on target / do we identify failing plans?
- Are successful schemes evaluated to identify if they worked, are lessons applied elsewhere?

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KPMG QUESTIONS

- Are all savings targets backed with detailed plans?
- Are the plans realistic and robust?

General Fund

	2016/17 £1000's	2017/18 £1000's	2018/19 £1000's
Efficiency Target / Budget Shortfall	293	1,449	1,843
NDR Growth	0	0	0
Transformation & Joint Working / Debt Repaid	(300)	(450)	(700)
Council Tax Increase		(104)	(210)
Accelerate Reduction in LCTSS to Parish Councils	0	(40)	(80)
Unidentified Savings Target	7	(855)	(853)

KPMG QUESTIONS

- Is your process for assessing invest to save projects robust and consistent?
- How robustly do you review the outcomes of invest to save projects?
- Do you secure recurrent or non recurrent savings

Measures Used to Balance Budget

MEASURES BY OTHER COUNCILS

1. Increase Council Tax Base through NHB
2. Purchase investment properties to generate income
3. Sharing Assets resources with other bodies
4. Working in collaboration with other bodies
5. Enabling services to be provided by local communities

Measures Used to Balance Budget

6. Introducing fees and charges
7. Rationalising Property and Assets
8. Reducing 'back office' spend
9. Using reserves to balance budgets
10. Management restructure
11. Vacancy Management
12. NDR income growth
13. Withdrawal of non priority / unaffordable services.

Measures Used to Balance Budget

- 14. Early Repayment of debt.
- 15. Establishing a housing growth company
- 16. Procurement and contracting renegotiations

- Are you confident that your plans will enable you to continue to meet your statutory responsibilities (financial and non financial)?

Pay and Pension Increases

- Have you evaluated the cost of the national living wage across your cost base, including your supply chain?
- National Apprentice scheme.
- Do you understand how your budget takes inflation into account?
- What borrowing and lending assumptions are used in the budget.

Factors impacting on budget

- Revenue consequences of capital programme
- Business Rate Income
- New Homes Bonus
- Demand for services
- Demographics
- Population

Level of Reserves

- Do you think the level of usable reserves is about right?
- General Fund £2m, invest to Save Reserve £1m
 - General Fund Risk £1.8m
 - HRA balance £2.8m (£350 per property)
 - HRA Risk £2.3m
 - Duty to develop and protect services.

ASSETS

- Do assets require investment to generate future savings / income
- Could they be shared with other public sector bodies
- Are will any become surplus to requirements
- Uneconomical to maintain compared to benefits provided.

