

Draft Business Plan and Budget 2014-15

Purpose of report

For review and direction.

Summary

Leadership Board gave a steer on the high level priorities and budget framework for 2014/15 at its October meeting.

A draft business plan has now been developed, reflecting the LGA's overall strategy as set out in the "Rewiring" documents, and informed by the emerging priorities of the LGA Boards. This is included at **Appendix A**.

The LGA's budget for 2014/15 has also been developed along with the LGA's medium term financial strategy. This is presented at **Appendix B**. The final business plan and detailed budget book for 2014/15 will be presented to the Leadership Board and Executive in March for final agreement.

Recommendation

That the Leadership Board reviews and gives a steer on the LGA's draft business plan and outline budget for 2014/15 prior to this being finally agreed in March.

Action

Officers to progress the 2014/15 Business Plan and budget in line with members' decisions.

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Draft Business Plan and Budget 2014-15

Introduction

1. This paper asks members to review the LGA's proposed business plan for 2014/15.
2. It also presents the latest overview of the budget for 2014/15, along with an assessment of our financial position for the next spending review period. The outline budget takes account of recent developments – for example the latest position on the triennial pension valuation – as well as feedback from operational managers on their budget requirements to deliver the priorities in the business plan.
3. Members are asked to provide an initial steer on budget proposals for 2014/15 prior to the final business plan and budget being agreed by members in March.

Business Plan

4. The LGA's current strategy and business plan is captured in the following documents:
 - 4.1 The original RSG prospectus, setting out the outcomes to be delivered for the RSG topslice grant for the four years to 2014/15.
 - 4.2 The 2013-14 business plan which identifies three high level priorities for the LGA:
 - 4.2.1 Funding for local government** – reform of the finance system so councils have confidence their financing is sustainable and fair, the opportunities to raise more funds locally and greater ability to promote collective working across local public services
 - 4.2.2 Economic growth, jobs and prosperity** – councils are recognised as central to economic growth
 - 4.2.3 Public service reform** – independent councils are at the centre, and seen to be at the centre, of public service reform, delivering more effective services for local people and holding other providers to account.
5. The 2013-14 business plan also sets out our priorities for **sector-led improvement** – our core services.
6. The more detailed programme plans and budgets underpinning the current business plan.

Item 2

6.1 The LGA's overall financial strategy as presented to Leadership Board in May 2013.

6.2 The Rewiring Public Services proposals launched at the LGA conference in July 2013.

7. At the October meeting of Leadership Board, members agreed that the high level priorities identified for 2013/14 are still broadly relevant for 2014/15 and that there is value in having a settled set of priorities for the organisation, particularly at this stage in the political cycle.
8. It was also agreed that the priorities developed over the last year and set out in the Rewiring Public Services work, now need to be played into the business planning process for 2014/15.
9. A draft business plan for next year has been developed on this basis, taking account also of the priorities identified by the LGA's boards – see **Appendix A**. Leadership Board is asked to review this and provide a steer prior to the final business plan being presented for sign-off in March.

Allocation of resources

10. An outline budget for 2014/15 was presented to Leadership Board in October when members agreed that the budget allocation should be broadly in line with the current allocation given that income is expected to be the same as this year's and that our current operational arrangements will continue without significant change.
11. The outline budget that has been developed for 2014/15 is presented at **Appendix B**. Subject to members' agreement, this will form the basis of the more detailed budget which will be presented to members for sign off in March.
12. Although the overall level of income and expenditure is the same as this year, there are a number of significant movements within this which can be summarised as:

Gains:

Full-year effect of staffing reductions	£1.3m
Additional RSG	£0.5m
Additional Geoplace dividend	£0.4m
Reduction in RSG payments (NIACE, LPs)	£0.3m
Full-year effect of savings on KHUB	£0.2m
Liberata savings	£0.7m
Severance pay incurred 2013/14	£0.5m

Item 2

These are offset by the following:

Increase in pension contributions	£0.3m
Increased maintenance Local Government House	£0.5m
Reduction in income (mainly due to Children and Adults conference held every other year).	£0.9m

13. The budget includes a provision of £1.5m for a number of special projects which are currently being worked up for the final budget. These include an increase in our direct support offer to councils, along with funding for possible investment in some of the projects that are being considered as part of the commercial review that is currently underway.
14. The proposed budget maintains the current annual operating surplus of c. £1.5 million. This level of surplus is recommended to provide the flexibility for investment to secure the financial sustainability of the LGA but where final decisions have yet to be taken, for example the possible refurbishment of Layden House.
15. Beyond the changes to the baseline identified above, the following budget risks have been identified for 2014/15:
 - 15.1 Possible reduction in RSG – a last minute cut of £2m was imposed this year
 - 15.2 LGA membership – councils currently on notice withdraw. The risk is assessed as being up to £250k reduction in income
 - 15.3 Pension auto-enrolment – up 50 employees costing up to £300k.
16. Leadership Board is asked to review the overall financial framework for 2014/15, and agree it as the basis for the detailed budget which will be presented to members for sign-off in March.

LGA Four Year Financial Projection

17. **Appendix B** includes a four year financial projection using the LGA's revised cost base – taking us to the end of the next spending review period.
18. This will be developed further over the coming months to take account of work on:
 - 18.1 Our RSG bid for 2015/16 onwards
 - 18.2 The LGA's property strategy, in particular the future of Layden House
 - 18.3 Exploiting the commercial potential of the LGA's services.
19. We will continue to update Leadership Board on the LGA's financial strategy as we make progress with these issues.