

Budget Estimates

Pay and Inflation assumptions

The budget estimates for 2015/16 assume a 1% increase in employee costs to cover all pay related matters. These sums need to cover any pay awards, local decisions in relation to living wage commitments and any changes to the council's overall pay framework.

The outcome of the triennial review of the East Sussex Pension Scheme means the council's employer contribution rate for 2015/16 will increase from 18.5% to 19% and this increase is now being treated as a commitment within the budget projections.

The provision for general inflation ranges between 0% and 2% depending on the type of budgeted expenditure; fees and charges are assumed to increase by 2.0% with the exception of parking income as described in paragraph 3.13 in the body of the report. Increases in costs above assumed inflation level will be managed through services' budget strategies unless the increase is significant and is identified as a corporate service pressure.

Commitments and Risk Provision

The main commitments in the budget model include planned adjustments to the concessionary fares and financing costs budgets, increased resources to support procurement set out in the Governance of Value for Money Phase 4 report to this committee on the 12th June 2014, increased employer pension contributions, reductions in central recharges to schools and the HRA as a result of reducing costs of services, and the impact of the expected changes to unringfenced grants. In 2014/15 there is a recurrent risk provision of £1.0m, while financial projections for 2015/16 include a new £1.0m recurrent risk, an increase of £0.5m from the projections included in the MTFS in recognition of the challenging budget gap and the level of savings that will be required to deliver a balanced budget.

Service Pressures

Service pressures have a direct effect on the level of savings the council needs to identify to deliver a balanced budget and therefore it is critical that projections are made on a sound basis to provide confidence in the financial assumptions.

A high level assessment of the current trends on the council's corporate critical budgets and other pressures has been taken into account in setting the service pressure assumptions for 2015/16 and £6.15m has been included for demographic and cost pressures and reductions in unringfenced grants. Initial allocations to support service planning are as follows:

- £3.0m for Adult Social Care particularly in relation to Learning Disability transitions, increased complexity of physical disabilities deprivation of liberty and Mental Health Services;

- £1.15m for reductions in unringfenced grants particularly the reductions to Education Services grant;
- £1.0m for Children's Social Care mainly relating to children's placements , inter agency placement fees, and independent reviewing officers;
- £0.5m ICT capacity and services.

The assessment identified a range of other demographic, cost, legislative and income pressures. The corporate insurance budget for public liability is due to be retendered and is an area of financial risk as costs for other authorities have increased significantly. The remaining balance of £0.5m pressure funding will be set aside to cover these pressures.