

## **DEVON AUDIT PARTNERSHIP BUDGET 2014/15**

### **Report of Head of Partnership**

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| Please note that the following recommendations are subject to confirmation by the Committee before taking effect. |
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#### **Recommendations:**

That members:

1. Agree the proposed budget for 2014/15
2. Note the areas of uncertainty within the budgeted income figures

#### **Budget 2014/15**

##### *Summary*

In setting the budget for 2014/15, the Partnership have been required to make a saving of 10% on the expected level of income expected from Devon, Plymouth and Torbay councils.

The Business Plan (presented to and agreed by the Management Board in October) recognises this reduction in income, and predicts that income from other, external partners, will need rise to compensate for this loss. In the current economic climate this is a difficult task to achieve (the Partnership focuses on public sector organisations that all are facing budget pressure) however successful generation of new business and clients will enable the excellent staff base to be retained providing for a high quality, cost effective internal audit service for all our clients.

##### *Detailed notes*

Employee costs – we employ staff to deliver the audits required by our Partners and external partners. As some of our income is of a short term nature, we employ a number of people on short term contract arrangements. By using this approach we can “turn up” or “turn down” our resources in a reasonably short period to accommodate for income changes. We very much value the flexibility of staff who work in such arrangements.

Premises - costs are projected to be less in 14/15 than in 13/14. This is mainly due to firming up of arrangements at partners, and in reducing our accommodation needs to a level that better reflects flexible working arrangements.

Transport costs have increased slightly (4%) because of the requirement for extra visits to customers, in-line with their request for extra services. These costs have been covered by the increase in income.

Income levels are lower than in previous years, and this is due to the 10% budget reduction requested by the partners. This reduction in income gives challenges to the service in providing the required level of annual assurance opinion and in retaining the excellent staff base we have.

However, this reduction is partly compensated by income from our external partners which has grown (4.6%) due to the supply of extra audit services to Devon and Cornwall Police, University of Plymouth and other local authorities. When preparing the budget we have to make various assumptions around the expected level of services that external partners require; sometime this can be firmed up via a service level agreement, but in instances buy back will depend upon variable factors. This gives rise to some uncertainty, but is balanced by managing our employee costs through the use of temporary contracts.

A small, but healthy, budget surplus is predicted for the year. This is due to the increased income expected to be generated from work with external partners. It is hoped that such surpluses can be reinvested into the Partnership to aid future development of the business.

The table below analyses the projected budget for 2014/15. 2013/14 Budget and projected outrun figures (as at month 9) are provided for comparison purposes.

|                                  | <b>2014/15<br/>Proposed<br/>Budget</b><br>£ | <b>2013 /14<br/>Base<br/>Budget</b><br>£ | <b>2013/14<br/>Projected<br/>Outturn<br/>@ Mth 9</b><br>£ |
|----------------------------------|---|--|---|
| Employees                        | 1,195,120                                   | 1,219,500                                | 1,253,554   |
| Premises                         | 40,115                                      | 29,600                                   | 52,445  |
| Transport                        | 27,800                                      | 28,800                                   | 29,884  |
| Supplies & Services              | 118,100                                     | 146,600                                  | 150,153   |
| Income                           | (1,386,135)                                 | (1,424,500)                              | (1,490,508)   |
| <b>Total (Surplus) / Deficit</b> | <b>(5,000)</b>                              | <b>0</b>                                 | <b>(4,472)</b>  |

**Robert Hutchins**

**Head of Partnership**

19th February 2014

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985