

## DEVON AUDIT PARTNERSHIP BUDGET 2017/18

### Report of Head of Partnership

Please note that the following recommendations are subject to confirmation by the Committee before taking effect.

#### Recommendations:

That members:

1. Agree the proposed budget for 2017/18
2. Note the areas of uncertainty within the budgeted income figures

#### Budget 2017/18

##### *Summary*

In setting the budget for 2017/18, the Partnership has a significant challenge in managing increases in employee costs, including increases in the employers rate of superannuation costs, incremental pressures and an expected pay award; all these pressures result in our staff costs increasing by around £60k.

As a consequence our day rate charge will need to increase in 17/18; this will result in greater cost recovery from external clients, but will not recover all of the projected increase. Management action has been taken to reduce the management team by 1 fte to partly offset the increase and further action will be needed in year to manage costs and increase income.

There has been an increase in Partner contributions of £6,000 over 2016/17 contributions, and this is welcomed. However, due to the need to increase our daily rate, the audit days provided to our Partners will need to be revised.

Our Business Plan has recognised funding pressures on Partners, and acknowledges that income from other, external partners will need to 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 pressures) however the 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 retain one person on short term contract and have a small pool of people available through "Temp Solutions" to help with service delivery. Using temporary contracts provides the opportunity to "turn up" or "turn down" our resources in a reasonably short period to accommodate for income changes.

**Premises cost** – remains static.

**Supplies and Services** – the budget for 2017/18 is reduced by £30k with the removal of agency staff budget, £20k (any cost will need to be offset by additional income) and with the roll-out of Windows 10 we should be able to release the ICT leased line from our Torquay office.

Cntd.

**Income** levels are lower than in previous years, notably in schools and reflect 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.

Income expected from other customers and partners has been set at a prudent level. There has been a reduction in schools income as more become academies and we will be reviewing our offer to improve opportunity to win more work in what is a very competitive market. The income generated in the coming year may exceed our budgeted figure – for example we have been asked to submit proposals to support EU grant funded projects, an FE College and audit management for a District Council; if successful, this will increase our income figure. However, it should be noted that gaining such additional work may require temporary staff to support delivery.

The table below analyses the projected budget for 2017/18, 2016/17 & 2015/16  
Budget figures are provided for comparison purposes.

Table 1 Projected Budget for 2017/18

	<b>2017/18 Proposed Budget</b>	<b>2016/17 Base Budget</b>	<b>2015/16 Base Budget</b>
Employees	1,059,800	<b>1,045,000</b>	1,116,400
Premises	38,000	<b>38,000</b>	41, 500
Transport	28,200	<b>28,200</b>	28,200
Supplies & Services	63,500	<b>95,500</b>	94,000
Support	21,600	<b>21,600</b>	22,500
Income	(1,211,100)	<b>(1,228,700)</b>	(1,307,600)
<b>Total (Surplus) / Deficit</b>	<b>0</b>	<b>0</b>	<b>(5,000)</b>

Table 2. Analysis of Income from partners and clients

<b>Partner</b>	<b>2017/18 Expected Income Level</b>	<b>2016/17 budgeted income level</b>	<b>2015/16 Budgeted income level</b>
Fire	8,300	15,300	22,100
Police	33,100	37,500	42,500
Pensions	23,800	21,700	23,000
Dartmoor	5,200	5,100	4,800
Exmoor	5,300	5,300	5,300
Torrige	46,600	42,900	45,000
Teignbridge	11,300	11,300	12,500
South Hams & West Devon	20,600	25,100	22,000
Devon CC	297,800	282,500	291,200
Plymouth CC	318,800	312,600	336,100
Torbay CC	218,000	233,800	250,500
Schools	145,500	168,500	162,800
Schools Academies	52,000	52,000	52,000
University of Plymouth	0	0	22,000
Cornwall Unitary	0	0	2,200
EU Grants	9,000	0	0
Other smaller partners	15,800	15,100	13,600
<b>Total</b>	<b>1,211,100</b>	<b>1,228,700</b>	<b>1,307,600</b>

**Robert Hutchins Head of Partnership** 23<sup>rd</sup> February 2017

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

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Background Paper Nil

There are no equality issues associated with this report