

## **EXETER CITY COUNCIL**

**EXECUTIVE  
10 DECEMBER 2013**

### **2014/15 BUDGET STRATEGY AND MEDIUM TERM FINANCIAL PLAN**

#### **1. PURPOSE OF THE REPORT**

- 1.1 To provide a strategic overview of the budgetary position for the 2014/15 financial year and beyond including an indication of the likely level of available resources and the known demand for resources and the proposals to ensure that a balanced budget is achieved.

#### **2. BACKGROUND**

- 2.1 Exeter City Council, like all other local authorities and public sector bodies, faces unprecedented reductions in its financial support from Government. The Comprehensive Spending Review 2013 set out the likely scale of cuts to local authority funding and for Exeter this is estimated to result in a further reduction in formula grant of approximately 44% between 2013/14 and 2017/18.

#### **3. LOCAL GOVERNMENT FINANCE SETTLEMENT**

- 3.1 Last year's Local Government Finance settlement included an indication of our formula grant for 2014/15. However the Comprehensive Spending Review 2013 indicated that further reductions would be made to Local Government funding meaning that these figures are likely to be revised. It is currently anticipated that the Draft Local Government Finance Report setting out the revenue funding for next year is not expected to be announced until late December 2013. At this stage therefore, the Medium Term Financial Strategy is based upon our best estimate of all the changes using both external advice and early release of some data by the Government.

#### **4. COUNCIL TAX**

- 4.1 The Chancellor of the Exchequer has again announced funding for local authorities who decide to freeze council tax next year. If they do, councils, police and fire authorities will stand to receive an equivalent to raising their 2013/14 council tax by one per cent. In addition, the Government is likely to maintain the local authority tax referendum threshold at two per cent. The budget strategy for next year assumes that council tax will increase by 2%, which will raise an extra £122,000.

## 5. OTHER BUDGETARY ASSUMPTIONS

- 5.1 An overall allowance of £300,000 has been set aside for inflation. The inflationary increases allowed in the budget are:

Pay Award	1.0%
Pay – Increments	0.5%
Electricity	8%
Gas	10%
Oil	12.0%
Water	5.1%
Insurance	3.0%
Rates	2.0%
Fuel	6.0%
General Inflation	0.0%
Income (excluding Car Parks)	2.5%

- 5.2 General inflation has again been held at zero; however where there are contracts in place, inflation at around RPI has been added.
- 5.3 In respect of interest rates, next year's budget reflects the likelihood that whilst base rate may remain low, it is likely that the cost of borrowing will increase and the Council may begin to take out borrowing over a longer timeframe as a result.

## 6. LIKELY REVENUE RESOURCES 2014/15 TO 2017/18

- 6.1 The Government is due to announce the provisional grant settlement for local government in late December. Based upon the assumptions above regarding forecast grant reductions and levels of council tax then the resources available to the Council to finance its net revenue budget are set out below:-

	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
Government Grant	9,062	7,872	6,714	5,785	5,071
Council Tax	4,391	4,513	4,637	4,767	4,898
Excess Business Rates	574	783	809	835	864
		0	0	0	0
<b>Resources</b>	<b>14,027</b>	<b>13,168</b>	<b>12,160</b>	<b>11,387</b>	<b>10,833</b>
Increase/(decrease)		(859)	(1,008)	(773)	(554)
Annual % change		-6.1%	-7.7%	-6.4%	-4.9%

## 6. ADDITIONAL SPENDING PRESSURES

- 6.1 Additional Spending Pressures over the period are set out in Appendix 1 and total:

	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
Additional Pressures	28	482	75	118	(11)

## 7. REVENUE SAVINGS AND OTHER BUDGETARY REDUCTIONS

- 7.1 Substantial work has been undertaken to identify savings over the next two years. The Savings proposed by Service are set out in Appendix 2 and summarised below:

	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
Savings identified		(1,480)	(884)	(55)	0

## 8. REVISED MEDIUM TERM REVENUE PLAN (APPENDIX 3)

- 8.1 An updated Medium Term Financial Plan (MTFP) is set out in Appendix 3. The MTFP currently indicates that additional savings required over the next five years total £3,160,000. The additional savings over the medium term are set out in the table below:-

	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Savings required	0	0	(1,259)	(1,302)	(599)

## 9. GENERAL FUND CAPITAL PROGRAMME

- 9.1 Attached at Appendix 4 is the proposed General Fund Capital Programme for the next three years. However, this is subject to a review of deferred schemes by Portfolio Holders and Senior Managers to ensure that all funding is still required. The total of the proposed programme is as follows:

	2014/15 £'000	2015/16 £'000	2016/17 £'000
New Bids	1,784	1,895	764
Pre-approved	6,593	2,016	1,257
<b>Total</b>	<b>8,377</b>	<b>3,911</b>	<b>2,021</b>

## 10. RISK ASSESSMENT

- 10.1 It has already been mentioned above in this report that our financial forecasts are based on a number of assumptions including the level of inflation, interest rates, income levels, support from the Government and general prevailing economic conditions. In addition there are a number of uncertainties that could affect the financial position either now or in the future. These include the level of future years' pension contributions, potential costs arising from the review of service plans, and the cost of any new statutory functions.

10.2 Although the Council faces risks from the assumptions and uncertainties outlined above these have been mitigated by the following:

- Adopting a prudent approach to financial forecasting which involves obtaining information from external professional sources
- Continuous monitoring and review of the key factors together with regular reports to Members on any key issues
- Regular budget monitoring meetings with budget managers to ensure that budget pressures are identified at the earliest opportunity
- The adoption of robust financial management arrangements including option appraisal, risk assessment and financial monitoring
- Retaining a prudent level of reserves and balances

## **11. RECOMMENDATION**

11.1 It is recommended that the contents of the report are noted and that the proposals to establish a balanced revenue budget and capital programme are approved.

### **ASSISTANT DIRECTOR FINANCE**

**Local Government (Access to Information) Act 1985 (as amended)**

**Background papers used in compiling the report:**

None