

REPORT TO EXECUTIVE

Date of Meeting: 9 December 2014

REPORT TO COUNCIL

Date of Meeting: 16 December 2014

Report of: Assistant Director Finance

Title: 2015/16 BUDGET STRATEGY AND MEDIUM TERM FINANCIAL PLAN

Is this a Key Decision?

No

* One that affects finances over £1m or significantly affects two or more wards. If this is a key decision then the item must be on the appropriate forward plan of key decisions.

Is this an Executive or Council Function?

Council

1. What is the report about?

1.1 To provide a strategic overview of the budgetary position for the 2015/16 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. Recommendations:

2.1 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.

3. Reasons for the recommendation:

3.1 The Council is required to set a balanced budget and Council Tax prior to the start of the financial year.

4. What are the resource implications including non financial resources.

4.1 The Council has a requirement to save £4 million over the next three financial years. The report notes the resources available to the Council over the medium term and the demand for those resources.

5. Section 151 Officer comments:

5.1 Subject to the outcome of the consultation on the future of service provision and the final settlement from Government, the Council is in a position to propose a balanced and funded budget for 2015/16. The assumptions are set out below and include an assumed 1.99% increase in Council Tax.

6. What are the legal aspects?

6.1 The requirement to set a balanced budget and Council Tax requirement is set out in the Local Government Finance Act 1992.

7. Monitoring Officer's comments:

7.1 This report raises no issues of concern for the Monitoring officer.

8. Report details:

8.1 Local Government Finance Settlement

8.1.1 Last year's Local Government Finance settlement included an indication of our formula grant for 2015/16. The Autumn Statement, expected on 3 December may make amendments to this figure. It is currently anticipated that the Draft Local Government Finance Report setting out the revenue funding for next year will be announced during December 2014. 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.

8.2 Council Tax

8.2.1 The Chancellor of the Exchequer announced back in 2013, funding for local authorities who decide to freeze council tax next year. The details of the scheme have not yet been announced. 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 1.99%, which, along with the estimated surplus on the collection fund of £68,000 and increase in the taxbase will raise an extra £191,000.

8.3 Other Budgetary Assumptions

8.3.1 An overall allowance of £258,000 has been set aside for inflation. The inflationary increases allowed in the budget are:

Pay Award	1.0%
Pay – Increments	0.5%
Electricity	3%
Gas	0.6%
Oil	4.0%
Water	0.0%
Insurance	3.0%
Rates	2.8%
Fuel	5.0%
General Inflation	0.0%
Income (excluding Car Parks)	2.0%

8.3.2 General inflation has again been held at zero; however where there are contracts in place, inflation at around RPI has been added. The pay award for 2015/16 has been agreed and budgets will be amended to take into account the agreement reached.

8.3.3 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.

8.4 Likely Revenue Resources 2015/16 To 2018/19

- 8.4.1 The Government is due to announce the provisional grant settlement for local government in 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:-

	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Government Grant	7,833	6,714	6,646	5,412	5,305
Council Tax	4,570	4,637	4,767	4,898	4,898
Excess Business Rates	395	1,124	1,115	1,135	1,172
Resources	12,798	12,531	11,883	11,503	11,569
Increase/(decrease)		(267)	(648)	(380)	66
Annual % change		-2.1%	-5.2%	-3.2%	0.6%

8.5 Additional Spending Pressures

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

	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Additional Pressures	1,380	305	178	(11)	50

8.6 Revenue Savings And Other Budgetary Reductions

- 8.6.1 The Council is currently undertaking a major consultation exercise with the public on the future of Services. The updated Medium Term Financial Plan (MTFP) is set out in Appendix 2. The MTFP currently indicates that savings required over the next three years total £4,000,000. 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	(1,000)	(2,500)	(500)	0

8.7 General Fund Capital Programme

- 8.7.1 Attached at appendix 3 is the proposed general fund capital programme for the next three years. The budget for the new leisure complex has not been included as it is subject to approval at Full Council in December 2014.

	2015/16 £'000	2016/17 £'000	2017/18 £'000
New Bids	444	54	54
Pre-approved	4,179	1,774	1,010
Total	4,623	1,828	1,064

8.8 Risk Assessment

- 8.8.1 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.

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

9. How does the decision contribute to the Council's Corporate Plan?

- 9.1 This is the strategic overview of the financial position of the Council

10. What risks are there and how can they be reduced?

- 10.1 The risks relate to failing to set a balanced Council budget and are mitigated by regular reporting to the Strategic Management Team and Members.

11. What is the impact of the decision on equality and diversity; health and wellbeing; safeguarding children, young people and vulnerable adults, community safety and the environment?

11.1 Not applicable

12. Are there any other options?

12.1 Not applicable

Assistant Director Finance

Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:-

None

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