

BROMSGROVE DISTRICT COUNCIL

CABINET

4th November 2015

MEDIUM TERM FINANCIAL PLAN 2016/17-2018/19 – BUDGET ASSUMPTIONS

| | |
|----------------------------|----------------------------------|
| Relevant Portfolio Holder | Geoff Denaro |
| Portfolio Holder Consulted | Yes |
| Relevant Head of Service | Jayne Pickering (Exec Director) |
| Wards Affected | All |
| Ward Councillor Consulted | None specific |

1. SUMMARY OF PROPOSALS

- 1.1 To recommend the budget assumptions to be used in preparing the detailed 2016/17 budget and provisional budgets for 2017/18 and 2018/19.

2. RECOMMENDATIONS

- 2.1 **That Cabinet recommend to Council that the revenue assumptions detailed in 3.7 be incorporated into the budget setting process.**

3. KEY ISSUES

Financial Implications

- 3.1 The Council is legally obliged to set a balanced budget. The budget setting process is complex and must be undertaken in a planned way. It is equally important that assumptions used in the preparation of the budget are agreed, reasonable and consistently applied by all services. A number of recommendations from the Councils External Auditors, Grant Thornton, are addressed by ensuring robust assumptions and a transparent planned approach is undertaken when agreeing the budget.
- 3.2 Officers are aiming to link the costs associated with delivering the Strategic Purposes of the Council across the whole organisation. This will enable Members to have a wider understanding of the whole costs with delivery rather than the departmental approach that has been seen in previous years. This new financial modelling will be trailed within specific areas to ensure a clear and transparent framework is in place for Members considerations.
- 3.3 In addition members have previously agreed that the following principles would be the focus of the Medium Term Financial plan :
- Reduce enabling costs
 - Identifying waste and removing this from the system and its associated costs

- Design new systems for delivery to meet customer demand

3.4 The budget forecast has been based on a number of assumptions, known levels of expenditure and anticipated levels of resources. Final confirmation of these assumptions will not be received/finalised until November/December this year. There are a number of areas of the Council's budget where risks to the projections contained in this report have been identified. The most significant of these are:-

- The new Government is to set out its spending plans early in the new parliament; this will have a significant impact on local government funding.
- The Finance Settlement for Bromsgrove District Council - the level of resources received from Central Government from the Revenue Support Grant may be different to those assumed. The decrease assumed for 2016/17- 2018/19 is 10% per year
- Monitoring of the 2015/16 budget will provide Cabinet with regular updates on any pressures/savings for the Council. Any associated on going implications will be incorporated into the budget projections for 2016/17 and future years.
- Savings – The level of savings required for 2016/17, 2017/18 are currently being considered. It is accepted that the savings require clear monitoring to ensure they are being delivered.
- Specific Grants and Contributions – The number and amount of specific grants received by the Council may be lower/higher than anticipated. The budget assumes no increase or reduction in specific grants. If the grant decreases, the associated expenditure must also be reduced to reflect the reduction in the grant received.
- Council Tax – Central Government provided a cap on the amount of Council Tax increase a Local Authority could make before a referendum of the local residents was required. The budget assumes a 1.9% increase in 2016/17, 2017/18 and 2018/19. This assumption will be reviewed as further announcements are made on both a Referendum and Council Tax Freeze Grants for the relevant years.
- Council Services- The impact of the economic climate on the residents of Bromsgrove and the increased demand this may have for Council Services could impact on cost of services as could general demographic changes.

- Inflation - Impact of changes in the price of goods and services used by the Council compared to the percentage assumed in the budget projections.
 - Fees and charges income – Impact of any economic slowdown on levels of usage of charged for Council services could lead to income levels not being achieved.
- 3.5 The Council while setting the budget is working within a time of significant financial uncertainty and risk. The potential implications to the Council of the Chancellor's budget statement on the 8th July, the consultation on the budget for 2016/17 over the summer and the proposed reduction in Central Government's departmental budgets, could be significant. The impact for individual Local Authorities will not be known until provisional figures are released in late November/December 2015. The Chancellor announced in his Spring Statement that the level of reduction would be at the same rate as over the previous parliament.
- 3.6 The timing of the Provisional Funding Settlement in late November/December 2015 means that this report is based on the available information at this point in time. Future reports will make Cabinet aware of any changes that impact on the current budget assumptions.
- 3.7 As part of the budget setting process the Council makes a number of assumptions in respect of the key elements of the Council's revenue budget. The following paragraphs in this section outline the areas where these assumptions are made.

Council Tax

The budget assumes an increase in Council Tax for 2016/17, 2017/18, and 2018/19 of 1.9%. Central Government has yet to announce plans to freeze Council Tax for 2016/17.

Pay Inflation

The budget assumes that the pay award will be 1% for 2016/17 to 2018/19.

Superannuation Rates

The employer superannuation contribution rates are 11.7% in 2016/17, 12.1% in 2017/18 and 12.5% in 2018/19. These are based on the advice by Worcestershire Pension Fund. The next valuation of the fund is due in 2016, therefore the rate of increase assumed for 2016/17 and 2018/19 are subject to change following this valuation.

Price Inflation

The budget assumes 0% inflation across the majority of the Council's non-pay expenditure budgets including grants that the Council gives out. Contractual arrangements and other significant inflation issues will be considered on a case by case basis.

Discretionary Fees and Charges

Fees and Charges are reviewed on an annual basis and officers assess the impact of increases in income charges on the demand on the services. It is recommended that, in line with the current Medium Term Financial Plan the increase for 2016/17 to 2018/19 be 3%. The total additional income generated from the 3% increase is approximately £150k and therefore any reduction on 3% would have to be included as a budget pressure for 2016/17-2018/19.

3.8 Capital

A review of the capital programme is currently being undertaken. This review will provide a three year capital programme for 2016/17 to 2018/19 taking into consideration the estimated reduction in capital resources and the limited revenue funding available for Capital Schemes in these years. A report to Cabinet in December / January will recommend a Capital Programme for 2016/17 to 2018/19 for consideration .

- 3.9 This is an initial report on the budget process which identifies the decision making, assumptions and principles. The forecasts will be refined over the coming months and further reports will be presented to Cabinet leading up to the approval of the budget and Council Tax in February 2016.

Legal Implications

- 3.10 The Council is under a duty to calculate the budget in accordance with Section 32 of the Local Government Finance Act 1992 and must make three calculations namely:
- An estimate of the Council's gross revenue expenditure; an estimate of anticipated income and a calculation of the difference between the two. The amount of the budget requirement must be sufficient to meet the Council's budget commitments and ensure a balanced budget. The amount of the budget requirement must leave the Council with adequate financial reserves. The level of budget requirement must not be unreasonable having regard to the Council's fiduciary duty to its Council Tax payers and non-domestic rate payers.

Service / Operational Implications

- 3.11 Budget Holders will prepare budgets to enable services to be delivered to meet the Councils Strategic Purposes. It is expected that officers will work across the organisation to establish financial projections that best meet the wider community needs and identify any savings or additional income to fund any budget shortfalls.

Customer / Equalities and Diversity Implications

- 3.12 Clarity on budget assumptions will ensure services are delivered to meet customer needs and expectations

4. RISK MANAGEMENT

- 4.1 The risks associated with the budget process and calculations mainly relate to the uncertainties around external funding and the resulting pressures on the budget. To mitigate this risk officer's will work on a number of scenarios to ensure all options can be reported to members in a timely fashion.

AUTHOR OF REPORT

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