

BROMSGROVE DISTRICT COUNCIL

CABINET

2nd November 2016

MEDIUM TERM FINANCIAL PLAN 2017/18-2020/21 – 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 2017/18 budget and provisional budgets for 2018/19-2020/21.

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. It is proposed that a 4 year financial model is prepared for the Medium Term Financial Plan.
- 3.2 The budget forecasts will be based on a number of assumptions, known levels of expenditure and anticipated levels of resources. It is anticipated that the Autumn Statement on 23rd November may confirm the assumptions relating to external funding and financial pressures that the Council may face over the next 4 years. In addition the Council will receive confirmation on the approval of the submitted efficiency statement. 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 Autumn Statement and associated implications.

- The lack of clarity around the New Homes Bonus following the consultation period earlier this year. This accounts for a significant level of funding and any reductions in allocation would have a detrimental impact on the Councils financial position
- The Finance Settlement for Bromsgrove District Council – approval by Government of the submitted efficiency plan should give a level of certainty around Grant funding
- Monitoring of the 2016/17 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 2017/18 and future years.
- Savings – The detailed plans to deliver the level of savings required for 2017/18- 2020/21 are currently being considered in line with the submitted efficiency plan. 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 2017/18-2020/21
- 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.

- 3.3 The timing of the Autumn Statement 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.
- 3.4 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 2017/18-2020/21 of 1.9%.

Pay Inflation

The budget assumes that the pay award will be 1% for 2017/18-2020/21

Superannuation Rates

The 3 year actuarial valuation was received in Mid October. This reflects the current revaluation of the pension liabilities to include both backfunding and forward funding rates.

Officers are continuing to negotiate with the Actuary and the County on the phasing of the pension liability as there are options available around profiling of the deficit contribution. The rate that is proposed in relation to forward funding is 14.4% which is an increase from 12.1%. The backfunding contribution has reduced to £929k from the budgeted figure of £1.095m. It is anticipated that there may be an overall saving to the Council over the 3 year period of phasing.

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. It is proposed that utilities are increased by 6%.

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 2017/18-2019/20 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 2017/18-2019/20. Any increase above 3% will be explained by officers within the fees and charges report in December.

3.5 Capital

Heads of Service are currently undertaking a full review of the capital programme which will provide a four year capital programme for 2017/18-2020/21 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 January will recommend the 4 year programme.

- 3.6 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 2017.

Legal Implications

- 3.7 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

- 3.8 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

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3.9 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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