



CAI.26 14/15
Challenge and Improvement Committee
2 December 2014

**Subject: Medium Term Financial Plan and Budget process progress 2015/16**

Report by:

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Purpose / Summary:

To present Members with an update on progress of the development of the 2015/16 Medium Term Financial Plan

**RECOMMENDATION(S):**  
1. That Members seek assurance on progress towards delivering a balanced financial position and maintaining sustainability going forward.

## IMPLICATIONS

**Legal:** The Council is required under statute to approve the level of Council Tax for 2015/16 and in order to do so will have to agree a balanced budget by the same date. This date is set as 2 March 2015.

**Financial : FIN/77/15 As detailed within the report**

**Staffing :** The impact on staffing levels may result from proposals within Business Plans, therefore it will be appropriate to engage with Staff and the Trade Unions as more detailed change proposals within services emerge. Such engagement will help to explore ways of reducing any adverse implications for staff.

**Equality and Diversity including Human Rights :**  
**Not applicable**

**Risk Assessment : Not applicable**

**Climate Related Risks and Opportunities : Not applicable**

**Title and Location of any Background Papers used in the preparation of this report:**

### Call in and Urgency:

**Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?**

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)

Yes

No

### Key Decision:

A matter which affects two or more wards, or has significant financial implications

Yes

No

## 1. Background

The Budget Strategy 2014/15 to 2018/19 was approved by Council in March 2014. This established a baseline for services to prepare initial revenue budgets for 2015/16 onwards based on the cost of providing the current level of service and approved policy decisions, against the estimated reduction in funding, thus resulting in a net savings target for each future year.

The purpose of the Medium Term Financial Plan is to link the Council's strategic planning process with the budget process and to ensure consistency between them. It is a mechanism that attempts to match future predicted resource and expenditure, identifying potential shortfalls and provides the financial framework for the next 5 years. Its purpose is to inform members and to suggest a way of dealing with future financial pressures facing the Council.

The process to prepare and update the baseline to develop the Medium Term Financial Plan 2015/16 – 2019/20 commenced in July this year, with the process including;

- a. **Analytical Review** As the Council has realised surpluses over the past few years an exercise was undertaken by Budget Managers, with the support of their Accountant, to review the last 3 years surplus and deficits for each element of their budget with a view to reducing their base budget for 2015/16. This exercise has identified £0.277m of ongoing savings.
- b. **Accountants met with all Budget managers** to review the base budget, to consider the issues above and to identify any known pressures and savings within the service which will have impacts on the MTFP
- c. **The CMT** have received regular updates on the progress of the development of the MTFP and have approved the inclusion of individual pressures and savings, within their delegated powers.
- d. **Business Planning Process**

The introduction of a Business Planning Process, resulted in Services producing detailed Business Plans which include;

- **Current Project, Programme and Work Areas:** An overview of the projects, programmes and work areas that are assigned to the service
- **Performance Measures Used in the In Depth Business Reviews (IDBRs)**  
A list of the analysis that was undertaken during the delivery of the IDBRs. This also includes information relating to the data source

- **Adopted Progress & Delivery (P&D) Measures:** Details of the measures that are included within the P&D reports
- **Non-adopted Performance Measures:** These are additional performance measures that have not been adopted as P&D measures
- **Potential Savings:** A list of the service specific savings identified through the IDBRs
- **Corporate Plan Linkages:** Measures discussed within the Corporate Plan that align with the service area
- **Finances:** An extract from the finance system showing past and forthcoming budgets.

This information was then used by Services to provide a Financial Business Plan for the next 2 years, incorporating investment proposals on how their Services could be developed/delivered to achieve additional income, reduced costs and efficiencies, and provided an estimation of the impacts these investments would have on the Medium Term Financial Plan. Heads of Service presented their investment proposals to Members at the Leaders Panel Away Day on 22 October 2014.

#### **e. Public Consultation**

The opportunity to engage with the public on budget proposals, gain opinion on the services the public value, level of service provision, and charges for services has been undertaken and outcomes will be taken into consideration within the MTFP.

## **2. Budget Assumptions**

There has been an estimation of the Council Tax base for 2015/16 and this will generate £5.393m in Council Tax. The actual calculation will be undertaken early in December in accordance with Statutory Regulations.

It is also estimated that New Homes Bonus of circa £2m will be received in 2015/16 and proposals for its investment will be considered as part of the Investment process. (Actual amounts will be confirmed in January 2015).

Government funding in respect of RSG and Retained NNDR have been taken from the Autumn consultation document.

## **3. 2014/15 Forecast Out-Turn Position**

The forecast out-turn position as at end of September reflected a surplus of £0.553m. Any surpluses in excess of this amount will be either earmarked for specific purposes or will be returned to the General Fund Balance at the year end.

#### 4. 2015/16 Target Savings – Progress

	2015/16	2016/17	2017/18
<b>Net Budget Savings Target per MTFP 2014/15</b>	<b>1,547,300</b>	<b>2,288,100</b>	<b>2,285,800</b>
<b>Brought Forward Savings from 2015/16</b>		<b>-1,300,400</b>	<b>-1,300,400</b>
<b>Brought Forward Savings from 2016/17</b>			<b>285,900</b>
Analytical Review and Other Savings	-163,500	85,000	-76,000
<b>GREEN</b>			
<b>Additional Pressures</b>			
Establishment Changes (including impact of pay award)	213,400	-46,200	170,200
Contractual Obligations	32,000	18,800	
Events budget	20,000		-20,000
Leader Funding - Rural Programme	15,000		
Inflation Impacts	30,900		
Staff Training	10,600		
Markets promotions and costs	5,000	-5,000	
<b>Additional Savings</b>			
Bringing DFG's admin and technical in house	-35,700		
NNDR Discretionary reliefs	-33,700		
Planning Fee Income	-195,200	7,600	199,300
Guildhall rental income	-93,200	-39,400	
Contractual Obligations	-137,700	-10,400	-6,700
Removal of contingency budget	-34,000		
S106 housing business plan impact/admin fee	-15,000		
Loan interest	-8,800		6,600
Members Training reduced in non Election Yr		-10,000	
Rental income from acquired houses	-9,700		
<b>AMBER</b>			
Operational Services Income	-240,000	122,000	-68,000
Contract savings	-175,900	-75,000	
Fees and Charges	-40,700		
Service Specific Grants	-37,200	37,200	
Government Grants	-55,400	59,600	
Council Tax Surplus	-115,700	65,700	
NNDR Pooling	-250,000		
Council Tax Localisation New Burdens Grant	-76,000	76,000	
Council Tax Income	90,100		
<b>Draft Net Budget Savings Target 2015/16</b>	<b>246,900</b>	<b>1,273,600</b>	<b>1,476,700</b>

Savings of £1.547m were identified within the Medium Term Financial Plan 2014/15 as being required to balance the 2015/16 budget. An amount of £1.300m has been identified thus far and work continues to refine the MTFP to achieve a balanced budget 2015/16. However a number of risks have been identified and are detailed below in section 5.

The current draft budget position 2015/16 would require the use of £0.247m of General Fund Reserves to present a balanced budget for Council to approve in March. Work continues to identify further savings for 2015/16 in addition to the final settlement figures being announced by Government in December.

As can be seen in the table above, further savings of £1.274m are required for 2016/17. Failure to identify ongoing savings of this value will significantly impact on the Council achieving its required financial strategy over the medium term. As a result, there will be difficulties in maintaining the quality and quantity of services without exploring opportunities for collaboration and alternative forms of service deliver, and pursuing commercial activities to generate additional income. Therefore, the reshaping and transformation of service proposals contained within the Service Business Plans will need assessing and developing to deliver future savings, with the required level of investment being considered to facilitate this change.

In addition Commercial and Investment Strategies are being developed which will provide the policy framework for Commercial investments to enable new revenue income streams to be generated.

## **5. Risks**

Pending Issues of £0.659m have been included in the draft budget, and relate to income which may or may not be achieved.

- Fees and Charges £0.040m (Low Risk)
- Grants from Government £0.129m (Medium Risk)
- Recycling Scheme £0.240 (Low Risk)
- NNDR Pooling impact £0.250 (Low Risk)

## **6. The next stages**

- consideration of investment and budget proposals contained within the Service Business Plans,
- to review Fees and Charges and income targets

- to review Earmarked Reserves and overall level of reserves
- Members to consider both Revenue and Capital Investment Bids
- Consider any outcomes of the public engagement exercise
- The Management Team will be given the opportunity to review the draft MTFP and are tasked with identifying any further service savings, through initiatives which have been or are expected to be developed over the medium term as documented in their Service Plans.
- The final stage is to build in the government grant settlement and to ascertain the Council Tax Requirement to enable the budget to be balanced for the new financial year.
- Determine the final funding of any budget shortfall.

## **7. Future process**

The Budget process is documented for officers within an Approved Code of Practice (ACOP 10 Medium Term Financial Plan) and this document will be reviewed and updated to ensure that the Business Planning process is included and that a corporate timetable of the process is developed to enable services to forward plan.

The progress of approved investment proposals will be supported by Business Cases which will be reviewed by the relevant Officer Board, prior to implementation and monitoring.

Services will maintain their Business Plans as a working document to reflect their ever changing environment.

There will continue to be an emphasis throughout the organisation on the commercial approach to the operation and management of services, with the emphasis on achieving savings/efficiencies/income.

It is also expected that commercial investment opportunities will continue to be identified and presented to Members for consideration.