

FINANCIAL POLICY PANEL
25 MAY 2017

FINANCIAL PLANNING 2018/19

Report of the: Head of Financial Services
Contact: Lee Duffy
Urgent Decision?(yes/no) No
If yes, reason urgent decision required: N/A
Annexes/Appendices (attached): **Annexe 1:** Objectives of the Medium Term Financial Strategy
Annexe 2: Working Draft of the Efficiency Plan 2018 - 2020
Annexe 3: Budget Reporting Timetable
Other available papers (not attached): Four year Financial Plan 2016-2020
Budget Book 2017/18

REPORT SUMMARY

This report seeks guidance on the approach to be used in preparing the budget for 2018/19.

<u>RECOMMENDATION (S)</u>	<i>Notes</i>
<p>That the Panel confirms:-</p> <p>(1) the approach to be taken to the 2018/19 budget review as set out in this report;</p> <p>(2) the Panel provides guidance on the revised four-year Financial Plan;</p> <p>(3) the budget reporting timetable in Annexe 3.</p>	

1 Implications for the Council's Key Priorities, Service Plans and Sustainable Community Strategy

- 1.1 The Council agreed the Financial Plan 2016-20 at the February 2016 budget meeting.
- 1.2 The Strategy and Resources Committee agreed a Corporate Plan which included a key priority 'Managing Resources' in April 2016.

2 Background

- 2.1 The Medium Term Financial Strategy (MTFS) aims to maintain the financial health of the Council whilst delivering the priorities in the Corporate Plan. This report considers the steps needed to achieve balanced budgets during the term of the financial strategy.
- 2.2 The MTFS will be used to provide a framework for the annual budget review. The key components of the MTFS are set out in **Annexe 1**.

3 Financial Projections

- 3.1 The current MTFS anticipates the need for savings of £1.6 million over the next two years. The assumptions used in preparing the forecast are clearly stated in the Financial Plan. As with any financial forecast, there is scope for position to be better or worse than anticipated.
- 3.2 The financial projections will be updated as the impact of new regulation and funding changes become clearer. It is, however, anticipated that the focus of the budget review will be on the delivery of budget saving, either through cost reduction or income generation.

4 Current Budget Position

- 4.1 The Council is in the process of closing last year's accounts. The position is that the revenue working balance will slightly increase by £160,000 to approximately £3.3 million.
- 4.2 The final expenditure figures for 2016/17 will be reported to Strategy and Resources Committee at the end of June and underspends on some budgets may provide opportunities to identify on-going savings.
- 4.3 There is no planned use of the working balance in 2016/17 although £500,000 of New Homes Bonus is being used to help fund general fund services. However the current Financial Plan shows that the level of funding from New Homes Bonus available to support the general fund will reduce significantly from 2019/20.
- 4.4 Based on the provisional outturn figures for last year, the highest risk to the 2017/18 budget appears to be achieving anticipated levels of income for areas such as planning and building control and any further unbudgeted reductions to external funding.

5 Budget Forecast for 2018/19

- 5.1 The following forecast for 2018/19 has been extracted from the Four Year Financial Plan included within the Budget and Council Tax report (February 2017):-

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	2018/19 Forecast £000	2017/18 Budget £000
Net Cost of Service b/f (excluding use of New Homes Bonus , interest on balances)	8,365	
Pay & Prices Increases - Prices	+ 180	
Pay & Price increases – Pay	+ 190	
Contingency for Service Changes and Pressures	+ 395	
IT and bin replacement transferred from capital	+200	
Loss of Housing Benefit Admin Grant	+45	
Increase in provision for property maintenance	+50	
Impact of latest benefit reforms	+100	
Increases in Fees & Charges	- 200	
Net change in contributions form reserves/provisions	+ 225	
Annual Savings Target	-626	
Forecast Net Cost of Services	8,529	8,365
Interest on Balances	-220	-220
Use of New Homes Bonus	-500	-500
Transfer to / from Working Balance	0	0
Forecast Net Expenditure	7,809	7,645
Transitional Grant	0	83
Business Rates Forecast	1,558	1,527
Council Tax Income Forecast	6,251	6,045
Collection Fund Deficit	0	-10
External Funding	7,809	7,645

- 5.2 The annual savings target for 2018/19 of £626,000 included within the Financial Plan comprises of £588,000 which has been agreed in principal by the individual service committees and £38,000 still to be identified.

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5.3 A breakdown of the £588,000 is as follows:

	£'000	Committee
Restructuring of Senior Management Team	60	S&R
Disposal of Ebbisham Centre	52	C&W/S&R
Operational efficiencies and income generation	476	All
Total Identified Savings	588	

5.4 The following table shows the main assumptions that were used in preparing the forecast for 2018/19 in the Financial Plan:-

ASSUMPTIONS USED	BASE £'000	2018/19 Forecast
General Inflation - prices	9,500	+ 2.0%
Pay bill growth	11,000	+ 1.6%
Fees & Charges allowance: annual increased yield on discretionary charges	- 6,600	+ 3.0%
Interest rate used (average return on investments)		1.25%
Reduction in Core Government Funding / Retained Business Rates	- 52	- 3.2%
Increase in Council Tax Base (Band D equivalent properties)	32,324 <i>(properties)</i>	+ 0.75%
Increase in Council Tax income	- 6,045	£5 increase on Band D equivalent property

6 Service and Financial Planning

6.1 It is anticipated that further savings should be achievable to address the gap and the areas that officers expect these to come from are:

- 6.1.1 Efficiency Savings – Officers will continue to look at how services are delivered to maximise efficiency and the use of IT.
- 6.1.2 Income generation – Officers will consider options to generate significant income streams for the council.
- 6.1.3 A base review, this entails reviewing the year end position for 2014/15, identifying any potential savings, additional cost pressures and areas where savings can be developed. These will be used to update the four year financial plan.

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- 6.1.4 Property Related – to realise cost reduction of Council operational buildings, increase income from investment properties and generate new receipts from surplus buildings/land.
- 6.1.5 Income Generation Review – to include analysis of charging powers and service utilisation and identify options for income generation.

7 2018/19 Budget Timetable

- 7.1 The proposed revenue reporting timetable is contained at **Annexe 3**.
- 7.2 The timetable reflects the normal budget review process and will need amending if a more comprehensive corporate service review is required.
- 7.3 Prior to the Budget Targets being set by Strategy and Resources Committee in September the Director of Finance and Resources will update the four year financial forecast based on the current level of service provision.
- 7.4 The following review of resources will be carried out by September to assist financial planning for 2018/19:-
 - 7.4.1 Any changes to external funding;
 - 7.4.2 A revised forecast on business rate income under the business rate retention scheme;
 - 7.4.3 A forecast of council tax income;
 - 7.4.4 The Council's financial standing following close of accounts including a review of reserves and provisions
 - 7.4.5 A summary of income from fees and charges across all council services

8 Financial and Manpower Implications

- 8.1 The financial outlook for 2018/19 was contained in the Four Year Financial Plan 2016-2020 and is summarised in this report.
- 8.2 It is inevitable that pressure will remain on all areas of expenditure, including the staff budget. The efficiency programme is based on a rolling programme of cost review and may be realisable through natural turnover and without compulsory redundancy, dependent upon the actual level of external funding available to the Council.
- 8.3 The staffing impact of any service changes will need to be considered where service options are put forward for consideration.

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- 8.4 The Council has adequate resources to carry out a budget review supporting the delivery of the cost reduction plan. Should the Council require a more comprehensive review of services additional resources and expertise may be required.

9 Legal Implications (including implications for matters relating to equality)

- 9.1 **Monitoring Officer's comments:** *There are no direct legal implications arising from this report.*

10 Risk Assessment

- 10.1 A high level of risk to Council finances has arisen from the resultant public sector spending cuts. The main risks for next year are set out in the 2017/18 budget report.
- 10.2 The longer term financial risks are contained in the Four Year Financial Plan 2016-2020.

11 Conclusion and Recommendations

- 11.1 The Council has agreed financial targets to achieve a balanced budget in 2018/19. After year-on-year of funding cuts the Council has become more adept at managing on reduced financial support from Central Government however the financial challenges have not diminished.
- 11.2 Projections for 2018/19 indicate that £626,000 of savings will be required to achieve a balanced budget for next year, with £588,000 of these savings already identified it leaves £38,000 still to be found.
- 11.3 The four year budget forecast will be updated in September 2015 and the Panel will receive a full update on the Council's finances, including revenue and capital reserves and provisions.
- 11.4 It is recommended that cost reduction through efficiencies, income generation and service expenditure reviews are used as the main tools to achieve a balanced budget in 2018/19.

WARD(S) AFFECTED: (All Wards);