

### MESSAGES FROM THE LAST BUDGET PROCESS – A REMINDER

When the Council set its budget for 2016/17 in March 2016, the following points were outlined at that time:-

- ◆ *Council Tax remains below the national average (around £3 per week for the average household);*
- ◆ *The Council has maintained a balanced budget without cutting front line services or using one-off reserves;*
- ◆ *The Council has maintained its overall support for the voluntary sector;*
- ◆ ***The changes to the national landscape continue to bring greater uncertainty and volatility to future projections.***
- ◆ The changes to the national landscape continues to bring greater uncertainty and volatility to future projections. The recently announced review of the Business Rates system and forthcoming General Election add to this.

#### **2015/16**

- ◆ The Council has continued to use its own specific 'budget delivery framework' for the delivery of savings. The challenge was to turn the 'paper based savings exercise' into reality so that the £1,579,000 of savings were actually delivered – this is being successfully delivered.
- ◆ Since 2010, the Council will have delivered a total of £8.4m of savings by the end of March 2016. The delivery of savings of this magnitude will become increasingly more difficult to achieve.

#### **2016/17**

- ◆ Taken in isolation, most of the main issues are 'known' for 2016/17 at this stage.
- ◆ The Council had budgeted for a grant reduction of 15% for 2016/17 the provisional figure from the Government was a reduction of 16.5%. This represents a significant reduction in grant and a continued challenge for 2016/17.
- ◆ Prior to the consideration of any council tax increase, it is estimated that **£1,522,000 of savings will be required**. We will start 2016/17 in a similar position to 2015/16 because of the continued use of the Council's successful budget delivery framework which has resulted in the Council already having secured some of the on-going savings required for 2016/17. The remaining savings have also been identified and the Council

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is confident that these will be delivered during 2016/17 – provided the Council remains focused and sticks to its collection of golden rules.

- ◆ The Council's strong and controlled budgetary position is a direct result of the adherence to the guiding principles that have been diligently followed over recent years. It remains important that the guiding principles are followed if the council is to remain in a relatively good financial position. This financial discipline is a pre-requisite of any future financial strategy.
- ◆ **A capital programme of around £7.7m** is a significant commitment given the decrease in Government grant funding.
- ◆ The Council uses the budget “**swingometer**” as detailed at Appendix A – Section 1 to highlight and assess the sensitivity of the most volatile and material budgets. The “swingometer” shows some significant swings reflecting the economic climate. It must be stressed however that the Council has an excellent track record of spending at or around budget, even when faced with significant in year pressures, and a strong balance sheet with a level of reserves sufficient to cover the risks outlined in the “swingometer”.

### The Medium Term - 2017/18 and Beyond

- ◆ Assumptions have been made for future levels of government grant (and other funding changes) these are based on indicative figures provided as part of the 2016/17 financial settlement. These should be treated with caution at the moment until details are provided about what the efficiency plan requirement is
- ◆ The levels of uncertainty in the medium term are very significant. The review of NHB is likely to result in significant reductions and the major review of business rates is also likely to bring radical change.
- ◆ The Council's strong and controlled budgetary position is a direct result of the adherence to the guiding principles that have been diligently followed over recent years. The challenges faced in the medium term mean that it is even more important that the guiding principles are followed if the council is to remain in a relatively good financial position.
- ◆ Based upon the assumptions applied, the future years' budgets would require ongoing year on year savings of the following (on top of the £9.9m ongoing savings achieved since 2010);

<b>2017/18</b>	<b>£1,195,000</b>
<b>2018/19</b>	<b>£1,274,000</b>
<b>2019/20</b>	<b>£1,311,000</b>
<b>2020/21</b>	<b>£1,046,000</b>

- ◆ The Council continues to develop a more commercial approach to ensure that its income base remains buoyant and continues to explore new fiscal arrangements to facilitate an asset acquisition strategy and types of

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governance models that best meets the needs of the business as it moves to a more self-sufficient business model.

- ◆ Hitherto, the Council has been able to close the budget gap without increases in Council Tax, cuts to front-line services, or cuts to voluntary sector funding. The scope for closing projected budget gaps will be dependent on progressing the commercial investment workstream whilst also reconsidering future levels of Council Tax.
- ◆ There are a number of other pressures the Council will face in both the short and the medium term. More immediate pressures are likely to be around New Homes Bonus funding, Business Rates and other possible pressures include:

Business Risk	Possible Financial Range
New Homes Bonus	+£1,750,000
Business Rate Appeals	+£500,000
Homelessness	+£200,000
Recycling Commodities	+£200,000
Council Tax Support	+£100,000
Utilities Cost	+£50,000

### Other Considerations

- ◆ The projections in all years rest on the Executive's adherence to the "*Guiding Principles*" the "*Modelling for Recovery Principles*" the "*Budget Containment Strategies*" and the "*Prioritisation Golden Rules*" (para 4.3).
- ◆ As pointed out in previous years budget reports year on year savings of these magnitudes have and will continue to take capacity out of the organisation. The priority has been front line delivery and accordingly members may notice a reduction in some areas of internal delivery, as well as our **capacity to influence longer term strategic issues**.
- ◆ Many of the changes to be implemented are untested and it is inevitable some transition turbulence may be experienced even with the focus on protecting front line service delivery.
- ◆ The settlement is far from straightforward and it is unclear what the financial landscape will be over the medium term.
- ◆ The assumptions within the Council's Medium Term Financial Strategy will continue to be reviewed and amended where necessary. However there is much work to be undertaken to fully understand what this all means from 2017/18. What will actually happen will only become clearer as time progresses – however the level of volatility is probably greater than at any point in the past owing to the uncertainties around New Homes Bonus and Business Rates and the government are also considering transferring new responsibilities to local government.

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- ◆ The following sentiment has been made in previous years budget reports, but nonetheless still remains increasingly valid - All the council's partners, elected councillors and staff should feel proud of reaching this point. However we must maintain this extraordinary effort if we are to continue to achieve our ambitious objectives.