

Extract of Medium Term Financial Strategy 2016 – 2021

Assumptions used for the strategy:

- Starting point is the current year base budget
- Year on year spend is adjusted to take account of cyclical variations in expenditure
- Investment income changes in accordance with the cash flow/investment projections to take account of the reducing balance of capital receipts and assumptions regarding interest rates
- Assumed average interest rate achieved on treasury management deals in 2015/16 and onwards of 1%.
- Any approved one-off increase in expenditure or carry-forward budgets for 2014/15 have been removed from the base figures in subsequent years
- Reduction in Government support – the implications for local government funding following the 2015 Budget will not be known until the Spending Review in the autumn. However, the headline figures quoted in the budget show that local government funding reductions will be phased over three years (2016/17 – 2018/19) rather than two years. Initial Local Government Association modelling before the Budget suggested reductions from 2016/17 to 2018/19 of 12.1 per cent, 11.6 per cent and 4.7 per cent respectively.
- New Homes Bonus will be awarded at a similar rate to the previous years (delivery of approximately 350 new homes each year). The government have stated that they wish to make changes to NHB; however we still await confirmation of what these will be.
- Some of the New Homes Bonus will be used for investment in Council priorities over the life of the bonus scheme, while the remainder is required to continue the delivery of services in the face of other government funding reductions and is built into the base budget. Any further new investment will require more savings to be made in services.
- If NHDC adopts a Local Plan then in excess of 4,000 homes could be built in the five years to 2019-20, however if no Local Plan is in place this figure would be well below 2,000 and current modelling is based on this lower figure.
- Contract inflation in accordance with the individual contract terms
- Pay inflation at 1% in each year.
- Pay increments due in 2016/17 and future years have been built in to the model (approximately £80k for 2015/16) Pay increments are part of contractual pay and the calculation is based on those staff due to receive an increment, the remainder having already reached the top of the grade
- Pension fund contributions to reflect the positive impact of the £2.447m capitalised lump sum payment made in March 2014.
- No allowance is made for general inflation on remaining expenditure.
- The principle to be applied is that discretionary fees and charges income will be increased by CPI at November, plus 2%. where legally possible and subject to market impact assessment. However, some fees may be increased further following actions referenced in para 5.4, whilst others may be increased less where it is considered appropriate.
- Use of the special general fund reserve will happen on a phased basis to prevent erratic movements in Council Tax increase.
- The overall Council tax base figure will rise by 0.5% per annum.
- An assumed 99% collection rate for the purposes of calculating the Council tax base (although this may need to be revisited to reflect potential reduced collection rates for groups adversely affected by the localisation of Council Tax support).
- An assumed 97% collection rate for Business Rates
- The minimum General Fund balance will be maintained at 5% of net expenditure plus an allowance for known financial risks.
- Any future changes to the local Council Tax Reduction Scheme will aim to have a cost neutral impact.
- A vacancy savings target set at approximately 2.5% of salary budget to yield in the region of £0.23 million is included in the base budget in each year.
- Any investment in Area Committee budgets to reflect additional responsibilities will be offset by reductions in Directorate budget
- The Council will not subsidise areas which are the responsibility of another precepting body other than through a one-off match-funding arrangement where this is in the interests of the local Council tax payers.
- Full Council may approve as part of the annual budgetary process that unallocated Area Committee budgets can be carried forward from one year to the next and not be subject to the normal rules for carry forward budgets.