

Extract of Medium Term Financial Strategy 2015 – 2020

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 rate achieved on deals in 2015/16 and onwards of 1% on new investments.
- 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 - In February 2014 the government provided an illustrative finance settlement for 2015/16 which resulted in an overall 15% reduction in the SUFA (all taken from the RSG). Funding in 2016/17 is expected to fall by 8% and then by 7% in each year thereafter.
- 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.
- Contract inflation in accordance with the individual contract terms
- Pay inflation at 1% in each year.
- Pay increments due in 2014/15 and future years have been built in to the model (approximately £80k for 2014/15) 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 general principle applied is that discretionary fees and charges income will be increased by RPI at November, currently assuming 2.8% increase. However, some fees may be increased further following actions referenced in para 5.4.
- Use of the special general fund reserve will happen on a phased basis to prevent erratic movements in Council Tax increase.
- The 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.
- The local Council Tax Reduction Scheme will have a cost neutral impact.
- A vacancy savings target set at approximately 3% of salary budget to yield in the region of £0.3 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