

Extract of Medium Term Financial Strategy 2014 – 2019

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 falls in accordance with the cash flow projections to take account of the reducing balance of capital receipts and assumptions regarding interest rates
- Assumed average rate achieved on deals in 2014/15 and onwards of 1% on long term and 0.5% on short term investments.
- Any approved one-off increase in expenditure or carry-forward budgets for 2013/14 have been removed from the base figures in subsequent years
- Reduction in Government support - In March 2013 an additional 1% budget reduction for 2014/15 was added to the 2% budget reduction for 2014/15 that had been announced in the Autumn Statement of November 2012. SR13 added a further 10% to 2015/16. Funding in 2016/17 and 2017/18 is expected to reduce at a similar level.
- New Homes Bonus will be awarded at a similar rate to the previous years (delivery of approximately 350 new homes each year) with a top slice taken off for the funding of the Single Local Growth Fund.
- Contract inflation in accordance with the individual contract terms
- Pay inflation at 1% in each year.
- Pay increments due in 2013/14 and future years have been built in to the model (approximately £80k for 2013/14) 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
- Superannuation contribution annual increase towards the pension fund deficit currently estimated at £200k per year until 2017/18 when the rate of increase is anticipated to reduce to £100k per annum. Any further changes to the Local Government Pension Scheme that might be adopted following the current government consultation (LGPS 2014) will need to be reflected in the MTFs assumptions. The Council could apply to make a capital contribution to the fund which would reduce the contribution rate in the future. The 2013 Triennial Pension Fund Valuation will set employer contribution rates for three years effective from 1 April 2014 to 31 March 2017. Expectations are that contributions will need to increase by 1 to 2% of pay per annum to fund the current deficit on the pension fund. The detailed work to calculate contribution rates begins in July 2013 and results will be available for all employers in November/December 2013.
- 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 3.1% increase. However, some fees may be increased further.
- Use of the special general fund reserve will happen on a phased basis to prevent erratic movements in Council Tax increase.
- 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. The impacts of the SR2013 announcement that a portion of NHB funding will be pooled amongst Councils within the LEPs will be closely monitored.
- 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).
- The minimum General Fund balance will be maintained at 5% of net expenditure plus an allowance for known financial risks.
- The local Council Tax Benefit 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