



**Policy, Finance and  
Development  
Committee**

**28 October 2014**

**Matter for Decision**

**Budget Strategy 2015/16 – 2016/17**

Title:

**John Dickson, Chief Financial Officer and Section 151 Officer**

Author:

---

## **1. Introduction**

This Report provides an update of the Council's projected annual financial position during 2015/16 to 2016/17. A reconciliation is provided against the position forecast in the Medium Term Financial Strategy (MTFS) approved by this Committee on 25 March 2014. The Report includes updated projections in the light of announcements since the MTFS Report was finalised in March 2014. The Report also outlines the initial proposals for the preparation of budgets for 2015/16 onwards.

## **2. Recommendations**

It is recommended that this Committee:

1. Notes the latest financial projections.
2. Considers the draft budget strategy set out in this report.
3. Approves the principles set out in this report to form the basis of the budget strategy for the financial years 2015/16 to 2016/17.

## **3. Information**

### Updating Medium Term Financial Strategy

The Council's MTFS is the planning mechanism that ensures the Council has the financial resources to meet its major corporate priorities. The strategy's assumptions will be used as the parameters for the budget strategy which will be developed for the preparation of the 2015/16 and 2016/17 revenue and capital budgets.

The MTFS projects future levels of income, other resources and expenditure over the next two years and was last approved at a meeting of this committee on 25 March 2014. Although approved annually, the projections within the plan are kept under constant review as circumstances change. Appendix 1 to this Report provides an updated position and extends the projections to include 2017/18. It should be noted that the current Government spending round only extends to 2015/16, therefore all figures beyond this point are based on assumptions that the current trends in funding and distribution continue.

The MTFS projections in March 2014 included some assumptions from the spending round of 2013. In July 2014, the Government also issued

consultation papers giving greater detail on how they propose to fund local authorities for 2015/16 onwards and have also issued further guidance on the treatment of 2014/15 Council Tax Freeze grant for 2015/16. These consultation papers have been used to update the MTFs overall annual financial position. There is likely to be changes in the proposals once the various consultation periods have closed. The figures will be updated and reported to future Policy, Finance and Development (PFD) Committee meetings as part of the 2015/16 Budget Report.

The MTFs projected a deficit on the General Fund Revenue Account of £689,000 for 2015/16, increasing to £920,000 in 2016/17. The following table revises these projections in the light of the changed circumstances.

**Table 1 - Updated Deficit Position**

	<b>2015/16</b>	<b>2016/17</b>
	<b>Projection</b>	<b>Projection</b>
	<b>£ 000's</b>	<b>£ 000's</b>
Projected Deficit - Reported March 2014	689	920
Latest Projected Deficit	760	943
<b>Increase in Projected Deficit since March 2014</b>	<b>71</b>	<b>23</b>

**Table 2 - Movement Since March 2014**

	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
<b>Change</b>	<b>Projection</b>	<b>Projection</b>	<b>Projection</b>
	<b>£ 000's</b>	<b>£ 000's</b>	<b>£ 000's</b>
Net Expenditure	(296)	71	23
NNDR Deficit	95	0	0
Council Tax Burden Support Grant	(60)	0	0
<b>Total Movement</b>	<b>(261)</b>	<b>71</b>	<b>23</b>

The projections included in Tables 1 And 2 are provisional and estimated based on the information which the Council has to date. The detail of this work will be incorporated in the next Budget Report. The details and overall figures are very likely to change and future reports will be provided regarding this position. Explanations of the changes are provided in the paragraphs which follow.

#### Revenue Support Grant (RSG)

The Government's Spending Review 2013 announced further reductions in funding to local government. The MTFs reflects the reductions that have been announced for individual authorities and the national trends from 2015/16 onwards, as set out in the Government's provisional Local Government Finance Settlement 2015/16. The main reasons for the reduction in RSG from 2015/16 are the earmarking of Local Government support into new grants, (Collaboration and Efficiency Fund, Social Care

New Burdens, Independent Living Fund) and the top slicing of funding for the Localisation of Business Rates safety net.

The consultation makes no reference to changes in the distribution of funding to resolve outstanding issues around funding for sparsity and damping

#### Council Tax Freeze Grant

The Government announced the extension of the Council Tax Freeze Grant to 2015/16 in the spending round 2013 and estimates have been included in this updated MTFS in March 2014 based on the current Council Tax Freeze Grant scheme. The Government has issued clarification on the proposals for future years including the payment of 2013/14 Freeze Grants into 2015/16 at a rate of 1% of Council Tax foregone.

The MTFS financial projections show the deficit assuming Council Tax is frozen and grant received for 2015/16 for indicative purposes. The decision to increase or freeze Council Tax will be taken by Council in February 2015.

#### New Homes Bonus

It has been assumed for the MTFS financial projections that this scheme will continue for 2015/16 and onwards. Each financial year's income only continues for 6 years. Consequently, the first year's NHB, 2011/12, will cease to be received in 2017/18. This will cause a slow down in the increase in NHB received.

It has also been assumed that the whole amount of NHB is used for non-earmarked funding of General Fund revenue. Consequently, any increase or decrease would affect the level of budgeted net expenditure possible.

#### Business Rates

The Government has stated its intention to continue its extension of the Small Business Rate Relief scheme into 2015/16. Agenda item 14 provides Members with further information on business rates pooling for next year. Since this would reduce the amount of business rates retained in the new Localisation of Business Rates schemes, Councils were informed the additional relief granted will be funded by a Section 31 Grant. Officers are hopeful that this relief will be covered by the grant.

The Government has issued the Business Rates Retention Pooling Prospectus for 2015/16. Under the proposal a number of authorities can work together to pool their business rates to potentially reduce the total amount of levy payable to Government on business rates due above the Government target, but would also forego some of the protections of the safety net if rates collected fall. Leicestershire authorities formed a pool for 2013/14 but due to uncertainty related to changes in regulations did not continue it for 2014/15. Officers from all Councils in Leicestershire are

reviewing the pooling position for 2015/16. Any change proposed will be reported.

### 2014/15 Budget Monitoring

The first quarter report was issued to this Committee's July meeting. The second report is on this committee's agenda and highlights by exception any operating costs against the revenue and capital budgets. The most recent outturn report shows the projected revenue outturn to be in line with the original budget. However, if allowance is made for the current projected under spend on staff costs and the additional use of earmarked reserves, a £261,000 contribution to the General Fund reserve is realised. This position has been used for the purposes of forward projection. The capital position shows a requirement to carry forward £5.3m of the capital programme to 2015/16 as a result of the late start on construction as a result of negotiations in respect of additional ground works required.

Effective consultation with a significant number and variety of stakeholders and partners will be carried out.

Schemes which attract external funding should be considered in the light of the capacity to deliver these and need to be prioritised with reference to the Council's priorities.

The budget assumes a 0% Council Tax increase for 2015/16 and then 1% onwards. The decision on the actual Council Tax each year will be taken by Council in February.

The working balance contributions be reviewed against the current long term target minimum General Fund working balance of £660,150; any surplus above this target should be transferred to a general reserve.

### Proposed 2015/16 Budget Strategy

The proposed Budget Strategy explains the approach to setting a balanced budget for 2015/16 and Appendix 2 sets out the timeframe for this. Through the MTFs updated corporate issues have been addressed that alter the position from the budget that was approved at Council on 25 February 2014. There is a significant deficit position being projected for 2016/17 and to address this, options are being developed corporately to provide savings which are required to deliver a balanced budget for 2016/17 and for future years. Members will be asked to consider the range of options put forward and which are to be consulted on. These may include:

- Increase in income
- Reducing costs by improving service efficiency
- Reduction of costs through cutting overheads
- Alternative service delivery mechanisms.

In addition, the detailed service and capital budgets will be reviewed to ensure that these remain reasonable with reference to the 2013/14 outturn, monitoring during 2014/15 and the Heads of Services' knowledge of any changes due to take effect over the budgeting timeframe.

### General Fund Services

The savings identified through the organisational review and previous corporate savings exercises have been built into the base budgets as part of the 2014/15 approved budget. The overall General Fund Service budget strategy is that:

- Budgets will be updated by Finance for known, externally driven changes to salaries, inflation, capital charges and other recharges.
- All establishment changes must be treated as growth bids and forwarded to Finance at the appropriate time
- Virements of less than £25,000 (gross) up to 30 September 2014 will be included in base budgets by Finance. No growth or savings bids will be required.
- Any virements that exceed £25,000 (gross) will need to be submitted as savings and growth bids, signed off by the Head of Service
- All other changes including those that are statutory or demand led, will need to be brought forward as savings and growth proposals, signed off by the Chief Financial Officer and Head of Service.

More details of the approach are given below:

Salary budgets will be treated in the following way:

- Known incremental advances will be included.
- A 1% inflationary pay award for 2015/16 and onwards.
- A 3% reduction will be allowed for vacancies and staff turnover on all salary cost centres
- Posts which are currently vacant will be budgeted at the bottom point of the band
- Employers National Insurance and Superannuation contribution rates will be updated appropriately

No allowance will be made for inflation in expenditure budgets unless contractually committed or unavoidable, (e.g. energy, fuel and utility bills), the current inflation assumptions built into the base will be reviewed and updated where necessary.

Future years income based budgets already have inflationary growth and any new sources of income will be built into them. Where this cannot be met or managed through reductions in expenditure, this will be identified as a growth bid.

Fees and charges need to be consistent with income budgets. This process must involve a:

- Review of 2013/14 outturn and any relevant multi-year trends
- Review of the current 2014/15 budget position
- Review of future years' income budgets
- Assessment of the options for any changes to fees (structures as well as tariffs) and the impact of this on the income budget

Growth bids will be kept to a minimum and will only be released into the budget process when a balanced budget is achieved. An element of growth is built into the MTFs figures with £159,000 in 2015/16 growing to £194,000 by 2017/18.

Reserves will be used in accordance with their agreed policies with the fundamental principle that they are not used to fund any recurring expenditure.

### Capital

The approach to setting the Capital Programme will be as follows:

A longer-term view will be taken on spending needs to balance priorities and resources more evenly over the life of the capital programme. The Council will commission property advisors who will be consulted on an ongoing maintenance programme with the aim being to develop a ten year programme for recurring capital costs.

Bids for new initiatives which do not recover the investment in a five year period will be kept to a minimum. Capital bid documents will be required prior to a scheme being accepted as part of the Capital Programme. These are to be signed off by the relevant Head of Service and Chief Financial Officer and will be prioritised by the Place Shaping Working Group as part of developing the 2015/16 - 2016/17 Capital Programmes.

Schemes which attract external funding should be considered in the light of capacity to deliver these and need to be prioritised with reference to the Council's Corporate Plan.

Existing schemes within the programme will also be reviewed with reference to their progress in any external funding restrictions.

Capital receipts will only be committed once they have been received. Although there are known sources of capital receipts (Right to Buy), future aspirations will take into account resources required to support unavoidable recurring costs.

### Budget Process

The approach to the review of the current year budget based on budget monitoring will continue. The three year position will be set out as part of the process.

Regular budget reports will be provided to inform Members on the emerging issues. This will integrate information from the review of base budgets, higher level factors (such as the grant settlement) represented in the MTFS and the corporate savings process. A timetable is attached as Appendix 2.

Following approval of this proposal Heads of Services and Finance staff will work together on the preparation of budgets based on the strategy set out (ensuring consultation with the relevant Committee Chair). Work will continue to be undertaken on refining the options for reducing the deficits currently projected and inclusion in the future budget reports.

### Consultation

This report provides a framework for the preparation of budgets for 2015/16 onwards and will ensure the Council directs its financial resources to delivering the priorities within the Council's Corporate Plan. A budget briefing was provided for Members on 2 September. The Draft Budget and Council's Corporate Plan will be further consulted on.

### Alternative Options

The proposals in this report are a practical expression of measures to ensure that 2015/16 and 2016/17 annual budgets are prepared on a sound basis within an agreed corporate framework. Alternative assumptions are possible, some of which will be worked up and brought to future committee meetings as part of the 2015/16 Budget.

### Links to Council Priorities

The proposals are based on forecasts that recognise the need for resources to be identified for implementation of the approved Council priorities. Setting a sound framework for budget preparation, assists in the delivery of all corporate outcomes. This strategy has been developed within the context of the MTFS.

The approved Council priorities are:

- Protect the good quality, consistent, value for money front line services provided to residents – particularly weekly refuse and recycling collections.
- Enhance the green environment of the Borough so that residents are able to take full advantage of it.
- Revitalise the town centres through development and by retaining free shoppers parking.
- Work with the police to create a safer Borough where people feel comfortable and at ease.

- Listen to and delegate more issues to the three town forums
- Work smarter to deliver the efficiency savings required to meet the continuing budget cuts.
- Improve the health and wellbeing of our residents.

## Implications

### **Financial**

The proposals aim to safeguard the Council's financial position and ensure a balanced budget for 2015/16 and 2016/17 and an improved position in the years that follow.

### **Legal**

This report has no direct legal implications at this stage but individual proposals resulting from this report may have direct legal implications.

### **Human Resources**

This report has no direct impact on the staffing of the Council at this stage but individual proposals to balance the budget may have direct staffing implications.

### **Social Economic and Environmental**

This budget strategy is proposed to deliver the Council's Corporate Plan which will ensure positive social, economic and environmental impacts.

### **Equalities**

Equality Impact Assessments will be provided as part of the budget process.

### **Risk Management**

<b>Risk</b>	<b>Consequence</b>	<b>Controls Required</b>
Failure to create a balanced and a sustainable budget by February 2015	Includes: inability to deliver corporate priorities, inappropriate spending, inappropriate reductions in services	Identification of sound budget guidelines in an agreed strategy reduces the risk of an unaffordable budget and/or precipitate budget reductions

Further details of risk and opportunities around items included in this report can be found in Appendix 4.



Email: [paul.loveday@oadby-wigston.gov.uk](mailto:paul.loveday@oadby-wigston.gov.uk)  
[John.dickson@oadby-wigston.gov.uk](mailto:John.dickson@oadby-wigston.gov.uk)  
Tel: 0116 257 2750

### **Background Papers:-**

- The Council's Medium Term Financial Strategy approved 25 March 2014
- The Budget Proposals 2014/15 Report approved by Council on 25 February 2014
- Government Consultation Papers
  - 2015/16 Local Government Finance Settlement: Technical Consultation
  - Pooling Prospectus
- Appendix 1: Medium Term Financial Strategy – General Fund: October 2014
- Appendix 2: Budget Process Timetable
- Appendix 3: Risk and Sensitivity Analysis for 2014/15 and Forward Forecast to March 2016/17

<b>Implications</b>	
Financial (PL)	See Report
Risk (PL)	See Report Appendix 3
Equalities	See Report
Legal	See Report

## APPENDIX 1

<b>Four Year Financial Model</b>					
	2014/15	2014/15	2015/16	2016/17	2017/18
	Original	Revised			
	Budget	Budget	Forecast	Forecast	Forecast
	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's
Service Expenditure	8,653	8,797	8,943	9,021	9,100
Service Income	(2,034)	(2,220)	(2,145)	(2,239)	(2,299)
<b>Net Service Expenditure</b>	<b>6,619</b>	<b>6,577</b>	<b>6,798</b>	<b>6,782</b>	<b>6,801</b>
To/(From) Reserves	(300)	(556)	(25)	10	10
Corporate Items:					
Pensions Increase	0	0	77	154	231
Capital Financing	539	539	539	539	539
Investment Income	(56)	(54)	(60)	(59)	(59)
Recharge to HRA	(201)	(201)	(207)	(213)	(213)
<b>Net General Fund Expenditure</b>	<b>6,601</b>	<b>6,305</b>	<b>7,122</b>	<b>7,213</b>	<b>7,309</b>
Formula Funding	(2,774)	(2,774)	(2,532)	(2,310)	(2,108)
Council Tax Freeze Grant	(166)	(166)	(203)	(203)	(203)
New Homes Bonus	(238)	(238)	(292)	(389)	(369)
Council Tax Support Funding	0	(60)	0	0	0
Collection Fund (Surplus)/Deficit	(88)	7	0	0	0
Council Tax Income	(3,335)	(3,335)	(3,335)	(3,368)	(3,402)
<b>Funding Deficit/(Surplus)</b>	<b>0</b>	<b>(261)</b>	<b>760</b>	<b>943</b>	<b>1,227</b>
<b>General Fund Balances</b>					
Opening Balance	892	892	1153	393	-550
Funding Revenue Expenditure	0	261	-760	-943	-1227
<b>Closing Balance</b>	<b>892</b>	<b>1153</b>	<b>393</b>	<b>-550</b>	<b>-1777</b>

## APPENDIX 2

The purpose of this Appendix is to set out the timescales for the 2015/16 budget process.

<b>Date</b>	<b>Action</b>	<b>Responsible</b>
<b>2014</b>		
21 July	Draft fees and charges returns sent out to budget holders	Finance
22 August	Completed draft fees and charges returned to Finance for compilation of schedules. Committee reports to be compiled.	Service Heads/ Management Team
18 September	Reports on revised fees and charges for Service Delivery Committee and Policy Finance and Development Committee submitted to Heads of Service	Finance
26 September	Vehicle Replacement details returned to the accountant dealing with Transport	Service Heads/ Transport Manager
30 September	Draft revenue budget papers sent out to budget holders for completion.	Finance
	Capital bid evaluation templates sent out to budget holders.	Finance
From 3 October	Consultation with public	Management Team
6 October	Reports on revised fees and charges for Service Delivery Committee and Policy Finance and Development Committee submitted to Management Team for approval.	Finance
21 October	Reports on revised fees and charges submitted to <b>Service Delivery Committee</b> for approval.	Finance
24 October	Completed capital programme bids returned to Finance	Service Heads/Management Team
	Requests for Growth and Savings returned to Finance	Service Heads
28 October	Reports on revised fees and charges submitted to <b>Policy, Finance and Development Committee</b> for approval.	Management Team
6-11 November	Review revenue bid requests for budgetary growth and major current year under spends (2 sessions)	Management Team Finance Manager
12 November	Compile list of capital bids for Asset Management Group	Finance
21 November	Compilation of the first draft of revenue and capital budgets	Finance
27 November	Review capital programme	Management Team Finance Manager
1-4 December	Management Team to review budget with Committee Chairs	Management Team
9 December	Council Tax Base Calculation 2015/16 approved by <b>Council</b>	Paul Loveday/Jacky Griffith
11 December	Reports on revenue and capital budgets for <b>Service Delivery Committee</b> submitted to Heads of Service for review.	Finance Manager/Chief Financial Officer

<b>Date</b>	<b>Action</b>	<b>Responsible</b>
<b>2014</b>		
29 December	Reports on revenue and capital budgets for <b>Service Delivery Committee</b> submitted to Management Team for review.	Finance Manager/Chief Financial Officer
<b>2015</b>		
8 January	Reports on revenue and capital budgets for <b>Policy Finance and Development Committee</b> submitted to Heads of Service for review.	Finance Manager/Chief Financial Officer
12 January	Reports on revenue and capital budgets for <b>Policy, Finance and Development Committee</b> submitted to Management Team for approval.	Finance Manager/Chief Financial Officer
20 January	Reports on revenue and capital budgets submitted to the <b>Service Delivery Committee</b> for noting (incorporating Management Team recommendations)	Finance Manager/Chief Financial Officer
22 January	Aggregate Budget, Prudential Indicators, Medium Term Financial Strategy, Treasury Strategy and Plan reports for <b>Council</b> submitted to Heads of Service for approval	Finance Manager/Chief Financial Officer
2 February	Aggregate Budget, Prudential Indicators, Medium Term Financial Strategy, Treasury Strategy and Plan reports for <b>Council</b> submitted to Management Team for approval	Finance Manager/Chief Financial Officer
3 February	Revenue and capital budgets submitted to <b>Policy, Finance and Development Committee</b> for approval (incorporating Management Team recommendations)	Finance Manager/Chief Financial Officer
19 February	Aggregate Budget report submitted to <b>Council</b> .	Finance Manager/Chief Financial Officer
	Prudential Indicator and Treasury Strategy and Plan report submitted to Council.	Finance Manager/Chief Financial Officer
	Council Tax setting Report (subject to County Council, Police Authority and Fire authority having set).	Finance Manager/Chief Financial Officer
21 March	Budgets placed on central network for general access	Finance

**Risk and Sensitivity Analysis for 2014/15 and Forward Forecast to March 2016/17**

The table below identifies the key financial risks and sensitivities that the Council faces over the period to March 2017. It highlights the assumptions to be made in the budget and forward forecast for the period, areas of possible divergence from these assumptions, the likelihood of an alternative outcome and the financial impact of such outcomes. It concludes by identifying the control mechanisms for each of the risks and sensitivities.

<b>Factor</b>	<b>Directly Controllable by OWBC?</b>	<b>Base Assumption</b>	<b>Key Risks</b>	<b>Likelihood of Different Outcome</b>	<b>Financial Implications</b>	<b>Controls and Mitigation</b>
<b>Pay Inflation</b>	Mainly not	1% in April 2014 and thereafter	National settlement at higher level	Low	A 1% pay rise would equate to £49,000.	Sufficient balances exist to cover pay increases
<b>Price Inflation</b>	No	A 2.4% or the rate dictated contractually has been added to contracted services only. A rate of 2.4% was used for forward projections into 2015/16 ,2016/17 and 2017/18	That price rises are greater than assumed.	The retail and consumer price indices for August 2014 were 2.4% and 1.5% respectively. However, these indices are not generally reflective of local	Greater price inflation would put pressure on the use of balances as funding is fixed.	Budgetary control, virements, Contingency Reserve and service adjustments

<b>Factor</b>	<b>Directly Controllable by OWBC?</b>	<b>Base Assumption</b>	<b>Key Risks</b>	<b>Likelihood of Different Outcome</b>	<b>Financial Implications</b>	<b>Controls and Mitigation</b>
				government expenditure.		
<b>National Financial Climate</b>	No	Cautious provision made	Greater demand for services, reduced resources	Scope and depth of current economic climate unknown	Examples included in reports	Budgetary control, virements, Contingency Reserve and service adjustments
<b>New Legislation: Localism Act New Homes Bonus Local Government Finance Act</b>	No	Impacts of the Local Council Tax Support scheme, the local retention of business rates and New Homes Bonus have been included for 2014/15	Increase in costs to ensure compliance	Unknown	Unknown – dependent on the impact of the changes	Constant monitoring, Contingency and other reserves, service adjustment
<b>Changed Council Priorities</b>	Yes	Budget strategy is linked to corporate plan	Changes after budgets are set	If budget strategy and corporate plan are aligned, low probability	Cost of new priorities unknown at this stage	Published plan

<b>Factor</b>	<b>Directly Controllable by OWBC?</b>	<b>Base Assumption</b>	<b>Key Risks</b>	<b>Likelihood of Different Outcome</b>	<b>Financial Implications</b>	<b>Controls and Mitigation</b>
<b>Level of Government Funding</b>	No	Overall reduction of 8.7% in Formula Grant included in budget for 2015/16. A further reduction of 8.7% is expected in 2016/17	Lower grant level than expected	Funding levels beyond 2015/16 are unknown at present.	Front loading of reductions in Government funding and uncertainties of levels of funding for future years.	Representation to Government, Increase in Council Tax, budget reduction and efficiency savings
<b>Local Development Framework</b>	Partly	Budget provision has been made using Housing and Planning Delivery Grant	Potential for variation in cost of individual schemes or changes in regulations	Uncertain	Currently funded as previously stated	Budgetary control
<b>VAT Partial Exemption</b>	Partly	No immediate impact on budget with no capital build	Exceed 5% threshold and incur costs in irrecoverable VAT	Low	Additional cost dependent on extent to which the limit is exceeded	Use of consultants for VAT advice, revise plans for delivery of scheme, use of reserves

<b>Factor</b>	<b>Directly Controllable by OWBC?</b>	<b>Base Assumption</b>	<b>Key Risks</b>	<b>Likelihood of Different Outcome</b>	<b>Financial Implications</b>	<b>Controls and Mitigation</b>
<b>Capital/ Borrowing</b>	Yes	Effect of Prudential Borrowing on revenue positions	Impact on revenue. Political risk/Member aspirations. Balance of investment and sustainability	Low	Unknown	CFO reporting to Council under statutory duty, Prudential Indicators
<b>Interest Rates</b>	No	Base rates of 1% have been used in 2014/15 and onwards	Higher rates would impact on both the General Fund and HRA borrowing (adversely) and on investments (favourably)	High, given the uncertainties in the market especially because of the continuing global economic and fiscal difficulties	In the medium term the impact of a rise would be minimal as the majority of the Council's PWLB borrowing is fixed rate.	Adjust Treasury Management Strategy, budgetary controls, CIPFA controls in place
<b>Investment Practice</b>	Mostly	Counterparty list per approved annual Investment Strategy criteria	Counterparty default	Low	Potential loss of full amount invested and reduced investment income	Investment Strategy, credit rating watch, use of consultants.



<b>Factor</b>	<b>Directly Controllable by OWBC?</b>	<b>Base Assumption</b>	<b>Key Risks</b>	<b>Likelihood of Different Outcome</b>	<b>Financial Implications</b>	<b>Controls and Mitigation</b>
<b>Pension Contributions</b>	No	Known increases in employers contribution and actuarial strain payments included	Market conditions and demand on the Pension Fund including those resulting from the new automatic enrolment and workplace pension reform	High	Unknown but could be significant	Forecast/forward strategy, liaison with Leicestershire County Council, monitoring interim evaluation results, agree stepped profile arrangements, policy on early retirement.
<b>Changes in Consumer Expectations/Demand</b>	No	Budgets based on existing approved service levels.	Potential loss of income or increase in expenditure to meet demand	Medium, but risk potentially increased due to recession	Directly dependent on increases or reductions in demand	Consumer consultation and performance monitoring.
<b>Demographic Population Growth</b>	No	Census report from July 2012. The effect of a 5% reduction in population on grant funding has been included.	Additional demand, insufficient resources	Low	Unknown but could have significant effect	Knowledge of trends in local demography, housing/planning delivery strategy, budget adjustment, Council Tax income

<b>Factor</b>	<b>Directly Controllable by OWBC?</b>	<b>Base Assumption</b>	<b>Key Risks</b>	<b>Likelihood of Different Outcome</b>	<b>Financial Implications</b>	<b>Controls and Mitigation</b>
<b>Interaction with Leicestershire County Council and other Partners</b>	Yes	Financial support from Leicestershire County Council, Central Government and other organisations and partners	Adequacy of control/admin of partners, residual costs falling on Council as accountable body. Funding withdrawal by partners	High	Unknown but could be significant	Financial Regulations, regular support services involvement

<b>Factor</b>	<b>Directly Controllable by OWBC?</b>	<b>Base Assumption</b>	<b>Key Risks</b>	<b>Likelihood of Different Outcome</b>	<b>Financial Implications</b>	<b>Controls and Mitigation</b>
<b>Council Tax Level</b>	Yes	<p>Council Tax Freeze Grant taken for 2014/15 and a 0% increase in Council Tax level to be set</p> <p>The scheme has been extended into 2015/16. Council Tax frozen in 2014/15. Later years' MTFS assumes 0% increase p.a. for 2015/16. A 1% increase has been assumed for 2016/17 and 2017/18</p>	<p>A high Council Tax could result in triggering a referendum. A lower Council Tax leads to pressure on funding existing services and on future Council Tax levels</p> <p>Government further freezes Council Tax levels without compensation or with one-off saving</p>	Medium. A high Council Tax increase would lead to greater consumer resistance in this economic climate	1% movement in Council Tax equates to £33,000 in net expenditure	<p>Advice of Section 151 Officer, liaison with Members, balance between use of reserves and targeted efficiency savings</p> <p>Council Tax freeze would require compensating reductions in planned spending within services. A grant to freeze Council Tax would also require further savings</p>
<b>Savings and Efficiencies Targets</b>	Yes	Savings and efficiencies have been included within the budget. For future	That savings and efficiencies are not delivered or	Medium	The extent to which targets are not met	Early identification of specific areas where savings

Factor	Directly Controllable by OWBC?	Base Assumption	Key Risks	Likelihood of Different Outcome	Financial Implications	Controls and Mitigation
		years this will be managed through the transformation agenda	are reduced by budget pressures			will be made. Lean systems reviews, adjust budgets, ongoing monitoring of delivery of savings, use of reserves
<b>Failure in Budgetary Control</b>	Yes	Income and expenditure will be within budget	Higher expenditure and lower income. External events outside Council control	Low, given budget monitoring processes. Impact of any significant unforeseen events unknown	A 1% variance in net General Fund budget is equivalent to 2% on the Council Tax	Budgetary Control, Virements, contingency provision, reserves, service adjustments

<b>Factor</b>	<b>Directly Controllable by OWBC?</b>	<b>Base Assumption</b>	<b>Key Risks</b>	<b>Likelihood of Different Outcome</b>	<b>Financial Implications</b>	<b>Controls and Mitigation</b>
<b>Localisation of Business Rates</b>	No	No reduction in Tax Base	A major employer leaves the Borough and impacts on the business rates due to the Council	Medium	7.5% cap on max Business Rate losses	For 2014/15 the Council is not in a pool. From 2015/16 the Council may re-pool with Leicestershire authorities. Risks would be mitigated by the Council's membership of the pool. The pool also permits potential benefits to the Council due to the retention and sharing of additional income in instances where NDR levels increase above inflation.

<b>Factor</b>	<b>Directly Controllable by OWBC?</b>	<b>Base Assumption</b>	<b>Key Risks</b>	<b>Likelihood of Different Outcome</b>	<b>Financial Implications</b>	<b>Controls and Mitigation</b>
<b>Impact of the Universal Credit</b>	No	Increase in provision for bad debts from 2% up to 4%	The Grant given to the Council is reduced before the Council can reduce costs	Medium	1% loss of housing rent is £49k; 1% loss of Council Tax is equal to £53k	A reduction in the amount of grant will require compensating reductions in planned spending within services
<b>Recession</b>	No	Reduction in Government Grant	Income significantly affected by recession	Medium	1% loss of income is £28k	Mitigation by planned use of reserves. Regular updating and monitoring undertaken
<b>All MTFS not adequately identified</b>	Yes	Main risks identified	Risk not accurately identified. Risk further increased by number of Government consultation papers	Medium	Variable depending on risks identified	Council risk management framework ensures operational and strategic risks are identified

