



Title: **Budget Strategy 2016/17 – 2017/18**

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## **1. Introduction**

This Report provides an update of the Council's projected annual financial position during 2016/17 and 2017/18. A reconciliation is provided against the position forecast in the Medium Term Financial Strategy (MTFS) approved by this Committee on 24 March 2015 and subsequently updated at this Committee on 21 July 2015. The Report includes updated projections in the light of announcements since the MTFS Report was finalised in March 2015. The Report also outlines the initial proposals for the preparation of budgets for 2016/17 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 2016/17 and 2017/18.

## **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 2016/17 and 2017/18 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 24 March 2015 and subsequently updated at the meeting of this Committee on 21 July 2015. 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 2018/19.

The new Comprehensive Spending Review (CSR) is scheduled to be announced on 25 November 2015. However, in the July 2015 budget, the

Chancellor of the Exchequer made some initial indications about how he will approach the CSR. On the 25 July 2015 a document was published that made it abundantly clear that the savings from the Government's unprotected departments, including the department for Local Government and Communities (DCLG), will be severe. These departments have been asked to exemplify savings of between 25% and 40% in real terms by 2019/20. However, at this stage, until the detail is available, it is not possible to exactly translate the above targets into the funding prospects for local government.

Furthermore, the Government has recently announced its intention for major changes to the retained business rates system and as a result to the whole local government finance system. How this will be implemented and what the impact is not clear at this stage.

The Government's announcement included the following:

- By the end of the Parliament, local government will be able to retain 100 per cent of local taxes, including all £26 billion of revenue from business rates, to spend on local government services.
- Core grant will be phased out and local government will take on new responsibilities (this suggests a phased approach which could start as soon as 2016/17)
- Local areas which successfully promote growth and attract businesses will keep all of the benefit from increased business rate revenues.
- The Government will also abolish the Uniform Business Rate and give local authorities the [power to cut business rates to boost enterprise and economic activity in their areas.

As soon as more detail is available on all of the above proposals which may be on the announcement of the new CSR, the MTFS will be updated and reported to future Policy, Finance and Development (PFD) Committee meetings as part of the 2016/17 Budget Report.

The MTFS projected a deficit on the General Fund Revenue Account of £522,000 for 2016/17, decreasing to £358,000 in 2017/18. The following table revises these projections in the light of the changed circumstances.

**Table 1- Updated Deficit Position**

	<b>2016/17</b>	<b>2017/18</b>
	<b>Projection</b>	<b>Projection</b>
	<b>£ 000's</b>	<b>£ 000's</b>
Projected Deficit - Reported July 2015	468	268
Latest Projected Deficit	522	358
<b>Increase in Projected Deficit since July 2015</b>	<b>54</b>	<b>90</b>

**Table 2 - Movement Since July 2015**

<b>Change</b>	<b>2015/16 Projection £ 000's</b>	<b>2016/17 Projection £ 000's</b>	<b>2017/18 Projection £ 000's</b>
Net Expenditure	(174)	54	90
Changes in Funding	0	0	0
<b>Total Movement</b>	<b>(174)</b>	<b>54</b>	<b>90</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 current MTFS reflects previous trends in reductions of this core grant. However, as has previously been mentioned, as a result of the Governments proposals to increase business rates retention it is assumed that RSG will be phased out.

#### Council Tax Freeze Grant

At this point, it is not known whether a Council Tax Freeze Grant will be available for 2016/17 and onwards. However, the current MTFS assumes a 1% rise in the Council Tax rate for both 2016/17 subsequent years. Should there be a continuation of the grant this can substitute for the rise. The decision will be taken by Council in February 2016.

It should be noted that the phased introduction of the increased retention of business rates could also see the phasing out of this grant.

#### New Homes Bonus

It has been assumed for the MTFS financial projections that this scheme will continue for 2016/17 onwards. It should also be pointed out that each financial year's income only continues for 6 years. Consequently, the first years NHB for 2011/12 will cease to be received in 2017/18. This will cause a slowdown 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

This Council has opted to pool its business rates with other Leicestershire authorities for this financial year (2015/16) but can opt out of that arrangement for future financial years if circumstances require it. In view of the new proposals on business rates there could now be question marks over the future of pooling. However, no view can be taken on this until further detail is released.

At this point there is no certainty over the continuation of the Government's Small Business Rates Relief scheme. The reductions required as a result of the scheme have to this point been funded by additional Section 31 Grant. An assumption has been made in the MTFS that this will continue but, again, this could be subject to review as a result of the Government's new proposals.

## 2015/16 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 reports show a projected under spend on revenue outturn of £174,000 while the capital programme should be predominantly completed with major schemes such as the redevelopment of the leisure centres concluding this year and Boulter Crescent in the first quarter of 2016/17

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 1% Council Tax increase for 2016/17 and subsequent years. 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 £646,860; any surplus above this target should be transferred to a general reserve.

## Proposed 2016/17 Budget Strategy

The proposed Budget Strategy explains the approach to setting a balanced budget for 2016/17 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 19 February 2015.

There is a continuing deficit position being projected for 2017/18 and to address this, options are being developed corporately to provide savings which are required to deliver a balanced budget for 2017/18 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 2014/15 outturn, monitoring during 2015/16 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 2015/16 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 2015 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
- Where actual spend has consistently been under budget for the previous 3 years, the base budget will be reduced to reflect this.
- 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 2016/17 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 2014/15 outturn and any relevant multi-year trends
- Review of the current 2015/16 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 £233,643 in 2016/17 growing to £515,370 by 2018/19.

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 2016/17 - 2017/18 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 2016/17 onwards and will ensure the Council directs its financial resources to delivering the priorities within the Council's Corporate Plan. Budget briefing sessions will be provided for Members. 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 2016/17 and 2017/18 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 2016/17 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 commitments. 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 commitments are:

- **Protect the borough** – The Council resist any attempt by either Leicester City or Leicestershire County Council to impose control over the borough
- **Maintain front line services** – The Council is committed to free shoppers' car parking and weekly collection of waste and recycling. No change would ever be made without consultation.
- **Offering choice when possible** – The Council will offer choice when possible.
- **Save money through service re-design** – The Council will look at all our services and re-design those that can be improved and run cheaper.
- **Involve residents and partners** – The Council is committed to continue with the town forums and to develop other community engagement systems. The Council will work with and continue to support partners.
- **Economic development** – The Council recognises the need to develop both housing and town centres. This will be done with the maximum of public involvement and at a minimum cost to the green spaces in the borough.
- **Greening the borough** – The Council will continue to invest in and encourage activities which result in a greener borough, including prioritising the protection of trees.
- **Improving the health of residents** – The Council wants to ensure residents live a full and healthy life.
- **Value for money** – The Council will always accept any Council Tax Freeze Grant offered by the Government. The Council will endeavour to freeze Council Tax but if it is raised, it will never rise more than inflation.

## Implications

### **Financial**

The proposals aim to safeguard the Council's financial position and ensure a balanced budget for 2016/17 and 2017/18 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

Risk	Consequence	Controls Required
Failure to create a balanced and a sustainable budget by February 2016	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.

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## Background Papers:-

- The Council's Medium Term Financial Strategy approved 24 March 2015
- The Budget Proposals 2015/16 Report approved by Council on 19 February 2015
- Government Consultation Papers
  - 2015/16 Local Government Finance Settlement: Technical Consultation
  - Pooling Prospectus
- Appendix 1: Medium Term Financial Strategy – General Fund: October 2015
- Appendix 2: Budget Process Timetable
- Appendix 3: Opportunities and Risk Matrix

Implications	
Financial (PL)	See Report
Risk (PL)	See Report Appendix 3
Equalities	See Report
Legal	See Report

## APPENDIX 1

<b>Four Year Financial Model</b>					
	<b>2015/16</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
	<b>Original</b>	<b>Revised</b>			
	<b>Budget</b>	<b>Budget</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
	<b>£ 000's</b>	<b>£ 000's</b>	<b>£ 000's</b>	<b>£ 000's</b>	<b>£ 000's</b>
<b>Net Service Expenditure</b>	<b>6,720</b>	<b>6,765</b>	<b>6,745</b>	<b>6,630</b>	<b>6,611</b>
To/(From) Reserves	(258)	(477)	(90)	(90)	(90)
Corporate Items:					
Pensions Increase	0	0	117	119	121
Capital Financing	336	336	629	642	647
Investment Income	(30)	(30)	(30)	(30)	(30)
Recharge to HRA	(300)	(300)	(300)	(300)	(300)
<b>Net General Fund Expenditure</b>	<b>6,468</b>	<b>6,294</b>	<b>7,071</b>	<b>6,971</b>	<b>6,959</b>
Formula Funding	(2,487)	(2,487)	(2,401)	(2,325)	(2,256)
Other General Grants	(373)	(373)	(360)	(360)	(360)
Council Tax Freeze Grant	(38)	(38)	0	0	0
New Homes Bonus	(318)	(318)	(437)	(507)	(602)
Council Tax Support Funding	0	0	0	0	0
Collection Fund (Surplus)/Deficit	131	131	100	100	100
Council Tax Income	(3,383)	(3,383)	(3,451)	(3,521)	(3,591)
<b>Funding Deficit/(Surplus)</b>	<b>0</b>	<b>(174)</b>	<b>522</b>	<b>358</b>	<b>250</b>
<b>General Fund Balances</b>					
Opening Balance	1014	1014	1188	666	308
Funding Revenue Expenditure	0	174	(522)	(358)	(250)
<b>Closing Balance</b>	<b>1014</b>	<b>1188</b>	<b>666</b>	<b>308</b>	<b>58</b>

## APPENDIX 2

The purpose of this Appendix is to set out the timescales for the 2016/17 budget process.

Date 2015	Action	Responsible
25 August	Draft fees and charges returns sent out to budget holders	Finance
11 September	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
18 September	Vehicle Replacement details returned to the accountant dealing with Transport	Service Heads/ Transport Manager
25 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
13 October	Reports on revised fees and charges submitted to Service Delivery Committee for approval.	Finance
16 October	Completed capital programme bids returned to Finance	Service Heads/Management Team
	Requests for Growth and Savings returned to Finance	Service Heads
27 October	Reports on revised fees and charges submitted to Policy, Finance and Development Committee for approval.	Management Team
4-12 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
11 December	Council Tax Base Calculation 2015/16	Paul Loveday/Jacky Griffith
11 December	Reports on revenue and capital budgets submitted to <b>Heads of Service</b> for review.	Finance Manager/Chief Financial Officer

<b>Date</b>	<b>Action</b>	<b>Responsible</b>
<b>2015</b>		
18 December	Reports on revenue and capital budgets submitted to <b>Management Team</b> for review.	Finance Manager/Chief Financial Officer
<b>2016</b>		
19 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
1 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
2 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
18 February	Aggregate Budget report submitted to <b>Council</b> .  Prudential Indicator and Treasury Strategy and Plan report submitted to Council. Medium Term Financial Strategy Council Tax setting Report (subject to County Council, Police Authority and Fire authority having set).	Finance Manager/Chief Financial Officer   Finance Manager/Chief Financial Officer   Finance Manager/Chief Financial Officer
18 March	Budgets placed on the F drive for general access	Finance

## APPENDIX 3

### Risk and Sensitivity Analysis for 2015/16 and Forward Forecast to March 2017/18

The table below identifies the key financial risks and sensitivities that the Council faces over the period to March 2018. 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 2016 and thereafter	National settlement at higher level	Possibility of greater rise in pay inflation for 2016/17	A 1% pay rise would equate to £51,000.	Sufficient balances exist to cover pay increases
<b>Price Inflation</b>	No	The rate dictated contractually has been added to contracted services only. A rate of 2.8% was used for forward projections into 2016/17 and 2017/18	That price rises are greater than assumed.	The Retail and Consumer Price Indices for September 2015 were 0.8% & -0.1% respectively. However, these indices are not generally reflective of local government expenditure.	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>
<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 2015/16	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 updated corporate plan	Changes after budgets are set	If budget strategy and corporate plan are aligned, low	Cost of new priorities unknown at this stage	Published plan
<b>Level of Government Funding</b>	No	Overall reduction of 23% in Formula Grant included in budget for 2015/16.	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	Representation to Government, Increase in Council Tax, budget reduction and efficiency

<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>
		A further 8.7% is assumed in 2016/17 and again in 2017/18.			funding for future years.	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>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>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>Interest Rates</b>	No	Base rates of 0.5% have been used in 2015/16	Higher rates would impact on both the General Fund and HRA borrowing (adversely) and on investments (favourably)	Medium. The recent fall in oil prices has had a deflationary impact, but the economy is growing. Rates are not expected to increase until 2016-17.	In the medium term the impact of a rise would be minimal as the Council's existing PWLB borrowing is fixed rate.  Potentially an adverse impact on the financing costs of the new leisure facilities.	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>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	High	Unknown but could be significant	Forecast/forward strategy, liaison with Leicestershire County Council, monitoring interim



<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>
			automatic enrolment and workplace pension reform			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 economic uncertainty.	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>Interaction with Leicestershire County Council and other Partners</b>	Yes	Financial support from Leicestershire County Council, Central Government	Adequacy of control/admin of partners, residual costs falling on Council as	Medium	Unknown but could be significant	Financial Regulations, regular support services involvement

Factor	Directly Controllable by OWBC?	Base Assumption	Key Risks	Likelihood of Different Outcome	Financial Implications	Controls and Mitigation
		and other organisations and partners	accountable body			
<b>Council Tax Level</b>	Yes	Council Tax Freeze Grant to be taken for 2015/16 and a 0% increase in Council Tax level to be set	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	Medium. A high Council Tax increase would lead to greater consumer resistance in this economic climate	1% movement in Council Tax equates to £34,000 in net expenditure	Advice of Section 151 Officer, liaison with Members, balance between use of reserves and targeted efficiency savings
	No	Council Tax frozen in 2015/16. Later years' MTFS assumes 1% increase p.a.	Government further freezes Council Tax levels without compensation or with one-off saving	Medium		Council Tax freeze would require compensating reductions in planned spending within services. A grant to freeze Council Tax would also

Factor	Directly Controllable by OWBC?	Base Assumption	Key Risks	Likelihood of Different Outcome	Financial Implications	Controls and Mitigation
						require further savings
<b>Savings and Efficiencies Targets</b>	Yes	Savings and efficiencies have been included within the budget. For future years this will be managed through the transformation agenda	That savings and efficiencies are not delivered or are reduced by budget pressures	Medium	The extent to which targets are not met	Early identification of specific areas where savings 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>Localisation of Business Rates</b>	No	No reduction in Tax Base	A major employer leaves the Borough and impacts on the	Medium	5% cap on max Business Rate losses	Early identification of specific areas where savings will be made.

<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>
			business rates due to the Council			Lean systems reviews, adjust budgets, ongoing monitoring of delivery of savings, use of reserves
<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 £50,460; 1% loss of Council Tax is equal to £34,000	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 £25,000	Mitigation by planned use of reserves. Regular updating and monitoring undertaken
<b>Comprehensive Spending Review</b>	No	Based on trends of previous review. A new CSR is	Could change significant funding streams	Medium	Variable depending on risks identified	Budgetary control. Careful strategic monitoring by CFO.

Factor	Directly Controllable by OWBC?	Base Assumption	Key Risks	Likelihood of Different Outcome	Financial Implications	Controls and Mitigation
		expected on 25 November 2015				
<b>House Building Level</b>	No	Based on estimates provided by planning of known schemes.	Influences the level of New Homes Bonus receivable.  Current upturn in house building may be temporary due to lack of sites in urban area.	Medium	Each new home brought back into occupation adds on average £1k to grant received.	Careful monitoring and estimation of levels of future house building
<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

