

21 July 2015

8.1 CA/061/15 MEDIUM TERM FINANCIAL STRATEGY

Decision

That Council be recommended to approve the revised Medium Term Financial Strategy for the period 2015/16 – 2019/20

Reason for Decision

To present to Cabinet the revised Medium Term Financial Strategy for approval.

Implications

Financial

Contained within the body of the report.

Risk Implications

The updated strategy reduces the risk of forward projections becoming out of date.

Equalities Implications

There are no equality implications.

Health And Safety Implications

There are no health and safety implications.

Monitoring Officer/S.151 Officer Comments

Monitoring Officer: No comments to add to the report.

S.151 Officer: This is a Section 151 Officer report.

Advice

Corporate Director of Finance and Operations introduced the report advising it was for the period 2015/16 – 2019/20. He advised that it had been updated to reflect the summer budget of 2015, and that it had also been updated to include the audited out-turn position for 2014/15. Once those figures had been factored in to the model there is a savings target emerging for the next four year of £3 million. He advised that it is substantially front loaded, with £1.4million next year and £1.2million in 2017/18 and that these are driven by continued reductions in government grants. He advised that at this stage they were forecast figures and in terms of the government grants, there were two big risks coming up; one of which was the spending review which is currently underway and that government departments are being asked to model two different scenarios, looking at reductions of one at 25% and one at 40% and that this is in line with the assumptions that we have within the model, however we will not know for sure what the reductions will be until November and that in turn we will not find out the actual impact this will have on Dacorum until the Local Government Finance Settlement in December.

With regards to the HRA an updated business plan will be presented to Cabinet in October. There are likely to be some significant changes as a result of the summer budget, in particular the 1% reduction year on year for the next four years, however that is being modelled through at present. He further added that they are working with the Chartered Institute of Housing to look at Local Government responses and once that is in place it will be brought to Cabinet in October.

Councillor Mrs Griffiths enquired that other than tenants on Housing Benefit, how do we know what the income is from our tenants, and how can you work out if it is 1% across the board or if it is just 1% to a certain level.

Corporate Director of Finance and Operations advised that at the present time we do not currently know our tenants income, however there has been some mention of legislation being passed to enable us to get that information. In terms of the effect it will have on the Dacorum business plan, he suspects that those tenants with an income in excess of £30,000 will get the increase but the amount that Dacorum will get will be reduced by 1% on what we are currently getting this year.

Councillor Marshall noted that the report indicates that we have to look for economies and enquired as to what the position was regarding income maximisation, where we are able to increase our income or explore areas where the Council is able to provide services.

Corporate Director of Finance and Operations advised that to deal with the funding deficit, either reduce spending or increase your income, but that a blend of both would be so much the better. He went on to advise that the next steps are that the budget review group meetings have now been scheduled and begin in August, and that they will meet monthly throughout the budget setting process, within that forum options will be looked at to potentially generate more income and then with advise from members we can start working on some of those proposals.

Councillor Williams commented that one of the most significant changes is the reduction in the Revenue Support Grant where it has gone from £2.07million to £1.4million and enquired as to whether this was a known fact or an assumption.

Corporate Director of Finance and Operations advised it was an assumption based on work carried out by Local Government Futures who do a large proportion of the sectors logging, so it is based on a large number of previous government statements, the direction in which it is going and they have been fairly accurate, in terms of their predictions in the past. In terms of potential optimism, this was modelled after the original budget, where the government were implying that there would be £42million worth of cuts next year, however in reality that has been reduced to less than half of that and it may be evened out more over the next three years or so.

Councillor Williams clarified that that figure will not be firmed up until the December announcement.

Corporate Director of Finance and Operations confirmed this was the case but that we would get an indication when the spending review figures are released as that will set what the Department for Communities and Local Government have got to spend over the next few years, so you will be able to extrapolate more effectively from that.

Councillor Mrs Griffiths suggested that by doing the national living wage we have put ourselves ahead of the game as it is already in the core budget.

Corporate Director of Finance and Operations confirmed that was correct.

The committee agreed to recommend the report to Council.

Consultation

Consultation took place with:
Corporate Management Team

Voting

None.