

 EXECUTIVE 18TH MARCH 2009		Agenda Item No.
Title	Financial Strategy and budget Prospects	
For further information about this report please contact	Mary Hawkins/Mike Snow/Jenny Clayton	
Service Area	Finance/Corporate	
Wards of the District directly affected	None	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006	No	
Date and meeting when issue was last considered and relevant minute number	February 09 Executive (Appendix 3) /Minute 779	
Background Papers		

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	No

Officer/Councillor Approval		
With regard to officer approval all reports <i>must</i> be approved by the report authors relevant director, Finance, Legal Services and the relevant Portfolio Holder(s).		
Officer Approval	Date	Name
Relevant Director		Mary Hawkins
Chief Executive		
CMT		
Section 151 Officer		Joint author
Legal		Peter Oliver
Finance		Mike Snow
Portfolio Holder(s)		Cllr Michael Doody
Consultation Undertaken		
Please insert details of any consultation undertaken with regard to this report.		
Final Decision?		No
Suggested next steps (if not final decision please set out below)		
Further reports to update the Executive on the latest forecasts on a quarterly basis		

1. SUMMARY

- 1.1 This report sets out the forecasts for the Council budget for future years, and considers which items are most likely to change, also setting out a best and a worst case position. The key elements to pay attention to in future forecasts are suggested.

2. RECOMMENDATION

- 2.1 The Executive agrees to receive quarterly updates on the financial forecasts in order to monitor the very volatile external financial climate and its impact on future year's budgets, concentrating on the items set out in Paras 7.3 and 7.4.
- 2.2 Consideration is given in the next report to the phasing of the contribution from general fund balances.

3. REASONS FOR THE RECOMMENDATION

- 3.1 The changing financial situation makes it important to pay closer attention to the financial forecasts, and plan early for any changing circumstances that arise.

4. ALTERNATIVE OPTION CONSIDERED

- 4.1 Due to the reasons given in the previous paragraph, no alternatives are considered.

5. BUDGETARY FRAMEWORK

- 5.1 The forecasts set the context for the budgetary framework for later years.

6. POLICY FRAMEWORK

- 6.1 Being aware of the Council's financial position will enable the Council to satisfy its Top21 priority of managing its resources effectively and ensuring its services are of a high quality..

7. BACKGROUND

- 7.1 This budget forecasts were last presented to the Executive in February as part of the budget setting report. Following the amendments made by the Executive at that meeting, and the subsequent further amendments made by the Council at its Council Tax setting meeting on 23 February the forward financial forecasts have been updated to consider a best, likely and worst case. The likely case is attached at Appendix A. Before making any further changes to the strategy this indicates the following at future year's annual Council Tax increases of 4.5%

	2010/11	2011/12	2012/13	2013/14
	£'000	£'000	£'000	£'000
Contribution from General Fund Balances	307			
Savings/ efficiencies required	276	488	23	627

This gives a total of 1,414,000 to find in savings over the next four years. The reduction from the budget forecast is predominantly caused by assuming inflation at 2% in this scenario. This figure will change as circumstances change, or if members decided they wished to set a different level of Council Tax.

7.2 The contribution of £307,000 from general Fund Balances planned for 2010/11 is the final tranche of the £1 million that was set aside to support the Council Tax in adapting to the reduced level of Central Government revenue support grant. In the light of the forecasts a decision should be taken on the need to re-phase this to aid smoothing.

7.3 A further review of the key assumptions has been undertaken for the best, likely and worst case positions. The table below sets out the assumptions made in each of these cases and the impact over the next four years :-

Activity-	Best case	Likely	Worst Case	Rationale/comment
Major Contracts renewal	286,000	450,000	573,000	Contract renewed in April 2013, assumed at either 6, 9 or 12% % above final year contract price - to reflect difference between prices and wages
Energy contract renewal				Futures markets to be scanned and included in next update
General Inflation – uplift to cover all areas	703,000	1,403,000	2,096,000	use 1% best case, 2% and 3% (includes salaries)
Above inflation growth	320,000	320,000	320,000	Allowance for small items/contracts/regrading at a higher rate than generally allowed inflation at £80k per yr – could be reviewed
Pension fund Increase	274,443	483,020	691,597	Assuming changes from 2011-12, at 0.5,1.0 and 1.5 % increases in contribution rate
Insurance renewal 2010-11	26,250	35,000	70,000	Last insurance renewal led to savings. Premiums are both market and claims led, so have assumed some element of saving is not maintained
Insurance-top up reserve			10,000	If claims increase
Car Parking-Season Tickets	-35,000	-35,000		2010-11, ticket price increases by 5 days
Car Parking- Strategy 2010-11 to 2013-14	-83,789	-35,087	27,454	Worst case assumes 2.5% downturn on usage (just a guess with recession), best case assumes Chandos St devel-opment happens, and 2.5% increase in usage at Long Stays in Warwick
Building on Excellence 2010-11 to 2012-13	-526,263	-526,263	-359,522	Worst case assumes stage 2 lettings, Town Hall & Members Services changes doesn't happen. Figures include staff changes reported separately in Feb Budget Report
Planning fee income	-200,000	-100,000		Best and likely assume some market upturn in 2011-12 and 2012-13 . Best restores to previous levels
Investment Interest 2010-11 to 2013-14	-171,148	-171,148	-144,759	Best and likely based on Sector forecasts. Worst case assumes rates starting at 0% beginning of 2010-11, rising to only 1.25% in that year.
Grant income				Assume +.05%, 0%,-0.5% for best to worse for next three year settlement.
Savings-	-30,146	-	-2,996,965	
		1,414,282		
N.B. These are all the best/worst case scenarios, it is improbable that all of these would happen-				
e.g. if inflation was 3% (worst case), then interest rates would be higher and not worst case				

7.4 It can be seen from the table in 7.3 above that further refinements can be made to the scenarios. In particular

- The latest assumptions on energy prices
- More refinement on general inflation, separating it into component elements
- Reviewing the allowance for 'above inflation growth'

These will be considered in further reports.

7.5 The Council set a Council Tax of 3.8% this year, if members were to set either 3% or 3.8% Council Tax increases in later years the savings would be as follows:-

Savings Summary Council Tax increases	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	Total £000
4.6% original to Exec, 4.5% later years	-213	-757	-123	-699	-1,792
3.8% approved by Council, 4.5% later years	-462	-694	-127	-703	-1,986
New Likley Scenario, 4.5% later years	-276	-488	-23	-627	-1,414
New Likley Scenario, 3.8% later years	-330	-545	-82	-689	-1,646
New Likley Scenario, 3.0% later years	-390	-609	-151	-762	-1,912
Best Case, 4.5% later years	-68	-80	341	-223	-30
Best Case, 3.8% later years	-122	-136	282	-285	-261
Best Case, 3.0% later years	-183	-200	212	-360	-531
Worst Case, 4.5% later years	-712	-786	-377	-1122	-2,997
Worst Case, 3.8% later years	-765	-842	-435	-1185	-3,227
Worst Case, 3.0% later years	-826	-905	-502	-1256	-3,489

7.6 In addition, there are other matters that the Executive should receive updates on in order to consider future years' financial forecasts. These are

- Update on the latest pay award (08/09 is still currently outstanding)
- Issues in relation to concessionary fares (07/08 accounts not yet finalised) , and there is the potential for the responsibility for this and some element of the grant to transfer to the County tier over the next few years
- Any additional impact of Spencer's Yard
- Any further changes in Government policy
- Housing and planning delivery grant – no additional income has been allowed for, but the effects of previous years support falling out has been
- LABGI – a new scheme with a much smaller pot starts in the 2009/10 financial year, but the rules are still not finalised