

<b>Key Decision Required:</b>	<b>Yes</b>	<b>In the Forward Plan:</b>	<b>Yes</b>
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## CABINET

**5 SEPTEMBER 2014**

### **REPORT OF FINANCE AND TRANSFORMATION PORTFOLIO HOLDER**

#### **A.2 FINANCIAL STRATEGY - INITIAL FINANCIAL BASELINE 2015/16**

(Report prepared by Richard Barrett)

#### **PART 1 – KEY INFORMATION**

##### **PURPOSE OF THE REPORT**

To present an initial financial baseline for 2015/16 against which, the detailed estimates will be built upon over the course of the year.

##### **EXECUTIVE SUMMARY**

- The initial financial baseline for 2015/16 sets out an initial budget ‘gap’ of **£2.010m**. For the purposes of the initial estimates, this is based on a 0% increase in the level of Council Tax and the provisional government financial settlement amount for 2015/16.
- The above is based on the continuation of the difficult financial environment and year on year reductions in funding from the Government, which are expected to see further reductions beyond 2015/16.
- A number of savings have already been identified which include reduced expenditure or increased income. These will be finalised as part of presenting the revised position to Cabinet in December and work remains in progress in consultation with Portfolio Holders to identify additional items to meet the budget ‘gap’. The Corporate Management Committee is also undertaking work to support the Council in this regard with a member workshop planned in September / October.
- With the changes introduced in 2013/14, such as the business rates retention scheme and the Local Council Tax Support Scheme (LCTSS), a significant level of financial risk continues to form part of the Council’s overall financial position. The Council is currently seeking advice and considering its position in respect of the LCTSS and its residency criteria following a recent High Court ruling that such criteria is unlawful. Although the outcome from this work will not be known until later in the year, it is not expected to generate an additional on-going cost to the Council as there are local options to amend the scheme to ensure that any changes that may be required can be managed within the existing overall cost.
- A self-sufficiency approach remains as a core backdrop to the Council’s budget with the business rates retention scheme and New Homes Bonus providing an incentive for council’s to ‘grow’ their own income through maximising opportunities for the right housing and business growth within their areas. This in itself brings with it the associated focus on local decision making where such decisions now have a greater impact on the Council’s overall financial position.

- The initial forecast does not include the final position for items such as cost pressures and potential further changes to budgets although estimates have been included where possible with further details likely to emerge over the course of the year. Therefore it is recognised that the budget 'gap' could increase further.
- Essex Local Authorities are also revisiting the opportunity to pool NDR income from 2015/16. Although the same process was aborted last year following uncertainty introduced via Government announcements, financial benefits may be achievable in 2015/16 with a delegation included within the recommendations to enable the Council to remain flexible and alert to this issue over the coming months.
- Similarly to the above, Essex Local Authorities are looking to maximise opportunities to increase income such as via the Council Tax base which requires an investment from billing authorities and the major preceptors. A 'Compliance' scheme is currently being prepared based on existing Council Tax sharing arrangements, with a delegation included in the recommendations to enable the Council to progress this in a timely manner and give the flexibility for TDC to 'sign-up' to any associated agreement to enable potential savings to be secured as early as possible.

#### **RECOMMENDATION(S)**

- (a) That Cabinet agrees the initial financial baseline for 2015/16 and requests officers to continue their work in consultation with the relevant Portfolio Holders to identify the necessary savings to deliver a balanced budget for presenting to Cabinet in December 2014.**
- (b) That Corporate Management Committee be consulted on the initial financial baseline for 2015/16.**
- (c) That the Local Council Tax Support Scheme grant to Town and Parish Council's be reduced by a maximum of 10% in 2015/16.**
- (d) The principle of joining a pool for non-domestic rates, on the basis that no authority is worse off in the pool than they would have been outside it, be agreed and that the decision to join an Essex wide NDR pool is delegated to the Corporate Director (Corporate Services) in consultation with the Finance and Transformation Portfolio Holder.**
- (e) That the decision to enter into a Compliance Business Case / Sharing Agreement with the Major Preceptors is delegated to the Corporate Directors (Corporate Services and Life Opportunities) in consultation with the Portfolio Holders for Finance and Transformation and Housing, Benefits and Revenues based on the principle of mitigating as far as possible any financial risks to the Council.**

## **PART 2 – IMPLICATIONS OF THE DECISION**

### **DELIVERING PRIORITIES**

This report will have direct implications for the Council's ability to deliver on the commitments, objectives and priorities set out in the Corporate Plan, the Corporate Goals and the Community Strategy.

## **FINANCE, OTHER RESOURCES AND RISK**

### **Finance and other resources**

The financial implications are fully considered in the body of the report.

### **Risk**

There are clearly risks associated with the strategy such as cost pressures, inflation and changes to other assumptions that form part of the financial planning process.

The actual funding gap could therefore be greater than that anticipated which would require a corresponding increase in the savings etc. necessary to balance the budget.

This strategy is risk-based. There are a substantial number of areas that could lead to additional expenditure being incurred, such as: -

- Deteriorating economic environment;
- Emergence of cost pressures;
- Changes to the local authority funding mechanism;
- Cost of the local council tax support scheme;
- New legislation placing unfunded duties on the Council or reducing the level of the Council's core funding;
- Local or national emergency;
- Income is less than that budgeted for.

It is important that the Council continues to maintain a sufficient level of reserves to support the strategy's risk-based approach. A risk reserve (the general balance) of **£4.000m** (including the **£1.600m** minimum working balance) has been approved previously to insure against the eventuality that some of the events listed above actually occur.

## **LEGAL**

The arrangements for setting and agreeing a budget and for the setting and collection of council tax are defined in the Local Government Finance Act 1992. The previous legislation defining the arrangements for charging, collecting and pooling of Business Rates was contained within the Local Government Finance Act 1988. These have both been amended as appropriate to reflect the introduction of the Local Government Finance Act 2012.

The Local Government Finance Act 2012 provided the legislative framework for the introduction of the Rates Retention Scheme and the Localisation of Council Tax Support.

The Calculation of Council Tax Base Regulations 2012 set out arrangements for calculation of the council tax base following implementation of the Local Council Tax Support Scheme. The new arrangements mean that there are now lower tax bases for the district council, major preceptors and town and parish councils.

The Localism Act 2012 introduced legislation around the right of veto for residents on excessive council tax increases.

## **OTHER IMPLICATIONS**

**Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.**

**Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.**

There are no other implications that significantly impact on the financial baseline. However, the ability of the Council to appropriately address these issues will be strongly linked to its ability to fund relevant schemes and projects and determination of the breadth and standard of service delivery to enable a balanced budget to be agreed.

### PART 3 – SUPPORTING INFORMATION

#### BACKGROUND

Before looking ahead to 2015/16 is it worth looking at some current key financial information about the Council as follows:

- Tendring District Council's Band D Council Tax for 2014/15 is **£147.64**, the second lowest in Essex. The highest District Council Band D Council Tax in Essex is **£259.13**
- The Council Tax base for 2014/15 is 43,474.6 with a total Council Tax requirement of **£6.419m** which represents 40% of the Council's overall funding.
- The Council's provisional Revenue Support Grant from the Government for 2015/16 is **£3.459m** a reduction of **£1.644m** (32%) from 2014/15. This represents 32% of the Council's overall funding.
- Business Rate Income for 2014/15 is budgeted at **£4.585m**, which represents 28% of the Council's overall funding.
- The Council's net budget for 2014/15 is **£16.361m**, which includes savings of over **£7.000m** that have been delivered since 2010/11.
- New Homes Bonus funding totals **£1.395m** in 2014/15. The Government have stated that the scheme is subject to review but no outcomes from this review are known at the present time.

A self-sufficiency approach needs to continue to form an integral part of everything the Council does, as by capturing the impact of the Council's decisions in terms of how they can help 'grow' the Council's funding position will prove to be an invaluable element of delivery a balanced and sustainable budget in the future. By maximising such opportunities will reduce the pressure of finding savings elsewhere in the budget.

#### FINANCIAL FORECAST 2015/16 – GENERAL FUND

The following table sets out the initial financial baseline for 2015/16. Although this will be subject to revisions and updates as the year progresses, it does set out the estimated initial funding 'gap' for the year.

##### Initial Financial Baseline 2015/16

	<b>2014/15 Original</b>	<b>2015/16 Initial Forecast</b>
	<b>£m</b>	<b>£m</b>
Net Cost of Services	17.582	18.062
Revenue support for capital investment	0.396	0.204
Financing items	(1.190)	(1.278)
<b>Net Expenditure</b>	<b>16.788</b>	<b>16.988</b>

Contribution to /(from) Reserves	(0.427)	0.084
<b>Total Net Budget</b>	<b>16.361</b>	<b>17.072</b>
Locally retained share of Business Rates	(4.585)	(4.765)
Formula Grant / Revenue Support Grant	(5.103)	(3.459)
Collection Fund Surplus	(0.254)	(0.419)
<b>Council Tax Requirement (for Tendring District Council)</b>	<b>6.419</b>	<b>8.429</b>

The council tax requirement figure of **£8.429m** above represents an increase of **£2.010m** compared to 2014/15 and if no further actions were taken, this amount would require a notional **31%** increase in the level of council tax to fully fund the budget. However assuming no increase in the level of council tax in 2015/16, net savings of **£2.010m** therefore need to be identified to reduce the council tax requirement down to the 2014/15 amount of **£6.419m**.

**The amount of £2.010m therefore becomes the starting point or baseline funding ‘gap’ that needs to be addressed in 2015/16 based on an initial assumption of a 0% increase in the level of council tax for TDC Services.**

### **Background to this Initial Forecast**

#### **General Economic Outlook**

The setting of local authority budgets in 2015/16 and beyond will be undertaken against the background of continued economic uncertainty although there is now evidence to suggest that the UK is now in a period of sustained growth.

Although Local Government has made substantial savings over the past few years, further savings are required. Major changes in the welfare system coupled with challenging economic conditions mean that many household and businesses continue to face financial pressures. This has an impact not only on the demand for support from Local Authorities but also on income levels for both statutory and discretionary services. There is also continued uncertainty in investment markets which means that interest rates and investment income remain low. There will also be specific challenges around business rates retention and the Local Council Tax Support Scheme which has introduced significant and additional risk to the Council’s budget setting processes and financial position.

Taking each line of the forecast set out in the table above, the major changes to the budget for 2015/16 are as follows:

#### **Net Cost of Services**

The initial forecast reflects a **£0.480m** increase compared to 2014/15. This is primarily due to inflation and a general allowance for cost pressures with additional details as follows:

<b>Item</b>	<b>Adjustment Included</b>	<b>Comments</b>
<b>INFLATION</b>		
Salaries and Increments	£0.255m	1% general pay award included plus progression of staff along salary grades where appropriate.
Major Contracts	£0.100m	This primarily reflects the Council’s most significant contracts such as Waste, Recycling and Street Cleansing and also

		reflects the outturn position for 2013/14 where contract costs were lower than anticipated which reduces the amount to be built into the base 2015/16 forecast.
NNDR	£0.020m	This assumes an inflationary uplift for properties where the Council is liable for business rates and reflects the outturn position for 2013/14 where additional costs over and above the budget were incurred.
<b>TOTAL INFLATION</b>	<b>£0.375m</b>	
<b>OTHER ADJUSTMENTS</b>		
Removal of Fit for Purpose Budget	(£0.223m)	The Fit for Purpose Budget is treated as a one-off budget each year with this amount relating to the 2014/15 estimate that can be removed for the purposes of the initial forecast.
2015/16 Elections	£0.120m	This amount has been included in the forecast to meet the cost of elections in 2015/16. This is however being funded from an earmarked reserve set aside specifically for this purpose which also appears in the reserve section of the report below.
Removal of Residents Parking Scheme Budget	(£0.300m)	The 2014/15 scheme was funded from an amount set aside in previous years with a corresponding adjustment set out below within reserves.
Removal of 2014/15 Cost Pressure	(£0.050m)	A one-off amount was included within the 2014/15 budget relating to vehicle testing equipment which has been removed for 2015/16.
Removal of Women's Cycle Tour	(£0.100m)	This event was funded from money carried forward from 2013/14 with a corresponding adjustment in reserves below.
Cost Pressures	£0.600m	<p>The Council continues to face a number of potential cost pressures such as:</p> <ul style="list-style-type: none"> <li>• Further Welfare Changes / Benefit Subsidy implications</li> <li>• Insurance Premiums</li> <li>• Achievement of income such as recycling credits from ECC</li> <li>• Government changes to the land searches regime</li> </ul> <p>The above list is not exhaustive and work remains ongoing to identify the potential impact and timing of such issues. A general allowance for cost pressures of £0.600m has been included at this stage with an updated position to be finalised for reporting to Cabinet in December as part of the</p>

		presentation of a balanced budget for 2015/16.
Jaywick Team	£0.084m	It is proposed on continuing with this important initiative through building the funding into the Council's base budget. The cost of this initiative has historically been supported by partnership contributions carried forward in reserves. A corresponding adjustment in reserves has also been required as set out below.
Other	(£0.026m)	-
<b>TOTAL</b>	<b>£0.480m</b>	

### **Revenue Support for Capital Investment**

The initial forecast reflects a **£0.192m** reduction compared to 2014/15. This primarily relates to schemes that are being funded from reserves in 2014/15 such as the Clacton Cemetery scheme. A corresponding adjustment is set out below under Use of Reserves with no overall net impact on the budget.

**£0.204m** is currently included in the 2015/16 base forecast as a revenue contribution to the Capital Programme that primarily reflects the IT Core Infrastructure Scheme which is currently an on-going budget included each year.

### **Financing Items**

The initial forecast reflects a **£0.088m** favourable reduction compared to 2014/15. This includes Council tax 'freeze' funding that will be receivable from the Government based on the initial forecast assumption of a 0% increase in Council Tax for 2015/16. 'Freezing' Council Tax for 2015/16 would also remove the risk of triggering a referendum although the Government will be making an announcement later in the year as to the levels that will apply for 2015/16.

Additional funding from ECC, Police and Fire is due under the Second Homes / Discount sharing agreement. However given the uncertainty around the Police and Crime Commissioner's position following their initial withdrawal and then reinstatement of funding for 2014/15, no increased income from this element of the budget has been included at this stage.

### **Use of Reserves**

The initial forecast reflects a net change **£0.511m** compared to 2014/15.

This adjustment is on the whole 'the other side' of the changes mentioned above:

- Remove use of reserve to fund the women's cycle tour - **£0.100m.**
- Remove use of reserve to fund the Clacton cemetery capital scheme - **£0.200m.**
- Remove use of reserve to fund the residents parking scheme - **£0.300m.**
- Call on Elections Reserve to fund the cost of elections in 2015/16 – **(£0.120m)**
- Remove contribution from reserves to fund the Jaywick Team as reserve was fully applied in 2014/15 - **£0.031m**

### **Business Rates – Tariff / Levy and Locally retained share of Business Rates**

The forecast reflects an increase in the net amount retained locally from Business Rates of

**£0.180m (from £4.585m to £4.765m.)**

At this stage, the position reflects the amount set out in the Government's Provisional settlement for 2015/16 plus an element of local growth that builds on the outturn position for 2013/14 and estimates for 2014/15. However a significant amount of financial uncertainty remains around this scheme due to potential changes in accounting treatment along with the operation of the tariff and levies and provision for appeals. **£0.397m** was set aside in a Non Domestic Rates Resilience Reserve as part of the 2013/14 outturn position to support the Council in reacting to any changes that may emerge over 2014/15 and into 2015/16 and beyond.

Districts across Essex have now started the discussion around potentially entering into an NDR Pool for 2015/16. Members may recall the application and work undertaken last year to form a pool for 2014/15 that was later withdrawn due to the uncertainties and risks around the potential benefits of pooling that arose as a result of lack of clarity from the Government, especially around appeals.

Similarly to last year, a delegation is sought to enable the Corporate Director (Corporate Services) in consultation with the Finance and Transformation Portfolio Holder to contribute to the discussions currently on-going across Essex Authorities and to join such a pool if there were benefits to this Council. This is also based on the principle of no authority being worse off in the pool than they would have been outside of it and where the risks associated with being a member of a pool are limited as far as possible.

As part of the Government's Autumn Statement 2013, a number of announcements were made in connection with Business Rates which resulted in a smaller increase in income in 2014/15 than would otherwise be the case e.g. 'capping' the increases in NDR to 2% rather than the RPI figure of 3.2% for September 2013 and extending the enhancement to small business rate relief into 2014/15. Further announcements may be forthcoming during 2014/15 although some reliefs such as the 2% 'cap' will continue into 2015/16. The Government will continue to reimburse local authorities for this 'lost' income via a Section 31 grant rather than as part of the general financial settlement. As previously mentioned, the treatment of business rate income appears to be still evolving and therefore at this stage any reimbursement from the Government has yet to be reflected in either 2014/15 budget or 2015/16 forecast. However an updated position will be reported to Cabinet in December 2014 as part of finalising the budget for 2015/16.

### **Revenue Support Grant from the Government**

The initial forecast currently reflects the Government's provisional grant settlement for 2015/16, based on the Governments Spending Review in 2013. The figure for 2015/16 is **£1.644m** (32%) lower than the 2014/15 figure.

Although the final revenue support grant amounts for 2015/16 will not be announced until later in the year it is hoped that only limited changes will be made by the Government given that the 2013 spending review informed the initial 2015/16 decisions. Therefore the initial budget 'gap' of **£2.010m** is not set against varying the amount receivable from the Government. If significant changes emerge over the course of the year, then they will be reflected in the final position presented to Cabinet in December 2014.

### **Other Budget Considerations**

As members will be aware, Essex County Council, the Police and Crime Commissioner (PCC) and the Essex Fire Authority already provide a contribution to support the Council in maximising the tax base through increasing collection performance. Although it remains uncertain whether the PCC will continue making a contribution as previously highlighted,



discussions are on-going across Local Authorities in Essex along with the major preceptors to identify further opportunities to maximise income such as via the Council Tax base and therefore support the overall funding position of each organisation.

At present the discussions focus on Council Tax compliance to compliment the work that is already being taken around maximising collection performance. The proposed strand of work therefore primarily focuses on cases where for example a single person discount has been awarded to identify incorrect / fraudulent claims, with a more comprehensive data matching exercise also proposed. There are a range of figures talked about nationally around how much is 'lost' through fraudulent claims for discounts, with a figure as high as 1 in 4 discounts being incorrectly awarded appearing in publications. A focus on compliance therefore has the potential to significantly increase income, especially via increases to the Council's Council Tax base.

Therefore subject to further discussions across Essex Authorities, including the major preceptors, it could be advantageous for the Council to 'sign' up to this initiative with this Council's contribution being met from within the overall net savings position that it will generate and/or from utilising existing resources / capacity.

To enable the Council to be in a flexible position to confirm its participation, a delegation to the Corporate Directors for Corporate Services and Life Opportunities in consultation with the Portfolio Holders for Finance and Transformation and Housing, Benefits and Revenues is set out in the recommendations above. This delegation is based on the principle of the initiative delivery financial benefits to the Council that can be managed within the level of risk that this approach may introduce and/or be mitigated via the agreement that each authority will need to 'sign up' to.

#### **LOCAL COUNCIL TAX SUPPORT SCHEME (LCTSS)**

The Government funding to support the LCTSS has been 'rolled-in' to the Council's overall funding position (Revenue Support Grant and NDR Income) since 2013/14.

Although there has been a considerable reduction in the overall level of government grant / RSG in 2014/15 and 2015/16 the Government maintain their argument that there has been no reduction in the 'element' relating to the LCTSS and so it should be assumed that a similar level of funding remains available within the overall grant settlement amount each year. However there are no ring-fencing arrangements within the general government grant amount so it is up to the councils on a local basis to determine any such arrangements. Furthermore, the further we move away from the year when the change was made the harder it will be to argue which elements of the formula grant relate to the LCTSS and an argument that is difficult to sustain in the longer term.

The Council's LCTSS is currently subject to review, which includes the potential impact of a recent High Court decision concerning Sandwell Metropolitan Borough Council's LCTS Scheme where it ruled that the residency criteria it had included was unlawful.

For the purposes of the initial financial forecast and therefore from a financial perspective, the forecast is set against the principle of a scheme that does not place additional burden on the Council's overall financial position in 2015/16.

#### **LCTSS Grant to Town and Parish Councils**

As part of the 2014/15 budget, the overall reduction in funding experienced by TDC was 'passport' across to Town and Parish Councils who therefore saw corresponding reductions in the grant receivable from this Council. This resulted in the overall level of grant

funding being reduced from **£0.202m** in 2013/14 to **£0.172m** in 2014/15.

The individual reductions in funding ranged from **£7** to **£8,936** across the 27 Town and Parish areas in 2014/15. However it is important to note that after reflecting increases to the Council Tax base, which largely offset the reduction in grant, the final position saw net increases in some Town and Parish Council's funding positions, although from the other extreme, the highest net reduction in funding experienced by a Town and Parish Council was **£1,700**. It is also recognised that Parish / Town Councils have the ability to consider meeting any shortfall via increases in their precept or by finding savings elsewhere within their budgets.

The Council's current funding position sees an overall reduction of 19%, however as the final position will not become clearer until later in the year and to give Town and Parish Councils some certainty around their funding position as early as possible in the year, it is proposed on continuing with the existing approach but reduce the grant to Town and Parish Council's by only **10%** in 2015/16. Although the Council's overall funding position may change when the final position is presented to Cabinet in December 2014, it is not proposed on further reducing this grant and therefore the proposed reduction will in effect be 'capped' at **10%** for 2015/16. This will see reductions in grant funding ranging from **£4** to **£5,064** for the year. The Council Tax base will be subject to review later in the year which may partly offset this position in 2015/16 similarly to last year although this cannot be confirmed until the Tax Base is approved in early December 2014.

#### **2015/16 INITIAL FORECAST SUMMARY, CONCLUSIONS AND PROPOSED WAY FORWARD**

Based on reflecting the adjustments to the base budget that we are currently aware of and taking into account the provisional Government grant settlement, an initial savings target of **£2.010m** for 2015/16 has been identified. This position is broadly in line with the amount identified last year that was presented to Cabinet as part of the 2014/15 budget setting process and therefore officers have been working on identifying the necessary savings as a continuation of the cyclical budget setting process.

Further discussions have highlighted the potential for further changes along with a number of risks. It is also recognised that some changes may be favourable that will help offset any adverse adjustments.

Management Team are already overseeing work that is delivering savings, such as reduced expenditure or increased income, without impacting on front line services. The Corporate Management Committee are also supporting the Council in identifying net savings to close the budget 'gap' with a member workshop planned in September / October.

Members and Officers need to continue to maintain this momentum to enable a balanced position to be present to Cabinet in December 2014. This work is set against a context of the Council providing a significant range of services over a large geographical area and has a high elderly population. Within our district are some of the most deprived areas in the country. The Council provides a coastal and tourism based infrastructure and is actively working on enhancing its tourist seafront areas and develop the business and economic potential within the district.

The Council must therefore ensure that its budget is sufficient to provide the wide range of services that its diversity and needs demand and also support new development and

growth. Although the Council has met its savings target up to 2014/15, there are further reductions in funding and along with other pressures faced by the council it is expected that further significant savings are required beyond 2015/16.

Set against the context above the proposed actions to deliver the savings target of **£2.010m** for 2015/16 are summarised as follows:

- **2013/14 Outturn Reviews** – A review of the end of year variances for 2013/14 to identify where budget reductions can be made on an on-going basis such as areas of increased income.
- **Efficiencies / Staff Reviews** – Departments / Services to challenge and review how their services are delivered to identify any savings that can be secured on an on-going basis. Such a review will also include outcomes from the 'staff suggestion' scheme initiative.

As part of the Outturn for 2013/14 considered by Cabinet at its 13 June 2014 meeting, **£0.267m** was set aside in the Austerity Reserve that increased this earmarked reserve to **£0.767m** at the end of 2013/14. Where savings can be found early and therefore ahead of 2015/16 financial year, it is proposed on 'banking' such amounts via adding them to the Austerity Reserve to support the delivery of a balanced budget in 2015/16. It is recognised that using such one-off amounts to support the on-going base budget in 2015/16 will need to be 'back filled' with savings from 2016/17 with assumptions reflected in the initial look ahead to the 2016/17 forecast further on in this report.

This approach will be supported via the Budget Monitoring Reports, with the first quarter's position for 2014/15 being set out elsewhere on the agenda which includes the savings already identified to date.

## **ASSESSMENT OF THE FINANCIAL POSITION FOR 2016/17 AND BEYOND**

Although this report primarily focuses on an early / initial financial baseline for 2015/16 it is worth taking the opportunity at this stage to have a brief look to 2016/17 which will be covered in more detail when a financial update is provided to Cabinet later in the year.

Some of the main considerations in respect of the 2016/17 and beyond position are as follows:

- Government Spending Reviews and any further announcements
- Development and delivery of Key Council Projects
- The future of the New Homes Bonus
- Council Tax 'Freeze' grant – will it continue after 2015/16?
- Impact of welfare changes
- Further development of LCTSS and Business Rates Retention regime
- Building on a self-sufficiency style approach
- Other Cost Pressures and emerging new burdens

Based on the challenges and risks faced in 2015/16 including the items highlighted above, the potential magnitude of the funding gap in 2016/17 and beyond is difficult to forecast. However based on early estimates the potential funding 'gap' in 2016/17 could be as high as **£2.500m** with further savings required of **£1.000m** per year between 2017/18 and 2019/20, which excludes any potential impact of the result of the general election in 2015.

The Council needs to continue to rise to the financial challenges it faces and build on the significant actions and activities that have already delivered savings of over **£7.000m** over the past few years. Over the coming months, further work will need to be undertaken to ensure that further savings and efficiencies are driven out of the budget, to focus on what the essential priorities of the Council are and to continue to undertake reviews of budgets and services within each Department and identify where the Council can maximise any commercial opportunities. This will put us in the best possible position in 2015/16 and going forward in to 2016/17 and beyond.

<b>BACKGROUND PAPERS FOR THE DECISION</b>
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None
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<b>APPENDICES</b>
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None
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