

**DERBYSHIRE COUNTY COUNCIL**

**CABINET**

**27 January 2015**

**Report of the Director of Finance**

**FIVE YEAR FINANCIAL PLAN**

(STRATEGIC POLICY, ECONOMIC DEVELOPMENT AND BUDGET)

**1 Purpose of the Report**

To present and obtain approval of the Council's Five Year Financial Plan which has been revised and updated for the period 2015-16 to 2019-20.

**2 Information and Analysis**

The Plan supports corporate planning and shapes the Council's financial strategy and annual budgets by establishing what resources are available for allocation to service priorities contained within the Council Plan.

Service pressures such as demographic growth create demand in excess of Government grant support, which since 2010 has been cut significantly. The Council adopts a proactive approach in response to these funding cuts by identifying future pressures and associated risks, developing and implementing plans to address them. This includes the development of a programme of budget cuts over the medium term in order to achieve a balanced budget.

The last full version of the Plan was approved in September 2013. The Plan identified the need for significant savings in the medium term. In July 2014 the Plan was provisionally updated to cover the period 2014-15 to 2018-19.

The full version of the Plan has now been rolled forward again, to cover the period 2015-16 to 2019-20. The Plan has been revised, where possible, to reflect the latest funding announcements contained within the Provisional Local Government Finance Settlement 2015-16 and the Chancellor's Autumn Statement and includes updated assumptions on pay and price increases, levels of budget reductions and receipts from Government Grants and Council Tax. The updated Plan brings together current views on the level of savings that are anticipated to be needed through to 2019-20.

**Table One: Cuts made to date, and future cuts required in the plan**

	<b>Year</b>	<b>Cuts £m</b>	
Actual	<b>2010-11</b>	10.120	} Reductions already removed from budget = £125.244
	<b>2011-12</b>	35.399	
	<b>2012-13</b>	25.000	
	<b>2013-14</b>	24.840	
	<b>2014-15</b>	29.885	
Forecast	<b>2015-16</b>	45.051	} Reductions proposed in revised FYFP = £146.098
	<b>2016-17</b>	41.455	
	<b>2017-18</b>	19.250	
	<b>2018-19</b>	21.210	
	<b>2019-20</b>	19.132	

Whilst the Government has announced details of the Revenue Support Grant allocations only as far as 2015-16, austerity measures are expected to continue until at least the end of the decade. Therefore, an assumption of a 10% cut in Revenue Support Grant each year is assumed from 2016-17, pending the announcement of the next Spending Review, which is unlikely to take place before Autumn 2015. By the end of the decade the Council will have cut its budget by over £270m.

The updated Five Year Financial Plan is included at Appendix One.

### **3 Other Considerations**

In preparing this report the relevance of the following factors has been considered – legal and human rights, human resources, equality and diversity, health, environmental, transport, property and prevention of crime and disorder considerations.

### **4 Background Papers**

Autumn Statement 2014 – HM Treasury.

Provisional Local Government Finance Settlement 2015-16 – Department for Communities and Local Government.

Papers held in Technical Section, Room 146, County Hall.

### **5 Key Decision**

No.

**6 Is it necessary to waive the call-in period?**

No.

**7 Officer's Recommendation**

That Cabinet approves the Revised Five Year Financial Plan.

PETER HANDFORD

Director of Finance

19 January 2015

**The Detailed Plan**

**FIVE YEAR FINANCIAL PLAN for 2015-16 to 2019-20**

	2015-16	2016-17	2017-18	2018-19	2019-20
	£m	£m	£m	£m	£m
<b>FINANCED BY:</b>					
<b>Business Rates and Government Grants</b>					
Business Rates	16.705	17.039	17.380	17.727	18.082
Top-Up	85.743	87.458	89.207	90.991	92.811
Revenue Support Grant	92.293	73.249	64.942	57.467	50.738
New Homes Bonus	2.224	2.600	2.600	2.600	2.600
General Grant	16.565	13.567	12.567	11.567	11.567
Local Services Support Grant	0.999	0.000	0.000	0.000	0.000
PFI Grant	10.504	10.504	10.504	10.504	10.504
<b>Sub Total</b>	<b>225.033</b>	<b>204.417</b>	<b>197.200</b>	<b>190.856</b>	<b>186.302</b>
Council Tax	264.230	269.626	278.281	287.216	296.438
Use of Balances	6.634	4.000	4.000	2.000	2.000
<b>TOTAL FUNDING</b>	<b>495.897</b>	<b>478.042</b>	<b>479.482</b>	<b>480.072</b>	<b>484.740</b>
<b>EXPENDITURE:</b>					
Base Budget	511.932	489.845	471.542	475.482	478.072
Price Inflation	3.250	5.000	7.000	7.000	7.000
Pay Award	3.683	4.752	4.789	4.800	4.800
Contingency for Price Increases	-0.901	1.000	1.000	1.000	1.000
Implementation of the Care Act	4.567	0.000	0.000	0.000	0.000
National Insurance Contributions	0.000	3.000	0.000	0.000	0.000
On-going Service Pressures	8.275	10.400	12.400	14.000	15.000
Risk Management Budget	4.090	-1.000	-2.000	-3.000	-4.000
	<b>534.896</b>	<b>512.997</b>	<b>494.731</b>	<b>499.282</b>	<b>501.872</b>
<b>One-off expenditure:</b>					
One-off revenue support	5.634	6.500	3.000	2.000	2.000
One-off SEN reform	0.418	0.000	0.000	0.000	0.000
Elections	0.000	0.000	1.000	0.000	0.000
	<b>6.052</b>	<b>6.500</b>	<b>4.000</b>	<b>2.000</b>	<b>2.000</b>
<b>Budget cuts required</b>	<b>-45.051</b>	<b>-41.455</b>	<b>-19.250</b>	<b>-21.210</b>	<b>-19.132</b>
<b>TOTAL EXPENDITURE</b>	<b>495.897</b>	<b>478.042</b>	<b>479.482</b>	<b>480.072</b>	<b>484.740</b>
<b>Ongoing base budget</b>	<b>489.845</b>	<b>471.542</b>	<b>475.482</b>	<b>478.072</b>	<b>482.740</b>
<b>TOTAL SAVINGS APRIL 2015- MARCH 2020</b>					<b>-146.097</b>