

BROMSGROVE DISTRICT COUNCIL

CABINET

22nd FEBRUARY 2012

MEDIUM TERM FINANCIAL PLAN 2012/13 – 2014/15

Relevant Portfolio Holder	Roger Hollingworth
Portfolio Holder Consulted	Yes
Relevant Head of Service	Jayne Pickering (Exec Director)
Wards Affected	All
Ward Councillor Consulted	None specific

1. SUMMARY OF PROPOSALS

1.1. To provide information to enable Cabinet to recommend to Full Council the approval of the Medium Term Financial Plan to include the budget allocation for revenue and capital during the period 2012/13 – 2014/15.

2. RECOMMENDATIONS

2.1 It is recommended that Executive Cabinet recommend to Full Council :

2.1.1 Approval of the high revenue bids as identified in Appendix A of:

2012/13	£78k
2013/14	£43k
2014/15	£43k

2.1.2 Approval of the savings and additional income as identified in Appendix B of:

2012/13	£814k
2013/14	£1.549m
2014/15	£2.282m

2.1.4 Approval of the high capital bids as detailed in Appendix C of:

2012/13	£ 631k
2013/14	£ 3.526m
2014/15	£5.253m

2.1.3 Approval of the use of balances of £113k for 2012/13

2.1.4 Approve the pay policy as attached at Appendix E

3. KEY ISSUES

Financial Implications

- 3.1 The Council on 23rd February 2011 approved a medium term financial plan that included the Revenue and Capital budget requirements for 2012/13 -2013/14. This report updates the plan by addressing identified pressures and savings together with updating the budget proposals to 2014/15.
- 3.2 As part of the budget planning officers have considered the services provided to the community and have put forward additional funding requests “bids” for both revenue and capital expenditure to ensure services can be improved across the District. These bids have been considered at Officer and Member level and have been assessed as being High, Medium or Low depending on an assessment of their priority. Within the summary statement at 4.4 only those rated as “High” have been included for funding within the medium term financial plan. These bids are detailed at Appendix A (revenue) and C (capital). The schedule also includes the bids that have been classed as Medium or Low for Members information.
- 3.3 Officers have also identified a number of budget pressures that have either been deemed “unavoidable”. Unavoidable includes the ongoing effects of pressures identified during 2011/12 together with any issues that have been raised as fundamental to maintaining service provision as part of the budget process. In addition income shortfalls that cannot be managed by improved marketing or price increases have been addressed during the budget planning. These pressures include:
- Shortfall in car parking income £65k
 - Reduction in HUB funding £21k
 - Shortfall in Land Charge income £17k
- 3.4 To offset the additional costs savings have been proposed by Corporate Management Team who have sought to identify areas which could demonstrate:
- Additional income generation
 - Reduction to costs with no impact on service delivery
 - Alternative methods of service delivery / more efficient working practices / shared / collaborative working to realise savings
 - Reduction in cost of services which do not directly impact on the Councils priorities
- 3.5 The savings/ additional income details are shown in Appendix B.

BROMSGROVE DISTRICT COUNCIL

CABINET

22nd FEBRUARY 2012

- 3.6 The Council has faced a reduction in Grant Settlement from the Government of over £1.3m over a 2 year period. 2012/13 is the final year of the Comprehensive Spending Review and includes a cut of over £500k to be met from savings with the organisation.
- 3.7 It is anticipated that further cuts in Grant Settlement will be introduced for future years and officers have recommended a further 5% reduction in 2013/14 and 2014/15.
- 3.8 The current summary position includes:
- The impact of a reduction in the 2012/13 pay award to 0% - this would result in a zero pay award across the Council staff. The award has been estimated at 1% for 2013/14 and 2014/15.
 - The Revenue bids proposed as “High” by Corporate Management Team and discussed at previous Member meetings.
 - The Capital bids proposed as “High” by Corporate Management Team and discussed at previous Member meetings. The impact of these proposals would ensure that the Councils services are delivered in a quality and effective way to our customers. A number of the Capital proposals are funded by Grant or reserve currently available. The remaining projects will be funded by Capital Receipts which would result in the Council entering into borrowing arrangements in 2012/13.
 - All savings realised from the shared services implemented between Bromsgrove and Redditch and those resulting from other joint working arrangements.
 - To maintain the ICT reserve of £100k for future years to ensure facilities are available to deliver improvements in technology during transformation.
 - To establish a replacement programme for waste management plant & equipment of £30k pa
 - A reduction to the Council Tax in 2012/13 to 0%. The difference of the original assumption of 2.5% increase to be offset by Government Grant for 2012/13. In addition the grant for 2011/12 is included for 2012/13. Officer estimated increases of 2.5% have been used for 2013/14 & 2014/15.
 - A surplus of £106k from the Collection Fund for 2011/12 which can offset the revenue budgets for 2012/13.
 - Inflation at 2.5% for general services and 5% for utility costs
 - Investment interest has been estimated at 1%-1.75%
 - Pension costs have been included based on the revised actuary rate of 20.2%

BROMSGROVE DISTRICT COUNCIL

CABINET

22nd FEBRUARY 2012

- 3.9 The revised summary position is shown below. This includes the proposed high pressures only for both revenue and capital.

	2012/13 £'000	2013/14 £'000	2014/15 £'000
Base cost of General Fund Services	12,475	12,821	13,017
Pressures – High bids & unavoidable, income shortfalls	340	268	306
Borrowing to fund capital programme	9	204	744
Shared Service Savings (approved)	-414	-514	-514
Savings (quick wins, additional income, shared services, transformation)	-814	-1,549	-2,282
Investment Income	-75	-67	-58
Recharge to capital programme	-100	-100	-100
Net operating expenditure	11,421	11,063	11,113
New Homes Bonus	-366	-366	-366
Area Based Grant	-113	-113	-113
Surplus from Collection Fund	-106		
Government Grant	-3,656	-3,315	-3,158
Assumed Council Tax @ 0% (offset by 2.5% Gov Grant) 2011/12 & 2012/13, 2.5% 2013/14 & 2014/15)	-7,067	-7,269	-7,476
Funding from balances	-113		
Overall Shortfall	0	0	0

- 3.10 The details at Appendix B show a significant saving to be realised by 2014/15 in relation to transformation and alternative ways of providing our services. A number of services are currently reviewing their service provision in line with systems thinking with the aim to deliver the savings in the future.

- 3.11 The total Capital Programme to include projects approved in February 2011 and new bids is included at Appendix C.

3.12 Investment Interest

An element within the overall medium term financial plan is Investment Interest. Members will be aware that due to the current financial climate a decision has been taken to hold investments in very low risk organisations which offer a lower rate of return than those institutions

which may be considered as slightly higher risk. The projections contained within this report include investment increases of 1% to 1.75% by 2014/15.

The quarterly finance report will report the position on the investments generated by the Council and detail any changes as a result of changes to the base rate.

3.13 Balances

- 3.13.1 The current projected level of balances at 31.03.12 is £2.2m, assuming all costs approved are spent and the projected underspend of £697k for 2011/12 is realised. The proposed use of balances to fund the shortfall in 2012/13 of £323k would reduce the level to £2.1m. The current prudent level of balances for the Council is £850k.
- 3.13.2 The Local Government Act 2003 requires the Chief Finance Officer to report on the adequacy of financial reserves when consideration is given to the General Fund budget requirement for the year.
- 3.13.3 In February 2003 CIPFA published a guidance document on Local Authority Reserves and Balances. The guidance does not prescribe the minimum level of balances to be held but recommends that consideration is given to the strategic, operational and financial risks facing the authority. During the consultation on this document it was suggested that the recommended minimum should be 5% of net expenditure and this has been followed by a number of authorities.
- 3.13.4 5% for Bromsgrove District Council would mean maintaining balances at or around £600k. However, just a 1% variation in gross income and gross expenditure is equivalent to £330k which would result in a significant reduction in balances. The increased pressures on limited resources as demonstrated by the projected increases in formula grant, the increases in utility costs, and the fluctuations in income receipts and interest rates together with the impact of the economy on increased service demand may impact on the delivery of services within existing budgets over the 3 year period. In addition, there will be initial costs associated with the delivery of the longer term savings as a result of joint or shared service working. These costs could be funded from general fund balances if sufficient funds were available.
- 3.13.5 It is therefore considered, taking the above issues into account that a general fund revenue balance of £850k is a prudent minimum level.

3.14 Fees and charges

3.14.1 A report is to be presented to this meeting to propose the fees and charges to be levied as part of the formal approval of the medium term financial plan. The income realised from any increases have been included in the proposed financial projections.

3.15 Consultation

3.15.1 The Budget Jury process was held again in July and October/November. The Budget Jury was designed to engage residents in the budget-setting process more effectively and involve them from the outset rather than consulting them at a stage when there was little opportunity for their input to be taken into account by senior officers and Members.

3.15.2 From July-November 2011 a series of four meetings was held with a single group of fifteen (twelve completed all four sessions) residents who were randomly selected. The Executive Director of Finance and Resources, the Policy Manager and Policy Officer facilitated each Budget Jury meeting. The reasoning behind using the same participants throughout was to enable them to build up an understanding of the budget setting process and to provide them with the opportunity to articulate their concerns and specify their preferences for Council priorities/purposes, express support for and deliberate particular budget bids and have their questions answered at each stage. Feedback from the budget jury in the consideration of the bids is attached at Appendix D. Their feedback was also considered as part of the Strategic Purpose sessions at the end of last year

3.15.3 Overview and Scrutiny have received updates on the budget over the period to ensure all Members are aware of the financial constraints facing the Council.

3.16 Capital Programme

3.16.1 As part of the Medium Term Financial Plan the Capital Programme has been reviewed by officers and bids have been proposed for consideration to ensure services can be improved. The criteria used for the assessment of schemes includes:

- Enable delivery of the Councils priorities

- Maintain existing assets to standards suitable for service delivery.
- Improve and acquire assets to meet service and customer needs.
- Improve the stewardship of assets; spend to save (innovative schemes that will secure the Council a better rate of return than the investment interest earned); to reduce longer-term problems and liabilities.
- Satisfy legal obligations of the Council (e.g. health and safety requirements, and compliance with the disability discrimination legislation).
- Develop community assets in areas of need.
- Maximise the use of other funds to encourage investment in specific areas such as energy efficiency, economic development and infrastructure developments (using funds derived from Section 106 agreements with developers).
- Maximise the benefits of partnership working.

3.16.2 The Capital Programmes for 2012/13 and 2013/14 were approved as part of the 3 year Financial Plan for 2011/12. The projects approved have been reviewed with the aim to reduce funding requirements whilst still maintaining service delivery. In addition the consideration of the service Business Plans has resulted in new schemes being proposed for 2012/13 – 2014/15 to meet the priorities of the Council. The proposed new bids and the overall Capital Programme is attached at Appendix **C** for consideration.

3.16.3 If Members approve the level of Capital Spend to 2014/15 the Council will be subject to borrowing during 2012/13. This cost has been included in the budget projections.

3.17 Pay Policy

The Localism Act requires English and Welsh local authorities to produce a Pay Policy Statement ('the statement'). The Act requires the statement to be approved by Full Council and to be adopted by 31st March 2012 for the financial year 2012/13. The Pay Policy Statement for the Council is included at Appendix E

The statement must set out policies relating to—

- (a) the remuneration of its chief officers,
- (b) the remuneration of its lowest-paid employees, and
- (c) the relationship between—
 - (i) the remuneration of its chief officers, and
 - (ii) the remuneration of its employees who are not chief officers.

The provisions within the Localism Act bring together the strands of increasing accountability, transparency and fairness in the setting of local pay

3.18 Legal Implications

Local Government Act 2003

3.18.1 There are a number of requirements that the Council's Section 151 Officer (the Council's designated Senior Finance Officer) has to include in the budget report. These are set out below, together with S.151 comments on each of the issues:

- a) The level and use of reserves to be formally determined by the Council must be informed by the judgement and advice of the Chief Financial Officer (CFO).

Section 151 Officer's comments: Review of general fund balances included above in report (4.8).

- b) The CFO to report the factors that have influenced his/her judgement in the context of the key financial assumptions underpinning the budget, and ensure that his/her advice is formally recorded. Where that advice is not accepted, this should be formally recorded in the minutes of the meeting.

Section 151 Officer's comments: The main assumptions included in the calculation of the budget are included within the report. The budget updates and considerations at previous Committee meetings have been formally recorded.

- c) The report should include a statement showing the estimated opening balance on general fund reserves for the year ahead, any contribution to/from the fund, and the estimated closing balance.

Section 151 Officer's comments: statement included in this report (4.8)

- d) The report should show the extent to which reserves are financing ongoing expenditure.

Section 151 Officer's comments: included in the report. Balances to fund 2012/13 only no further recommendations to finance ongoing expenditure.

- e) The report should include a statement from the CFO on the adequacy of general reserves and provisions both for the forthcoming year and in the context of the medium term financial plan.

Section 151 Officer Comments: the Council holds adequate reserves to manage future liability and financial constraints as detailed in 4.8.

- f) The report should include a statement on the annual review of earmarked reserves showing:
- i) list of earmarked reserves
 - ii) purpose of reserve
 - iii) advice on appropriate levels
 - iv) estimated opening / closing balances
 - v) planned additions / withdrawals.

Section 151 Officer's Comments: The current reserves are reported on a regular basis through the financial monitoring reports .

- 3.18.2 The Council has a legal responsibility to set a balanced budget under the Local Government Act 2003.

Service / Operational Implications

- 3.19 The services provided will be funded by the approved budget. In addition improved services can be achieved by the approval of the budget bids.

Customer / Equalities and Diversity Implications

- 3.20 All new bids / services will have an impact assessment prepared to ensure they meet the needs of all the community.

4. RISK MANAGEMENT

- 4.1 An impact assessment is undertaken of all Council bids to ensure that any impact and risk to the community is identified and addressed.

5. APPENDICES

Appendix A – Revenue Bids

Appendix B – Capital Bids & Overall Programme

Appendix C – Savings and additional income

BROMSGROVE DISTRICT COUNCIL

CABINET

22nd FEBRUARY 2012

Appendix D – Budget Jury Feedback
Appendix E – Pay Policy

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