

BROMSGROVE DISTRICT COUNCIL

CABINET

9th JANUARY 2013

MEDIUM TERM FINANCIAL PLAN 2013/14 – 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 enable Members to consider the current financial position for the revenue budget 2013/14- 2015/16.

2. RECOMMENDATIONS

- 2.1 **Cabinet is asked to recommend approval of the budget principles as detailed at 3.9.**
- 2.2 **Cabinet is asked to note the current position for 2013/14 – 2015/16 and to request that officers review the savings that can be delivered to achieve a balanced budget.**

3. KEY ISSUES

Financial Implications

- 3.1 The Council's Medium Term Financial Plan (MTFP) provides the framework within which the revenue and capital spending decisions can be made over a 3 year period. It is revised and updated on an annual basis to take into account any alterations that may be required as a result of changes that impact on the Councils services.
- 3.2 As part of the review officers consider the impact of demand on service and the costs associated with this demand. This may result in additional costs (associated with maintaining current service delivery) or reductions in anticipated income revenue over the next 3 years.
- 3.3 As Members are aware there are considerable additional cost pressures facing the Council over the next 3 years as a result of a number of issues including:
- Reduction in Council Tax Benefit Grant received
 - Changes to welfare reform and the impact on the Council from residents service need
 - Transfer from Housing Benefit to Universal Credit

- Impact of the current national economy
- 3.4 Officers will continue to work with our partners to identify the costs that may be associated with some of these changes.
- 3.5 As Members are aware the services provided by the Council are undergoing a transformational change using a different approach to assessing the value provided by the service. It has become apparent through this work that officers are keen to address the purpose of a service rather than looking at provision in silos across the organisation.
- 3.6 A number of purposes have been developed which will be driving the future transformational activity and importantly are being considered alongside any funding requests from Heads of Service. To ensure we are working towards supporting the purposes, all additional requests for funds will have to demonstrate a clear link and improvement in support of the purpose. The strategic purposes used for the financial position are:
- Keep my place safe and looking good
 - Do sensible things to improve my locality
 - Help me run a successful business
 - Help me back to financial independence
 - Enable good implementable development
 - Help me find somewhere to live in my locality
 - Provide good things for me to see, do, visit
- 3.7 In addition to the development of the purposes the management team has spent a significant amount of time working in the teams and across services in both front line and back office sections. This has enabled a clear view of two main areas to address; firstly where issues arise that may prevent staff from actioning some of the innovative ways of working by finding areas of waste in the service that the Head of Service can request be stopped with no impact on delivery whilst saving money.
- 3.8 As a result of this work officers have managed the budget process within a framework of financial principles. These are:
- Reduce Waste in a system (Stop it now)
 - Design a new system to reduce waste and cost
 - Reduce the costs associated with enabling service provision rather than those that create the value to the customer.
- Officers will ensure that all savings identified do not impact negatively on the delivery of the Strategic Purposes as defined above as it is recognised that by considering savings to be delivered in this way it ensures that those services that create value to the customer are

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protected and where possible enhanced by realigning the budget allocation to these valuable areas.

- 3.9 Any additional income currently generated that delivers more than the target revenue has been built into the projections as a revised target to achieve.
- 3.10 As Members are aware it is hoped that the settlement for 2013/14 will be available on 19th December 2012. An update to this meeting will be reported once the allocation is made available.
- 3.11 The current summary position at 3.10 includes the financial impact of the above in addition to the following assumptions:
- 1% pay award in relation to inflationary increase. This will be subject to the national negotiation that the Council is signed up to.
 - Inclusion of the illustrative start up funding from Central Government.
 - 3% increase in fees and charges (where appropriate)
 - Zero Council Tax increase to be funded from grant received
 - Potential costs of the development of Parkside with the County Council
 - Potential costs of a new Leisure Centre of £12m from 2014/15 (this will be subject to formal feasibility appraisal and member agreement)

3.12 The revised position is shown below.

| | 2013/14 £'000 Opening Position | 2013/14 £'000 Variations | 2013/14 £'000 Projected Budget |
|---|---|---|---|
| Base cost of General Fund Services | 11,720 | | 11,720 |
| Pressures –unavoidables | 0 | 486 | 486 |
| Savings (reduction waste, redesign systems, reduction in enabling costs) | 0 | -1,243 | -1,243 |
| Bids | 0 | 176 | 176 |
| Investment Income | -67 | | -67 |
| Cost of Borrowing | 204 | -4 | 200 |
| Net operating expenditure | 11,857 | -585 | 11,272 |
| Government Grant (Including Homelessness Grant and Council Tax Freeze grant; excl Council Tax Support Grant shown separately) | -3,428 | 177 | -3,251 |
| New Homes Bonus | -366 | -321 | -687 |
| Surplus from Collection Fund | 0 | -28 | -28 |
| Assumed Council Tax @ 0% (offset by 1%) | -7,269 | 173 | -7,096 |

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| Gov Grant) 2014/15 2015/16 | | | |
| Reduction in Council Tax following LCTS adoption | | 580 | 580 |
| Council Tax Support Grant (including 1 year transitional amount) | 0 | -572 | -572 |
| Funding Total | -11,063 | 9 | -11,054 |
| Overall Shortfall | 794 | -576 | 218 |

Savings currently identified include :

- General underspends offered up as future savings
- Extension of sharing for services currently not shared across the Bromsgrove and Redditch.
- Improved efficiencies within services and renegotiation of contracts
- Savings realised from transformation of services and driving out waste

Unavoidable pressures include

- Shortfall in income targets from car parking and planning income

3.11 The Council is to set a balanced budget for 2013/14 – 2015/16 and therefore will have to approve further savings, increase income or reduce high pressures for the 3 year period. Any additional spending, over and above the pressures identified above, would also need to be funded by additional savings.

3.12. Government Funding

3.13 Government funding for 2013/14 and beyond will be informed by the Local Government Resource Review and future Comprehensive Spending Reviews. This will be characterised by further large reductions in funding and a major transfer of risk from central to local government.

3.14 Government funding will be awarded in three distinct streams:

- Formula Grant
- Localised Business Rates
- New Homes Bonus

Formula Grant / Localised Business Rates

3.15 The Government grant we received for 2012/13 represented a cash decrease of 14% on the previous financial year.

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- 3.16 The current mechanism of allocating formula grant will be replaced from April with a system of formula grant and localised business rates. As this effectively the same pot of money, they will be viewed as one funding stream for the purpose of the MTFP.
- 3.17 Localising business rates will transfer risk from central to local Government. As a billing authority we will be far more exposed to reductions in the local taxbase if businesses close or rates are revalued. This places far greater pressures on the cashflow and reserves of the Council as well as the risk of greater volatility in the future levels of expected funding.
- 3.18 The Council has supported the opportunity to pool business rates with other councils to mitigate against these risks. A final decision will be made in January following assessment of the impact of the settlement received on the pooling arrangements.
- 3.19 The Government are also transferring two specific grants into the formula grant funding from 2013/14. These are for 2011/12 Council Tax Freeze Grant (£176k) and Homelessness Grant (£100k).

New Homes Bonus

- 3.20 The Council received New Homes Bonus in the current year of £366k. It is prudent to assume that in future years that this figure will increase in line with the assumed increase in taxbase of 0.5% per annum. This would raise an estimated £300k additional grant per annum until the scheme matures in 2016/17.
- 3.21 As agreed in the current MTFP any income received from New Homes Bonus grant will be utilised to offset the pressures facing the Council over the medium term.

Council Tax

- 3.22 To ensure that necessary levels of funding are available given the large reductions in government grant highlighted above, Council Tax increases will have to be sufficient to ensure that funding is available for the services that create value to the customer have appropriate levels of financial resource.
- 3.23 The Council Tax freeze for the current financial year was funded by an additional one off government grant of £176k. It had been hoped that this would become an ongoing grant, however this grant was for

2012/13 only. Further savings and Council Tax increases have been identified as part of this MTFP to compensate in future years

- 3.24 The government have offered a grant equivalent to a 1% rise in Council Tax for 2013/14 and 2014/15 for councils who freeze their Council Tax in the next financial year. Acceptance of this freeze grant will cost the Council £140k pa once the grant ceases (assuming Council Tax would otherwise rise by 2% in 2013/14).

General Fund Balances

- 3.25 The level of the General Fund balance is currently £2.5m. As previously highlighted there will be greater risks on the cashflow and the funding of the Council in the medium term. Although the balances of the Council have improved over the past few years they still are less than the average for district councils in Worcestershire.
- 3.26 The current level of balances are sufficient to cover the increased risks that will be placed upon the Council in the short term. However a fuller assessment of the necessary level of balances will be required once the full impact of the Government's changes to local government funding are known.
- 3.27 The estimated level of government funding over the MTFP will reduce more rapidly than the increase in Council Tax revenues. Consequently, there will be a continuing focus on transforming service delivery to reduce waste and to ensure that the funding available is aligned to the services that create value to the residents of Bromsgrove.

Legal Implications

- 3.28 None as a direct result of this budget update.

Service / Operational Implications

- 3.29 The bids proposed will ensure that services to the community can be further developed and improved.

Customer / Equalities and Diversity Implications

- 3.30 The impact on the customer has been reduced due to the savings being realised by reduction of waste in the services and ensuring that all services that create value to the customer are resourced.

4. RISK MANAGEMENT

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- 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

N/A

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