

BROMSGROVE DISTRICT COUNCIL

CABINET

6th FEBRUARY 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 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.

Formula Grant / Localised Business Rates

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- 3.5 As Members are aware the provisional settlement that was received by the Council for 2013/14 – 2014/15 was lower than originally estimated. The table below shows the actual cut in Government Grant from 2009/10 to 2014/15 and equates to a 46% real cut in the funding received to support services.

	2010/11	2011/12	2012/13	2013/14	2014/15
Formula Grant / RSG plus Baseline Funding	£4.570m (excludes concessionary fares element)	£3.830m	£3.304m	£2.926m	£2.457m
Year on year reduction £		£0.740m	£0.526m	£0.378m	£0.469m
Year on year reduction %		16%	14%	11%	16%
Cumulative reduction £		£0.740m	£1.266m	£1.644m	£2.113m
Cumulative Reduction %		16%	28%	36%	46%

- 3.6 The Government grant we received for 2012/13 represented a cash decrease of 14% on the previous financial year.
- 3.7 The current mechanism of allocating formula grant will be replaced from April with a system of formula grant and localised business rates. As these are effectively the same pot of money for the purposes of this MTFP they will be viewed as one funding stream.
- 3.8 Localising business rates will transfer risk from central to local Government. As 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.
- 3.9 The Council has supported the opportunity to pool business rates with other councils to mitigate against these risks. Bromsgrove District Council will continue to pool with Greater Birmingham and Solihull Pool as this offers the greater financial benefit to the District.
- 3.10 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

- 3.11 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.
- 3.12 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

- 3.13 To ensure that necessary levels of funding are available given the large reductions in government grant highlighted above, then 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.
- 3.14 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. So further savings and Council Tax increases have been identified as part of this MTFP to compensate in future years
- 3.15 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).

Transformation

- 3.16 The significant reductions in funding are not anticipated to improve for a number of years and therefore officers have looked at alternative ways to deliver savings whilst improving services to the community. As previously reported the services provided by the Council are undergoing transformational change using a different approach to assessing the value provided by the service. This work will focus on the purpose of services to the community and will aim to realise savings and protect those services that create value to our customers.
- 3.17 As reported previously officers will continue to review the financial position of the authority 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.
- 3.18 There are 3 levels of costs associated with services delivered by the Council;
- Create Value – these are the costs to deliver front line service, those which create real value to the customer
 - Add Value – these costs provide support to those services on the front line. They add value to the customer but do not directly deliver the service
 - Enable – there are a number of costs that relate to the enabling functions across the Council. These include the management and support services that provide advice and support to the services who add and create value. As part of the financial principles officers are looking at the ratio of the cost of the enabling function compared with those that create value with the aim to align resources to those that provide the most value to our customers.
- 3.19 Any additional income currently generated that delivers more than the target revenue has been built into the projections as a revised target to achieve.
- 3.20 Officers have also identified a number of budget pressures that have either been deemed “unavoidable”. Unavoidable includes the ongoing effects of pressures identified during 2012/13 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 are detailed in Appendix 1 and include :
- Shortfall in car parking income £200k resulting from a significant reduction in income from fixed penalty notices together with a decline in the use of the car parks
 - Reduction in funding from Worcestershire County Council in relation to funding for the customer service centre (HUB) of £22k.
 - Shortfall in Land Charge income £44k resulting from external providers ability to provide this service
 - Shortfall on Planning and Building Control income £153K due to the current economic climate and the reduction in the number of planning and building applications received

Financial Position

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3.21 The current summary position at 3.22 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.
- General inflationary increases in relation to contract arrangements
- Inclusion of the provisional settlement for 2013/14 & 2014/15
- 3% increase in fees and charges (where appropriate)
- 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)
- An estimation of the New Homes Bonus income
- Additional income estimated in relation to the Business Rates receivable by the Council

3.22 The revised position is shown below.

	2013/14 £'000	2014/15 £'000	2015/16 £'000
Base cost of General Fund Services	11,820	11,358	10,996
Pressures – High bids & unavoidable, income shortfalls	498	25	-
Savings (quick wins, additional income, shared services, transformation)	-960	-387	-
Borrowing to fund capital programme	75	373	1049
Investment Income	-67	-58	-58
Recharge to capital programme	-25	-25	-25
Net operating expenditure	11,341	11,286	11,962
New Homes Bonus	-687	-860	-985
Business Rate Retention	-1,525	-1,572	-1,572
Net Business Rate Growth	-176	-176	-176
Council Tax Freeze Grant	-71	-	-
Surplus from Collection Fund	-28	-	-
Government Grant	-2,253	-1,777	-1,441

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Transitional Grant	-16		
Assumed Council Tax @ 0% 2013/14 & 2.5% for 2014/15, 2015/16)	-6,515	-6,669	-6,860
Overall Shortfall	70	232	928

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

3.23 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. Officers are committed to realise the necessary levels of savings through transformation and will continue to work with staff to enable services to be delivered at a reduced cost to meet the cuts anticipated.

General Fund Balances

- 3.24 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.
- 3.25 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 Governments changes to local government funding are known.
- 3.26 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 community of Bromsgrove.

Capital Programme

3.27 The Capital Programme is a 3 year rolling programme and officers are currently working to ensure that the level of expenditure falls within the current estimated project allocation. The plan currently includes :

- Replacement of Fleet
- Redevelopment of Parkside School
- S106 funded Leisure schemes
- Disabled Facilities Grants

Legal Implications

3.28 None as a direct result of this budget update.

Service / Operational Implications

3.29 The MTFP will enable services to be maintained and, where achievable, improvements to the community.

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 service that create value to the customer are resourced.

4. RISK MANAGEMENT

4.1 To mitigate the risks associated with the financial pressures facing the Authority regular monitoring reports are presented to both officers and Members to enable proactive action being undertaken to address any areas of concern.

5. APPENDICES

Appendix 1 – Unavoidable Pressures (including income shortfalls)

AUTHOR OF REPORT

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