

**BROMSGROVE DISTRICT COUNCIL**

**CABINET**

**20<sup>th</sup> FEBRUARY 2013**

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**MEDIUM TERM FINANCIAL PLAN 2013/14 – 2015/16**

Relevant Portfolio Holder	Roger Hollingworth
Portfolio Holder Consulted	Yes
Relevant Head of Service	Jayne Pickering ( Exec Director)
Wards Affected	<b>All</b>
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 2013/14 – 2015/16

**2. RECOMMENDATIONS**

- 2.1 It is recommended that Cabinet recommend that Full Council :

- 1) the Council determines the level of Council Tax discount to be applied to the prescribed classes of dwellings as defined by the Council Tax (Prescribed Classes of Dwellings) (England) Regulations 2003 (as amended) for
  - a) Class A [ “second homes with planning restriction”] be set at 0% - no discount
  - b) Class B [“second homes without planning restriction”] be set at 0% - no discount
  - c) Class C [vacant dwellings] be set at:
    - a. Where the dwelling appears in the Valuation List for the first time and it has been continuously unoccupied and substantially unfurnished since the effective date of entry into the list:
      - i. for the first 3 months from the date of entry into the list 100%
      - ii. for periods of more than 3 months and for less than 6 months 50%
      - iii. for periods of 6 months or more 0% - no discount
    - b. Where the dwelling has been unoccupied and substantially unfurnished for a continuous period of less than 6 months 50%
    - c. where the dwelling has been continuously unoccupied and substantially unfurnished for 6 months or more 0% - no discount
    - d. For the purposes of Class C when considering whether a dwelling falls within the class any period of occupation, not exceeding 6 weeks, during which it was not unoccupied and substantially unfurnished shall be disregarded.

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- d) **Class D [uninhabitable dwellings] be set at 100%**
  
- 2) **The powers to reduce the Council Tax payable on a case by case basis , as provided by Section 13A 1(c) of the Local Government Finance Act 1992, be delegated to the Executive Director of Finance and Resources and the Revenue Services Manager;**
  
- 3) **authority be delegated to the Head of Legal, Equalities and Democratic Services to amend the Scheme of Delegation to Officers to implement (2) above**
  
- 4) **Approve the high bids and unavoidable pressures of; 2013/14 £561k as detailed in Appendix 1**
  
- 5) **Approve of the use of balances of £xk for 2013/14 (*to be completed following approval at meeting*)**
  
- 6) **Approve the increase in Council Tax of x% for 2013/14 (*to be completed following approval at the meeting*)**
  
- 7) **Approve the pay policy as attached at Appendix 2**

### 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 Government Formula Grant Settlement
  - 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

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- 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**

- 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.

	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
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.
- 3.10 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.

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- 3.11 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). This is in addition to the loss of spending power when the 4 year freeze grant accepted for 2011/12 is stopped in 2014/15.

### **Council Tax Discounts**

- 3.16 As members are aware approval was given by Council in January 2013 to reduce discounts currently available to second homeowners and those with short term empty properties.
- 3.17 It is proposed that an amendment to the discount for empty properties be made in relation to new build. It is recommended that any new build be exempt from Council Tax liability for the first 3 months and then

charged 50% for the next 3 months with full charge payable after 6 months.

- 3.18 In addition it is proposed that a property must be occupied for a minimum of 6 weeks before a period of discount can be applied for.

**Transformation**

- 3.19 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.

- 3.20 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.

- 3.21 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.

- 3.22 Any additional income currently generated that delivers more than the target revenue has been built into the projections as a revised target to achieve.

- 3.23 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

3.24 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
- Travellers and Gypsy Accommodation Assessment – as part of the National Planning Policy Framework an assessment needs to be carried out to identify need across the District. (£14k)
- Bridge Repairs – as members are aware the bridge in the Town Centre is in urgent need of repair (£8k)

### **Financial Position**

3.25 The current summary position at 3.26 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

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- Additional income estimated in relation to the Business Rates receivable by the Council

3.26 Based on the pressures and savings identified the revised position is shown below.

	2013/14 £'000	2014/15 £'000	2015/16 £'000
<b>Base cost of General Fund Services</b>	<b>11,820</b>	<b>11,433</b>	<b>11,043</b>
Pressures – High bids & unavoidable, income shortfalls	561	448	-25
Savings ( quick wins, additional income, shared services, transformation )	-947	-838	180
<b>Net Departmental Expenditure</b>	<b>11,433</b>	<b>11,043</b>	<b>11,198</b>
Borrowing to fund capital programme	75	373	1,049
Investment Income	-67	-58	-58
Recharge to capital programme	-25	-25	-25
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	-71	-
Surplus from Collection Fund	-28	-	-
Government & Transitional Grant	-2,269	-1,777	-1,441
Assumed Council Tax @ 0% 2013/14 & 2.5% for 2014/15, 2015/16)	-6,515	-6,669	-6,860
<b>Overall Shortfall (0% Council Tax 2013/14)</b>	<b>145</b>	<b>208</b>	<b>1,130</b>
<b>Net additional Income from 1.9% increase in Council Tax</b>	<b>-54</b>	<b>-55</b>	<b>-130</b>
<b>Revised Shortfall (1.9% Council Tax 2013/14)</b>	<b>91</b>	<b>153</b>	<b>1,000</b>

3.27 The Council has a statutory responsibility to set a balanced budget for 2013/14. In addition there must be an assessment of how the Council will demonstrate financial resilience in the longer term to 2015/16.

3.28 The initial position as detailed above reflects the shortfall that would result from a 0% increase in Council Tax and accepting the Council Tax Freeze Grant of 1%. This shortfall would have to be met from balances as further savings have not yet been identified.

3.29 The revised position reflects the financial shortfall if Members approved an increase in Council Tax of 1.9% (therefore foregoing the 1% freeze

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grant). This shows a significant reduction in the level of balances required over the 3 year period.

- 3.30 The impact on the General Fund Balances resulting from the 2 options would be:

	<b>0% Increase - Funding from Balances £'000</b>	<b>Year End Balance £'000</b>	<b>1.9% increase - Funding from Balances £'000</b>	<b>Year End Balance £'000</b>
Balance 2012/13		2,500		
2013/14	145	2,355	91	2,409
2014/15	208	2,147	153	2,256
2015/16	1,130	1,017	1,000	1,256

- 3.31 If Members recommended funding the 3 year shortfall solely from balances following a 0% increase in Council Tax this would reduce the level to a limited position of financial resilience for the Council in the current financial climate. The level following a 1.9% increase would remain within the S151 recommendation of balances available and officers would continue to deliver savings to increase the level of future balances. As Members are aware there remain a number of financial risks including; further losses of Government Grant, reduction in Business Rates , additional Council Tax benefit claimants , loss of future contracts.
- 3.32 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**

- 3.33 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
- Provision of new Leisure Centre

### **Pay Policy**



- 3.34 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 31<sup>st</sup> March 2013 for the financial year 2013/14. The Pay Policy Statement for the Council is included at Appendix 2

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

### **Legal Implications**

#### **Local Government Act 2003**

- 3.35 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 (3.26).*

- 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 (3.26)*

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

*Section 151 Officer's comments: included in the report. Proposal to utilise balances over 3 year period to support financial position of the Council.*

- 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 3.26..*

- 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 .*

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

**Service / Operational Implications**

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

**Customer / Equalities and Diversity Implications**

- 3.38 The impact on the customer has been mitigated 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.

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**5. APPENDICES**

Appendix 1 – Unavoidable Pressures / bids and income shortfalls  
Appendix 2 – Pay Policy

**AUTHOR OF REPORT**

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