

**BROMSGROVE DISTRICT COUNCIL**

**CABINET**

**5TH DECEMBER 2007**

**MEDIUM TERM FINANCIAL PLAN 2008/09-2010/11**

Responsible Portfolio Holder	Councillor Geoff Denaro
Responsible Head of Service	Jayne Pickering – Head of Financial Services

**1. Summary**

- 1.1. To provide information to enable the Executive Cabinet to review the current position on the medium term financial plan (revenue budgets) for 2008/09-2010/11 including the proposed pressures and savings.

**2. Recommendations**

- 2.1. It is recommended that Executive Cabinet :
  - 2.1.1 consider the unavoidable and high pressures as identified in Appendix A and revise the priority of any pressures including those currently categorised as medium and low as shown at Appendix B.
  - 2.1.2 consider the savings identified at Appendix A and request that officers investigate all options to mitigate the potential impact of redundancies across the Council.

**3. Background**

- 3.1. The Council on 28<sup>th</sup> February 2007 approved a medium term financial plan that included the Revenue and Capital budget requirements for 2008/09 to 2009/10.
- 3.2. On 5<sup>th</sup> September 2007 the Executive Cabinet approved the budget process and timetable to be followed to review the medium term financial plan for 2008/09 to 2010/11.
- 3.3. As part of the approved budget process Executive Cabinet proposed a streamlined set of 5 priorities against the Council objectives for focus of resources which were approved by Council on 19<sup>th</sup> September 2007. These were:

1. Regeneration

### Priorities

- A Thriving Market Town
- Housing

#### 2. Improvement

##### Priorities

- Customer Service

#### 3. Sense of Community and Well Being

##### Priorities

- Sense of Community

#### 4. Environment

##### Priorities

- Clean Streets & Recycling

#### 3.4. The approved objectives and priorities have been used to drive the budget process as follows

- Budget pressures have only been proposed to members by senior management if they have been identified as unavoidable / or they are fundamental in achieving the Council's priorities.
- Financial savings have been focused on more efficient working practices and alternative methods of service delivery
- Disinvesting in non priority areas.
- The capital programme proposals as detailed in a separate report to this meeting have been considered in line with the priorities.

#### 3.5 The current financial plan covers a period of 3 years. It is proposed that the final report to members will include an overarching 3 year financial strategy. The Strategy will address the financial plans of the Authority in consideration of asset management ,ICT, risk management and investment strategies to include the impact of borrowing in 2010/11.

### **4. Base budget information**

#### 4.1. The current budget book that was sent to all members in February 2007 includes the Base budget for 2008/09 and 2009/10. These budgets have been used as the starting point of the plan and the proposed pressures and savings will be included to form the new approved budget for 2008/09-2010/11.

#### 4.2. The base budget for 2008/09-2009/10 included a number of approved changes to the funding of services from the financial position of 2007/08. These included:

- Carry forward of additional costs of £640k due to the anticipated impact of single status implementation. The £640k includes the anticipated cost of pay protection for any employees affected by a reduction in salary

(£400k). The ongoing cost equates to £240k for the net impact of the implementation across the Council.

- Increase in the car parking charges by 10p (average increase) for 2008/09 and 2009/10.
- Savings in relation to delivering leisure services by alternative methods. (£100k)
- Identified savings in relation to providing services in an alternative way £248k

4.3. Following detailed costings of the impact of salary increments and vacant posts the current estimated net operating expenditure for revenue services is:

- Base Budget for 2008/09 £11.844m
- Base Budget for 2009/10 £11.824 m
- Base Budget 2010/11 £12.408m

4.4. Within this the following assumptions have been made for the main elements of the budget:

Pay awards	2.5% per annum (Note 1)
Utility costs	5.0% per annum
Business rates	5.00% per annum
Other costs	2.5% per annum
Government Grants	0% per annum (Note 4)
Investment interest	5. % per annum (Note 2)
Pension fund increase	Note 3
Vacancy Management	4.0%

Notes:

1. For the purposes of this exercise it has been assumed that a pay award of 2.5% will be given in 2008/09-2010/11
2. Investment interest for 2008/09-2010/11 has been included at starting 5.75% reducing to 4.75% in 2009/10. This is based on information obtained from the Councils fund managers as an appropriate level for investments during 2008/09.
3. The pension fund actuaries have assessed that in order to move toward a fully funded pension scheme within six years the rate would need to increase by incremental steps of 0.7% per annum to a maximum of 19.1% by 2010/11. Currently the employers rate is 17.1% which is the figure used in this report as the Council is due a revised revaluation from the County pension department.
4. Following the CSR review it is anticipated that the Council will receive no increase in grant from the Government.

- 4.5. Savings of 4% each year on the pay bill have been assumed through vacancy management. These savings will also be used to cover the costs of recruitment.

## **5. Budget Pressures**

- 5.1. Officers have identified a number of budget pressures that have either been deemed “unavoidable” or “high” priority. Unavoidable includes the ongoing effects of pressures during 2007/08 together with any corrections in the budget. A high priority is something that is in direct pursuit of the Council’s priorities. Each unavoidable and high pressure has a specific “funding request” schedule completed which reflects how the funding required meets the Council objectives.
- 5.2. A number of other budget pressures have been identified but these have been categorised as medium and low and do not form part of the financial projections. These are identified at Appendix B
- 5.3. A full list of budget pressures is included at Appendix A. The pressures have been shown on a departmental basis together with proposed savings per department. Those classified as unavoidable and high are included in the budget total:

## **6. Budget reductions**

- 6.1 The 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
- 6.2 The savings are shown in Appendix A on a departmental basis together with the pressures required for the service.

## **7. Investment Interest**

- 7.1 A critical element within the overall medium term financial plan is Investment Interest. Working alongside our fund managers we have looked at the projections with regard to investment interest and it is anticipated that a rate of return from 5.75% in early 2008/09 to 5.25% towards the end of the financial year will be achieved. This will reduce to 4.75% in 2009/10 and zero in 2010/11 if the capital programme is approved as the Council will be in a position of borrowing from 2010/11.
- 7.2 The proposed Capital Programme will be funded by existing resources until 2009/10. Detailed work is being undertaken to be presented to the Cabinet meeting in January in relation to the funding options available to the Council from 2010/1.

## **8. Overall Position**

- 8.1 Based on the assumptions and the proposed pressures and savings the estimated position for each of the three years is as follows:

	<b>2008/09 £'000</b>	<b>2009/10 £'000</b>	<b>2010/11 £'000</b>
Base cost of General Fund Services	11,975	11,477	11,938
Pressures	1,769	2,369	2,362
Savings	-1,344	-1,744	-1,756
Investment Income	-426	-145	
Recharge to capital programme	-130	-133	-136
Net operating expenditure	11,844	11,824	12,408
Transfer from (-) to balances	-463	200	200
Government Grant	-4825	-4921	-4921
Assumed Council Tax @ 4.99%	-6572	-6969	-7317
Overall Shortfall	-16	134	370

- 8.2 The Council is to set a balanced budget for 2007/08-2009/10 and therefore will have to approve further savings, increase income or reduce high pressures for 2009/10 and 2010/11. Any additional spending, over and above the pressures identified above, would also need to be funded by additional savings.

## **9. Balances**

- 9.1 The current projected level of balances at 31.03.08 is £1.043m assuming all costs approved are spent. The level of balances can be utilised for one off costs and it is proposed that the funds required for any redundancy or early retirement costs are met from this area. The details of the costing of the potential redundancies will be presented to members at the January Cabinet meeting.

## **10. Fees and charges**

- 10.1 The financial plan 2008/09-2010/11 currently assumes a 2.5% increase in all income. In addition a 10p average increase in car park income has been included.
- 10.2 Currently budget holders are reviewing the volume of transactions and income received together with any other areas that could be chargeable.

## **11. Capital Programme**

- 11.1 The level for capital spend within the Authority is set at £1m per annum. As part of the 2007/08 review of the financial plan members approved a Capital Programme of £7.681m for 2008/09 which included the funding required for the spatial project of £5.793m. The approved Programme is shown at Appendix C together with the financial impact in 2010/11 of the rolling programme relating to the 10 year fleet replacement within Street Scene and Waste Management.

- 11.2 Officers have requested £60k of new funding as part this review of the financial plan into 2008/09. The details of the new bids are at Appendix D. The bids prioritised as medium or low are shown at Appendix E.
- 11.3 If Members approve the level of Capital Spend to 2010/11 the effect on capital receipts will be as follows:

	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Opening Balance	9.408	2.098	0.724
Used in Year	7.510	1.374	0.892
Received in year	0.200	0	0
Closing Balance	2.098	0.724	(0.168)

- 11.4 If all Capital Programme funding requests are approved there will be a need to fund £0.168m through borrowing in 2010/11. Officers are currently reviewing the financial impact of the most appropriate option for borrowing purposes.

## **12. Scrutiny and Consultation of Budget**

- 12.1 The budget proposals are to be presented to all members on 19<sup>th</sup> December and Scrutiny Committee on 8<sup>th</sup> January 2007.
- 12.2 The Council's detailed budget proposals will be subject to public consultation through two focus groups planned for 27 November and by placing the detailed budget on the Council's website with a series of questions contained in a feedback form (this second initiative will be supported by a press release). The Council's priorities, which are driving the budget process have already been subject to consultation through a focus groups over the last two years, through the Customer Panel, Together Bromsgrove and Street Theatre. The Equalities and Diversity Forum have also been asked to put forward a number of budget bids, which will also feed into the budget deliberations.

## **13. Other Issues**

- 13.1 In 2007/08 £300k was identified as saving to be achieved in 2008/09 as a result of the implementation of the Spatial project. The basis of the savings relied on the achievement of additional income in respect of Planning Delivery and Pendleton Grant, the sale of land searches and the achievement of software savings following implementation of the full project. As members are aware there has been a change to the main sub contractor in the last 2 months which has resulted in a delay in the full implementation of the project. In addition there has been a change to the criteria of obtaining both PDG and Pendleton Grant and it is assumed that the Council may not be in a position to receive these grants in the future. The pressures associated with the non delivery of these savings have been included in the Appendix and Heads of Service have proposed alternative savings to meet these targets.
- 13.2 Currently Heads of Service are undertaking a feasibility study with regard to Phase 2 of the Spatial Project. This feasibility study will identify what

improvements can be made both in terms of improvements to services and operational efficiencies (including the level of savings that need to be achieved to justify the level of expenditure on Phase 2). The budget projections include initial estimates with regard to savings that can be achieved.

#### **14. FINANCIAL IMPLICATIONS**

14.1 None other than those included in the report.

#### **15. LEGAL IMPLICATIONS**

15.1 Section 188 of the Trade Union and Labour Relations (Consolidation) Act 1992 provides that where an employer proposes to make 20 or more employees redundant at one establishment within 90 days he must consult all the representatives of any of the employees who may be dismissed. Consultation must begin in “good time” and in any event at least 30 days before the first dismissal takes place. This consultation must include consultation about ways of avoiding the dismissals, reducing the number of employees to be dismissed and mitigating the consequences of the potential dismissals.

By virtue of the S188 requirements, an employer must, for the purposes of consultation, provide employees’ representatives with certain information in writing. If the employer fails to comply with these consultation obligations an Employment Tribunal has the power to require him to make protective awards equal to 90 days pay to each of the employees. A trade union may also bring a claim against the employer.

The Secretary of State for the Department for Business Enterprise and Regulatory Reform (formerly the DTI) must also be notified if the employer is considering making 20 employees or more redundant.

#### **16. CORPORATE OBJECTIVES**

16.1 The delivery of a balanced budget demonstrates the Councils ability to fund objectives and priorities within a reasonable level of increase to residents.

#### **17. RISK MANAGEMENT**

17.1 The main risks associated with the details included in this report are:

17.1.1 Non compliance with the statutory deadlines to set a balanced budget.

17.1.2 No formal consultation undertaken with the public

17.1.3 Poor use of resources scoring in relation to consideration of the budget

17.1.4 Failure to carry out statutory consultation requirements with the Department for Business Enterprise and Regulatory Reform (BERR), recognised trade unions, and individual employees in respect of posts being considered for redundancy before the final budget decisions are made. Failure to enter into such consultation could lead to employment

tribunal claims for failure to ensure proper consultation arrangements which in turn could lead to the awarding of financial compensation to both individuals and the trade unions.

17.2 These risks are being managed as follows:

17.2.1 Non compliance with statutory deadlines

Risk Register: Financial Services  
Key Objective Ref.: 6  
Key Objective: Effective and Efficient Accountancy Service

17.2.2 No formal consultation undertaken with the public

Risk Register: Financial Services  
Key Objective Ref.: 6  
Key Objective: Effective and Efficient Accountancy Service

17.2.3 Poor use of resources scoring in relation to consideration of the budget

Risk Register: Financial Services  
Key Objective Ref.: 6  
Key Objective: Effective and Efficient Accountancy Service

17.3 Key actions and controls to manage these risks include:

- Detailed timetable in place to manage the budget process with departments and accountancy support
- Allocation of qualified and professional staff to focus on budget setting accounts
- Regular updates at Corporate Management Team in relation to budget processes
- Formal consultation in place with unions and individual employees
- Formal consultation with customer panel via SNAP in place

## **18. CUSTOMER IMPLICATIONS**

18.1 The consideration of the current position of the budget will give the public an opportunity to comment on the proposals which will be reported back to Council at the meeting in January. The setting of the budget against the Corporate Priorities will ensure that the Council demonstrates to the customer that we have aligned our resources to the key services required.

## **19. OTHER IMPLICATIONS**

### **Personnel Implications**

In the spirit of developing and maintaining an open and positive industrial relations environment, the Chief Executive, Head of Financial Services and Head of Human Resource and Organisational Development have met



with the unions to begin the necessary consultation process. Consultation with all potentially affected employees has also begun, and notification to the Secretary of State is being put in place. As a matter of courtesy and best practice, all individual employees who are affected by these budget proposals have been made aware of how the proposals may affect them personally in advance of this report becoming public.

The effect of the proposals as they currently stand is that 36 posts are to be considered for redundancy in order to ensure that the budget is aligned to the Council's priorities. 3 of those posts are vacancies and therefore do not present threats of redundancy to any particular employees, 8 represent individuals who have already volunteered to leave the Council's employment and 3 represent jobs which are to be reshaped and which it should be possible to retain the existing job holder in post..

Representatives from the Corporate Management Team will continue to meet with the recognised trade unions in order to continue to facilitate an effective consultation process in the lead up to Council setting its budget on 16<sup>th</sup> January 2008.

As part of our strategy for minimising the possible effect of the budget proposals for 2008/9 and the medium term financial plan upon jobs, it has been agreed with the trade unions that a letter seeking expressions of interest for voluntary redundancy/early retirement will be issued to all employees of the Council. The Corporate Management Team will also consider every vacancy as it arises in order to maximise the potential for redeployment of any employee who may find that their current post is made redundant as a result of these budget proposals.

Conversely, by way of a conscious decision to respond to some of the comments by the CPA Inspectors and to demonstrate that the Council is prepared to redirect resources into the Council's priority areas, the Corporate Management Team is also proposing to increase staffing resources in a number of areas. Any new posts which are approved as part of the budget process will be considered as potential redeployment opportunities for any employee who may be at risk in order to minimise the potential number of compulsory redundancies.

Procurement Issues N/A
Governance/Performance Management N/A
Community Safety including Section 17 of Crime and Disorder Act 1998 N/A
Policy N/A
Environmental N/A
Equalities and Diversity N/A

## **20. OTHERS CONSULTED ON THE REPORT**

Portfolio Holder	<b>Yes</b>
Chief Executive	<b>Yes</b>
Corporate Director (Services)	<b>Yes</b>
Assistant Chief Executive	<b>Yes</b>
Head of Service	<b>Yes</b>
Head of Financial Services	<b>Yes</b>
Head of Legal & Democratic Services	<b>Yes</b>
Head of Organisational Development & HR	<b>Yes</b>
Corporate Procurement Team	<b>Yes</b>

## **21. APPENDICES**

Appendix A – Pressures and Savings  
Appendix B – Pressures – medium & low priority  
Appendix C – Capital Programme – approved and rolling programme  
Appendix D – Capital Programme – high priority funding requests  
Appendix E – Capital Programme – medium & low priority funding requests

## **22. BACKGROUND PAPERS**

Budget timetable  
Detailed budget working papers

## **CONTACT OFFICER**

Name: Jayne Pickering  
E Mail: [j.pickering@bromsgrove.gov.uk](mailto:j.pickering@bromsgrove.gov.uk)  
Tel: (01527) 881207