

BROMSGROVE DISTRICT COUNCIL

CABINET

5th FEBRUARY 2014

MEDIUM TERM FINANCIAL PLAN 2014/15 – 2016/17

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 2014/15- 2016/17.

2. RECOMMENDATIONS

- 2.1 **Cabinet is asked to note the current position for 2014/15-2016/17 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 Government Grant Settlement
 - Changes to welfare reform and the impact on the Council from residents service need
 - Cuts to County Council Funding
 - Transfer from Housing Benefit to Universal Credit
 - Impact of any reduction in Business Rates
 - 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

- 3.5 As Members are aware there has been a significant reduction in Central Government funding over the last 4 years. The level of grant for 2014/15 is £495k less than 2013/14 (13% cut) with a further £498k reduction proposed for 2015/16.
- 3.6 From April 2013 part of the Government Grant contains this council's share of localised business rates. For 2014/15 this amounts to £1.5m. If business rates grow above the governments assessed baseline, then this council keeps a proportion of this funding. The opposite applies for any losses with the Council having to repay some of its formula funding.
- 3.7 The Council joined a business rates pool with a number of Councils in the Greater Birmingham and Solihull LEP to mitigate against the risk of having to repay grant funding or major losses.
- 3.8 The long term effect of the localisation of business rates and the benefits of being a member of the pool are still uncertain and will be reviewed annually. The treatment of appeals relating to years prior to the commencement of the Business Rates localisation are payable by the Council and work is ongoing with the valuation office to assess the impact of these appeals on the budget position.
- 3.9 For the purposes of the Financial Plan period future years business rates performance is assumed to be at the baseline level, adjusted to reflect any projected surpluses or losses to the position.

New Homes Bonus

- 3.10 The Council received New Homes Bonus in the current year of £687k. It is prudent to assume that in future years that this figure will increase as a result of additional houses being developed together with the assumed increase in taxbase of 0.5% per annum. This would raise an estimated £950k in 2014/15 and by 2016/17 it is estimated that the Council would benefit by £1.2m of New Homes Bonus.
- 3.11 As agreed in the current financial plan any income received from New Homes Bonus grant will be utilised to offset the pressures facing the Council.

Council Tax

- 3.9 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.
- 3.10 As Members may be aware the Government has offered a 1% Council Tax Freeze grant to enable Councils to not increase Council Tax for 2014/15. This would generate approximately £60k for 2014/15 which would be lost once the grant is removed in 2016/17. The increase currently included in the financial planning proposal is 1.9% which will realise over £120k pa and will provide an increase to the base each year.

Transformation

- 3.11 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.
- 3.12 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.
- 3.13 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.

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

3.15 Officers have also identified a number of budget pressures that have either been deemed “unavoidable”. Unavoidable includes the ongoing effects of pressures identified during 2013/14 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 2 and include :

- Reduction in funding from other agencies for the delivery of Council services. These include
 - Worcestershire County Council – reduction in funding for the customer service centre £25k
 - Worcestershire County Council – reduction in funding for the Essential Living Fund £60k
 - Worcestershire County Council – potential withdrawal of contract for Lifeline Contract £31k
 - DWP – cut in grant funding associated with the administration of Housing Benefit £27k
- Additional pension costs resulting from the new assessment (£54k)
- Additional one year accommodation costs to be offset by future savings on the move to Parkside School (£130k)
- Costs associated with the Independent Electoral Registration (£17k)
- Shortfall on income due to reduction in take up of services (£17k)

Financial Position

3.16 The current summary position below 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 2014/15 & 2015/16
- 3% increase in fees and charges (where appropriate)

BROMSGROVE DISTRICT COUNCIL

CABINET

5th FEBRUARY 2014

- Potential costs of the development of Parkside with the County Council
- Potential costs of a new Leisure Centre of £11.5m 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

3.17 The revised position is shown below.

	2014-15	2015-16	2016-17
	£000	£000	£000
Departmental Expenditure	11,590	11,457	11,233
Unavoidable Pressures	353	210	232
Bids	194		0
Savings identified	-643	-400	0
Net Service Expenditure	11,494	11,267	11,465
Investment Income	-58	-58	-58
Cost of Borrowing	283	726	1,008
Recharge to Capital Programme	-25	-25	-25
Net Operating Expenditure	11,694	11,910	12,390
Funding from balances	-251	-326	-518
Revenue Support Grant	-1,716	-1,175	-893
Business Rates Retention	-1,555	-1,598	-1,598
Business Rates Growth	-176	-176	-176
Funding from Reserves (re Essential Living Fund)	-60		
New Homes Bonus	-950	-1,076	-1,202
Collection Fund Surplus (Council Tax)	-98	0	0
Council Tax - based on 1.9%	-6,832	-6,993	-7,157
Funding Total	-11,638	-11,344	-11,544
Shortfall	56	566	846

Appendix 1 details the revenue bids that have been requested to support the delivery of strategic purposes over the next 3 years.

Savings currently identified at Appendix 3 include :

- Savings resulting from transformational redesign of systems and services of £495k
- General underspends offered up as future savings £123k
- Additional income received for services delivered £55k

- 3.23 The Council is to set a balanced budget for 2014/15 – 2016/17 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 £3m. This level of balances are in excess of the £1.1m as approved by members as the required level in the current climate. The £3m will not provide sufficient funds to support the shortfall currently projected over the 3 years and therefore officers will continue to review their budgets to mitigate the financial risk to the Council.

Legal Implications

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

Service / Operational Implications

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

Customer / Equalities and Diversity Implications

- 3.27 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

BROMSGROVE DISTRICT COUNCIL

CABINET

5th FEBRUARY 2014

Members to enable proactive action being undertaken to address any areas of concern.

5. APPENDICES

Appendix 1 – Revenue Bids 2014/15 – 2016/17
Appendix 2 – Unavoidable Pressures 2014/15 – 2016/17
Appendix 3 – Revenue Savings 2014/15 – 2016/17

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