
MEDIUM TERM FINANCIAL PLAN 2015/16 – 2017/18

Relevant Portfolio Holder	Michael Webb
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 2015/16 – 2017/18.

2. RECOMMENDATIONS

- 2.1 **The Overview & Scrutiny Board are asked to note the report.**

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. The plan addresses how the Council will provide financial funding to the Strategic Purposes and ensure residents receive quality services to meet their needs in the future. The Purposes that drive the financial considerations are:
- Help me find somewhere to live in my locality
 - Provide good things for me to see, do and visit
 - Help me live my life independently
 - Help me run a successful business
 - Help me be financially independent
 - Keep my place safe and looking good
- 3.2 When reviewing the budget projections 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 continue to be considerable 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
- Continued reduction in Government Grant

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 The provisional settlement that was received recently by the Council for 2015/16 was as indicated previously at £2.814m. However this confirms the £500k reduction in the grant allocated for 2014/15. The grant includes a number of allocations that were previously received as separate funding streams and therefore the cut is across all funding received by Central Government.

3.6 Forecasting Government funding beyond 2015/16 is challenging, the key issue will be the outcome of the next Comprehensive Spending Review (CSR), due for publication after the General Election in May 2015. Recent Government and opposition announcements indicate that the austerity measures are set to continue into future years, in line with the Government's objective of achieving a budget surplus. Further estimated reductions on Formula Grant are therefore factored into the MTFP, in line with previous estimates.

3.7 The new localised regime on Business Rates (BR) took effect in April 2013. Bromsgrove is part of the Greater Birmingham and Solihull Business Rates Pool, set up as a mechanism to retain more BR growth funding within the area, and to manage risk on BR losses on a shared basis.

3.8 In the first year of this new regime, all members of the pool benefited financially from being in the pool. A net £750k growth levy was retained in the area which would have been returned to Central Government and following allocation of £307k to the LEP Growth Fund and payment of a Safety Net contribution to one of the Councils Bromsgrove gained £23k from the pool which has been included as an income to offset the budget in 2015/16. This is higher than the comparable income that would have been available from the Worcestershire Pool.

New Homes Bonus

3.9 The Council has received notification that the New Homes Bonus (NHB) total grant for 2015/16 will be £1.298m. This includes the

2015/16 grant of £348k which is significantly higher than the £126k included in the original budget estimates. This is due to the number of properties in the District increasing during 2014/15. A review of future years has been made and additional properties have been included in the medium term plan calculations. The Finance team will work more closely with Planning in the future to ensure that a more accurate estimate is used for projections.

3.10 As Members are aware all income received from New Homes Bonus grant is currently used within the General Funds of the Council and is utilised to offset the pressures facing the Council over the medium term. The petition to Council in April 2014 requested members look at the opportunity of allocating New Homes Bonus to the communities that were affected by housing growth.

3.11 A report to Cabinet on 7th January set out the considerations of the cross party New Homes Bonus Working Group and the recommendation to establish a scheme for allocation of funds. At present no funding level has been decided and therefore the budget projections have retained all NHB income in the general budget. This will be adjusted once a percentage allocation / amount has been proposed by Members.

Council Tax

3.12 To ensure that necessary levels of funding are available given the large reductions in government grant highlighted above, the 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.

3.13 The government have offered a grant equivalent to a 1% rise in Council Tax for 2015/16 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 1.9% in 2015/16). The budget projections include an increase of 1.9% each year.

Transformation

3.14 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.

- 3.15 Members will be aware of the recent review to the provision of some services across a locality /place and the significant savings that have been identified whilst improving and enhancing the services to the community. In addition the work across customer services and departments continues to develop to ensure that an expert is on hand to support our residents.
- 3.16 Officers are focused on reducing costs of services that do not provide front line services to support the Strategic Purposes and will continue to drive out waste and redesign provision to reduce costs.

Budget Projections

- 3.17 There are a number of projections included within the budget that require consideration by Members;

Artrix

- 3.18 The Artrix has been funded since 2005 by the Council with funding of £120k pa as part of a 10 year funding arrangement. This agreement expires on 31st March 2015. As part of the 3 year budget review approved by Council in February 2013 there was a proposed grant to the Artrix of £60k pa to enable the services to be supported in the future. Officers at the Artrix have raised concerns that this level of funding could have a detrimental impact on the delivery of services to the community and may reduce their ability to continue some outreach services across the District. Officers have reviewed the position and would propose that the £60k would provide sufficient funding for services delivered from the Artrix that support the Councils strategic purposes. Members are asked to consider this level of funding and recommend any revisions to this over the financial planning period. Following the final budget approval in February 2015 officers will prepare a service level agreement with the Artrix to detail services that will be delivered using the funding allocated.

Parish Council Grant

- 3.19 As Members will be aware in 2013/14 £52k was allocated by Central Government to mitigate the impact of the changes to Council Tax support for Parish Councils. Whilst there was no statutory duty for the District pass on the grant received, the Government intention was for the relevant proportion be allocated to Parish Councils to ensure their precept levels would be protected from any reduction in Tax Base arising from the changes to the Council Tax Discount funding.

Following approval by Council £40k of this was distributed to Parish Councils in 2013/14 to fund the actual impact arising from the changes. The remaining £12k was used to fund projects in non parished areas eg Town Centre bridge repairs.

- 3.20 In 2014/15 the Government stated that the parish grant would continue to be included in the Settlement but there would be no separate amount detailed to show the actual figure. An estimate of £45k (from the prior year £52k) was made to reflect the overall reduction in Grant Settlement for 2014/15 for the District. This figure represented the amount that would be due to Parish Councils to cover the shortfall in Council Tax income as a result of the changes to the Discount Scheme.
- 3.21 Members agreed at the February 2014 Council meeting that although the Government intention was to allocate the relevant proportion of the funds to the parishes, as this duty was not mandatory, the grant be shared equally across all Members to provide a ward members fund scheme (£1,155 per ward Member). There have been a small number of bids to the scheme over the last 3 months however it is worth noting that the administration of the scheme is more resource intensive than originally anticipated.
- 3.22 In 2015/16 the settlement received again includes an element (not specified separately) of funding to provide to parishes to mitigate the impact of the Council Tax Discount reductions. Using the similar basis of reduction in Government Grant it is reasonable to assume that this figure is approximately £38k which would include £30k of parish funding and a balance of £8k to provide general Council funding. There remains no formal duty to pass on this funding but the intention remains the same as in previous years in that the funds be allocated to Parishes. This amount is currently included in the budget estimates as an amount to be allocated within the additional costs on the summary table.
- 3.23 In order to enable Parish Councils to set their precepts within the statutory deadline Members are requested to consider how this funding be allocated for 2015/16 prior to the Council setting meeting in February. It is proposed that a recommendation be made to Council in January to ensure precepts can be prepared in time.
- 3.24 There are 3 options available to Members in allocating the grant received:
- Use all funding to support the General Fund. This would be contrary to the government's intention that part of the funding provided to local authorities in respect of localised tax support should be passed down to parish councils. This is an intention and is not part of legislative requirements.

- Continue with the current ward member fund scheme but review the administration of the scheme in particular the resource associated with approving and making payment against the grant if Members choose to make multiple applications to use the funds. As above this scheme is contrary to the initial intention of the scheme.
 - Allocate the estimated relevant proportion to the parishes of £30k and share the remaining £8k with the non parished areas. This would ensure that the intention of the grant is met and in addition provides funds for non parished areas.
- 3.25 Cabinet is asked to consider the options and make a recommendation to Council in January as to which allocation method should be in place for 2015/16.

Council Tax Support Scheme

- 3.26 The Council Tax Support Scheme is being presented to members at this meeting for consideration. An assumption of the additional income that may be received from a change to 80% support is included in the summary table below. Should Members not agree the implementation of the scheme the income would reduce and there would be pressure from our precepting bodies, County , Police and Fire to bridge the financial gap this causes.

Current Position

- 3.27 Officers have also identified a number of budget pressures that have either been deemed “unavoidable”. Unavoidable includes the ongoing effects of pressures identified during 2014/15 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 £62k resulting from a significant reduction in income from fixed penalty notices together with the impact of not increasing the charges in line with inflation (the initial budget included an element of inflationary increase)
 - Shortfall in garden waste income of £63k due to the increase in charge to £38 being less than the £45 originally anticipated
 - Reduction in funding from Worcestershire County Council in relation to funding for the customer service centre (HUB) of £26k.

- 3.28 In addition to the unavoidable pressures one revenue bid has been identified to continue to support the essential living fund which will no longer be supported from any external grant allocations. The bid is for £15k which will provide a minimum level of support to our residents who are in need of urgent financial support. In the last 2 years the funding received from County was £180k which was fully utilised. It has been confirmed recently by Central Government that this funding will not longer be made available separately and there is an expectation that Councils will fund any support from existing budgets.
- 3.29 Savings have been considered across the Council to ensure that front line services that add value to the residents are protected. The schedule at Appendix 2 details the savings proposed to include:
- Reviews with Customer Services / Fraud £95k
 - Place review – Environmental & Community Services £157k
 - Reduction in election costs as shared with General £60k

Financial Position

- 3.30 The current summary position at 3.22 includes the financial impact of the above in addition to the following assumptions:
- 2.2% pay award in relation to the National Agreement in place
 - General inflationary increases in relation to contract arrangements
 - A estimate of reduction for 2016/17 (10%) & 2017/18 (5%) in Central Government Grant
 - 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 £11.5m from 2016/17
 - An estimation of the New Homes Bonus income
 - Additional income estimated in relation to the Business Rates receivable by the Council

3.31 The revised position is shown below.

	2015/16 £'000	2016/17 £'000	2017/18 £'000
Base cost of General Fund Services	11,314	11,350	11,488
Additional costs re NI, Increments, Pension strain, Parish Grant	161	233	185

BROMSGROVE DISTRICT COUNCIL

OVERVIEW & SCRUTINY BOARD

21st JANUARY 2015

Pressures – High bids & unavoidable, income shortfalls	342	-140	-
Savings (quick wins, additional income, shared services, transformation)	-422	90	40
Borrowing to fund capital programme	342	976	1,281
Investment Income	-36	-24	-24
Recharge to capital programme	-25	-25	-25
Net operating expenditure	11,676	12,460	12,945
New Homes Bonus	-1,298	-1,554	-1,685
Funding From Balances	0	-441	-628
Business Rate Retention	-1,598	-1,598	-1,598
Net Business Rate Growth	-176	-176	-176
Government Grant	-1,220	-1,103	-992
Assumed Council Tax	-7,123	-7,157	-7,283
Overall Shortfall	261	431	583

3.24 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

3.25 The level of the general fund balance is currently £3.7m. As previously agreed over £1m will be used to support the first 2 years borrowing costs for the new Leisure Centre. The current level of balances is sufficient to cover the increased risks that will be placed upon the Council in the short term. However reliance on the balances is not sustainable in the longer term.

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 full details will be brought to the early February Cabinet for approval. The plan currently includes :

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

Legal Implications

3.28 In relation to the Parish Council Grant issue at 3.19, Members will be aware that the DCLG Minister Brandon Lewis wrote to local authorities in initially in January 2014 and again in February 2014 on the issue of localised council tax support. Specifically the minister reminded local authorities that it was the government's intention that part of the funding provided to local authorities in respect of localised tax support should be passed down to parish and town councils. Officers have considered the contents of the letter and the written ministerial statement made to Parliament on 5th February 2014. However, whilst the minister has articulated a view this does not have the effect of legally binding the Council to distribute the money to Parishes. To do this would have required the government to enact specific legislation which it did not do. Whilst the vast majority of local authorities have distributed the monies to parishes, there are a small minority of Councils (15 Councils in 2014/15 as reported by the National Association of Local Councils) who have chosen to proceed with alternative schemes.

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)
Appendix 2 – Savings Proposed

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