

BROMSGROVE DISTRICT COUNCIL

CABINET

4th FEBRUARY 2015

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 recommend the revenue budget for 2015/16 – 2017/18.

2. RECOMMENDATIONS

2.1 Cabinet is asked to recommend to Full Council

2.1.1 The approval of the revenue bids :

2015/16 – 2017/18

- £30k in relation to providing financial support under the Essential Living Fund framework

2015/16

- £23k in relation to providing support to economic development projects to be funded from the income received from the Greater Birmingham and Solihull Business Rates Pool

2.1.2 The approval of the unavoidable pressures as detailed at Appendix 1 of :

2015/16 £380k

2016/17 -Nil

2017/18 £45k

2.1.3 The approval of the savings as detailed at Appendix 2 of :

2015/16 £547k

2016/17 £222k

2017/18 £25k

2.1.4 The approval of the increase in Council Tax of 1.9% for 2015/16

2.1.5 An amount to be agreed in relation to funding from New Homes Bonus (NHB) to be allocated to the NHB Community Scheme

2.1.6 The release of balances of

2016/17 £59k

2017/18 £438k

2.1.7 The release of balances to meet the costs associated with the NHB allocation

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:

- Continued reduction in Government Grant
- 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

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 funding for use I 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 scheme for distribution of NHB funding was agreed at Cabinet and Full Council in January. At present no funding level has been decided and therefore the budget projections include all NHB income in the general budget. It is proposed that Members agree a percentage / value to be allocated during 2015/16 at this Cabinet meeting and that funding is released from balances to meet this requirement.

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. It is therefore proposed that the Council Tax is increase by 1.9% and this has been built into the projections.

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.

Current Position

3.17 Officers have also identified a number of budget pressures that have 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.
- Additional staffing resource within the Planning Service to meet demand

Building Control

As members are aware the Council currently hosts the Building Control Shared service which covers North Worcestershire. The service has been operating under this arrangement since December 2011. When the service was established the financial charging mechanism was based on the budget allocation that was passed over to Bromsgrove by each Council. A requirement of the legal agreement for the shared arrangement stated that the financial mechanism had to be reviewed to ensure that costs were being allocated on an activity basis rather than the initial budget method to reflect actual levels of service received rather than relying on historical budget information. An exercise has recently been undertaken and the resulting allocation as attached at Appendix 3 shows that Bromsgrove have a significantly higher proportion of applications and activity than Wyre Forest or Redditch Borough Councils. Therefore it is proposed that the partner share percentage is revised with effect from 1st April 2015. The resulting pressure for Bromsgrove is included within the unavoidable pressures on the Appendices to this report. The legal agreement will need to be updated to make reference to the outcome of the review and the change to partner contributions, including the negative financial impact on Bromsgrove, and these changes and any future changes will need to be incorporated into the original agreement. Officers propose that this is achieved by the parties signing a Variation Agreement.

3.18 In addition to the unavoidable pressures two revenue bids have been identified.

- **Essential Living Fund £30k** - to continue to support this fund which will no longer be supported from any external grant allocations. The bid is for £20k will enable the Council to continue to provide support to the most vulnerable residents, through the provision of:
 - Short term help to pay energy costs;
 - Emergency food, clothing or other essentials; and
 - Basic furniture and/or electrical goods where a critical need has been identified.

In the last 2 years the funding received from County via the Government was £180k which was fully utilised. There remains pressure on the Government to reinstate the funding and officers will advise Members should any additional funding be made available.

- **Economic Development Projects £23k** – as part of the pooling arrangement with Greater Birmingham and Solihull the Council received £23k in 2014/15 from the levy allocation. It is proposed that this fund be allocated to support Economic Development activities across the District.

3.19 Officers have spent time reviewing how services are delivered across the Council to ensure that waste is eliminated and services are redesigned to reduce cost whilst ensuring that front line services adding value to the residents are protected. The schedule at Appendix 2 details the savings proposed to include:

- Reviews with Customer Services / Fraud £126k
- Place review – Environmental & Community Services £144k
- Reduction in election costs as shared with General Election £60k

Financial Position

3.20 The current summary position at 3.21 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)

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- Borrowing costs for the development of Parkside with the County Council
- Borrowing costs of a new Leisure Centre of £11.5m from 2016/17
- Borrowing costs of new fleet and plant for the Depot Services
- An estimation of the New Homes Bonus income
- Additional growth income estimated in relation to the Business Rates receivable by the Council
- A new funding arrangement for the Artrix at £60k pa following the completion of the previous 10 year agreement

3.21 The revised position is shown below.

	2015-16 £000	2016-17 £000	2017-18 £000
Departmental Expenditure (Starting Position)	11,314	11,323	11,369
Exclude impact of one off savings / pressures		80	40
Additional re pay award / incremental progression	123	188	140
Bids	53		
Unavoidable Pressures (new in year)	380		45
Savings (new in year)	-547	-222	-25
Net Service Expenditure	11,323	11,369	11,569
Investment Income	-36	-24	-24
Cost of Borrowing	384	750	1,198
Recharge to Capital Programme	-26	-25	-25
Net Operating Expenditure	11,645	12,070	12,718
Funding of borrowing costs for Dolphin Centre from balances	-123	-331	-506
Revenue Support Grant	-1,190	-1,058	-947
Funding from Business Rate Pool	-23		
New Homes Bonus	-1,298	-1,554	-1,685
Collection Fund Surplus (Council Tax)	-127	-	-
Council Tax	-7,123	-7,294	-7,367
Funding Total	-11,645	-12,011	-12,280
Shortfall	0	59	438
Proposed Funding from balances	0	-59	-438
Final Position	0	0	0

- 3.22 It is proposed that there is a release from balances to meet the shortfalls in 2016/17 – 2017/18. In addition any funds allocated for the New Homes Bonus Scheme will be released from balances. This will ensure that the Council has a sustainable funding position over the 3 year financial plan but officers will continue to review services with the aim to redesign them to meet customer demand and reduce costs.

General Fund Balances

- 3.23 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 use of balances for 2016/17 and 2017/18 will reduce the level by a further £565k to £2.2m. The remaining level of balances will be 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.
- 3.24 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

- 3.25 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 majority of new schemes are funded from S106 and Reserves and therefore have no financial implications for the Council. The borrowing costs of the fleet replacement plan have been included in the projections and a schedule of all Capital projects will be reported to the next meeting of Cabinet to be included in the final budget approval report for 2015/16 – 2017/18.

Legal Implications

- 3.26 The Council has a statutory responsibility to set the level of Council Tax and a balanced budget for the following financial year. This will be presented to the next Cabinet and Council in late February 2015.

Service / Operational Implications

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

Customer / Equalities and Diversity Implications

- 3.28 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

Appendix 3 – Building Control Revised Allocation

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