

**BROMSGROVE DISTRICT COUNCIL**

**CABINET**

**25<sup>h</sup> FEBRUARY 2015**

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**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             | <b>All</b>                       |
| Ward Councillor Consulted  | None specific                    |

**1. SUMMARY OF PROPOSALS**

- 1.1 To enable to consider the final revenue position and the Capital Programme for 2015/16 – 2017/18.

**2. RECOMMENDATIONS**

**2.1 Cabinet is asked to recommend to Full Council**

- 2.1.1 The approval of the release from balances of :**  
2016/17 £136k  
2017/18 £137k

- 2.1.2 Approve the Capital Programme as attached at Appendix 1:**  
2015/16 £712k  
2016/17 £573k  
2017/18 £822k

- 2.1.3 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. 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. It was proposed at the Cabinet meeting on 4<sup>th</sup> February 2015 that 25% of the £348k new funding for 2015/16 be allocated towards the NHB Scheme. This would equate to £87k and would be funded from balances in 2015/16. The scheme would be reviewed on an annual basis and agreement reached on an annual basis as to how much would be allocated to the scheme.

**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. It was proposed at the Cabinet meeting on 4<sup>th</sup> February 2015 that the Council would freeze Council Tax for 2015/16 and accept the freeze grant from Government. The net cost of £63k for 2015/16, £136k for 2016/17 & 2017/18 would be funded from balances.

**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. The pressures were agreed at the Cabinet meeting of 4<sup>th</sup> February and included :
- 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
  - Additional costs relating to the review of charging for Building Control

3.18 In addition to the unavoidable pressures two revenue bids were agreed by Cabinet at 4<sup>th</sup> February.

- **Essential Living Fund £30k** - to provide funding for vulnerable members of the community when they need urgent financial support. County Council will provide match funding of £30k for 2015/16 and have recommended approval of £53k from a recent allocation from Central Government for welfare assistance and social care. This will enable funds of £113k to be made available for 2015/16.
- **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. Savings were agreed at the Cabinet meeting on 4<sup>th</sup> February and 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 final 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)
- Borrowing costs for the development of Parkside and the new Leisure Centre
- 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

**BROMSGROVE DISTRICT COUNCIL**

**CABINET**

**25<sup>h</sup> FEBRUARY 2015**

3.21 The revised position is shown below.

|   | <b>2015-16</b> | <b>2016-17</b> | <b>2017-18</b> |
|---|----------------|----------------|----------------|
|   | <b>£000</b>    | <b>£000</b>    | <b>£000</b>    |
| 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 )                                      | <b>-547</b>    | <b>-222</b>    | <b>-25</b>     |
|   |                |                |                |
| <b>Net Service Expenditure</b>                              | <b>11,323</b>  | <b>11,369</b>  | <b>11,569</b>  |
|   |                |                |                |
| Investment Income   | <b>-36</b>     | <b>-24</b>     | <b>-24</b>     |
| Cost of Borrowing   | 382            | 750            | 1,342          |
| Recharge to Capital Programme                               | <b>-26</b>     | <b>-25</b>     | <b>-25</b>     |
| <b>Net Operating Expenditure</b>                            | <b>11,643</b>  | <b>12,070</b>  | <b>12,862</b>  |
|   |                |                |                |
| Funding of borrowing costs for Dolphin Centre from balances | <b>-123</b>    | <b>-331</b>    | <b>-506</b>    |
| Revenue Support Grant                                       | <b>-1,190</b>  | <b>-1,058</b>  | <b>-947</b>    |
| Business Rates Retention (Baseline Funding)                 | <b>-1,585</b>  | <b>-1,598</b>  | <b>-1,598</b>  |
| Business Rates Growth                                       | <b>-176</b>    | <b>-176</b>    | <b>-176</b>    |
|   |                |                |                |
| Funding from Business Rate Pool                             | <b>-23</b>     |                |                |
| New Homes Bonus   | <b>-1,298</b>  | <b>-1,554</b>  | <b>-1,685</b>  |
| New Homes Bonus Community Scheme                            | 87             |                |                |
|   |                |                |                |
| Collection Fund Surplus (Council Tax)                       | <b>-127</b>    | -              | -              |
| Council Tax   | <b>-6,989</b>  | <b>-7,157</b>  | <b>-7,231</b>  |

## BROMSGROVE DISTRICT COUNCIL

**CABINET**

**25<sup>h</sup> FEBRUARY 2015**

|  |                |                |                |
|--|----------------|----------------|----------------|
| Council Tax Freeze Grant (1% 2015/16 only) | -69            |                |                |
| <b>Funding Total</b>                       | <b>-11,493</b> | <b>-11,874</b> | <b>-12,144</b> |
| Shortfall                                  | <b>150</b>     | <b>196</b>     | <b>718</b>     |
| Proposed Funding from balances             | <b>-150</b>    | <b>-196</b>    | <b>-718</b>    |
| <b>Final Position</b>                      | <b>0</b>       | <b>0</b>       | <b>0</b>       |

- 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 2015/16 - 2017/18 will reduce the level by a further £1m to £1.7m. 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 associated with any schemes not funded by grant or S106 have been factored into the summary statement. The Capital Programme is attached at Appendix 1 for consideration.

**Pay Policy**

- 3.26 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 2015 for the financial year 2015/16. 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**

- 3.27 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 (3.23).*

- 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 (3.23)*

- 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 3.23.*

- 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 .*

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

**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 – Capital Bids 2015/16 – 2017/18

Appendix 2 – Pay Policy 2015/16

**AUTHOR OF REPORT**

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