

## BROMSGROVE DISTRICT COUNCIL

### OVERVIEW AND SCRUTINY COMMITTEE

18<sup>th</sup> JANUARY 2016

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#### MEDIUM TERM FINANCIAL PLAN 2016/17 – 2018/19

Relevant Portfolio Holder	Geoff Denaro
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 Members to consider the impact of the financial settlement on Bromsgrove and the proposed budget pressures, savings and capital bids that have been put forward for the financial plan.

#### **2. RECOMMENDATIONS**

- 2.1 **The Committee is asked to consider the pressures and savings and capital bids and make any recommendations to Cabinet.**

#### **3. KEY ISSUES**

##### **Financial Implications**

- 3.1 The Council receives a proposed financial settlement on an annual basis from Central Government. Over the last few years the element of the funding allocated that relates to the Revenue Support Grant (RSG) has been reducing and the grant for 2015/16 is £1.229m.
- 3.2 Following announcements made in the Autumn Statement the Council was expecting this RSG to reduce to zero by the end of the Parliament ie 2019/20. Officers were considering plans to address this shortfall in revenue to ensure that a sustainable approach to the delivery of services was in place.
- 3.3 The Provisional Settlement was received on the 17<sup>th</sup> December and contained more detail on funding allocations. This confirms that Revenue Support Grant will disappear for Bromsgrove earlier than anticipated and will only be paid to the Council in 2016/17. It is worth mentioning that Bromsgrove is one of only 15 District Councils in the Country that have seen a the complete removal of RSG in the first year and officers are liaising with DCLG to fully understand the assumptions that have resulted in the Council seeing this impact in funding. It is clear that a new methodology for determining authorities' RSG allocations has been proposed within the provisional settlement. Rather than applying the same percentage cut to all authorities, the new approach takes into account individual authorities' council tax raising ability and the type of services provided. This is a significant

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change in the methodology and would appear to favour social services authorities, with significantly larger funding reductions for district councils. It reduces government funding assuming optimistic increases in housing growth and council tax increases and may prove to be unrealistic. Central government intend for local government to be able to spend the same level by the end of this Parliament in cash terms as it does today – therefore a real terms reduction.

3.4 Due to continued reductions to local government funding and a new methodology for applying the reductions (which has an adverse impact for higher taxbase authorities such as Bromsgrove) the authority's overall entitlement is actually lower the amount due to be retained from business rates. Therefore, Revenue Support Grant is now negative and as such the proposals include a repayment to Central Government from the Council with effect from 2017/18.

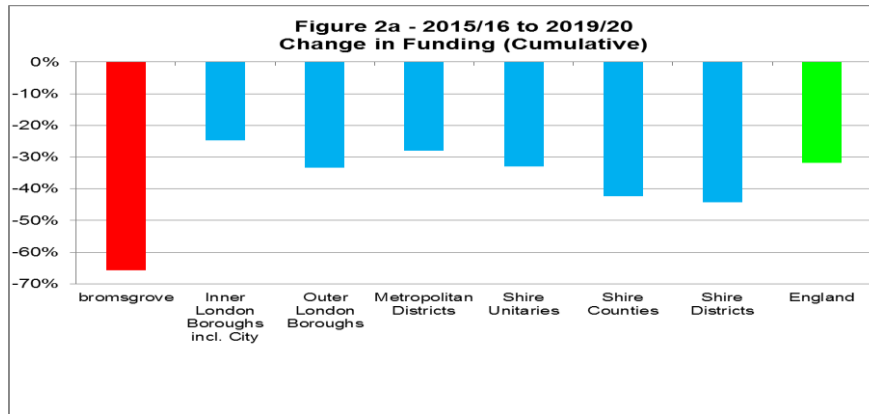
3.5 The table below reflects the RSG funding for 2015/16 & 2016/17 and the negative RSG for the following 3 years.

£000's	2015/16	2016/17	2017/18	2018/19	2019/20
Bromsgrove	1,229	560	-20	-360	-740
		(54%)	(-101%)	(-129%)	(-162%)

3.6 The following illustrates the impact of the settlement on council, the loss of RSG over the next 4 years up to and including 2019/20 compared to previous forecasts

Revenue Support Grant	Medium Term Financial Plan Assumption £'000	Settlement December 2015 £'000	Reduction £'000
2016/17	1,058	560	-498
2017/18	947	-20	-967
2018/19	450	-360	-810
2019/20	200	-740	-940
Total			<b>3,215</b>

3.7 The £3.2m shortfall in funding relates to that compared with the original budget assumptions. The graph below shows the impact of the significant funding reductions over the 4 year period for Bromsgrove compared to other Councils.



3.8 The other element of significant income to the Council is New Home Bonus. The Government have stated that this fund will continue on the current basis for 2016-17. The position beyond 2016-17 is not yet confirmed as it is subject to consultation although it will continue albeit on a reformed basis.

3.9 The level of New Homes Bonus for 2016/17 is £1.7m. Based on projections included within the consultation paper the following table shows the impact of the reductions in New Homes Bonus that may face the Council depending on the final scheme implemented.

£000's	2017/18	2018/19	2019/20	2020/21	Total
Bromsgrove	-542	-531	-523	-663	<b>-2,259</b>

3.10 The consultation also include proposals to reduce New Homes Bonus (NHB) where there is no local plan, where homes have been allowed on appeal or where the growth would have occurred anyway.

3.11 The consultation on what proposals for the move to 100% business rates retention may look like is expected to be issued in June 2016. The 27.5% reduction in Government grant for councils over the coming 4 years takes into account forecast business rates growth and is the average position: the reduction is expected to be greater for district councils because of the protection being given to social services authorities.

3.12 Other key elements of the Provisional Settlement and Autumn Statement so far as it relates to local government are:

- **A social care council tax 'precept'** of 2% will allow councils responsible for delivering adult social care such as Worcestershire County Council to raise up to £2 billion a year by 2019-20. Local authorities will be given this additional 2% flexibility on their current

council tax referendum threshold to be used entirely for adult social care. This is a new power for relevant councils to increase council tax to specifically pay towards social care in their areas;

- **An extra £1.5bn for the Better Care Fund** by the end of the Parliament – more information needed to understand the impact of this;
- The extension of **Small Business Rate Relief** to continue for another year – this is good news for local businesses and for our Business Rates Accounts;
- “Local authorities running education to become a thing of the past, delivering £600m savings to Education Services Grant”;
- Plans to build an additional 400,000 affordable homes by the end of the decade.
- An apprenticeship levy will be introduced in April 2017 at a rate of 0.5% of an employer’s pay bill, to deliver 3 million apprenticeship starts by 2020. This is estimated to cost this Council around £35k pa from 2017-18.
- Over £500 million by 2019-20 for the Disabled Facilities Grant to fund up to 85,000 housing adaptations pa. More detail on this proposal is needed to fully understand the impact of this change;
- **Homelessness** - increased funding of £10m available to invest in innovative ways of preventing and reducing homelessness. More detail on this proposal is needed to fully gauge the impact;
- Restrictions on **shared ownership** to be removed and planning system reformed to deliver more homes;
- **Real-terms protection for the police budget.**

3.13 Some further interesting points were included:

- Proposal to reform services and make them more efficient. A package of new flexibilities will be introduced to encourage local authorities to **release surplus assets**. Local authorities will be able to spend 100% of their fixed asset receipts investing in making services more efficient (local authorities currently hold £225 billion in assets). Under this guidance councils will be able to use new capital receipts from April 2016 to March 2019 to pay for the revenue set up costs of projects that are designed to make revenue savings. It will be for individual local authorities to decide if a project qualifies. In order to qualify, councils will be required to prepare an annual efficiency strategy listing all qualifying projects and this strategy, and any variations to it, will need to be approved by full council.
- It is proposed that the regime of referenda for “excessive” council tax increases will continue at the current rate of 2 percent. Council’s are asked to be mindful of prevailing inflation rates when considering increases and the DCLG have confirmed that there is no council tax freeze grant offer for 2016-17. This does not affect past allocations which are locked into the revenue settlement.

- 3.14 The impact of the settlement and in particular the speed that the RSG is reducing compared to that originally anticipated, together with the uncertainties around the New Homes Bonus funding will make it difficult to identify all the savings required to balance the financial position over the medium term.
- 3.15 As part of the budget considerations officer have proposed a number of financial pressures that they have raised as impacting on their ability to deliver their service against the proposed budgets for 2016/17. In addition they have proposed savings and capital bids for projects and replacement of equipment. As part of the capital programme considerations Members have put forward 3 bids for projects within their localities for Council consideration. All of the pressures, savings and capital proposals are included at Appendix 1.
- 3.16 Clearly the impact of the reduction in RSG and the proposed unavoidable pressures have resulted in a financial position that is worse than that originally anticipated of approximately £1.2m to the Council. Officers are working through reserves, prior year financial figures and revisiting the proposals to ensure that proposals can be presented to Members in February to agree a balanced budget for 2016/17.

**Service / Operational Implications**

- 3.17 The pressures as identified will ensure that services are delivered to the community. The additional cuts to RSG will need to be addressed to ensure that quality of service provision is maintained in the District.

**Customer / Equalities and Diversity Implications**

- 3.18 Effective Budget Scrutiny will ensure all of the community are represented through the budget process.

**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

Appendix 2 – Vehicle Replacement Programme

Appendix 3 – Capital Bid – Hagley Scouts ( more detailed background available)

Appendix 4 – Capital Bid – Hagley Chub ( more detailed background available)

Appendix 5 – Capital Bid – Wythall Car Park

Appendix 6 (i) & (ii) – Capital Bid – Barnt Green Toilet

Appendix 7 – Proposed Revenue Bids

Appendix 8 – Proposed Unavoidable Pressures

Appendix 9 – Proposed Revenue Savings

**AUTHOR OF REPORT**

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