

**BROMSGROVE DISTRICT COUNCIL**

**CABINET**

**3<sup>RD</sup> FEBRUARY 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 recommend the proposed budget for 2016/17 and to consider the impact of the financial settlement on the medium Term Financial Plan to 2018/19. .

**2. RECOMMENDATIONS**

**2.1 The Cabinet is asked to RECOMMEND ;**

- 2.1.1 The fees and charges for 2016/17 ( and garden waste for 2017/18) as detailed in Appendix 1
- 2.1.2 the savings and additional income for 2016/17 of £401k as detailed in Appendix 3
- 2.1.3 the unavoidable pressures for 2016/17 of £507k as detailed in Appendix 4
- 2.1.4 the Capital bids for 2016/17 of £280k as detailed in Appendix 5
- 2.1.5 the payment of Parish Council Grant for 2016/17 of £13,800
- 2.1.6 the increase in Council Tax for 2016/17 of 1.9%
- 2.1.7 the allocation of funding towards the Member Capital Locality Bids as detailed at Appendix 6

- 2.2 The Cabinet is asked to consider and comment on the future years Medium Term Financial Plan and approve the steps proposed to ensure the funding available meets the needs of the District over the next 3 years.

**3. KEY ISSUES**

**Financial Implications**

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- 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 £1.304m.
- 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 in late December and contained more detail on funding allocations. The funding allocations have changed from 2016/17 and the Revenue Support Grant is completely withdrawn in 2016/17 for Bromsgrove and the Council moves to returning funding to Central Government (negative grant) in 2017/18. By 2019/20 this refund is £740k.
- 3.4 In previous years the funding reductions have been calculated on the Business Rates Baseline together with the Revenue Support Grant. The Baseline Funding Level is the amount the Council retains from the £27m collected from Business Rates within the Borough. The following table shows the total funding received from Government in 2015/16.

<b>2015/16</b>	<b>£m</b>
Baseline Funding Level	1.585
Revenue Support Grant	1.304
<b>TOTAL FUNDING RECEIVED (Settlement Funding Assessment)</b>	<b>2.889</b>

- 3.5 From 2016/17, the Government has proposed changes to the way cuts are implemented. A new calculation called 'Core Funding' is to be used as the basis for reducing the funding given to the Council from Central Government. The Core Funding now includes the Council Tax Requirement (Council Tax Revenue) from 2015/16 together with the Settlement Funding Assessment ( as detailed in 3.4) .For Bromsgrove, the Core Funding was worth £9.879m in 2015/16.

<b>2015/16</b>	<b>£m</b>
Settlement Funding Assessment	2.889
Council Tax Requirement	6.990
<b>CORE FUNDING</b>	<b>9.879</b>

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- 3.6 It is proposed that between 2015/16 and 2019/20, uniform annual cuts are to be applied to each tier of local authorities' Core Funding. Over this four year period, the cumulative cut to lower tier services (District) will be 19.2%. This results in the new Core Funding Assessment to be £7.981.

	£m
Settlement Funding Assessment 2015/16	2.889
Council Tax Requirement 2015/16	6.990
Core Funding 2015/16	9.879
Cumulative Reduction	-19.2%
<b>CORE FUNDING 2019/20</b>	<b>7.981</b>

- 3.7 If Core funding for 2019/20 is £7.981m the Settlement Funding Assessment for Bromsgrove ( funding to be received from Government) is £0.991m. This is due to the income from Council Tax being taken as part of the Core Funding.

	£m
Core Funding 2019/20	7.981
Less - Council Tax Requirement	-6.990
<b>SETTLEMENT FUNDING ASSESSMENT</b>	<b>0.991</b>

- 3.8 Once the Settlement Funding Assessment falls below the amount the Council retains from Business Rates, which would equate to £1.731m in 2019/20, the Council is then in the position to return funding to Government. In 2019/20 this is assessed to be £740k.

	£m
Business Rates Baseline 2019/20	1.731
Settlement Funding Assessment 2019/20	0.991
<b>PAYMENT TO GOVERNMENT</b>	<b>0.740</b>

- 3.9 It is clear that this new methodology for determining authorities' Revenue Support Grant (RSG) allocations takes into account individual authorities' council tax raising ability and the type of services provided. This is a significant 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.

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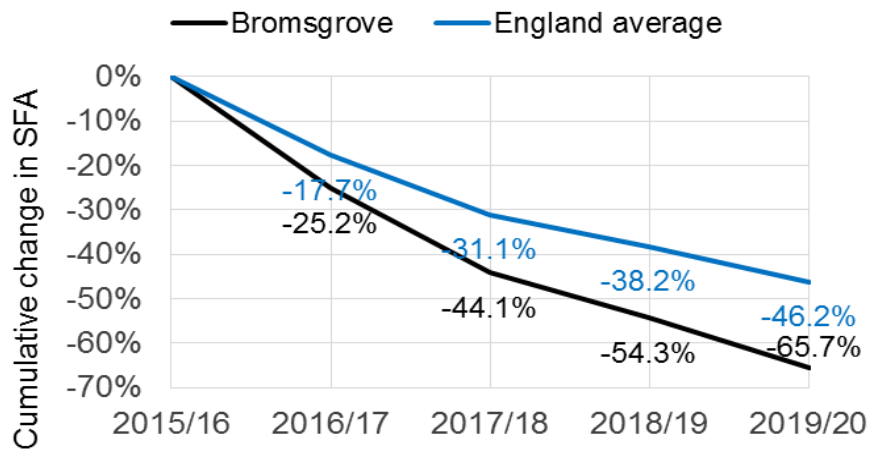
3.10 The table below reflects the reductions to RSG funding for Bromsgrove based on the Grant received in 2015/16 .

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

3.11 As Members are aware there were indications in the Summer that the RSG would be withdrawn in full over the next 4 years. An assessment had been made of this loss within the financial planning however the front loading of the grant had not been anticipated. 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.

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

3.12 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. Bromsgrove loses 65.7% of funding over the 4 year period and is one of only 15 Councils in the Country who lose the Revenue Support Grant in its entirety in 2016/17. The consultation responses sent to Government have raised significant concerns about this impact on the Councils financial position.



3.13 The Council Tax Discount Scheme funding which was included into the Revenue Support Grant in 2013/14 will also disappear and therefore all funding for Council Tax Support will have to be met by the District.

3.14 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. The financial plan assumes that the Community New Homes Bonus Scheme continues with 25% of new funding from the grant allocated to schemes in communities affected by growth. The allocation for 2016/17 is £101k (this increases to £124k when the current year's underspend is included).

3.15 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	2,259

3.16 The consultation also includes 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.

3.17 The consultation on what proposals for the move to 100% business rates retention may look like is expected to be issued in June 2016. This may be of benefit to Bromsgrove but with anticipated appeals on Business Rates and limited information available on the proposals it is difficult to assess the impact of the financial plan.

3.18 As part of the financial statement information there was confirmation that Councils could take up a four year deal to ensure stability across the financial plan. There was indication that an efficiency statement would have to be provided to secure this agreement but the details of format or monitoring arrangements of the efficiency arrangements have not yet been released. Further reports will be brought to members for consideration once the details are available.

3.19 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 £30k.
- 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.

3.20 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.

3.21 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.

3.22 A response to the proposed settlement has been sent by the Council and is attached at Appendix 2.

3.23 In light of the financial pressures facing the Council a full review of all expenditure and income generated has been undertaken by officers to ensure that only essential spend in delivering services is incurred which will give the Council the ability to increase balances to support the pressures over the next 4 years.

3.24 As part of this exercise officers have identified a number of financial unavoidable 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 or additional income generated and capital bids for projects and replacement of equipment.

3.25 The identified unavoidable pressures include:

- The financial cost associated with the increase in properties in the District and therefore the additional refuse staffing required
- Increases in costs of Microsoft licenses
- Shortfalls in income from garden waste from anticipated rural customers that have not materialised
- The cost associated with retaining the fraud team within the Council to support identification and prosecution of fraud for the remaining services to be undertaken by the

Council following the housing benefit fraud work being transferred to the DWP

- Increases in bank charges

3.26 The savings and additional income include:

- Additional income from planning applications anticipated to increase over the next 3 years
- General review by managers of all budgets to identify where expenditure budgets can be released to support the financial plan
- Removal of vacant posts where there is no impact on service delivery
- Funding from earmarked reserves of associated expenditure

3.27 The Capital bids proposed include:

- Purchase of a new refuse vehicle to address the additional demand on the service from the new properties in the District
- Replacement CCTV Cameras
- Continuation of the 10 year fleet replacement programme
- Funding to support economic regeneration of Rubery Centre

3.28 Following discussions at previous Council meetings an opportunity to propose Capital Bids was offered to Members and a number of projects have been put forward by Councillors. These are included at Appendix 5 and include:

- **Hagley Community Hub - £600k**

*Extract from bid - "The Community Hub (Chub) is a project to re-build Hagley Community centre to meet an urgent need to replace an out of date and deteriorating community building that is no longer fit for purpose and can only operate to a limited capacity. There is an opportunity to bring about a dynamic change to Hagley and its wider community and neighbourhood. The proposed Chub project aims to bring together the public and voluntary sectors under one roof; maintaining the popular Hagley playgroup, Hagley Theatre Group and well as the meeting hall, café and toilet facilities."*



- **Hagley Scout Hut - £100k**

Extract from bid – *“This project is for the essential rebuild of the Hagley Scout hut to meet existing waiting lists and to build a capacity in which significant growth from new development in Hagley and surrounding areas can be accommodated.*

*Without the rebuild and alterations the existing hut will continue to face extensive repair and maintenance costs particularly in view of the critical nature of the roof and the urgent need for it to be replaced. A vast number of children are already unlikely to find a vacant position when needed and will not have access to the Scouts or Guides; a situation which cannot be acceptable and will only lead to disengaged youths and lost opportunities for positive engagement.”*

- **Wythall Park – car park improvements - £75k**

Extract from bid – *“Wythall Park is the main recreational open space available to the residents of Wythall. The main car park is in desperate need of resurfacing. The surface is uneven and causes a potential health and safety risk. The markings are worn in places which makes management of the space difficult. The designated disabled spaces need to be increased and improved to allow easier access to the park and buildings. Lighting is poor”*

- **Barnt Green – new toilet facilities £52k**

Extract from bid – *“ To install public toilets at Barnt Green Millennium Park. A unisex pod toilet being fully automatic and disability compliant. Toilet to be free and open from 8am-6pm”*

There is further detailed information available to members in relation to the 2 Hagley bids. It is proposed that Members consider the bids and recommend any financial allocation as part of the final budget decisions.

3.29 As part of the budget projections the grant attributable to Parish Councils has been reduced by the same percentage as the Revenue Support Grant and therefore £13,800 is recommended to be paid to the Parishes with the remaining £7k to be utilised for projects in non-parished areas.

3.30 A further exercise has been undertaken on the potential to increase fees and charges following a previous decision that there would be no increase in 2016/17. Officers have reviewed the charges and the proposed increases are included at Appendix 1. It is worth noting that the fees and charges are rounded, in general, to the nearest 10p.

There are a number of increases that require further explanation as detailed below:

- Car Parking – the charges have not been increased to ensure that the economic development of the town does not have any detrimental impact from an increase in charges
- Garden Waste – the increase for 2017 requires approval during this budget round. The proposed increase for 2017 is £2 which equates to 5% increase on the current price of £40. The new charge will therefore be £42. This will take into account all associated increases in costs to the service including staffing and vehicle costs and will ensure the service continues to contribute to the financial position of the Council.
- Lifeline - installation charges have been increased to more accurately reflect the true cost of the service. The proposed fee of £35.00 is a reflection nearer to the true cost in officer time that it takes to complete an installation visit. There is more emphasis in that visit to profile our customers and find a holistic solution that meets their needs and sign post and refer on residents to other services where appropriate. This takes time and care and the charge remains up to 20% less than some other providers in the region. Officers will consider cases of hardship and utilise the Essential Living Fund to support anticipated shortfalls in funding required by customers.
- Council Tax Court Costs – there is specific guidance in relation to the charge that can be applied in relation to court costs. This has been followed and the associated increases are as a result of complying with the guidance.
- Taxi Licensing – new regulations are in place whereby a 3 and 5 year option has to be made available to drivers. The charge has to reflect one administration charge which is 30% of the current annual fee. Therefore the 3 and 5 year prices are calculated on this basis.
- Building Control - Improving on efforts to maintain and increase market share, a further reduction in the number of published building control fees is proposed. Increasing numbers of rival private sector firms have used the publication of local authority fees as a vehicle to increase their own market share. In 2014 / 2015 a number of more mainstream work categories had their published fees withdrawn in favour of providing site specific quotations. This revised way of working has now bedded in amongst both officers and

customers, many of whom are repeat customers and has proven to be beneficial. With the exception of the publication of archiving charges and the optional consultancy based hourly charge, it is now proposed to remove all the remaining published fees. The invitation to the customer to seek a site specific quotation is within the provisions of the Building (Local Authority Charges) Regulations 2010 and allows early contact with the customer to ensure the best possible chance of receiving a building regulations application. These final few work categories amount to around just 5% of fee earning applications. The increase in archiving and optional consultancy is to reflect the true cost to the Council of the administration time in delivering this service.

- 3.29 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 and officers have therefore considered all elements of funding to achieve a balanced budget for 2016/17. It is proposed that a number of actions are undertaken to achieve a balanced financial position over the financial plan period and reports will be presented to members during 2016/17 to identify how the shortfalls in future years can be met.
- 3.30 It is proposed that officers undertake a comprehensive exercise of mapping all demand that is met by the Council. This will involve an full analysis of the associated costs and the value to our residents and community in how we achieve the demand. This will enable the Council to address services across a matrix of cost / demand and value and to focus on those areas whereby high cost / low value/ low demand can be explored further. This would provide opportunities to work with other stakeholders or to enable the Council to decide if a service provided really gives value to both the Council and the community. It is anticipated that further savings and reductions in costs can be realised from this exercise.

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3.31 The 3 year financial summary, including the reductions in grant and the proposed pressures and savings is shown below;

<b>BROMSGROVE 2016/17-2018/19</b>				
	<b>Original 2016-17</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
	<b>£'000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Departmental Expenditure (Starting Position)	11,367	11,381	11,582	11,582
Incremental Progression/Inflation on Utilities		281	383	595
Unavoidables		507	525	531
Savings and Additional income		-401	-395	-393
Release of reserves no longer required		-553	-421	-222
Release of reserves to fund shortfall		-551		
<b>Net Service Expenditure</b>	<b>11,367</b>	<b>10,663</b>	<b>11,674</b>	<b>12,092</b>
Investment Income	-24	30	122	169
Cost of Borrowing	750	274	388	445
Recharge to Capital Programme	-25	-25	-25	-25
<b>Net Operating Expenditure</b>	<b>12,068</b>	<b>10,942</b>	<b>12,158</b>	<b>12,682</b>
Revenue Support Grant	-1,103	-560	20	360
Changes to Government Grant - Admin Subsidy		35	66	94
RSG to Parishes & Non Parished	45	21	0	0
Business Rates Retention (Baseline Funding)	-1,598	-1,600	-1,630	-1,680
Funding from Business Rate Growth	-174	0	-150	-150
New Homes Bonus	-1,554	-1,703	-1,703	-1,103
New Homes Bonus Community Scheme	0	101	79	83
Collection Fund Surplus (Council Tax)		-167	0	0
Council Tax	-7,157	-7,224	-7,426	-7,674
Proposed Funding from Balances	-331	0	-500	-500
<b>Funding Total</b>	<b>-11,872</b>	<b>-11,096</b>	<b>-11,243</b>	<b>-10,570</b>
Shortfall	<b>196</b>	<b>-154</b>	<b>914</b>	<b>2,111</b>

3.32 Subject to Members approval of any funding towards the locality bids that have been presented as included at Appendix 6 the position of balances will be an estimated £2.8m which is £1.7m above the minimum level as agreed by Council. Officers are continuing to work through the borrowing position for 2017/18-2019/20 and the potential business rates growth and will report any changes to the Cabinet meeting later in February.

**Service / Operational Implications**

- 3.33 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**

- 3.34 Undertaking a comprehensive review of the financial cost and the value of the demand on all the Councils services will ensure that all customers needs will be identified to enable members to make informed and considered judgements about the budget over the financial plan.

**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 – Proposed Fees and Charges 2016/17  
Appendix 2 - Response to Settlement  
Appendix 3 – Proposed Savings  
Appendix 4 – Proposed Unavoidable pressures  
Appendix 5 – Capital Bids  
Appendix 6 (i-v) – Member Locality Capital Bids

**AUTHOR OF REPORT**

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