

BROMSGROVE DISTRICT COUNCIL

CABINET

24TH FEBRUARY 2016

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	All
Ward Councillor Consulted	None specific

1. SUMMARY OF PROPOSALS

- 1.1 To enable Members to consider revisions to the Medium Term Financial Plan as previously reported to 3rd February Cabinet and to recommend the Council Tax resolutions and Pay Policy for 2016/17.

2. RECOMMENDATIONS

2.1 The Committee is asked to RECOMMEND ;

- 2.1.1 **Approval of the release from reserves of £849k in 2016/17**
- 2.1.2 **Approval of an increase Council Tax by £5 (2.5%) per Band D equivalent for 2016/17**
- 2.1.3 **Approval of the Pay Policy as attached at Appendix 1**
- 2.1.4 **Approve the Council Tax resolutions as included at Appendix 2**

3. KEY ISSUES

Financial Implications

- 3.1 As reported to the Cabinet 3rd February a balanced budget for 2016/17 had been recommended despite the significant cut in Government Grant funding. This was based on the proposed financial settlement as received in December 2015.
- 3.2 A request was sent by the Leader to appeal the settlement proposed and the final grant allocation was reported to the Council on 9th February 2016. This included a transitional grant allocation of £118k for both 2016/17 and £114k for 2017/18 to partially offset the impact of the cut in Revenue Support Grant. It is proposed that this funding is used to reduce the amount required from reserves to support the budget shortfall in 2016/17.
- 3.3 In addition all Shire Districts were given the flexibility to increase Council Tax by £5 per Band D equivalent property without the requirement to hold a referendum. This would be an increase to the

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residents of the District of 2.5% and would be an increase of approximately £1.20 (per Band D) per year than a 2% charge. The charge for the District Council services would be £205.24 per year for a Band D equivalent property. The income generated from the £5 charge would be approximately £43k and it is therefore proposed that this opportunity is taken for 2016/17 and the additional income is used to reduce the amount required from reserves to support the budget shortfall in 2016/17.

- 3.4 Taking into account the above additional revenue received the balances position will be increased from that anticipated when the provisional settlement was published. This will be subject to the draw down to fund the borrowing costs associated with the re-development of the new Dolphin Centre.

BALANCES	£m
B/Fwd 1.4.2015	4.274
Use in 2015/16 (per previous approvals)	0.556
Release of Balances to support 2017/18-2018/19 Budget	1.000
REMAINING BALANCES	2.718

- 3.5 It is assumed that further detailed information will be made available in the Summer in relation to the Business Rates Retention Scheme and this will be brought to members attention once it is published.
- 3.6 Members will also be aware that the Government are looking to reduce the funding for New Homes Bonus and have released a consultation paper to enable Councils to identify any concerns or identify alternatives to the proposed changes. The consultation is due back to Government on 10th March and will be sent to all Members for information prior to this deadline.

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- 3.7 The following table shows the final recommended budget for 2016/17 to include the transitional grant , Council Tax increase to £5 and the additional income from Council Tax identified.

	2016-17	2017-18	2018-19
	£000	£000	£000
Departmental Expenditure (Starting Position)	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	-222	-222
Release of reserves to fund shortfall	-296	-317	
Net Service Expenditure	10,918	11,556	12,092
Investment Income	93	122	169
Cost of Borrowing	274	394	458
Recharge to Capital Programme	-25	-25	-25
Net Operating Expenditure	11,260	12,047	12,694
Revenue Support Grant	-564	0	0
Changes to Government Grant - Admin Subsidy	35	66	94
RSG to Parishes & Non Parished	21	0	0
Transitional Grant	-118	-114	0
Business Rates Retention (Baseline Funding)	-1,599	-1,630	-1,678
Funding from Business Rate Growth	0	-150	-150
New Homes Bonus	-1,703	-1,703	-1,103
New Homes Bonus Community Scheme	101	79	83
Collection Fund Surplus (Council Tax)	-167	0	0
Council Tax	-7,266	-7,469	-7,718
Proposed Funding from Balances	0	-500	-500
Funding Total	-11,260	-11,421	-10,973
Shortfall	0	626	1,721

Service / Operational Implications

- 3.8 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.

Legal Implications

- 3.9 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 (3.4).

- 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 (3.4)

- d) The report should show the extent to which reserves are financing ongoing expenditure.

Section 151 Officer's comments: included in this report and that to Cabinet on 3rd February 2016

- 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 the report to Cabinet on 3rd February.

- 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

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- 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 .

Customer / Equalities and Diversity Implications

- 3.10 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 – Pay Policy 2016/17
Appendix 2 – Council Tax Resolutions

AUTHOR OF REPORT

Name: Jayne Pickering – Exec Director Finance and Resources

E Mail: j.pickering@bromsgroveandredditch.gov.uk

Tel: 01527-881400