

**BROMSGROVE DISTRICT COUNCIL**

**CABINET**

**1<sup>st</sup> FEBRUARY 2017**

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**MEDIUM TERM FINANCIAL PLAN 2017/18-2020/21**

|                            |                                  |
|----------------------------|----------------------------------|
| 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 to consider the final revenue position and the Capital Programme for 2017/18-2020/21.

**2. RECOMMENDATIONS**

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

**2.1.1 The approval of the return / release from balances of :**

**2017/18 £259k ( return)  
2018/19 £37k ( release)  
2019/20 £467k ( release)  
2020/21 £494k ( release)**

**2.1.2 Approve the additional income / efficiencies as attached at Appendix 2:**

**2017/18 £1.113m  
2018/19 £626k  
2019/20 £177k**

**2.1.3 Approve the Capital Programme bids as attached at Appendix 1:**

**2017/18 £289k  
2018/19 £46k  
2019/20 £1.108m**

**2.1.4 Approval of the Increase of Council Tax by £5 per Band D equivalent for 2017/18**

**2.1.5 That the budget savings and pressures for 2018/19 – 2020/21 are subject to change due to the potential impact of changes to service delivery and the localisation of Business Rates together with any changes to New Homes Bonus.**

**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. For 2017/18 a 4 year plan is proposed to 2020/21. 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 4 years.
- 3.3 As Members are aware there continue to be considerable pressures facing the Council over the next 4 years as a result of a number of issues including:
- Potential further reductions in New Homes Bonus Grant
  - Impact of Negative Revenue Support Grant
  - Impact of the Localisation of Business Rates scheme
  - 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.
- 3.5 **Settlement**
- 3.5.1 The provisional settlement was announced in mid December 2016. A number of issues were included within the information, including;
- Confirmation of continuing cuts to RSG
  - Updated Core Spending Power
  - Projections of Council Tax income increased on 2016/17 Settlement

- Additional flexibility on Social Care
- New approach to distributing New Homes Bonus
- Shift in funding from Lower to Upper Tier services in particular the creation of the Improved Better Care Funding
- Ability to increase Council Tax by 2% of £5, whichever is the greater, without triggering a referendum

3.5.2 However it is worth noting that there has been no clarification on the next stage of consultation on 100% Business Rate Reform. This is expected in the near future in 2017.

### **3.6 Revenue Support Grant**

3.6.1 This Council in common with virtually every other Council in the country signed up to the government offer of a four year funding settlement. This brought more certainty to the funding figures but not complete certainty or protection from changes to the funding levels as described below.

3.6.2 As Members are aware from previous reports the Revenue Support Grant for the Council was withdrawn from 2016/17 with 2 years of transitional grant being paid to reduce the impact of the income shortfall. A grant of £118k was paid in 2016/17 with £114k due in 2017/18.

3.6.3 Within the current projections there is an assumption that a repayment will be made to Government in 2019/20. This is due to the calculated core spending power for the Council being less than the estimated funding received. For 2019/20 the provisional settlement provides for a £750k repayment. Officers have projected that this will continue into 2020/21.

### **3.7 Business Rates**

3.7.1 For 2017/18 the government assessed baseline for business rates is £1.599m, if business rates grow above the baseline, then this council keeps a proportion of that funding. The opposite applies for any losses with the Council having to repay some of its formula funding.

### **3.8 New Homes Bonus (NHB)**

3.8.1 The amount of NHB for 2017/18 has been confirmed as £1.912m which is £210k more than anticipated in the MTFP.

3.8.2 The Government announced in the settlement figures a reduction in the number of years for which NHB payments are made from six to four. They also unexpectedly announced that NHB would not be paid for what they term as baseline growth, or housing growth that would

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happen naturally. This equates to a 0.4% levy that discounts 165 from the NHB calculation.

3.8.3 The Government also announced in the settlement that they expect to make further changes to NHB in future years. So not only can we expect significantly less than we would have earned, there is also increased risk to this funding stream in future years.

3.8.4 The MTFP will continue to be refreshed annually to take account of future changes in funding.

3.8.5 An assumption has been made that the Community Bid scheme will continue at a level of 25% per annum based on the additional New Homes Bonus payable for the year. For 2017/18 this equates to £144k.

### **3.9 Council Tax**

3.9.1 The Council will decide the level of the council tax for 2017/18 on 28 February. If the recommendations contained in this report are approved, the demand on the collection fund to meet the Council's own needs will be £7,580,550 representing a £5 increase on Band D Council Tax compared to the current financial year. The Council Tax relating to the Councils services will rise from £205.24 to £210.24.

### **3.10 General Fund**

3.10.1 The level of the general fund balance is currently £4.1m. Depending on the level of draw down from balances for 2016/17 it is anticipated that £3.5m will remain at 1st April 2017.

3.10.2 Should the budget be approved as included in the projections above the draw down over the 4 years will be £739k and therefore maintain £2.8m for future use. The projected budget proposed draw down is £1.3m less than was originally included in the Efficiency Plan.

### **3.11 Collection Fund**

3.11.1 The collection fund has a declared surplus of £537k as at March 2017 which will be distributed amongst the major preceptors using the prescribed formulae. This Councils share of the surplus payable as a one off sum is £88k.

### **3.12 Precepts**

3.12.1 The precepts from Worcestershire County Council, the Hereford and Worcester Combined Fire Authority, and the West Mercia Police Authority have not yet been received. The precepting bodies have until 28 February to provide this information, which will be needed to enable

the Council to make its formal decisions. Precept notifications have been received from all of the parish and town councils.

**3.13 Capital Programme**

3.13.1 The Capital Programme has been extended to a 4 year rolling and officers are currently working to ensure that the level of expenditure falls within the current estimated project allocation. Those schemes that are funded from S106 are not included in this report as they have already been approved during the legal agreements, however they will form part of the final programme as reported to members later this month. The borrowing costs associated with any schemes have been factored into the summary statement. The Capital Programme is attached at Appendix 3 for consideration.

**3.14 Efficiency Plan**

3.14.1 The Efficiency Plan as approved in October included a number of areas whereby the costs to the Council could be reduced in a number of ways. The following key themes were identified to enable officers to manage the shortfalls in funding:

- Identifying opportunities to increase income and growth
- Identify alternative models of delivery in the provision of services and to consider the most appropriate provider
- Identify further efficiency by continuing to drive waste out of services and reduce cost
- Continue to redesign services to provide quality support and service to the customer whilst releasing savings
- Assessing the value for money of service provided and demonstrating where resources can be realigned note 1
- Designing services across public and voluntary sector organisations to secure better outcomes and reduce overall spend
- Resetting future budget to meet prior years expenditure and income

3.14.2 The budget includes the delivery of the savings and income as identified in the Efficiency Plan. It should be noted that whilst annual savings have been included to meet those referred to in the plan there may be changes to funding and services delivered from 2018/19 that require alternative savings and income profiles to be delivered. Therefore further detailed reports will be presented to members advising of the relevant income and savings to be delivered.

**3.15 Current Position**

3.15.1 When proposing the budget officers have also identified a number of budget pressures that have been deemed “unavoidable”. Unavoidable includes the ongoing effects of pressures identified during 2016/17

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 and income shortfalls are :

- Shortfall in income from Land Charges due to a reduction in demand on the service £50k
- Cost of Licenses for Smartphones and ipads to ensure that officers have appropriate resources to undertake their roles
- Unavoidable cost increases from Microsoft for licenses. Whilst this increase is marginal in 2017/18-2018/19, it increases to £108k in 2020/21 and is therefore factored into the budget projections

3.15.2 In addition to the unavoidable pressures a revenue bid has been proposed to provide funding for St Bazils Foyer to enable them to continue to provide 24 hour support for vulnerable young people.

3.15.3 In addition to Heads of Service proposed savings there have been a number of suggestions from staff in relation to efficiencies and income that could be realised. These are currently under review and will be presented to the member finance working group and Cabinet at a future meeting.

### **3.16 Financial Position**

3.16.1 The final summary position at Appendix 1 includes the financial impact of the above in addition to the following assumptions:

- 1% pay award in relation to the National Agreement in place
- General inflationary increases in relation to contract arrangements
- Payment of “negative grant “ to the Government in 2019/20 and 2020/21 of £740kpa. This remains to be confirmed as part of the localisation of business rates implementation
- Increases as per the fees and charges proposals
- Borrowing costs
- An estimation of the New Homes Bonus income based on planning numbers
- Additional growth income estimated in relation to the Business Rates receivable by the Council

3.17 The Finance and Budget working group, as established by the Overview and Scrutiny Committee has met on a regular basis to review costs, fees and charges and the capital programme and have made a number of recommendations to Cabinet.

**3.18 Service / Operational Implications**

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

**Customer / Equalities and Diversity Implications**

3.19 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. Risks include:

- Reductions in government funding leading to a reduction in the level of services delivered to the public
- Reductions in business rates income as a result of appeals or reduction in the rateable value leading to a lower level of income for the Council.
- Identification of sufficient and ongoing revenue savings to deliver a balanced budget.
- Allocation of sufficient resources to meet the needs of service delivery and the Councils priorities.
- Maintain adequate revenue and capital balances as identified in the MTFP to ensure financial stability.

The regular financial monitoring by Officers and Cabinet will provide a framework to mitigate the above risks.

**5. APPENDICES**

Appendix 1 – Summary Position  
Appendix 2 – Additional income / Efficiencies  
Appendix 3 – Capital bids

**AUTHOR OF REPORT**

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