

BROMSGROVE DISTRICT COUNCIL

CABINET

7th FEBRUARY 2018

MEDIUM TERM FINANCIAL PLAN 2018/19 -2021/22

Relevant Portfolio Holder	Brian Cooper
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 to consider the final revenue position and the Capital Programme for 2018/19-2021/22.

2. RECOMMENDATIONS

2.1 Cabinet is asked to recommend to Full Council

- 2.1.1 Approve the additional income / efficiencies as attached at Appendix 1:**

**2018/19 £ 580k
2020/21 £ 53k
2021/22 £272k**

- 2.1.2 Approve the unavoidable pressures as attached at Appendix 2:**

**2018/19 £ 515k
2019/20 £ 3k**

- 2.1.3 Approve the Revenue bids as attached at Appendix 3:**

**2018/19 £165k
2019/20 £15k**

- 2.1.4 Approve the Capital Programme bids as attached at Appendix 4:**

**2018/19 £1.423m
2019/20 £1.109k
2020/21 £1.940m
2021/22 £1.245m**

- 2.1.5 The approval of the return / release from balances of :**

**2018/19 £ 16k (return to balances)
2019/20 £ 563k (transfer from balances)
2020/21 £ 494k (transfer from balances)
2021/22 £ 645k (transfer from balances)**

- 2.1.6 Approval of the Increase of Council Tax by 2.99% (£6.29 pa) per Band D equivalent for 2018/19**

- 2.1.7 That the budget savings and pressures for 2018/19-2021/22 are subject to change due to the potential impact of changes to service delivery and the localisation of Business Rates together with any future 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 2018/19 a 4 year plan is proposed to 2021/22. 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 currently estimated at £740k in 2019/20. There is a consultation paper expected on this in Spring 2018.
 - Impact of the Localisation of Business Rates scheme which is now deferred to 2020/21.
 - Impact of the fair funding review which is to be implemented in 2020/21.

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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 2017. A number of issues were included within the information, including;

- Local Government Funding Reform to be implemented in 2020/21. A Consultation paper to be published in Spring 2018.
- Advised that the Business Rates Baseline reset will be in 2020/21
- From 2020/21 all grants to be included in Business Rates Retention
- Council Tax – can increase Council Tax by 3% (previously 2%) without a referendum for both 2018/19 & 2019/20. This would increase Council Tax by approximately £47k.
- Business Rate Pilots – Worcestershire not approved as a pilot. Potential for further rounds of bidding. Therefore Bromsgrove will remain in GBS Pool for 2018/19
- No changes to New Homes Bonus
- Advised that there will be consultation in Spring 2018 in relation to “negative “ grant – currently £740k in 2019/20

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 transitional grant of £114k was paid in 2017/18 with no grant payable in 2018/19.

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 £740k repayment. Officers have projected that this will continue into 2021/22.

3.7 Business Rates

3.7.1 For 2018/19 the government assessed baseline for business rates is £1.680m, 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. It is anticipated that there will be a reset of business rates in 2020/21 which will absorb any growth and the Government has proposed that the changes to the Business Rates funding will be applicable from 2020/21, however no further details have been received on this.

3.8 New Homes Bonus (NHB)

3.8.1 The amount of NHB for 2018/19 has been confirmed as £1.643m which is £128k less than anticipated in the MTFP. This is due to the Band D equivalent properties being less than anticipated due to redevelopments not being delivered in the District. The 2018/19 income is £315k. The 0.4% levy on growth equated to 169 properties which would have generated approximately £217k additional income.

3.8.2 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.

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

3.8.4 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 2018/19 this equates to £79k.

3.9 Council Tax

3.9.1 Within the settlement the Government allowed Councils to increase Council Tax by up to 3% without the need for a referendum. The Council will decide the level of the council tax for 2018/19 on 21st February 2018. If the recommendations contained in this report are approved, the demand on the collection fund to meet the Council's own needs will be £7,910,079 representing a 2.99% (£6.29) increase on Band D Council Tax compared to the current financial year. The Council Tax relating to the Council's services will rise from £210.24 to £216.53.

3.10 General Fund

3.10.1 The level of the general fund balance is currently £4.2m. As part of the budget proposals for 2017/18 it was estimated that £279k would be returned to balances which would result in £4.5m remaining at 1st April 2018.

3.10.2 Should the budget be approved as included in the projections above the draw down over the 4 years will be £1.6m and therefore maintain £2.9m for future use. As members are aware a report will be presented in March to consider options and funding requirements for the replacement Sports Hall.

3.11 Collection Fund

3.11.1 The collection fund has a declared surplus of over £600k as at March 2017 which will be distributed amongst the major preceptors using the prescribed formulae. This Council's share of the surplus payable as a one off sum is £109k.

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. The borrowing costs associated with any schemes have been factored into the revenue summary statement. The Capital Programme is attached at Appendix 4 for consideration. There are detailed business cases available for all capital projects should members wish to consider them further.

3.14 Efficiency Plan

3.14.1 The Efficiency Plan as approved in October 2016 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. As reported in the 2017/18 budget proposal there may be changes to the way that the savings are delivered when officers have reviewed the plans. The savings for 2018/19 detail how the financial pressures affecting the Council will be realised.

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 2017/18 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 identified at Appendix 1

3.15.2 In addition to the unavoidable pressures revenue bids have been identified and included at Appendix 2. The main bid relates to £150k in relation to the ongoing transport assessment work that is being undertaken for the Council. This is a one year only request for 2018/19.

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 included at Appendix 3.

3.16 Financial Position

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

- 2% pay award in relation to the National Agreement in place. The initial budget was increased by 1% but the revised 2018/19-2019/20 takes into account the nationally proposed 2% increase for staff
- General inflationary increases in relation to contract arrangements
- An nationally set increase of 20% in planning fees that are to be utilised on investments and resourcing to the service.
- Payment of “negative grant” to the Government in 2019/20 - 2021/22 of £740k pa. This remains to be confirmed as part of the localisation of business rates implementation

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- Increases as per the fees and charges proposals
- Borrowing costs resulting from the capital programme
- 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
- Council Tax at 2.99% for 2018/19-2019/20 and £5 for 2020/21-2021/22
- Draw down of £327k of reserves relating to vehicles
- Assumed that £20m investment and acquisition will be made by 2021/22. A rate of return of 5.33% has been included in the budget projections. Members should be aware that the draw down from balances will increase should no investments be identified.

	2018-19	2019-20	2020-21	2021-22
	£000	£000	£000	£000
Departmental Expenditure (Starting Position)	10,583	10,558	10,695	10,719
Net adjustment for prior year one off savings / pressures		-27	-80	-53
Incremental Progression/Inflation on Utilities	202	161	157	177
Unavoidables	515	3	0	0
Revenue Bids/Revenue impact of capital bids	165	0	0	0
Savings and Additional income	-580	0	-53	-219
Transfer from reserves	-327	0	0	0
Release of reserves no longer required	0	0	0	0
Release of reserves to fund shortfall	0	0	0	0
Net Service Expenditure	10,558	10,695	10,719	10,624
Interest Payable	71	362	595	1,019
MRP (Principal)	497	570	809	1,067
Recharge to Capital Programme	-25	-25	-25	-25
Net Operating Expenditure	11,101	11,603	12,099	12,684
Revenue Support Grant	-0	-0	-0	-0
Admin Subsidy Grant Reduction	0	0	0	0
Transitional Grant	0	0	0	0
Business Rates Retention (Baseline Funding)	-1,622	-1,735	-1,735	-1,735
Tariff Adjustment - negative grant	0	740	740	740
Funding from Business Rate Growth	0	0	0	0
Section 31 Grant	0	0	0	0
Business Rates Deficit	0	0	0	0
Expected Levy Payment (net)	88	81	83	84
New Homes Bonus	-1,643	-1,610	-1,520	-1,260
New Homes Bonus Community Scheme	79	79	79	79
Collection Fund Surplus (Council Tax)	-109	0	0	0
Council Tax	-7,910	-8,328	-8,612	-8,881
Investment Income		-267	-640	-1,066
Proposed Funding from Balances	16	-563	-494	-645
Funding Total	-11,101	-11,602	-12,099	-12,684
Shortfall	0	0	-0	0

3.17 As the table above shows there is a shortfall from 2019/20-2021/22 to be found by savings and additional income. There is a projected

shortfall on New Homes Bonus over the period compared to that originally anticipated when last years 4 year plan was approved. This is due to less growth in the Band D properties than that already anticipated as housing developments have not commenced. It is proposed that there is a drawdown from balances to meet the shortfall as detailed at 3.10, however officers will continue to review costs and income to ensure the level of balances is retained at an appropriate level.

3.18 Over the last 12 months 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.

3.19 **Service / Operational Implications**

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

Customer / Equalities and Diversity Implications

3.20 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.

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5. APPENDICES

Appendix 1 – Additional income / Efficiencies

Appendix 2 – Unavoidable Pressures

Appendix 3 - Revenue Bids

Appendix 4 – Capital bids

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