

BROMSGROVE DISTRICT COUNCIL

OVERVIEW BOARD AND SCRUTINY BOARD

2ND DECEMBER 2008

MEDIUM TERM FINANCIAL PLAN 2009/10-2011/12

Responsible Portfolio Holder	Councillor Geoff Denaro
Responsible Head of Service	Jayne Pickering – Head of Financial Services

1. SUMMARY

- 1.1. To provide information to enable the Boards to review the current position on the medium term financial plan (revenue budgets) for 2009/10-2011/12 including the proposed pressures and savings. In addition a presentation will be delivered to the Boards at the meeting to summarise this report together with the position on the Capital Programme 2009/10-2011/12.

2. RECOMMENDATIONS

- 2.1. It is recommended that the Boards:
- 2.1.1 Consider the pressures as identified in Appendix A and recommend to Cabinet any changes in priority categorisation;
- 2.1.2 Consider the unavoidable pressures identified at Appendix B and recommend any changes to Cabinet;
- 2.1.3 Consider the savings identified at Appendix C; and
- 2.1.4 Consider the Capital Programme as included at Appendix D and E and the new bids as presented to the meeting and recommend any changes in scheme priority to Cabinet.

3. BACKGROUND

- 3.1. The Council on 16th January 2008 approved a medium term financial plan that included the Revenue and Capital budget requirements for 2009/10-2011/12.
- 3.2. The Capital Programme as approved by January was revised in September to reflect the changes to the planned programme as a result of delays in scheme commencement. The revised approved Programme is attached at Appendix D and the proposed "roll forward " of schemes from 2008/09 into 2009/10 are detailed in Appendix E.

- 3.3. On 1st October 2008 the Executive Cabinet noted the budget process and timetable to be followed to review the medium term financial plan for 2009/10-2011/12.
- 3.4. As part of the budget process Executive Cabinet proposed a streamlined set of 4 priorities against the Council objectives for focus of resources which were approved by Council on 17th September 2008. These were:
1. A Thriving Market Town
 2. Housing
 3. Sense of Community
 4. Street Scene and sustainability
- 3.5. The approved objectives and priorities have been used to drive the budget process as follows
- Budget pressures have only been proposed to members by senior management if they have been identified as unavoidable / or they are fundamental in achieving the Council's priorities.
 - Financial savings have been focused on more efficient working practices and alternative methods of service delivery
 - Disinvesting in non priority areas.
- 3.6 The Capital Programme bids for new schemes are currently under review by Heads of Service with the aim to reduce any impact of borrowing for the Council over the 3 year plan. These new bids will be presented to the Board as supplementary information at the meeting.
- 3.7 The current financial plan covers a period of 3 years. It is proposed that the final report to members will include an overarching 3 year financial strategy. The Strategy will address the financial plans of the Authority in consideration of asset management, ICT, risk management and investment strategies to include the impact of any potential borrowing.

4. BASE BUDGET INFORMATION

- 4.1. The current budget book that was sent to all members in February 2008 includes the Base budget for 2009/10 and 2010/11. These budgets have been used as the starting point of the plan and the proposed pressures and savings will be included to form the new approved budget for 2009/10-2011/12.
- 4.2. The base budget for 2009/10-2010/11 included a number of approved changes to the funding of services from the financial position of 2008/09. These included:
- Savings in relation to delivering leisure services by alternative methods. (£150k)
 - Income generated from the charging for the green waste service £400k

- Identified savings in relation to providing services in the planning department £170k
- Council Tax level to be 4.45% increase per annum

4.3. Based on the present pay structure excluding the impact of Job Evaluation but including assumptions for pay award and incremental increase the net expenditure is:

- Base Budget for 2009/10 £12.113m
- Base Budget for 2010/11 £12.514 m
- Base Budget 2011/12 £13.048m

4.4. Within this the following assumptions have been made for the main elements of the budget:

Pay awards	2.5% per annum (Note 1)
Utility costs	5.0% per annum (subject to unavoidable pressure)
Business rates	5.00% per annum
Other costs	2.5% per annum
Government Grants	Based on provisional settlement (Note 4)
Investment interest	1.5%-4% per annum (Note 2)
Pension fund increase	Note 3
Vacancy Management	4.0%

Notes:

1. For the purposes of this exercise it has been assumed that a pay award of 2.5% will be given in 2009/10-2011/12
2. Investment interest for 2009/10-2011/12 has been included at between 1.5% (2009/10) and 4%(2011/12). The low risk strategy that is currently in place does not offer beneficial rates of return to the Council but it is considered that the security of the investments is more important than the rate achieved.
3. The pension fund actuaries have assessed that in order to move toward a fully funded pension scheme within six years the rate would need to increase by incremental steps of 0.7% per annum to a maximum of 19.1% by 2010/11. Currently the employers rate is 17.8% which is the figure used in this report as the Council is due a revised revaluation from the County pension department.
4. There has been a provisional grant settlement for 2009/10 & 2010/11 provided to the Council. It is anticipated that there will be a 2% increase in 2011/12.

- 4.5. Savings of 4% each year on the pay bill have been assumed through vacancy management. These savings will also be used to cover the costs of recruitment.
- 4.6. The funding associated with the cost implications of the implementation of Job Evaluation/ Single Status will be utilised from balances once the implementation of the final scheme is confirmed.

5. BUDGET PRESSURES

- 5.1. Officers have identified a number of budget pressures that have either been deemed “unavoidable” or “high” priority. Unavoidable includes the ongoing effects of pressures during 2008/09 together with any corrections in the budget. A high priority is something that is in direct pursuit of the Council’s priorities. Each unavoidable and high pressure has a specific “funding request” schedule completed which reflects how the funding required meets the Council objectives. Unavoidable pressures are detailed at Appendix A and high pressures at Appendix B
- 5.2. A number of other budget pressures have been identified but these have been categorised as medium and low by officers and do not form part of the financial projections. These are identified at Appendix C
- 5.3. Those classified as unavoidable and high are included in the budget total.

6. BUDGET REDUCTIONS

- 6.1 The savings have been proposed by Corporate Management Team who have sought to identify areas which could demonstrate:
 - Additional income generation
 - Reduction to costs with no impact on service delivery
 - Alternative methods of service delivery / more efficient working practices / shared / collaborative working to realise savings
 - Reduction in cost of services which do not directly impact on the Councils priorities
- 6.2 The savings/ additional income details are shown in Appendix D.

7. INVESTMENT INTEREST

- 7.1 A critical element within the overall medium term financial plan is Investment Interest. Members will be aware that due to the current financial climate a decision has been taken to hold investments in very the low risk organisations which offer a lower rate of return than those institutions which may be considered as slightly higher risk. The draft budget included in this report reflects investment income at 1.5%-4% per annum.
- 7.2 Further detailed consideration of the investment income will be undertaken over the following weeks to ensure that maximum rate can be achieved whilst protecting the Councils funds held.

8. OVERALL POSITION

- 8.1 Based on the assumptions and the proposed pressures and savings the estimated position for each of the three years is as follows:

	2009/10 £'000	2010/11 £'000	2011/12 £'000
Base cost of General Fund Services	12,113	12,514	13,048
Pressures – High bids & unavoidable	1,129	1,103	1,211
Transfer re grants received – Planning Delivery & Local Authority Business Grant	-195	-153	
Savings	-491	-670	-880
Investment Income	-248	-136	-80
Recharge to capital programme	-133	-136	-136
Net operating expenditure	12,175	12,522	13,163
Transfer from (-) to balances	-146	-71	
Collection Fund surplus	-50		
Government Grant	-4,945	-5,047	-5,148
Assumed Council Tax @ 4.45%	-6,882	-7,260	-7,659
Overall Shortfall	152	144	356

- 8.2 The Council is to set a balanced budget for 2009/10-2011/12 and therefore will have to approve further savings, increase income or reduce high pressures for 2009/10-2011/12. Any additional spending, over and above the pressures identified above, would also need to be funded by additional savings.

9. BALANCES

- 9.1 The current projected level of balances at 31.03.09 is £1.088m assuming all costs approved are spent. The level of balances can be utilised for one off costs and it is proposed that the funds required for any redundancy or early retirement costs are met from this area. .

10. FEES AND CHARGES

- 10.1 The financial plan 2008/09-2010/11 currently assumes a 2.5% increase in all income. The high pressures proposed at Appendix A include the cost of not increasing the car park tariff for 2009/10 and 2010/11.
- 10.2 Currently budget holders are reviewing the volume of transactions and income received together with any other areas that could be chargeable.

11. FINANCIAL IMPLICATIONS

- 11.1 None other than those included in the report.

12. LEGAL IMPLICATIONS

12.1 None as a direct result of the draft budget. Legal and Human resource issues will be addressed during any discussions in relation to restructures and redundancies.

13. CORPORATE OBJECTIVES

13.1 The delivery of a balanced budget demonstrates the Councils ability to fund objectives and priorities within a reasonable level of increase to residents.

14. RISK MANAGEMENT

14.1 The main risks associated with the details included in this report are:

14.1.1 Non compliance with the statutory deadlines to set a balanced budget;

14.1.2 No formal consultation undertaken with the public; and

14.1.3 Poor use of resources scoring in relation to consideration of the budget.

14.2 These risks are being managed as follows:

14.2.1 Non compliance with statutory deadlines

Risk Register: Financial Services

Key Objective Ref.: 6

Key Objective: Effective and Efficient Accountancy Service

14.2.2 No formal consultation undertaken with the public

Risk Register: Financial Services

Key Objective Ref.: 6

Key Objective: Effective and Efficient Accountancy Service

14.2.3 Poor use of resources scoring in relation to consideration of the budget

Risk Register: Financial Services

Key Objective Ref.: 6

Key Objective: Effective and Efficient Accountancy Service

14.3 Key actions and controls to manage these risks include:

- Detailed timetable in place to manage the budget process with departments and accountancy support
- Allocation of qualified and professional staff to focus on budget setting accounts
- Regular updates at Corporate Management Team in relation to budget processes
- Formal consultation on the budget with the Budget Jury

- Formal consultation in place with unions and individual employees
- Formal consultation with customer panel via SNAP in place

15. CUSTOMER IMPLICATIONS

15.1 The consideration of the current position of the budget will give the public an opportunity to comment on the proposals which will be reported back to Council at the meeting in January. The setting of the budget against the Corporate Priorities will ensure that the Council demonstrates to the customer that we have aligned our resources to the key services required.

16. OTHER IMPLICATIONS

Procurement Issues - N/A
Governance/Performance Management -N/A
Community Safety including Section 17 of Crime and Disorder Act 1998 - N/A
Policy -N/A
Environmental - N/A
Equalities and Diversity -N/A

17. OTHERS CONSULTED ON THE REPORT

Portfolio Holder	Yes
Chief Executive	Yes
Corporate Director (Services)	Yes
Assistant Chief Executive	Yes
Head of Service	Yes
Head of Financial Services	Yes
Head of Legal & Democratic Services	Yes
Head of Organisational Development & HR	Yes
Corporate Procurement Team	Yes

18. APPENDICES

Appendix A – High, Medium & Low pressures

Appendix B – Unavoidable pressures

Appendix C – Savings / additional income

Appendix D – Approved Capital Programme 2009/10-2010/11

Appendix E – Proposed “roll forward” of schemes

19. BACKGROUND PAPERS

Budget timetable

Detailed budget working papers

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