

BROMSGROVE DISTRICT COUNCIL

CABINET

16th January 2019

MEDIUM TERM FINANCIAL PLAN 2019/20 - 2022/23

Relevant Portfolio Holder	Councillor Brian Cooper, Portfolio Holder for Finance and Enabling Services
Relevant Head of Service	Jayne Pickering, Executive Director Finance and Corporate Resources
Non-Key Decision	

1. SUMMARY OF PROPOSALS

- 1.1 At Cabinet on the 13th February 2019 a recommendation will be made to Full Council on the Medium Term Financial Plan 2019/20 - 2022/23 and the Council tax will be set for 2019/20. This report outlines the issues faced by the council and delegates to officers to investigate ways to achieve a balanced budget for Cabinet to consider.

2. RECOMMENDATIONS

- 2.1 **Cabinet is asked to RECOMMEND to Council the approval of the pay model as included at Appendix 5ii to be adopted and implemented with effect from 1st April 2019.**
- 2.2 **Commencement of formal consultation with the Trade Unions with a view to reaching a Collective Agreement to implement the pay model in line with the revised National Pay spines**
- 2.3 **Cabinet is asked to note the current medium term financial plan gap and to request officers continue to review the position to enable a balanced budget to be presented to Cabinet on the 13th February.**

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 2019/20 a 4 year plan is proposed to 2022/23. 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 :

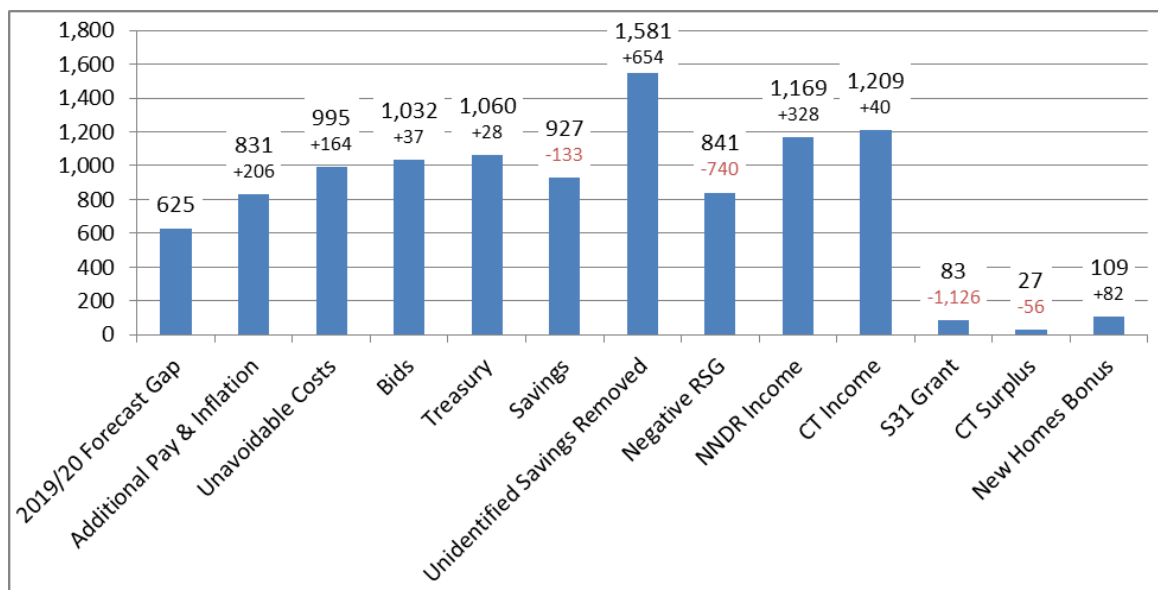
- Help me find somewhere to live in my locality
- Provide good things for me to see, do and visit
- Help me live my life independently

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- 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 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.
- 3.4 Officers have factored in a number of assumptions into the Medium Term Financial Plan to update it in line with revised calculations and information from officers and Government. Once the final settlement is received the position will be updated.
- 3.5 The table below demonstrates the changes in the financial projections and budget gap for 2019/20 based on the original estimation of a £625k gap as presented in February 2018. Following the table there are explanations of the reasons for the changes resulting in the current gap of £109k for 2019/20. Officers are continuing to assess the position to enable a balanced budget to be presented in February.



Changes shown in the table above

- 3.6 Additional pay and inflation £206k

One of the main additional pressures to the budget is the financial impact of implementing the National pay agreement in relation to increasing the spinal points attached to the current pay model. There is a full briefing note attached at Appendix 5i to detail the reasons for the additional costs with the revised model that will be used for consultation with the unions at Appendix 5ii. In addition there are is a cost included for additional utility charges.

3.7 Unavoidable Costs £164k

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 2018/19 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 of £164k are identified at Appendix 1.

3.8 Bids £37k

In addition to the unavoidable pressures revenue bids have been identified and included at Appendix 2. Bids relate to new funding requests made by officers to improve service delivery or to realise future efficiencies. The total bids for 2019/20 of £37k include funding for automation of transactional processing and funding for an apprentice.

3.9 Treasury £28k

The slight increase of £28k is a result of the additional borrowing costs associated with the capital programme offset by the savings from making an up front payment to the pension fund.

3.10 Identified Savings/ additional income -£133k

Identified savings and additional income of £133k are detailed at Appendix 2. These are proposed to ensure that budget pressures can be met and demonstrate the additional income that the Council is generating. This includes the income of £80k that has been generated from the service agreement to provide Lifeline services to Cannock Council.

3.11 Unidentified savings £654k

In previous years an assessment has been made of savings and additional income that could potentially be realised by the Council. It is proposed that there are no longer any savings or income allocations that are not specifically identified and therefore there is a pressure to the budget of £654k to reflect the removal of the unidentified savings.

3.12 Negative RSG -£740k

Whilst the final settlement has not been received the projections include the removal of the £750k negative grant payment to Government. It is assumed that following consultation in August that this requirement will be removed. Any updates will be made following the final settlement.

3.13 NNDR Income £328k

For 2019/20 the government assessed baseline for business rates is £1.717m, 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 it its formula funding. There has been an increase in section 31 grant which compensates for government decisions to reduce rate liability mainly for small businesses. To get an overall position members would review the combined impact of section 31 and NNDR.

3.14 Council Tax £40k

The Council is allowed to increase Council Tax by up to 2.99% without the need for a referendum. The Council will decide the level of the council tax for 2019/20 on 27th February 2019. The current projections include a 2.99% increase and therefore the demand on the collection fund to meet the Council's own needs will be £8.175m. The Council Tax relating to the Councils services will rise from £216.53 to £223.00.

Compared with the base budget assumed for 2019/20 in the medium term financial plan there has been a reduction in Council Tax and reflects fewer new dwellings.

3.15 S31 Grant -£1,126m

Since 1st April 2013 the Government has made decisions that have reduced the amount payable by businesses in relation to business rates. These decisions have included lowering the rate multiplier due to be paid by all businesses and also initiatives to reduce the business rate burden paid by small businesses.

These decisions have resulted in the Council share of the rate income being lower than it would otherwise be. The section 31 grant compensates for this loss of income. The concept is that it calculates what a Council would have been received if the Government had not made the decisions and pays the difference. The reality is that it is often driven by formula and this formula is often challenged by local authorities because it under estimates the lost income.

Over the years the decisions by the Government have had increasing impact on the lost rate income and therefore the level of Section 31 grant has grown.

3.16 CT Surplus -£56k

This is the estimated surplus based on the latest 2018/19 collection fund information.

3.17 New Homes Bonus (NHB) £82k

3.17.1 The amount of NHB for 2019/20 has been confirmed as £1.589m which is £54k 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 2019/20 income would be generated from 363 band D properties. However the 0.4% levy on growth equates to 171 properties which results in an annual reduction of £227k in New Homes Bonus received.

3.17.2 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 2019/20 this equates to £74k.

3.18 Future Years

3.18.1 Assumptions have been made in the financial plan for the following years including :

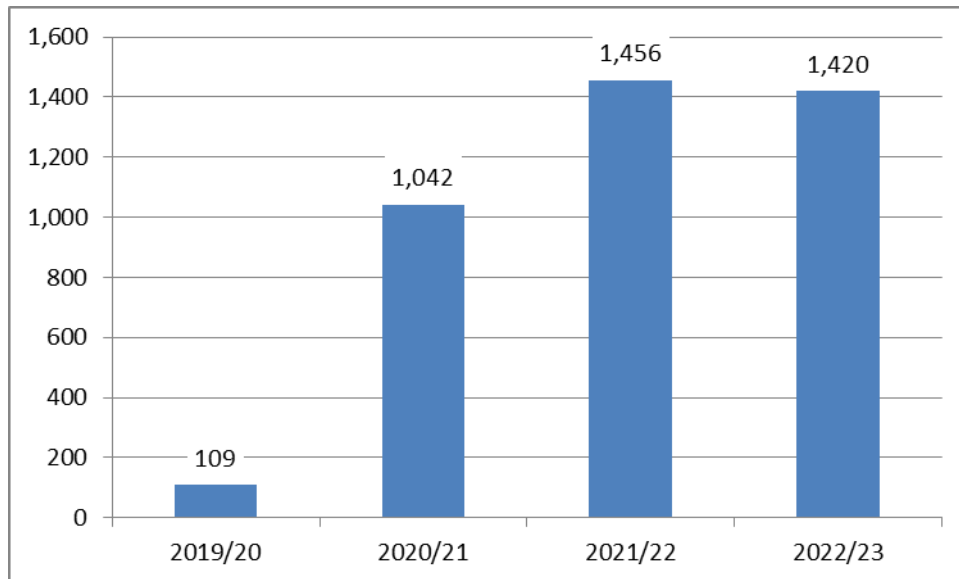
- The final year of the New Homes Bonus Scheme in 2019/20. Therefore an estimate of £295k is included in 2019/20 to continue for 4 years. There is no further funding included in the MTFP for “new” monies from 2020/21 which will result in a considerable funding gap for the Council. In addition members will need to consider the impact on the community group funding from 2020/21. The level of 2019/20 funding of £74k has been retained in the financial plan for future considerations.
- Additional costs of borrowing for the capital programme
- Financial impact of the revised pay model

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This results in a medium term financial gap to 2022/23 as follows:



Officers are working with colleagues to ensure the impact of the fair funding review and other changes to Government financial distribution are included and updated for the final report.

3.19 General Fund

3.19.1 The level of the general fund balance is currently £4.7m. The minimum level of balances recommended is £750k however Members have agreed that a more reasonable level is £1.1m.

3.20 Collection Fund

3.20.1 The anticipated collection fund surplus is £407k, 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 £56k.

3.21 Precepts

3.21.1 The precepts from Worcestershire County Council, the Hereford and Worcester Fire and Rescue Service and the West Mercia Police and Crime Commissioner are due to set their precepts in the week commencing 11th February. This will enable the Council to set the Council Tax on 27th February 2019, which is in advance of the 28th February deadline on precepts being received.

3.22 Capital Programme

3.21.1 The Capital Programme has been considered to propose any new bids required to deliver services to the community. These are included at

Appendix 4 with the proposed complete Capital Programme at Appendix 6. The borrowing costs have been factored into the revenue budget for the financial plan. There are detailed business cases available for all capital projects should members wish to consider them further.

4 Legal Implications

- 4.1 As part of the budget and the Council Tax approval process, the Council is required by the Local Government Finance Act 1992 to make specific calculations and decisions in approving a balanced budget for the following financial year and setting the Council Tax Level. These will be included in the report to Cabinet and Council in February.

5 Service / Operational Implications

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

6 Customer / Equalities and Diversity Implications

- 6.1 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.

7 RISK MANAGEMENT

- 7.1 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.

8. APPENDICES

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Appendix 1 - Unavoidable Pressures
Appendix 2 - Revenue Bids
Appendix 3 - Identified savings
Appendix 4 - Capital bids
Appendix 5i – Briefing note pay model
Appendix 5ii – Revised pay model
Appendix 6 – Complete proposed Capital Programme

AUTHOR OF REPORT

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