

**BROMSGROVE DISTRICT COUNCIL**

**CABINET**

**13<sup>th</sup> February 2019**

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**MEDIUM TERM FINANCIAL PLAN 2019/20 - 2022/23**

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

**1. SUMMARY OF PROPOSALS**

1.1 To enable members to consider the 2019/20 budget and council tax and to make a recommendation to Council. In addition members asked to note the position for future years 2020/21 to 2022/23.

**2. RECOMMENDATIONS**

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

**2.1.1 Approve the Unavoidable costs as attached at Appendix 1:**

**2019/20 £366k  
2020/21 £240k  
2021/22 £243k  
2022/23 £245k**

**2.1.2 Approve the Revenue Bids as attached at Appendix 2:**

**2019/20 £67k  
2019/20 £42k  
2020/21 £25k  
2021/22 £25k**

**2.1.3 Approve the Identified savings as attached at Appendix 3:**

**2018/19 £332k  
2019/20 £335k  
2020/21 £355k  
2021/22 £459k**

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

**2018/19 £687k  
2019/20 £40k  
2020/21 £40k  
2021/22 £1,113k**

**2.1.8 The approval of the Pay Policy Statement as attached in Appendix 6.**

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**2.1.7 The approval of the Council Tax Resolutions as attached at Appendix 7 to include the increase of the Council Tax per Band D @ 2.99%**

**2.1.5 The approval of the release from balances of: £150k to fund Mott Macdonald in 2019/20 only**

### **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:

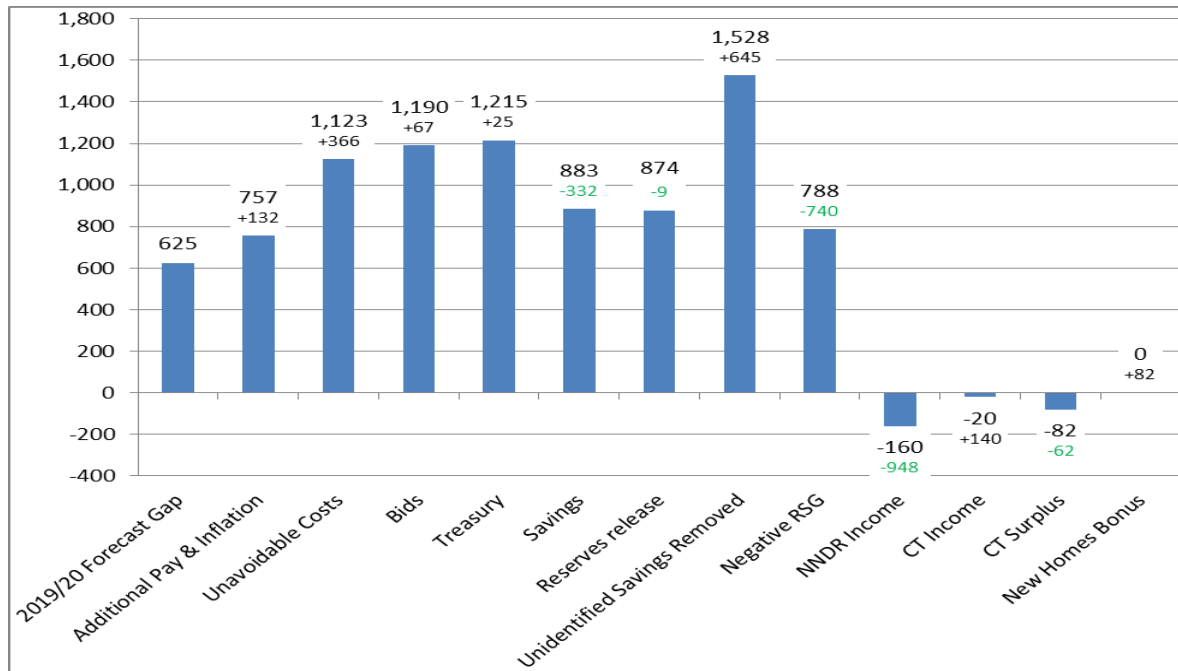
- Help me find somewhere to live in my locality
- Provide good things for me to see, do and visit
- Help me live my life independently
- Help me run a successful business
- Help me be financially independent
- Keep my place safe and looking good

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 Board 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.

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 an achieved balanced budget for 2019/20.



**3.6 Additional pay and inflation**

One of the pressures to the budget is the financial impact of implementing the National pay agreement in relation to revising the current pay model as approved by Council and currently under consultation with the unions.

**3.7 Unavoidable Costs**

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 £366k are identified at Appendix 1.

**3.8 Bids**

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 £67k include funding for automation of transactional processing and funding for an apprentice.

**3.9 Treasury**

The slight increase of £25k 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**

Identified savings and additional income of £332k 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**

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**

Whilst the final settlement has not been received the projections include the removal of the £740k negative grant payment to Government in line with the provisional settlement.

**3.13 NNDR Income**

For 2019/20 the Government assessed baseline for business rates is £1.718m. This is paid by the Government to Bromsgrove as a grant following the creation of the Worcestershire Business Rate Pilot. Under the Pilot the County Council receive 75% of the business rate income and the Government receive 25%. The County Council also receive all the Section 31 grant previously received by the County and Districts. The Pilot agreement includes a commitment of nil detriment and the County Council will top up payments to Districts in addition to the baseline grant to provide an equivalent income they would have received had the previous system remained in place. For Bromsgrove the top up payment is £0.884m. In relation to the no detriment clause it is assumed that any payment to the Birmingham LEP (estimated at £150k) will be met from the additional business rates received. Compared with the base budget assumption there has been an increase of £0.948m which reflects a mixture of business rate growth and additional section 31 support from the Government to compensate for national decisions that have reduced business rate income.

**3.14 Council Tax**

The Council is allowed to increase Council Tax by up to 2.99% without the need for a referendum. 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 £8.187m. The Council Tax relating to the Council's services will rise from £216.53 to £223.00.

In addition the Council pay parish precepts estimated at £902k which are funded from Council tax income from the specific parish area.

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.

The resolutions as attached at Appendix 7 detail the statutory approvals in relation to the 2018/19 budget to be approved by Council and present the Council Tax to be recovered by Bromsgrove on behalf of our precepting bodies; Worcestershire County Council, Police and Crime Commissioner for West Mercia and Hereford and Worcester Fire and Rescue for 2019/20.

**3.15 Council Tax Surplus**

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

**3.16 New Homes Bonus (NHB)**

3.16.1 The amount of NHB for 2019/20 has been confirmed as £1.589m which is £82k 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 £285k in New Homes Bonus received.

3.16.2 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.

**3.17 Future Years**

3.17.1 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

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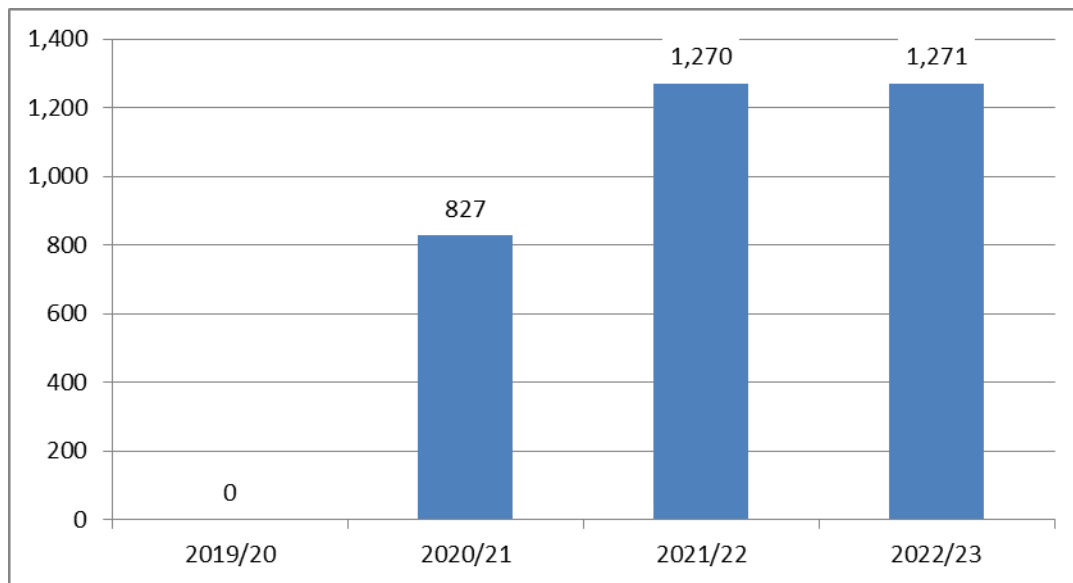
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2020/21 which will result in a considerable funding gap for the Council. In addition members will need to consider the impact on the community group funding from 2020/21. The level of 2019/20 funding of £74k has been retained in the financial plan for future considerations.

- Additional costs of borrowing for the capital programme. This includes the borrowing costs associated with the redevelopment of Burcot Lane. At present no potential income is included from the development to enable the outcome of the business case to be considered.
- Financial impact of the revised pay model

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



Members should be advised that there is a great level of uncertainty around the funding available from Central Government from 2020/21. The budget presented above shows the position should all new Homes Bonus be removed with no reallocation of central funding to offset this shortfall. Therefore this position is potentially the worst financially for the Council over the 4 years and this will be better informed by the outcome of the fair funding and localisation of business rates legislation.

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A more detailed table is below:

<b>BROMSGROVE PROPOSED REVENUE BUDGET 2019/20-2022/23</b>				
	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Departmental base budget	10,798	10,823	10,729	10,729
Incremental Progression/Inflation on Utilities	132	177	221	378
Unavoidables Pressures	366	240	243	245
Revenue Bids/Revenue impact of capital bids	67	42	25	25
Savings and Additional income	-332	-335	-354	-459
Reserve release	-9	-50	0	0
Unavoidable pressure funded from balances	150	0	0	0
Efficiency Savings rolled forward	654	782	885	888
<b>Net Revenue Budget Requirement</b>	<b>11,826</b>	<b>11,678</b>	<b>11,749</b>	<b>11,806</b>
<b>FINANCING</b>				
Contribution from worcestershire County Business rates pool	-2,602	-2,594	-2,624	-2,660
New Homes Bonus	-1,589	-1,185	-610	-295
Collection Fund Surplus (Council Tax)	-62	0	0	0
Council Tax	-8,187	-8,506	-8,884	-9,274
Investment Income	-38	-329	-726	-1,050
Interest Payable	133	660	1,018	1,186
MRP (Principal)	816	1,142	1,388	1,600
Discount on advanced pension payment	-147	-40	-40	-40
Proposed funding from balances	-150	0	0	0
<b>Funding Total</b>	<b>-11,826</b>	<b>-10,851</b>	<b>-10,479</b>	<b>-10,534</b>
<b>General Balances</b>				
Opening Balances	<b>4,179</b>	<b>4,179</b>	<b>3,352</b>	<b>2,082</b>
Contribution (from) / to General Balances	-0	-827	-1,270	-1,271
Agreed in year release of balances				
<b>Closing Balances</b>	<b>4,179</b>	<b>3,352</b>	<b>2,082</b>	<b>811</b>

**3.18 General Fund**

3.19.1 The level of the general fund balance is currently £4.179m. The minimum level of balances recommended is £750k however Members have agreed that a more reasonable level is £1.1m. It is clear that further savings are required over the period to maintain balances at the recommended level.

**3.19 Collection Fund**

3.19.1 The anticipated collection fund surplus is £445k, 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 £62k.

**3.20 Precepts**

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

**3.21 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 5. 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.

**3.22 Pay Policy**

3.22.1 The Localism Act requires English and Welsh local authorities to produce a Pay Policy statement ('the statement'). The Act requires the statement to be approved by Full Council and to be adopted by 31<sup>st</sup> March each year for the subsequent financial year. The Pay Policy Statement for the Council is included at Appendix 6.

The Statement must set out policies relating to-

- (a) The remuneration of its chief officers,
- (b) The remuneration of its lowest-paid employees, and
- (c) The relationship between-
  - (i) The remuneration of its chief officers, and
  - (ii) The remuneration of its employees who are not chief officers.

The provisions within the Localism Act bring together the strands of increasing accountability, transparency and fairness in the setting of local pay.

All financial implications have already been included as part of the budget setting process and posts are fully budgeted for.

The information provided is based on the approved pay model that is currently under consultation with the unions.



**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**

- Appendix 1 - Unavoidable Pressures
- Appendix 2 - Revenue Bids
- Appendix 3 - Identified savings
- Appendix 4 - Capital bids
- Appendix 5 - Complete proposed Capital Programme

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Appendix 6 – Pay Policy  
Appendix 7 - Council Tax Resolutions ( to follow)

**Author of report**

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