

BROMSGROVE DISTRICT COUNCIL

OVERVIEW BOARD

1ST DECEMBER 2009

UPDATE OF MEDIUM TERM FINANCIAL PLAN 2010/11-2012/13

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 Members to review the current position on the Medium Term Financial Plan 2010/11 – 2012/13 and to make recommendations to Cabinet in relation to this budget.

2. Recommendations

- 2.1. It is recommended that the Joint Overview and Scrutiny Board:
- 2.1.1 Consider the pressures as identified in Appendix A and recommend to Executive Cabinet any changes in priority categorisation.
- 2.1.2 Consider the unavoidable pressures identified at Appendix B and recommend any changes to Executive Cabinet
- 2.1.3 consider the savings identified at Appendix C
- 2.1.4 consider the new bids for the Capital Programme as included at Appendix D and recommend any changes in scheme priority to Executive Cabinet.

3. Background

- 3.1. The Council on 7th January 2009 approved a medium term financial plan that included the Revenue and Capital budget requirements for 2009/10 - 2011/12..
- 3.2. On 7th October 2009 the Executive Cabinet approved the budget process and timetable to be followed to review the medium term financial plan for 2010/11 – 2012/13.
- 3.3. As part of the approved budget process Executive Cabinet proposed a revised set of 6 priorities against the Council objectives for focus of resources which were approved by Council on 16th September 2009. These were:

1. Economic Development
2. Town Centre
3. Value for Money
4. One Community
5. Housing
6. Climate Change

3.4. 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.
- Capital Projects to be proposed only if they meet the priorities of the Council

3.5 The current financial plan covers a period of 3 years. The plan is developed in conjunction with treasury management and ICT strategies to deliver a coordinated approach to the delivery of the Councils priorities.

4 Base budget information

4.1 The current budget book that was sent to all members in February 2009 includes the Base budget for 2010/11 and 2011/12. These budgets are been updated for this financial plan together with the proposed plans for 2012/13.

4.2 The base budget for 2010/11-2011/12 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 services by alternative methods. (£523k). This includes the savings relating to the shared management team.
- Council Tax level to increase at 4.45% per annum
- Savings from co-mingle recycling service (£200k)

4.3 The pay structure for 2010/11 includes the impact of the Job Evaluation process during February 2008. In addition there is an assumption for a pay award of 1% included in the current projections which may be reduced depending on the shortfall in the budget requirement. In addition a number of Job Evaluation appeals are currently being undertaken and a revised salary estimate will be produced once the final outcomes have been assessed. Therefore the current base budget will be amended for

the final budget setting to reflect the revised JE and pay award outcomes and assumptions. Based on this initial information the net expenditure is:

- Base Budget for 2010/11 £12.482m
- Base Budget for 2011/12 £12.860m
- Base Budget for 2012/13 £13.433m

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

Pay awards	1% per annum (Note 1)
Utility costs	5.0% per annum
Business rates	5.00% per annum
Other costs	2.5% per annum
Government Grants	Based on confirmed settlement for 2010/11 and 5% reduction for 2011/12 & 2012/13 (Note 4)
Investment interest	1.75%/2.75%% per annum (Note 2)
Pension fund increase	Note 3
Vacancy Management	4.0%
Council Tax Base increase	0.2% - 0.5%

Notes:

1. For the purposes of these initial projections it has been assumed that a pay award of 1% will be given in 2010/11. Further discussions will be held in relation to future years pay award assumptions and factored into 2011/12 & 12/13 at the final budget meeting in 2010.
2. Investment interest for 2010/11-2012/13 has been included at 0.75%/2.%. This is based on the most recent information obtained from our treasury advisors.
3. Following the presentation of the 2007 Pension Fund Valuation the actuaries have assessed that in order to move toward a fully funded pension scheme the rate needs to increase in incremental steps to a maximum of 20.8% by 2013/14. The applicable rate for 2010/11 is 19%. The rate payable from 2011/12 will be further revised following the next valuation of the Pension Fund on 31 March 2010.
4. There has been a confirmed grant settlement for 2010/11. The current assumption is that there will be a real terms decrease in grant from 2011/12 of 5% per annum. This impact has been built into the future projections.

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 Job Evaluation Scheme was implemented in May 2009. The protection period is for 2 years and will finish in May 2011. The impact of the appeals has not been included in this update as the final outcomes have yet to be established.

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 identified during 2009/10 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. The current unavoidable pressures are detailed in Appendix A and high pressures in Appendix B
- 5.2 A number of other budget pressures have been identified but these have been categorised as medium and low following discussions with officers and do not form part of the current financial projections. These are also included within Appendix B.
- 5.3 Members are asked to consider any changes to the unavoidable costs and priority of pressures identified.

6. Budget reductions / additional income

- 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 C.
- 6.3. As part of the review of the Financial Plan officers have included proposals to generate efficiency savings through joint working or alternative ways of providing our services over the next 3 years. Included in the 2010/11 budget as approved in January 2009 is a target of £523k saving with a further £100k in 2011/12.
- 6.4. Included in Appendix A is an increase of £148k to the original savings target of £523k. This is due to the additional savings realised from CCTV / Lifeline, ICT and the potential savings that could be generated by changing the method of service delivery arrangements at the Dolphin Centre.

7. Government Grant

7.1 The Council had received the formal settlement for 2010/11. The financial increase in the grant is shown below:

	2009/10 £'000	2010/11 £'000	Increase £ (%)
Formula Grant (FG)	4,946	5,047	2%

7.2 Following discussions with other authorities and in consideration of the national economic climate it is assumed that there will be a cash reduction in the Grant awarded to Local Authorities from 2011/12. An estimate of 5% for each year has been included in the current position.

7.3 The impact of this reduction from 2011/12 is as follows

	2011/12 £'000	Value of decrease (5%) £'000	2012/13 £'000	Value of decrease (5%) £'000	Total Value of 5% reduction £'000
Formula Grant (FG)	4,795	252	4,555	240	492

9. Investment Interest

9.1 An 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 low risk organisations which offer a lower rate of return than those institutions which may be considered as slightly higher risk. The projections from our treasury advisors are less optimistic than previously estimated in the increases over the 3 year period. The projections contained within this report include investment increases of 0/75% to 2% by 2012/13.

9.2 The quarterly integrated finance and performance report will report the position on the investments generated by the Council and detail any changes as a result of changes to the base rate.

10. Capital Programme

10.1 As part of the Medium Term Financial Plan and Capital Strategy members approved a number of criteria in relation to the Capital Programme including:

- The capital programme is limited to £1m per annum funded from the Council's own resources (in order to maximise the investment interest);
- Cabinet give consideration to fund housing grants over and above the £1m.

10.2 Cabinet also approved the capital investment criteria (as part of the Capital Strategy) that a scheme should satisfy for inclusion in the capital budget as follows:

- Enable delivery of the Councils priorities
- Maintain existing assets to standards suitable for service delivery.
- Improve and acquire assets to meet service and customer needs.
- Improve the stewardship of assets; spend to save (innovative schemes that will secure the Council a better rate of return than the investment interest earned); to reduce longer-term problems and liabilities.
- Satisfy legal obligations of the Council (e.g. health and safety requirements, and compliance with the disability discrimination legislation).
- Develop community assets in areas of need.
- Maximise the use of other funds to encourage investment in specific areas such as energy efficiency, economic development and infrastructure developments (using funds derived from Section 106 agreements with developers).
- Maximise the benefits of partnership working.

10.3 The Capital Programme for 2010/11 and 2011/12 was approved as part of the 3 year Financial Plan for 2009/10. The projects approved have been reviewed with the aim to reduce funding requirements whilst still maintaining service delivery. In addition the consideration of the service Business Plans has resulted in new schemes being proposed for 2010/11 – 2012/13 to meet the priorities of the Council together with the funding associated with the previously agreed replacement plan for fleet vehicles and plant. The proposed new bids for the Capital Programme are attached at Appendix D for consideration.

10.4 If Members approve the level of Capital Spend to 2012/13 the effect on capital receipts will be as follows based on expected expenditure in 2008/09:

	2010/11	2011/12	2012/13
	£'000	£'000	£'000
Opening Balance	2,234	1,302	102
Used in Year	-1,332	-1,600	-90
Received in year	400	400	90
Closing Balance	1,302	102	102

The figures in the above table include general capital receipts for funding of projects across the District. In addition an estimate of capital receipts has been made of £100k per annum in relation to any sales of assets and £300k government grant that the Council may receive during the financial plan period.

- 10.5 The impact of borrowing for assets will affect the revenue account. A review has been undertaken based on the projected capital programme to ensure sufficient funds are set aside to provide a repairs and replacement fund for the future.
- 10.6 If all Capital Programme funding requests are approved there is a projected £102k balance remaining in the capital receipts fund for 2012/13. This will limit the Councils ability to fund major projects in the future and it is assumed that the Council will be in a position of borrowing over the medium term if new projects are identified.

11. Overall Position

- 11.1 Based on the assumptions and the proposed pressures (high only) and savings the current position for each of the three years is as follows:

	2010/11 £'000	2011/12 £'000	2012/13 £'000
Base cost of General Fund Services	12,482	12,860	13,433
Pressures – High bids & unavoidables	743	694	672
Savings	-807	-501	-550
Investment Income	-67	-93	-85
Recharge to capital programme	-136	-136	-136
Net operating expenditure	12,215	12,824	13,334
Area Based Grant	-23	-22	-22
Surplus from Collection Fund	-51		
Government Grant	-5,047	-4,795	-4,555
Assumed Council Tax @ 2.5% (2010/11-2011/12 & 4.45% 2012/13)	-7,023	-7,234	-7,594
Overall Shortfall	71	773	1,163

- 11.2 The Council is to set a balanced budget for 2010/11-2012/13 and therefore will have to approve further savings, increase income or reduce high pressures for the 3 year period. Any additional spending, over and above the pressures identified above, would also need to be funded by additional savings.

12 Balances

- 12.1 The current projected level of balances at 31.03.10 is £1.547m assuming all costs approved are spent. It is anticipated that a proportion of the balances will be utilised to meet the severance costs associated with the joint management structure. An update to the balances position will be reported to Members as part of the ongoing budget process.

13 Fees and charges

- 13.1 The financial plan 2010/11-2012/13 currently assumes a 2.5% increase in all income. A detailed review of income generated and comparison with other organisations is currently being undertaken to ensure the Council maximises its available income streams.

14 Financial Implications

- 14.1 None other than those included in the report.

15 Legal Implications

- 15.1 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.

16. Corporate Objectives

- 16.1 The delivery of a balanced budget demonstrates the Council's ability to fund objectives and priorities within a reasonable level of increase to residents.

17. Risk Management

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

17.2 Non compliance with the statutory deadlines to set a balanced budget.

17.3 No formal consultation undertaken with the public

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

17.5 These risks are being managed as follows:

17.6 Non compliance with statutory deadlines

Risk Register: Financial Services

Key Objective Ref.: 6

Key Objective: Effective and Efficient Accountancy Service

17.7 No formal consultation undertaken with the public

Risk Register: Financial Services
 Key Objective Ref.: 6
 Key Objective: Effective and Efficient Accountancy Service

17.8 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

17.9 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

18. Customer Implications

18.1 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.

19. 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

20. 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

21 APPENDICES

Appendix A – High, Medium and Low Pressures

Appendix B – Unavoidable pressures

Appendix C – Savings / additional income generated

Appendix D – Capital Programme – proposed

22 BACKGROUND PAPERS

Budget timetable

Detailed budget working papers

CONTACT OFFICER

Name: Jayne Pickering

E Mail: j.pickering@bromsgrove.gov.uk

Tel: (01527) 881207