

**BROMSGROVE DISTRICT COUNCIL**  
**JOINT OVERVIEW & SCRUTINY BOARD**

**19TH JANUARY 2010**

**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 Boards :
- 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 7<sup>th</sup> January 2009 approved a medium term financial plan that included the Revenue and Capital budget requirements for 2009/10 - 2011/12..
- 3.2. On 7<sup>th</sup> 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 16<sup>th</sup> 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)

5.1 During the current review of the medium term financial plan the pay structure has been amended to reflect the impact of the Job evaluation appeals and the reduction in any pay as a result of the reduction in grading for a number of posts whose protection will run out in May 2011.

5.2 In addition the pay model reflects no increase in pay for any staff in 2010/11 and a 1% increase in 2011/12 -2012/13. This is due to the

anticipated reduction in Government Grant and the associated financial pressures that the Council is facing over the next 3 years.

- 5.3 The following assumptions have been made for the main elements of the budget:

Pay awards	0%/1%/1% (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)
Council Tax	2.5% (2010/11 & 2011/12) , 4.45% 2012/13
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 projections it has been assumed that there will be no pay award in 2010/11 and 1% in 2011/12 -2012/13. This is in line with discussions held with other Councils due to the impact of the future financial pressures
  2. Investment interest for 2010/11-2012/13has 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.
- 5.4 Savings of 4% each year on the pay bill have been assumed through vacancy management excluding the new shared management structure and front line services. These savings will also be used to cover the costs of recruitment.
- 5.5 The Job Evaluation Scheme was implemented in May 2009. The protection period is for 2 years and will finish in May 2011.

## **6 Budget Pressures**

- 6.1 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 high pressures are detailed in Appendix A and unavoidable pressures in Appendix B
- 6.2 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 A.
- 6.3 Members are asked to consider any changes to the unavoidable costs and priority of pressures identified.

## **7. Budget reductions**

- 7.1 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
- 7.2 The savings/ additional income details are shown in Appendix C.
- 7.3. 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.
- 7.4. Further savings have been identified for delivery in 2010/11 these include; joint working on CCTV and ICT with Redditch (£143k 2010/1) and the additional savings realised from proposed changes in the operating arrangements at the Dolphin Centre (£95k 2010/11).
- 7.5. The Worcestershire Enhanced Two Tier project will deliver savings initially in respect of property services (£14k in 2010/11) and regulatory (£46k in 2011/12, £126k in 2012/13) and Internal Audit (£11k in 2012/13).
- 7.6. It is anticipated that more efficient working practices and procedures following the joint management team will realise further savings in

2011/12 and 2012/13. An additional £349k has been built into the budget for 2011/12 to reflect these savings.

## **8. Government Grant**

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

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

8.2 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.

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

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

## **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 Programmes for 2010/11 and 2011/12 were 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. The proposed new bids for the Capital Programme are attached at Appendix D (i) for consideration.

In November 2009 members approved a revised Capital Programme to realign the projects to be delivered during 2009/10. There are a number of projects that are to be delivered in 2010/11 from this review that have been identified as “roll forward” and are included in the proposed Capital Programme. The details of these schemes are:

- £15k - Grants to Registered Social Landlords
- £700k – Social Housing Grants
- £203k – Improvements to Houndsfield Lane caravan park
- £215k – provision of sports facilities across the District

- 10.5 A summary of the proposed capital programme including; approved programme, roll forward and new capital schemes is shown in the following table and in detail at Appendix D (ii):

<b>PROPOSED CAPITAL PROGRAMME</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Approved as part of 2009/10 budget process including grant funded schemes and support service recharges	2,161	1,510	509
Expenditure b/f to 2009/10 to facilitate procurement of vehicles	-1,143	0	0
Roll forward from 2009/10 approved November 2009	1,133	0	0
New schemes	314	90	90
<b>TOTAL PROPOSED CAPITAL</b>	<b>2,465</b>	<b>1,600</b>	<b>599</b>

- 10.6 The capital programme will be financed from a variety of sources including Government Grants, Section 106 Funds, capital receipts (including those that the Council has been allowed to retain under the new capital 'pooling' arrangements), and borrowing. Details of the proposed financing arrangements for the capital programme are shown below:

	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Capital Receipts</b>			
Capital receipts or borrowing	1,877	1,227	226
Government Grants/S106	588	373	373
<b>Total Programme</b>	<b>2,465</b>	<b>1,600</b>	<b>599</b>

- 10.7 If Members approve the level of Capital Spend to 2012/13 the effect on capital receipts will be as follows based on expected expenditure and receipts in 2009/10:

	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Opening Balance	4,152	2,375	1,248
Used in Year	-1,877	-1,227	-226
Received in year	100	100	100
Closing Balance	2,375	1,248	1,122

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 that the Council may make during the financial plan period.

## **11. Overall Position**

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

	<b>2010/11 £'000</b>	<b>2011/12 £'000</b>	<b>2012/13 £'000</b>
Base cost of General Fund Services	12,482	12,860	13,433
Pressures – High bids & unavoidable	817	768	746
Savings	-1,088	-1,348	-1,787
Investment Income	-67	-93	-85
Recharge to capital programme	-136	-136	-136
Net operating expenditure	12,008	12,051	12,171
Area Based Grant	-29	-22	-22
Collection Fund Surplus	-51	0	0
Government Grant	-5,047	-4,795	-4,555
Council Tax @ 2.5%/2.5%/4.45%	-7,023	-7,234	-7,594
Funding from(-)/to balances	142	0	0
<b>Overall Shortfall</b>	<b>0</b>	<b>0</b>	<b>0</b>

## **12 Fees and charges**

- 12.1 The financial plan 2010/11-2012/13 currently assumes a 2.5% increase in all income.

## **13 Financial Implications**

- 13.1 None other than those included in the report.

## **14 Legal Implications**

- 14.1 The Council has a legal responsibility to set a balanced budget under the Local Government Act 2003.

## **15. Corporate Objectives**

- 15.1 The delivery of a balanced budget demonstrates the Councils 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 Poor use of resources scoring in relation to consideration of the budget

17.4 These risks are being managed as follows:



17.5 Non compliance with statutory deadlines

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

17.6 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

17.7 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
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Chief Executive	<b>Yes</b>
Corporate Director (Services)	<b>Yes</b>
Assistant Chief Executive	<b>Yes</b>
Head of Service	<b>Yes</b>
Head of Financial Services	<b>Yes</b>
Head of Legal & Democratic Services	<b>Yes</b>
Head of Organisational Development & HR	<b>Yes</b>
Corporate Procurement Team	<b>Yes</b>

## **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

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