

**OVERVIEW AND SCRUTINY
COMMITTEE**

13th January 2015

MEDIUM TERM FINANCIAL PLAN 2015/16 – 2017/18

Relevant Portfolio Holder	John Fisher
Portfolio Holder Consulted	Yes
Relevant Head of Service	Jayne Pickering (Executive Director for finance and corporate Resources)
Wards Affected	All
Ward Councillor Consulted	None specific

1. SUMMARY OF PROPOSALS

To enable Members to consider the current financial position for the revenue budget 2015/16 – 2017/18.

2. RECOMMENDATIONS

The Committee is asked to RECOMMEND that

the Executive Committee be asked to note the current position for 2015/16 – 2017/18 and to request that officers review the savings that can be delivered to achieve a balanced budget.

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 over a 3 year period. 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 3 years.

**OVERVIEW AND SCRUTINY
COMMITTEE**

13th January 2015

- 3.3 As Members are aware there continue to be considerable pressures facing the Council over the next 3 years as a result of a number of issues including:
- Reduction in Council Tax Benefit Grant received
 - Changes to welfare reform and the impact on the Council from residents service need
 - Transfer from Housing Benefit to Universal Credit
 - Continued reduction in Government Grant
- 3.4 Officers will continue to work with our partners to identify the costs that may be associated with some of these changes.

Formula Grant / Localised Business Rates

- 3.5 The provisional settlement that was received recently by the Council for 2015/16 was as indicated previously at £3,580. However this confirms the £647k reduction in the grant allocated for 2014/15. The grant includes a number of allocations that were previously received as separate funding streams and therefore the cut is across all funding received by Central Government.
- 3.6 Forecasting Government funding beyond 2015/16 is challenging, the key issue will be the outcome of the next Comprehensive Spending Review (CSR), due for publication after the General Election in May 2015. Recent Government and opposition announcements indicate that the austerity measures are set to continue into future years, in line with the Government's objective of achieving a budget surplus. Further estimated reductions of approximately 5% per annum have been factored into the MTFP.
- 3.7 The forecast for Council Tax income includes a Council Tax increase (1.9% p.a.) in the assumptions over the medium-term plan period but decide on the actual increase each year as part of the budget setting process. The Government has continued to provide a Council Tax Freeze Grant of up to 1% as part of the settlement for 2015/16. Redditch did not take up this grant in 2014/15 due to the impact it has on the future income generated. However there remains Council Tax Freeze grant included in the projections from prior year decisions.
- 3.8 The new localised regime on Business Rates (BR) took effect in April 2013. Redditch is part of the Greater Birmingham and Solihull Business Rates Pool, set up as a mechanism to retain more BR growth funding within the area, and to manage risk on BR losses on a shared basis.
- 3.9 In the first year of this new regime, all members of the pool benefited financially from being in the pool. A net £750k growth levy was

retained in the area which would have been returned to Central Government. An allocation of £307k was to the LEP Growth Fund and a payment to Redditch of £200k was made in relation to the “safety net” payment arrangement to compensate for the loss in Business Rate income for the financial year.

New Homes Bonus

- 3.10 The Council has received notification that the New Homes Bonus (NHB) total grant for 2015/16 will be £803K. This includes the 2015/16 grant of £129k which is significantly higher than the £126k included in the original budget estimates. This is due to the number of properties in the District increasing during 2014/15. A review of future years has been made and additional properties have been included in the medium term plan calculations. The Finance team will work more closely with Planning in the future to ensure that a more accurate estimate is used for projections.
- 3.11 As Members are aware all income received from New Homes Bonus grant is currently used within the General Funds of the Council and is utilised to offset the pressures facing the Council over the medium term.

Council Tax

- 3.12 To ensure that necessary levels of funding are available given the large reductions in government grant highlighted above, the Council Tax increases will have to be sufficient to ensure that funding is available for the services that create value to the customer have appropriate levels of financial resource.
- 3.13 The government have offered a grant equivalent to a 1% rise in Council Tax for 2015/16 for councils who freeze their Council Tax in the next financial year. Acceptance of this freeze grant will cost the Council £101k pa once the grant ceases (assuming Council Tax would otherwise rise by 1.9% in 2015/16). The budget projections include an increase of 1.9% each year.

Transformation

- 3.14 The significant reductions in funding are not anticipated to improve for a number of years and therefore officers have looked at alternative ways to deliver savings whilst improving services to the community. As previously reported the services provided by the Council are undergoing transformational change using a different approach to assessing the value provided by the service. This work will focus on

**OVERVIEW AND SCRUTINY
COMMITTEE**

13th January 2015

the purpose of services to the community and will aim to realise savings and protect those services that create value to our customers.

- 3.15 Members will be aware of the recent review to the provision of some services across a locality /place and the significant savings that have been identified whilst improving and enhancing the services to the community. In addition the work across customer services and departments continues to develop to ensure that an expert is on hand to support our residents.
- 3.16 Officers are focused on reducing costs of services that do not provide front line services to support the Strategic Purposes and will continue to drive out waste and redesign provision to reduce costs.

Current Position

- 3.17 Officers have also identified a number of budget pressures that have either been deemed “unavoidable”. Unavoidable includes the ongoing effects of pressures identified during 2014/15 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. These pressures are detailed in Appendix 1 and include :
- Loss of Supporting People funding £39K
 - Loss of income from Concessionary Rents £49K
- 3.18 In addition to the unavoidable pressures one revenue bid has been identified to continue to support the essential living fund which will no longer be supported from any external grant allocations. The bid is for £30k which will provide a minimum level of support to our residents who are in need of urgent financial support. In the last 2 years the funding received from County was £489k which is being fully utilised. It has been confirmed recently by Central Government that this funding will no longer be made available separately and there is an expectation that Councils will fund any support from existing budgets.
- 3.19 Savings have been considered across the Council to ensure that front line services that add value to the residents are protected. The schedule at Appendix 2 details the savings proposed to include:
- Reviews with Customer Services / Fraud £62k
 - Place review – Environmental & Community Services £225k
 - Alternative models of Leisure Service Delivery £195K

**OVERVIEW AND SCRUTINY
COMMITTEE**

13th January 2015

Financial Position

- 3.20 The current summary position at 3.22 includes the financial impact of the above in addition to the following assumptions:
- 2.2% pay award in relation to the National Agreement in place
 - General inflationary increases in relation to contract arrangements
 - A estimate of reduction for 2016/17 (10%) & 2017/18 (5%) in Central Government Grant
 - 3% increase in fees and charges (where appropriate)
 - An estimation of the New Homes Bonus income
 - Additional income estimated in relation to the Business Rates receivable by the Council

3.21 The revised position is shown below.

	2015/16	2016/17	2017/18
	£'000	£'000	£'000
Base cost of General Fund Services	11,788	11,788	11,788
Pressures –unavoidable & income shortfalls	337	280	289
Savings (quick wins, additional income, shared services, transformation)	-709	-842	-842
Other pressures – pay award/contract increases	-	273	396
Borrowing to fund capital programme	1,016	1,016	1,016
Investment Income	-484	-484	-484
Recharge to capital programme	-598	-598	-598
Bids	30	30	30
Previous Years Savings	-200	-200	-200
Vacancy Management	-150	-150	-150
Net operating expenditure	11,030	11,113	11,245
New Homes Bonus	-803	-1,011	-1,015
Parish Precept	8	8	8

REDDITCH BOROUGH COUNCIL

OVERVIEW AND SCRUTINY COMMITTEE

13th January 2015

Business Rate Retention			
	-2,003	-2,003	-2,003
Net Business Rate Growth	-200	-200	-200
Council Tax Freeze Grant	-58	0	0
Surplus from Collection Fund	0	0	0
Government Grant	-1,567	-1,499	-1,424
Assumed Council Tax	-5,397	-5,504	-5,712
Use of Reserves	-805	-	-
Overall Shortfall	205	904	899

3.22 The Council is to set a balanced budget for 2013/14 – 2015/16 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. Officers are committed to realise the necessary levels of savings through transformation and will continue to work with staff to enable services to be delivered at a reduced cost to meet the cuts anticipated.

General Fund Balances

3.23 The level of the general fund balance is currently £1.1m. The current level of balances is sufficient but it is recommended that these should not drop below £750K.

3.24 The estimated level of government funding over the MTFP will reduce more rapidly than the increase in Council Tax revenues. Consequently, there will be a continuing focus on transforming service delivery to reduce waste and to ensure that the funding available is aligned to the services that create value to the community of Redditch.

Capital Programme

3.25 The Capital Programme is a 3 year rolling programme and officers are currently working to ensure that the level of expenditure falls within the current estimated project allocation. The full details will be brought to the early February Executive for approval. The plan currently includes :

- Replacement of Fleet
- S106 funded Leisure schemes
- Disabled Facilities Grants

**OVERVIEW AND SCRUTINY
COMMITTEE**

13th January 2015

Legal Implications

3.26 None as a direct result of this budget update.

Service / Operational Implications

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

Customer / Equalities and Diversity Implications

3.28 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.

4. RISK MANAGEMENT

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.

5. APPENDICES

Appendix 1 – Unavoidable Pressures (including income shortfalls)
Appendix 2 – Savings Proposed

AUTHOR OF REPORT

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