

REDDITCH BOROUGH COUNCIL

EXECUTIVE

19th February 2018

MEDIUM TERM FINANCIAL PLAN 2018/19 – 2021/22

Relevant Portfolio Holder	John Fisher
Portfolio Holder Consulted	Yes
Relevant Head of Service	Jayne Pickering (Exec Director)
Wards Affected	All
Ward Councillor Consulted	None specific

1. SUMMARY OF PROPOSALS

- 1.1 To enable Members to consider the officer recommendations for the General Fund revenue and capital budget 2018/19 – 2021/22.

2. RECOMMENDATIONS

2.1 Executive is asked to recommend to Full Council

2.1.1 Approve the additional income / efficiencies as attached at Appendix 1:

2018/19 £708k

2019/20 £18k

2.1.2 Approve the unavoidable pressures as attached at Appendix 2:

2018/19 £869k

2.1.3 Approve the Revenue bids as attached at Appendix 3:

2018/19 £10k

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

2018/19 £676k

2019/20 £560k

2020/21 £1.257m

2021/22 £2.772m

2.1.5 The approval of the return / release from balances of :

2018/19 £85k (release from balances)

- 2.1.6 Approval of the Increase of Council Tax by 2.99% per Band D equivalent for 2018/19**

3. KEY ISSUES

Financial Implications

- 3.1 Over the last 3 years the Council has faced a reduction in Government funding of £1.7m in Revenue Support Grant with further cuts faced in the future as detailed below. The Council's Medium Term Financial Plan (MTFP) provides the framework within which the revenue and capital spending decisions can be made over a 4 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 4 years. The recommendations included within the current financial position at 3.15 are those assessed by officers as being areas where cost saving can be made to enable a balanced budget over the 4 year financial planning period. These potential service changes to realise savings are therefore included in the current projections for members consideration.
- 3.3 As Members are aware there continue to be considerable pressures facing the Council over the next 4 years as a result of a number of issues including:
- Potential further reductions in New Homes Bonus Grant
 - Impact of Negative Revenue Support Grant currently estimated at £330k in 2019/20. There is a consultation paper expected on this in Spring 2018.
 - Impact of the Localisation of Business Rates scheme which is now deferred to 2020/21.
 - Impact of the fair funding review which is to be implemented in 2020/21.
- 3.4 Officers will continue to work with our partners to identify the costs that may be associated with some of these changes.

Government Funding

3.5 Settlement

3.5.1 The provisional settlement was announced in mid-December 2017. A number of issues were included within the information, including;

- Local Government Funding Reform to be implemented in 2020/21. A Consultation paper to be published in Spring 2018.
- Advised that the Business Rates Baseline reset will be in 2020/21
- From 2020/21 all grants to be included in Business Rates Retention
- Council Tax – can increase Council Tax by 3% (previously 2%) without a referendum for both 2018/19 & 2019/20. This would increase Council Tax by approximately £40k.
- Business Rate Pilots – Worcestershire not approved as a pilot. Potential for further rounds of bidding. Therefore Redditch will remain in GBS Pool for 2018/19
- No changes to New Homes Bonus
- Advised that there will be consultation in Spring 2018 in relation to “negative “ grant – currently £330k in 2019/20

3.6 Formula Grant

3.6.1 This Council in common with virtually every other Council in the country signed up to the government offer of a four year funding settlement. This brought more certainty to the funding figures but not complete certainty or protection from changes to the funding levels as described below.

3.6.2 The formula grant provisional settlement for 2018/19 was notified in December. This represents a 60% decrease when compared with our grant for 2016/17 as shown in the table below:

Financial Year	RSG received £'000	Actual Reduction £'000 (%)
2015/16	1,567	
2016/17	901	666 (42%)
2017/18	363	538 (60%)
2018/19	35	328 (90%)

3.6.3 Within the current projections there is an assumption that a repayment will be made to Government in 2019/20. This is due to the calculated core spending power for the Council being less than the estimated funding received. For 2019/20 the provisional settlement provides for a £331k repayment. Officers have projected that this will continue into 2020/21 and 2021/22.

3.7 Business Rates

- 3.7.1 For 2018/19 the government assessed baseline for business rates is £2.2m. If business rates grow above the baseline, then this council keeps a proportion of that funding. The Council is part of the Greater Birmingham and Solihull (GBS) Business Rates Pool and this enables the levy to go into the pool for regeneration projects rather than returned to Central Government. The Council had submitted a bid to form part of a Worcestershire wide Business Rates pilot which would have enabled more income to be retained in the Borough. Unfortunately the council has been advised that the Worcestershire bid was unsuccessful and therefore will remain in the GBS Pool for 2018/19.
- 3.7.2 Within the settlement the Government advised that a reset to Business Rates will be made in 2020/21 which will coincide with the proposed changes to Business Rates within the Business Rates retention framework. Further consultation on this scheme is expected in 2018.

3.8 New Homes Bonus (NHB)

- 3.8.1 The amount of NHB for 2018/19 has been confirmed as £674k which is £196k less than the £870k anticipated within the MTFP.
- 3.8.1 The Government announced in the settlement figures a reduction in the number of years for which NHB payments are made from six to four and a transitional year in 2017/18 where five years are payable to the authority. They also announced that NHB would not be paid for what they term as baseline growth, or housing growth that would happen naturally. This equates to a 0.4% levy that discounts the circa 126 additional houses in Redditch each year from the NHB calculation. The total cost over the 4 years of the changes to New Homes Bonus is estimated at £2m.
- 3.8.2 In 2017/18 the increase in Band D equivalent properties was less than anticipated at 84 units and therefore a marginal payment of £22k has been made to the Council as the growth is below the baseline set by Government. It is worth noting that the calculation is based on Band D equivalent and therefore there is less income generated if properties are developed that are Band A-C which is the case across the Borough.
- 3.8.3 The MTFP will continue to be refreshed annually to take account of future changes in funding and this will be based on future planning assumptions.

3.9 Council Tax

3.9.1 Within the settlement the Government allowed Councils to increase Council Tax by up to 3% without the need for a referendum for 2018/19 & 2019/20. The Council will decide the level of the council tax for 2018/19 on 19th February 2018. If the recommendations contained in this report are approved, the demand on the collection fund to meet the Council's own needs will be £6,097,619 representing a 2.99% (£6.79) increase on Band D Council Tax compared to the current financial year. The Council Tax relating to the Councils services in 2018/19 will rise from £227.21 to £234.

3.9.2 An estimation has been made in the budget proposals for the increase to be £5 per annum for 2020/21 & 2021/22 although this may change depending on Government settlements.

3.10 Collection Fund

3.10.1 The collection fund has a declared surplus of £1.23m as at March 2017 together with a forecast surplus of £59k. The total surplus of £1.82m will be distributed amongst the major preceptors using the prescribed formulae. This Councils share of the surplus payable is a one off sum is £179k.

3.11 Precepts

3.11.1 The precepts from Worcestershire County Council, the Hereford and Worcester Combined Fire Authority, and the West Mercia Police Authority have not yet been received. The precepting bodies have until 28 February to provide this information, which will be needed to enable the Council to make its formal decisions.

3.12 Capital Programme

3.11.1 The Capital Programme has been extended to a 4 year rolling plan and officers are currently working to ensure that the level of expenditure falls within the current estimated project allocation. Those schemes that are funded from S106 are not included in this report as they have already been approved during the legal agreements, however they will form part of the final programme as reported to members later this month. The borrowing costs associated with any schemes have been factored into the summary statement. The Capital Programme is attached at Appendix 4 for consideration.

3.12 Efficiency Plan

3.12.1 The Efficiency Plan as approved in October 2016 included a number of areas whereby the costs to the Council could be reduced in a number of ways. The following key themes were identified to enable officers to manage the shortfalls in funding:

- Identifying opportunities to increase income and growth
- Identify alternative models of delivery in the provision of services and to consider the most appropriate provider
- Identify further efficiency by continuing to drive waste out of services and reduce cost
- Continue to redesign services to provide quality support and service to the customer whilst releasing savings
- Assessing the value for money of service provided and demonstrating where resources can be realigned
- Designing services across public and voluntary sector organisations to secure better outcomes and reduce overall spend
- Resetting future budget to meet prior years expenditure and income

3.12.2 The budget includes the delivery of the savings and income as identified in the Efficiency Plan. It should be noted that whilst annual savings have been included to meet those referred to in the plan there may be changes to funding and services delivered from 2018/19 that require alternative savings and income profiles to be delivered. Therefore further detailed reports will be presented to members advising of the relevant income and savings to be delivered.

3.13 Current Position

3.13.1 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 2017/18 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 are included at Appendix 2.

3.13.2 In addition officers have identified revenue bids to improve and enhance service delivery.

Financial Position

3.14 The current summary includes the following assumptions:

- 2% pay award in relation to the National Agreement in place. The initial budget was increased by 1% but the revised 2018/19 - 2019/20 budgets take into account the nationally proposed 2% increase for staff
- General inflationary increases in relation to contract arrangements

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- In line with new government regulations, the introduction of a 20% increase in planning fees from Wednesday 17 January 2018
- Payment of “negative grant” to the Government in 2019/20 - 2021/22 of £330k pa. This remains to be confirmed as part of the localisation of business rates implementation
- Increases as per the fees and charges proposals
- Borrowing costs resulting from the capital programme
- An estimation of the New Homes Bonus income based on planning numbers
- Additional growth income estimated in relation to the Business Rates receivable by the Council
- Council Tax at 2.99% for 2018/19-2019/20 and £5 for 2020/21-2021/22
- Impact of moving to a Local Authority Trading Company for Leisure Services

3.15 The summary below shows the financial position for 2018/19-2021/22:

	2018-19	2019-20	2020-21	2021-22
	£000	£000	£000	£000
Departmental Expenditure	8,859	9,276	9,297	9,354
Incremental Progression/Inflation on Utilities	60	1	1	1
Housing admin subsidy & general grant reduction		70	30	33
Unavoidables	869	-214	-155	0
Revenue Bids/Revenue impact of capital bids	10	0	0	0
Savings and Additional income	-708	-18	0	0
Net Service Expenditure	9,091	9,115	9,173	9,388
Investment Income	-538	-534	-534	-534
MRP (Principal)	1,020	1,134	1,268	1,280
Recharge to Capital Programme	-425	-425	-425	-425
Net Operating Expenditure	9,147	9,291	9,483	9,709
Revenue Support Grant	-35	0	0	0
Negative grant repayable to Government	0	331	331	331
Business Rates Retention (Baseline Funding)	-2,239	-2,171	-2,171	-2,171
Expected Levy Payment (net) - payable to Business Rate Pool	93	96	98	100
Bad Debt Provision - increase	50	50	50	50
New Homes Bonus income received	-674	-703	-619	-619
Council Tax - 2.99% (18/19 & 19/20)	-6,098	-6,428	-6,731	-7,025
Parish Precept	8	8	8	8
Collection Fund Surplus (Council Tax)	-167	0	0	0
Proposed Funding from Balances	-85	0	0	0
Funding Total	-9,148	-8,817	-9,034	-9,326
Shortfall	-0	474	448	383

The future years shortfalls may change as a result of changes to Government policy. Future reviews of the Medium Term Financial Plan will address and changes to financial projections.

General Fund Balances & Reserves

3.16 The total level of balances and reserves is £3.6m.

Balances :

The level of the general fund balance is currently £1.8m which is £1.1m more than the recommended level of £750k. It is reasonable to keep this level maintained to support future uncertainties.

Reserves:

There are £1.8m of earmarked reserves available for future projects to support service delivery in the future.

Legal Implications

3.17.1 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

3.17.2 There are a number of requirements that the Council's Section 151 Officer (the Council's designated Senior Finance Officer) has to include in the budget report. These are set out below, together with S.151 comments on each of the issues:

- a) The level and use of reserves to be formally determined by the Council must be informed by the judgement and advice of the Chief Financial Officer (CFO).

Section 151 Officer's comments: The level of reserves and budgets are consistent with the framework established in the approved MTFP. I believe this strategy to be robust. However further work needs to be done to identify savings in future years to maintain balances at an acceptable level.

- b) The CFO to report the factors that have influenced his/her judgement in the context of the key financial assumptions underpinning the budget, and ensure that his/her advice is formally recorded. Where that advice is not accepted, this should be formally recorded in the minutes of the meeting.

Section 151 Officer's comments: The main assumptions included in the calculation of the budget are included within the report. The budget updates and considerations at previous Committee meetings have been formally recorded.

c) The report should include a statement showing the estimated opening balance on general fund reserves for the year ahead, any contribution to/from the fund, and the estimated closing balance.

Section 151 Officer's comments: statement included in this report (3.16)

d) The report should show the extent to which reserves are financing ongoing expenditure.

Section 151 Officer's comments: reserves are used to fund specific expenditure and not ongoing liabilities.

e) The report should include a statement from the CFO on the adequacy of general reserves and provisions both for the forthcoming year and in the context of the medium term financial plan.

Section 151 Officer Comments: the Council holds adequate reserves to manage future liability and financial constraints

f) The report should include a statement on the annual review of earmarked reserves showing:

- i) list of earmarked reserves
- ii) purpose of reserve
- iii) advice on appropriate levels
- iv) estimated opening / closing balances
- v) planned additions / withdrawals.

Section 151 Officer's Comments: The current reserves are reported on a regular basis through the financial monitoring reports

Service / Operational Implications

- 3.18 The MTFP will enable services to be delivered across the Borough within the reduced financial funding arrangement that the Council has faced.

Customer / Equalities and Diversity Implications

- 3.19 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 services that create value to the customer are resourced.

4. RISK MANAGEMENT

- 4.1 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 to be undertaken to address any areas of concern.

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