

EXECUTIVE COMMITTEE

12th February 2013

MEDIUM TERM FINANCIAL PLAN 2013/14 – 2014/15

Relevant Portfolio Holder	Councillor Phil Mould, Portfolio Holder for Corporate Management
Portfolio Holder Consulted	
Relevant Head of Service	Teresa. Kristunas, Head of Finance and Resources
Wards Affected	All Wards
Ward Councillor Consulted	
Key Decision	

1. SUMMARY OF PROPOSALS

To enable Members to consider the current financial position for the revenue budget 2013/14- 2015/16.

2. RECOMMENDATIONS

Executive is asked to note the current position for 2013/14 – 2015/16 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. It is revised and updated on an annual basis to take into account any alterations that may be required as a result of changes that impact on the Council's services.
- 3.2 As part of the review, 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.
- 3.3 As Members are aware, there are considerable additional cost 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
 - Impact of the current National Economy

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- 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 As Members are aware, the provisional settlement that was received by the Council for 2013/14 – 2014/15 was lower than originally estimated. The table below shows the actual cut in Government Grant from 2009/10 to 2014/15 and equates to a 41% real cut in the funding received to support services.

	2010/11	2011/12	2012/13	2013/14	2014/15
Formula Grant / RSG plus Baseline Funding*	£5.557m (excludes concessionary fares element)	£4.696m	£4.212m	£3.775m	£3.168m
Year on year reduction £		£0.861m	£0.484m	£0.437m	£0.607m
Year on year reduction %		15%	10%	10%	16%
Cumulative reduction £		£0.861m	£1.345m	£1.782m	£2.289m
Cumulative Reduction %		15%	24%	32%	41%

*these figures have been adjusted so they are like for like in all years and may not reflect the figures in the budget due to changes in what is included in these grants. Thus does not correspond to the Govt Grant line in 3.23.

- 3.6 The Government grant we received for 2012/13 represented a cash decrease of 10% on the previous financial year.
- 3.7 The current mechanism of allocating formula grant will be replaced from April 2013 with a system of formula grant and localised business rates. As these are effectively the same pot of money for the purposes of this MTFP they will be viewed as one funding stream.

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- 3.8 Localising business rates will transfer risk from central to local Government. As a billing authority we will be far more exposed to reductions in the local taxbase if businesses close or rates are revalued. This places far greater pressures on the cashflow and reserves of the Council as well as the risk of greater volatility in the future levels of expected funding.
- 3.9 The Council has supported the opportunity to pool business rates with other councils to mitigate against these risks. Redditch Borough Council will continue to pool with the Greater Birmingham and Solihull Pool as this offers the greater financial benefit to the Borough.
- 3.10 The Government are also transferring two specific grants into the formula grant funding from 2013/14. These are the 2011/12 Council Tax Freeze Grant (£144k) and Homelessness Grant (£98k).

New Homes Bonus

- 3.11 The Council received New Homes Bonus in the current year of £380K. It is prudent to assume that in future years that this figure will increase in line with the assumed increase in taxbase of 0.25% per annum. This would raise an estimated £70k additional grant per annum until the scheme matures in 2016/17.
- 3.12 As agreed in the current MTFP, any income received from New Homes Bonus grant will be utilised to offset the pressures facing the Council over the medium term.

Council Tax

- 3.13 To ensure that necessary levels of funding are available given the large reductions in government grant highlighted above, 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.
- 3.14 The Council Tax freeze for the current financial year was funded by an additional one off government grant of £58k. It had been hoped that this would become an ongoing grant, however this grant was for 2012/13 only. Further savings and Council Tax increases have been identified as part of this MTFP to compensate in future years.
- 3.15 The government have offered a grant equivalent to a 1% rise in Council Tax for 2013/14 and 2014/15 for councils who freeze their Council Tax in the next financial year. Acceptance of this freeze grant will cost the Council £144k pa once the grant ceases (assuming Council Tax would otherwise rise by 2% in 2013/14).

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Transformation

- 3.16 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 the purpose of services to the community and will aim to realise savings and protect those services that create value to our customers.
- 3.17 As reported previously, officers will continue to review the financial position of the authority within a framework of financial principles. These are:
- a) Reduce Waste in a system (Stop it now)
 - b) Design a new system to reduce waste and cost
 - c) Reduce the costs associated with enabling service provision rather than those that create the value to the customer.
- 3.18 There are 3 levels of costs associated with services delivered by the Council;
- a) Create Value – these are the costs to deliver front line service, those which create real value to the customer.
 - b) Add Value – these costs provide support to those services on the front line. They add value to the customer but do not directly deliver the service.
 - c) Enable – there are a number of costs that relate to the enabling functions across the Council. These include the management and support services that provide advice and support to the services who add and create value. As part of the financial principles, officers are looking at the ratio of the cost of the enabling function compared with those that create value with the aim to align resources to those that provide the most value to our customers.
- 3.19 Any additional income currently generated that delivers more than the target revenue has been built into the projections as a revised target to achieve.

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- 3.20 Officers have also identified a number of budget pressures that have either been deemed “unavoidable”. Unavoidable includes the ongoing effects of pressures identified during 2012/13 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.
- 3.21 These include:
- a) Reduction in funding from Worcestershire County Council in relation to funding for the customer service centre (HUB) of £22k.
 - b) Shortfall in on street Car parking income £22k
 - c) Reduction in funding received for Learn Direct 15K.

Financial Position

- 3.22 The current summary position at 3.22 includes the financial impact of the above in addition to the following assumptions:
- a) 1% pay award in relation to inflationary increase. This will be subject to the national negotiation that the Council is signed up to.
 - b) General inflationary increases in relation to contract arrangements.
 - c) Inclusion of the provisional settlement for 2013/14 & 2014/15.
 - d) 3% increase in fees and charges (where appropriate)
 - e) An estimation of the New Homes Bonus income
 - f) Additional income estimated in relation to the Business Rates receivable by the Council

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3.23 The revised position is shown below.

	2013/14	2014/15	2015/16
Base cost of General Fund Services	10,954	10,814	10,976
Pressures – unavoidable	743	308	217
Savings (reduction waste, redesign systems, reduction in enabling costs)	-733	-146	-112
Transformation Savings	-150	0	0
Service Expenditure	10,814	10,976	11,081
Reversal of Capital Charges	-1,349	-1,237	-1,237
Vacancy management	-200	-200	-200
Outturn Savings	-200	-200	-200
MRP	792	740	708
Bad Debt Provision	50	50	50
Pension Strain	1,557	1,736	1,878
VAT Refund	-185	-	-
Investment Income	-471	-471	-471
Parish Precept	8	9	9
Net operating expenditure	10,816	11,403	11,618
Transfer from Reserves	-255	-	-
Surplus from Collection Fund	-35	-	-
Government Grant	-2,978	-2,307	-2,119
NDR Baseline	-1,927	-1,986	-2,007
NDR Growth	-200	-200	-200
New Homes Bonus	-380	-450	-520
Assumed Council Tax @ 0% (offset by 1% Gov Grant) 2% increase 2014/15 2015/16	-4,983	-5,085	-5,186
Council Tax Grant	-58	-58	-
overall shortfall	0	1,317	1,586

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3.24 Savings currently identified include:

- a) General underspends offered up as future savings
- b) Extension of sharing for services currently not shared across the Redditch and Bromsgrove.
- c) Improved efficiencies within services and renegotiation of contracts
- d) Savings realised from transformation of services and driving out waste

3.25 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

3.26 The level of the General Fund balance is currently £1.1m, as previously highlighted, there will be greater risks on the cashflow and the funding of the Council in the medium term.

3.27 The current level of balances is nearing the minimum recommended level for the Borough. There is also the need for a fuller assessment of the necessary level of balances will be required once the full impact of the governments changes to local government funding are known.

3.28 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.

Legal Implications

3.29 None as a direct result of this budget update.

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Service/Operational Implications

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

Customer / Equalities and Diversity Implications

- 3.31 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

None

6. BACKGROUND PAPERS

None.

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