

**OVERVIEW AND SCRUTINY
COMMITTEE**

4th February 2014

MEDIUM TERM FINANCIAL PLAN 2014/15 – 2016/17

| | |
|----------------------------|----------------------------------|
| 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

To enable Members to consider the current financial position for the revenue budget 2014/15- 2016/17.

2. RECOMMENDATIONS

The Overview and Scrutiny Committee is asked to RECOMMEND that

the current position for 2014/15-2016/17 be noted and Officers be requested to 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 impact of capital spending decisions can be made. 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 Councils 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.
- 3.3 As Members are aware there are considerable additional cost pressures facing the Council in the future as a result of a number of issues including:
- Reduction in Government Grant Settlement
 - Changes to welfare reform and the impact on the Council from residents service need
 - Cuts to County Council Funding
 - Transfer from Housing Benefit to Universal Credit
 - Impact of any reduction in Business Rates

- Impact of the current National Economy

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 there has been a significant reduction in Central Government funding over the last 4 years. The level of grant for 2014/15 is £593k less than 2013/14 (12% cut) with a further £646k reduction proposed for 2015/16.

3.6 From April 2013 part of the Government Grant contains this council's share of localised business rates. For 2014/15 this amounts to £1.9m. If business rates grow above the governments assessed baseline, then this council keeps a proportion of this funding. The opposite applies for any losses with the Council taking the risk on the shortfalls arising from losses.

3.7 The Council joined a business rates pool with a number of Councils in the Greater Birmingham and Solihull LEP to mitigate against the risk of having to fund major losses.

3.8 The long term effect of the localisation of business rates and the benefits of being a member of the pool are still uncertain and will be reviewed annually. The treatment of appeals relating to years prior to the commencement of the Business Rates localisation are payable by the Council and work is ongoing with the valuation office to assess the impact of these appeals on the budget position.

3.9 For the purposes of 2014/15 business rates performance is assumed to be at the baseline level, adjusted to reflect any projected surpluses or losses to the position.

New Homes Bonus

3.10 The Council received New Homes Bonus in the current year of £673k. As agreed in the current financial plan any income received from New Homes Bonus grant will be utilised to offset the pressures facing the Council.

3.11 Council Tax

3.12 To ensure that necessary levels of funding are available given the large reductions in government grant highlighted above, then Council Tax increases will have to be sufficient to ensure that funding is available

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for the services that create value to the customer have appropriate levels of financial resource.

- 3.13 As Members may be aware the Government has offered a 1% Council Tax Freeze Grant to enable Councils to not increase Council Tax for 2014/15. This would generate approximately £52k for 2014/15 which would be lost once the grant is removed in 2016/17. The increase currently proposed by officers and included in the financial planning proposal is 1.9% which will realise over £100k pa and will provide an increase to the base 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 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 As reported previously officers will continue to review the financial position of the authority within a framework of financial principles. These are:
- Reduce Waste in a system (Stop it now)
 - Design a new system to reduce waste and cost
 - Reduce the costs associated with enabling service provision rather than those that create the value to the customer.
- 3.16 There are 3 levels of costs associated with services delivered by the Council;
- Create Value – these are the costs to deliver front line service, those which create real value to the customer
 - 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
 - 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.

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- 3.17 Any additional income currently generated that delivers more than the target revenue has been built into the projections as a revised target to achieve.
- 3.18 Officers have also identified a number of budget pressures that have either been deemed “unavoidable”. Unavoidable includes the ongoing effects of pressures identified during 2013/14 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 2 and include :
- Reduction in funding from other agencies for the delivery of Council services. These include
 - Worcestershire County Council – reduction in funding for the customer service centre £80k
 - DWP – cut in grant funding associated with the administration of Housing Benefit £70k
 - Increase in Business Rates following revaluation of Abbey Stadium (£68k)
 - Costs associated with the Independent Electoral Registration (£24k)
 - Additional costs for compliance with Government IT secure access legislation £24k

Financial Position

- 3.19 The current summary position below includes the financial impact of the above in addition to the following assumptions:
- 1% pay award in relation to inflationary increase. This will be subject to the National negotiation that the Council is signed up to.
 - General inflationary increases in relation to contract arrangements
 - Inclusion of the provisional settlement for 2014/15
 - 3% increase in fees and charges (where appropriate)
 - An estimation of the New Homes Bonus income

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3.20 The revised position for 2014/15 is shown below.

| | 2014-15 |
|---|----------------|
| | £000 |
| Departmental Expenditure | 12,334 |
| Unavoidable Pressures | 335 |
| Bids | 25 |
| Savings identified | -674 |
| Net Service Expenditure | 12,020 |
| Cost of Borrowing | 578 |
| Recharge to Capital Programme | -570 |
| Net Operating Expenditure | 12,028 |
| Bad Debts Provision | 50 |
| Funding From Reserves | -1,196 |
| Vacancy Management Saving | -150 |
| Unidentified Savings | -500 |
| Revenue Support Grant & Business Rate Retention | -4,169 |
| New Homes Bonus | -673 |
| Collection Fund Surplus (Council Tax) | -37 |
| Council Tax - based on 1.9% | -5,256 |
| Funding Total | -11,931 |
| Current Shortfall | 97 |

Appendix 1 details the revenue bid that has been requested to support the delivery of strategic purposes during 2014/15.

Savings currently identified at Appendix 3 include :

- Savings resulting from transformational redesign of systems and services of £496k
- General underspends offered up as future savings £34k
- Additional income received for services delivered £144k

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3.21 Democratic Services

Included within the savings from redesigning of services is £68k from Democratic Services. This includes the deletion of 2 vacant democratic services officer posts. It is proposed that there are a number of changes to Member meetings to enable this reduction in resource to be delivered whilst ensuring a Democratic process that will meet the needs of members and the community.

3.22 The result of transformation work within the team shows that by operating in a different way we can make savings in the democratic process without reducing the quality of decisions and governance of the Council. An example is the streamlining of the process to produce reports for Committee meetings. As part of this work the Team is also looking at ways in which support for members can be enhanced.

3.23 In terms of the immediate impact on members, the proposals are to:

- Bring together the Audit and Governance and Standards Committees into one body. Workload for the Standards Committee has reduced since the new regime was introduced in 2011. Both Committees deal with important governance issues and bringing the work together retains expertise whilst reducing the administration around meetings;
- Reduce the number of Council, Executive and Overview and Scrutiny Committee meetings by two per year (currently approx. 9, 13 and 12 meetings respectively). Meetings will continue to be arranged so that statutory deadlines are met such as setting the Council tax, Annual Council etc. A quick benchmarking survey of other District level Councils showed that the majority of those surveyed held 6 or fewer Council meetings; 10 or less Executive and Overview and Scrutiny Committee meetings. The ability to hold special meetings for specific issues will remain;
- Run a maximum of two Overview and Scrutiny task and finish groups at any one time. One of the vacant posts is allocated entirely to Overview and Scrutiny work. One post in the current structure remains to support Overview and Scrutiny. The proposal enables specific support for this important function to continue. The opportunity for short, sharp reviews in addition to the task groups will continue.

3.24 The Council is to set a balanced budget for 2014/15 and therefore will have to approve further savings, increase income or reduce high pressures. Any additional spending, over and above the pressures identified above, would also need to be funded by additional savings.

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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.

- 3.25 Officers are working on a 6 month transformational plan to review all services over this period with the aim to further reduce waste, drive out efficiencies and realign services to meet our customer demand and expectation. Whilst mindful that a 3 year plan is generally presented during the budget setting period, officers will use the plan to identify where savings can be made over the period to 2016/17 and bring a future years financial plan in September/ October to enable early consideration of the future proposals for service redesign.

General Fund Balances

- 3.25 The level of the general fund balance is currently £918k. This level of balances is in excess of the £750k as approved by Members as the required level. It is worth raising that the level of balances is close to the minimum and this level has been identified as an issue in relation to the financial resilience of the Council. There will be no ability to fund any additional costs during 2014/15 from balances. Officers will continue to review potential saving opportunities to ensure that this level of balances is maintained in the future.

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.

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5. APPENDICES

Appendix 1 – Revenue Bids 2014/15 – 2016/17

Appendix 2 – Unavoidable Pressures 2014/15 – 2016/17

Appendix 3 – Revenue Savings 2014/15 – 2016/17

AUTHOR OF REPORT

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