

REDDITCH BOROUGH COUNCIL

EXECUTIVE

3rd FEBRUARY 2015

MEDIUM TERM FINANCIAL PLAN 2015/16 – 2017/18

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 current financial position for the revenue budget 2015/16 – 2017/18.

2. RECOMMENDATIONS

2.1 Executive is asked recommend to Full Council:

- 1) **Approve the bids of £91k for 2015/16 as detailed within the report in relation to Essential Living Fund , Small Business Support and the spend to save funds for energy management.**

- 2) **Approve the unavoidable pressures as detailed in Appendix 1 of;**

2015/16 £238k

2016/17 £230k

2017/18 £241k

- 3) **Approve the savings as detailed at Appendix 2 of ;**

2015/16 £1.005m

2016/17 £1.476m

2017/18 £1.516m

- 4) **Approve the increase in Council Tax of 1.9% for 2014/15**

3. KEY ISSUES

Financial Implications

- 3.1 As Members are aware the Council's Medium Term Financial Plan (MTFP) provides the framework within which the revenue and capital spending decisions can be made. As part of the budget process for 2014/15 a one year budget was agreed by Members. This was to enable officers and Members to review the costs associated with the delivery of services across the Borough to make informed proposals on future years spending plans. The Medium Term Plan included within

this report is for a 3 year period and provides sustainable 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

Formula Grant / Localised Business Rates

- 3.2 The provisional settlement that was received recently by the Council for 2015/16 was as indicated previously at £3.580m. However this confirms the £652k 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.
- 3.3 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 on Formula Grant are therefore factored into the MTFP, in line with previous estimates. Reductions have been included at 5% of the Revenue Support Grant (£1.567m) element of the main settlement.
- 3.4 The budget for 2015/16 – 2017/18 includes a Council Tax increase of 1.9% p.a. It is worth noting that the Government has continued to provide a Council Tax Freeze Grant of up to 1% as part of the settlement for 2015/16. It is proposed that the Council does not take up this grant due to the impact it has on the future Council Tax income rises.
- 3.5 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.
- 3.6 In the first year of this new regime, all members of the pool benefited financially from being in the pool. The net financial growth across all the Pool Partners was £750k. This would have been returned to

Central Government had the Pool not existed. From this £750k Redditch received £203k for 2013/14 as the Council saw decline in its Business Rates Baseline Income and had to make a number of payments as a result of nationally agreed appeals by businesses. We therefore reached a “safety net” level whereby a payment was made to mitigate the effect of the decline in income. This was a one off payment for 2013/14 as part of the Pooling Agreement. Of the remaining £547k, funding of £307k was set aside for LEP projects and £240k returned to the 3 Councils that generated growth in their Business Rates position.

- 3.7 Despite the “safety net” being reached in 2013/14 officers are confident that the effect of prior year appeals will not impact in future years and therefore a £200k growth income has been included in the financial plan for the 3 year period.

New Homes Bonus

- 3.8 The Council will receive £803k in 2015/16. This has been increased based on assumptions of planning growth over the next 3 years.
- 3.9 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. At present there are no proposed changes to the funding mechanism for New Homes Bonus by Central Government but it is a funding stream that could be revised in the future and therefore impact on the budget position moving forward.

Council Tax

- 3.10 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.
- 3.11 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). It is proposed that the freeze grant is not accepted due to the impact on future years funding.

Transformation

- 3.12 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.
- 3.13 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. There are a number of savings that are estimated to be delivered as a result of transformation over the next 3 years.
- 3.14 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.

Financial Projections

- 3.15 Officers have also identified a number of budget pressures that have 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.
- 3.16 In addition to the unavoidable pressures 2 revenue bids have been identified to continue to support the community across the Borough. These are :
- Essential Living Fund - **£30k** to provide support to the most vulnerable residents, through the provision of:
 - Short term help to pay energy costs;
 - Emergency food, clothing or other essentials; and
 - basic furniture and/or electrical goods where a critical need has been identified.
 - Small Business Support - **£20k** to provide levels of funding for businesses to set up in the Borough

- Energy Management - **£41k** to provide funding for the Council to work with the County Council to review our energy efficiency / carbon footprint and to work to ensure the Council reduces its energy cost in the future. The £41k is for one year only and will realise savings of £60k per annum by 2017/18.
- 3.17 Officers have spent time reviewing the way that our services are delivered and have proposed savings that can be realised as a result of the financial principles that the Council agreed in relation to the budget:
- Reducing the cost of enabling services
 - Reducing the cost of waste in the services
 - Redesigning the service to meet customer need whilst reducing cost
- 3.18 Officers have reviewed service delivery across the Council and considered how to reduce waste and support front line services. The savings proposed have been assessed in a robust way to ensure that they are sustainable and that resulting costs meet the Strategic Purposes of the Council. The schedule at Appendix 2 details the savings proposed.

Financial Position

- 3.19 The current summary position at 3.20 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
 - An estimation of the reduction for 2016/17 (5%) & 2017/18 (5%) in Central Government Grant
 - 3% increase in fees and charges (where appropriate)
 - An estimation of the New Homes Bonus income
 - Additional growth income estimated in relation to the Business Rates receivable by the Council
 - Use of reserves of £875k. In previous years there have been drawdowns from reserves to fund the revenue budget. The majority of the use of reserves for 2015/16 (£755k) will be replaced by Capital receipts already received and therefore not impact on the level of reserves available for future funding requirements. In addition a review has been undertaken of all reserves and any no longer required are to be released to support the revenue budget.
 - No use of balances across the 3 year plan

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3.20 The revised position is shown below.

	2015/16 £'000	2016/17 £'000	2017/18 £'000
Base cost of General Fund Services	11,783	11,107	10,822
Additional re pay award / pension / incremental progression		235	153
Pressures – unavoidable & income shortfalls	238	-8	11
Savings Proposed	-1,005	-471	-40
Bids	91	-41	
Net Service Expenditure	11,107	10,822	10,946
Borrowing to fund capital programme	1,057	1,057	1,057
Investment Income	-484	-484	-484
Recharge to capital programme	-598	-598	-598
Vacancy Management	-190	-190	-190
Net operating expenditure	10,892	10,607	10,731
New Homes Bonus	-803	-1,011	-1,015
Parish Precept	8	8	8
Business Rate Retention	-2,003	-2,003	-2,003

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Net Business Rate Growth	-200	-200	-200
Surplus from Collection Fund	-55	0	0
Government Grant	-1,567	-1,499	-1,424
Assumed Council Tax	-5,397	-5,504	-5,712
Use of Reserves	-875	-	-
Overall Shortfall	0	398	385

3.21 As shown in the table above there remain shortfalls over the 3 year. Officers are committed to realise these future years savings through transformation and redesigning systems and services within the Council to support the Strategic Purposes. Therefore we will continue to work with staff to enable services to be delivered at a reduced cost whilst meeting the demands of the community.

General Fund Balances

3.22 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. The current projections do include any use of balances over the 3 year financial plan.

3.23 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

3.24 The Capital Programme is a 3 year rolling programme and officers have calculated the associated borrowing costs of the programme as part of the MTFP. Officers will ensure that costs are managed to mitigate the impact of borrowing on the revenue fund.

Legal Implications

3.25 None as a direct result of this budget update. The Council has a statutory responsibility to set a balanced budget for the following financial year when it set the Council Tax by March 1st.

Service / Operational Implications

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

Customer / Equalities and Diversity Implications

- 3.27 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

- 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 being undertaken to address any areas of concern.

5. APPENDICES

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

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