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**MEDIUM TERM FINANCIAL PLAN 2016/17 – 2018/19**

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

**1. SUMMARY OF PROPOSALS**

- 1.1 To enable Members to consider revisions to the Medium Term Financial Plan as previously reported to 2<sup>nd</sup> February Executive and to recommend the Council Tax resolutions and Pay Policy for 2016/17.

**2. RECOMMENDATIONS**

**2.1 The Committee is asked to RECOMMEND ;**

- 2.1.1 **Approval of additional savings of £35k for 2016/17**
- 2.1.2 **Approval of a reduction in release from balances of £100k for 2016/17. The total release from balances is £479k.**
- 2.1.3 **Approval of an increase Council Tax by £5 (2.2%) per Band D equivalent for 2016/17**
- 2.1.4 **Approve the Council Tax resolutions as included at Appendix 3**
- 2.1.5 **Approval of the Pay Policy as attached at Appendix 2**

**3. KEY ISSUES**

**Financial Implications**

- 3.1 As reported to the Executive on 2<sup>nd</sup> February a balanced budget for 2016/17 had been recommended despite the significant cut in Government Grant funding. This was based on the proposed financial settlement as received in December 2015.
- 3.2 A request was sent by the Leader to appeal the settlement proposed and the final grant allocation was reported to the Council on 9<sup>th</sup> February 2016. This included a transitional grant allocation of £44k for both 2016/17 and 2017/18 to partially offset the impact of the cut in Revenue Support Grant. It is proposed that this funding is used to reduce the amount required from balances to support the budget shortfall in 2016/17.

- 3.3 In addition all Shire Districts ( and Borough Councils) were given the flexibility to increase Council Tax by £5 per Band D equivalent property without the requirement to hold a referendum. This would be an increase to the residents of the Borough of 2.2% and would be an increase of approximately 0.80p ( per Band D) than the previously estimated 2% increase. The resulting total charge for the Borough services for 2016/17 would be £222.54 which is approximately 14% of the total Council Tax charge for the year. The income generated from the £5 charge would be approximately £20k and it is therefore proposed that this opportunity is taken for 2016/17 and the additional income is used to reduce the amount required from balances to support the budget shortfall in 2016/17.
- 3.4 Officers have also continued to review the budget estimations to ensure that all savings are included in the 2016/17 budgets. Additional income has been identified relating to rental revenue from the Town Hall Creche of £20k and Woodrow Library of £15k. This income is to be added to the budgets for 2016/17 and future years. As with previous additional income above it is proposed that this income is used to reduce the amount required from balances.
- 3.5 Taking into account the above additional revenue received the balances position will be increased from that anticipated when the provisional settlement was published. This will result in balances being over £600k more than the recommended amount.

<b>BALANCES</b>	<b>£m</b>
B/Fwd 1.4.2015	2.005
Use in 2015/16 ( per previous approvals)	0.150
Release of Balances to support 2016/17 Budget	0.479
<b>REMAINING BALANCES</b>	<b>1.376</b>

- 3.7 It is assumed that further detailed information will be made available in the Summer in relation to the Business Rates Retention Scheme and this will be brought to members attention once it is published.
- 3.8 Members will also be aware that the Government are looking to reduce the funding for New Homes Bonus and have released a consultation paper to enable Councils to identify any concerns or identify alternatives to the proposed changes. The consultation is due back to Government on 10<sup>th</sup> March and will be sent to all Members for information prior to this deadline.

**REDDITCH BOROUGH COUNCIL**

**EXECUTIVE COMMITTEE**

**22<sup>ND</sup> FEBRUARY 2016**

3.9 A number of Capital Schemes were proposed for recommendation in the report to Executive on 2<sup>nd</sup> February. For Members information the full Capital Programme ( to include the bids proposed ) is attached at Appendix 1.

3.10 The following table shows the final recommended budget for 2016/17 to include the transitional grant , Council Tax increase to £5 and the additional income identified.

	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Departmental Expenditure (Starting Position)	10,717	10,800	10,800
Incremental Progression/Inflation on Utilities	10	221	559
Unavoidables	305	364	370
Revenue Bids/Revenue impact of capital bids	10	10	10
Savings and Additional income	<b>-654</b>	<b>-557</b>	<b>-566</b>
<b>Net Service Expenditure</b>	<b>10,389</b>	<b>10,838</b>	<b>11,174</b>
Investment Income	<b>-494</b>	<b>-494</b>	<b>-495</b>
Cost of Borrowing	835	1,014	994
Recharge to Capital Programme	<b>-505</b>	<b>-505</b>	<b>-505</b>
<b>Net Operating Expenditure</b>	<b>10,225</b>	<b>10,853</b>	<b>11,168</b>
Revenue Support Grant	<b>-901</b>	<b>-363</b>	<b>-35</b>
Transitional Grant	<b>-44</b>	<b>-44</b>	0
Business Rates Retention (Baseline Funding)	<b>-2,020</b>	<b>-2,059</b>	<b>-2,120</b>
New Homes Bonus	<b>-1,126</b>	<b>-1,154</b>	<b>-695</b>
Collection Fund Surplus (Council Tax)	<b>-104</b>	0	0
Council Tax	<b>-5,594</b>	<b>-5,745</b>	<b>-5,952</b>
Other Grants	<b>-16</b>	0	0
Admin Subsidy Grant Reduction	101	127	167
Business Rates Growth	<b>-50</b>	<b>-50</b>	<b>-50</b>
Parish Precept	8	8	8
Transfer from Balances	<b>-479</b>	0	0
<b>Funding Total</b>	<b>-10,225</b>	<b>-9,281</b>	<b>-8,678</b>
<b>Shortfall</b>	<b>-0</b>	<b>1,572</b>	<b>2,490</b>

**Service / Operational Implications**

3.11 The pressures as identified will ensure that services are delivered to the community. The additional cuts to RSG will need to be addressed to ensure that quality of service provision is maintained in the Borough.

**Legal Implications**

3.12 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: Review of general fund balances included above in report (3.5).*

- 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 (3.5)*

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

*Section 151 Officer's comments: included in this report and that to Executive on 2<sup>nd</sup> February 2016*

- 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 as detailed in the report to Exec on 2<sup>nd</sup> February.*

- 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 .*

**Customer / Equalities and Diversity Implications**

- 3.13 Undertaking a comprehensive review of the financial cost and the value of the demand on all the Councils services will ensure that all customers needs will be identified to enable members to make informed and considered judgements about the budget over the financial plan.

**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 – Capital Programme  
Appendix 2 – Pay Policy 2016/17  
Appendix 3 – Council Tax Resolutions

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