

MEDIUM TERM FINANCIAL PLAN 2017/18 – 2020/21

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 2017/18 to 2020/21.

2. RECOMMENDATIONS

The Committee is asked to

- 1) consider the content of the report; and**
- 2) identify any recommendations that Members would like to make on the subject of the budget for the consideration of Council on 20th February 2017.**

3. KEY ISSUES

Financial Implications

- 3.1 Over the last 2 years the Council has faced a reduction in Government funding of £681k 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 3.16 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
- Impact of the Localisation of Business Rates scheme
- Transfer from Housing Benefit to Universal Credit

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 2016. A number of issues were included within the information, including;

- Confirmation of continuing cuts to Revenue Support Grant
- Updated Core Spending Power
- Projections of Council Tax income increased on 2016/17 Settlement
- Additional flexibility on Social Care
- New approach to distributing New Homes Bonus
- Shift in funding from Lower to Upper Tier services in particular the creation of the Improved Better Care Funding
- Ability to increase Council Tax by 2% of £5, whichever is the greater, without triggering a referendum

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 2017/18 was notified to all Councils in December. This represents a 60% decrease when compared with our grant for 2016/17 as shown in the table below:

Financial	Actual	Actual
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Year	£	% Reduction
2016/17	901,000	
2017/18	363,000	60

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.

3.7 Business Rates

3.7.1 For 2017/18 the government assessed baseline for business rates is £2.06m, if business rates grow above the baseline, then this council keeps a proportion of that funding. The opposite applies for any losses with the Council having to repay some of its formula funding.

3.7.2 Projecting future levels of business rates is not an exact science. This Council knows from experience that external decisions can significantly reduce business rates income. We are expecting some growth on business rates to continue into 2017/18 and have included an expected income of £50k; however this is an estimate and may be affected by economic factors in the local area.

3.7.3 General Fund balances will need to be robust enough to meet this enhanced level of risk. The level of business rates take and corresponding level of appeals will need to be closely monitored in the next financial year.

3.8 New Homes Bonus (NHB)

3.8.1 The amount of NHB for 2017/18 has been confirmed as £1.018m which is £108K less than the £1.126m anticipated within the MTFP.

3.8.2 The Government announced in the settlement figures a reduction in the number of years for which NHB payments are made from six to four. With 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 house in Redditch each year from the NHB calculation.

3.8.3 The Government also announced in the settlement that they expect to make further changes to NHB in future years. So not only can we expect significantly less than we would have earned, there is also increased risk to this funding stream in future years.

3.8.4 The MTFP will continue to be refreshed annually to take account of future changes in funding.

3.9 Council Tax

- 3.9.1 The Council will decide the level of the council tax for 2017/18 on 20th February. If the recommendations contained in this report are approved, the demand on the collection fund to meet the Council's own needs will be £5.801m representing a £5 increase on Band D Council Tax compared to the current financial year.
- 3.9.2 The council taxbase for 2017/18 is 25,509.11 an increase of 1.45% on the current year. The proposed band D Council Tax will be £227.54 (£222.54 2016/17). It is assumed that the Council Tax Base will increase by 0.5% year on year.

3.10 Precepts

- 3.10.1 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. Precept notifications have been received from all of the parish and town councils.

3.11 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 3 for consideration.

3.12 Efficiency Plan

- 3.12.1 The Efficiency Plan as approved in October 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 note 1

- 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 2016/17 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 to the unavoidable pressures, 2 revenue bids have been proposed:

- Professional fees for the procurement of a leisure operator as shown in the MTFP (assumes external procurement approach is followed) - £75k in 2017/18
- To replace the current Town Hall Civic Suite tables as they are or are rapidly approaching the end of their useful life. This is based on a phased approach over 2 years to replace all tables - £5k for 2017/18 & 2018/19

3.13.3 In addition to Heads of Service proposed savings there have been a number of suggestions from staff in relation to efficiencies and income that could be realised. These are attached at Appendix 4 and have been included in the estimated budgets where a judgement has been made on the savings to be made or revenue income to be generated. During the financial year these proposals will continue to be considered and reported to members once robust financial implications are assessed.

Financial Position

3.14 The current summary includes the following assumptions:

REDDITCH BOROUGH COUNCIL

OVERVIEW AND SCRUTINY COMMITTEE

14th February 2017

- 1.0% pay award in relation to the National Agreement in place
- General inflationary increases in relation to contract arrangements and on utility bills
- increase in fees and charges (included in recent report)
- An estimation of the New Homes Bonus income
- Additional income estimated in relation to the Business Rates receivable by the Council
- £5 increase in Council Tax

3.15 The summary below shows the projected shortfall if no further savings were made:

	2017-18	2018-19	2019-20	2020-21
	£000	£000	£000	£000
Departmental Expenditure (Starting Position)	10,838	11,289	11,676	11,933
Adding back prior year use of balances/ reserves plus - Incremental Progression & inflation on Utilities	259	435	179	200
Unavoidables	112	27	83	25
Revenue Bids & Revenue impact of capital bids	80	-75	-5	0
Net Service Expenditure	11,289	11,676	11,933	12,158
Investment Income	-561	-543	-539	-539
Cost of Borrowing	931	1,127	1,157	1,266
Recharge to Capital Programme	-546	-541	-544	-544
Net Operating Expenditure	11,113	11,718	12,007	12,340
Revenue Support Grant	-363	-35	331	331
Transitional Grant	-44	0	0	0
Business Rates Retention (Baseline Funding)	-1,935	-2,039	-2,106	-2,104
Funding from Business Rate Growth	-50	-50	-50	-50
New Homes Bonus	-1,018	-870	-987	-884
S31 Small Business Rate Relief	-250	0	0	0
Council Tax	-5,797	-6,060	-6,308	-6,615
Parish Precept	8	8	8	8
Funding Total	-9,448	-9,046	-9,112	-9,314
Shortfall	1,664	2,672	2,895	3,026

REDDITCH BOROUGH COUNCIL

OVERVIEW AND SCRUTINY COMMITTEE

14th February 2017

3.16 In considering the shortfall above officers have proposed a number of additional income and efficiencies, to include service reductions that could be implemented to ensure that the budget is balanced over a 4 year period. This will provide funding available to support future uncertainties in funding arrangements. The table below details these proposals:

BUDGET PROJECTIONS TO 2020/21	2017-18	2018-19	2019-20	2020-21
	£000	£000	£000	£000
Shortfall	1,664	2,672	2,895	3,026
Shortfall to be met by :				
Proposed Savings/ additional income whilst maintaining current service delivery - as per Appendix 1	-1,032	-56	25	-
<u>OFFICER RECOMMENDATIONS</u>				
Proposed Savings / additional income in changing / reducing service provision or delivering additional efficiencies				
Change Model of delivery of Leisure services (eg Trust model/ other provider) - to include an estimate of the reduction in support services	-	-440	-40	-
Kingsley Sports Centre - Surrender interest in site : saving up to £61k: part year effect and £128k full year	-61	-67	-	-
Arrow Vale Sports Centre - Surrender Interest in site	-20	-21	-	-
Review of provision of free swimming	-50	-	-	-
Withdrawal of funding for community events to include, annual bonfire, street theatre events and the Morton Stanley Festival	-40	-	-	-
Christmas Light Displays - secure external funding	0	0	-20	-
Shopmobility - to propose charging for the service	-40	-20	-	-
Charge pre application fees for developers	-15			
Move to all out elections every 4 years	0	-40	-	-
Options / Review of pre 9:30am concessionary bus travel and options for delivery	-85	-	-	-
Reduce cost of landscaping on the highways	-8	-	-	-
Implementation of Garden Waste Service	0	-20	-20	-

REDDITCH BOROUGH COUNCIL

OVERVIEW AND SCRUTINY COMMITTEE

14th February 2017

	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000
Procurement efficiencies	-100	-10	-	-10
Savings realised from general staffing turnover	-150	-	-	-
Pest control - review of charging to offset increases in costs	-10	-5	-	-
Review of fleet costing to HRA	-	-165	-	-
Review of revenue opportunities including car parking and delivery of additional services	-	-150	-40	-60
Management Restructure	-40	-70	-110	-30
Proposed Savings / additional income in changing / reducing service provision or delivering additional efficiencies	-619	-1,008	-230	-100
<i>Savings already built in from previous year</i>		-1,651	-2,715	-2,920
Transfer from balances (-) / to balances (+)	-13	43	25	-6
REVISED SHORTFALL	0	0	0	0

General Fund Balances

- 3.17 The level of the general fund balance is currently £2.024m. The current level of balances is sufficient but it is recommended that these should not drop below £750K. The proposed officer budget will return £49k to balances to retain the level at approximately £2.1m depending on the level of 2016/17 underspends that will be transferred to balances.

Legal Implications

- 3.18 None as a direct result of this budget update.

Service / Operational Implications

- 3.19 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

- 3.20 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

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| Appendix 1 | Savings/Income deliverable without impacting on future service provision |
| Appendix 2 | Unavoidable Pressures |
| Appendix 3 | Capital Bids |
| Appendix 4 | Staff suggestions |

AUTHOR OF REPORT

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