



Report to: Council, 21st February 2017

Report of: Leader of the Council

Subject: PROPOSED BUDGET 2017/18 AND MEDIUM TERM FINANCIAL PLAN 2017/18 – 2021/22

1. Recommendation

- 1.1 That Council endorse the proposed Budget and Council Tax for 2017/18 as set out in this report. In particular:-**
- a. The Budget Requirement for Worcester City Council (excluding Parish Precepts) 2017/18 at £10.504m;**
 - b. The Council Tax Requirement for Worcester City Council (excluding Parish Precepts) 2017/18 at £5.457m; and**
 - c. The Band D Council Tax for Worcester City Council (excluding Parish Precepts) at £175.24.**
- 1.2 That Council approves the Council Tax Resolution 2017/18 set out at Appendix 12 (to follow - final figures will be confirmed in advance of the Council meeting once all the precept information has been confirmed).**
- 1.3 That Council endorse the proposed Budget for 2017/18 as detailed in the following appendices:**
- i. the summary budget 2017/18 as set out at Appendix 1;**
 - ii. the Transformation Savings Plan for 2017/18 as set out in Appendix 2;**
 - iii. the detailed Budget 2017/18 as set out in the Budget Book at Appendix 3;**
 - iv. the Treasury Management Strategy Statement 2017/18 as set out in Appendix 4 and including the proposed extension to the counter-parties list as set out in Appendix 5;**
 - v. the Pay Policy Statement 2017/18 as set out in Appendix 6;**
 - vi. the detailed Fees and Charges 2016/17 as set out in Appendix 7 and in Appendix 7b (exempt item);**
 - vii the amendment to the minimum working balances as set out in Appendix 8.**

1.4 That Council endorse the proposed Medium Term Financial Plan for the next five year period 2017/18 – 2021/22 as detailed in the following appendices:

- i. the summary MTFP 2017/18 - 2021/22 as set out in Appendix 1;**
- ii. the Transformation Savings plan for 2017/18-2021/22 as set out in Appendix 9**
- iii. the Capital Programme and Capital Financing as set out in Appendix 10;**
- iv. the Earmarked Reserves utilisation as set out in Appendix 11.**

2 Background

2.1 At its meeting in October, Cabinet endorsed a high level medium term financial forecast to provide the financial framework for the Medium Term Financial Plan (MTFP) and the detailed draft budget for 2017/18.

2.1 Cabinet instructed officers that in identifying savings to achieve a balanced budget the key strategic themes of the MTFP were to focus on:-

- 1) Transformation of service delivery to drive out wasted activities and streamline processes, systems and procedures across the Council and to utilise appropriate technologies and improve overall value for money;
- 2) Organisational and service delivery improvement through the implementation of an agreed business plan;
- 3) Implementation of the Council's new City Plan to deliver economic prosperity and sustainable growth across the City;
- 4) Generation of new income streams in the short, medium and longer terms, to replace existing and future reductions in Government Funding; and
- 5) An improved asset management approach consisting of a strategic review of the public estate across the City.

2.2 At its meeting on 13 December, Cabinet received details of the draft MTFP and proposed draft budget for 2017/18 including officer proposals on how to deliver the required savings of £2.2m over the next three years in line with Cabinet guidelines on top of the £0.5m already approved within the existing MTFP.

2.3 Given the importance of the transformation plans and income proposals in delivering the Council's service and financial requirements over the life of the MTFP, Cabinet requested officers to share those transformation plans in detail with PMBS for consideration at their meetings on 16th and 23rd January and to feed any other savings, efficiencies or income opportunities into this process prior to Cabinet finalising its formal budget recommendations to Full Council in February.

3 Member proposals from PMBS

3.1 The members of PMBS scrutinised the budget proposals in detail using the newly introduced A3 reporting sheets. Prepared for each service activity, these pull together existing costs, transformation proposals and timelines and enabled an open and transparent scrutiny of the proposals to be carried out within the public domain.

- 3.2 It enabled PMBS to carry out a more informed and thorough review of the proposals as demonstrated by the fact that over 8 hours was spent considering them over two nights in January; and the constructive and informative comments and recommendations arising from those meetings across all political parties.
- 3.3 The key issues and recommendations arising from those meetings with a potential impact on the proposed budget and MTFP are as follows:
- Desire to ensure that charges for burial and cremation services relating to children under the age of 17 are waived for Worcester residents (estimated cost £6k per annum).
 - Concern regarding the community services savings programmed for 2017/18 because members were unclear how such savings can be delivered without deterioration of a key service link with the community and voluntary sectors (cost £38k).
 - Similar concern with regard to Housing Strategic Services added to which the uncertainty surrounding impending legislation placing new responsibilities on Councils in respect of homelessness (cost £30k).
 - Concern that Government funding of the Discretionary Welfare Assistance Scheme (DWAS) is ending and the desire to ensure there is sufficient funding for this to continue operating within Worcester City (cost £80 -90k in 17/18).
 - Request for an income generation line to be included within the MTFP to ensure its importance is recognised.
 - Similarly include a line within the MTFP for senior management and support services savings at the end of the front line service transformation period to ensure its importance is recognised.
 - Request for the 2017/18 budget savings plan to be categorised in order to distinguish income generation from savings targets and the extent to which proposals are already delivered or can be delivered by 1 April 2017.
- 3.4 Members of PMBS also sought assurances that there would be a commitment in approving the proposed budget and MTFP, that adoption of all detailed transformation proposals including service outcomes, would be subject to member sign off by the appropriate Committee within the new Committee Structure (operating within the City Council from May 2017) prior to implementation. It is anticipated that Committees will be in receipt of regular monitoring reports to ensure agreed service outcomes are being delivered within the new transformed service areas and planned savings targets are being achieved.
- 3.5 Members also sought a commitment from officers, once service outcomes have been agreed and implemented, to research and report back on how those service outcome standards could be published and made available for Worcester City residents to be able to access, ideally on an area by area or even road by road basis.
- 3.6 All these recommendations are considered reasonable and consistent with the aim of aligning the Council's budget with the new City Plan which already has cross party agreement.
- 3.7 All these proposals have therefore been incorporated into the 2017/18 Budget and MTFP, the updated details of which are shown at **Appendix 1**.

- 3.8 A breakdown of the consequential 2017/18 income and savings targets are detailed at **Appendix 2** as recommended by PMBS. The Budget Book reflecting the recommended budget for 2017/18 is attached at **Appendix 3**.
- 3.9 Details of how it is envisaged the outcome standards and performance monitoring would feed into the new Committees are detailed in section 8 below (subject to member agreement as part of the Committee structure review work currently being carried out with the three Group Leaders and member briefings).
- 3.10 There has also been cross party support for the Council to formally acknowledge within the budget and MTFP the desire for the Council to explore and implement energy efficient options within the Council's buildings and assets such as solar power; community energy schemes; and piloting incentives for City residents to encourage a switch to more energy efficient lower emission cars by, for example, offering free car parking for electric powered cars within the City boundary.
- 3.11 Such initiatives are clearly in line with the Council's objectives within the City Plan and consistent with its aspirations of being innovative, inclusive, sustainable and successful. Adoption of the Small Projects Development Fund will provide the vehicle to fund feasibility and outline business cases which, if evidenced, would then justify further investment via the Income Generation Fund and City Plan fund to implement such projects.

4 Council tax implications

- 4.1 At a time of continued austerity and uncertainties for the economy arising from national and world events Council Tax increases place an extra financial burden on Worcester City Residents. At the same time residents have made it clear they value the services they receive and the environment in which they live.
- 4.2 That provides a difficult balancing act between Council Tax increases; income charges; income generation and service efficiencies. Furthermore from 2019/20 the City will effectively be in control of its own finances without support from Government in respect of Revenue Support Grant.
- 4.3 Any one-off reduction in Council Tax through, for example, a one off use of reserves means the Council Tax yield will be permanently reduced with, whilst capping rules remain in place, no opportunity to make up that baseline reduction in future years as the economy picks up without the costly exercise of a referendum.
- 4.4 The proposals within the 2017/18 budget and MTFP are predicated on a Band D Council Tax increase of £5 p.a. over each of the next three years as the Council Taxpayers contribution to the £2.7m income and efficiency targets required in order to provide a balanced budget. Thereafter it assumes an annual increase in line with projected inflation. These proposals are consistent with the Council Tax proposals inherited from the previous administration and in keeping with the 2016/17 MTFP approved in February 2016.
- 4.5 Since the majority of people (72%) within the City of Worcester are in Band A, B or C rated houses this will mean on average an increase of around 1p per day in order to help us protect services. In respect of the most vulnerable, additional protections are available through the Council Tax Support Scheme.

5 Supporting delivery of the City Plan

- 5.1 The core purpose of the Worcester City Plan is to ensure that all residents have the opportunity to fully participate in the unique and inspirational opportunity the City provides. It is important that we ensure that people and communities are supported to be as independent as they can be but also, as community conscious as they can be - Worcester is a City that not only wants to thrive, it wants all of its residents to be part of a thriving city that has their future and future generations in mind. To this end it is important that this budget builds the foundations necessary for that future.
- 5.2 The 2017/18 budget and MTFP includes within it four main sources of income in support of delivering the City Plan namely £1m pa over the next 5 years funded from New Homes Bonus to the City Plan Fund; a one off £0.5m earmarked reserve to support new income generation (Income Generation Fund); a Small Projects Development Fund based on 50% of any additional income achieved in excess of that budgeted; and a one-off sum of £1.3m to support the transformation programme (Transformation and Efficiency Fund).
- 5.3 In addition the City has the opportunity to take on additional borrowing under prudential borrowing regulations in support of capital projects where the business case supports investment under a spend to save principle.

6. Car Park Charges

- 6.1 Because of the uncertainty around the economy there is all party agreement in support of businesses and traders and therefore there are no proposals within the MTFP to increase car parking charges within the next 3 years. Thereafter, (as with Council Tax) an annual increase in line with inflation has been assumed from 2020/21 within the MTFP.

7. Business rate income

- 7.1 In the Cabinet report of 13 December the current forecast on business rate income for 2016/17 was an anticipated surplus of £0.820m of which some £0.328m would be retained by the Council. The updated projection is a surplus of £0.840m of which £0.336m is available as one-off additional funds to the City Council.
- 7.2 Cabinet endorsed the proposal that the surplus be retained as a reserve to cover the risk of business rate safety net costs or other business rate fluctuations not covered within the Worcestershire Business Rate Levy Pool (WBRP).
- 7.3 Within discussions at Cabinet on the draft budget, questions were asked whether half of the projected business rate surplus for 2016/17 would not be better used to support the 2017/18 budget to mitigate some of the budget reductions rather than it all being retained as a Reserve.
- 7.4 Although an attractive idea, this has to be balanced against the implications on the Council in subsequent years should there be a successful appeals process. This is particularly relevant given the national revaluation of business properties effective from 1 April 2017.

- 7.5 The Worcestershire business Rates Pool (WBRP) has identified the need to build up a £2m risk pool to cover the risk of business rate losses. The pool currently stands at £0.128m with a further £0.659m forecast to be added as a result of 2016/17 business rate levies. This is some £1.2m below where WBRP would like to be. Based on what happened when the GP appeals occurred and there was insufficient in the pool that burden was transferred to our respective authorities to resolve. To offset that risk it is therefore considered prudent to earmark the 2016/17 related surplus (received in 2017/18) as a reserve which can be reviewed again and released once the WBRP risk pool has reached its £2m target.
- 7.6 In respect of 2017/18 business rate income levels the statutory return was completed on 31 January 2017 in line with Government guidelines and shows an increase above the figures assumed within the MTFP reported on 13 December. The business rate income has increased by £0.533m to £3.183m. However, the City Council is required to pay increased business rate bills amounting to £0.453m following the business rate revaluation from 1st April 2017 (mainly in respect of Council car parks) leaving a positive balance of £80k. It is proposed that this £80k base budget be allocated to DWAS and this has been reflected in the MTFP, see **Appendix 1**.
- 7.7 In recognition of the desire to support and attract businesses to the area as part of the City Plan an additional business rate income target of £0.100m pa has been built into the MTFP from 2021/22 along with a one-off target saving of £0.150m for 2020/21.
- 7.8 This target results from the opportunities for rationalisation of the public sector owned assets arising from the One Town review which is currently in the process of being undertaken.
- 7.9 Whilst both these targets can be deemed to be aspirational at this stage they are considered a realistic target given the funds made available in support of the City Plan over the next 5 years.

8. Supporting the new Committee structure

- 8.1 The information presented to Members (in the form of A3 sheets), which formed part of the detailed briefing papers to PMBS on the transformation and income plans, all contained within them target dates for review and implementation.
- 8.2 Subject to member agreement on how the Committee system will operate, it is envisaged that all of the timelines within the A3 sheets will be extracted and scheduled into the Committee meeting timetable and the relevant Committee will be responsible for sign off of the proposals and agreeing service outcome standards and budget savings prior to implementation.
- 8.3 Once agreed, it is envisaged these service outcome standards and savings targets would be incorporated as key performance indicators within the Council's performance monitoring system and reported quarterly to the appropriate Committee with P&R Committee receiving an overview report focussing on those activities which are not achieving their KPIs.
- 8.4 It is envisaged individual Committees would be responsible for delivery of the KPI's with a nominated lead officer for each activity.

- 8.5 It is envisaged P&R Committee would be responsible for allocating and overseeing delivery of agreed outcomes from the City Plan and for determining allocations from the Small Projects Development Fund.
- 8.6 It is envisaged the Small Projects Development Fund would provide the opportunity for "seed funding" to prepare feasibility studies and outline business cases which would then provide the evidence in support of bids from the City Plan or Income Generation Funds. These in turn would then be added into the MTFP which it is envisaged would be updated quarterly and reported for information to P&R Committee.
- 8.7 It is envisaged that responsibility for maintaining and controlling the Transformation and Efficiency Fund would be delegated to the Director of Commissioning and Delivery in conjunction with the Director of Resources with quarterly reports to P&R (and service committees where appropriate) on the overall spend and commitments against that Fund.

9 Pay Policy Statement 2017/18

- 9.1 Worcester City Council's draft Pay Policy Statement for 2017/18 is shown at **Appendix 6** as required by Section 38 (1) of the Localism Act. This includes The Council's new pay and grading structure which is effective from 1st January 2017.

10 Fees and Charges 2017/18

- 10.1 The proposed detailed Fees and Charges 2017/18 are shown at **Appendix 7**. Owing to commercial sensitivity the proposed Fees and Charges for Trade Waste and Building Control are classed as exempt items and are shown at **Appendix 7b**.
- 10.2 It should be noted that car parking charges have not been increased.

11 Capital Programme

- 11.1 The proposed capital programme for the period 2016-2022 totals £20.6m and is provided at **Appendix 10**. The majority of the capital programme is in 2016/17 which totals £14.1m and includes the new swimming pool project. In 2017/18 and future years the capital programme scales back considerably ranging from £3.1m to £0.5m per annum. The main changes to the current approved capital programme are:-
- i. Inclusion of the £1.0m funding for affordable housing bids profiled over 2017 to 2020;
 - ii. Provision of £0.090m to bring Park Street back into use;
- 11.2 There are a few capital projects that are in the development stage and are not yet ready to come forward for approval. Once the business case details are developed they will come forward as a Cabinet report at a future date. This includes a potential prudential borrowing project to enable the Council to invest in existing assets and £0.030m revenue has been set aside from 2018/19 to fund the borrowing costs.
- 11.3 Given the economic climate and the lack of external capital financing, the strategy is to finance, through revenue budgets, reserves and external grants where possible, a sustainable capital programme of asset replacement to ensure adequate on-going

service delivery. Capital financing of £8.5m (41%) is identified from these sources towards the capital programme.

- 11.4 The Council also has capital receipts as a source of financing and some £3.3m of funding is required to deliver the capital programme which provides 16% of the funding source.
- 11.5 The strategy on future borrowing is to ensure that any borrowing is only undertaken on a business case basis, identified against a specific asset(s), and is affordable, with the loan paid off over the life of the asset with a priority to fund projects with a longer life. This will allow the Council to demonstrate that it is using borrowing to fund the more substantial capital projects that will exist for many years. Transformation and efficiency plan business cases which require prudential borrowing to achieve savings or additional income would be complementary to this strategy.
- 11.6 Proposed borrowing of £8.7m is forecast to finance 42% of the capital programme, mainly for the replacement swimming pool. It should be noted that the Council will always seek to identify other financing opportunities to finance the capital programme so that borrowing is only undertaken when it is absolutely required. Revenue costs associated with borrowing for these items are included in the MTFP.

12 Utilisation of Earmarked Reserves

- 12.1 The summary of earmarked reserves is shown at **Appendix 11**. The total earmarked reserves are forecast to be £6.1m at 31st March 2017 and are predicted to reduce to £2.1m by 31st March 2022.

13 Minimum Working Balances Requirement

- 13.1 The MTFP has a recommended minimum working balances requirement of c£1.4m. Attached as **Appendix 8** is the methodology behind the calculation which is a risk based approach.

14 Treasury Management Strategy Statement 2017/18

- 14.1 The Treasury Management Strategy Statement is shown at **Appendix 4**. It has been updated to reflect the forecast budget figures in the MTFP and Draft Budget 2017/18. Approvals required are listed in Section 1 of the Strategy and in accordance with Code of Practice on Treasury Management in the Public Services, and the Prudential Code for Capital Finance.

15. Implications

- 15.1 Financial and Budgetary Implications - As detailed in **Appendix 1** the final budget provides a balanced budget not only for 2017/18 but for the whole of the MTFP 2017-2022.
- 15.2 Legal and Governance Implications - none as a direct consequence of this report
- 15.3 Risk Implications – The balanced budget is dependent upon the savings and income targets being delivered on time and to the agreed levels. To the extent that these

are not delivered on time or on budget additional savings would need to be identified in order to maintain a balanced budget throughout the life of the MTFP.

- 15.4 Corporate/Policy Implications – The MTFP allows £1m p.a. in support of the City Development Plan in addition to the one off funding of £0.5m already earmarked in support of income generation proposals. £1.3m is earmarked within the MTFP in support of delivery of the transformation plans
- 15.5 Equality Implications - none as a direct consequence of this report
- 15.6 Human Resources Implications – the MTFP proposals put at risk up to 28 posts over the 5 years of the MTFP which it is proposed to manage through a process of vacancy management , reduction in use of agency staff, retraining and reskilling of staff and a voluntary severance package in order to mitigate the risk of compulsory redundancy
- 15.7 Health and Safety Implications - none as a direct consequence of this report

Ward(s): All
Contact Officer: Clive Whereat, email: [clive.whereat@worcester .gov.uk](mailto:clive.whereat@worcester.gov.uk)
telephone: 01905 722007
Background Papers: none