



**Report to: Cabinet, 14<sup>th</sup> February 2017**

**Report of: Councillor Joy Squires, Cabinet Member for Performance and Resources**

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

**1. Recommendation**

**1.1 That Cabinet endorse the proposed Budget and Council Tax for 2017/18 and the proposed Medium Term Financial Plan for the next five year period 2017/18 – 2021/22, and recommend its approval to Full Council on 21 February 2017. 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; and**

**1.2 That Cabinet recommend to Council approval of the extension of the Council's counterparty list to enable more flexibility when placing monies in the market.**

**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.

2.2 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.

- 2.3 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.
- 2.4 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 16<sup>th</sup> and 23<sup>rd</sup> 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 I am grateful for the time and effort put in by members of PMBS in scrutinising the budget proposals in detail and officers for the professional way in which they provided information and responded to questions. The introduction of A3 reporting sheets for each service activity pulling together existing costs, transformation proposals and timelines enabled a very 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 sensible and consistent with our aim of aligning the Council's budget with the new City Plan which already has cross party agreement.
- 3.7 I am therefore recommending adoption of all these proposals within the 2017/18 Budget and MTFP the updated details of which are shown at **Appendix 1**. Details of how it is proposed to fund these changes are as follows:-
- 3.8 In respect of the proposal to waive burial and cremation services charges relating to children under 17, I am recommending the £6k cost be funded by reducing the provision for cost pressures within the MTFP from £100k to £94k and the fees and charges for 17/18 be amended to reflect this proposal.
- 3.9 Members should note for information that in response to customer demand the cemetery service is also proposing during 2017/18 to offer a grave lining service within the Astwood Cemetery as an additional offer (at cost) within the dedicated area established for Muslim burials.
- 3.10 One off use of identified savings in 2016/17 to fund deferral of the target savings for 2017/18 in respect of community services (£38k) and Strategic Housing Services (£30k). This will allow time for more detailed transformation plans to be produced and approved by members for implementation in 2018/19.
- 3.11 A base budget allocation of £80k funded from increased business rate income (see paragraph 7.6 below) to allow for the continued running of DWAS.
- 3.12 Income generation and senior management and support services lines added to the MTFP with (at this stage) notional target savings of £0.100m each in 2020/21 to ensure these proposals are built into the transformation plans for delivery.
- 3.13 A breakdown of the consequential 2017/18 income and savings targets are detailed at **Appendix 2** as recommended by PMBS. The Budget Booklet reflecting the recommended budget for 2017/18 is attached at **Appendix 3**.
- 3.14 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).

- 3.15 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.
- 3.16 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 (currently subject to call-in) 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 Development 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 I am conscious of the impact of Council Tax increases 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. I am also mindful that 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 £5pa 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 Development Fund; a one off £0.5m earmarked reserve to support new income generation (Income Generation Fund); a Small Projects Development Fund (subject to call in) 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 my Cabinet report of 13 December I advised that 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 Whilst I welcome (and am attracted to) the 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 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 I therefore consider it 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 1<sup>st</sup> April 2017 (mainly in respect of Council car parks) leaving a positive balance of £80k. It is recommended that this £80k base budget be allocated to DWAS.
- 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 although the creation of this Fund is currently subject to call-in.
- 8.6 If approved 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. Approval of counterparties list**

9.1 Cabinet received officer recommendations in respect of a proposed extension to the counterparties list to enable more flexibility when placing monies in the market. Cabinet referred this to PMBS for their views.

9.2 PMBS sought additional assurances that the proposed additions to the counterparty list are being used within other local authorities. Details are attached at **Appendix 4**. The extension of the counterparties list is a decision for Full Council.

## **10. Implications**

10.1 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.

10.2 Legal and Governance Implications - none as a direct consequence of this report

10.3 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.

10.4 Corporate/Policy Implications – The MTFP allows £1m pa 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

10.5 Equality Implications - none as a direct consequence of this report

10.6 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

10.7 Health and Safety Implications - none as a direct consequence of this report

**Ward(s):** All  
**Contact Officer:** Mark Baldwin, email: [mark.baldwin@worcester .gov.uk](mailto:mark.baldwin@worcester.gov.uk)  
telephone: 01905 722007  
**Background Papers:** none