

BROMSGROVE DISTRICT COUNCIL

CABINET

15TH JANUARY 2020

MEDIUM TERM FINANCIAL PLAN 2020/21 – 2023/24

Relevant Portfolio Holder	Councillor Geoff Denaro Portfolio Holder for Finance and Enabling Services
Relevant Head of Service	Jayne Pickering, Executive Director Finance and Corporate Resources
Non-Key Decision	

1. SUMMARY OF PROPOSALS

- 1.1 At Cabinet on the 26th February 2020 a recommendation will be made to Full Council on the Council tax resolutions for 2020/21. This report outlines the issues faced by the Council and delegates to officers to investigate ways to achieve a balanced budget for Cabinet to consider.

2. RECOMMENDATIONS

- 2.1 Cabinet is asked to **RECOMMEND** to Council the approval of £75k from balances to provide funding towards the District Heating Feasibility Study forward to Detailed Project Development (DPD) Phase. The detailed report is attached at Appendix 1.
- 2.2 Cabinet is asked to note the current medium term financial plan gap and to request officers continue to review the position to enable a balanced budget to be presented to Council on the 26^h February.

3. KEY ISSUES

Financial Implications

- 3.1 The Council's Medium Term Financial Plan (MTFP) provides the framework within which the revenue and capital spending decisions can be made. For 2020/21 a 4 year plan is proposed to 2023/24. 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 :

- Affordable & sustainable homes
- Provide good things for me to see, do and visit
- Living independent, active & healthy lives
- Run & Grow a successful business
- Work and financial independence
- Communities which are safe, well maintained and green

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- 3.2 The Council must be mindful when setting the 4 year plan to ensure that savings are robust and deliverable and that the longer term financial sustainability of the Council is considered. It is accepted that there are many uncertainties in relation to Local Government funding over the next 4 years but the aim of the Council must be to consider the future plans and funding requirements to enable as clear a position as possible to be presented to the Council.
- 3.3 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.
- 3.4 Over the last 12 months the Finance and Budget Scrutiny working group, as established by the Overview and Scrutiny Committee has met on a regular basis to review costs, fees and charges and the capital programme and have made a number of recommendations to Cabinet.
- 3.5 Officers have factored in a number of assumptions into the Medium Term Financial Plan to update it in line with revised calculations and information from officers and Government. The current position is based on the final Financial Settlement as published on 20th December 2019. There remains detailed analysis to be undertaken on the impact of the Business Rates Pool across Worcestershire and this will be factored into the final report to February.
- 3.6 The table below demonstrates the changes in the financial projections and budget gap for 2020/21- 2023/24 based on the original estimation of a £678k gap as presented in February 2019. Following the table there are explanations of the reasons for the changes resulting in a slight surplus of £29k for 2020/21 with a 4 year shortfall of £2.6m.

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	2020-21	2021-22	2022-23	2023-24
	£000	£000	£000	£000
Starting Gap at 19/20 budget round	678	1,119	1,271	1,271
Incremental Progression (Salaries) /Inflation on Utilities	191	250	271	457
Unavoidable Pressures - Departments	421	333	289	45
Revenue Bids/Revenue impact of capital bids - Departments	220	129	76	47
Savings and Additional income - Departments	-380	-547	-616	-687
Reduction to pension deficit payments	-436	-409	-380	-409
Net Revenue Budget Requirement	694	875	911	724
Reserves to be released	0	-209	0	0
Transfer to pension reserve	200	0	0	0
MRP, interest and investment income	-159	-72	39	172
Council Tax - change to 2%	22	145	211	-101
New Homes Bonus (NHB)	-589	0	0	295
Collection Fund surplus	-166	0	0	0
Discount on advanced pension payment	-31	-103	-174	0
Funding position	-723	-240	76	365
Remaining Gap to find	-29	635	987	1,089

Changes from original assumptions re 2020/21

3.7 Additional pay and inflation on utilities £191k

This reflects the additional costs of the pay inflation at 2% above that initially estimated of 1% (£175k). In addition there is a cost included for additional utility charges of £16k.

3.8 Unavoidable Costs £421k

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 2019/20 together with any issues that have been raised as fundamental to maintaining service provision as part of the budget process. The £421k includes £320k to provide funding for the evidence base for the Local Plan review (assumed to be £200-220 p.a.), plus funding for Independent Highways advice, assumed to diminish year on year from approx £100k p.a. to £50k p.a., to zero.

3.9 Bids and Revenue Implications of Capital Projects £220k

In addition to the unavoidable pressures revenue bids have been identified. Bids relate to new funding requests made by officers to improve service delivery or to realise future efficiencies. The current bids for 2020/21 of £220k include funding required to prepare a comprehensive parks and

open spaces strategy and additional staffing required to support the transition of the land charges service to Central Government.

3.10 Savings/ additional income -£380k

Officers have undertaken full reviews of income generated and expenditure budgets and have identified £334k in reducing spend and £46k additional income. These include:

- Management Review £54k
- Insurance contract retender £130k
- Service Reviews £75k
- Garden waste income £25k

3.11 Pension Deficit Reduction - £436k

Following an actuarial review of pension liabilities the provision required for funding of historic deficits has reduced significantly due to improved investment returns and previous Council contributions to pay off the deficit.

3.12 Pension Reserve £200k

Due to the nature of investment funds it is proposed that a risk reserve is set aside of £200k to provide for any volatility in the pension contributions in the future.

3.13 MRP, interest and investment income (-£159k)

A full review of all capital projects and investment opportunities has been undertaken with a significant saving realised for future years. This has no impact on the capital programme delivery for the future and the detailed programme will be presented to Members in February 2020.

3.14 Council Tax £22k

It was assumed that the Council would be allowed to increase Council Tax by up to 2.99% without the need for a referendum. This has been revised to 2% or £5 whichever is the greater as part of the final settlement. It is proposed that a £5 increase is included in the budget for the February meeting. There is still a cost to the Council in 2020/21 of £22k.

3.15 New Homes Bonus (NHB) (£-589k)

It was assumed that New Homes Bonus would not continue into 2020/21. The provisional settlement received by the Council stated that NHB would be payable for 2020/21 but only for one year and with no legacy payments. The £589k is therefore a significant improvement to the budget position and will result in £70k for community funding.

3.16 CT Surplus -£166k

This is the estimated surplus based on the latest 2019/20 collection fund information

3.17 Discount on advanced pension payment -£31k

By paying the pension fund payments in advance a saving can be made of £31k to the Council.

3.18 Future Years

Assumptions have been made in the financial plan for the following years including :

- No further New Homes Bonus payments to be made. As Members will be aware this is a significant income stream to the Council
- Additional costs of borrowing for the capital programme
- Further reductions in the cost of enabling services by 1% per annum

3.19 The current 4 year shortfall is £2.6m compared with £4.4m at the beginning of the financial year. It is clear that significant savings and reductions in expenditure need to be identified for the medium term financial plan to be delivered within the current funding levels. Officers are working with colleagues to ensure the impact of the fair funding review and other changes to Government financial distribution are considered for future years.

3.20 General Fund

3.20.1 The level of the general fund balance is £4.9m with planned release of £600k in 2019/20. It is assumed that the release may not be required due to the current level of savings at quarter 2 and projected for the financial year 2019/20 as reported separately to this meeting. The minimum level of balances recommended is £1.1m.

3.21 Capital Programme

3.21.1 The Capital Programme has been fully reviewed and significant changes have been made to reduce the level of spending whilst ensuring schemes are provided to the Council. The revised programme will be considered in February when setting the Council Tax.

4 Legal Implications

4.1 As part of the budget and the Council Tax approval process, the Council is required by the Local Government Finance Act 1992 to make specific calculations and decisions in approving a balanced budget for the following financial year and setting the Council Tax Level. These will be included in the report to Cabinet and Council in February.

5 Service / Operational Implications

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

6 Customer / Equalities and Diversity Implications

- 6.1 Any impact on the customer of savings over the 4 years period will be managed via impact assessments and in discussion and consultation with the customer as to the most effective and supportive way of managing reductions in funding and potentially service delivery.

7 RISK MANAGEMENT

- 7.1 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. Risks include:
- Reductions in government funding leading to a reduction in the level of services delivered to the public
 - Reductions in business rates income as a result of appeals or reduction in the rateable value leading to a lower level of income for the Council.
 - Identification of sufficient and ongoing revenue savings to deliver a balanced budget.
 - Allocation of sufficient resources to meet the needs of service delivery and the Councils priorities.
 - Maintain adequate revenue and capital balances as identified in the MTFP to ensure financial stability.

The regular financial monitoring by Officers and Cabinet will provide a framework to mitigate the above risks.

8. APPENDICES

Appendix 1 – District Heat System update.

AUTHOR OF REPORT

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