

BROMSGROVE DISTRICT COUNCIL

CABINET

14th October 2020

MEDIUM TERM FINANCIAL PLAN - FINANCIAL FRAMEWORK 2021/22 – 2024/25

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 This report considers some preliminary matters relating to the 2021/22 budget process and the Medium Term Financial Plan to 2024/25. A proposed timetable for the budget process is set out, including proposals for scrutiny of the draft budget, and parameters to be used for the 2021/22 budget. Uncertainties still remain around the expected Spending Review, Fair Funding Review and business rates reforms which mean that the 2021/22 budget will be a one-year budget in line with an expected one-year finance settlement.

2. RECOMMENDATIONS

- 2.2 **That Cabinet notes the parameters to be used to prepare the 2021/22 budget and the framework for the Medium Term Financial Plan to 2024/25.**

3. KEY ISSUES

Financial Implications

Financial Framework

- 3.1 The Medium Term Financial Strategy (MTFS) is the strategy which sets out the Council's commitment to provide services that meet the needs of people locally and that represent good value for money within the overall resources available to it. The MTFS is what links our Council Plan with forecasted resources and budgets and shows how our Council's finances will be structured and managed to ensure that this fits with, and supports, the priorities of our Council and its community. The Medium Term Financial Plan presents the detailed financial position over a 4 year period and is developed in line with the strategy objectives
- 3.2 The overall MTFS was approved in 2019 and in light of the financial pressures the Council faces the strategy aims to provide a framework in

which the Council can become financially sustainable whilst delivering the priorities to our communities. The key objectives are:

- To ensure resources are directed to the council's strategic purposes
- To set financially sustainable budgets over the 4 year period
- To maintain balances at £2m to ensure funds available for future projects and to mitigate opportunities
- To maximise income opportunities whilst supporting the vulnerable
- Identify and disinvest in non priority areas
- To ensure all savings are achievable and developed with robust data
- To reduce overheads & direct costs over the 4 year period
- To maximise use of assets and disinvest surplus or non performing assets
- To further develop the commercial culture within the Council
- To consider and adapt to the uncertain future financial climate
- To work with the public, members and staff to engage and inform partners on the impact of the financial pressures of the Council

3.3 Prior to the final budget approval in February 2021 the financial plan will be developed and presented to members to include, over the next 6 months;

- Review of Prior year underspends and additional income generated
- Review of vacant posts
- Review and approval of fees and charges
- Identification of savings plans
- Consideration of additional pressures to the budgets
- Detailed consideration of the Capital Programme
- Review of Reserves
- Consideration of Government Funding settlement and impact on the financial position
- Service Plans developed to ensure the funding follows the key priorities of the Council and resources are aligned to service delivery

3.4 The Budget Scrutiny working group as established by the Overview and Scrutiny Committee will continue to meet on a regular basis to review costs, fees and charges and the capital programme and it is anticipated they will make a number of recommendations to Cabinet.

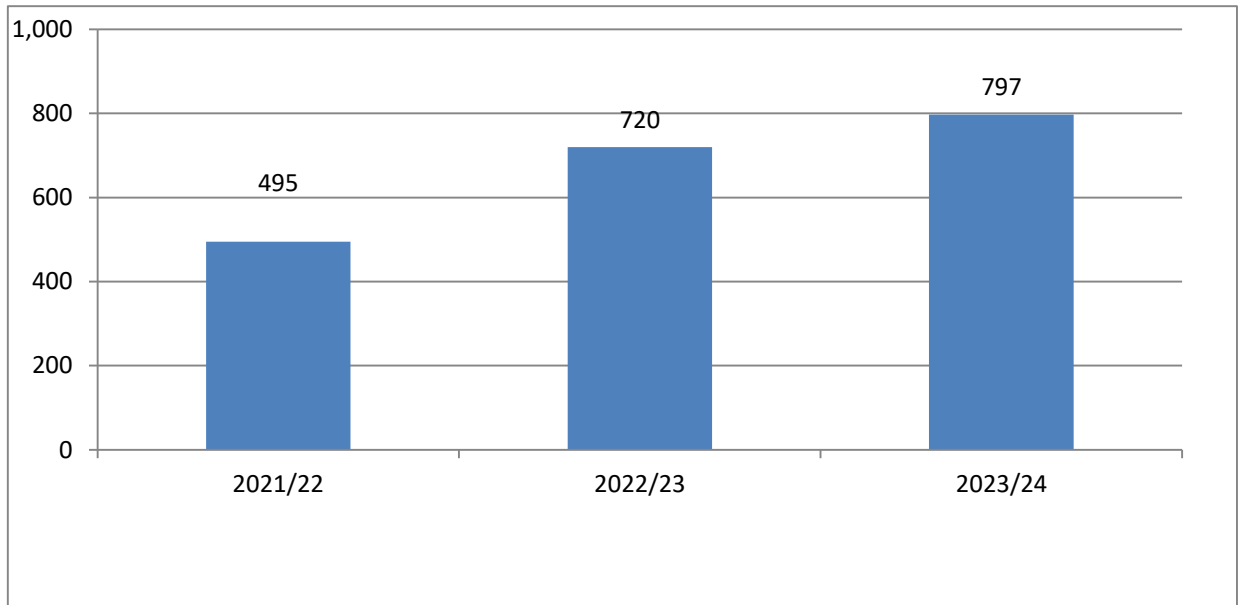
Current Issues

3.5 The Covid-19 pandemic has had a significant negative effect on Council income in the first half of 2020. Budget monitoring to the end of June 2020 indicates a year to date overspend of £275k against the 2020/21 revenue budget, most of which relates to under-achievement of car parking and planning application fee income. Additional payments to provide funding to support the Councils Leisure centre have resulted in further unanticipated financial pressures being met by the Council.

- 3.6 Due to Covid-19 there is an impact on Business rates and Council Tax income where an increase in Local Council Tax Support is already becoming apparent and is likely to increase in the autumn when the Government furlough scheme ends.
As part of the Covid-19 response the Government has allowed any council tax deficits to be spread over 3 years. A review has been made and currently the Council has made a decision to not spread the deficit encountered year to date. Although there has been an increase in support given through the Council Tax support scheme, there has been some growth in the area and a reasonable level of bad debt provision was made. A regular review of the Council Tax outturn position will be done in order to keep members updated on whether there have been significant increases to the deficit position.
Due to the high level of reliefs available to businesses in 2020/21 we expect the main impact on business rates from Covid-19 will also be felt in the following year in 2021/22 when claims for empty property relief are likely to increase.
- 3.7 The Council received £1.155m in Covid-19 support grant from the Government in 2020/21. In addition, the Council will receive Government funding for sales, fees and charges losses but the amount is yet to be determined. Furthermore it is hoped that funding will be received in relation to the deficits faced by leisure providers, however, it is highly likely that Government support will not cover all the losses the Council has or will sustain in the future. Any additional shortfall will be met from general balances.
- 3.8 The 2020/21 local government pay award has been agreed at 2.75%. We are estimating that the pay award in future years will be 2% as shown at Appendix C. The additional cost of the 2020/21 pay award of around £86k will need to be included in revised budgets and will increase the deficit for the year, other things being equal.
- 3.9 As the current year 2020/21 is a one-year finance settlement and next year is likely to also be a one-year settlement we do not know at this stage what we can expect regarding our business rates baseline / guaranteed income from business rates and rules for surplus retention in future years. From 2020/21 we had previously assumed a significant reduction in our business rates income, supposing that the results of the Spending Review, Fair Funding Review and the move to increased local retention of business rates would impact 2021/22 onwards. With a rolled-forward one-year finance settlement this is now no longer likely to be the case so we will be reviewing the impact of this change on the budget moving forward.
- 3.10 Uncertainties also remain regarding the future of New Homes Bonus. The amount of New Homes Bonus we will receive from 2021/22 will depend on the outcome of the Government consultation on the future of the housing incentive. According to the Government, "this will include moving to a new, more targeted approach that rewards local authorities where they are

ambitious in delivering the homes we need and is aligned with other measures around planning performance”. We have assumed New Homes Bonus will be phased out over the period to 2022/2023

3.11 Prior to any of the proposed parameters as included at 3.13, the Medium Term Financial position for the Council presents the following gap to 2023/24.



3.12 As can be seen from the above table the Council has to deliver £3m over the next 3 years with a £495k to be found for 2020/21.

3.13 Budget Parameters

3.14 Work is already underway regarding detailed budget preparation for the budgets for next year. The following are proposed:

- A **2%** pay award effective on 1 April 2021. This will be determined as part of the national local government pay settlement. A pay award of 2.75% will be applied for 2020/21 only;

- Continue with a staff vacancy allowance of £172k in 2021/22. This equates to around **2%** of total staff costs;
- In addition to this, we will continue to seek further efficiency gains and remove any excess budgets;
- Other unavoidable pressures, revenue bids and savings will be subject to separate considerations and approval by Cabinet.
- Council Tax increases at 2% per annum

3.15 Before the pandemic the Council was in a good financial position with reasonable general fund balances. Since the pandemic the Council has largely been able to mitigate losses through Government funding however the medium and long term effect on council tax and business rates is still unknown and it would be prudent to set aside any windfall revenue into reserves to cover any future shortfalls.

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 Financial Strategy will enable services to be maintained and, where achievable, improvements to the community.

6 Customer / Equalities and Diversity Implications

6.1 The link with the finances supporting the Council Plan will enable the funding to be directed to the Councils purposes to support the community.

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:

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- 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.

AUTHOR OF REPORT

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