

BROMSGROVE DISTRICT COUNCIL

CABINET 2021

17th February

MEDIUM TERM FINANCIAL PLAN 2021/22 – 2023/24

Relevant Portfolio Holder		Councillor Geoff Denaro
Portfolio Holder Consulted		Yes
Relevant Head of Service		Chris Forrester
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Wards Affected		none
Ward Councillor(s) consulted		n/a
Relevant Strategic Purpose(s)		All
Non-Key Decision		
If you have any questions about this report, please contact the report author in advance of the meeting.		
This report contains exempt information as defined in Paragraph(s) of Part I of Schedule 12A to the Local Government Act 1972, as amended		

1. RECOMMENDATIONS

The Cabinet RECOMMEND that Full Council: -

1) Approve the Unavoidable costs as attached at Appendix 1:

**2021/22 £524k
2022/23 £340k
2023/24 £409k**

2) Approve the Revenue Bids as attached at Appendix 2:

**2021/22 £65k
2022/23 £48k
2023/24 £25k**

3) Approve the Identified Savings as attached at Appendix 3:

**2021/22 £426k
2022/23 £474k
2023/24 £405k**

BROMSGROVE DISTRICT COUNCIL

CABINET

2021

17th February

- 4) Approve the General Fund Capital Programme bids as attached at Appendix 4:**

**2021/22 £578k
2022/23 £1.123m
2023/24 £1.018m**

- 5) Approve the General Fund capital programme at Appendix 5:**

**2021/22 £13.323m
2022/23 £4.867m
2023/24 £2.906m**

- 6) Approve the net general fund revenue budget.**

**2021/22 £11.988m
2022/23 £11.673m
2023/24 £11.683m**

- 7) Approval the increase of the Council Tax per Band D @ £5 for 2021/22.**

- 8) Approve the transfer to Balances of £22k for 2020/21.**

2. BACKGROUND

To enable members to consider the Medium-Term Financial Plan for the period 2021/22 – 2023/24 to include General Fund Revenue and Capital together with the budget proposals. The report includes recommendations to Council to enable a balanced budget to be set for 2021/22 and the proposed Council Tax for 2021/22. In addition, members are asked to note the position for future years 2022/23-2023/24. The recommendations will then be presented to Council on

BROMSGROVE DISTRICT COUNCIL

CABINET

2021

17th February

22nd February 2021 together with the resolutions once we have received all the precepting bodies Council Tax calculations.

3. 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. This year a 3-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:
- Run and grow a successful business
 - Work and financial independence
 - Living independent, active & healthy lives
 - Affordable and sustainable homes
 - Communities which are safe, well maintained, and green
- 3.2 Members and officers have reviewed the services provided by the Council over the last 6 months to consider the levels of funding available to the Council and identified where potential savings can be made or additional income generated.
- 3.3 In addition, a financial framework was approved to enable an overarching strategy to be in place to support the future financial position of the Council. Considering 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 3-year period
 - To maintain balances at £2m to ensure funds are available for future projects and to mitigate threats.
 - To maximise income opportunities whilst supporting the vulnerable
 - Identify and disinvest in non-priority areas

BROMSGROVE DISTRICT COUNCIL

CABINET

2021

17th February

- To ensure all savings are achievable and developed with robust data
- To reduce overheads & direct costs over the 3-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

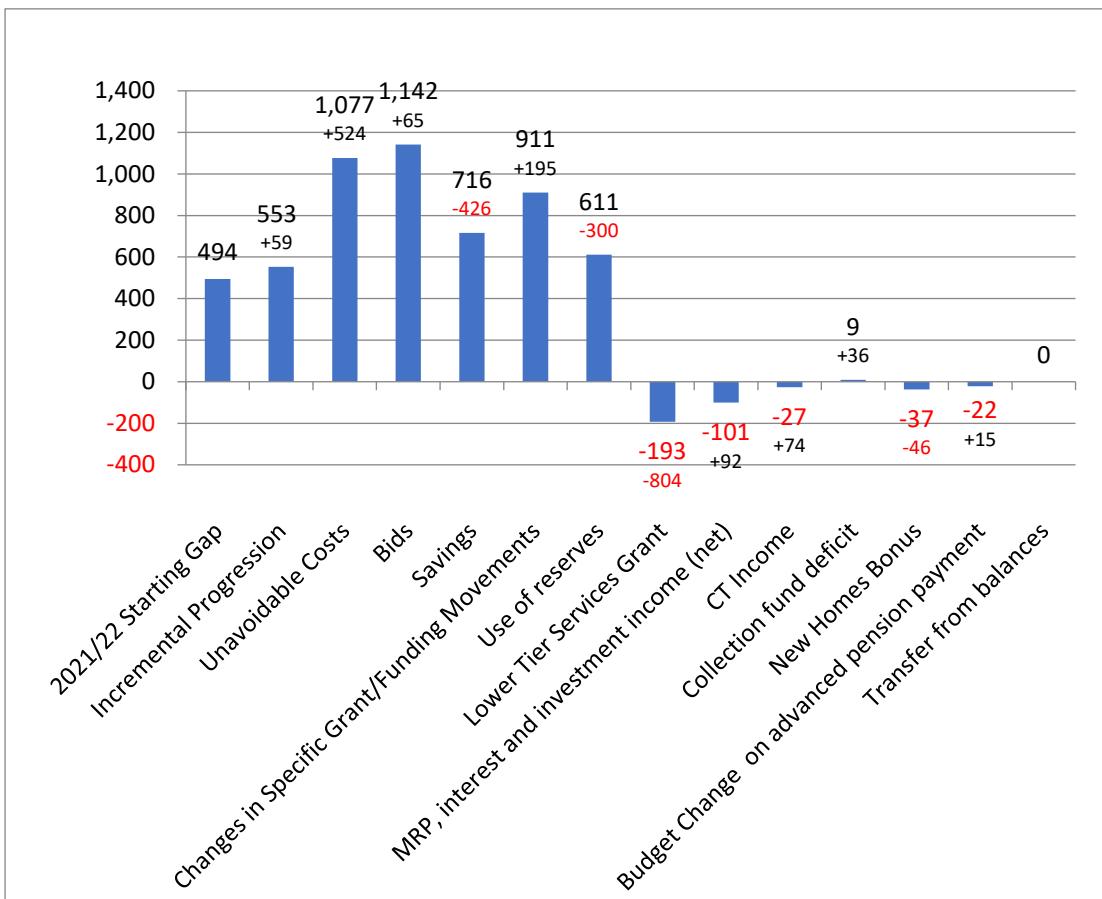
- 3.4 When reviewing the budget projections officers consider the impact of demand on service and the costs associated with this demand. This may result in additional costs (associated with maintaining current service delivery) or reductions in anticipated income revenue over the next 3 years.
- 3.5 Over the last 12 months the Finance and Budget working group, as established by the Overview and Scrutiny Board 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.
- 3.6 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.
- 3.7 The table below demonstrates the changes in the financial projections and budget gap for 2021/22 based on the original estimation of a £494k gap as presented in February 2020. Following the table there are explanations of the reasons for the changes resulting in an achieved balanced budget for 2021/22.

BROMSGROVE DISTRICT COUNCIL

CABINET

2021

17th February



Incremental progression (£59k)

- 3.8 One of the pressures to the budget is general inflation on utility costs along with additional costs in relation to pay. The additional costs relating to pay inflation are above that initially forecast. The original budget included 1% pay award however the final agreed pay award was 2.75% for 2020/21 which is therefore included in the estimated future position above.

Unavoidable Costs (£524k)

- 3.9 When proposing the budget officers have also identified several budget pressures that have been deemed “unavoidable”. Unavoidable includes the ongoing effects of pressures identified during 2020/21 together with any issues that have been raised as fundamental to maintaining service provision as part of the budget process. In addition, income

BROMSGROVE DISTRICT COUNCIL

CABINET

2021

17th February

shortfalls that cannot be managed by improved marketing or price increases have been addressed during the budget planning. The pressures and income shortfalls are identified at Appendix 1.

Bids (£65k)

- 3.10 In addition to the unavoidable pressure's revenue bids have been identified and included at Appendix 2. Bids relate to new funding requests made by officers to improve service delivery or to realise future efficiencies.

Identified Savings/additional income (£426k)

- 3.11 Identified savings and additional income are detailed at Appendix 3. These are proposed to ensure that budget pressures can be met and demonstrate the additional income that the Council is generating.

Changes in Specific Grant/Funding Movements (£195k)

- 3.12 An assessment of the council's pension liabilities has seen an increase to the pensions added years payments for this financial year.
- 3.13 **Reserves (£300k)**

This figure relates to a number of reserves that are able to be released this financial year as they have been confirmed as no longer being required.

Lower Tier Services Grant (£804k)

- 3.14 The finance settlement in December announced that we are due to receive a new grant called the Lower Tier Services Grant in 2021/22. This grant is intended to compensate those local authorities whose core spending power has not increased as a result of the finance settlement. In Bromsgrove District Council's case the reduction in spending power is due to the expected reduction in New Homes Bonus. Core Spending Power is a measure of the resources available

BROMSGROVE DISTRICT COUNCIL

CABINET

2021

17th February

to local authorities to fund service delivery. It sets out the money that has been made available to local authorities through the Local Government finance settlement.

MRP, interest costs and investment income (net) (£92k)

- 3.15 This change is due to a re-profiling of the capital programme to reflect more accurately planned spend which has moved expenditure into future years. There was also a reduction in budgeted spend at outturn for 2019/20 which has moved MRP and borrowing costs into future years. The investment income has also been revised to take account of the actual spend this financial year, 2020/21

Council Tax (£74k)

- 3.16 As part of the Financial Settlement the Council is allowed to increase Council Tax by up to 2% or £5 whichever is higher without the need for a referendum. This is less than the previous assumptions of 2.99% and therefore there is a projected loss of income for 2021/22 – 2023/24. The current projections include a £5 increase for 2021/22 and the demand on the collection fund to meet the Council's own needs will be £8.640m. The Council Tax relating to the Council's services will rise from £228 to £233 for band D properties.
- 3.17 In addition the Council pay a parish precept estimated at £944k which is funded from Council tax income from the specific parish area. These will form part of the resolutions to Council on 24th February 2020.

New Homes Bonus (NHB) (£46k)

- 3.18 The amount of NHB for 2021/22 has been confirmed as £656k, which is £46k more than anticipated in the MTFP. This is due to the Government funding an additional year of New Homes Bonus. However, the financial settlement stated this would be for one year only and would not attract future legacy payments.

An assumption has been made that the Community Bid scheme will continue at a level of 25% per annum based on the additional New Homes Bonus payable for the year. For 2020/21 this equates to £12k along with a decision to increase to £80k with the use of the Council's general COVID-19 grant which is available.

BROMSGROVE DISTRICT COUNCIL

CABINET

2021

17th February

Council Tax Deficit (£36k)

- 3.19 This is the estimated deficit based on the latest 2020/21 collection fund information

NNDR Income – no change

- 3.20 The Council is currently participating in a pan-Worcestershire Business Rates Pool (WBRP) pilot for the 75% Business Rate Retention for 2020-21 financial year. This one-year arrangement is at no detriment to our financial position in comparison to if we had not entered the pool. As part of the Finance Settlement approval was granted for the Council to be a member of a Worcestershire Pool for 2021-22 that also includes the Fire Authority. Again, there is no detriment to the Council in joining this pool and whilst the position for the Council has been projected at a baseline from the current position for future years it is expected that additional growth may be generated which will be reported in the quarterly financial reports. The position in relation to further appeals and resultant uncertainty due to the impact on performance of the Pool remain a concern; this is being managed by the S151 Officer in conjunction with the other treasurers within the Pool.

Future Years

- 3.21 As expected a one-year provisional local government settlement was announced on 17 December 2020 following the October announcement of a one-year Spending Review. The Government will seek to find a new consensus for broader reforms for local government when the post-COVID future is clearer. We can hopefully expect multi-year settlements from 2022-23 but the Government will need to consider the economic circumstances.

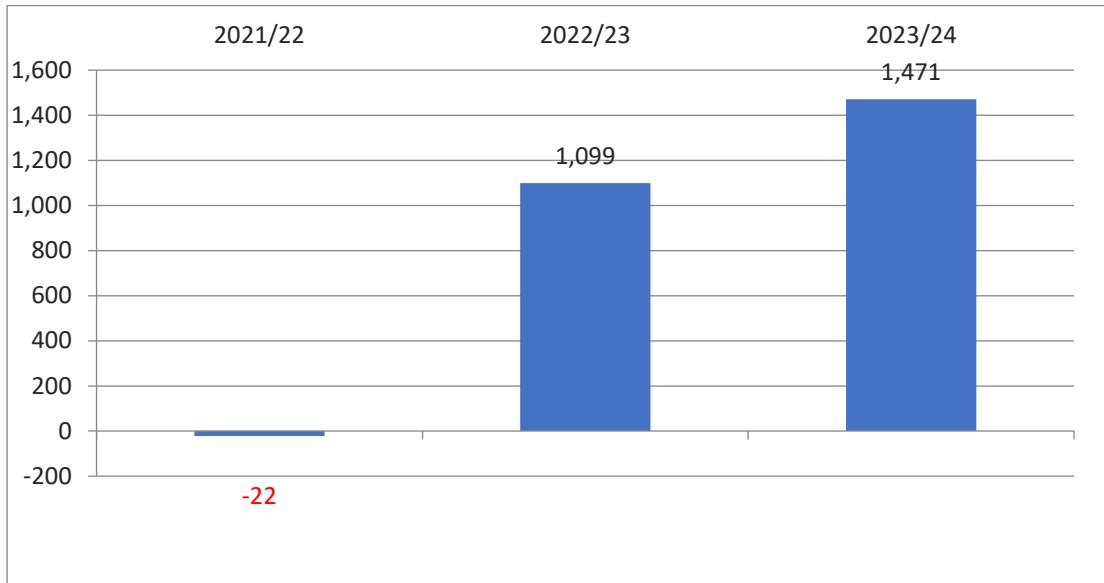
In response to the Covid-19 pandemic, the Council received £1.255m Covid-19 Emergency funding and a further 5th tranche of this grant will be paid in 2021/22 of £411k. Officers are working through how to ensure this is allocated in the coming months and into the new financial year to ensure the Council has a robust action plan of recovery.

BROMSGROVE DISTRICT COUNCIL

CABINET 2021

17th February

3.22 The medium-term financial gap to 2023/24 is as follows:



3.23 Whilst it is important to see the steep improvement in the budget projections for 2021/22, there remain significant savings to be made over the Financial Planning period. There is a need to consider how these savings can be made and it is proposed that officers consider the following areas to present options available to reduce costs and grow income to Members in the Autumn. The areas to consider include:

- Improving income through commercial activities and income from regeneration investments
- Increase in income and reduction in spend on Environmental Services

BROMSGROVE DISTRICT COUNCIL

CABINET 2021

17th February

General Fund

3.24 The proposed budget is summarised in the table below:

	2021-22	2022-23	2023-24
	£000	£000	£000
Departmental base budget	11,571	11,511	11,325
Incremental Progression/Inflation on Utilities	59	50	74
Unavoidables Pressures	524	340	409
Revenue Bids & Revenue impact of capital bids	65	48	25
Savings and Additional income	-426	-474	-405
Changes in Specific Grant/Funding Movements	195	197	254
Net Revenue Budget Requirement	11,988	11,673	11,682
Financing			
Funding from reserves	-638	-100	0
Lower Tier Services Grant	-804	0	0
Business Rates Net Position	-2,474	-2,510	-2,510
New Homes Bonus	-656	-295	0
Collection Fund Deficit (Council Tax)	36	0	0
Council Tax	-8,665	-8,924	-9,243
Investment Income	-150	-250	-333
Interest Payable	444	527	529
MRP (Principal)	1,025	1,193	1,387
Discount on advanced pension payment	-128	-214	-40
Funding Total	-12,010	-10,573	-10,211
General Balances	2021-22	2022-23	2023-24
	£000	£000	£000
Opening Balances 20/21 (projected)	4,284	4,306	3,206
Contribution (from) / to General Balances	22	-1,099	-1,472
Closing Balances	4,306	3,206	1,735

Collection Fund

3.25 The anticipated collection fund deficit is £263k, which will be distributed amongst the major preceptors using the prescribed formulae. This Council's share of the deficit payable as a one-off sum is £36k.

Precepts

BROMSGROVE DISTRICT COUNCIL

CABINET

2021

17th February

- 3.26 The precepts from Worcestershire County Council, Hereford and Worcester Fire Authority and the West Mercia Police and Crime Commissioner are due to set their precepts in the week commencing 8th February. This will enable the Council to set the Council Tax on 24th February 2021. The precepting bodies Council Tax requirements will be included in the formal resolutions which will also be presented to Cabinet and Council on 24th February.

Capital Programme

- 3.27 The Capital Programme has been considered to propose any new bids required to deliver services to the community. These are included at Appendix 4 with the proposed complete Capital Programme at Appendix 5. The borrowing costs have been factored into the revenue budget for the financial plan. There are detailed business cases available for all capital projects should members wish to consider them further.

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 resolutions and presented to Cabinet and Council on 24th February 2021.

5. STRATEGIC PURPOSES - IMPLICATIONS

Relevant Strategic Purpose

- 5.1 The Strategic purposes are included in the Council's corporate plan and guides the Council's approach to budget making ensuring we focus on the issues and what are most important for the District and our communities. Our MTFP and strategies are integrated within all of our Strategic Purposes.

Climate Change Implications

BROMSGROVE DISTRICT COUNCIL

CABINET

2021

17th February

- 5.2 The green thread runs through the Council plan. The MTFP has implications on climate change and these will be addressed and reviewed when relevant with the climate change officers to ensure the correct procedures have been followed.

6. OTHER IMPLICATIONS

Equalities and Diversity Implications

- 6.1 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.

Operational Implications

- 6.2 The MTFP will enable services to be maintained and, where achievable, improvements to 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:

- 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 Council's priorities.
- Maintain adequate revenue and capital balances as identified in the MTFP to ensure financial stability.

BROMSGROVE DISTRICT COUNCIL

CABINET

2021

17th February

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

Covid-19

Throughout 2020/21 the Council has received a number of Government grants to manage the impact that the pandemic has had on the District and to offset the additional costs and income shortfalls over the last year as well as the distribution of the local business support grants. These have been provided to give financial support to businesses severely impacted by the loss of trade due to national lockdowns we have faced.

It is certain that we will face a continuation of restrictions going into 2021/22. The Council will endeavour to continue to support local businesses although it is difficult to assess when the economy of the District will be back to pre-pandemic levels. With uncertainties in the level of business rate support and relief that will be given to business over the next 12 months it is important for the Council to ensure sufficient funding is in place to provide appropriate financial support.

Brexit

There are a number of areas in which the Brexit deal may affect local government finances however there is no clarity as to what the associated costs will be. Whilst the Brexit deal mitigates a number of the challenges that may have been faced by the changes in legislation, the current economic crisis continues to obscure the situation and therefore the impact of the Country leaving the EU remains still very uncertain. The impact of Brexit is included in the Council's Corporate Risk Register and whilst the uncertainties remain the Council will support businesses and its communities to meet future challenges.

Other Risks:

Risk Management - Chief Financial Officer (CFO) Opinion on the Estimate Process and Reserve Levels.

BROMSGROVE DISTRICT COUNCIL

CABINET

2021

17th February

Section 25 of the Local Government Act 2003 requires the CFO to report to the Council when it is making the statutory calculations required to determine its Council Tax or precept.

Government guidance states, '*The authority is required to take the report into account when making the calculations. The report must deal with the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides. What is required is the professional advice of the CFO on these two questions. Both are connected with matters of risk and uncertainty. They are interdependent and need to be considered together.*'

Section 25: Report of the CFO - Robustness of the Estimates

The Chief Financial Officer's opinion is that the estimates are robust, although there are a number of risks and uncertainties as set out below.

Whilst relevant budget holders are responsible for individual budgets and their preparation, all estimates are scrutinised by Financial Services staff and Management Team prior to submission to Members.

The Council's revenue and capital budgets are 'joined up', both for next year's budget and for the longer term. This means that the full cost of the proposed Capital Programme is reflected in the revenue estimates. Both revenue and capital budgets include the funding needs of the Council.

The main risks in the 2021/22 budget relate to:

- The delivery of income and managing the impact of savings proposed. Mitigating actions are in place within departmental risk registers to ensure managers are aware of any variances to budget.
- Business Rate Income – whilst this is essentially part of Central Government funding, the actual income received will vary depending on actual Business Rates income. It is difficult to predict the likely income with accuracy. It will be affected by many variables beyond the Council's control, for example, the level of appeals by ratepayers against their rating assessments. The funding mechanism gives a degree of in year protection against volatility but this only defers the impact of variances to future years.

BROMSGROVE DISTRICT COUNCIL

CABINET

2021

17th February

- Central Government Funding – the MTFP shows income from NHB reducing to zero in 2023/24. The provisional local government finance settlement announced New Homes Bonus Year 11 allocations and legacy payments from Years 8 to 9 giving a total payable to Bromsgrove District Council of £657k in 2021/22. It is expected that a final New Homes Bonus payment will be made the following year in relation to legacy payments for Year 9 and then will cease and this is reflected in the MTFP. There is currently no information about a replacement scheme.

Adequacy of Reserves

- 7.2 The Financial Framework proposed a level of balances at £2m for General Fund activity over the next 3 years. 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.

The reserves position will allow the Council to be robust and make coordinated plans to address the deficit position.

Taking account of the above, and the level of risk within the budget, the S151 Officer judges that reserves are at an appropriate level throughout the period of the MTFP. This will need to be reviewed if there are any major unplanned calls on reserves, for example, to fund capital expenditure.

8. APPENDICES and BACKGROUND PAPERS

- Appendix 1 - Unavoidable costs
- Appendix 2 - Revenue Bids
- Appendix 3 - Identified savings
- Appendix 4 - Capital bids
- Appendix 5 - Proposed Capital programme

BROMSGROVE DISTRICT COUNCIL

CABINET
2021

17th February

9. REPORT SIGN OFF

Department	Name and Job Title	Date
Portfolio Holder	Geoff Denaro, Portfolio Holder for Finance and Enabling	Various
Lead Director / Head of Service	Chris Forrester, Head of Finance and Customer Services	Various
Financial Services	Chris Forrester, Head of Finance and Customer Services	Various
Legal Services	Claire Felton	Various
Policy Team (if equalities implications apply)	n/a	
Climate Change Officer (if climate change implications apply)	n/a	