

# 2022/23 Budget and Medium Term Financial Plan 2022/23 to 2024/25

November 2021



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District Council

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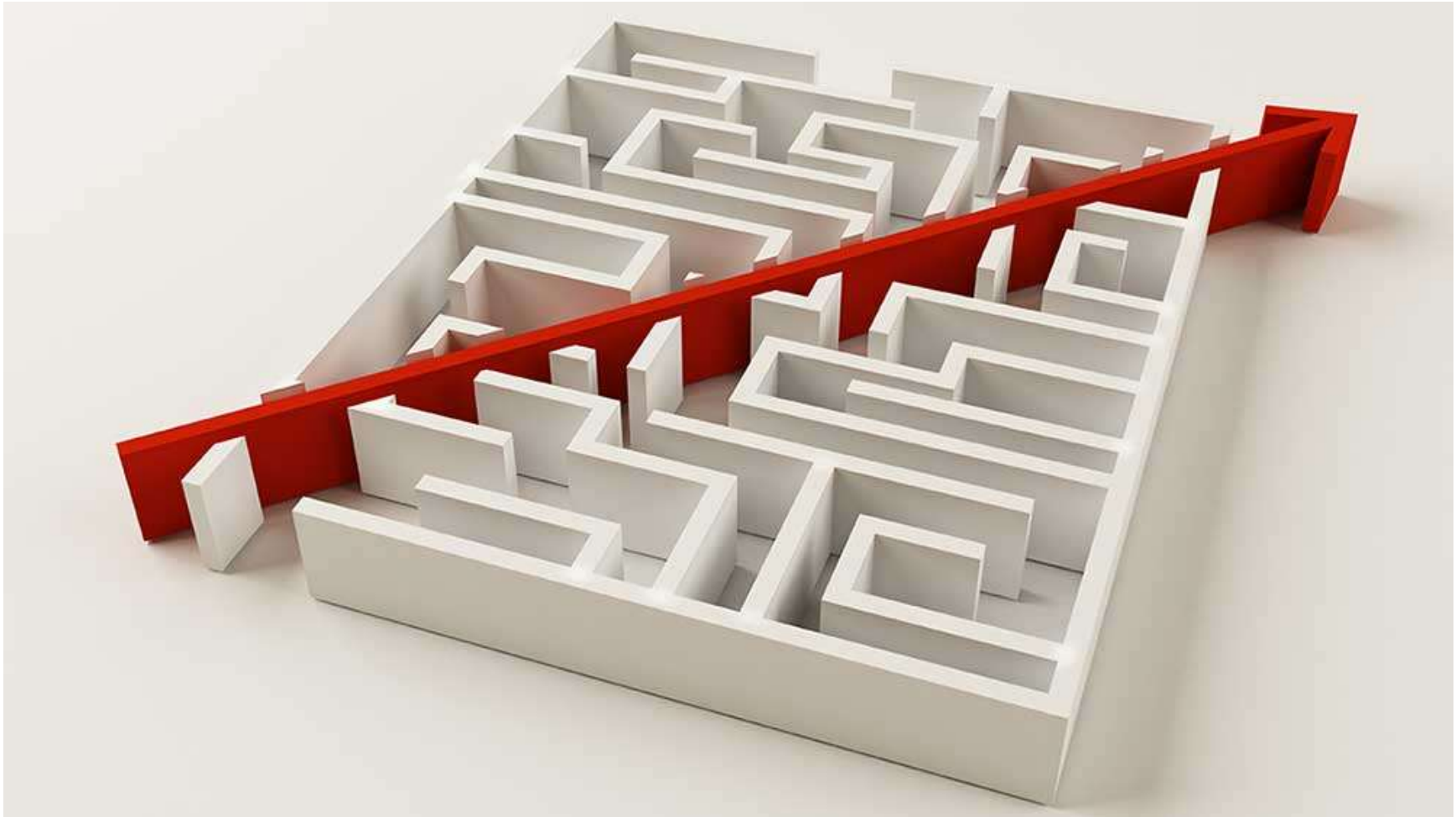
**Slide 1**

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**JHEDoR2** James Howse - Executive Director of Resources, 02/11/2021



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# Agenda

1. Financial Context
2. The Budget and the law
3. Local government finance - some essentials
4. The Budget Setting cycle
5. Funding
6. Risks
7. Project Finance and Resources
8. Next Steps
9. Conclusions



# 1. Financial Context – BDC Balances

RESERVE BALANCES			
Feb 21 Forecasts	31/3/22	31/3/23	31/3/24
	(£m)	(£m)	(£m)
General Fund (NB minimum = £1.5m)	4.3	4.3	3.2

- The Council’s financial reserves are currently adequate (but no more) – and above minimum levels - but forecast to reduce without further action.
- Note: to achieve these numbers - savings of circa £0.5m per annum over the term need to still be delivered.
- Note: All forecasts need to be updated for Covid-19 and other matters.
- Note: There is significant planning uncertainty risk currently.

**Conclusion: This financial position and context is challenging. The Financial Strategy should therefore focus on at least maintaining General Fund balances.**

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## 2. The Budget and the law

LG Act 1972 (Section 151) states that “every local authority shall make arrangements for the proper administration of their financial affairs...”

LG Act 1988 and LG Finance Act 1992 - requirement to set a balanced budget / set Council Tax by 12 March

Localism Act 2011 - a referendum required for council tax increases above higher of £5 or 2%



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# **3. Local government finance - some essentials**

**Capital v Revenue: Capital grants / receipts cannot fund revenue deficits.**

**Capital spending and borrowing is NOT 'free money'**

**Collection v General Fund: We collect and redistribute.**

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## 4. The Budget Setting cycle



## 5. Funding (Revenue)

Income Stream (20/21)	£ million
Business Rates	2.4
Council Tax	8.5
New Homes Bonus	1.7
<i>General Covid Grant*</i>	<i>1.7</i>

- *General Covid Grant monies relate to 20/21 and 21/22*
- *NB: Government's baseline needs assessment and the Settlement Funding Assessment underpins the Council's funding.*



# Council Tax – Beware the Multiplier!

- NB: Due to the CT cap – a decision in any one year not to increase CT – has a recurring year on year impact on the General Fund!! In effect you can never ‘catch this back up’.

Impact on General Fund of zero CT rise	Year 1	Year 2	Year 3	Year 4	TOTAL
	£m	£m	£m	£m	£m
Impact of not increasing by £5 in Year 1	0.2	0.2	0.2	0.2	<b>0.8</b>
Impact of not increasing by £5 in Year 2		0.2	0.2	0.2	<b>0.6</b>
Impact of not increasing by £5 in Year 3			0.2	0.2	<b>0.4</b>
Impact of not increasing by £5 in Year 4				0.2	<b>0.2</b>
<b>Total over the Medium Term (4 years)</b>					<b>2.0</b>



## **6. Risks**

- Future of Local Government Finance (inc NHB) and the Fair Funding Review??
- Future of business rates and the business rates reset??
- Covid – impact on service demand, Leisure services collection rates???

**= Planning Uncertainty**

**NB: Levelling up funding brings opportunity but also risk**

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# 7. Project Finance and Resources

- **Strengthen the Finance Team** – improving scope, quality and consistency of advice
  - Improve **Financial Management arrangements** – better accuracy, better monitoring and better outcomes
  - Improve **communication and engagement** on finances (members and staff) – building awareness and understanding
  - Improved **budget setting** through better resource planning and prioritisation – linked to improved business planning
  - Develop a **clear financial improvement plan** (held and owned by CMT) – to at least maintain levels of General Fund reserves
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## **8. Next Steps – Budget and MTFS**

- 1) Finalise Outturn and clarify starting position
  - 2) CMT working to identify options to re-prioritise limited resources:
    - a) Options for doing things differently / more efficiently / Options to stop doing
    - b) Options to increase income
    - c) Options to remove budget 'slack'
    - d) Options to release earmarked reserves back to general fund.
  - 3) Present options for Budget back to Cabinet
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## 9. Conclusions and summary

- The financial position and context is challenging.
  - The Financial Strategy should therefore focus on at least maintaining General Fund balances.
  - Strict rules and various statute heavily regulates the Local Gov Finance and budget setting process
  - Budget setting is a cycle – not a one off
  - Funding comes predominantly from CT and business rates
  - Risks include significant amounts of uncertainty
  - Next steps are to present budget options
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