

MEDIUM TERM FINANCIAL PLAN UPDATE

Relevant Portfolio Holder	Councillor Geoff Denaro, Finance and Enabling Portfolio Holder
Portfolio Holder Consulted	Yes
Relevant Head of Service	Michelle Howell
Report Author	Job Title: Head of Finance & Customer Services email:michelle.howell@bromsgroveandredditch.gov.uk Contact Tel: 01527 64252
Wards Affected	N/A
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.	

1. SUMMARY OF PROPOSALS

- 1.1 The Council will set its budget in two Tranches this year. The initial Tranche was published on the 26th October. This report updates Members on proposed changes announced in November by the Chancellor and how this might affect budget assumptions along with any feedback received for the savings proposals in Tranche 1 of the budget. It recommends to Council that these savings proposals are Recommended for Council approval in December.

2. RECOMMENDATIONS

Cabinet are asked to Resolve that:

- 1 That Officers continue to work on additional options, as outlined in the Strategy section of the Tranche 1 Report for presentation to Cabinet in February as Tranche 2 of the Budget.

Cabinet are asked to Recommend to Council that:

- 2 The Tranche 1 savings proposals, Fees and Charges increases including updated WRS charges, and the single Growth item in respect of the Climate Change Officer are approved for implementation to ensure maximum benefit as at 1st April 2023.

3. Background

Introduction

3.1 The Council sets a 3-year Medium Term Financial Plan every year, with the final Council Tax Resolution being approved by Council in February. This year's process, as set out in the Tranche 1 documentation (attached as Background Papers) has been more difficult due to the following factors and as such has been split into two Tranches to ensure maximisation of delivery in the 2023/24 financial year:

- Starting the process with an initial deficit amount from the 2022/23 MTFP.
- This being the first year that the Government starts to pay for the C-19 Pandemic.
- The present cost of living crisis.
- A change of Prime Minister and Cabinet.
- Limited Reserves and balances.

Tranche 1 Proposals

3.2 The Tranche 1 Report was discussed by Cabinet on the 26th October. In that report, the Interim Director of Finance noted in his draft robustness statement set out that the MTFP highlights that the current financial position is untenable without some form of intervention. Whilst a balanced budget for 2022/23 was approved with the use of reserves in February 2022, the Council is currently forecasting a £1.5m overspend in 2023/24 due to the additional demands placed on it due to the present rates of inflation, which in turn is utilising the remaining available reserves balances to fund these pressures.

3.3 It is important, for planning purposes that those initial savings proposals are approved by Council as soon as possible in order to achieve the maximum benefit in the 2023/24 financial year. As per the Q2 Monitoring Report, which is also being presented to Cabinet today, prior years "unallocated savings" have now been fully allocated to service budgets.

3.4 Those initial savings proposals to be approved and the position on the Councils budget as per Tranche 1 are set in the following table. Overall, the Council has identified £1.625m of savings items. These offset the £1.588m budget deficit. However, when we add in inflationary pressures (non-utilities) we move to a deficit position of £863k which increases to £942k over the three-year period. We kept utilities separate, pending possible Government support, however this increases the overall deficit position to £1.5m, rising to £1.6m on present working assumptions. Fees and Charges increases were part of the Tranche 1 proposals. Appendix A sets out the full set of WRS Fees and Charges. The initial appendix did not contain all the Environmental Health charges.

BROMSGROVE DISTRICT COUNCIL

Cabinet

23rd November 2022

Bromsgrove Position Statement				
		2023/24	2024/25	2025/26
		£000	£000	£000
Base Budget Position 22/23 MTFP				
	Expenditure	11,948	12,077	12,347
	Funding	-10,360	-10,864	-10,724
	Net	1,588	1,213	1,623
Revised Gap		1,588	1,213	1,623
Pressures				
	50% Funding for Climate Change Officer	30	30	30
Savings Options				
	Environmental Services Partnership	0	-25	-50
	Service Reviews	-140	-330	-405
	Town Hall	-70	-70	-70
	Finance Vacancies	-100	-100	-100
	MRP	-100	-100	-100
	Pension Fund	-663	-663	-663
	Engage Capacity Grid (One Off)	-200	-200	0
	10% Increase in Fees and Charges	-382	-389	-390
	Total Savings	-1,625	-1,847	-1,748
Revised Position		-37	-634	-125
Pressures				
	Pay Pressure Year 1	718	718	718
	Pay Pressure Future Years (1%)	0	0	155
	Transport Pressure	32	33	34
	Contracts Pressures	150	155	160
	Core Pressures	900	906	1,067
Updated Position		863	272	942
	Utilities Inflation	702	702	702
Final Draft Position		1,565	974	1,644

Table 1 – Tranche 1 Position

- 3.5 The Council's Capital Programme must prioritise the spending of Levelling up and UK Shared Prosperity Grant Funding – both of which have to be delivered by April 2025. Therefore, the new rationale is for any scheme not yet started (unless grant or S106 funded) is that they must rebid for funds as part of the 2023/24 budget process.
- 3.6 The Savings Proposal Document had a feedback section – any feedback will be fed back to Cabinet aurally.

Chancellors Statement 17th November 2022

- 3.7 The Statement by the Chancellor Jeremy Hunt has now been delayed from the 31st October to the 17th November.
- 3.8 A verbal update will be given to Cabinet on the 23rd November setting out implications for Local Government from the Statement and any possible changes to the budget gap that can be verified from the data presented.
- 3.9 It is expected that Provisional Local Government settlement take place as per previous years in the middle of December. Therefore, the overall timetable remains as per the timetable set out on the 26th October:
- Initial Tranche 1 Options published - 17th October
 - Cabinet discuss initial options – 26th October
 - Chancellors Statement – 17th November
 - End of feedback period – 23rd November
 - Tranche 1 approved by Cabinet in November and Council in December
 - Provisional Local Government Settlement – 15th December
 - Final Local Government Settlement – 12th January
 - Tranche 2 options ready for Cabinet – 17th January
 - Tranche 2 options presented to Cabinet – 15th February
 - Full Budget approved by Council – 22nd February

Timescales are estimated – however the issue is that the timescales are challenging for the delivery of either Tranche1 or Tranche 2.

The Council's Base Assumptions including Inflation and Grants

- 3.10 Following the Chancellors announcement in November, it is important that the Councils base assumptions are revised. This section sets out those base assumptions now.
- 3.11 Tax Base underlying assumptions are as follows
- Council Tax – Figures assume the full 1.99% increase
 - Business Rates Increases – Base assumptions no increases over the medium term, being reviewed in light of post C-19 Environment.
 - New Homes Bonus – It is assumed to be none in 23/24 onwards
 - Lower Tier Services Grant – It is assumed to be none in 23/24 onwards
 - Pension Fund assumptions – takes account of the latest triennial valuation which was received in September

3.12 Grant support assumptions are as follows (Revenue and Capital). It should be noted that these are budgeted figures and final grant figures will not be confirmed until the time of the final Local Government Settlement.

- The main Revenue Grants are
 - S-31 Grant (for Business Rate reductions) - £1.126m
 - Housing Benefit - £14.7m
 - Housing Benefit Administration - £0.148m
 - Cost of Revenues Collection Grant - £0.119m
- The Council has £14.492m of Levelling Up Grant to be spent by April 2026 which is match funded by £1.610m of Council funding.
- The Council has £2.681m of UK Shared Prosperity Fund to spend by April 2025. This is both revenue (£2.068m) and capital (£0.613m) in nature

3.13 Inflationary increases are significant due to factors already identified in previous sections. The following are the current base assumptions although given the present “cost of living” crisis and the change of Government in September it is likely these will need to be updated in Tranche 2.

- Presently, the Employers have offered a 2022/23 pay award of £1,925 per pay point plus on costs. This equates to an additional £675,675 cost to the Council from its initial budget. We budgeted for a 2% increase in our base budget in the 2022/23 MTFS which was £180k. In addition, we are assuming the 2023/24 will see an additional cost of 1.5% over our 1% base at a cost £222,518 before reverting back to 1% from 2024/25.
 - Therefore, at our present employee budgets this accounts for an ongoing pressure of £898,193. Taking account of the £180k inflation this results in a £718,193 increase.
- General inflation is running at 10% as of the 18th August. The assumption is this will affect transport and contract budgets in particular. Its impact on 2023/24 will be as follows (it is assumed that 2024/25 will move back to normal levels of 2%):
 - Bromsgrove base transport budget - £320k – Increase £32k
 - Bromsgrove base “contracts” budget - £1.5m – Increase £150k
- Utilities increases will be significant, with all our existing Utility contracts requiring renewal by the end of this financial year. We have seen increases in some areas of up to 400%. For planning purposes, we will assume an increase of 200% in 2023/24 which should then be relatively constant for the next three years.
 - Bromsgrove base utilities budget - £351k – Increase £702k

3.14 There are also other possible pressures that will be monitored during the Tranche 1 and Tranche 2 processes as many relate to changes in Government legislation which is yet to be received. Key items include:

- The future waste operating model,
- Possible commercial opportunities to maximise income.
- Climate Change
- Review of the Councils Leisure contract.

3.15 Other service-based pressures will be identified for inclusion in the Tranche 2.

Strategic Approach

3.16 The Council came into the 2023/24 budget process with a number of conflicting issues. These included:

- An ongoing budget deficit position from the 2022/23 MTFS of £1.6m which has now been resolved.
- Significant inflationary increase due to the “cost of living” crisis.
- Limited reserves to call on to reduce any deficit, which is still the case due to inflationary pressures. Earmarked reserves stand at just over £8m.
- Increases in Council Tax are limited at 2% or £5, which is significantly lower than the present rates of inflation.

3.17 The Council must move to financial sustainability as soon as is practically possible due to the present inherent risks but must be minded of Government support that will be announced in the settlement.

3.18 As set out in the Tranche 1 report, the strategy must be to move the Council to financial sustainability by the 2024/25 financial year. To get to this position there will be the need for investment and possibly the requirement to fund redundancy (both from reserves). Both these requirements will be outputs from the Council having to implement changes to the way it operates to continue to become a viable entity going forward and this will take 18 months to implement fully.

3.19 As set out later in the Robustness Statement, in compiling Tranche1 of the budget, assumptions have been made based on the best information held now. Issues the Council is facing are not unique, they are being faced by almost all Councils. Tranche 2 of the budget will adjust for any funding that the Government will provide and also look at other options to close any deficit should the Government settlement not bridge any resultant gap. Initiatives that will be assessed in Tranche 2 (as more time is required to analyse these individual options) include:

- Clarity on the Local Government Settlement including the Lower Tier Services Grant and New Homes Bonus which if confirmed as

intimated at Prime Ministers Question Time on the 12th October is worth £1.0m

- Ensuring Grants are maximised.
- Ensuring Agency work reflects the income provided for its delivery.
- Minimisation of Bed and Breakfast Temporary Accommodation costs
- Reviewing the effectiveness of the Council's largest Contracts.
- Maximising the effectiveness of our refuse fleet
- Reviewing the location and effectiveness of our Depot
- Assessing the Council's leisure and cultural strategy in terms of affordability
- Reviewing recharging mechanisms between the Councils for appropriateness
- Rationalisation of Back Office services as we embrace technology.

3.20 Many of these initiatives will require investment, for which the only present source of funding is reserves (General Fund and Earmarked Reserves). Key areas of investment will be:

- Documentation of Processes
- Investment in automation and robotic processes
- Possible redundancy – through restructures

3.21 However, in any situation, the Council must move to sustainability by the 2024/25 financial year.

Impact on Reserves

3.22 As per the Tranche 1 Report these will be fully revised in Tranche 2.

Capital Programme

3.23 The final position, based on scheme slippage to date in 2022/23 and the availability of resources will be reassessed as part of Tranche 2.

Robustness Statement

3.24 For Tranche 1, the opinion of the Interim Director of Finance is that the 2023/24 budget estimates contain considerable risk due to the level of uncertainty in the Councils operating environment, making it problematic to develop meaningful assumptions.

3.25 The revenue budget and capital programme have been formulated having regard to several factors including:

- Funding Available.
- Inflation.
- Risks and Uncertainties.
- Priorities.

- Service Pressures.
- Commercial Opportunities.
- Operating in a Post C-19 environment.

3.26 The MTFP highlights that the current financial position is untenable without some form of intervention. Whilst a balanced budget for 2022/23 was approved with the use of reserves in February 2022, the Council is currently forecasting a £1.5m overspend in 2023/24 due to the additional demands placed on it due to the present rates of inflation, which in turn is utilising the remaining available reserves balances to fund these pressures.

3.27 Given all the uncertainty which encapsulates this MTFP, the assumptions have been based on the best available information to the Council at this time. Work will continue in validating all assumptions, robustly challenging estimates, ensuring the delivery of existing saving plans. Updates will be included in Tranche 2 of the MTFS and balanced budget setting process

4. **IMPLICATIONS**

Financial Implications

4.1 Financial implications are set out in section 3.

Legal Implications

4.2 A number of statutes governing the provision of services covered by this report contain express powers or duties to charge for services. Where an express power to charge does not exist the Council has the power under Section 111 of the Local Government Act 1972 to charge where the activity is incidental or conducive to or calculated to facilitate the Council's statutory function.

Service / Operational Implications

4.3 Service implications of savings proposals are set out in the Savings Proposal Document in the background papers.

Customer / Equalities and Diversity Implications

4.4 There are none of these in Tranche 1, although it is expected there will be impacts in Tranche 2 where further savings will be required.

5. **RISK MANAGEMENT**

5.1 Medium Term Financial Plan risks are set out in the background papers.

BROMSGROVE DISTRICT COUNCIL

Cabinet

23rd November 2022

6. **APPENDICES and BACKGROUND PAPERS**

Appendix A – Updated WRS Fees and Charges

Background Papers

Tranche 1 MTFP – Cabinet 26th October 2023: [Agenda for Cabinet, 26/10/2022 18:00 \(bromsgrove.gov.uk\)](#)

MTFP 2022/23 – Approved February 2022: [Agenda Document for Council, 23/02/2022 18:00 \(bromsgrove.gov.uk\)](#)

7. **KEY**

None