
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: 0152764252
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 17th October this contained £1.6m of savings against a carried forward deficit of £1.6m. The Tranche 1 MTFP was approved by Council on the 7th December. More data was required on the Chancellors Statement and following the Provisional Local Government Settlement on the 19th December this detail is included in this report. Also included are the additional pressures which leaves the “real gap” to be closed.

2. RECOMMENDATIONS

Cabinet are asked to Resolve that:

- 1 That Officers continue to work on additional options now the “real gap” for the 2023/24 budget is known, as outlined in the Strategy section of the Tranche 1 Report for presentation to Executive in February as Tranche 2 of the Budget.

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

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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.
- 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 on the 26th October and approved for implementation by the Cabinet and then Council on the 7th December. 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. We now know, following the Provisional Local Government Settlement that following the work undertaken in Tranche 1 that a £1.6m gap still remains in 2023/24 to be mitigated.
- 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 The table below sets out the position at the end of Tranche 1. As per previous discussions the largest issues are the inflationary increases that are impacting all Local Authorities.
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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.

Provisional Local Government Settlement

- 3.7 The Provisional Local Statement was announced on the 19 December. This announcement confirmed the following funding sources for the Council:
- The Provisional Local Government Settlement has the following effect
 - New Homes Bonus - £127k
 - Services Grant - £68k
 - Funding Guarantee - £1,027k
 - Reduction in Council Tax Base 24k pressure
 - Additional savings on Pensions (now have final figures) – the projected contributions over the next 3 years is £5,693m – which is £1,897k a year. In tranche 1 we reduced the base budget to £2,253k – this is an additional £356k savings.

There is the also now the opportunity to increase Council Tax by an additional 1% to 2.99%.

Service Options will need to be assessed now in terms of funding pressures

- Place and Strategic Routes – 10% £197k 6.5 staff – across both
- Waste 10% - £179k, 6 staff – across both
- Allocation of Grants like DFG

- 3.8 This has the impact of reducing the funding gap identified in Tranche 1 from a £1.565m deficit to a surplus of £0.340m. However, this is before additional pressures as set out in section 3.16 below.

- 3.9 The Provisional Local Government Settlement is only for 1 year. For planning purposes, the Council must take a medium-term view over three years. The net Government funding of £1,198k is in line with previous years equivalent grants. **Therefore, for planning purposes an assumption has been made that Grant levels will remain at the net level of £1.0m for the 2nd and 3rd years of the 3 year plan.** This will be adjusted once there is clarity on future years Settlement details.

- 3.10 The Provisional Local Government settlement has now taken place on the 19th December. Therefore, the overall timetable changes slightly:

- Provisional Local Government Settlement – 19th 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.

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The Council's Base Assumptions including Inflation and Grants (Revisited)

- 3.11 Following the Provisional Local Government Statement, it was important that the Council's base assumptions were revised.
- 3.12 Tax Base underlying assumptions are as follows
- Council Tax – Figures assume the full 1.99% increase. As per the Chancellors Statement, this can now increase, subject to approval, by another 1%.
 - We have reduced the Council Tax base by £24k
 - Business Rates Increases – Base assumptions no increases over the medium term, being reviewed in light of post C-19 Environment. – More work is required here.
- 3.13 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
- 3.14 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.
- The Employers agreed a 2022/23 pay award of £1,925 per pay point plus on costs. We have a pressure of £718k in Tranche1. The actual pay award was implemented to employees in the December payroll and the actual value is in line with this amount.
 - An assumption of General inflation increases of 10% was made in Tranche1 in relation to transport and contract budgets. Its impact on 2023/24 was transport budgets £32k and base contracts £150k. (it is assumed that 2024/25 will move back to normal levels of 2%). This remains the base assumptions.
 - Tranche 1 set out utility increase of 200% amounting to £720k. Our existing Utility contracts requiring renewal by the end of this financial year

and we have seen increases in some areas of up to 400%. We still think this is a valid assumption. We will keep a 100% increase in the base budget but will move the other 100% to be funded from a new Earmarked Reserve.

Tranche 2 Pressures

3.15 There are also other pressures that have now been quantified. We do know that there are changes in Government legislation which have 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.

3.16 Other service-based pressures identified for inclusion in the Tranche 2. Include

- Refurbishment of the fleet, which extends life for 5 years and lets the Council buy replacements in 2028 when supply will be more stable. Refurbishment costs circa £70k, a new diesel vehicle is £200k, and electric Vehicle is £400k. The Council will refurbish 30 vehicles across both Councils over the next 2 years. Total cost is £2.1m Capital split across both Councils. Present interest rate is 4.59%.
- Leisure Contract is a £500k net payment to the Council but is only delivering a £100k surplus – this is needed to be assessed but would project with investment a £200 surplus should be achievable with a net £300k pressure based on present budgets.
- Artrix – One Public Estate is looking for Public Health space in Bromsgrove (might also link to Spa as Hydrotherapy)
- Pressures for Local plan outside the levels of the reserves
- Enforcement pressure due to the WRS initiative being so successful
- Real cost of rolling out Abacus and further automation
- Housing – Cost mitigation – especially TA
- Cross gates redevelopment (and associated with all depots – need the £40k business case) - £20k each Council.
- Resources required to deliver HAD Damp/Mildew inspections – Private Rented Sector
- A fund for apprentices across the Council assume £20K a position, so we can take advantage of apprenticeship levies. Overall amount – circa £100k across both Councils (split across both Councils £50k each).
- We will need to fund a data analyst – if we move forward with all the work on automation, robotics, etc, to take the Council forward. £25k each council.

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- The increased costs of Worcestershire Regulatory Services due to the pay award and other inflationary increases.
- Additional election costs
- Redundancy payments – if we restructure the workforce – also cost of voluntary redundancies.
- Cost of Inflation and Pay award over and above our ongoing assumptions (need to test) to be 2%. This is an additional £140k

3.17 The Local Government Provisional Settlement Updates along with the pressures set out in this section result in a resultant identified gap for the Council of £0.393m which is set out in the following table.

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Draft Local Government Financial Settlement				
	New Homes Bonus	-127		
	Services Grant	-68		
	Funding Guarantee	-1027		
	C Tax Base Reduction	24		
	Business Rates - TBC			
	Future Years Settlements - assumption		-1000	-1000
Settlement Draft Amounts		-1198	-1000	-1000
	Additional Pensions Savings	-356	-356	-356
	Conversion of 50% of Utilities to a Reserve	-351	-351	-351
Revised Deficit		-340	-733	-63
New Pressures (Known/Ongoing)				
	Fleet Refurbishment	129	258	258
	SLM Contract Rebasing	350	350	350
	Apprenticeship Scheme	50	50	50
	Data Analyst	25	25	25
	WRS Increase	39	50	61
	Increased pay award - so 2%	140	140	0
	Total	733	873	744
Revised Draft Position		393	140	681

Strategic Approach

- 3.18 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 £13m, and the General Fund at £4.5m.
 - Increases in Council Tax are limited at 3%, which is significantly lower than the present rates of inflation.
- 3.19 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.
- 3.20 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.
- 3.21 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:
- We now have clarity on the Local Government Settlement which is worth £1.2m
 - 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.

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- 3.22 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

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

Impact on Reserves

- 3.24 As per the Tranche 1 Report these will be fully updated in the final Tranche 2 position but are set out in 3.18 above.

Capital Programme

- 3.25 The final position, based on scheme slippage to date in 2022/23 and the availability of resources, will be reassessed as part final Tranche 2 position. The Council will need to concentrate on the delivery of Levelling Up and UK Shared Prosperity Fund capital initiatives over this period as funding must be spent by the 1st April 2026 and the 1st April 2025 respectively.

Robustness Statement

- 3.26 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.
- 3.27 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.

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3.28 The MTFP highlights that the current financial position is untenable without some form of intervention, which the one year settlement has given, but this needs to be longer term to enable the Council to properly plan service delivery for its residents and stakeholders. A balanced budget for 2022/23 was approved with the use of reserves in February 2022, the Council is currently forecasting a £0.393m 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.

3.29 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 There is a risk that if fees and charges are increased that income levels will not be achieved, and the cost of services will increase. This is mitigated by managers reviewing their fees and charges annually. The final report to Cabinet in February will have an updated section on Risk (updated from the Tranche 1 MTFP that was presented to Cabinet on the 26th October 2022).

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6. **APPENDICES and BACKGROUND PAPERS**

Background Papers

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

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