

# BROMSGROVE DISTRICT COUNCIL

## Cabinet

15th February 2023

### MEDIUM TERM FINANCIAL PLAN 2023/4 to 2025/6

Relevant Portfolio Holder	Councillor Geoff Denaro, Finance and Enabling Portfolio Holder
Portfolio Holder Consulted	Yes
Relevant Head of Service	Michelle Howell
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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 has set its budget in two Tranches this year. The initial Tranche was published on the 17<sup>th</sup> October this contained £1.6m of savings against a carried forward deficit of £1.6m. This was presented to Council for approval on the 7<sup>th</sup> December. This report finalises the overall budget, building on data that was presented to Cabinet following the Provisional Local Government Settlement on the 19<sup>th</sup> December.

#### **2. RECOMMENDATIONS**

##### **Cabinet are asked to Recommend to Council:**

- 1 The tranche 2 growth proposals.
- 2 The additional funding to the Council as per the Local Government Settlement on the 19<sup>th</sup> December 2022, including the estimated levels for 2024/5 and 2025/6.
- 3 The tranche 2 savings proposals, including an Increase of Council Tax at 1.99%.
- 4 The Capital Programme 2023/4 to 2025/6 and associated projects where outstanding budgets will be allowed to be carried forward at the end of the 2022/23 financial year.
- 5 The levels of reserve being carried forward into future years.
- 6 The level of General Fund balances being used to balance budgets over the Medium-Term Financial Plan (MTFP) period.

**Cabinet note**

1. The Chief Financial Officer (CFO) Opinion on Estimates and Reserve Levels – the Robustness Statement (Section 25 Statement)

**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 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.
- 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 26<sup>th</sup> October and approved for implementation by the Cabinet and then Council on the 7<sup>th</sup> 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 remained 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 was presented to Cabinet in November 2022, 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.

BROMSGROVE DISTRICT COUNCIL

Cabinet

15th February 2023

<b>Bromsgrove Position Statement</b>				
		<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Base Budget Position 22/23 MTFP</b>				
	Expenditure	11,948	12,077	12,347
	Funding	-10,360	-10,864	-10,724
	<b>Net</b>	<b>1,588</b>	<b>1,213</b>	<b>1,623</b>
<b>Revised Gap</b>		<b>1,588</b>	<b>1,213</b>	<b>1,623</b>
<b>Pressures</b>				
	50% Funding for Climate Change Officer	<b>30</b>	<b>30</b>	<b>30</b>
<b>Savings Options</b>				
	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
	<b>Total Savings</b>	<b>-1,625</b>	<b>-1,847</b>	<b>-1,748</b>
<b>Revised Position</b>		<b>-37</b>	<b>-634</b>	<b>-125</b>
<b>Pressures</b>				
	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
	<b>Core Pressures</b>	<b>900</b>	<b>906</b>	<b>1,067</b>
<b>Updated Position</b>		<b>863</b>	<b>272</b>	<b>942</b>
	Utilities Inflation	702	702	702
<b>Final Draft Position</b>		<b>1,565</b>	<b>974</b>	<b>1,644</b>

**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) that they must rebid for funds as part of the 2023/24 budget process.

**Assumptions**

- 3.6 There are a number of key assumptions that underpin the budget. It is important that all Stakeholders understand these as the budget has been constructed in a period of high uncertainty, as set out in 3.1 above, and any one of these assumptions might change due to any number of external factors.
- 3.7 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 – business rates assume all reliefs as per the Chancellors Statement. More work has been undertaken to validate the final business rates position, which is set out in 3.16 below, taking into account various S31 Grants and the effect of the Worcestershire and Herefordshire Pool. It is expected that this pool will continue into 2024/25.
- 3.8 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 (at 22/23 levels pending the final Local Government Settlement):
    - 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
    - Discretionary Housing Payment
    - Homelessness Grant
  - 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
- 3.9 Inflationary increases are significant due to factors already identified in previous sections. The following are the current base assumptions.
- 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. This increase has been included in ongoing budgets. An assumption of 2% for future pay awards has also been built in for future years.
  - An assumption of General inflation increases of 10% was made in Tranche 1 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%.

- We have assumed utility increases of 200% which amount to a £720k ongoing pressure. 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%.

### **Tranche 2 of the Budget following the Provisional Local Government Settlement – Additional Revenues**

- 3.10 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
- 3.11 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 2<sup>nd</sup> and 3<sup>rd</sup> years of the 3 year plan.** This will be adjusted once there is clarity on future years Settlement details.
- 3.12 There is the also now the opportunity to increase Council Tax by an additional 1% to 2.99%.
- 3.13 With the receipt of the final Triennial Pension Fund Valuation from the Actuary there are addition savings, over and above the levels in Tranche 1. The projected contributions over the next 3 years are £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.
- 3.14 We have spent significant time reviewing reserves (see Appendix A). This review has resulted in the Council being able to set up an Earmarked Reserve for Utilities Pressures. Our overall assumption still remains, that utilities costs could increase by up to 200%. However, half that increase should it happen, will be funded from this earmarked reserve for the next three years leading to a reduction in base budget of £351k a year over the next three years. Should increases be less than this figure this reserve can be released back to the General Fund.

# BROMSGROVE DISTRICT COUNCIL

## Cabinet

15th February 2023

- 3.15 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.
- 3.16 We have now reviewed base budget across the combined areas of Business Rates, Investment Income, and Investment Payments is a net benefit of £1,255k as per the table below. For planning purposes, we have assumed a £400k upside – with £300k supporting the ongoing base budget and £100k going to support reserves in 23/24 and a ongoing amount of £200k.

	<b>23/4 Base Budget £000</b>	<b>Combined Totals £000</b>	<b>Re – Based Budgets £000</b>	<b>Combined Totals £000</b>
Investment Income	(333)		(100)	
Investment Payments	595	262	617	517
Business Rates Income	(11,215)		(11,196)	
Business Rates Tariff Payment	8,804		9,276	
S31 Grant	(1,126)		(3,120)	
Business Rates Levy Payment (net)	912	(2,625)	686	
Business Rates Deficit (based on 22/3)			1,085	
CARF Grant			<b>(742)</b>	
Tax Income Guarantee Grant			<b>(124)</b>	<b>(4,135)</b>
<b>Total</b>		<b>(2,363)</b>		<b>(3,618)</b>

These are draft figures based on NNDR3 forms and government grants. The overall £1,255k credit is proposed to be split:

- 2023/24
  - £517k to support the budget
  - £100k to support the General Fund Reserve
  - The £638k balance to the Financial Services Reserve
- 2024/5 and 2025/6
  - £200k to support the budget
  - £200k to support the General Fund Reserve
  - It is assumed this balance will be adjusted by the Government in future years and so the remaining £855k has not been allocated.

**Tranche 2 Pressures**

- 3.16 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 – further consultation is just about to start for implementation in 2025, this will include transitional arrangements and funding.
  - Possible commercial opportunities to maximise income.
  - Climate Change – The Council is forecasting a possible £180k increase in costs for the new HVO fuel to be used by the fleet. This is under review (a 100% increase in costs) with alternate providers being assessed as well as reduced conversion. This has not yet been included in the budget and if it becomes an additional cost will be taken from the Utilities Reserve.
- 3.17 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.
  - Leisure Contract is a £550k net payment to the Council but is only delivering a £100k surplus. This has been reviewed with the contractor and budgets can be adjusted to a £150k surplus in 2023/24, increasing to £209k in 2024/25, and £275k in 2025/26. This includes absorbing the present costs of utilities. If these costs reduce, which is the present trend, these savings will come to the Council in addition to the above amounts.
  - A fund for apprentices across the Council which assumes 5 positions at a base rate £20k a position in order for the Council to take advantage of apprenticeship levies and “grow” our own staff. The overall amount of circa £100k across both Councils.
  - We will need to fund a data analyst as we move forward with all the work on automation, robotics, etc, to take the Council forward. The costs are £50k spread across both Councils. This will indirectly lead to further savings as these processes/changes are embedded in future years budgets.
  - Planning Enforcement – the use of WRS to speed up this process has additional cost implications across both Councils. An initial figure of £50k (which is spend to date) is added split across both Councils.
  - The increased costs of Worcestershire Regulatory Services due to the pay award and other inflationary increases.

# BROMSGROVE DISTRICT COUNCIL

## Cabinet

15th February 2023

- Bringing employee budgets up to the full 2% level for pay awards in 2023/24 and 2024/25.
- The cost of all out election in Bromsgrove. This expense happens every 4 years and is forecast to be £167k in 2023/24.
- The Council Tax Collection Fund is projected to under-recover by £1,020k. The Council portion of this is 13% which is £132k – this would be a one-off issue for 2023/24.

3.18 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 £0.250m which is set out in the following table.

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<b>Updated Position</b>	<b>863</b>	<b>272</b>	<b>942</b>
Utilities Inflation	702	702	702
<b>Tranche 1 Final Draft Position</b>	<b>1,565</b>	<b>974</b>	<b>1,644</b>
<b>Draft Local Government Financial Settlement</b>			
New Homes Bonus	-127		
Services Grant	-68		
Funding Guarantee	-1,027		
C Tax Base Reduction	24		
Business Rates/Investment Inc Rebaseline	-517	-200	-200
Future Years Settlements - assumption		-1,000	-1,000
<b>Settlement Draft Amounts</b>	<b>-1,715</b>	<b>-1,200</b>	<b>-1,200</b>
Additional Pensions Savings	-356	-356	-356
Conversion of 50% of Utilities to a Reserve	-351	-351	-351
<b>Revised Deficit</b>	<b>-857</b>	<b>-933</b>	<b>-263</b>
<b>New Pressures (Known/Ongoing)</b>			
Fleet Refurbishment	129	258	258
SLM Contract Rebasing	400	341	275
Apprenticeship Scheme	50	50	50
Data Analyst	25	25	25
Planning Enforcement	25	25	25
WRS Increase	39	50	61
Cost of all out Elections	167	0	0
Under Recovery of 22/23 Council Tax	132	0	0
Increased pay award - so 2%	140	140	0
<b>Total</b>	<b>1,107</b>	<b>889</b>	<b>694</b>
<b>Revised Draft Position</b>	<b>250</b>	<b>-44</b>	<b>431</b>



**Impact on Reserves**

- 3.19 The Council's position in respect of reserves is attached in Appendix A. As part of the Tranche 2 budget a thorough review of Reserves has taken place.

***Earmarked Reserves***

- 3.20 The Council entered 2022/23 with almost £12.7m in Earmarked Reserves. It should be noted that the Council has not yet fully closed the 2021/22 Accounts however data is taken on reserve levels as per the Period 11 Monitoring Statement for the year which assumes a £367k underspend for the year. The key reserves going into this financial year are:

- The Financial Services (Mostly Business Rates Retention Scheme) Reserve held for Business Rates appeals/non collection. This stands at £4.345m.
- The Economic Regeneration Reserve which stands at £0.998m.
- The General C-19 Reserves (funded from Grant Payments) which stands at £1.177m.
- The C-19 Collection Fund Reserve which stands at £3.094m. This will reduce to 0 over the next two years as it was grant funding for Council to smooth the effects of the Tax collection levels in the 2020/21 financial year due to pandemic reducing collection rates in 2020/21.

- 3.21 The Corporate Management Team reviewed Earmarked Reserves at the assurance meeting on the 21<sup>st</sup> December. At this meeting, as highlighted in an individual column in Appendix A:

- £1.053m has been able to be reallocated to a Utilities Reserve and £2.682m transferred to the General Fund.
- The majority of funding to support these changes came from the C-19 Reserve (£1.177m), the Finance Reserve (£1.000m), and the Economic Regeneration Reserve (£0.600m).
- It is assumed that the Utilities Reserve will reduce to 0 over the MTFP period.

***General Fund***

- 3.22 The General Fund assumes the following support over the three years of the MTFS of:

- £0.250m for 2023/24
- £0.044m Cr for 2024/25
- £0.431m for 2025/26

This is after transferring balances of £2.682m as part of the reallocation of Reserves.

# BROMSGROVE DISTRICT COUNCIL

## Cabinet

15th February 2023

- 3.23 The significant issue for the General Fund is the impact of the 2022/23 overspend position. Following Q2 monitoring, and taking into account the Pay award and existing support in last year's MTFP, there is a call of £1.472m on the General Fund. Management actions are in place to try and partially mitigate this but a significant portion of the difference is due to the Pay Award.
- 3.24 The Impact of all these factors is that at the end of the MTFP period, the 31<sup>st</sup> March 2026, General Fund Reserve levels are projected to be £5.558m.
- 3.25 The benchmark minimum level for General Fund Reserves is 5% of net expenditure. 5% of the Councils net expenditure (ignoring Housing Benefit which is passported to Clients) is circa £28m – for which 5% is £1.4m. However
- As 2022/23 has shown, this level of reserves would not cover the level of overspend being reported for this financial year.
  - General fund reserves are all the Council has to fund transformation initiatives, redundancy and any service overspends.
- 3.26 It is prudent therefore to plan to build a level of General Fund Reserves which are 10% of Gross Expenditure less just Housing Benefits. This would mean General Fund Reserves should be at a level of at least £2.8m. General Fund levels are presently above this level.

### **Strategic Approach**

- 3.27 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.
- 3.28 The Council must move to financial sustainability as soon as is practically possible due to the present inherent risks. 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.

- 3.29 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.
- 3.30 As set out later in the Robustness Statement 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. However, the Council must continue to maintain reserves to fund transformational changes, and to do this it must continue to drive down its expenditure. This includes:
- 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.
- 3.31 Cost and calls for the Council's services will continue to rise unless managed correctly. This includes, in addition to those highlighted in 3.16 above, the following issues being tackled:
- Rationalisation of our asset estate, especially given energy efficiency requirements by 2026.
  - Replacement of a highly skilled but relatively old (49) workforce.
  - Implementation of a new operating model, required through the rollout of new digital solutions to our customers
  - Redevelopment of our Depots
  - Resources required to deliver Damp/Mildew inspections in the Private Rented Sector
  - Redundancy payments – if we restructure the workforce – also cost of voluntary redundancies.
  - The impact on Services if inflation continues above the 2% level
  - Review of the overall delivery of cultural and leisure services.
- 3.32 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:

# BROMSGROVE DISTRICT COUNCIL

## Cabinet

15th February 2023

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

### **Capital Programme**

- 3.33 In Tranche 1 the existing Capital Programme was split into Schemes that have started and those where no expenditure had happened to date. This final report follows a full review of all schemes on the Capital Programme by CMT in January.
- 3.34 The following table sets out the Capital Programme schemes that are approved for the MTFP time horizon. Many of these schemes are already in partial delivery in the 2022/23 financial year. By approving this list, as per Recommendation 4, the Council are also agreeing for sums not spent in 2022/23 (and 2021/22 by default if schemes originated earlier than 2022/23 as sums have been carried forward through last year's final MTFP Report into 2021/22) to be carried forward into 2023/4. The table also splits amounts by funding Source, Council or third party.

<b>Financial Year</b>	<b>Total Budget £000</b>	<b>Council Funded £000</b>	<b>External Funded £000</b>
2021/22	16,511	12,146	4,366
2022/23	8,126	1,485	6,641
2023/24	10,852	1,694	9,158
2024/25	4,921	2,224	2,697
2025/26	3,156	1,558	1,598

- 3.35 External Funding is made up of a number of Sources. The Council has large schemes. This includes:
- The two Levelling Up schemes – Old Fire Station and Market which are funded via £14.5m of Government Funding, and the Council is funding £1.6m of works.
  - UK Share Prosperity Schemes totalling £2.8m.
  - The Burcot Lane development at £10.275m.
- 3.36 The following changes have been made to the Capital Programme:
- The Regeneration Fund, which amounted to over £6m, has been applied to the £1.6m of Levelling Up Funding. As we now have Levelling Up and UKSPF funding from the Government, the remainder of this budget is now no longer required.
  - The Vehicles Replacement fund has been updated, with many Waste Collection vehicles now being refurbished instead of new purchases being made as Council still await the publishing of the Governments Green Paper.

- New rolling programmes have been created to ensure that key council assets/intervention are maintained. These include:
    - £100k for a planned building maintenance programme.
    - £75k for a planned footpath maintenance programme.
    - £60k for a planned wheelie bin programme.
    - £50k for ongoing support for Home Repair Grants/Assistance.
- 3.37 The full list of schemes, including 6 funded via S106 receipts, are set out in Appendix B. The Capital Programme links to the Asset Strategy, Treasury Management Strategy, Minimum Revenue Provision Policy and Asset Investment Strategy, including the Prudential Indicators are set out in Appendix C.

### **Robustness Statement**

- 3.38 The opinion of the Interim Chief Finance Officer is that the 2023/24 budget estimates contain considerable risk due to the continued level of uncertainty in the Council's operating environment and a single year financial settlement, making it problematic to develop meaningful assumptions.
- 3.39 The revenue budget and capital programme have been formulated having regard to several factors including:
- Funding Available.
  - Inflation.
  - Risks and Uncertainties.
  - Council Priorities.
  - Service Pressures.
  - Commercial Opportunities.
  - Operating in a Post C-19 environment.
- 3.40 The MTFP highlights that the 1-year Local Government Financial Settlement announced on the 19<sup>th</sup> December was to continue at the present levels then the Council starts to move to financial viability in year 2 before needing additional savings in year 3. This is a substantial improvement on the previous years budget where £3.2m of reserves were needed to balance the budget over the three financial years.
- 3.41 There are also still significant risks for the Council to manage:
- The Council has not yet closed its 2021/22 accounts. It is using the Period 11 Monitoring Report estimated outturn of £367k underspend. This still needs to be validated.
  - The 2022/23 financial monitoring is showing an overspend position of £1.472m. This needs to be managed down as it removes half the present General Fund balances.
  - The core risks of implementation of any MTFP

- All savings proposals have passed the S151 Officers tests for robustness and delivery.
- Implementation of savings to time and budget – we now move through to the implementation processes which needs to be documented to ensure all items are within timescales and variances are reported and mitigated through the correct governance processes – to minimise risk.
- Loss of key personnel, with the average age of staff being 49. Mitigation plans will need to be drawn up. There is an acute recruitment issue across Worcestershire and succession planning is a necessity for key roles.
- The time limited nature of the large Levelling Up and UK Shared Prosperity Funds. If programmes are not delivered within the Government Specified timescales, then the Council is liable for ongoing delivery expenditure.
- Business Rate Income – especially with the 1<sup>st</sup> April 2023 revaluations that are being undertaken, actual income received will vary depending on actual Business Rates growth, and levels of appeals. As highlighted in the Collection Fund section, there is also an issue with collection this year being under target which is an impact of the “cost of living” crisis.
- The ongoing impact of inflation, especially around utilities. We have allowed for 200% increases and prices are now coming down, however this is still a substantial risk especially with the Council having “Corporate Buildings” including leisure buildings for the delivery of services directly to the public.
- Possible change of corporate direction/priorities following the elections in May.

3.42 In line with Section 25 of the Local Government Act 2003, this report of the Chief Financial Officer (CFO) sets out the robustness of estimates included in the budget and the adequacy of the Council’s reserves.

**The Chief Financial Officer’s opinion is that the estimates are robust.**

3.43 Relevant budget holders are responsible for individual budgets and their preparation. All estimates are then scrutinised by Financial Services staff and the Corporate Management Team prior to submission to Members.

3.44 The two tranche 2023-4 budget process has ensured that all budget assumptions have been reviewed and reconsidered by Officers, and then Members, through the Finance and Budget Scrutiny Working Group, Cabinet and Council.

3.45 However, as per the strategy section, the Council needs to move to a fully sustainable budget, with no support from reserves, by the 2024/5 financial year.

# BROMSGROVE DISTRICT COUNCIL

## Cabinet

15th February 2023

### ***Adequacy of Reserves***

- 3.46 Budget and MFTP proposals forecast the level of General Fund balances at £5.6m as at 31<sup>st</sup> March 2026 which is £2.8m above minimum set levels of £2.8m as set out in the Reserves section.
- 3.47 Taking account of the above, the strategy to move to a fully sustainable budget by the 2024/25 financial year, and the level of risk within the budget, the Chief Finance Officer judges that reserves are at an appropriate level throughout the period of the MFTP. This will be subject to ongoing review.
- 3.48 Further work will be undertaken to ensure that expenditure levels are sustainable and matched by income over the medium to long term. Plans are therefore in place to continue to review budgets and identify further savings opportunities.

### **Collection Fund and Precepts**

- 3.49 The Council Tax collection fund is anticipated to be in deficit by surplus based on December data of £1.020m which will be distributed amongst the major preceptors using the prescribed formulae. The Council's share of the surplus payable as a one-off sum in the following financial year 13% of the total which amounts to £132k.
- 3.50 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 8<sup>th</sup> February. This will enable the Council to set the Council Tax on 27<sup>th</sup> February 2023. The precepting bodies Council Tax requirements will be included in the formal resolutions which will be presented to Council on 27<sup>th</sup> February.
- 3.51 Business Rates collection data as at December is projected to be £1.220m below target.

## **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 ongoing risks are set out in the Robustness Statement section.

**6. APPENDICES and BACKGROUND PAPERS**

Appendix A – Reserves Statement  
Appendix B – Detailed Capital Programme  
Appendix C – Asset, Treasury Management, and Investment Strategies

Background Papers

MTFP Update – Cabinet 18<sup>th</sup> January, 2023  
Tranche 1 MTFP – Cabinet 26<sup>th</sup> 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



**BROMSGROVE DISTRICT COUNCIL**

Cabinet

15th February 2023

**Appendix A – Reserves Statement**

	Balance at 31/3/21	Transfers In 2021/22	Transfers out 2021/22	Balance at 31/3/22	Transfers In 2022/23	Transfers out 2022/23	Re-baseline 2022/23	Balance at 31/3/23	Transfers in 2023/24	Transfers out 2023/24	Balance at 31/3/24	Transfers in 2024/25	Transfers out 2024/25	Balance at 31/3/25	Transfers in 2025/26	Transfers out 2025/26	Balance at 31/3/26
<b>General Fund Reserve</b>	£000	4,613	367	(495)	4,485	(1,472)	2,662	5,695	100	(250)	5,545	244	0	5,789	200	(431)	5,558
<b>General Fund Earmarked Reserves:</b>																	
Building Control Other	7			7			(7)	0			0			0			0
Building Control Partnerships	82			82				82			82			82			82
Business Transformation	0			0				0			0			0			0
Commercialism	0			0				0			0			0			0
Community Safety	0			0				0			0			0			0
Community Services	271			271				271		(125)	146		(125)	21			21
Economic Regeneration	1,348		(360)	998			(600)	398			398			398			398
Election Services	51			51				51			51			51			51
Environmental Services	49			49				49			49			49			49
Financial Services	4,445		(100)	4,345		(160)	(1,000)	3,195	638		3,833			3,833			3,833
Housing Schemes	488		(142)	346				346			346			346			346
ICT/Systems	197			197				197			197			197			197
Leisure/Community Safety	330			330				330			330			330			330
Litigation Reserve	0			0				0			0			0			0
Local Development Framework	0			0				0			0			0			0
Local Neighbourhood Partnerships	16			16				16			16			16			16
Other	108		(44)	64			(64)	0			0			0			0
Planning & Regeneration	133			133				133			133			133			133
Regulatory Services (Partner Share)	46			46				46			46			46			46
Replacement Reserve (Inc. Recycling)	0			0				0			0			0			0
Shared Services (Severance Costs)	311			311			(311)	0			0			0			0
Utilities Reserve	0			0			1,063	1,063		(351)	702		(351)	351		(351)	0
Covid-19 (General Covid Grant)	766		411	1,177			(1,177)	0			0			0			0
Covid-19 Sales Fees and Charges	0		576	576			(576)	0			0			0			0
Covid-19 (Collection Fund)	4,641		(1,547)	3,094		(1,547)		1,547		(1,547)	0			0			0
<b>Total General Fund</b>	<b>13,289</b>	<b>987</b>	<b>(2,183)</b>	<b>12,093</b>	<b>0</b>	<b>(1,637)</b>	<b>0</b>	<b>7,714</b>	<b>638</b>	<b>(2,023)</b>	<b>6,329</b>	<b>0</b>	<b>(476)</b>	<b>5,853</b>	<b>0</b>	<b>(351)</b>	<b>5,502</b>

BROMSGROVE DISTRICT COUNCIL

Cabinet

15th February 2023

Appendix B – Capital Programme

Cap Proj	Description	Department	Funding detail	2021/22 Total Spend £	2022/23 Total Spend £	2023/24 Spend to 10/1 £	2023/24 Total £	2024/25 Total £	2025/26 Total £	Council			3rd Party						
										21/22 £	22/23 £	23/24 £	24/25 £	25/26 £	21/22 £	22/23 £	23/24 £	24/25 £	25/26 £
	<b>Large Schemes</b>																		
	Leveling Up Fund																		
	- Government Funded	Planning, Regeneration & Leisure Services	Grant Funding	1,600,000	5,329,041	24,000	7,563,360								1,600,000	5,329,041	7,563,360	0	0
	- Council Funded		Borrowing	385,000	420,133		805,133												
	UK Shared Prosperity Fund																		
	- Capital Element	Planning, Regeneration & Leisure Services	Grant Funding		50,000										0	50,000	0	0	0
	- Revenue Element	Planning, Regeneration & Leisure Services	Grant Funding		290,499										0	290,499	0	0	0
	- Remainder (to be allocated)	Planning, Regeneration & Leisure Services	Grant Funding		20,000		680,988	1,784,215							0	20,000	680,988	1,784,215	0
	<b>Schemes Agreed to Continue</b>																		
200006	Burcot Lane	Financial & Customer Services	Public works loan board and grant homes england	9,275,000	0	5,686,000	0	0	0										
200007	CCTV	Community & Housing GF Services	Capital Receipts/Borrowing	67,376	0	28,000	0	0	0						67,376	0	0	0	0
200008	Funding for DFGs	Community & Housing GF Services	Grant income WCC	1,416,101	913,000	728,000	913,000	913,000	0						1,416,101	913,000	913,000	913,000	0
200009	Home Repairs Assistance	Community & Housing GF Services	Long Term Debtors	111,221	50,000	4,000	50,000	50,000	50,000						111,221	50,000	50,000	50,000	50,000
200010	Energy Efficiency Installation	Community & Housing GF Services	Capital Receipts/Borrowing	65,988	110,000	8,000	0	0	0						65,988	110,000	0	0	0
200011	Energy Efficiency	Community & Housing GF Services	Grant finance	5,000	0	0	0	0	0						5,000	0	0	0	0
200015	Cemetery Extension Infrastructure at North Bromsgrove Cemetery Phase Two	Environmental Services	Capital Receipts/Borrowing	8,000	6,500	16,000	0	0	0										
200016	New Finance Enterprise	Financial & Customer Services	Capital Receipts	0	0	14,000	0	0	0						8,000	6,500	0	0	0
200017	OLEV/ULEV Taxi infrastructure scheme	Community & Housing GF Services	Grants & Contributions	200,000	0	1,000	0	0	0						0	0	0	0	0
200019	Fleet Replacement new line		Borrowing	1,568,000	356,000	74,000	441,000	1,190,000	1,215,000						1,568,000	356,000	441,000	1,190,000	1,215,000



**BROMSGROVE DISTRICT COUNCIL**

**Cabinet**

15th February 2023

Cap Proj	Description	Department	Funding detail	2021/22 Total Spend £	21/22 Spend £	2022/23 Total Spend £	22/23 Spend to 10/1 £	2023/24 Total £	2024/25 Total £	2025/26 Total £	Council 21/22 £	Council 22/23 £	Council 23/24 £	Council 24/25 £	Council 25/26 £	3rd Party 21/22 £	3rd Party 22/23 £	3rd Party 23/24 £	3rd Party 24/25 £	3rd Party 25/26 £	
200069	Cisco Network Update	Business transformation & Organisational Development	Borrowing	0	0	5,717	0	11,574	0	34,877											
200070	Server Replacement Est(Exact known Q2 2022)	Business transformation & Organisational Development	Borrowing	0	0	83,250	0	2,000	177,500	18,500	0	5,717	11,574	0	34,877						
200071	Laptop Refresh	Business transformation & Organisational Development	Borrowing	0	0	5,000	0	25,000	150,000	5,000	0	83,250	2,000	177,500	18,500						
new	Play Area, POS and Sport improvements at Lickey End Recreation Ground in accordance with the S106 Agreement	Planning, Regeneration & Leisure Services	S106 19/0137/FUL	0	0	37,956	0	0	0	0	0	5,000	25,000	150,000	5,000						
200002	BDC Combined F/Path & Cycle	Environmental Services	Grants & Contributions	0	0	0	0	0	0	0						0	37,956	0	0	0	0
	Barrt Green Millenium Park - Toilet	Planning, Regeneration & Leisure Services	S106 B/2011/0741 - Land at Firy Hill, Barrt Green /18k balances	0	0	0	0	0	0	1,597,377											
<b>Total</b>				16,511,792	4,675,000	8,125,764	7,222,065	10,851,723	4,920,715	3,155,755	12,145,791	1,485,268	1,694,375	2,223,500	1,558,377	0	4,366,001	6,640,496	9,157,348	2,697,215	1,597,377