

**REDDITCH BOROUGH COUNCIL**

**EXECUTIVE**

**5<sup>th</sup> February 2019**

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**MEDIUM TERM FINANCIAL PLAN 2019/20 - 2022/23**

<b>Relevant Portfolio Holder</b>	Councillor Tom Baker-Price, Portfolio Holder for Finance and Enabling Services
<b>Relevant Head of Service</b>	Jayne Pickering, Executive Director Finance and Corporate Resources
<b>Non-Key Decision</b>	

**1. SUMMARY OF PROPOSALS**

- 1.1 A recommendation will be made to Full Council on the Medium Term Financial Plan 2019/20 - 2022/23 and the Council tax will be set for 2019/20 on the 25<sup>th</sup> February. This report outlines the issues faced by the council and delegates to officers to investigate ways to achieve a balanced budget for Executive to consider.

**2. RECOMMENDATIONS**

**2.1 Executive is asked to recommend to Full Council**

**2.1.1 Approve the Unavoidable costs as attached at Appendix 1:**

2019/20 £373k  
2020/21 £287k  
2021/22 £227k  
2022/23 £255k

**2.1.2 Approve the Revenue Bids as attached at Appendix 2:**

2019/20 £184k  
2020/21 £164k  
2021/22 £156k  
2022/23 £156k

**2.1.3 Approve the Identified Savings as attached at Appendix 3:**

2019/20 £946k  
2020/21 £660k  
2021/22 £665k  
2022/23 £635k

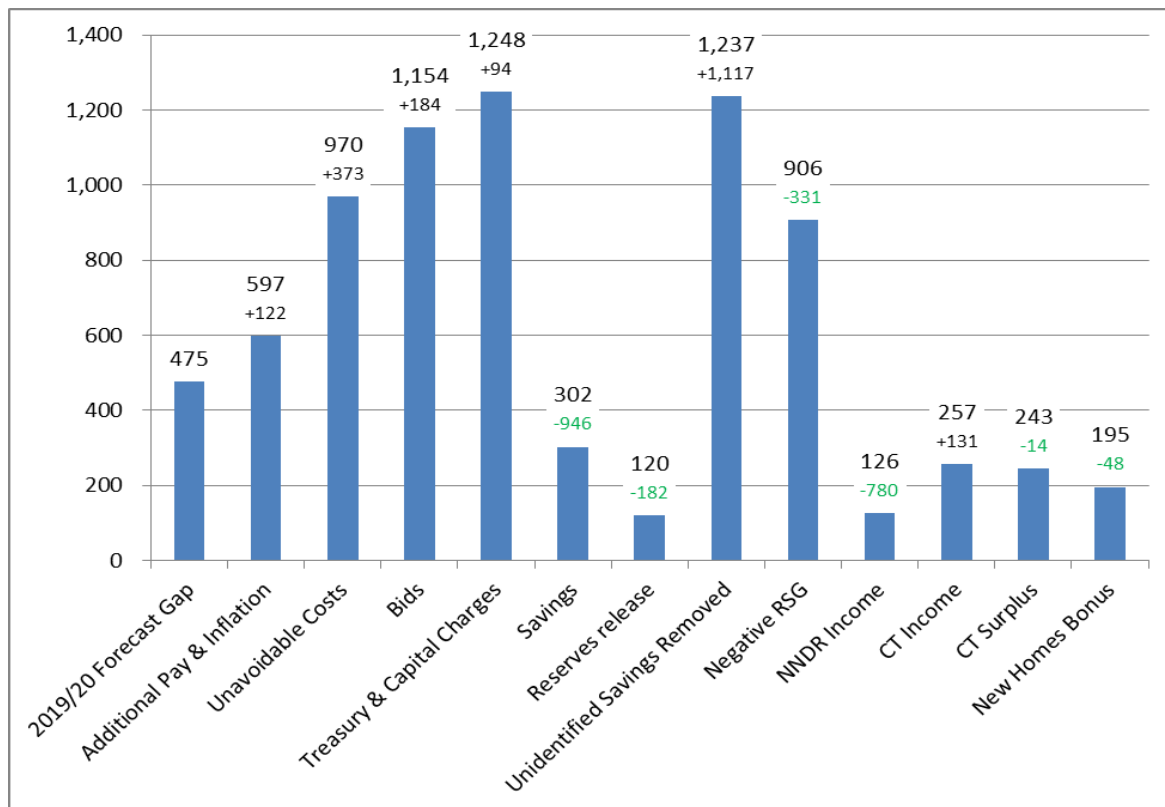
**2.1.4 Approve the Capital Programme bids as attached at Appendix 4:**

2019/20 £1.875m  
2020/21 nil  
2021/22 nil  
2022/23 £1.352m

**3. KEY ISSUES**

**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. For 2019/20 a 4 year plan is proposed to 2022/23. 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 :
- Help me find somewhere to live in my locality
  - Provide good things for me to see, do and visit
  - Help me live my life independently
  - Help me run a successful business
  - Help me be financially independent
  - Keep my place safe and looking good
- 3.2 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 4 years.
- 3.3 Over the last 12 months the Budget Scrutiny working group as established by the Overview and Scrutiny Committee has met on a regular basis to review costs, fees and charges and the capital programme and have made a number of recommendations to Executive.
- 3.4 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.
- 3.5 The table below demonstrates the changes in the financial projections and budget gap for 2019/20 based on the original estimation of a £475k gap as presented in February 2018. Following the table there are explanations of the reasons for the changes resulting in the current gap of £195k for 2019/20.



**3.6 Additional pay and inflation**

One of the pressures to the budget is the financial impact of implementing the National pay agreement in relation to increasing the spinal points attached to the current pay model. There is a separate item on the agenda to this meeting that details the rationale for the proposed pay model and the financial implications of this have been included in the budget.

**3.7 Unavoidable Costs**

When proposing the budget officers have also identified a number of budget pressures that have been deemed “unavoidable”. Unavoidable includes the ongoing effects of pressures identified during 2018/19 together with any issues that have been raised as fundamental to maintaining service provision as part of the budget process. In addition, income shortfalls that cannot be managed by improved marketing or price increases have been addressed during the budget planning. The pressures and income shortfalls of £373k are identified at Appendix 1

**3.8 Bids**

In addition to the unavoidable pressures 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. The

total bids for 2019/20 of £184k include funding for automation of transactional processing and funding for an apprentice.

**3.9 Treasury**

The increase of £94k is a result of the additional borrowing costs associated with the capital programme offset by the savings from making an up front payment to the pension fund. No assumptions have been made for future capital receipts on surplus sites.

**3.10 Identified Savings/additional income**

Identified savings and additional income of £946k are detailed at Appendix 2. These are proposed to ensure that budget pressures can be met and demonstrate the additional income that the Council is generating. This includes the income of £90k that has been generated from the service agreement to provide Lifeline services to Cannock Council.

**3.11 Unidentified savings**

In previous years an assessment has been made of savings and additional income that could potentially be realised by the Council. It is proposed that there are no longer any savings or income allocations that are not specifically identified and therefore there is a pressure to the budget of £1,117k to reflect the removal of the unidentified savings

**3.12 Negative RSG**

Whilst the final settlement has not been received the projections include the removal of the £331k negative grant payment to Government in line with the provisional settlement.

**3.13 NNDR Income**

For 2019/20 the Government assessed baseline for business rates is £2.171m. This is paid by the Government to Redditch as a grant following the creation of the Worcestershire Business Rate Pilot. Under the Pilot the County Council receive 75% of the business rate income and the Government receive 25%. The County Council also receive all the Section 31 grant previously received by the County and Districts. The Pilot agreement includes a commitment of nil detriment and the County Council will top up payments to Districts in addition to the baseline grant to provide an equivalent income they would have received had the previous system remained in place. For Redditch the top up payment is £0.684m. In relation to the no detriment clause it is assumed that any payment to the

Birmingham LEP (estimated at £150k) will be met from the additional business rates received. Compared with the base budget assumption there has been an increase of £0.780m which reflects a mixture of business rate growth and additional section 31 support from the Government to compensate for national decisions that have reduced business rate income.

**3.14 Council Tax**

The Council is allowed to increase Council Tax by up to 2.99% without the need for a referendum. The Council will decide the level of the council tax for 2019/20 on 25<sup>th</sup> February 2019. The current projections include a 2.99% increase and therefore the demand on the collection fund to meet the Council's own needs will be £6.289m. The Council Tax relating to the Council's services will rise from £234.00 to £241.00.

Compared with the base budget assumed for 2019/20 in the medium term financial plan there has been a reduction in Council Tax and reflects fewer new dwellings

**3.15 CT Surplus**

This is the estimated surplus based on the latest 2018/19 collection fund information.

**3.16 New Homes Bonus (NHB)**

3.16.1 The amount of NHB for 2019/20 has been confirmed as £754k, which is £48k more than anticipated in the MTFP. The 2019/20 income would be generated from 268 band D properties. However the 0.4% levy on growth equates to 128 properties which results in an annual reduction of £213k in New Homes Bonus received.

3.16.2 The MTFP will continue to be refreshed annually to take account of future changes in funding.

**3.17 Future Years**

3.17.1 Assumptions have been made in the financial plan for the following years including:

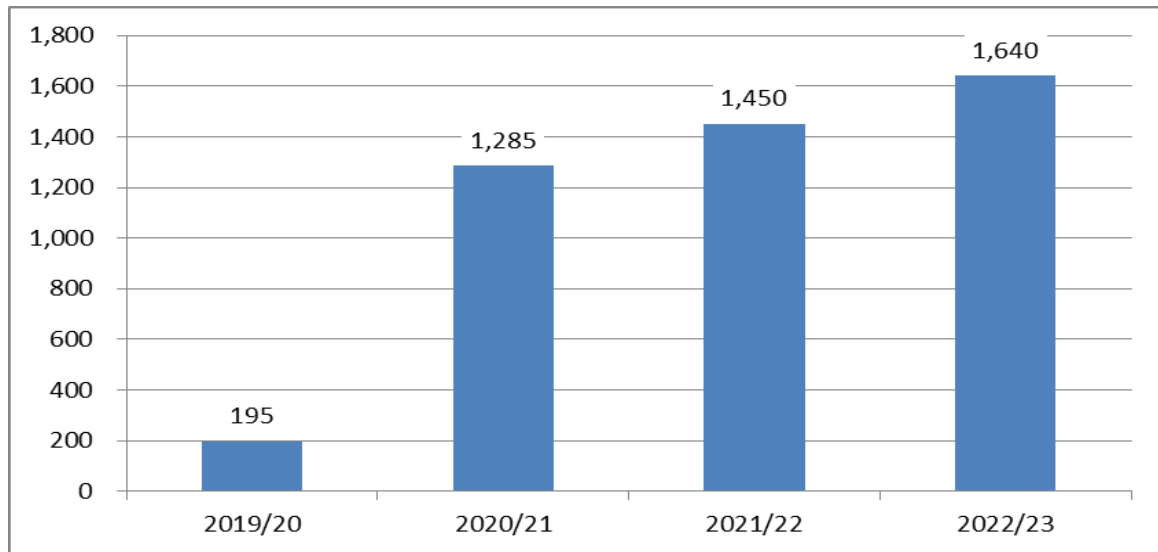
- The final year of the New Homes Bonus Scheme in 2019/20. Therefore an estimate of £208k is included in 2019/20 to continue for 4 years. There is no further funding included in the MTFP for "new" monies from 2020/21 which will result in a considerable funding gap for the Council.
- Additional costs of borrowing for the capital programme
- Financial impact of the revised pay model

This results in a medium term financial gap as follows:

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A more detailed table is shown below:

<b>REDDITCH PROPOSED REVENUE BUDGET 2019/20 - 2022/23</b>				
	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£001</b>
Departmental base budget	9,115	9,173	9,387	9,388
Incremental Progression/Inflation on Utilities	122	199	279	485
Unavoidable Pressures	373	287	227	255
Revenue Bids/Revenue impact of capital bids	184	164	156	156
Savings and Additional income	-946	-660	-665	-635
Reserve release	-182	0	0	0
Efficiency savings rolled forwards	1,117	1,271	1,282	1,282
<b>Net Revenue Budget Requirement</b>	<b>9,784</b>	<b>10,434</b>	<b>10,666</b>	<b>10,931</b>
<b>FINANCING</b>				
Pool	-2,855	-2,899	-2,941	-2,986
Council Tax	-6,289	-6,575	-6,910	-7,234
New Homes Bonus	-752	-429	-230	-208
Collection Fund Surplus (Council Tax)	-14	0	0	0
Parish Precept	8	8	8	8
Parish Precept income	-8	-8	-8	-8
Bad Debt Provision	50	50	50	50
Investment Income	-661	-952	-1,349	-1,673
MRP (Principal)	1,004	1,159	1,249	1,610
Interest payable	158	584	1,002	1,237
Recharge to Capital Programme	-38	-38	-38	-38
Discount on advanced pension payment	-193	-50	-50	-50
<b>Funding Total</b>	<b>-9,589</b>	<b>-9,149</b>	<b>-9,216</b>	<b>-9,292</b>
<b>General Balances</b>				
Opening Balances	1,401	1,206	-79	-1,529
Contribution (from) / to General Balances	-195	-1,285	-1,450	-1,640
Agreed in year release of balances				
<b>Closing Balances</b>	<b>1,206</b>	<b>-79</b>	<b>-1,529</b>	<b>-3,169</b>

**3.18 General Fund**

3.10.1 The level of the general fund balance is currently £1.4m. The minimum level of balances recommended is £750k.

**3.19 Collection Fund**

3.19.1 The anticipated collection fund surplus is £106k, which will be distributed amongst the major preceptors using the prescribed formulae. This Council's share of the surplus payable as a one off sum is £14k.

**3.20 Precepts**

3.20.1 The precepts from Worcestershire County Council, the Hereford and Worcester Fire and Rescue Service and the Warwickshire and West Mercia Police and Crime Commissioner are due to set their precepts in the week commencing 11<sup>th</sup> February. This will enable the Council to set the Council Tax on 25<sup>th</sup> February 2019, which is in advance of the 28<sup>th</sup> February deadline on precepts being received.

**3.21 Capital Programme**

3.21.1 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 report to Executive and Council in February.

**5 Service / Operational Implications**

5.1 The MTFP will enable services to be maintained and, where achievable, improvements to the community.

**6 Customer / 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 services that create value to the customer are resourced.

**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 Councils priorities.
- Maintain adequate revenue and capital balances as identified in the MTFP to ensure financial stability.

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

**8. APPENDICES**

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

**AUTHOR OF REPORT**

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