

# REDDITCH BOROUGH COUNCIL

**EXECUTIVE**

**19<sup>TH</sup> DECEMBER 2019**

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## MEDIUM TERM FINANCIAL PLAN 2020/21 – 2023/24

<b>Relevant Portfolio Holder</b>	Councillor David Thain 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 At Executive on the 24<sup>th</sup> February 2020 a recommendation will be made to Full Council on the Medium Term Financial Plan 2020/21- 2023/24 and the Council tax will be set for 2020/21. 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 note the current medium term financial plan gap and to request officers continue to review the position to enable a balanced budget to be presented to Council on the 24<sup>h</sup> February.

### **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 2020/21 a 4 year plan is proposed to 2023/24. 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 :

- Finding somewhere to live
- Provide good things for me to see, do and visit
- Living independent, active & healthy lives
- Run & Grow a successful business
- Aspiration, work and financial independence
- Communities which are safe, well maintained and green

- 3.2 The Council must be mindful of the recent Section 24 Notice when setting the 4 year plan to ensure that savings are robust and deliverable and that the longer term financial sustainability of the Council is considered. It is accepted that there are many uncertainties in relation to Local Government

funding over the next 4 years but the aim of the Council must be to increase balances and demonstrate a willingness to manage within its funding levels whilst understanding future changes may impact on the financial position.

- 3.3 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.
- 3.4 Over the last 12 months the Finance and Budget 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.
- 3.5 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. The current position is based on the provisional Financial Settlement and it is assumed this will not change when it is finalised in January.
- 3.6 The table below demonstrates the changes in the financial projections and budget gap for 2020/21 based on the original estimation of a £1.2m gap as presented in February 2019. Following the table there are explanations of the reasons for the changes resulting in the current gap of £161k for 2020/21. Officers are continuing to assess the position to enable a balanced budget to be presented in February.

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	2020-21	2021-22	2022-23	2023-24
	£000	£000	£000	£000
<b>Starting Gap at 19/20 budget round</b>	<b>1,170</b>	<b>1,333</b>	<b>1,522</b>	<b>1,731</b>
Incremental Progression (Salaries)	213	235	259	410
Inflation on Utilities	25	51	88	128
Unavoidable Pressures - Departments	31	32	39	46
Remove unidentified savings	181	181	181	181
Revenue Bids/Revenue impact of capital bids - Departments	45	45	45	45
Savings and Additional income - Departments	<b>-368</b>	<b>-468</b>	<b>-578</b>	<b>-631</b>
Rubicon Centre	<b>-92</b>	<b>-95</b>	<b>-96</b>	<b>-97</b>
<b>Net Revenue Budget Requirement</b>	<b>1,206</b>	<b>1,314</b>	<b>1,459</b>	<b>1,812</b>
Reserves to be released	<b>-100</b>	0	0	0
MRP, interest and investment income	<b>-423</b>	<b>-424</b>	<b>-579</b>	<b>-394</b>
New Homes Bonus (NHB)	<b>-478</b>	0	0	0
Council Tax Base & reduction to 2% in 20/21	92	158	206	<b>-54</b>
Collection Fund surplus	<b>-76</b>	0	0	0
Discount on advanced pension payment	<b>-60</b>	<b>-171</b>	<b>-281</b>	0
<b>Funding position</b>	<b>-1,045</b>	<b>-436</b>	<b>-654</b>	<b>-448</b>
<b>Remaining Gap to find</b>	<b>161</b>	<b>878</b>	<b>805</b>	<b>1,364</b>

**Changes from original assumptions re 2020/21**

**3.7 Additional pay and inflation on utilities £238k**

This reflects the additional costs of the pay inflation at 2% above that initially estimated of 1% (£213k). In addition there is a cost included for additional utility charges of £25k.

**3.8 Unavoidable Costs £31k**

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 2019/20 together with any issues that have been raised as fundamental to maintaining service provision as part of the budget process.

**3.9 Bids and Revenue Implications of Capital Projects £45k**

In addition to the unavoidable pressures revenue bids have been identified. Bids relate to new funding requests made by officers to improve service

delivery or to realise future efficiencies. The current bids for 2020/21 of £45k relate to additional maintenance costs for systems.

**3.10 Remove un-identified savings & offset with Savings/ additional income -£187k**

In 2020/21 savings were estimated of £181k in relation to a management restructure, reductions in enabling services and other transformation savings. Therefore £181k has been offset against the identified savings and additional income proposed for 2020/21 as this reflects the savings now identified for the future. This generates net savings of £187k to date. Officers will continue to review expenditure and income to ensure all savings and additional income is estimated and included in the budget projections. The savings to date relate to service delivery and therefore do not represent any changes to service delivery.

**3.11 Rubicon Centre -£92k**

In November the Executive resolved that the Council would exit from its arrangement within the Rubicon Centre with savings of £92k being realised. This will reduce the overall cost to the Council of its asset portfolio.

**3.12 MRP, interest and investment income (-£423k)**

A full review of all capital projects and investment opportunities has been undertaken with a significant saving realised for future years. This has no impact on the capital programme delivery for the future and the detailed programme will be presented to Members in February 2020.

**3.13 New Homes Bonus (NHB) (£-478k)**

It was assumed that New Homes Bonus would not continue into 2020/21. The provisional settlement received by the Council stated that NHB would be payable for 2020/21 but only for one year and with no legacy payments. The £478k is therefore a significant improvement to the budget position.

**3.14 Council Tax £92k**

It was assumed that the Council would be allowed to increase Council Tax by up to 2.99% without the need for a referendum. This has been revised to 2% by Government and therefore a cost to the Council of £92k.

**3.15 CT Surplus -£76k**

This is the estimated surplus based on the latest 2019/20 collection fund information

**3.16 Discount on advanced pension payment -£60k**

By paying the pension fund payments in advance a saving can be made of £60k to the Council.

**3.17 Future Years**

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

- No further New Homes Bonus payments to be made. As Members will be aware this is a significant income stream to the Council
- Additional costs of borrowing for the capital programme
- Awaiting final actuary figures to enable the pension fund basis to be finalised

3.18 The current 4 year shortfall is £3.2m compared with £5.5m at the beginning of the financial year. It is clear that significant savings and reductions in expenditure need to be identified for the medium term financial plan to be delivered within the current funding levels. Officers are working with colleagues to ensure the impact of the fair funding review and other changes to Government financial distribution are included and updated for the final report.

**3.19 General Fund**

3.19.1 The level of the general fund balance is £1.2m with planned release of £200k in 2019/20. It is assumed that the release will not be required due to the current level of savings at quarter 2 and projected for the financial year 2019/20 as reported separately to this meeting. The minimum level of balances recommended is £750k however within the recently agreed Financial Framework it was approved that the aim would be to increase this to £1.5m.

**3.20 Capital Programme**

3.20.1 The Capital Programme has been fully reviewed and significant changes have been made to reduce the level of spending whilst ensuring schemes are provided to the Council. The revised programme will be considered in February when setting the Council Tax.

**4 Legal Implications**

4.1 The Council has a legal responsibility to address the recommendations included in the Section 24 Notice as presented by the External Auditors. Officers have been in regular liaison with the Auditors and they are comfortable with the approach the Council is taking on managing the

sustainability over the next 4 years. They will consider the final budget in February when the Council Tax is set and review their Section 24 as part of the final accounts process in September 2020.

- 4.2 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 Cabinet 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 Any impact on the customer of savings over the 4 years period will be managed via impact assessments and in discussion and consultation with the customer as to the most effective and supportive way of managing reductions in funding and potentially service delivery.

**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.

**AUTHOR OF REPORT**

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