

2022/23 Budget and Medium Term Financial Plan 2022/23 to 2024/25

Executive 7th December 2021

Agenda

1. Intro and Purpose
2. Financial Context – Balances & Risks
3. Reallocation of Earmarked to General Fund Reserves
4. Emerging Budget Pressures
5. RPP and Emerging Budget Options
6. Council Tax and budget assumptions
7. Conclusions and summary

1. Intro and Purpose

- Build upon previous discussions regarding improving the fragile financial position of RBC
- Present emerging budget considerations, options, recommendations and forecasts
- Cut through the complexity of the Budget
- Get an initial steer from the Executive prior to:
 - further work
 - member engagement on emerging budget
 - finalising formal budget reports.

2. Financial Context – Balances

RESERVE BALANCES	FEB 21 MTFP FORECAST		
Feb 21 Forecasts	31/3/22	31/3/23	31/3/24
	(£m)	(£m)	(£m)
General Fund (NB minimum = £1.5m)	1.9	1.6	0.8

- The Council's financial reserves are at **minimum levels** and forecast to go below minimum levels in 2023/24 at Redditch.
- Finalising the prior year Outturn and updating 21/22 forecasts will update this position over coming weeks.
- Lack of headroom is a real risk to financial security / resilience / sustainability

This position is fragile. The Financial Strategy must therefore focus on increasing General Fund balances.

2. Financial context - Risks

- Future of Local Government Finance (inc NHB) and the Fair Funding Review
- Future of business rates and the business rates reset
- Covid – impact on service demand, Leisure services collection rates

= Planning Uncertainty

NB: The Towns Fund and other projects increase our risk (as well as opportunity)

3. Reallocation of Earmarked Reserves to the General Fund

Re the strategic focus of increasing the General Fund balance – an important practical step is to **reallocate Earmarked Reserves back to General Fund where possible.**

This ensures that we have an accurate assessment of the Council's 'rainy day funds' – used to mitigate risk and ensure finances remain sustainable.

4. Emerging Budget Pressures

- Starting budget gap
- Covid and impact on delivery of savings
- Inflationary pressures – BoE forecast of 5% by April 2022
- Utility costs are currently at an historic high as seen with gas prices
- Salaries budgeted at 1% but likely to be higher as inflation is climbing
- Demand for Leisure services post Covid?
- ICT and additional agile working demands on IT kit and cyber controls

Emerging Budget Recommendation: Exec notes significant budgetary pressures. Exec supports principle of minimum full cost recovery on fees & charges (including 5% inflationary pressures).

5. Resource Planning and Prioritisation (RPP) and Emerging Budget Options

CMT working to identify options to re-prioritise limited resources. As part of the development of a **RBC Financial Turnaround Plan** and 22/23 Budget:

- Options for doing things differently / more efficiently / reduce costs
- Options to increase income
- Options to stop doing (do less)
- Pipeline of potential projects (for inclusion in future budgets subject to business case)

5. Emerging RPP Options: Further approved work

Following previous Exec steer, further work is to be undertaken re:

- cost reduction initiatives including consideration of alternative cash payment processes (subject to business case).
- exploring additional income opportunities including in the areas of bulky waste, charging for replacement wheeled bins, property rentals (including Town Hall) and Council Tax empty premiums.
- Maximising the impact and affordability of non statutory services.
- Identifying further projects, initiatives and ‘Invest to Save’ opportunities that could be built into future budgets.
- Consideration of an ‘Invest to save’ Earmarked Reserve.

6. Council Tax

NB: Due to the CT cap – a decision in any one year not to increase CT – has a recurring year on year impact on the General Fund.

Impact on General Fund	Year 1	Year 2	Year 3	Year 4	TOTAL
	£m	£m	£m	£m	£m
Impact of not increasing by £5 in Year 1	0.13	0.13	0.13	0.14	0.53
Impact of not increasing by 2% in Year 2		0.13	0.13	0.14	0.4
Impact of not increasing by 2% in Year 3			0.13	0.14	0.27
Impact of not increasing by 2% in Year 4				0.14	0.14
Total over the Medium Term (4 years)					1.34

Emerging Budget Recommendation: No change in MTFP assumptions re Council Tax. Increase CT by £5 in 22/23.

7. Conclusions and summary

- Balances are too low. The financial position is fragile.
- The Financial Strategy must focus on increasing General Fund balances.
- Funds should be reallocated from Earmarked to General Fund Reserves where possible.
- An 'Invest to Save' Earmarked Reserve should be set up.
- There are a number of budget pressures including pay / non pay inflation.
- The current MTFP models a £5 increase in Council Tax in 22/23.
- Budget options which must be considered include options to stop doing / do less, reduce costs and increase income.
- The Executive has supported a number of budget areas for further work.
- Next Steps: Draft budget to Exec in December.