

REDDITCH BOROUGH COUNCIL

EXECUTIVE COMMITTEE

10th January 2022

MEDIUM TERM FINANCIAL PLAN 2023/4 TO 2025/6 Update

Relevant Portfolio Holder	Cllr. Karen Ashley, Finance and Enabling Portfolio Holder
Portfolio Holder Consulted	Yes
Relevant Head of Service	Michelle Howell
Report Author Peter Carpenter	Job Title: Interim Section 151 Officer email:peter.carpenter@bromsgroveandredditch.gov.uk Contact Tel:
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 £1.5m of savings against a carried forward deficit of £0.9m. As per the MTFP update reported to Executive on the 6th December more data was required on the Chancellors Statement and following the Provisional Local Government Settlement on the 2nd December this detail is included in this report. Also included are the additional pressures which leaves the “real gap” to be closed.

2. RECOMMENDATIONS

Executive 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

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Background Papers) 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 25th October and approved for implementation by the Executive on the 6th 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 £0.515m 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 Executive 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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Redditch Position Statement				
		2023/24	2024/25	2025/26
		£000	£000	£000
Base Budget Position 22/23 MTFP				
	Expenditure	10,290	10,428	10,661
	Funding	-9,341	-9,595	-9,621
	Net	949	833	1,040
Revised Gap				
		949	833	1,040
Pressures				
	50% Funding for Climate Change Officer	30	30	30
Savings Options				
	Environmental Services Partnership	0	-25	-50
	Service Reviews	-140	-330	-405
	Move to All Out Elections	0	0	-170
	Town Hall	0	0	-400
	Finance Vacancies	-100	-100	-100
	MRP	-100	-100	-100
	Pension Fund	-580	-580	-580
	Engage Capacity Grid (One Off) £14m De	-300	-300	0
	10% Increase in Fees and Charges	-339	-340	-342
	Council Tax Increase	0	-104	-104
	Total Savings	-1,529	-1,849	-2,221
Revised Position				
		-580	-1,016	-1,181
Pressures				
	Pay Pressure Year 1	928	928	928
	Pay Pressure Future Years (1%)	0	0	117
	Transport Pressure	21	21	21
	Contracts Pressures	230	235	240
	Core Pressures	1,179	1,184	1,306
Updated Position				
		599	168	125
	Utilities Inflation	1,140	1,140	1,140
Final Draft Position				
		1,739	1,308	1,265

- 3.5 The Council's Capital Programme must prioritise the spending of Towns Fund and UK Shared Prosperity Grant Funding – both of which have to be delivered by April 2026 and April 2025 respectively. 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 - £19k
 - Services Grant - £86k
 - Funding Guarantee - £493k
 - Reduction in Council Tax Base 130k pressure
 - Additional 1% on Council Tax – £69K

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- Additional savings on Pensions (now have final figures) – the projected contributions over the next 3 years is £7,781m – which is £2,593k a year. In tranche 1 we reduced the base budget to £2,814k – this is an additional £221k savings.
 - Service Options
 - 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 £1,739m to a £0.211m. 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 £468k 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 £450k 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
 - Tranche 1 approved by Council in January
 - Final Local Government Settlement – 12th January
 - Tranche 2 options ready for Executive – 17th January
 - Tranche 2 options presented to Executive - 7th February
 - Full Budget approved by Council – 27th February
- Timescales are estimated – however the issue is that there is little time for delivery of either Tranche1 or Tranche 2.
- The Council's Base Assumptions including Inflation and Grants (Revisited)**
- 3.11 Following the Provisional Local Government Statement, it is important that the Councils base assumptions are revised.
- 3.12 Tax Base underlying assumptions are as follows
- Council Tax – Figures assume the full 1.99% increase, but the ability to increase by £104k from 2024/25. As per the Chancellors Statement, this can now increase, subject to approval, by another 1%.

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- We have reduced the Council Tax Base by £130k.
 - Business Rates Increases – business rates assume no growth in the base. This is being reviewed in light of the post C-19 environment. More work is being undertaken to validate the final business rates position, taking into account various S31 Grants and the effect of the Worcestershire and Herefordshire Pool.
- 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
 - S31 Grant - £0.748m
 - Housing Benefit Administration Grant - £0.235m
 - Housing Benefit Grant - £18.5m
 - Discretionary Housing Payment - £0.136m
 - Revenue Cost of Collection Grant - £0.106m
 - Homelessness Grant - £0.153m
 - The Council has £15.2m of Towns Fund Grant to be spent by April 2026 which is match funded by £2.0m of Council funding.
 - The Council has £2.4m of UK Shared Prosperity Fund to spend by April 2025. This is both revenue and capital 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 £928 in Tranche1. The actual pay award was implemented to employees in the December payroll and the actual value is £200k lower. This adjustment has been made in base assumptions.
 - 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 £21k and base contracts £230k. (it is assumed that 2024/25 will move back to normal levels of 2%). This still remains the base assumptions.
 - Tranche 1 set out utility increase of 200% amounting to £1.140k. 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.

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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 live for 5 years and lets the Council buy new vehicles in 2028 when supply of such vehicles will be more stable. Refurbishment costs circa £70k, a new diesel vehicle is £200k, and electric Vehicle is £400k
- Leisure Contract is a £600k management fee with £300k from SLAs for purchase of Services. If this contract can be bought back to break even in 2 years this is cost avoidance
- 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 (we have the first few areas
- Housing – Cost mitigation – especially TA
- Cross gates redevelopment (and associated with all depots – need the £40k business case
- Resources required to deliver HAD Damp/Mildew inspections – both HRA and Private Rented Sector
- A fund for apprentices across the Council assume 20K a position-n so we can take advantage of apprenticeship levies - overall amount – circa £100k across both Councils
- 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. The costs if £50K spread across both Councils.
- The increased costs of Worcestershire Regulatory Services due to the pay award and other inflationary increases.
- Redundancy payments – if we restructure the workforce – also cost of voluntary redundancies.
- Cost of Inflation and Pay award over and above our ongoing assumptions of 2%.

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3.17 The Local Government Provisional Settlement Updates along with the pressures set out in this section result in a resultant gap for the Council of £0.562m which is set out in the following table

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Draft Local Government Financial Settlement			
New Homes Bonus	-19		
Services Grant	-86		
Funding Guarantee	-493		
C Tax Base Reduction	130		
Business Rates - TBC			
Future Years Settlements - assumption		-450	-450
Settlement Draft Amounts	-468	-450	-450
1% more on Councils Tax	-69	-69	-69
Conversion of 50% of Utilities to a Reserv	-570	-570	-570
Correction of Salary £1,925 amount	-200	-200	-200
Additional Pensions Savings	-221	-221	-221
Revised Deficit	211	-202	-245
New Pressures (Known/Ongoing)			
Fleet Refurbishment	129	258	258
Apprenticeship Scheme	50	50	50
Data Analyst	25	25	25
WRS Increase	47	61	74
Increased pay award - so 2%	100	100	0
Total	351	494	407
Revised Draft Position	562	292	162

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Strategic Approach

- 3.18 The Council has come into the 2023/24 budget process with a number of conflicting issues. These include:
- An ongoing budget deficit position from the 2022/23 MTFS of £1.0m 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 under £11.5m and General Fund Reserves at £1.9m
 - Increases in Council Tax are limited at 3% or £5, 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:
- Clarity of the Local Government Settlement on the 19th December set out grant of £468k to the Council.
 - 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

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- Rationalisation of Back Office services as we embrace technology.
- 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

- 3.24 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 Towns Fund 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

- 3.25 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 Council's operating environment, making it problematic to develop meaningful assumptions.
- 3.26 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.
- 3.27 The MTFP highlights that if the 1-year Local Government Financial Settlement was to continue at the present levels then the Council starts to move to

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financial viability in years 2 and 3 of the plan. However, the overall position will need to improve the level of General Fund Reserves which are below the level of 5% of gross spending, which is the best practice benchmark. The Council has a significant portion of its tax base in the bottom three Council Tax bands and therefore Council Tax revenues are lower than the “average” Council. However, because of this there is a higher requirement for Council services as there are a higher proportion of lower income households. The Council would like to understand if there are options for address this imbalance between funding and service requirements as it has become far more acute with the present cost of living crisis. The Council is currently forecasting a £0.562m 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.

- 3.28 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 the final Tranche 2 Report to ensure a balanced, sustainable budget is set.

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 Monitoring will be undertaken to ensure that income targets are achieved in 2023/24.

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Customer / Equalities and Diversity Implications

- 4.4 The implementation of the revised fees and charges as set out in Tranche 1, will be notified in advance to the customer to ensure that all users are aware of the new charges and any concessions available to them.

5. RISK MANAGEMENT

- 5.1 There is a risk that if fees and charges are not 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 Executive in February will have an updated section on Risk (updated from the Tranche 1 MTFP that was presented to Executive on the 25th October 2022).

6. APPENDICES and BACKGROUND PAPERS

Background Papers

Tranche 1 MTFP – Executive 25th October 2022
MTFP 2022/23 – Approved February 2022

6. BACKGROUND PAPERS

None.

7. KEY

None