

REDDITCH BOROUGH COUNCIL

EXECUTIVE COMMITTEE

6th December 2022

MEDIUM TERM FINANCIAL PLAN 2023/4 TO 2025/6 – Tranche 1

Relevant Portfolio Holder	Cllr. Karen Ashley, 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 will set its budget in two Tranches this year. The initial Tranche was published on the 17th October. It contained over £1.5m of savings well excess of the £0.9m required. In addition, the Q2 Finance and Performance Report, which is also on this agenda, sets out how existing unallocated savings of over £400k have been addressed. However, the impact of unprecedented and unanticipated increases in inflation have meant that even more savings are required in Tranche 2. This report updates Members on proposed changes announced in November by the Chancellor along with any feedback received for the savings proposals in Tranche 1 of the budget. The Chancellors Statement did not contain enough detailed information to adjust any budget assumptions or the existing “gap”. It recommends to Council that these savings proposals are Recommended for Council approval in January 2023.

2. RECOMMENDATIONS

Executive are asked to Resolve that:

- 1 That Officers continue to work on additional options, as outlined in the Strategy section of the Tranche 1 Report for presentation to Executive in February as Tranche 2 of the Budget.

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Executive are asked to Recommend to Council that:

- 2 The Tranche 1 savings proposals, the updated WRS Fees and Charges proposals and the single Growth item in respect of the Climate Change Officer are approved for implementation to ensure maximum benefit as at 1st April 2023.

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 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 Pandemic.
- 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 by Executive on the 25th October. 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. Whilst a balanced budget for 2022/23 was approved with the use of reserves in February 2022, the Council is currently forecasting a £1.7m 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.
- 3.3 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.

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- 3.4 Those initial savings proposals to be approved and the position on the Councils budget as per Tranche 1 are set in the following table. Overall, the Council has identified £1.529m of savings items. These offset the £0.949m budget deficit. However, when we add in inflationary pressures (non-utilities) we move to a deficit position of £599k which reduces to £125k over the three-year period. We kept utilities separate, pending possible Government support, however this increases the overall deficit position to £1.7m, reducing to £1.3m on present working assumptions. Appendix A sets out the full set of WRS Fees and Charges. The initial appendix did not contain all the Environmental Health charges.

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

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- 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.
- 3.6 The Savings Proposal form had a feedback section – the following feedback has been received by residents/stakeholders on the Tranche 1 proposals.

Chancellors Statement 17 November 2022

- 3.7 The Statement by the Chancellor Jeremy Hunt was delayed from the 31st October to the 17th November. The statement was high level and contained very little detail on allocations of funding for the sector.
- 3.8 On the 21st November the Council found out that the Local Government Financial Settlement will now not be until the week commencing the 19th December, a week later than expected. However, in this communication, DLUHC has said that ***“in recognition that this Settlement is late in the year, we will also provide an update on the pLGFS soon, including providing an update on the measures we will maintain into 2024/25. It is our intention that this will support your budget setting process, ahead of the publication of the pLGFS.”***
- 3.9 What we do know from the settlement is that:
- Overall – we will be allowed a 1% increase on our Council Tax base from 2% to 3%. At the 2023/4 base level of £6.941m this is 69k.
 - We no longer facing the additional pressure of increased employer National Insurance contributions. However, DLUHC are revising the additional grant funding for councils because of this.
 - The Government is capping the amount their rents can increase by next year at 7% compared to c.11.1% under current rules. This means we can now come forward with our 2023/24 HRA rent increases report.
 - The Autumn Statement announced a £13.6 billion support package to protect ratepayers facing increase. This includes a freezing of the Business Rates multipliers for 23/24, a Transitional Relief scheme to limit the rate at which bills can increase, a more generous Retail, Hospitality and Leisure relief, and the Supporting Small Business scheme to cap bill increases for business that lose relief due to the revaluation. Local authorities will be fully compensated for any loss of income as a result of these business rates measures and will receive new burdens funding for administrative and IT costs.
 - An extension to the Household Support Fund over 2023-24, providing £1 billion additional funding. The Government are in conversations with our sector on how this will be distributed.

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3.10 The Provisional Local Government settlement will now take place in the week commencing the 19th December. Therefore, the overall timetable changes slightly:

- Initial Tranche 1 Options published - 16th October
- Executive discuss initial options – 25th October
- Chancellors Statement – 17th November
- End of feedback period – 23rd November
- Tranche 1 approved by Executive in December and Council in January
- Provisional Local Government Settlement – w/c 19th December
- 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

3.11 Following the Chancellors announcement in November, it is important that the Councils base assumptions are revised. This section sets out those assumptions and any changes that have been made.

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
- Business Rates Increases – business rates assume no growth in the base. This is being reviewed in light of the post C-19 environment.
- New Homes Bonus – It is assumed to be none in 23/24 onwards
- Lower Tier Services Grant - It is assumed to be none in 23/24 onwards
- Pension Fund assumptions – takes account of the latest triennial valuation which was received in September

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

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- 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 have agreed a 2022/23 pay award of £1,925 per pay point plus on costs. This equates to an additional £953,453 cost to the Council from its initial budget. We budgeted for a 2% increase in our base budget in the 2022/23 MTFS which was £180k. In addition, we are assuming the 2023/24 will see an additional cost of 1.5% over our 1% base at a cost £154,667 before reverting back to 1% from 2024/25.
 - Therefore, at our present employee budgets, this accounts for an ongoing pressure of £1,108,120. Taking off the £180K budgeted this leaves £928,120.
- General inflation is running at 10% as of the 18th August. The assumption is this will affect transport and contract budgets in particular. Its impact on 2023/24 will be as follows (it is assumed that 2024/25 will move back to normal levels of 2%):
 - Redditch base transport budget - £209k – Increase £21k
 - Redditch base “contracts” budget - £2.3m – Increase £230k
- Utilities increases will be significant, with all our existing Utility contracts requiring renewal by the end of this financial year. We have seen increases in some areas of up to 400%. For planning purposes, we will assume an increase of 200% in 2023/24 which should then be relatively constant for the next three years.
 - Redditch base utilities budget - £570k – Increase £1,140k

3.15 There are also other possible pressures that will be monitored during the Tranche 1 and Tranche 2 processes as many relate to changes in Government legislation which is 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 will be identified for inclusion in the Tranche 2.

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Strategic Approach

- 3.17 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 £7m.
 - Increases in Council Tax are limited at 2% or £5, which is significantly lower than the present rates of inflation.
- 3.18 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.
- 3.19 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.
- 3.20 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 including the Lower Tier Service Grant and the New Homes Bonus which if confirmed as intimated at Prime Ministers Question Time on the 12th October is worth £0.4m
 - 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

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- 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.
- 3.21 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
- 3.22 However, in any situation, the Council must move to sustainability by the 2024/25 financial year.

Impact on Reserves

- 3.23 As per the Tranche 1 Report these will be fully revised in Tranche 2.

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 of Tranche 2.

Robustness Statement

- 3.25 For Tranche 1, 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.

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3.27 The MTFP highlights that the current financial position is untenable without some form of intervention. Whilst a balanced budget for 2022/23 was approved with the use of reserves and balances in February 2022, the Council is currently forecasting a £1.7m 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 Tranche 2 of the MTFS and balanced budget setting process.

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.

Customer / Equalities and Diversity Implications

4.4 The implementation of the revised fees and charges 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.

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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.
In addition, the original report to Executive on the 25th October has a section on risk.

6. APPENDICES and BACKGROUND PAPERS

Appendix A – WRS Updated Fees and Charges

Background Papers

Tranche 1 MTFP – Executive 25th October 2022: [Tranche 1 Saving Proposals](#)
MTFP 2022/23 – Approved February 2022: [Council agenda February 2022 - Including Approved Medium Term Financial Plan 2022/23 to 2024/25](#)

6. BACKGROUND PAPERS

None.

7. KEY

None