

REDDITCH BOROUGH COUNCIL

EXECUTIVE COMMITTEE

7th February 2023

MEDIUM TERM FINANCIAL PLAN 2023/4 TO 2025/6

Relevant Portfolio Holder	Cllr. Karen Ashley, Finance and Enabling Portfolio Holder
Portfolio Holder Consulted	Yes
Relevant Head of Service	Michelle Howell
Report Author	Job Title: Head of Finance & Customer Services email:michelle.howell@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 has 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. This was presented to Council for approval on the 30th January. This report finalises the overall budget, building on data that was presented to Executive following the Provisional Local Government Settlement on the 10th January.

2. RECOMMENDATIONS

Executive are asked to Recommend to Council:

- 1 The tranche 2 growth proposals.
- 2 The additional funding to the Council as per the Local Government Settlement on the 19th December 2022, including the estimated levels for 2024/5 and 2025/6.
- 3 The tranche 2 savings proposals, including an Increase of Council Tax at 2.99%.
- 4 The Capital Programme 2023/4 to 2025/6 and associated projects where outstanding budgets will be allowed to be carried forward at the end of the 2022/23 financial year.
- 5 The levels of reserve being carried forward into future years.
- 6 The level of General Fund balances being used to balance budgets over the Medium-Term Financial Plan (MTFP) period.

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Executive note

1. The Chief Financial Officer (CFO) Opinion on Estimates and Reserve Levels – the Robustness Statement (Section 25 Statement)

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, 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, including levels of inflation and interest rate not seen since the start of this century.
- 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 £0.286m 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 on the 30th January 2023 in order to achieve the maximum benefit in the 2023/24 financial year.
- 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 in Tranche 1 was that 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.

Assumptions

- 3.6 There are a number of key assumptions that underpin the budget. It is important that all Stakeholders understand these as the budget has been constructed in a period of high uncertainty, as set out in 3.1 above, and any one of these assumptions might change due to any number of external factors.
- 3.7 Tax Base underlying assumptions are as follows:

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- Council Tax – Figures assume the full 2.99% increase as now allowed by the Chancellors Statement, this can now increase, subject to approval, by another 1%.
- We have reduced the Council Tax Base by £130k, in line with data in the Provisional Local Government Settlement.
- Business Rates Increases – business rates assume all reliefs as per the Chancellors Statement. More work has been undertaken to validate the final business rates position, which is set out in 3.17 below, taking into account various S31 Grants and the effect of the Worcestershire and Herefordshire Pool. It is expected that this pool will continue into 2024/25.

3.8 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 (still to be confirmed for 2023/4) are at 2022/3 levels:

- 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 - £0.163m
- 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.

3.9 Inflationary increases are significant due to factors already identified in previously. The following are the base assumptions.

- The Employers agreed a 2022/23 pay award of £1,925 per pay point plus on costs. This leads to an on-going pressure of £728k. This increase has been included in ongoing budgets. An assumption of 2% for future pay awards has also been built in for future years.
- 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 from 2024/25 inflation will move back to normal levels of 2%.
- We have assumed utility increases of 200% which amount to a £1,140k ongoing pressure. 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%.

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Tranche 2 of the Budget following the Provisional Local Government Settlement – Additional Revenues

- 3.10 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
- 3.11 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.
- 3.12 The Chancellors Statement also allowed Council to increase Council tax from the present limit of 1.99% to 2.99%. This is worth an additional £69K to the Council.
- 3.13 With the receipt of the final Triennial Pension Fund Valuation from the Actuary there are addition savings, over and above the levels in Tranche 1. The projected contributions over the next 3 years are £7,781m – which is £2,593k a year. In Tranche 1 we reduced the base budget to £2,814k – this final figure is an additional £221k savings.
- 3.14 We had estimated the impact of the pay award (see 3.9 above) in Tranche 1 to be £928k. The 2022/3 pay award was delivered to staff in December and the actual impact on budgets was £200k less than expected once all the adjustments had been run through the payroll system.
- 3.15 We have spent significant time reviewing reserves (see Appendix A). This review has resulted in the Council being able to set up an Earmarked Reserve for Utilities Pressures. Our overall assumption still remains, that utilities costs could increase by up to 200%. However, half that increase should it happen, will be funded from this earmarked reserve for the next three years leading to a reduction in base budget of £570k a year over the next three years. Should increases be less than this figure this reserve can be released back to the General Fund.

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- 3.16 We have now reviewed base budget across the combined areas of Business Rates, Investment Income, and Investment Payments (This includes the HRA contribution) is a net benefit of £466k as per the table below.

	23/4 Base Budget £000	Combined Totals £000	Re – Based Budgets £000	Combined Totals £000
Investment Income	(1,035)		(870)	
Investment Payments	448	(587)	448	(422)
Business Rates Income	(14,565)		(14,601)	
Business Rates Tariff Payment	11,883		12,318	
S31 Grant	(784)		(2,595)	
Business Rates Levy Payment (net)	481	(2,985)	520	
Business Rates Deficit (based on 22/3)			1,881	
CARF Grant			(728)	
Tax Income Guarantee Grant			(411)	(3,616)
Total		(3,572)		(4,038)

These are draft figures based on NNDR3 forms and government grants. The overall £466k (£4,038 - £3,572) credit is proposed to be split:

- 2023/24
 - £466k to support the budget
 - £200k additional funding to support the General Fund Reserve from the Business Rates Reserve.
- 2024/5 and 2025/6
 - £250k to support the budget
 - A notional £216k to support General Fund Reserves in both years – we will leave this as 0 at present in the Reserves Statement for prudence as reliefs might change in future years and this gives some scope

- 3.17 This has the impact of reducing the funding gap identified in Tranche 1 from a £1,739m deficit to a £0.255m surplus. However, this is before additional pressures as set in the following section.

Tranche 2 Pressures

- 3.18 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:

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- The future waste operating model. Further consultation is just about to start for implementation in 2025, this will include transitional arrangements and funding.
- Climate Change – The Council is forecasting a possible £130k increase in costs for the new HVO fuel to be used by the fleet. This is under review (a 100% increase in costs) with alternate providers being assessed as well as reduced conversion. This has not yet been included in the budget and if it becomes an additional cost will be taken from the Utilities Reserve.
- Review of the Councils Leisure contract/future Operating Model

3.19 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
- A fund for apprentices across the Council which assumes 5 positions at a base rate 20K a position in order for the Council to take advantage of apprenticeship levies and “grow” our own staff. The overall amount of circa £100k across both Councils
- We will need to fund a data analyst as we move forward with all the work on automation, robotics, etc, to take the Council forward. The costs are £50K spread across both Councils. This will indirectly lead to further savings as these processes/changes are embedded in future years budgets.
- Planning Enforcement – the use of WRS to speed up this process has additional cost implications across both Councils. An initial figure of £50k (which is spend to date) is added split across both Councils.
- The increased costs of Worcestershire Regulatory Services due to the pay award and other inflationary increases.
- Bringing employee budgets up to the full 2% level for pay awards in 2023/4 and 2024/5.
- The Council Tax Collection Fund is projected to under-recover by £1,589k. The Council portion of this is 13% which is £190k – this would be a one-off issue for 2023/24.

3.20 The Local Government Provisional Settlement Updates along with the additional revenues and pressures set out in this section result in a resultant gap for the Council of £0.311m which is set out in the following table. This reduces to an £63k surplus position over the three-year MTFP period.

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Tranche 1 Final Draft Position	1,739	1,308	1,265
Draft Local Government Financial Settlement			
New Homes Bonus	-19		
Services Grant	-86		
Funding Guarantee	-493		
C Tax Base Reduction	130		
Business Rates/Investment Inc Rebaseline	-466	-250	-250
Future Years Settlements - assumption		-450	-450
Settlement Draft Amounts	-934	-700	-700
1% more on Councils Tax	-69	-69	-69
Conversion of 50% of Utilities to a Reserve	-570	-570	-570
Correction of Salary £1,925 amount	-200	-200	-200
Additional Pensions Savings	-221	-221	-221
Revised Deficit	-255	-452	-495
New Pressures (Known/Ongoing)			
Fleet Refurbishment	129	258	258
Apprenticeship Scheme	50	50	50
Data Analyst	25	25	25
Planning Enforcement	25	25	25
WRS Increase	47	61	74
Under Recovery of 22/23 Council Tax	190		
Increased pay award - so 2%	100	100	0
Total	566	519	432
Revised Draft Position	311	67	-63

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Impact on Reserves

- 3.20 The Council's position in respect of reserves is attached in Appendix A. As part of the Tranche 2 budget a thorough review of Reserves has taken place.

Earmarked Reserves

- 3.21 The Council entered 2022/23 with almost £10.5m in Earmarked Reserves. It should be noted that the Council has not yet fully closed the 2021/22 Accounts however data is taken on reserve levels as per the Period 11 Monitoring Statement for the year which assumes a £136k underspend for the year. The key reserves going into this financial year are:

- The Business Rates Retention Scheme Reserve held for Business Rates appeals/non collection. This stands at £2.82m.
- The Planning Services Reserve which stands at £0.516m.
- The General C-19 Reserves (funded from Grant Payments) which stands at £941k.
- The Housing Support Reserve (mostly grant funding) - £0.978k.
- The C-19 Collection Fund Reserve which stands at £2.955m. This will reduce to 0 over the next two years as it was grant funding for Council to smooth the effects of the Tax collection levels in the 20/21 financial year due to pandemic reducing collection rates in 2020/21.

- 3.22 The Corporate Management Team reviewed Earmarked Reserves at the assurance meeting on the 21st December. At this meeting, as highlighted in an individual column in Appendix A.

- £1.710m has been able to be reallocated to a Utilities Reserve and £1.508m transferred to the General Fund.
- The majority of funding to support these changes came from the C-19 Reserve (£0.941m) and the Business Rates Retention Reserve (£1.500m).
- It is assumed that the Utilities Reserve will reduce to 0 over the MTFP period.

General Fund

- 3.23 The General Fund assumes the following support over the three years of the MTFS of:

- £0.311m for 2023/4
- £0.067m for 2024/5
- £0.063m surplus for 2025/6

This is after transferring balances of £1.584m as part of the reallocation of Reserves. In addition, as per the re-baselining of Business Rates and Investment codes £200k will be added to the General Fund line in 2023/24.

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- 3.24 The significant issue for the General Fund is the impact of the 2022/23 overspend position. Following Q2 monitoring and taking into account the Pay award and existing support in last year's MTFP, there is a call of £1.424m on the General Fund. Management actions are in place to try and partially mitigate this but a significant portion of the difference is due to the Pay Award.
- 3.25 The Impact of all these factors is that at the end of the MTFP period, the 31st March 2026, General Fund Reserve levels are projected to have increase to £2,114m.
- 3.26 The benchmark minimum level for General Fund Reserves is 5% of net expenditure. 5% of the Councils net expenditure (ignoring Housing Benefit which is passported to Clients, and the HRA which is ringfenced) is circa £25m – for which 5% is £1.25m. However
- As 2022/23 has shown, this level of reserves would not cover the level of overspend being reported for this financial year.
 - General fund reserves are all the Council has to fund transformation initiatives, redundancy and any service overspends.
- 3.27 It is prudent therefore to plan to build a level of General Fund Reserves which are 5% of Gross Expenditure less just Housing Benefits - £45m. This would mean General Fund Reserves should be at a level of at least £2.25. The projected reserve level is at this amount although it would be prudent to continue to rebuild reserves in order to fund additional service initiatives in the future.

Strategic Approach

- 3.28 The Council has come into the 2023/24 budget process with a number of conflicting issues. These included:
- 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 2.99% or £5, which is significantly lower than the present rates of inflation.
- 3.29 The Council must move to financial sustainability as soon as is practically possible due to the present inherent risks. 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.

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3.30 As set out later in the Robustness Statement 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. However, the Council must continue to build reserves to fund transformational changes, and to do this it must continue to drive down its expenditure. This includes:

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

3.31 Cost and calls for the Council's services will continue to rise unless managed correctly. This includes, in addition to those highlighted in 3.18 above, the following issues being tackled:

- Rationalisation of our asset estate, especially given energy efficiency requirements by 2026.
- Replacement of a high skilled by relatively old (49) workforce.
- Implementation of a new operating model, required through the rollout of new digital solutions to our customers
- Redevelopment of our Depots
- Resources required to deliver Damp/Mildew inspections – both HRA and Private Rented Sector
- Redundancy payments – if we restructure the workforce – also cost of voluntary redundancies.
- The impact on Services if inflation continues above the 2% level

3.32 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.

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Capital Programme

3.33 In Tranche 1 the existing Capital Programme was split into Schemes that have started and those where no expenditure had happened to date. This final report follows a full review of all schemes on the Capital Programme by CMT in January.

3.34 The following table sets out the Capital Programme schemes that are approved for the MTFP time horizon. Many of these schemes are already in partial delivery in the 2022/23 financial year. By approving this list, as per Recommendation 4, the Council are also agreeing for sums not spent in 2022/23 (and 2021/22 by default if schemes originated earlier than 2022/23 as sums have been carried forward through last year's final MTFS Report into 2021/22) to be carried forward into 2023/4. The table also splits amounts by funding Source, Council or third party.

Financial Year	Total Budget £000	Council Funded £000	External Funded £000
2021/22	5,671	2,243	3,428
2022/23	5,431	2,033	3,398
2023/24	12,651	2,015	10,636
2024/25	16,185	5,255	10,930
2025/26	4,863	1,915	2,948

3.35 External Funding is made up of a number of Sources. The Council has large schemes. This includes:

- The three Towns Fund schemes – Innovation Centre, Public Square, and Public Realm which are funded via £15.2m of Government Funding, an application will need to be made to Birmingham and Black County LEP once Innovation Centre plans are more detailed for a further funding of £1.9m, and the Council is funding £0.4m of works.
- The refurbishment of the Town Hall for £5.2m. This is being funded via Capital Receipts.
- UK Share Prosperity Schemes totalling £2.5m.

3.36 The following changes have been made to the Capital Programme:

- The Regeneration Fund, which amounted to over £6m, has been applied to the £0.4m of Towns Funding. As we now have Towns Fund and UKSPF funding from the Government, the remainder of this budget is now no longer required.
- The Vehicles Replacement fund has been updated, with many Waste Collection vehicles now being refurbished instead of new purchases being made as Council still await the publishing of the Governments Green Paper.

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- New rolling programmes have been created to ensure that key council assets/intervention are maintained. These include:
 - £250k for a planned building maintenance programme.
 - £150k for a planned car park maintenance programme.
 - £75k for a planned footpath maintenance programme.
 - £100k for a planned wheelie bin programme.
 - £65k for ongoing support for Home Repair Grants/Assistance.

3.37 The full list of schemes, including 21 funded via S106 receipts, are set out in Appendix B. The Capital Programme links to the Asset Strategy, Treasury Management Strategy, Minimum Revenue Provision Policy and Asset Investment Strategy.

Housing Revenue Account

3.38 A 30 Year Housing Revenue Account Plan will come to Executive on the 27th February for approval. The HRA Rents were set at Executive on the 10th January where a 7% increase in rents will be made over the next 2 years. This report built on the viability of the HRA report which was reviewed by the Audit, Governance and Standards Committee on the 27th October 2022 where an assurance was given to Committee based on a 5% Rent increase. The additional income from the 7% rent increases will be fed into specific initiatives to improve the quality of our social housing including works around Mould which have recently been in the national news.

Robustness Statement

3.39 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.

3.40 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.

3.41 The MTFP highlights that the 1-year Local Government Financial Settlement announced on the 19th December was to continue at the present levels then the Council starts to move towards financial viability over the three year plan.

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This is a substantial improvement on the previous years budget where £2.1m of reserves were needed to balance the budget over the three financial years.

- 3.42 However, a more immediate problem for the Council is the level of General Fund Reserves at the end of the 3 years MTFP period as at 1st April 2026. The Council needs to find a way to start to build back the General Fund Reserve which are below the level of 5% of gross spending, which is the best practice benchmark. As per the Reserves section above, it is the Opinion of the Interim Director of Finance that the Council needs to do more than this and move to a “safe” level which is closer to 8% as set out in the Reserves Section above.
- 3.43 There are also still significant risks for the Council to manage:
- The Council has not yet closed its 2021/22 accounts. It is using the Period 11 Monitoring Report estimated outturn of £136k. This still needs to be validated.
 - The 2022/23 monitoring is showing an overspend position of £1.424m. This needs to be managed down as it removes half the present General Fund balances.
 - That an estimate on future Government settlements has been made for 2024/5 and 2025/6 based on historic data.
 - 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 core risks of implementation of any MTFP:
 - All savings proposals have passed the S151 Officers tests for robustness and delivery.
 - Implementation of savings to time and budget – we now move through to the implementation processes which needs to be documented to ensure all items are within timescales and variances are reported and mitigated through the correct governance processes – to minimise risk.
 - Loss of key personnel, with the average age of staff being 49. Mitigation plans will need to be drawn up. There is an acute recruitment issue across Gloucestershire and succession planning is a necessity for key roles.
 - The time limited nature of the large Town Fund and UK Shared Prosperity Funds. If programmes are not delivered within the Government Specified timescales, then the Council is liable for ongoing delivery expenditure.
 - Business Rate Income – especially with the 1st April 2023 revaluations that are being undertaken, actual income received will vary depending on actual Business Rates growth, and levels of appeals. As highlighted in the

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Collection Fund section, there is also an issue with collection this year being under target which is an impact of the “cost of living” crisis.

- The ongoing impact of inflation, especially around utilities. We have allowed for 200% increases and prices are now reducing, however this is still a substantial risk especially with the Council having “Corporate Buildings” including leisure buildings for the delivery of services directly to the public.
- Possible change of corporate direction/priorities following the elections in May.

3.44 In line with Section 25 of the Local Government Act 2003, this report of the Chief Financial Officer (CFO) sets out the robustness of estimates included in the budget and the adequacy of the Council’s reserves.

The Chief Financial Officer’s opinion is that the estimates are robust.

3.45 Relevant budget holders are responsible for individual budgets and their preparation. All estimates are then scrutinised by Financial Services staff and the Corporate Management Team prior to submission to Members.

3.46 The two tranche 2023-4 budget process has ensured that all budget assumptions have been reviewed and reconsidered by Officers, and then Members, through the Finance and Budget Scrutiny Working Group, Cabinet and Council.

3.47 However, as per the strategy section, the Council needs to move to a fully sustainable budget, with no support from reserves, by the 2024/5 financial year.

Adequacy of Reserves

3.48 Budget and MFTP proposals forecast the level of General Fund balances at £2.1m as at 31st March 2026 **which is just below the** minimum set level of £2.3m as set out in the Reserves section.

3.49 Taking account of the above, it is still vital that the strategy to move to a fully sustainable budget by the 2024/5 financial year **is sustained**, as the level of risk within the budget and the level of General Fund Reserves, although at the level the Chief Finance Officer judges to be an appropriate level £2.3m still needs to be built up in order to fund business change initiatives.

3.50 Further work will be undertaken to ensure that expenditure levels are sustainable and matched by income over the medium to long term. Plans are therefore in place to continue to review budgets and identify and accelerate further savings opportunities.

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Collection Fund and Precepts

- 3.51 The Council Tax collection fund is anticipated to be in deficit based on December data by £1.589m, which will be distributed amongst the major preceptors using the prescribed formulae. The Council's share of the surplus payable as a one-off sum in the following financial year 13% of the total which amounts to £190k.
- 3.52 The precepts from Worcestershire County Council, Hereford and Worcester Fire Authority and the West Mercia Police and Crime Commissioner are due to set their precepts in the week commencing 8th February. This will enable the Council to set the Council Tax on 22th February 2023. The precepting bodies Council Tax requirements will be included in the formal resolutions which will be presented to Council on 22th February.
- 3.53 Business Rates collection data as at December 2022 is projected to be £1.797m below target.

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 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

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- 5.1 There is a risk that if fees and charges are 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 ongoing risks are set out in the Robustness Statement section.

6. APPENDICES and BACKGROUND PAPERS

Appendix A – Reserves Statement

Appendix B – Detailed Capital Programme

Appendix C – Asset, Treasury Management and Investment Strategies

Background Papers

MTFP Update – Executive 10th January, 2023

Tranche 1 MTFP – Executive 25th October 2022

MTFP 2022/23 – Approved February 2022

7. KEY

None

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Appendix A - Reserves Statement

	Balance at 31/3/21	Transfers In 2021/22	Transfers out 2021/22	Balance at 31/3/22	Transfers In 2022/23	Transfers out 2022/23	Re-baseline 2022/23	Balance at 31/3/23	Transfers in 2023/24	Transfers out 2023/24	Balance at 31/3/24	Transfers in 2024/25	Transfers out 2024/25	Balance at 31/3/25	Transfers in 2025/26	Transfers out 2025/26	Balance at 31/3/26
General Fund	1,889	180		2,069		(1,424)	1,564	2,229	200	(311)	2,118	0	(57)	2,051	63		2,114
General Fund E-marked Reserves:																	
Business Rate grants	0			0				0			0			0			0
Business Rates Retention Scheme	2,832			2,832			(1,500)	1,332	(200)		1,132			1,132			1,132
Support for Commercialism	0			0				0			0			0			0
Community Development	74			74				74			74			74			74
Community Safety	232			232				232			232			232			232
Corporate Services	149			149		(150)		(1)			(1)			(1)			(1)
Customer Services	93			93			(93)	0			0			0			0
Economic Growth	330			330				330			330			330			330
Electoral Services	49			49				49			49			49			49
Environmental Vehicles	29			29				29		(15)	14		(14)	0			0
Equalities	0			0				0			0			0			0
Equipment replacement	25			25			(25)	0			0			0			0
Financial Services	87			87				87			87			87			87
General Risk reserve	45			45			(45)	0			0			0			0
Housing Benefit Implementation	270			270			(130)	140			140			140			140
Housing Support	978			978				978			978			978			978
Land Charges	9			9				9			9			9			9
Land Drainage	129			129				129			129			129			129
Leisure	0			0				0			0			0			0
Mercury Emissions	0			0				0			0			0			0
Parks & Open spaces	8			8				8			8			8			8
Planning Services	516			516				516			516			516			516
Public Donations - Shop mobility	0			0				0			0			0			0
Sports Development	9			9				9			9			9			9
Town Centre	7			7				7			7			7			7
Warmer Homes	16			16				16			16			16			16
Transformational Growth	100			100				100			100			100			100
Pensions	200			200			(200)	0			0			0			0
Regeneration Income	273			273				273			273			273			273
Utilities Reserve								1,710		(570)	1,140		(570)	570		(570)	0
Covid-19 (General)	580	496	(135)	941			(941)	0			0			0			0
Covid-19 Sales Fees and Charges	0	100		100			(100)	0			0			0			0
Covid-19 (Collection Fund)	4,433		(1,478)	2,955				1,478		(1,478)	0			0			0
Total General Fund	11,473	596	(1,613)	10,456	0	(1,628)	(1,324)	7,504	(200)	(2,063)	5,242	0	(584)	4,658	0	(570)	4,088

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Appendix B – Capital Programme

Cap Proj	Description	Approved budget date	Department	Funding detail	2021/22 Total £	21/22 Spend Total £	2022/23 Total £	22/23 Spend to 10/1 £	2023/24 Total £	2024/25 Total £	2025/26 Total £	Council 21/22 £	Council 22/23 £	Council 23/24 £	Council 24/25 £	Council 25/26 £	3rd Party 21/22 £	3rd Party 22/23 £	3rd Party 23/24 £	3rd Party 24/25 £	3rd Party 25/26 £	
Large Schemes																						
Towns Fund																						
	- Innovation Centre		Planning, Regeneration & Leisure	Govt Grant		500,000	2,500,000		4,000,000		1,000,000						0	500,000	2,500,000	4,000,000	1,000,000	
	- Innovation Centre		Planning, Regeneration & Leisure	LEP Grant							1,948,000						0	0	0	0	1,948,000	
	- Library		Planning, Regeneration & Leisure	Govt Grant		500,000	2,000,000	500,000	1,700,000		0						0	500,000	2,000,000	1,700,000	0	
	- Public Realm		Planning, Regeneration & Leisure	Govt Grant		500,000	1,500,000	500,000	1,000,000		0						0	500,000	1,500,000	1,000,000	0	
	- Public Realm		Planning, Regeneration & Leisure	Borrowing					439,000			0	0	0	439,000	0						
100108-10	Town Hall Redevelopment		Legal, Democratic and Property Services	Cap Receipts and Short Term Borrowing		400,000	3,000,000		1,800,000								0	400,000	3,000,000	1,800,000	0	
UK Shared Prosperity Fund																						
	- Capital Element		Planning, Regeneration & Leisure	Grant Funding		108,500											0	108,500	0	0	0	
	- Revenue Element		Planning, Regeneration & Leisure	Grant Funding		195,147											0	195,147	0	0	0	
	- Remainder to be		Planning, Regeneration & Leisure	Grant Funding		20,000	607,294		1,591,109								0	20,000	607,294	1,591,109	0	
Schemes Agreed to Continue in Tranche 1																						
100004	Car Park Maintenance		Environmental Services	Borrowing	25,000	0	150,000	17,000	150,000		150,000	25,000	150,000	150,000	150,000	150,000						
New	Footpaths		Environmental Services	Borrowing		0	75,000	0	75,000		75,000	0	75,000	75,000	75,000	75,000						
100007	Disabled Facilities Grant	21/22	Community & Housing GF Services	DFG grant	1,951,867	765,000	839,000	663,000	839,000		839,000	1,951,867	839,000	839,000	839,000	839,000						
100008	Energy & Efficiency Installs.	21/22	Community & Housing GF Services	Borrowing	53,736	19,000	0	0	0		0	53,736	110,000	0	0	0						
100009	GF Asbestos	2020/21	Finance & Customer Services	Borrowing	57,154	82,000	0	2,000	0		0	57,154	40,000	0	0	0						
100014	Improved Parking Scheme (includes locality funding)		Environmental Services	Borrowing	400,000	-5,000	0	0	0		0	400,000	400,000	0	0	0						
100005	Camera Replacement programme		Planning, Regeneration & Leisure Services	S106	0	0	0	0	0		0	0	0	0	0	0						
100016	Improvement to Morton Stanley Open Space		Planning, Regeneration & Leisure Services	S106	25,633	24,000	0	0	0		0	25,633	0	0	0	0						
100017	Improvement to Morton Stanley Play Area for toddler and junior play		Planning, Regeneration & Leisure Services	S106	35,823	35,000	0	0	0		0	35,823	0	0	0	0						
100021	Improvements at Business Centres		Planning, Regeneration & Leisure Services	borrowing/capital receipts	73,614	88,000	0	17,800	0		0	73,614	0	0	0	0						
100023	Locality Capital Projects - Woodrow Footpath Work		Environmental Services	borrowing/capital receipts	0	3,000	0	0	0		0	0	0	0	0	0						

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100045 Replacing 3 fuel pumps and upgrading tank monitoring equipment		Environmental Services	borrowing/capital receipts	25,000	0	0	0	0	0	0	0	0	0	25,000	0	0	0			
100046 Fleet Management Computer System	2020/21	Environmental Services	borrowing/capital receipts	16,600	0	0	0	0	0	0	0	0	0	16,600	0	0	0			
110018 Cisco Network Update	22/23	Business Transformation and Organisational Development	Borrowing	0	0	5,463	0	47,339	0	0	0	0	0	0	0	53,561	5,463	0	47,339	
110019 Server Replacement Est/Exec known Q2 2022)	22/24	Business Transformation and Organisational Development	Borrowing	0	0	2,000	177,500	18,500	0	0	0	0	0	0	83,250	2,000	177,500	18,500		
110020 Laptop Refresh	22/25	Business Transformation and Organisational Development	Borrowing	0	0	25,000	150,000	5,000	0	0	0	0	0	0	5,000	25,000	150,000	5,000		
110021 Ipsley Church Lane Cemetery	22/23	Environmental Services	Borrowing	0	0	125,000	0	0	0	0	0	0	0	0	195,000	125,000	0	0		
New Depot site with a new and Compliant Deisel Fuel	22/23	Environmental Services	Borrowing	0	0	0	0	0	0	0	0	0	0	0	56,000	0	0	0		
100097 Widen access road to Arrow Valley Country park	2021/22	Planning, Regeneration & Leisure Services	Borrowing	0	0	0	0	0	0	0	0	0	0	0	25,000	0	0	0		
110007 Forge Mill and Borelsey Open Space Improvements	22/23	Planning, Regeneration & Leisure Services	S106	0	0	0	0	0	0	0	0	0	0	0	18,684	0	0	0		
110008 Arrow Valley Entrance Improvements 18/10/49	22/23	Planning, Regeneration & Leisure Services	S106	0	0	0	0	0	0	0	0	0	0	0	10,000	0	0	0		
10009 MUGA at Greenlands Sports Pitches. 2018/169) FULL Land off Green Lane	22/23	Planning, Regeneration & Leisure Services	S106	0	0	0	0	0	0	0	0	0	0	0	137,649	0	0	0		
110010 Play Area (€26,777.32) and POS (€6055.22) improvements at Birchfield Road/Headless Cross Rec Ground. 2014/311/FUL	22/23	Planning, Regeneration & Leisure Services	S106	0	0	0	0	0	0	0	0	0	0	0	32,833	0	0	0		
110011 Play Area (€26,079.84) and POS (€5,191.82) improvements at Batchley and Brookhill Park.	22/23	Planning, Regeneration & Leisure Services	S106	0	0	0	0	0	0	0	0	0	0	0	32,379	0	0	0		
110012 Play Area improvements at Birchfield Road/Headless Cross Rec Ground. 17/00737/FUL	22/23	Planning, Regeneration & Leisure Services	S106	0	0	0	0	0	0	0	0	0	0	0	7,575	0	0	0		

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110013	Playarea (E94,583.39), Open space (£12,001.36) and Sport (£8,516) Improvements at Mayfields Park. 11/019/FUL	22/23	Planning, Regeneration & Leisure Services	S106	0	0	55,101	0	0	0	0	0	0	0	0	0	0	0	0	55,101	0	0	0	
110014	Play Area and POS Improvements at Winnyates. 2016/290/FUL	22/23	Planning, Regeneration & Leisure Services	S106	0	0	40,449	0	0	0	0	0	0	0	0	0	0	0	0	40,449	0	0	0	
100001	Arrow Valley Country Park - Play, Open Space and Sports Improvements.		Planning, Regeneration & Leisure Services	S106	14,269	-1,000	0	3,000	0	0	0	0	0	0	0	0	0	0	0	14,269	0	0	0	
100001	Arrow Valley Country Park - Play, Open Space and Sports Improvements.		Planning, Regeneration & Leisure Services	S106	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
100020	Improvement to Sports Pitches Infrastructure in Morton Stanley Park		Planning, Regeneration & Leisure Services	S106	98,535	0	0	0	0	0	0	0	0	0	0	0	0	0	0	98,535	0	0	0	
100022	Investment into Health and Fitness Facilities		Planning, Regeneration & Leisure Services	S106	29,085	0	0	0	0	0	0	0	0	0	0	0	0	0	0	29,085	0	0	0	
100042	Upgrade hardwired life line schemes		Community & Housing GF Services	borrowing/capital receipts	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
100087	Locality Capital Projects - Garage Condition Survey (Housing)		Environmental Services	borrowing/capital receipts	100,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	100,000	0	0	0	
100091	Digital Screens	2020/21	Planning, Regeneration & Leisure	Borrowing	15,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	15,000	0	0	0	
100122	Fire compartmentation works in Corporate	22/23	Legal, Democratic and Property Services	Borrowing	0	0	120,000	0	100,000	0	0	0	0	120,000	100,000	0	0	0	0	0	120,000	100,000	0	0
	Total				5,639,880	3,348,111	5,430,629	1,880,300	12,651,259	16,184,609	4,862,839	2,243,569	2,033,313	2,014,965	5,254,500	1,914,839	0	3,396,311	3,397,316	10,636,294	10,930,109	2,946,000		