

REDDITCH BOROUGH COUNCIL

EXECUTIVE COMMITTEE

9th January 2024

MEDIUM TERM FINANCIAL PLAN 2024/5 TO 2026/7 – Tranche 1

| | |
|--|---|
| Relevant Portfolio Holder | Cllr. Luke Court, Finance and Enabling Portfolio Holder |
| Portfolio Holder Consulted | Yes |
| Relevant Head of Service | Bernard Ofori-Atta |
| Report Author | Job Title: Head of Finance & Customer Services email: Bernard.ofori-atta@bromsgroveandredditch.gov.uk |
| 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 as it did in the 2023/4 Medium Term Financial Plan (MTFP) process. The initial Tranche will be published in the Autumn with approval of options sought at Council in January, with a second Tranche to be considered in January once final settlement figures are known with final budget approval sought in February. Housing Revenue Account (HRA) budgets will be dealt with in a separate report although they will form part of a single report to Council in February at Council Tax setting time.

2. RECOMMENDATIONS

Executive are asked to Recommend to Council that:

- 1 They endorse the inputs into the Council's Medium Term Financial Plan as at the start of October, and the associated risks and opportunities.
- 2 These inputs have been used, along with the 2023/24-25/26 Medium Term Financial Plan (MTFP) agreed by Council in February 2023, to project an initial "gap" to be closed.
- 3 An initial Tranche of savings proposals, as set out in Sections 3.21 to 3.25 and the associated Savings Proposal Document in Appendix A, has been published on the 24th October and any feedback will be considered by Executive at this meeting on the 9th January prior to seeking approval at Council on the 29th January 2024.
- 4 That fees and charges are increased by 7% as part of these proposals.
- 5 Tranche 2 of this process will add further information such as the Local Government Settlement to give a final financial position for the Council.

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Council have already approved in November that:

1. That the Play Audit recommended capital works for 2023/4 as set out in 3.41 are approved and added to the Capital Programme.

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 will be more difficult due to the following factors:

- Starting the process with an initial small deficit amount from the 2023/24 MTFP.
- The present cost of living crisis.
- The fact that the Council is still to close its 2020/21 financial year and the ongoing cross sector issues in relation to Audit which are set out in the wider Finance Report.
- The movement of the Government to funding projects for specific outcomes and the movement of this from a bidding process to an "allocations" process.
- The time limited nature of these funds and the pressure this puts on other deliverables.
- Loss of key personnel, present vacancies rates, and staff retention – linked to the Workforce Strategy.
- Business Rates and Council Tax Income – and associated collection rates and reliefs linked to the "cost of living" crisis and C-19 grants working their way through our system.
- Inflation still not reducing as quickly as Government and Financial Market predictions.

As such, it is prudent to split the budget process into two tranches,

- Having an initial Tranche which seeks to close as much of the deficit as possible using information known as at the end of September and seeking approval for those savings to be implemented at Council in January,
- Having a second Tranche after the Christmas break, for which approval will be sought in February, that takes account of the Local Government Settlement whose final detail will not be known until early January.

- 3.2 This report will set out:

- The starting position for the 2023/24 MTFP.
- The emerging national picture including expected settlement dates.

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- Council Priorities
- Strategic Approach
- The Council's Base Assumptions including Inflation and Grants
- Fees and Charges update.
- Impact on Reserves and Balances.
- Capital Programme.
- Robustness Statement
- Consultation Details.

The Starting Position for the 2024/25 MTFP

- 3.3 The Council set a three year MTFP 2023/24 to 2025/26 in February 2023. The plan moved the Council to a sustainable budget position over the three year planning horizon and limited the support from reserves to achieve this to £378k over the initial two years.

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| | 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) | -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 |
| 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 |

Table 1 – Opening MTFP Position

The emerging national picture including expected Settlement Dates

- 3.4 Local Government is in uncharted territory. C-19 has changed significantly the way Councils and the people they serve work, or expect to be served, and this needs to be reflected in Service Plans and associated budgets.
- 3.5 The War in Ukraine has still not been resolved. This has led to Inflationary increases that initially reached levels not seen since that late 1980's although they are now starting to reduce. This has however had a significant impact on our customers and stakeholders and is now labelled a "cost of living" crisis.

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- 3.6 Councils have declared “Climate Emergencies” and have challenging carbon reduction targets to deliver by 2030, 2040 and 2050. At the moment plans are within existing budgets, but as we move through the next three-year period there will be the requirement for the prioritisation of resources and approval of additional funding on a scheme by scheme basis. These will need to be taken account of in future budgets, although a significant part of this budget spend will be Capital in nature.
- 3.7 As mentioned in the Risk section, the Government made 2 major announcements during the LGA Conference in July, both of which will significantly affect budgeting.
- The first of these was the launch of the Office for Local Government. They will look at Council data to assess performance and try to predict if Councils are getting into difficulty.
 - The second was a movement from a bidding process for Funds to that of an allocations method using data (however no increase in the funds being allocated/bid for). No further guidance has been issued since the original guidance from DLUHC in July 2023. However, it is now key that all Council returns are made thinking about this point and our records that are accessed by the Government are as up to date as possible.
- 3.8 There are a number of other significant factors in looking at the 24/5 budget which are linked to the Local Government Finance Market. Presently:
- There are a number of Local Authorities who have now issued S114 Statements, including the largest Council in the Country – Birmingham. Given the number of Council in financial distress there is a possibility that the Government might be far more prescriptive than in previous years in its funding allocations.
 - Redditch still have accounts unaudited from 2020/21 and will not have the cash receipting backlogs cleared until the end of this calendar year. As such, there is still a degree of uncertainty on the overall figures, until those years accounts have been finalised and audited.
 - That in the Local Government sector, there are circa 900 Audits from 2015/16 that are still outstanding. There is an issue with audit resources to deliver these audits, with generally only upper tier authorities being close to actual timescales due to the size of their budgets. In light of this, DLUHC are looking to implement deadlines for delivery which will possibly mean significant numbers of Councils, including possibly Redditch, who due to time constraints have not had audits complete might end up with qualified accounts.
- 3.9 It is understood that the Chancellors Autumn Statement will now not happen until the 22nd November. This means that it is likely the Provisional Local Government Settlement will not take place until the week before most Councils break up for Christmas. It is expected that this years Local

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Government Settlement will be multi year but in reality, would be no longer than 2 years given the impending National Elections. The final Local Government Settlement will be required halfway through January to enable all precepting authorities to deliver their budgets – using this gives the following timetable:

- Initial Tranche 1 Options published – 24th October
- Executive discuss initial options – 31st October.
- Chancellors Statement – 22nd November
- Provisional Local Government Settlement – Late December
- Tranche 1 approved sought by Executive 9th January/Council 29th January
- Final Local Government Settlement – Mid January (at the earliest)
- Tranche 2 options ready – Late January
- Tranche 2 options presented to Executive – 6th February
- Full Budget approved by Council – 26th February

Timescales are estimated – however the issue is that there is little time for delivery of either Tranche 1 or Tranche 2.

Council Strategic Priorities

3.10 The Leader and Portfolio Holders with the support of the Corporate Management Team have reviewed the current priorities by undertaking two review sessions taking on board data from:

- Annual Community Survey 2022
- Community Priorities Survey
- Cost of Living survey
- Census
- [Office of National Statistics](#)
- Current priorities

3.11 Redditch Borough Council's current priorities are underpinned by a set of key themes. These are set out in the current Council Plan 2019 – 2023 [here](#) and in the Council Plan Addendum 2022/23. The 5 themes are:

- Run & grow a successful business.
- Finding somewhere to live.
- Aspiration, work & financial independence.
- Living independent, active & healthy lives.
- Communities which are safe, well-maintained, and green.

3.12 The council's vision, priorities and themes are connected using a 'green' thread:

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“To enrich the lives and aspirations of all our residents, businesses and visitors through the provision of efficiently run and high-quality services, ensuring that all in need receive appropriate help, support and opportunities”.

- 3.13 Along with demonstrating what are identified as the community and organisational priorities:

| Community Priorities | Organisational Priorities |
|--|----------------------------------|
| Economic Development & Regeneration | Financial Stability |
| Housing Growth | Sustainability |
| Skills | High Quality Services |
| Improved Health & Wellbeing | |
| Community Safety & Anti-Social Behaviour | |

- 3.14 The council cannot deliver all priorities on its own. In some cases it can support, influence, or work collaboratively with other partner agencies to persuade them to take a particular course of action/undertake a particular project. Considerable support and input from partner organisations will be needed for priorities, to be successfully achieved.

- 3.15 Following consultation and taking other information on board, the Council’s priorities are therefore proposed as:

- Housing
- Parks & Green Spaces
- Economy & Regeneration
- Community Safety

Strategic Approach

- 3.16 The Council has come into the 2023/24 budget process with a number of conflicting issues. These include:

- An almost break even budget position from the 2023/24 MTFS.
- The requirement to fund the 23/4 pay award which is 5% higher than planned at an average value of 7%.
- Increases in Council Tax are limited at 2% or £5, which is significantly lower than the present rates of inflation.

- 3.17 The Council must move to financial sustainability over the time scale of the next MTFS and indeed was on course for this before the agreement of the 2023/4 pay award. Given the magnitude of the savings due to this it is not prudent to expect the movement to sustainability to happen by 2024/5. However, the level of reserves and balances presently held suggest that moving to sustainability by 2025/26 would be deliverable without a strain on resources for any emergency situation.

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- 3.18 As such, the strategy must be to move the Council to financial sustainability by the 2025/26 financial year. To get to this position there will be the need for investment, efficiencies and possibly the requirement to fund redundancy (both from reserves and balances). 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.
- 3.19 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:
- 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.
- 3.20 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
- 3.21 However, in any situation, the Council must move to sustainability by the 2025/26 financial year.

The Council's Base Assumptions including Inflation and Grants

- 3.22 It is important to set out the base assumptions under which the budget is constructed. These assumptions can then be stress tested for various scenarios to test the robustness of the overall budget.
- 3.23 Tax Base and Corporate Financing underlying assumptions are as follows:

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- Council Tax – Figures assume the full 1.99% allowable increase over all years of the 3 year MTFP and no increase in numbers of properties.
- Business Rates Increases – business rates assume no growth in the base.
- New Homes Bonus – It is assumed to be none in 24/5 onwards pending any change that might be announced in the Local Government settlement.
- Services Grant - It is assumed that Central Government Grants are at similar levels to previous years (as was the case in 2023/4)
- Pension Fund assumptions – takes account of the latest triennial valuation which was received in September 2022. A significant risk is that the next revaluation will be actioned in 2026 and as such the 2026/7 figure could well change pending the outcome of that exercise

3.24 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.

3.25 There are significant pressures mounting on the Council.

- The Q1 2023/4 monitoring sets out the issue on the pay award, which has been mitigated in 2023/4 by the use of the Utilities Reserve. However, the ongoing impact of this on our ongoing £11.5m employees budget at an average of 7% Increase is £805k a year. However, we have already accounted for a pay award of 2% reduces this amount to circa £575k a year to resolve.
- It is also prudent to increase the Councils 2024/5 pay award impact from 2% to 3% given the significant increases that have been offered by the Employers during 2022/3 and 2023/4. The 2025/6 and 2026/7 pay awards are assumed to be 2%.
- Although inflation is coming down, at this point of time it is also prudent to include a 5% budget for inflationary increases.
- However, we have the following budgets that were included in the 2023/4 budget but have not been called on yet that could partially mitigate these pressures which include:

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- We are only using 60% of the utilities budget increases this frees up £228k a year
 - We have not called on the circa £260k of inflationary increases to contracts which was added to the base budget.
 - In addition, there is the £570k utilities reserve that will have no calls on it for 2024/5 and 2025/6.
 - We have included as an appendix the impact of a 7% increase in fees and charges – this amounts to an additional £238k. This increase is in line with the inflationary increases to salaries which are running at just over 7% and inflation which as of October 2023 was 6.8%. Looking at a sensitivity analysis around this figure (although the increases mean that the Council is just keeping pace with cost increases):
 - If this increase was below inflation at just to 4% this would lead to a savings/Income budget of £136k. However, at this level there would be an ongoing deficit of £102k that would never be recovered.
 - An 8% increase would lead to a savings/income budget of £272k.
 - It should be noted that another district in Worcestershire is looking to increase WRS fees and charges by just under 7%. Given that it is common practice to increase these fees and charges by the same across the County, the increases would be in line with these levels.
 - It is proposed that the Dial a Ride registration fees are reduced from £16.50 to £15, but journey fees increase by £1. Lifeline Alarm rates remain at present levels.
 - We have also assumed that inflation on fees and charges will be 2% in 2025/6. This amounts to an additional £69k in 2025/6 and £73k in 2026/7.
 - As part of the 23/4 MTFP, Departments had lists of possible savings areas. These are set out in Appendix B.
- 3.26 Overall, this baseline analysis, before recharge changes or specific departmental savings, results in an ongoing cost of circa £190k in year 3 of the MTFP, although this is before the application of service pressures.
- 3.27 It should be noted that the assumption on the Local Government Settlement for 24/5 and 25/6 is £148k less than the Council received in 23/4. This was a prudent position to take, however if the Council received the same amount in 2024/5 and 2025/6 as in 2023/4, and increased fees and charges by 2% in 2025/6 then 24/5 would be at a surplus position of circa £400k in the final 2 years of the MTFP period before departmental pressures.
- 3.28 Departmental pressures are summarised in the following table.

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| Service Adjustments | | | | |
|---|--|-----|-----|-----|
| Reduction in Benefits Overpayments Target | | 200 | 200 | 200 |
| Use of HVO Fuel by 100% of Fleet | | 20 | 20 | 20 |
| Increase in HR Establishment | | 10 | 10 | 10 |
| PRA Housing Licence Costs | | 15 | 15 | 15 |
| Garden Waste Service | | 20 | -27 | -56 |
| Interest Charges on Updated Capital Programme | | 82 | 102 | 121 |
| MRP Increases on Capital Programme | | 22 | 140 | 153 |

Table 2 Departmental Pressures

- There is presently a target of £500k for the reclaiming of Benefit overpayments. We now have more accurate information and processes which mean that initial payments are more accurate and the need for recovery of overpayments has diminished. Over the past 2 years the Council has recovered under half of this amount (with many linked to Universal Credit payments) and so it is prudent to reduce this amount to £300k.
- The Government has still not provided guidance on Waste delivery. The Council has a diesel fleet which could use HVO fuel would reduced the Carbon footprint of the fleet and the Council significantly. With alternatives to Diesel (Electric and Hydrogen powered vehicles) being extremely expensive with vehicles 2 to 4 times more expensive than existing vehicles it would be prudent to ensure the fleet used HVO fuel, significantly reducing the Council's carbon footprint. However, HVO fuel at the moment is significantly more expensive than diesel and this would cost an additional £64k a year. The Councils Carbon pledge is to move to this position over time so a £20k increase in budget allows for, prices dependent a 30% use of this fuel and an estimated savings of 154 tonnes of greenhouse gases from the fleet.
- There is the new requirement for the monitoring of the Private Housing Sector. There is a capital bid of £30k for software to undertake this. The ongoing licensing costs are £15k a year.
- The present pilot scheme on planning enforcement being delivered by Worcester Regulatory Services was in the Tranche1 options. This has been removed pending a far more detailed report on Enforcement in Tranche 2.
- Councils have a discretionary duty to provide a Garden Waste service, for which a charge can be made to the resident. This proposal sets up a Redditch based service to build on service demand. The cost of the service to the resident would be £60 a year with a £20 initial setup cost.
- The Capital section sets out new items and changes to the Capital programme. These will be addressed in that section. However, there are ongoing additional revenue costs of those schemes that amount to £60k for interest charges and £119k for Minimum Revenue Provision requirements.

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- 3.29 These departmental changes result in an overall £353k pressure in the 2024/5 financial year reducing to a deficit of £93k and then £72k in the following 2 years. The whole revenue budget is summarised in the table on the following page.
- 3.30 To meet strategic priorities, the Council requires more funding. In reviewing the possible areas of savings set out in Appendix A, it was agreed that all need to be assessed as part of the 2024/5 MTFP process although the following three should be prioritised so that their impact could be possibly included in Tranche 2 of the budget:
- Recharges
 - Debt costs – given the slippage in the Capital Programme.
 - Business Rates Re-baselining.

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| Redditch Position Statement | | | | |
|--|--------------|---------------|---------------|---------------|
| | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
| | £000 | £000 | £000 | £000 |
| Base Budget Position 22/23 MTFP | | | | |
| Expenditure | 10,290 | 10,428 | 10,661 | 10,661 |
| Funding | -9,341 | -9,595 | -9,621 | -9,621 |
| Net | 949 | 833 | 1,040 | 1,040 |
| Revised Gap | 949 | 833 | 1,040 | 1,040 |
| Phase 1 Savings 2023/24 MTFP | -1,529 | -1,849 | -2,221 | -2,221 |
| Revised Position | -580 | -1,016 | -1,181 | -1,181 |
| Phase 1 Pressures 2023/24 MTFP | 2,319 | 2,324 | 2,446 | 2,446 |
| Phase 1 2023/24 MTFP Position | 1,739 | 1,308 | 1,265 | 1,265 |
| Local Government Settlement | -934 | -700 | -700 | -700 |
| Additional Savings (Phase 2) | -1060 | -1060 | -1060 | -1060 |
| Additional Pressures - Phase 2 | 566 | 519 | 432 | 432 |
| Final 2023/24 MTFP Position | 311 | 67 | -63 | -63 |
| Known Changes | | | | |
| 23/4 Pay Award - 5% More than planned | | 575 | 575 | 575 |
| Utilities Increases running at 60% - 40% Savings | | -228 | -228 | -228 |
| Existing Inflation Budget (unallocated) | | -269 | -274 | -274 |
| Inflation on Contracts - additional 5% | | 125 | 125 | 125 |
| Additional 1% on 24/5 Pay Award - to 3% | | 100 | 100 | 100 |
| Additional 2% pay Award for 2026/7 | | | | 200 |
| 7% addition on Fees and charges | | -238 | -241 | -243 |
| Draft Opening Position 24/25 | 311 | 132 | -6 | 192 |
| Possible Adjustments | | | | |
| Quarter 1 23/4 Overspend position | 557 | | | |
| Use of 23/4 Utilities Reserve | -557 | | | |
| 2% Council Tax 2025/6 | | | -144 | -144 |
| 2% Council Tax 2026/7 | | | | -147 |
| Year 2 Fees and Charges Increase at 2% | | | -69 | -70.5 |
| Year 3 Fees and Charges Increase at 2% | | | | -73.5 |
| Government Grant at 23/4 Levels | | -148 | -148 | -148 |
| Draft Opening Position | 311 | -16 | -367 | -391 |
| Service Adjustments | | | | |
| Reduction in Benefits Overpayments Target | | 200 | 200 | 200 |
| Use of HVO Fuel by 100% of Fleet | | 20 | 20 | 20 |
| Increase in HR Establishment | | 10 | 10 | 10 |
| PRA Housing Licence Costs | | 15 | 15 | 15 |
| Garden Waste Service | | 20 | -27 | -56 |
| Interest Charges on Updated Capital Programme | | 82 | 102 | 121 |
| MRP Increases on Capital Programme | | 22 | 140 | 153 |
| Revised Opening Position | 311 | 353 | 93 | 72 |

Table 3 Revised MTFP Position

Fees and Charges update

- 3.31 The section, looks at the impact of proposed Fees and Charges increases for the 2024/25 Financial year. These increases are shown in detail by service in the Fees and Charges Report which is shown as Appendix C. The table below highlights the possible increase of income if 7% was applied across the board. The 7% has been applied to Contributions and Fees and Charges budgets and not on SLA Income or lifeline, where charges are set statutorily, and charges across more than one area.

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| Year | 2024/25 | 2025/26 | 2026/27 |
|-------------|-----------|-----------|-----------|
| Base Budget | 3,404,000 | 3,404,000 | 3,404,000 |
| 7% Increase | 238,000 | 241,000 | 242,000 |

Table 4 Fees and Charges Increases at 7%

- 3.32 The overall impact on the Council's position is set out in the following section. In setting the base budget levels to apply the increases an assessment has been made on deliverability.

Impact on Reserves

- 3.33 The existing 23/24 MTFP saw general fund balances reduce by £315k over the three year period as the original plan moved the Council towards sustainability. In the 2023/4 budget, the Council was prudent and reviewed all its earmarked Reserves and reallocated a substantial amount to the General Fund and also a newly formed Utilities Reserve due to the significant pressure on budgets in that area. As we have moved into 2023/4 there have been pressures, although they have been due to staffing and the 2023/4 allocation of the Utilities Reserve has been used to mitigate these. Years 2 and 3 of this reserve are not required and have been transferred to the General Fund to bolster its position.
- 3.34 The projected 2024/5 to 2026/7 position, at Tranche 1, has £829k of pressures to mitigate. If alternatives are not found in Tranche 2 then the General Fund will be required to support this deficit. Presently the general Fund sits at a value of £3.196m (assuming that it is required to fund this shortfall) at the 31st March 2017. This sum is approximately 6.2% of gross expenditure and above the 5% benchmark quoted by the Government a being a minimum requirement. If Housing benefit payments, which are passported through the Council are ignored than this percentage rises to 10.2% of gross expenditure.
- 3.35 The analysis in Table 5 sets out the effects on Council General Fund and Earmarked Reserves. Full detail is set out in Appendix D

| Reserves Position | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
|-------------------------------|---------|---------|---------|---------|
| General Fund Opening Position | 2,686 | 2,575 | 3,362 | 3,268 |
| General Fund Changes | -111 | 787 | -93 | -72 |
| General Fund Closing Position | 2,575 | 3,362 | 3,268 | 3,196 |
| Earmarked Reserves | 5,242 | 4,658 | 4,088 | 4,088 |

Table 5 Reserves Position

- In 2023/4
 - We start with £2.686m in the General Fund Reserve.
 - £200k will be moved into the it from the Rates Reserve
 - £311k was already being used to subsidise the base budget

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- This results in a closing 23/4 position of £2.575m
- In 2024/5
 - We start with £2.575m
 - We propose to transfer years 2 and 3 of the utilities reserve in as the view is that this is now not required - £1.140m.
 - There is a £353k deficit figure that will need funding.
 - This results in a closing 24/5 position of £3.362m
- In 2025/6
 - the opening position is £3.362m
 - The present draft budget is a deficit of £93k which will be transferred from the G/F.
 - This results in a closing 25/6 position of £3.268m

Capital Programme

- 3.36 The Council over the past number of years has not spent its capital programme allocations in year. A review has been carried out of
- All schemes that have not started (both from 22/23 and from previous years)
 - Schemes that have started
- To assess deliverability and links to revised strategic priorities.
- 3.37 Present rationale is for any scheme not yet started (unless grant or S106 funded) to rebid for funds as part of the 2024/25 budget process. There will be the need to add items to the capital programme to include sums for:
- ICT hardware (such as laptops, etc)
 - Property Maintenance budgets (as minimal and significant work is required to ensure energy efficiency compliance).
- 3.38 The priority in capital terms is for the Council to spend its grant funding. It has the following:
- Towns Funding of £17.2m
 - UK Shared Prosperity Funding of £2.4m
- This funding is time limited and must all be spent by 2026 (with UKSPF being 2025). Therefore, there is a question over what resources would be available to manage any significant capital spend above these schemes.
- 3.39 Appendix E sets out the present capital programme as agreed at Council in February.
- 3.40 The table below highlights additional Capital Programme bids, and incorporates bids approved in the Quarter 1 financial monitoring for approval. The revenue budget takes account of these additional costs. Full descriptions are set out in the Savings Proposal document.

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| Capital Programme Changes | 2023/4 | 2024/5 | 2025/6 | 2026/7 |
|---|-------------|---------------|------------|--------------|
| | £000 | £000 | £000 | £000 |
| Lifeline | | 72 | | |
| PRS Housing ICT System | | 30 | | |
| Play Areas (Replacement of Surfaces) | | 10 | 10 | 7.5 |
| AVCP - Parking Bays near Visitor Centre | | 12 | | |
| AVCP - Car Park Extension 25 Spaces | | 95 | | |
| Morton Stanley Park - Footpaths | | 16.5 | | |
| Ipsley Rd Cemetery (As per Q1 Monitoring) | -125 | 125 | | |
| Increased Buildings Maintenance Costs | | 150 | 150 | 150 |
| Arrow Valley Park Visitor Centre Improvements | | 150 | 150 | 150 |
| Fleet Costs (as per Q1 Monitoring) | | 585 | 26 | |
| | -125 | 1245.5 | 336 | 307.5 |

Table 6 – Capital Programme Changes

3.41 The following table summarised the Play Area requirements

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| Play Area Audit Outcomes | 2023/24 | 2024/25 |
|---|----------------|----------------|
| | £000 | £000 |
| MMP proposal consider MUGA for MS Park | | 100 |
| MMP proposal new bins for MS Park | | 2 |
| MMP proposal new benches for MS Park | | 3 |
| MMP recommendation carry out an ecological survey MS Park | | 5 |
| Requirement renew pathway section "loop adjacent woods MS | 25 | |
| MMP recommendation AVCP North improve surfacing and widen path along route between the Abbey ruins and the fishponds. | | 30 |
| MMP recommendation AVCP Replace or repair broken bins, adopting a consistent style of bin across the site (in my opinion you do not need to change every bin to the same style, we try to zone so similar styles in an area. Taking a perfectly good bin out is a waste of money. Replace as required | | 5 |
| Additional funds are required to carry out repairs to things such as rubber surfacing, gate replacemnt, worn spare parts etc which are currently risk rated to ensure the play areas are kept safe and the risk is not raise to medium or high which could result in play area closures. | 100 | |
| MMP recommendation AVCP South. Repair or replace car park surface at Icknield St Drive. | 25 | |
| MMP recommendation Overdale Park Install information board in the Orchard area to replace the temporary information sheets attached to the fruit trees and "sorry not for general use" notice OR display this information in the display cabinet at the Overdale Close entrance. | 1 | |
| MMP Overdale park recommendation Resurface paths where needed with self-binding gravel | | 10 |
| MSP Cableways | 43 | |
| AVCP Pump Track | 33 | |
| Total | 227 | 155 |

Table 7 Play Area Audit Requirements

An Initial Risk Assessment

- 3.42 As set out the Strategic Approach and Robustness Statement sections we are budgeting in a time of extreme uncertainty.
- 3.43 As per the Risk Reports that are reported to both Executive and Audit, Governance and Standards and Committees these are:
- Resolution of the approved budget position.

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- Financial process rectification.
- Decisions made to address financial pressures and implementing new projects that are not informed by robust data and evidence.
- Adequate workforce planning.
- The next Pension fund re-valuation which will impact 2026/7 figures.

3.44 The core risks of implementation

- Any savings proposal must pass the S151 Officers tests for robustness and delivery. If items are not deliverable or amounts not obtainable, they cannot be included.
- Implementation of savings to time and budget – there must be full implementation processes documented to ensure implementation within timescales.
- Non delivery is a high risk - Savings tracking and ensuring implementation happens based on the plans and the assumptions will become part of the Council's core processes
- Loss of key personnel will be crucial in a number of proposals and mitigation plans will need to be drawn up
- Change of corporate direction/priorities

Robustness Statement

3.45 For Tranche 1, the opinion of the Interim Director of Finance is that the 2024/25 budget estimates contain considerable risk due to the level of uncertainty in the Council's operating environment, making it problematic to develop meaningful assumptions.

3.46 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.

3.47 The MTFP highlights that the current financial position is untenable without some form of intervention. Whilst a balanced budget for 2023/24 was approved with the use of reserves and balances in February 2023, the Council is currently forecasting a £0.3m overspend in 2023/24 due to the additional demands placed on it due to the provisional pay award, which in turn is utilising reserves balances to fund these pressures.

3.48 Given all the uncertainty which encapsulates this MTFP, the assumptions have been based on the best available information to the Council at this time.

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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.

Tranche 1 Feedback

- 3.49 Tranche One is the first Phase of the 2024/25 budget process. The proposals are set out in Appendix C of the Savings Proposal Document. A feedback section is included at the end of that document. Any feedback can then be reported. The draft consultation timetable is in Table 5.

| | |
|--------------------------------------|-------------------------------|
| | |
| Savings Proposals and MTFP Published | 24 th October 2023 |
| Budget Scrutiny Committee | 30 th October 2023 |
| Executive | 31 st October 2023 |
| Feedback Closing Date | 4 th December 2023 |
| Executive | 9 th January 2023 |
| Council | 29 th January 2024 |

Table 8 Consultation Timetable

- 3.49 Hard copies of the Savings Proposal Document (Appendix A) can be available on request. The Savings Proposal Document will be published on the website and internal intranet (Orb) for residents, businesses and staff to view and provide responses via an online survey. The Council has raised awareness of the budget proposals via use of social media.

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.

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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.
- 4.5 Initial Equalities Impact Assessments will be taken where required.

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.

6. APPENDICES

Appendix A – Savings Proposal Document
Appendix B – Possible Savings Areas
Appendix C – Fees and Charges by Service
Appendix D - Reserves
Appendix E – Existing Capital Programme

6. BACKGROUND PAPERS

None.

7. KEY

None