

CABINET

THURSDAY, 20th July 2017

REPORT OF THE LEADER OF THE COUNCIL

BUDGET AND MEDIUM TERM FINANCIAL PLANNING PROCESS 2018/19

EXEMPT INFORMATION

None

PURPOSE

To seek agreement to the Proposed Budget and Medium Term Financial Planning Process for General Fund and the Housing Revenue Account for 2018/19.

RECOMMENDATION

That the proposed process for the General Fund and Housing Revenue Account Budget and Medium Term Financial Planning Process for 2018/19 be adopted.

EXECUTIVE SUMMARY

The budget setting process has faced significant constraints in Government funding in recent years - over 50% in real terms since 2010. The 4 year Local Government Finance Settlement confirmed that austerity measures are to continue with Revenue Support Grant (RSG) all but eradicated for most Councils by 2020 – and suggests that the key challenges that the Council is currently addressing are likely to become greater.

Last year, the Council adopted a route-map designed to position the Council so it could be Perfectly Placed to take advantage of every opportunity it either created or identified.

“From Surviving To Thriving” set out a number of opportunities based upon the principle that by focusing upon the growth of the economy, both the “people” and the “place” would benefit. The Council remains committed to promoting and stimulating economic growth and regeneration; meeting our housing needs; creating a vibrant town centre economy and protecting those most vulnerable in our communities. To this end, we pledge to explore and invest in viable and sustainable methods of generating income and moving towards financial independence.

It is this tried and tested approach that has enabled this Council to navigate its way through the recession, extended periods of austerity and the uncertainties and complexities brought about by ‘devolution’, elected Mayors, Combined Authorities et al. With many of the challenges of previous years still facing the Council and the uncertainties surrounding issues such as BREXIT, NNDR retention, the future of the NHS and Care Services, our local clarity of Vision and purpose has never been so important.

In addition, the adoption of 'Demand Management' as the primary operating model and the targeting of resources via locality based commissioning and delivery has enabled greater effectiveness in service delivery as evidenced by customer satisfaction, award winning services and of course, the management of the Council's finances. Through its implementation, the Council will have far greater control upon the alignment of services or 'supply' to the increased needs and expectations of the public or 'demand'.

Key to this will be the application of existing and new technology to capture, collate and analyse customer insight, intelligence and data so as to understand not just the 'need' but the cause, behaviours or decisions creating the need. Then by the application of locality based commissioning for example, it can commission services that either intervene or prevent future need thereby reducing demand. The report entitled 'Creating Opportunities from an Uncertain Future' is available to all Members and is available to the public.

This approach will change the organisation and how it works; will require Members to take difficult decisions and adhere to them; will involve managed risks and will sustain essential services critical in supporting the most vulnerable in our communities at a time when demand is increasing and resources reducing.

Accurate forecasting, strong leadership and an innovative, risk aware approach have resulted in the organisation being able, in the main, to sustain a full suite of essential services albeit not without implications for the public, local politicians and the entire workforce.

Significantly, this is as much a testament to the skills and commitment of our workforce and our partners' collaboration as it is to the actions and decisions of the Joint Executive Management Team (EMT). This period, considered one of the most challenging in post war times, coincided with the Council recording one of its most successful periods of achievement in terms of Customer Satisfaction; measured performance; project delivery and financial management. What makes these achievements 'special' is that they were delivered in parallel with the largest and most complex Transformation programme which in itself, resulted in multi-million pound efficiencies.

Work is continuing on a number of actions to address the financial position in future years:

- Delivering Quality Services project – the demand management approach to shift demand to more efficient methods of service delivery – online and automation (Interactive Voice Response). A savings target of £100k p.a. has already been included within the MTFs together with reduced CRM costs of £62k p.a. from 2019/20;
- Recruitment freeze – temporary 12 month appointments are now only being made; there is a robust challenge / re-justification process in place for all vacant posts with a requirement to investigate alternative options including restructuring to fill vacancies / looking at what we can stop doing. This means we have the opportunity to increase the vacancy allowance from 5% to 7.5% over the next 5 years – c. £45k p.a. year on year for the General Fund (£14k p.a. – HRA);

- Spend freeze – Managers have previously been required to restrict / limit spending to essential spend only (there was a £1.6m underspend in 2016/17 – although the majority was windfall income, c. £0.75m was lower level underspend);
- Alternative investment options arising from the Commercial Investment and Regeneration Strategy (as well as the Treasury Management Investment Strategy, including any prudential borrowing opportunities) to generate improved returns of c. 5% p.a. (plus asset growth) including:
 - Set up of trading company to develop new income streams;
 - Local investment options – Lower Gungate / Solway Close development including the potential to drawdown funding from the Local Growth Fund / Local Enterprise Partnerships (GBS and Staffordshire);
 - Investments in a Diversified Property Fund;
 - Investments in a Diversified Investment Vehicle (property, shares etc.);
- Review of reserves / creation of fund for transformation costs (if needed), and
- Targeted Savings – to identify potential areas for review in future years

As part of the budget process Policy Changes are required in order to amend base budget provision. As grant and other income levels are reducing, where increased costs are unavoidable then managers should identify compensatory savings. Where savings are identified they must be accompanied by a robust implementation plan. Robust business case templates will have to be submitted to Cabinet and CMT for all Policy Change submissions (Revenue and Capital).

The attached Project Plan at **Appendix A** lists the stages, deadlines and the responsible officers for the production of the budget and medium term financial plan. **Appendix B** contains an outline of the process whilst **Appendix C** shows the flow of key stages over the process period.

Budget Consultation

In addition to the activity planned for the Tamworth Listens process, consultation has been planned to gauge residents', businesses' and other core stakeholders' views on the Council's priorities to achieve the 'Vision' considering areas of spending or where savings could potentially be made.

The consultation, detailed at **Appendix D**, will be carried out through 3 online surveys. A survey that is tailored for businesses, a full survey aimed at residents and a survey that is tailored for the voluntary and community sector.

The online residents survey will be promoted using social networking/media sites and through email contact databases. The business survey will be promoted through business social networking sites and business email contact databases. The voluntary and community sector survey will be promoted through email contact databases.

Timetable

Significant milestones in the process, detailed at **Appendix A**, are planned as:

- a) Consultation process - results to Cabinet 2nd November;
- b) Base budget and technical adjustments to Cabinet 30th November;
- c) Cabinet to consider Council Taxbase calculation on 30th November and Business Rates Forecast on 25th January;
- d) Cabinet proposals to a Leaders Budget Workshop 7th December;
- e) Provisional RSG settlement assessment to Corporate Management Team and EMT in December;
- f) Joint Scrutiny Committee (Budget) to be held on 30th January 2018;
- g) Final Budget and Medium Term Plan reports to Cabinet 22nd February 2018;
- h) Budgets set at Council 27th February 2018.

It should be noted that the complexity of some of the issues and the reliance on the Government for Business Rates Retention and RSG data to report might mean that some reports have to be treated as urgent items and/or are considered at a later meeting.

Members are asked to endorse the process to be followed.

OPTIONS CONSIDERED

None

RESOURCE IMPLICATIONS

There are no financial or resource implications arising from the implementation of the Budget and Medium Term Planning Process.

LEGAL/RISK IMPLICATIONS

It is considered that a Medium Risk to the achievement of the planned timetable exists due to the potential for a delay in the:

- Provision of information from managers; and
- Publication of the Local Government Finance Settlement information for each individual authority by the Department for Communities & Local Government (DCLG).

There also remains a high degree of uncertainty arising from the most significant changes in Local Government funding for a generation arising from the Business Rates Retention System, changes in Support for Council Tax and Technical Reforms to Council Tax - as well as other changes arising from the Government's Welfare Reform Agenda.

The Key Risks are:

- The impact of uncertain economic conditions, following the decision to leave the EU – there is a higher level of uncertainty than in previous budget setting processes. It is suggested that, given the uncertainty, there should be a clear plan to focus on balancing the next 3 years' budget position for the General Fund (5 years for the HRA);
- Achievement of the anticipated growth in business rates income – in line with the assumed baseline and tariff levels set;
- Uncertainty remains over the work progressing on the system for Councils to keep 100% of the business rates collected by 2020 (and the associated impact on the Council's business rates income and associated baseline and tariff levels);
- Delivery of the planned Commercial Investment and Regeneration Strategy actions and associated improved investment returns of 5% p.a. arising from the investment of £24m from the capital receipt due to be received over the period 2016 – 2018 from the sale of the former golf course (to support the MTFs in the long term);
- The work continuing on a number of actions to address the longer term financial position;
- Achievement of anticipated growth in new homes within the Borough and the associated dependency on the New Homes Bonus income to address / reduce the funding shortfall for the General Fund; and
- The challenge to continue to achieve high collection rates for council tax, business rates and housing rents – in light of further austerity, economic conditions and uncertainty.

REPORT AUTHOR

Stefan Garner, Director of Finance, Telephone: 01827 709242

LIST OF BACKGROUND PAPERS

'Planning for a Sustainable Future' (Meeting the Challenges to MTFs) – Cabinet 22nd August 2013

'Creating Opportunities From An Uncertain Future' (Proposed Strategic & Operational Model For Tamworth Borough Council) - Cabinet 19th February 2015

'Corporate Review of Strategic Framework' (Route Map from Surviving to Thriving) - Cabinet 14th January 2016

'Investing in the Future of Tamworth' (Tamworth Commercial Investment Strategy to Promote Growth and Regeneration) - Cabinet 16th June 2016

Corporate Vision, Priorities Plan, Budget & Medium Term Financial Strategy 2017/18, Council 21st February 2017

APPENDICES

Appendix A

Project Plan for the Budget and Medium Term Financial Planning Process for the year 2018/19

Appendix B

Outline of the Budget and Medium Term Financial Planning Process

Appendix C

Flowchart of the Budget & Medium Term Financial Planning Process

Appendix D

2018/19 Budget Consultation