

## CABINET

15<sup>th</sup> August 2019

### REPORT OF THE LEADER OF THE COUNCIL

#### BUDGET AND MEDIUM TERM FINANCIAL PLANNING PROCESS 2020/21

##### 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 2020/21.

##### RECOMMENDATION

**That the proposed process for the General Fund and Housing Revenue Account Budget and Medium Term Financial Planning Process for 2020/21 be adopted.**

##### EXECUTIVE SUMMARY

The medium term financial planning process is being challenged by Government austerity measures as well as continued uncertainty. The accomplishment of a balanced 3 Year Medium Term Financial Strategy for the General Fund for 2019/20 was a major achievement as the Council, like others, had planned to deliver its budget process in light of unprecedented adverse economic conditions with a great deal of uncertainty over future investment and income levels such as car parking, land charges and corporate property rents.

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.

There is also a high degree of uncertainty arising from the work progressing with regard to business rates retention (and the associated impact on the Council's business rates income and associated baseline and tariff levels), the 'Fair Funding Review' as well as the planned Business Rates Reset which is also planned take effect from 2020/21.

The Council is responding to these challenges by considering the opportunities to grow our income. We are ambitious with our commercial view and will continue to work hard to identify income streams that enable us to continue to meet the needs of our residents.

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.

More than ever, we recognise that our financial capacity will be less than in previous years which means that we will need to maintain our approach to innovation, collaboration and transformation. So, not only will the Council seek investment from businesses and developers, but the Council itself will explore viable and sustainable investment opportunities using all returns to support public services.

We continue to invest in our teams, transform our processes and ensure our technology infrastructure is fit for purpose. We have identified a number of opportunities to improve customer access to information and services as well as our engagement with our citizens and the way in which we manage our data and information.

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 part of a 'Tamworth Community Offer' we will:

- Improve our use of 'insight' in shaping services and directing investment;
- Better align service delivery to ensure we act with purpose and are accountable;
- Support the Demand Management model with prevention approaches which seek to tackle causes and reduce costs;
- Develop approaches which genuinely 'empower' individuals and communities;
- Support a transformed dialogue with residents - recognising that our financial capacity will be less than in previous years which means educating and supporting communities to focus resources on 'needs' and being clear on what we are able to do and equally what we can't.

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, the Council can commission services that either intervene or prevent future need thereby reducing demand. 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.

Linked with this, the 'Delivering Quality Services' project continues to review processes and demand, with the aim of re-designing processes to meet changing customer expectations and making the best use of technology to deliver efficient and effective services to the customer, including self-service and digital functionality.

This approach will change the organisation and how it works; will require Members to put evidence and insight at the heart of our decision making to ensure that we are transparent about the rationale for our decisions and plans; 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.

Corporate Management Team (CMT) and Cabinet review the most up-to-date budget forecasts on a quarterly basis, and discuss the delivery of the planned savings to support our Medium Term Financial Strategy (MTFS) – as outlined below.

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

- Recruitment freeze – 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;
- Spend freeze – A review of the underspend position has been undertaken with a view to drive out as many savings as possible – and has identified annual savings of c.£450k p.a. from 2019/20.
- Alternative investment options arising from the Commercial Investment Strategy (as well as the Treasury Management Investment Strategy) to generate improved returns of c. 4% to 5% p.a. (plus asset growth);
- Review of reserves (including ensuring adequate provision for the funding uncertainties) / creation of fund for transformation costs (if needed);
- Targeted Savings – to identify potential areas for review in future years; and
- Review and rationalisation of IT systems.
- Review of reserves (including ensuring adequate provision for the funding uncertainties) / creation of a fund for transformation (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 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 7<sup>th</sup> November;
- b) Base budget and technical adjustments to Cabinet 28<sup>th</sup> November;
- c) Cabinet to consider Council Taxbase calculation on 28<sup>th</sup> November and Business Rates Forecast on 23<sup>rd</sup> January;
- d) Cabinet proposals to a Leaders Budget Workshop 4<sup>th</sup> December;
- e) Provisional RSG settlement assessment to Corporate Management Team and EMT in December;
- f) Joint Scrutiny Committee (Budget) to be held on 30<sup>th</sup> January 2020;
- g) Final Budget and Medium Term Plan reports to Cabinet 20<sup>th</sup> February 2020;
- h) Budgets set at Council 25<sup>th</sup> February 2020.

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 Ministry of Housing, Communities & Local Government (MHCLG).

There also remains a high degree of uncertainty arising from the most significant changes in Local Government funding for a generation due for 2020/21 - arising from the Fair Funding Review, review of the Business Rates Retention (BRR) scheme, reset of the Business Rates baseline, Spending Review 2019 and the ongoing uncertainty over the funding for the New Homes Bonus scheme - as well as other changes arising from the Government's Welfare Reform Agenda.

In addition, the next planned national **Business Rates Revaluation** with take effect from 2021/22 – with latest indications that the Government will also aim to introduce a **centralised system for business rate appeals** at the same time to cover future changes arising from the 2021 valuation list.

While we are aware of these forthcoming change, little to no information is available on the potential impact for individual Councils' finances.

The Key Risks are:

- Impact of uncertain economic conditions, following the decision to leave the EU – it is suggested that, given the uncertainty, we should focus on a clear plan to balance 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;
- Delivery of the planned Commercial Investment Strategy actions and associated improved investment returns of 4% p.a. arising from the investment of £24m from the capital receipt received over the period 2016 – 2018 from the sale of the former golf course (to support the MTFS in the long term);
- 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
- 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.

There also remains a high degree of uncertainty for 2020/21 arising from:

- The Government's **Fair Funding Review (FFR)** of the distribution methodology including:
  - changes to the needs assessment (which will determine each Council's share of the national funding for Local Government – it is likely that this will reflect the impact of Social Care demands and that funding will be redistributed to Unitary and County Councils to the detriment of District Councils);
  - treatment of relative resources (to determine how much each Council can fund locally through income from fees and charges and council tax);

- any transitional arrangements to protect Councils from significant reductions in funding – and the impact from their unwinding from 2021/22.
- **Spending Review 2019 (SR19)** – where the total spending allocation for Government Departments will be set – including national control totals for Local Government spending. It has already been announced that significant additional funding will be diverted to the NHS which could mean further reductions for other Departments including Local Government;
- The ongoing **review of the Business Rates Retention (BRR) scheme** – the Government announced that Councils will be able to retain 75% of business rates collected from 2020/21 rather than 100% as previously planned with work progressing on the design of the new system including the impact of ‘rolling in’ grants such as Housing Benefit administration and New Homes Bonus;
- The planned **reset of the Business Rates baseline** for each Council from 2020/21 and redistribution of the growth achieved since 2013 (of over £1m p.a.);
- Uncertainty over the ongoing funding for the **New Homes Bonus scheme**, local growth in housing numbers and share of the national pool (including potential increases to the ‘deadweight’ for which Councils no longer receive grant).

In addition, the next planned national **Business Rates Revaluation** with take effect from 2021/22 – with latest indications that the Government will also aim to introduce a **centralised system for business rate appeals** at the same time to cover future changes arising from the 2021 valuation list.

While we are aware of these forthcoming changes, little to no information is available on the potential impact for individual Councils’ finances. **There is a high risk that this will have a significant effect on the Councils’ funding level from 2020/21.**

***We will therefore need to consider the approach to forecasting and planning for these uncertainties balancing the risk to the MTFs against the need for savings and potential service reductions.***

## REPORT AUTHOR

Stefan Garner, Executive Director Finance, Telephone: 01827 709242

## LIST OF BACKGROUND PAPERS

‘Creating Opportunities From An Uncertain Future’ (Proposed Strategic & Operational Model For Tamworth Borough Council) – Cabinet 19<sup>th</sup> February 2015

‘Investing in the Future of Tamworth’ (Tamworth Commercial Investment Strategy to Promote Growth and Regeneration) - Cabinet 16<sup>th</sup> June 2016

Corporate Vision, Priorities Plan, Budget & Medium Term Financial Strategy 2019/20, Council 26<sup>th</sup> February 2019.

## **APPENDICES**

### **Appendix A**

Project Plan for the Budget and Medium Term Financial Planning Process for the year 2020/21

### **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**

2020/21 Budget Consultation

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