

Thursday, 8 September 2022

## Report of the Leader of the Council

### Budget and Medium Term Financial Planning Process 2023/24

#### Purpose

To seek agreement to the Proposed Budget and Medium Term Financial Planning Process for General Fund and the Housing Revenue Account for 2023/24.

#### Recommendations

It is recommended that the proposed process for the General Fund and Housing Revenue Account Budget and Medium Term Financial Planning Process for 2023/24 be adopted.

#### Executive Summary

When Council approved the 2022/23 Budget and Medium Term Financial Strategy in February 2022, the ongoing impact of the Covid-19 pandemic on the economy and ultimately the impact for the Council's finances was uncertain - including any lasting effects for individual businesses and their employees.

It outlined that the government has only held single-year Spending Reviews over the past 2 years, with 2019 being a single year due to the political turbulence around Brexit, and 2020 being a single year, given the COVID-19 pandemic. On 7th September 2021, the Chancellor wrote to Secretaries of State to confirm the government's intention to complete a multi-year Spending Review (SR2021), setting revenue and capital budgets for 2022/23 to 2024/25.

However, as part of the Spending Review carried out in 2021, no announcement was made about the government's plans for funding reform or a reset of the Business Rates Retention (BRR) system, both of which were originally expected to be implemented in 2019/20, but which have been delayed a number of times.

The 2022/23 local government finance settlement was published in December 2021 (& confirmed in February 2022), is for one year only and is based on the Spending Review 2021 (SR21) funding levels. This is the first time since 2015 that, in the context of a multi-year Spending Review, the government has only provided local authorities with a single-year settlement.

No detailed announcements are made on funding reform, though the following statement was made:

Government is committed to ensuring that funding allocations for councils are based on an up-to-date assessment of their needs and resources. The data used to assess this has not been updated in a number of years, dating from 2013-14 to a large degree, and even as far back as 2000.

Over the coming months, we will work closely with the sector and other stakeholders to update this and to look at the challenges and opportunities facing the sector before consulting on any potential changes.

As part of this we will look at options to support local authorities through transitional protection. Councils should note the one-off 2022/23 Services Grant provided in the Local Government Finance Settlement in 2022/23 will be excluded from potential transitional protections.

While this means the Council will be able to retain its business rate growth for 2022/23, it also means that the uncertainty continues and potentially the Council still faces losing this growth from 2023/24 as, over the coming months, the Government have stated that they will work with the sector before consulting on funding reform.

#### Latest Update

On 28 June 2022, the then Secretary of State for Levelling Up, Housing & Communities gave an address at the Local Government Association conference.

Along with thanking the sector and highlighting various key policies relating to and delivered by local government, the speech confirmed that from next year there will be a two-year settlement (assumed to mean for 2023/24 and 2024/25), and that a consultation would follow over the summer. We wait to hear if this will now take place.

There is also an intention to reduce the number of individual and bid based funding streams.

The speech also confirms that further devolution deals will be offered to all parts of England that want them by 2030. These will be under a new "coherent" framework, offering counties and districts a chance to agree a deal, and suggests that these will not necessarily require an elected mayor:

"While I'm an unabashed admirer of the mayoral model, I also recognise it won't be right everywhere."

In addition, the speech announced the creation of a new Office for Local Government. This is intended to "shine a light on how local authorities are performing and delivering", covering key services, progress towards net zero and so on."

There are also further uncertainties arising from the finalisation of the Brexit process following the transition period and the current cost pressures and associated likely price increases for supplies that are required for building or construction/maintenance works – which both the Government and the Bank of England consider to be a temporary issue.

There are also likely to be price rises for the Council's energy supplies. This will not have an immediate effect as supplies are bought in market price 'baskets' negotiated between Oct and March for units rates charged for the year commencing April. It is likely that the basket rates will experience a significant increase unless the current situation changes.

Energy efficiency is likely to be a significant future across all of our property portfolio including Council Housing. The commitment to achieve zero carbon within our own operations will present difficulties when considering our historic buildings like the Assembly Rooms, Castle and Town Hall. It is likely that investment in the property portfolio will be needed which has not yet been quantified and will need to be considered in future, in line with the Corporate Capital Strategy objectives.

It is anticipated that amendments to the Decent Homes Standard will look at building safety and energy efficiency for Council Housing. The cost is likely to be significant and could mean exploration of new ways of funding such as the application of service charges and as included within the 2022/23 capital programme, through grants available.

An increase in the cost of repairs has been included in the MTFs due to the current market cost pressures. The RICS through their BCIS cost indicator service are predicting increasing tender prices over the next 5 years so this is likely to impact on existing contracts. There is the risk that if costs continue to increase in excess of CPI contractors will seek further uplifts. The

impact on planned work is that less work will be done, this will extend the renewal period for key components which will increase demand on responsive. The volume of responsive repairs is unlikely to change.

Income from the commercial/industrial portfolio has held up during the pandemic, but underlying market issues and the increase in online shopping (increased by the pandemic) mean that there is an immediate risk in relation to the income achievable from the Council's commercial property portfolio including the Ankerside Shopping Centre and NCP car park, while not known at present, could result in a significant loss of income.

## Recovery and Reset Programme

Cabinet on 22nd October 2020 approved the Recovery and Reset programme which aims to consider how we can tackle the financial challenges facing the council as a result of the coronavirus pandemic. An update including recommendations for the next steps was approved at Cabinet 29th July 2021 including the continuing work the agreed actions to address the financial position in future years:

1. Financial Management and Commerciality – Seeking to remove historic underspends and adopt an in-service approach to rigorous and controlled spending.
2. Smart Working – Exploration of the business impacts around current levels of home working and what the future is for AGILE working.
3. Building Requirements and Utilisation – Consideration of the best use of all our property assets to ensure the council's resources are focused on front line service delivery.
4. Front Reception and Customer Service Offer – Exploration of customer service models to assess the impact of front reception closing during the pandemic and how acceleration of digitising services can be delivered whilst ensuring our most vulnerable customers retain face to face services.
5. Service Re-design and Review – An organisational wide review of each service to identify short, medium and longer-term opportunities to improve delivery of services central to the council's core purpose and strategic aims.
6. Third Sector Support and Vulnerability Strategy – Recognising that one of the most positive outcomes to the Pandemic is the overwhelming ability of 'anchor organisations and communities' to mobilise and support each other, this project will explore how the Council's commissioning framework can be aligned to build on these foundations going forward and how we define and develop our vulnerability strategy, building on the baseline assessment commissioned over the summer.
7. Economy and Regeneration - Work has continued on the future of our high street and alongside this the economic recovery and regeneration of Tamworth is central to our future Recovery and Reset.

Together with any opportunities arising from the response to the Covid-19 pandemic, for Member consideration during the budget process.

The overriding goal is to make sure our organisation remains fit for the future, while protecting services to the most vulnerable in our community.

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 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.

### **Draft 2022 annual residents survey – The Tamworth Conversation**

To help elected members set the council budget and priorities we consult residents every year on spending and savings options in line with the council priorities. We also conduct a resident's survey to hear what people think about Tamworth as a place to live.

Usually these are separate consultations, however, to avoid duplication and make an efficient use of resources, this year we intend to combine these consultations into one 'Tamworth Conversation' in late summer/early autumn.

In order to benchmark with wider local government, we are proposing to use the Local Government Associations recommended question set. These were also used in the 2021 Tamworth residents' survey. This will allow us to analyse the local results over time and benchmark across local government. To use these appropriately, these questions need to be at the beginning of the survey (detailed at **Appendix E**), to reduce bias when answering.

### **Outline timetable**

| Action   | Date           |
|--|----------------|
| Cabinet  | 8 Sept 2022    |
| Launch survey  | 12 Sept 2022   |
| All members' budget seminar  | Late Sept 2022 |
| Survey close   | 19 Oct 2022    |
| Survey results to CMT  | Nov 2022       |
| Survey results to elected members to inform budget setting decisions | End Nov 2022   |

### **Outline methodology**

This will be an online survey and will run for nearly six weeks.

The digital by default is the most environmentally friendly and cost-effective approach to delivering this survey, however we recognise that not everyone in the town has digital access so other options will be made available.

It is a voluntary survey, so we'll promote the survey through media and social media encouraging people to take part.

Specific groups will also be contacted directly and invited to have their say:

Citizens' panel

Community & Voluntary Groups

Tamworth Businesses

Lichfield & Tamworth Chamber of Commerce

Housing tenants

Tamworth Borough Council staff (many of which are residents)

Paper copies of the surveys will be made available in the TIC, and, subject to County Council approval, Tamworth Library.

Our customer services staff will seek to carry out this survey as a telephone interview, particularly for those who are less likely to engage or have digital access.

We also aim to write to a random sample of Tamworth address specifically inviting them to take part.

Elected members will also be invited to share the survey with their constituents

### **Timetable**

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

- a) Budget Consultation Members Seminar – by 30<sup>th</sup> September;
- b) Emerging Policy Changes / Capital Programme bids Members Seminar (by 31<sup>st</sup> October);
- c) Consultation process - results to Cabinet 10<sup>th</sup> November;
- d) Base budget and technical adjustments to Cabinet 1<sup>st</sup> December;
- e) Cabinet to consider Council Taxbase calculation on 15<sup>th</sup> December and Business Rates Forecast on 19<sup>th</sup> January;
- f) Cabinet proposals to a Leaders Budget Workshop 30<sup>th</sup> November;
- g) Provisional RSG settlement assessment to Corporate Management Team and EMT in December;
- h) Joint Scrutiny Committee (Budget) to be held on 25<sup>th</sup> January 2023;
- i) Final Budget and Medium Term Plan reports to Cabinet 22<sup>nd</sup> February 2022;
- j) Budgets set at Council 28<sup>th</sup> February 2022.

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 will 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 Background**

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 Levelling Up, Housing & Communities (DLUHC).

There also remains a high degree of uncertainty arising from the most significant changes in Local Government funding for a generation - arising from the Fair Funding Review, review of the Business Rates Retention (BRR) scheme, reset of the Business Rates baseline and the ongoing uncertainty over the funding for the New Homes Bonus scheme.

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

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.

The Key Risks are:

- The lasting effect of the pandemic on the economy, current cost pressures and ultimately the impact for the Council's finances – including any lasting effects for individual businesses and their employees.

There are further uncertainties arising from the finalisation of the Brexit process following the transition period. The national shortage of HGV drivers has not had a direct impact on services but it is likely that it could compound the likely price increases for supplies that are required for building or construction/maintenance works – which both the Government and the Bank of England consider to be a temporary issue.

There are also likely to be further price rises for the Council's energy supplies. This will not have an immediate effect as supplies are bought in market price 'baskets' negotiated between Oct and March for units rates charged for the year commencing April. It is likely that the basket rates next year will experience a significant increase unless the current situation changes.

- For two years, the government has only held single-year Spending Reviews, with 2019 being a single year due to the political turbulence around Brexit, and 2020 being a single year, given the COVID-19 pandemic. However, on 7<sup>th</sup> September 2021, the Chancellor wrote to Secretaries of State to confirm the government's intention to complete a multi-year Spending Review (SR2021), setting revenue and capital budgets for 2022/23 to 2024/25.

As part of the recent Spending Review, no announcement was made about the government's plans for funding reform or a reset of the Business Rates Retention (BRR) system, both of which were originally expected to be implemented in 2019/20, but which have been delayed a number of times.

The 2022/23 local government finance settlement has now been published, for one year only and is based on the Spending Review 2021 (SR21) funding levels. This is the first time since 2015 that, in the context of a multi-year Spending Review, the government has only provided local authorities with a single-year settlement.

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*Over the coming months, we will work closely with the sector and other stakeholders to update this and to look at the challenges and opportunities facing the sector before consulting on any potential changes.*

*As part of this we will look at options to support local authorities through transitional protection. Councils should note the one-off 2022/23 Services Grant provided in the Local Government Finance Settlement in 2022/23 will be excluded from potential transitional protections.*

While this means the Council will be able to retain its business rate growth for 2022/23, it also means that the uncertainty continues and potentially the Council still faces losing this growth from 2023/24 as, over the coming months, the Government have stated that they will work with the sector before consulting on funding reform.

**There is a high risk that these reforms will have a significant effect on the Council's funding level from 2023/24.**

- Uncertainty over the ongoing funding for the **New Homes Bonus scheme**, as it has been 'rolled over' for another year, with allocations made and the final 2019/20 legacy payment honoured. There is no planned legacy payment for 2022/23 (as in 2020/21 and 2021/22).

The Government consulted on the future of the New Homes Bonus in 2021 and plan to publish their response early in 2022. The Government remains committed to reform and will use the additional year to carefully consider how to ensure the incentive is more focused and targeted on ambitious housing delivery and which complements wider Government priorities.

- Challenge to continue to achieve high collection rates for council tax, business rates and housing rents – in light of the welfare benefit reforms and the impact of the pandemic on economic conditions and uncertainty.

### **Equalities Implications**

None

### **Environment and Sustainability Implications (including climate change)**

None

### **Background Information**

- a) The Government's **Fair Funding Review (FFR)** of the distribution methodology includes:
  - a. 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);
  - b. treatment of relative resources (to determine how much each Council can fund locally through income from fees and charges and council tax);
  - c. any transitional arrangements to protect Councils from significant reductions in funding – and the impact from their unwinding.
- b) **Spending Review** – where the total spending allocation for Government Departments will be set – including national control totals for Local Government spending. It sets UK Government departments' resource budgets.
- c) The ongoing **review of the Business Rates Retention (BRR) scheme** –work on the design of the new system including the impact of 'rolling in' grants such as Housing Benefit administration and New Homes Bonus.

- d) The planned **reset of the Business Rates baseline** for each Council could mean redistribution of the growth, or a proportion of such, achieved since 2013.
- e) **New Homes Bonus scheme** - review planned on operation of the scheme included local growth in housing numbers and share of the national pool (including o the 'deadweight' for which Councils no longer receive grant).
- f) National **Business Rates Revaluation** – latest indications are 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 next valuation list in 2023.

### **Report Author**

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### **List of Background Papers**

Corporate Vision, Priorities Plan, Budget & Medium Term Financial Strategy 2022/23, Council 22nd February 2022.

### **Appendices**

#### **Appendix A**

Project Plan for the Budget and Medium Term Financial Planning Process for the year 2023/24

#### **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**

Methodology for the Annual residents survey – The Tamworth Conversation

#### **Appendix E**

Draft 2022 annual residents survey – The Tamworth Conversation