

KEY DECISION: YES/NO

RECOMMENDATIONS FROM BUDGET STRATEGY WORKING GROUP 2021/22

SUMMARY AND RECOMMENDATIONS:

SUMMARY:

This report sets out the strategic financial issues considered by the Budget Strategy Working Group and recommends a number of actions to Cabinet. Any further deliberations of the group will be given verbally by the Chair of the committee to Cabinet.

RECOMMENDATIONS:

Cabinet is requested to note the recommendations from the Group:

- i) Continuation of the Savings and Transformation Programme to ensure a balanced portfolio of cost management and income generation opportunities to ensure the Council is able to achieve financial sustainability over the medium-term strategy period. Budget Strategy Working Group to act as consultee on the development of the programme in line with the Terms of Reference set out in Appendix A.
- ii) The Group, whilst mindful of the impact on Rushmoor residents, were supportive of increasing Council Tax by the maximum permissible level (£5) given the inflationary and financial pressures facing the Council.

1 BACKGROUND

- 1.1 As part of the annual budget setting process, the Council must review its expenditure and income plans to take into account priorities, the expected level of resources available, and the wider strategic financial landscape. The Council's Medium-Term Financial Strategy (MTFS), published in February 2021, provided members with an estimate of income and expenditure over a 4-year period. This indicated that the Council would face significant funding gap over the medium-term strategy period.
- 1.2 The budget setting process updates the MTFS and considers the budget for the forthcoming financial year. It is worth noting that the Council is legally required to set a balanced budget for the forthcoming financial year.
- 1.3 Covid-19 continues to have a widespread impact on local authority budgets nationally and has been particularly significant for district and borough councils with a significant loss of income from services being a particular pressure. Whilst the Government provided funding through the Sales, Fees and Charge (SFC) income loss compensation scheme in 2020/21 and Q1 of

2021/22 there is no indication this support will be provided in the near-term.

- 1.4 In common with many local authorities, Rushmoor Borough Council continues to face significant financial challenges over the medium term. The Council will need to continue to take difficult decisions around resource allocation

2 WORK OF THE BUDGET STRATEGY WORKING GROUP

- 2.1 The Budget Strategy Working Group was established to give support to the Cabinet on the process for setting priorities and preparing the budget and Medium-Term Financial Strategy (MTFS).
- 2.2 The group's Terms of Reference were updated in July 2020 and are included in Appendix 1 for information.
- 2.3 The Group has met throughout the year (July, September, November and January) to consider the strategic options around the Council's revenue and capital budget setting for the forthcoming financial year.
- 2.4 The Group have considered the on-going impact on the Council's financial position from Covid-19 and have received briefings from officers on a number of specific matters:
- Updates on developments in Local Government Finance
 - Updates on the impact from Covid-19 on the Council's financial position and consideration of recovery and strategic direction
 - Regular briefings and updates of the Cost Reduction and Efficiency Programme (CREP) in response to the recommendations made by the group in January 2021

3 BUDGET STRATEGY – LGFS AND RECOMMENDATIONS TO CABINET

- 3.1 The Government announced the provisional Local Government Finance Settlement (LGFS) on 16 December 2021 which sets out the level of Government funding and support the Council will receive in 2022/23.
- 3.2 The Group were provided with an overview of the settlement and the impact this has on the 2022/23 budget which is shown below for context and reference.
- Council Tax limit: £2% or £5 (whichever is the greater)
 - New Homes Bonus: Year 12 amount of £133k
 - Lower Tier Grant: £116k
 - Services Grant: £164k
 - No change to the Business Rates Retention system
 - Single-year settlement with emphasis on stability in the immediate term with further consultation due in 2022 on changes to the local government finance system

- 3.3 The Government published a consultation on Minimum Revenue Provision (MRP) at the end of November 2021 as part of its ongoing review of the Capital Finance system for local government. This follows changes made to the Public Works Loan Board (PWLB) lending terms in November 2020 and an updated Capital Finance Code published by CIPFA in December 2021.
- 3.4 The MRP consultation seeks views on proposed changes to regulations to better enforce the duty of local authorities to make prudent Minimum Revenue Provision each year. Where authorities borrow to finance capital spend, they are required under regulations to set aside money each year from their revenue account. This is referred to as Minimum Revenue Provision (MRP) and is to make sure they can afford to repay the principal of their debt. Local authorities have flexibility in how they calculate MRP, providing it is 'prudent'. The Government is aware that some authorities may not be fully compliant with the duty to make prudent provision and are seeking to strengthen the rules and guidance around this issue.
- 3.5 At their meetings in November 2021 and January 2022 the group considered the recommendations they would make to Cabinet. A number of themes emerged from the discussions and these are set out below and form the recommendations to Cabinet.
- Continuation of the Savings and Transformation Programme to ensure a balanced portfolio of cost management and income generation opportunities to ensure the Council is able to achieve financial sustainability over the medium-term strategy period. Budget Strategy Working Group to act as consultee on the development of the programme in line with the Terms of Reference set out in Appendix A
 - The Group, whilst mindful of the impact on Rushmoor residents, were supportive of increasing Council Tax by the maximum permissible level (£5), as set out in the Council Tax Referendum Limits guidance given the inflationary and wider financial pressures facing the Council. It is worth noting that the increased income from the maximum Council Tax rise is not sufficient to cover the financial pressures across the Council's services, so it is essential to follow this course.
- 3.7 The group acknowledged the financial uncertainty facing Rushmoor Borough Council, its residents and businesses due to the differential impact of Covid-19 and the discussion on the budget and recommendations to Cabinet reflects this view.

4 LEGAL IMPLICATIONS

- 4.1 There are no specific legal implications resulting from this report.

5 FINANCIAL IMPLICATIONS

5.1 There are no financial implications arising directly from this report. The budget reports to Cabinet and Council in February 2022 will set out the finance and resource implications from the proposed revenue and capital budgets for 2022/23.

6 CONCLUSIONS

6.1 Cabinet are asked to consider the issues and recommendations raised in this report and to take into account the Group's recommendations.

Councillor Paul Taylor
Chairman of Budget Strategy Working Group

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BUDGET STRATEGY WORKING GROUP

TERMS OF REFERENCE (updated July 2020)

A. FUNCTIONS

- To review the process for setting priorities and preparing the budget, including Member engagement in the process
- To monitor the Council's Medium Term Financial Strategy and progress towards achieving financial sustainability
- To monitor the delivery against the Savings Plan and consider strategic options for Cabinet to review
- To examine and provide input into the Council's response to any proposed changes to Government funding of Local Government (e.g., New Homes Bonus, Fair Funding Review, Business Rates Retention)

B. REPORTING

The Group will report and make recommendations to the Cabinet on the outcomes of its work.

C. MEMBERSHIP

A cross-party group of councillors appointed by the Cabinet, including:

- Corporate Services Portfolio Holder (Chairman)
- Chairman of Corporate Governance, Audit and Standards Committee
- Chairman or Vice-Chairman of Policy and Project Advisory Board
- Two Conservative Group Members
- Two Labour Group Members
- One Liberal Democrat Group Member

Other Members may be invited to join meetings for discussion on issues relating to specific projects.