

KEY DECISION: YES/NO

RECOMMENDATIONS FROM BUDGET STRATEGY WORKING GROUP

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.

RECOMMENDATIONS:

Cabinet is requested to note the recommendations from the Group:

- i) Development of a new robust, balanced and proportionate savings and income programme for 2022/23 and 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 were keen to see an emphasis on the Council acting more commercially and increasing the level of net income from services.
- iii) The Group were supportive of spreading any Collection Fund deficit over a 3-year period, as set out by Government in revised regulations.
- iv) The Group, whilst mindful of the impact on Rushmoor residents, were supportive of increasing Council Tax by the maximum permissible level (£5) given the 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 2020, provided members with an estimate of income and expenditure over a 4-year period. This indicated that the Council would face significant financial pressures in 2021/22 and over the medium term.
- 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.
- 1.2 Covid-19 is having 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

- 1.3 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
 - Introduction to the Council's Service Manager – Commercial Services
 - Fees and charges – a strategic view from the BSWG

3 BUDGET STRATEGY – LGFS AND RECOMMENDATIONS TO CABINET

- 3.1 The Government announced the provisional Local Government Finance Settlement (LGFS) on 17 December 2020 which sets out the level of Government funding and support the Council will receive in 2021/22.
- 3.2 The Group were provided with an overview of the settlement and the impact this has on the 2021/22 budget which is shown below for context and reference.
- Council Tax limit: £2% or £5 (whichever is the greater)
 - New Homes Bonus: Year 11 amount of £313k
 - Lower Tier Grant: £101k
 - RBC share of Covid-19 £1.55bn is £489k
 - Local Council Tax Support Funding to meet the additional costs associated with increases in local council tax support caseloads in 2021/22. The funding is unringfenced and can be used to provide other support to vulnerable households, including through local welfare schemes. RBC allocation is £93k.
 - Ability to spread Collection Fund deficit over 3 years was confirmed

- Tax Income Guarantee Scheme – funding available to support Councils with irrecoverable losses in council tax and business rates
 - Sales, Fees & Charges (SFC) Compensation scheme – extended into Q1 2021/22
 - PWLB Lending Terms – significant change and impact (announced in the Spending Review on 25 November 2020)
- 3.3 The Government published new lending terms at the end of November 2020 and are designed to prevent local authorities from using PWLB loans to buy commercial assets primarily for yield. The Government's intention for PWLB loans is that they should be used to pursue service delivery, housing, and regeneration activities.
- 3.4 The main changes to the ending terms require local authorities, through their Section 151 Officers, to submit a high-level description of their capital spending and financing plans for the following three years, including their expected use of the PWLB.
- 3.5 The new lending terms took effect for all PWLB loans from 26 November 2020. The lending terms are more restrictive and will require the Council to review its capital expenditure and financing plans. However, the Government will, as a result of the reforms, lower the interest rate of PWLB lending by 100bps (1.00%) for all new loans arranged from 26 November 2020.
- 3.6 At their meetings in November 2020 and January 2021 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.
- Development of a new robust, balanced and proportionate savings and income programme for 2022/23 and the medium-term strategy period. This is in response to changes in the PWLB Lending Terms that prevent all Councils from acquiring further commercial property. The Council's Savings Plan (as approved within the February 2020 MTFS) included significant additional rental income expectations from commercial property acquisitions. 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 were keen to see an emphasis on the Council acting more commercially and increasing the level of net income from services. This would take the form of both cost reduction and reviewing fees and charges in-line with the existing methodology. The Group were supportive of the Council's Service Manager (Commercial Services) in ensuring key income generating assets improve their financial performance over the medium-term. It is acknowledged that there will be constraints on the Council's commercial services given the impact from Covid-19 and the wider economic landscape.
 - The Group were supportive of spreading any Collection Fund deficit over a 3-year period, as set out by Government in revised regulations.
 - The Group, whilst mindful of the impact on Rushmoor residents, were

supportive of increasing Council Tax by the maximum permissible level (£5) given the financial pressures facing the Council, as set out in the Council Tax Referendum Limits guidance. 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.

- Consideration of financial support as a result of Covid-19. More specific support to the community in light of the continued impact of Covid-19 on vulnerable individuals and families and the local economy.

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 2021 will set out the finance and resource implications from the proposed revenue and capital budgets for 2021/22.

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 Licensing, Audit and General Purposes 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.