

Report To:	OVERVIEW PANEL
Date:	23 November 2020
Reporting Officer:	Sandra Stewart, Director – Governance and Pensions Sarah Dobson, Assistant Director – Policy, Performance and Communications
Subject:	SCRUTINY MID-YEAR BUDGET UPDATE
Report Summary:	To receive a summary and feedback based on recent scrutiny engagement on the 2020/21 budget and impacts of Covid-19.
Recommendations:	That Overview Panel is asked to note the content of the report and appendices.
Links to Corporate Plan:	Scrutiny work programmes are linked to the Council's corporate priorities. Scrutiny activity seeks to support effective decision making and priorities across Tameside.
Policy Implications:	The work programmes comprise activity that seeks to check the effective implementation of the Strategic Commission's policies and if appropriate make recommendations to the Executive with regards to development, performance monitoring, outcomes and value for money.
Financial Implications: (Authorised by the Borough Treasurer)	<p>There are no direct financial implications as a result of this report. Any costs incurred by the Scrutiny Panels must be met from existing budgets.</p> <p>The Council is required by law to set a balanced budget for the upcoming financial year. This balanced budget must be based on sound and sustainable assumptions about income and expenditure, the delivery of savings and use of reserves.</p>
Legal Implications: (Authorised by the Borough Solicitor)	<p>Legislation is clear that every councillor is responsible for the financial control and decision making at their council. The Local Government Act 1972 (Sec 151) states that "<i>every local authority shall make arrangements for the proper administration of their financial affairs...</i>" and the Local Government Act 2000 requires Full Council to approve the council's budget and council tax demand.</p> <p>Every council requires money to finance the resources it needs to provide local public services. Therefore, every councillor is required to take an interest in the way their council is funded and the financial decisions that the council takes.</p> <p>A sound budget is essential to ensure effective financial control in any organisation and the preparation of the annual budget is a key activity at every council. Budgets and financial plans will be considered more fully later in the workbook, but the central financial issue at most councils is that there are limits and constraints on most of the sources of funding open to local councils. This makes finance the key constraint on the council's ability to provide more and better services.</p> <p>Every council must have a balanced and robust budget for the forthcoming financial year and also a 'medium term financial</p>

strategy (MTFS)' which is also known as a Medium Term Financial Plan (MTFP). This projects forward likely income and expenditure over at least three years. The MTFS ought to be consistent with the council's work plans and strategies, particularly the corporate plan. Due to income constraints and the pressure on service expenditure through increased demand and inflation, many councils find that their MTFS estimates that projected expenditure will be higher than projected income. This is known as a budget gap.

Whilst such budget gaps are common in years two-three of the MTFS, the requirement to approve a balanced and robust budget for the immediate forthcoming year means that efforts need to be made to ensure that any such budget gap is closed. This is achieved by making attempts to reduce expenditure and/or increase income. Clearly councillors will be concerned with any potential effect that these financial decisions have on service delivery.

The detailed finance rules and regulations for local councils are complex and ever-changing. However, over the past few years, there has been a significant change in the overall approach to local government funding.

Since 2010 – Government has sought to make the local government funding system more locally based, phasing out general government grant altogether. One of the key implications of this change in government policy is that local decisions affecting the local economy now have important implications on council income. Therefore, the policy objectives and decision making of the local council plays a far more significant role in the council's ability to raise income than before.

The councillor's role put simply, it is to consider the council's finance and funding as a central part of all decision making and to ensure that the council provides value for money, or best value, in all of its services.

There is unlikely to be sufficient money to do everything the council would wish to provide due to its budget gap. Therefore, councillors need to consider their priorities and objectives and ensure that these drive the budget process. In addition, it is essential that councils consider how efficient it is in providing services and obtaining the appropriate service outcome for all its services.

A budget is a financial plan and like all plans it can go wrong. Councils therefore need to consider the financial impact of risk and they also need to think about their future needs. Accounting rules and regulations require all organisations to act prudently in setting aside funding where there is an expectation of the need to spend in the future. Accordingly, local councils will set aside funding over three broad areas: Councils create reserves as a means of building up funds to meet known future liabilities. These are sometimes reported in a series of locally agreed specific or earmarked reserves and may include sums to cover potential damage to council assets (sometimes known as self-insurance), un-spent budgets carried forward by the service or reserves to enable the council to accumulate funding for large projects in the

future, for example a transformation reserve. Each reserve comes with a different level of risk. It is important to understand risk and risk appetite before spending. These reserves are restricted by local agreement to fund certain types of expenditure but can be reconsidered or released if the council's future plans and priorities change. However, every council will also wish to ensure that it has a 'working balance' to act as a final contingency for unanticipated fluctuations in their spending and income. The Local Government Act 2003 requires a council to ensure that it has a minimum level of reserves and balances and requires that the Section 151 officer reports that they are satisfied that the annual budget about to be agreed does indeed leave the council with at least the agreed minimum reserve. Legislation does not define how much this minimum level should be, instead, the Section 151 officer will estimate the elements of risk in the council's finances and then recommend a minimum level of reserves to council as part of the annual budget setting process.

There are no legal or best practice guidelines on how much councils should hold in reserves and will depend on the local circumstances of the individual council. The only legal requirement is that the council must define and attempt to ensure that it holds an agreed minimum level of reserves as discussed above. When added together, most councils have total reserves in excess of the agreed minimum level.

In times of austerity, it is tempting for a council to run down its reserves to maintain day-to-day spending. However, this is, at best, short sighted and, at worst, disastrous! Reserves can only be spent once and so can never be the answer to long-term funding problems. However, reserves can be used to buy the council time to consider how best to make efficiency savings and can also be used to 'smooth' any uneven pattern in the need to make savings.

Risk Management:

Regular updates to Overview Panel provide assurance that scrutiny is progressing with an effective work programme, supporting good decision making and service improvement.

Access to Information:

The background papers relating to this report can be inspected by contacting Paul Radcliffe, Policy and Strategy Lead by:



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1. BACKGROUND

- 1.1 The Council is required by law to set a balanced budget for the upcoming financial year. It is important to base proposals on a range of sound and sustainable assumptions about income and expenditure. There is an additional need to assess, project and monitor a range of known and unknown external pressures.
- 1.2 The authority also has a statutory duty to consult with businesses and other representatives of non-domestic ratepayers on its annual spending proposals. Tameside and Glossop Strategic Commission instruct and deliver a timetable of engagement activity in order to seek and understand the priorities of individual services, residents, patients, service users and businesses alike.
- 1.3 The budget plan and timetable incorporates a sufficient level of benchmarking and transparency. Where possible, budget proposals seek to minimise costs and maximise efficiencies, whilst protecting public services. Proposals are drafted in advance of a meeting of Cabinet, prior to approval being sought at a meeting of Full Council in February. The planning and engagement process for this will commence as early as September each year.

2. SUMMARY

- 2.1 It is a requirement that Scrutiny Panels be consulted as part of planned budget conversations and engagement. Such arrangements have been in place in Tameside since Scrutiny Panels were established in 2000. The independence of scrutiny enables members to seek assurances on budget planning, process and priorities.
- 2.2 All scrutiny members are cordially invited to attend an annual budget consultation session in January each year, at which final budget proposals are presented in detail. The session provides a suitable opportunity for scrutiny members to provide feedback, raise questions and concerns. Feedback predominantly concentrates on areas included within the approved annual work programmes and findings from recent activity and review.
- 2.3 Scrutiny Chairs provide timely feedback to the Executive Member with responsibility for finance. Discussion points and findings are summarised in a formal letter, in support of the final budget report and that an opportunity be taken to table the letter at the February meeting of Cabinet.
- 2.4 More recently, 2019 onwards, Scrutiny Panels have received a mid-year budget update. This provides a further level of engagement to inform proposals and can be used to support the development of future work priorities for each panel.
- 2.5 All Scrutiny Panel members were provided with an opportunity to attend one of two mid-year budget update sessions held on 22 September 2020. The update has enabled members to seek assurances on the Strategic Commission's approach to managing and mitigating both the direct and indirect impacts that Covid-19 will continue to have on residents, communities and the local economy. A response letter of the Scrutiny Chairs to the Executive Member for Finance and Economic Growth can be viewed in **APPENDIX 1**.

3. RECOMMENDATIONS

- 3.1 As set out on the front of the report.

Chairs of the Scrutiny Panels

Councillors Teresa Smith and Mike Glover

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Date 16 October 2020

Councillor Oliver Ryan
Executive Member
Finance and Economic Growth

Tom Wilkinson
Assistant Director of Finance

Dear Councillor Ryan and Mr Wilkinson,

Scrutiny mid-year Budget update 2020/21

We write in response to the mid-year budget update meetings held on 22 September 2020. Thank you for the time taken to provide all scrutiny members with the opportunity to receive a comprehensive appraisal, which included an overview of financial impacts and projections related to Covid-19.

The budget monitoring information continues to inform future work priorities for the Scrutiny Panels. The regular updates also enable members to seek assurances on the Strategic Commission's approach to managing and mitigating both the direct and indirect impacts that Covid-19 will continue to have on residents, communities and the local economy.

This letter provides an account of discussions captured from the meetings and it is hoped that the collective points will support the wider Budget Conversation for 2021/22. Please pass our thanks to the Director of Finance and we will ensure that the Council's Overview Panel receive a suitable update on this activity at the next meeting on 23 November 2020.

Uncertainty associated with a single year financial settlement for 2020/21 has unfortunately coincided with the emergence of a global pandemic. The circumstance of which has resulted in an unprecedented and unforeseen level of external pressure on national, regional and local budgets. Members appreciate that the current financial impacts are difficult to measure, given the complexities and unknowns that such a public health emergency will continue to have on Tameside.

The strength of local partnerships and cooperative working has allowed the authority to draw on a wealth of information that will ultimately inform a local financial and economic recovery plan. Tameside continues to face significant challenges related to health outcomes, skill levels and employment, with Covid-19 presenting an unparalleled level of pressure on front line services. Our communities continue to show a level of compassion and determination needed to ensure we can get through this together.

The local transformation and integration programme between the Council and health services has resulted in a number of gains, which have enabled the local response to be focused, fast and flexible. An example of this being the Humanitarian Hub. The progress made in this area has benefited Tameside and the collaboration between health and social care has allowed resources to be both targeted and shared.

Future challenges remain and they are likely to be profound and far-reaching on the resilience of households and communities. This includes factors such as the uncertainty of future employment,

housing, education and timely access to healthcare and support. Members are conscious of the need to effectively plan for challenges that residents are likely to face going forward, and the impact that will have on the demand for services and budgets.

Additional concerns include the delayed and long-term impacts of Covid-19, with reference made to the viability of local businesses and future employment levels in the borough. Imminent changes to the furlough scheme are likely to present a number of risks and uncertainties, with the addition of a tiered approach that may result in significant curtailments for Greater Manchester if we are to be placed into Tier 3.

It was reassuring to hear that a number of financial monitoring mechanisms are in place to identify, separate and closely monitor covid and non-covid impacts to the budget. It was reported that to date a sufficient level of funding and support has been received to address in-year financial pressures. Members agree with the key risk factors identified and continued pressures placed on statutory services.

While non-discriminatory, the virus has unfortunately had a disproportionate impact on certain sectors of the local economy and their ability to function under current restrictions. There has also been a notable reduction in projected income for the Council and upcoming challenges associated with a second wave.

It was reported that the collection of Council Tax and Business Rates is below expected levels, which in itself reflects the hardship faced and is a reflection of the tough decisions that households and businesses face. Should tighter restrictions come into force, this may require a review of the Council's collection strategy in the short-term to address the range of issues associated with such arrears.

The Scrutiny Panels have continued to review the ability of services to improve outcomes for residents while at the same time deliver value for money. The Council continues to face high levels of demand on statutory services and members are supportive of a short-term need to allocate additional financial resource to Children's Services. However, concerns were raised on the Council's ability to sustain budget increases of this nature in future years. Improving outcomes for children and vulnerable residents remains a pressure and Scrutiny will continue to work with services to review the impact of sustainability projects.

Members felt that the strategic direction for economic growth and recovery has an important role to play going forward. Mr Wilkinson advised that the Growth directorate has received additional investment to progress strategic priorities. The development of separate housing and estate strategies is welcomed and it was viewed that work in related areas needs to deliver inclusive growth across all communities.

The Executive has remained supportive of Scrutiny reporting methods which ensure findings and recommendations are shared in a timely manner and to prevent delay. Scrutiny will continue to seek assurances and identify suitable opportunities to inform local, regional and national decision making.

The Council will undoubtedly achieve a greater level of confidence and assurance if a long-term funding package is to be granted. With a need to plan past 2021, scrutiny members welcome and encourage transparency in budget conversations and request that bi-annual engagement with Scrutiny Panels remain in place going forward. We confirmed that a future budget session with scrutiny members is planned for 18 January 2021, to form part of formal budget procedures for 2021/22.

Yours sincerely,

Councillor T Smith - Chair to Integrated Care and Wellbeing Scrutiny Panel
Councillor M Glover – Chair to Place and External Relations Scrutiny Panel