

AGENDA ITEM NO 5

TAVISTOCK TOWN COUNCIL BUDGET & POLICY COMMITTEE 7th JANUARY 2020 MEDIUM TERM FINANCIAL STRATEGY

1) PURPOSE OF REPORT

To provide the Committee and Council with an opportunity to review the scope of, and more particularly consider the assumptions which might appropriately underpin, the development of a Medium Term Financial Strategy¹ for the Council.

2) CORPORATE POLICY CONSIDERATIONS

The effective management of resources and appropriate forward planning underpin the delivery of the Council's Strategic Plan 2017-21 and support its commitment to value for money, the promotion of best value and continuous organisational improvement. A MTFS represents a core part of the higher level policy framework.

3) LEGAL AND RISK MANAGEMENT ISSUES

A properly prepared and adhered to MTFS, operating alongside and consistent with the policy framework, seeks to provide clarity and assist in the prioritisation of activities and the allocation of resources and management of risk. However, because it necessarily represents a projection of the future it should always be recognised that year on year content is necessarily based upon projections which may or may not be wholly reliable².

4) RESOURCE ISSUES

The resource issues associated with this report are as set out therein. They principally comprise organisational capacity, inflation, pressure on commercial income streams, demands of the capital programme and future (revenue) funding aligned to the need to rebuild capital reserves and fund any shortfall arising from the impacts of austerity and/or third party decisions.

5) ENVIRONMENTAL ISSUES

There are no environmental issues directly arising in connection with this report. All areas of spend are subject to review and recommendation at the time of resource allocation to the Corporate Reporting framework.

¹ MTFS

² For example the withdrawal this year without notice of the Council Tax Support Grant.

6) COMMUNICATION ISSUES

The content of this Report has been developed after Council decided to proceed with an MTFS. If adopted as a basis for development liaison will take place with your Accountant regarding future projections.

7) RECOMMENDATIONS

The Budget & Policy Committee and Council review the content of the report, comment as appropriate and endorse the report, in particular the assumptions which should appropriately underpin a MTFS as a basis for the preparation of a draft MTFS for the Council.

1) BACKGROUND AND PURPOSE

- 1.1 This report is intended as a scoping document to enable the Council to determine the basis upon which a Council MTFS might be developed.
- 1.2 It looks toward a MTFS based upon a 4-5 year time frame with an annual review (each year at the time the Council sets the budget) of relevant considerations, opportunities and risks associated with the funding of Council Services and delivery of organisational goals and objectives. A MTFS does not stand alone and should, in particular, be read in association with the Council Strategic Plan (CSP) and Corporate Plan. As such the MTFS is both led by, and seeks to provide the resources to deliver, the operational and strategic goals of the Council.
- 1.3 At a more granular level it is submitted a MTFS appropriately sets out to: -
 - a) Underpin the key organisational goals, as set out in the CSP 2017-2021 and, more especially actively deliver: -
 - i. *EC6 Prudent Financial Management - the Council will prepare a balanced budget and maintain appropriate levels of Reserves (both General and Capital). It will maintain sufficient measures of financial assurance and control, and conduct due diligence on all Projects and Initiatives to ensure that they are affordable, deliverable, sustainable and appropriate;*
 - ii. *EC4 Best Value – the Council will work to minimise Council costs and provide value for money services which are relevant, efficient, economic and effective. In so doing it will reflect good employment and business practices;*
 - b) Seek to identify (and where possible mitigate) those external factors over which the Council has limited or no control and which

- may impact upon its resource levels and ability to deliver services and priorities;
- c) Seek to identify those internal factors over which the Council has complete or significant control and which may impact upon the resources and capacity required to deliver services and priorities;
 - d) Arising from a-c above enable the Council to better understand financial pressures, identify critical paths and manage its resources in the most effective, efficient and economic manner.
- 1.4 As such a MTFS extends to include related areas such as the management of Council assets, its appetite for risk, maintenance of reserve levels consistent with its obligations, evaluation of threats and opportunities (including associated measures of mitigation and control), the identification of external funding and control of precept rises. It also represents a key tool in identifying the financial impacts of prospective Council decisions, their prioritisation and/or rejection.
- 1.5 The document is framed within the wider environment of general austerity affecting public services, modest levels of economic growth and increasing demands for Town/Parish Councils to take on new responsibilities. Demands deriving both from the Community and other public service providers as their own capacity diminishes.
- 1.6 More generally the effectiveness of a MTFS as a planning tool is necessarily highly dependant on, at the very least: -
- a) The extent to which, once adopted by Council, it is both adhered to as a meaningful financial planning tool and subjected to regular rigorous review alongside the associated other documents of planning and control referred to above:
 - b) The assumptions made in preparation of the Plan are accurate, robust and complete.

2) ASSUMPTIONS

- 2.1 As indicated above a MTFS is substantially dependant on the quality of assumptions made over the plan period to which it pertains.
- 2.2 The following assumptions have been submitted for review, adoption/amendment as appropriate prior to proceeding to the next stage, namely:-
- a) The Localisation of Council Tax Support Grant has been permanently lost;

- b) That (for at least 2 financial years) the Ministry of Housing, Communities and Local Government will not place a cap on Local Council Precept Levels;
- c) The Council will continue with (and as applicable develop further) the principle of "*sinking funds*" alongside introduction of an overall property maintenance plan (for routine maintenance and repairs) in order to offset future significant capital/maintenance costs and prudently manage its finances and assets;
- d) That the Council will maintain its commitment to the rebuilding of reserves (to a minimum of £500,000 capital reserves) over the Plan period;
- e) That the Council will continue its commitment to not undertaking or initiating new projects until such time as the necessary resources are in place;
- f) That irrespective of whether the Local Planning Authority introduces a Community Infrastructure Levy (CIL), (and because most major site allocations in Tavistock have been made for the period of the Local Plan), there will be no significant CIL revenue accruing to the Council during the Plan period;
- g) Staffing Establishment – that this will remain broadly consistent with current staff numbers;
- h) That non Precept related income streams broadly continue to hold at current levels (notwithstanding recognition of the pressure placed upon them by the economy generally, developing trends in shopping, demographic changes etc);
- i) Support for external organisations – that the Council will continue its longstanding practice of providing in-kind support for community organisations. Also that where arrangements are presently in place for direct support (e.g. Tavistock Heritage Trust) these will continue but not exceed currently agreed thresholds. This reflects the embedded approach of the Council to support the community, principally through the provision of leases to community and recreational organisations at less than normal market rents. The value of these benefits in kind (ie the difference between discounted and normal rent levels) is estimated to represent the equivalent of an annual benefit to these organisations of approximately £80,000 per annum³.
- j) Grants – that demands for grants from community organisations will rise over time not least as other public sector bodies find it increasingly difficult to provide support and therefore the current grants budget will be fully utilised;

³ This figure does not take into account future commitments of support to Tavistock Heritage Trust in connection with the Guildhall Gateway Centre.

- k) Linking to (e) above that within the Plan period there will be one or more significant items of expenditure (in excess of £100,000) for which no budget currently exists but which will be necessitated by virtue of circumstance and in order to meet the Council's obligations (most likely as landowner);
- l) Inflation – that fixed costs will rise at between 2-3% per annum;
- m) That the Council will continue to need, in addition to rolling capital reserves, to build up specific earmarked reserves for long-term and capital intensive projects such as extension of the burial ground;
- n) Grants to the Council – that the Council will continue to seek to source Grants for projects consistent with its Strategic Plan;
- o) That Devon will remain a three tier Council area and a unitary form of Local Government⁴ will not be introduced;
- p) That (in general terms) the Council will continue to deliver Services comparable to those presently being delivered for the duration of the Plan period and without material increase or reduction;
- q) Environmental Considerations – that over the Plan period there will be an increased emphasis upon methods and measures which are favourable to ecology, biodiversity and environment within existing budget envelopes;
- r) Savings – that the Council will continue to seek to make savings and efficiencies where possible and appropriate.

3) CONCLUSION

- 3.1 Subject to the comments of the Committee and Council the foregoing sections provide a basis upon which a first draft MTFS can be developed.
- 3.2 Looking further ahead an MTFS can provide the longer term financial information to enable the Council, alongside the other core parts of the policy framework, to better plan, prioritise and deliver the efficient, economic and effective use of resources.

CARL HEARN
TOWN CLERK
DECEMBER 2019

⁴ If this were to arise elsewhere in the Country suggests a fundamental re-evaluation of the scope and cost of Council services would be required.