

Overview & Scrutiny Board: Budget Update

1st October 2020

Purpose

- To advise OSB of the current estimated budget gap and estimated additional budget savings required, and also outline the approach being taken to address it
- To advise OSB of the latest position re: Government funding announced to date
- To outline the next steps in revising the MTFP and the 2021/22 budget setting process

Estimated budget gap & additional budget savings

The table below outlines the latest estimated budget gap, and the estimated additional budget savings required of **£3.011m in 2021/22**:

	<u>2020/21</u>	<u>2021/22</u>	<u>2022/23</u>	<u>Total 2020-2023</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
Gap - Council February 2020	0.000	0.000	0.337	0.337
Q1 2020/21 Reported Overspend	4.435	0.000	0.000	4.435
Latest Review - estimated gap	0.000	3.011	0.371	3.382
<i>Movement</i>	4.435	3.011	0.034	7.480
Savings identified to contribute to gap	0.000	0.000	0.000	0.000
Additional Contributions to/(from) Reserves	(4.435)	0.000	(0.371)	(4.806)
Additional Savings Requirement	0.000	3.011	0.000	3.011
TOTAL ADDITIONAL SAVINGS TO ACHIEVE BY 2021/22		3.011		

The impact of Covid-19 on the Council's financial position is a constantly evolving situation and subject to further change, and the actual final allocation of additional Government funding is still to be fully received.

Details of changes to MTFP since February 2020

	2021/22*	2022/23	MTFP Impact
	£m	£m	
<u>New items now included in MTFP</u>			
Creation of Covid-19 Recovery Central Contingency Budget (for 2021/22 only) <i>(see separate table in paragraph 16 for further breakdown)</i>	3.000	(3.000)	No overall impact
Covid-19 - Repayment of 20/21 Collection Fund Deficit over 3 years	1.305	0.000	Negative
Potential future impact of Covid-19 on Business Rates and Council Tax Base/Income (see paragraph 19 for details)	0.000	1.300	Negative
Unachievable Change Programme savings - non Covid-19 related	0.594	0.000	Negative
Adult Social Care Demand and reduced budget requirement (net position)	(0.500)	0.000	Positive
<u>Updates to existing items</u>			
Pay Award Assumption (now increased to 2.75% in 20/21, 2% thereafter)	0.673	0.014	Negative
Centre Square Civic Campus Net Rental Building 1 (revised following update of potential tenancy agreements)	(0.311)	(0.010)	Positive
Centre Square Civic Campus Net Rental Building 2 (revised following update of potential tenancy agreements)	(0.015)	(0.005)	Positive
<u>Timing changes to existing items</u>			
Net Children's Care/Adult Social Care Demand and allocation - grant fall off slipped to 22/23	(0.335)	0.335	No overall impact
Fair Funding Review Contingency (slipped to 22/23)	(1.400)	1.400	No overall impact
Movement in MTFP	3.011	0.034	
* Note - 2021/22 includes changes in 2020/21 which whilst are included in the projected 2020/21 outturn position will need to be formally built into the MTFP in 2021/22			

Meeting the budget gap

- Executive Members, in conjunction with officers from the Directorates, have identified a number of potential budget savings proposals to be considered in order to meet the projected budget gap of £3.011m
- Informal Executive will further consider the budget savings proposals in September/October, and also the level of Council tax increase to be applied, in order to meet the budget gap with a combination of budget savings and Council Tax increases (Note - the MTFP currently assumes a Council Tax increase of 1.99% each year in 2021/22 and 2022/23)

Government Support

Covid-19:

- The Government have already confirmed that all relevant Covid-19 costs will be covered by additional grant funding
- Additionally, all Covid-19 income losses which meet the specific criteria set out by the Government will be covered by additional grant

Current assumptions re: General Government Funding for Local Authorities:

- 2020 Comprehensive Spending Review (CSR) due in Autumn 2020
- Local Government Finance Settlement provisionally published in December 2020/January 2021 and confirmed in February 2021
- Confirmation of one year allocation of funding for 2021/22 only - uncertainty meaning future funding remains one of the most significant risks to the Council
- MTFP assumes that additional funding for Adults and Children's Social Care of £4.817m provided in 2020/21 is assumed to continue in 2021/22 only
- MTFP assumes no increase or decrease to the current levels of Revenue Support Grant (RSG) and Business Rates Top Up Grant in 2021/22 and 2022/23
- Planned re-set of business rates retention of 75% (from the current 50%) and the introduction of a new "fair funding" formula for local government now confirmed to be deferred from 2021/22 to 2022/23

Next Steps

- **29th Sept. 2020** – report to Executive including revised MTFP and the estimated level of additional budget savings required to bridge financial gap in the MTFP
- **October-December 2020** - Further review of the MTFP and details of the proposed budget savings to meet the current MTFP gap will be brought forward as part of the Medium Term Financial Plan and Budget Savings Proposals report to Executive on 24 November 2020, and then following approval by Council on 16 December 2020 will then be subject to public consultation.
- **Late December 2020/January 2021** – budget consultation period, including briefings with political groups
- **February 2021** – Following the end of the budget consultation period and receipt of the final Local Government Finance Settlement, further budget briefings to be held with Executive and political groups. MTFP will be refreshed and 2021/22 budget and associated budget savings and Council Tax level for 2021/22 set, and included in budget report to Executive and Full Council