
Budget Strategy 2021/22 and Updated Medium Term Financial Plan

Reason for this Report

1. To provide an opportunity for the Committee to consider the updated Medium Term Financial Plan and the Council's Budget Strategy for 2021/22 and the financial resilience planning underway, specifically focussing on the challenges posed by dealing with the Covid 19 pandemic.

Background

2. The Committee's Terms of Reference include scrutiny of the Council's financial policies, and its systems of financial control. Members routinely scrutinise budget proposals and monitor financial performance throughout the year.
3. The Budget Strategy Cabinet report attached at **Appendix A** is due to be considered by Cabinet at their meeting on 17 September 2020. The report sets out the Council's financial strategy and timetable for developing the 2021/22 capital and revenue budget proposals and provides an updated Medium Term Financial Plan (MTFP).
4. The report outlines the external environment within which the Council is operating, including: the impact of Covid-19 pandemic; the Council's financial and strategic context and priorities; key risks faced and financial resilience. It clarifies the Budget Reduction Requirements and the Budget Strategy to achieve them; indicates consultation and engagement plans for budget proposals, and outlines the Capital Programme with a view to developing the Council's Investment Plan for 2021/22 to 2025/26.

Structure of the Papers

5. To facilitate the scrutiny the following appendices are attached to this report:

Appendix A – Cabinet report – Budget Strategy & Updated Medium Term Financial Plan

Annex 1: Medium Term Financial Plan

Appendix 1: Budget Strategy Frequently Asked Questions

Appendix 2: Proposed Budget Timetable Framework 2020/21

Appendix 3: Finance Resilience Snapshot

Context

6. In terms of financial resilience planning, the budget strategy report highlights the following key factors:

- Economic Context – recession, Brexit, Job Retention Scheme
- Covid-19 pandemic – additional costs to the Council, loss of income for the Council, changes to service delivery and impact on public sector finances
- The need to continue to deliver significant levels of savings during a period of prolonged austerity, with consequent impact on ability to identify material levels of savings.

Medium Term Financial Plan

7. The budget gap is estimated to be **£25.417 million** in 2021/22 and **£97.182 million** over the next three years. This is an increase of **£23.782 million** on the **£73.4 million** estimated when the Budget was set in February 2020. This is made up of the following elements: employee costs; price increases; and commitments and issues identified via Month 4 budget monitoring. Further detail on each component of the gap, along with information on key assumptions can be found at **points 22- 25** and at **Annex 1**.

8. **Points 26-35** of the report to Cabinet detail key areas of sensitivities that affect the MTFP forecast, including: funding changes; pay changes; UK and Welsh Government decisions; impact of the Local Development Plan; actuary reviews; and, critically, the impact of the Covid-19 pandemic.

Covid-19 Pandemic

9. **Points 37–41** detail the risk assessment undertaken on the impact of the Covid-19 pandemic, which identifies some of the key overarching issues and their potential implications in future years. These include: failure of businesses; unemployment; public health measures; behavioural shifts; and demographics. A table at **Point 41** shows the risk ratings for these.

Budget Strategy

10. **Points 42 – 48** outline the proposed Budget Strategy, which is framed around two assumptions;
- a Council Tax Increase of 4% generating **£25.891m**; and
 - Directorate savings required of **£71.504m**.
11. The Council Tax income is based on net income and reflects the current year's tax base; it will be updated for the 2021/22 tax base once this is approved by Cabinet in December 2020, after the provisional settlement has been received.
12. The Directorate savings require **£19.3 million** in 2021/22. The report to Cabinet states that *'In order to improve the deliverability of savings and maximise the chances of securing full year savings in 2021/22, where feasible, efficiency proposals that do not require a policy decision may be actioned during this financial year. Work will continue over coming months to refine and develop proposals and to secure the early implementation of efficiency proposals where possible.'*
13. The report also stresses the requirement of transformational proposals, which will be reported later in the year to inform consultation. The report highlights that the scope for income generation proposals to form part of the 2021/22 Budget Strategy is more limited than previously.
14. For quick reference, appended to the Cabinet report at **Appendix 2** is an outline budget timetable, and at **Appendix 1** a useful question and answer summary.

Capital Programme

15. **Points 52-74** detail matters relating to updating the Capital Programme, including the potential impacts of Covid-19 pandemic, capital programme affordability, borrowing and capital receipts. The report to Cabinet states that, in the context of the above, the updated Capital Programme for 2021/22 to 2025/26 should, wherever possible, manage and prioritise emerging pressures within the resources allocated in the current Capital Programme.

Financial Resilience

16. **Points 75-78** set out key points relating the financial resilience of the Council, with further details provided in **Appendix 3**. This shows that the challenge facing the Council is significant.

Scope of the Scrutiny

17. This item will give Members the opportunity to consider the Council's strategy for developing the 2021/22 budget proposals, and specifically a fuller understanding of the financial resilience work underway to tackle the challenges posed by the Covid 19 pandemic.

18. To facilitate the scrutiny, the following witnesses have been invited to attend Committee to answer Members questions:

- Councillor Chris Weaver, Cabinet Member for Finance, Modernisation & Performance
- Christopher Lee, Corporate Director – Resources, and
- Ian Allwood, Head of Financial Services.

Legal Implications

19. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct legal implications. However, legal implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations

for decision that goes to Cabinet/Council will set out any legal implications arising from those recommendations. All decisions taken by or on behalf of the Council must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers on behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. Scrutiny Procedure Rules; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances.

Financial Implications

20. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct financial implications at this stage in relation to any of the work programme. However, financial implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any financial implications arising from those recommendations.

RECOMMENDATIONS

21. The Committee is recommended to:

- i. note the Budget Strategy for 2021/22;
- ii. consider the financial challenges caused by the Covid 19 pandemic;
- iii. consider whether it wishes to relay any comments or observations for consideration by the Cabinet Member for Finance, Modernisation & Performance.

DAVINA FIORE

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9 September 2020