

TUESDAY 15 DECEMBER 2020

Scrutiny of 2021/22 Draft Budget and Medium-Term Financial Strategy to 2025/26

Purpose of report: Scrutiny of the Draft Budget and Medium-Term Financial Strategy

Introduction:

1. Attached is a summary of the 2021/22 Draft Budget and Medium-Term Financial Strategy (MTFS), particularly focussing on the budgets for the Environment, Transport and Infrastructure (ETI) Directorate and the Community Protection Group (CPG).
2. The 2021/22 Draft Budget and MTFS to 2025/26 was presented to Cabinet on 24 November 2020. The Final Budget for 2021/22 will be approved by Cabinet in January 2021 and recommended to Council in February 2021. It is good practice to, as far as possible, set out in advance the draft budget to allow consultation on and scrutiny of the approach and the proposals included.
3. The production of the 2021/22 budget has been developed through an integrated approach across the Strategy, Transformation and Finance Services, ensuring that revenue budgets, capital investment and transformation plans are all aligned with each Directorate's service plans and all four corporate priorities of the organisation.

Context:

4. Continuing a trend set over several previous financial years, Local Government funding remains highly uncertain, with a number of factors likely to result in significant changes to the draft funding position over the medium-term, in particular; a one-year Spending Review on 25th November (in lieu of an anticipated three-year settlement) and clarity on the treatment of the Direct Schools Grant High Needs Block (HNB) deficit. The provisional settlement is expected to be released close to Christmas with a final settlement in January 2021. Government spending to combat Covid-19 and mitigate its impact on business and individuals has led to record levels of public sector borrowing; this may well influence the level of funding available for Local Authorities.

5. Despite the funding uncertainty, the overall outlook for 2021/22 is one of stability; with Directorate budget envelopes currently projected to remain largely at 2020/21 levels. There remain significant challenges in managing growth in demand, inflationary pressures and the ongoing impact of Covid-19 within those envelopes. In terms of living within the principles of a budget envelope approach, Directorates have been tasked with identifying efficiencies to close their element of the overall budget gap.
6. Good progress has been made over the last few months in reducing the original budget gap from £63.7m to the current provisional budget with a gap of £18.3m. There still remains work to be completed to close this gap but it is recognised that the funding element of the budget has not yet been finalised and the final budget will only be completed on the Local Government Finance Settlement which is due in December 2020.

Budget Scrutiny

7. Annex 1 sets out the budget proposals for E and CPG including the latest calculated revenue budget requirement compared to the current budget envelopes based on the Council's estimated funding, the service budget strategy, information on revenue pressures and efficiencies and a summary of the Capital Programme. Each Select Committee should review in the context of their individual Directorate(s), exploring significant issues and offering constructive challenge to the relevant Cabinet Members and Executive Directors.
8. Members should consider how the 2021/22 budget supports the Council in being financially stable whilst achieving Directorate and Corporate priorities and the Council's Vision for 2030. The budget aims to balance a series of different priorities and risks, and between investment, efficiencies and increases in the rate of Council Tax. It is appropriate for the Select Committee to consider how successful the budget is in achieving this.

Conclusions:

9. The provisional Local Government Finance Settlement in December 2020 will clarify the funding position for the Council, albeit for only one financial year. Once the funding position is clear, Directorate pressures, efficiency requirements and the Capital Programme will be finalised.

Recommendations:

10. That each Select Committee agrees a set of recommendations to the Cabinet, pertinent to their area, which will be included in the Final Budget Report to Cabinet in January 2021.

Next steps:

11. The recommendations resulting from Select Committee scrutiny process will be compiled and reported to the Cabinet meeting on 26 January 2021.

Report contact

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Sources/background papers

- 2021/22 Draft budget and medium-term financial strategy report to Cabinet 24 November 2020

Annexes

Annex 1: 2021/22 Draft Budget Report and Medium-Term Financial Strategy to 2025/26 – Scrutiny Report for ETI and CPG

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