

Wiltshire Council

Cabinet

8 September 2020

Subject: **Budget 2021/22 & Medium Term Financial Strategy**

Cabinet Member: **Cllr Pauline Church – Cabinet member for Finance and Procurement, and Commercial Investment**

Key Decision: **Non Key**

Executive Summary

This report outlines members the approach and overarching framework in setting the budget for the 2021/22 financial year and the updating of the medium term financial strategy given Wiltshire's emerging recovery from the COVID-19 pandemic.

It will set out the high level timescales, activity and key dates that will be required to set a balanced budget for the forthcoming financial year.

Proposal

Cabinet is asked to note:

- a) The intended approach and overarching framework for setting the 2021/22 budget, with further reports coming back to Cabinet as required.
- b) The key dates and timescales that are required to set a balanced budget.

Reason for Proposal

To inform effective decision making and ensure sound financial management as part of the Councils overall control environment.

To inform Cabinet on the intended process and context for setting the 2021/22 budget, even given the current levels of uncertainty, it begins the process and focus for setting plans and resources for providing the services and support that will be essential for delivering on Wiltshire's recovery from COVID-19.

Terence Herbert – Chief Executive

Wiltshire Council

Cabinet

8 September 2020

Subject: **Budget 2021/22 & Medium Term Financial Strategy**

Cabinet Member: **Cllr Pauline Church – Cabinet member for Finance and Procurement, and Commercial Investment**

Key Decision: **Non Key**

Purpose of Report

1. To inform Members of the proposed approach and context to the setting of the 2021/22 budget and the updating of the Medium Term Financial Strategy (MTFS).
2. To inform Members of the key dates in setting the budget and the activity that will be undertaken in proposing a balanced budget.

Approach to Budget Setting 2021/22

3. While the setting of any budget is a challenge, the setting of the budget for the financial year 2021/22 presents a unique set of circumstances and challenges, not least with the current level of funding uncertainty but also with the unknown quantity of the long lasting impact COVID-19 has had on the Councils income and spending.
4. Whilst the Council is used to planning financially with a degree of uncertainty, the impact of COVID-19 has and will continue to have a significant impact on the core funding resources, namely the collection fund (council tax and business rates) as well as income from sales, fees and charges e.g. car parking, leisure.
5. In addition, the financial pressure that normally presents itself during the setting of the budget e.g. demand for services, inflation is a further unknown quantity and potentially far reaching than the normal areas that would be expected e.g. social care, given the far reaching impacts and consequences of the COVID-19 pandemic.
6. However, the Council should be thinking around its future service delivery and beginning to plan for that now, and that its future service delivery, and therefore resources required, are closely aligned to the recovery plans and outcomes being developed.

7. Therefore, the approach to the setting of the 2021/22 budget will be a hybrid of traditional budget setting together with beginning to align resources to meet the outcomes that are identified through the recovery.
8. This will see the normal assessment of service provision, its needs and requirements based on current and forecast data, across the whole Council, an assessment of funding and then crucially begin to shift the Council's resources to where they are most needed in order to deliver on the outcomes of Wiltshire's recovery.
9. It will therefore cover the full range of services, statutory and discretionary, that the Council provides as some will feed more into outcomes than others. A key consideration will be how and where we deliver services and how we integrate those services and what support is required during and post COVID-19.
10. Firstly, the Council will have to undertake a complete overhaul of the current MTFS base assumptions. Below is the table that was presented to Cabinet when the current budget and MTFS was approved, this estimated at the time the total budget pressures being faced, the required level of savings needed to achieve a balanced budget after taking into account the forecast increases in funding.

	2021/22	2022/23	2023/24	2024/25
	£m	£m	£m	£m
Net Base Budget	344.023	353.436	364.011	374.902
Budget Pressures	29.219	24.959	24.705	26.644
Savings Required	(26.196)	(15.384)	(14.814)	(16.428)
Other Changes	6.390	1.000	1.000	1.000
Closing Net Base Budget	353.436	364.011	374.902	386.118
Forecast Funding:				
Council Tax (1.99% increase and 1% growth)	(269.288)	(278.055)	(287.084)	(296.382)
Social Care Levy	(23.893)	(23.893)	(23.893)	(23.893)
Business Rates Retention (3% growth)	(60.255)	(62.063)	(63.925)	(65.843)
Total Forecast Funding	(353.436)	(364.011)	(374.902)	(386.118)

11. All the individual assumptions that make up the detail of all the respective lines in the table will need to be reviewed and refined for their appropriateness in the current and anticipated circumstances.
12. Although the Council currently receives no revenue support grant funding from Central Government, the Council has received significant emergency funding support in the wake of the COVID-19 pandemic. The Government's approach to financial support has shown that they will, where necessary, provide financial support to Local Government and have also recognised that Councils will be impacted beyond this current financial year, however they have also cited that the

Comprehensive Spending Review (CSR) will be the method in which these ongoing issues e.g. deficits on the collection fund, will be dealt with.

13. During September assumptions on corporate resources will be reviewed and updated, this will also take a view on the any assumptions around on-going financial support from Government that may come forward or continue because of COVID-19 e.g. hardship funding for local council tax support scheme.
14. It will also take in future planning around increases in bases going forward, most notably council tax increases in terms of price as well as housing growth, which will be a key part of the Cabinets consideration when putting forward proposals.
15. It is anticipated that a further report setting out the revised assumptions on funding, together with revised assumptions on pressures and other changes, and thereby estimating any gap that will be required to be met, will be presented to Cabinet in November.
16. The Capital Programme is planned to be reviewed in November 2020, following the CSR announcement and the levels of funding anticipated from Government on Capital investment. The Council can then begin to align its capital investment required to deliver on recovery as well as understand the remit and scope of any planned use of capital receipts under the current flexibility regulations.

Key Dates and Timescales

17. Although this report marks the start of the process, there are some key dates, activities and decisions that will need to be made over the course of the next five months, ultimately setting a balanced budget in February 2021.
18. The key date above all else is the Council Meeting on 23 February 2021, and prior to that the Cabinet meeting on 2 February 2021 which will set out the Cabinet's final budget proposals.
19. However crucial to all of this will be the announcement of the CSR by HM Treasury and then the subsequent detail on the Local Government settlement by the Ministry of Housing, Communities and Local Government (MHCLG).
20. HM Treasury will receive representations on the CSR until 24 September and the CSR will be announced in the Autumn, however we are not expecting details on Local Government funding to be announced until early December.
21. The CSR will cover Government departmental spending for the years 2021/22 to 2023/24 with capital budgets going up to 2024/25. It is intended that the MTFS will cover a period of 4 years up to 2024/25.
22. Over the course of Autumn, following the revision being made to base assumptions, there will also be high level activity around mapping existing budgets to outcomes to help prioritise resources to achieve recovery outcomes.

23. At the same time Cabinet will also be firming up their proposals around priorities that are aligned with the emerging recovery plans and outcomes.

24. Any consultations and scrutiny will take place as statutorily required during the annual budget setting process.

25. A high level summary of the 2021/22 timetable is provided below.

Budget 2021/22 Proposed Timetable:

Activity / Meeting	Date
Base review of assumptions covering: Council Tax / Business Rates Government Funding Pressures Savings	September 2020
Submit representations to HM Treasury on CSR	24 September 2020
High level mapping resources to recovery outcomes	October 2020
HM Treasury announce outcome of CSR for Government Departments	Autumn 2020 (assumed October 2020)
Set council tax base and notify Town & Parish Councils	31 October 2020
Cabinet – Outcome of base assumption review	3 November 2020
Overview & Scrutiny Management Committee	18 November 2020
Financial Planning Task Group	26 November 2020
Development of a Reserve Strategy	November 2020
Capital Programme reviewed and reset	November 2020
MHCLG announce settlement for Local Government	Early December 2020
Cabinet – Draft Budget Proposals	5 January 2021
Financial Planning Task Group	w/c 18 January 2021
Overview & Scrutiny Management Committee	26 January 2021
Statutory consultation with Businesses	January 2021
Cabinet – Final Budget Proposals	2 February 2021
Overview & Scrutiny Management Committee (to consider opposition proposals)	9 February 2021
Full Council Budget & Council Tax setting	23 February 2021

General Fund Reserves

26. The level of General Fund and earmarked reserves held by the Council has highlighted the fragility the Council faces in operating and being able to deal with

financial shocks. Whilst COVID-19 was a financial shock beyond any expectation, the Council was faced with making potentially short term decisions to right size the finances sooner than otherwise would have been the case with larger reserves.

27. However, the right balance must be struck, as substantially building up reserves in a time of recovery would not be the right approach or timing for delivering essential services to Wiltshire communities, residents and businesses.

28. Therefore, for the 2021/22 budget it is proposed to develop a reserve strategy. For the general fund reserve its aim will be to set out a risk assessed level of reserve to be held by the Council, as advised by the Councils Section 151 Officer, and then a strategy of how to achieve that over the life of the MTFs. For earmarked reserves it will set out why they are held and what their intention is for use in future, providing annual transparency for members and taxpayers.

29. Part of the Councils organisational recovery is to ensure the Council, over the life of the MTFs, is financially sustainable and the development of a strategy will help ensure the Council has the adequate level of reserve to deal with the inherent risks it faces.

Implications

30. This report informs Members' future decision making.

Overview & Scrutiny Engagement

31. Regular reports are taken to Overview & Scrutiny relating to the Council's financial position.

Safeguarding Implications

32. None have been identified as arising directly from this report.

Public Health Implications

33. None have been identified as arising directly from this report.

Procurement Implications

34. None have been identified as arising directly from this report.

Equalities and diversity impact of the proposals

35. None have been identified as arising directly from this report.

Environmental and Climate Change Considerations

36. None have been identified as arising directly from this report.

Risks Assessment

37. The risks around the financial implications of COVID-19 on the Council have been well documented and reported on a regularly basis and this will continue for the remainder of the current financial year.
38. This marks the start of the setting of the next financial year budget, part of that process will set out the risks facing the Council, quantify them financially and then also advise on the level of reserves that should be held to deal with those risks.
39. Risks associated with service delivery will be raised as and when proposals are brought forward.

Legal Implications

40. None have been identified as arising directly from this report.

Proposals

41. Cabinet is asked to note:
- a) The intended approach and overarching framework for setting the 2021/22 budget, with further reports coming back to Cabinet as required.
 - b) The key dates and timescales that are required to set a balanced budget.

Reasons for Proposals

42. To inform effective decision making and ensure a sound financial control environment.

Background Papers and Consultation

None

Contact Name:

Andy Brown, Interim Corporate Director Resources (Section151 Officer)
andy.brown@wiltshire.gov.uk

Appendices:

None