

Agenda Item	
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## Report to Cabinet



Date of Meeting	29 <sup>th</sup> October 2019
Portfolio	Leader of the Council and Cabinet Member for Finance
Report Author	Julie Murphy
Public/Private Document	Public

## Budget Update and Medium Term Financial Strategy 2020/21 to 2024/25

### Executive Summary

1. To provide an update on the latest budget position for the Council and Heywood, Middleton and Rochdale Clinical Commissioning Group.
2. To provide an update on the Council's Medium Term Financial Strategy.

### Recommendation

- 2.1 Members are requested to:
  - 2.1.1 Note the updated Revenue Budget position for the Council and Heywood, Middleton and Rochdale Clinical Commissioning Group.
  - 2.1.2 Consider the Council's updated Medium Term Financial Strategy 2020/21 to 2024/25.
  - 2.1.3 Continue to identify savings proposals in order to alleviate ongoing demand pressures and to bridge the estimated budget gap identified for future years.

### Reason for Recommendation

- 3.1 Cabinet members are required to recommend a balanced 2020/21 Revenue Budget to Budget Council, and provisional budgets for 2021/22 to 2022/23. The Council is required to set a balanced budget for 2020/21 by 11<sup>th</sup> March 2020. The Medium Term Financial Strategy provides a key part of the budget setting process.

## Key Points for Consideration

### **4.1 Background**

- 4.1.1 The Budget process begins in July with approval, by Cabinet, of the assumptions and principles on which the budget is to be based. These are used as a part of the determination of the overall budget position and are currently being incorporated into Service budgets.
- 4.1.2 Throughout the year we consult on the budget and savings proposals. Financial projections are updated as further information becomes available from Central Government and other changes, including local decisions. The updated budget and feedback from consultations are reported back to Cabinet in February with recommendations for Budget Council, who will in turn set the budget.
- 4.2.3 Budget Council 27<sup>th</sup> February 2019 approved provisional budgets for 2020/21 and 2021/22. The budget position of the Council is reviewed throughout the budget process as more information becomes available. An updated budget position was reported to Cabinet in July 2019.
- 4.2.4 Budget Review Sessions have been held for each of the Council's Priority Areas: People; Place and Prosperity. There have also been sessions reviewing Support Services and Fixed Costs and to explore areas where the Council can maximise income generation opportunities. Service Directors have produce savings proposals, which are considered elsewhere on the agenda.
- 4.2.5 The Council's Medium Term Financial Strategy (MTFS) 2019/20 to 2023/24 was approved at Budget Council 27<sup>th</sup> February 2019. The MTFS has been reviewed and Appendix 1 provides an updated MTFS reflecting current budget assumptions. The MTFS for 2020/21 to 2024/25 will be formally presented for approval at Budget Council 26<sup>th</sup> February 2020.

### **4.3 Revenue Budget 2020/21 to 2022/23**

- 4.3.1 This report provides an update on the budget position for the Council and Heywood, Middleton and Rochdale Clinical Commissioning Group (HMRCCG).
- 4.3.2 The assumptions that underpin the Council's budget gap have been reviewed in line with the latest available information, including the impact of the Spending Round 2019, impacting on 2020/21 funding, announced by the Chancellor of the Exchequer on 4<sup>th</sup> September 2019. However, it must be highlighted that certainty around the funding announced on 4<sup>th</sup> September will not be gained until the Local Government Finance Settlement 2020/21, expected to be announced in late 2019.
- 4.3.3 This has been combined with the latest HMRCCG budget gap to produce an overall budget gap for the locality.

4.3.4 The Capital Programme is reported elsewhere on the agenda. The budget gap assumes revenue borrowing costs of £1.4m resulting from 2020/21 Capital Programme. If additional capital bids are approved that increase the level of revenue borrowing costs, the updated budget gap will be reported to Members.

4.3.5 Table 1 summarises the current estimated Overall Budget Gap, split between the Pooled Fund and Non-pooled Fund budgets:

**Table 1 Overall Budget Gap**

	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
	<u>£m</u>	<u>£m</u>	<u>£m</u>
<b>Pooled Fund</b>	<b>14.754</b>	<b>22.167</b>	<b>23.057</b>
<b><u>Non Pooled</u></b>			
LA	4.434	4.544	4.855
CCG	3.700	6.400	6.400
<b>Total Non Pooled</b>	<b>8.134</b>	<b>10.944</b>	<b>11.255</b>
<b>Total Budget Gap - July Cabinet</b>	<b>22.888</b>	<b>33.111</b>	<b>34.312</b>
<b><u>Pooled Fund</u></b>			
Changes to LA Gap Assumptions	-0.498	5.008	4.395
Changes to CCG Gap assumptions	-5.319	-5.319	-0.744
<b><u>Non Pooled</u></b>			
Changes to LA Gap Assumptions	-2.626	-0.574	-0.832
Changes to CCG Gap assumptions	0.000	0.000	1.400
<b><u>Revised Gap</u></b>			
<b>Pooled Fund</b>	<b>8.937</b>	<b>21.856</b>	<b>26.708</b>
<b><u>Non Pooled</u></b>			
LA	1.808	3.970	4.023
CCG	3.700	6.400	7.800
<b>Total Non Pooled</b>	<b>5.508</b>	<b>10.370</b>	<b>11.823</b>
<b>Total Budget Gap</b>	<b>14.445</b>	<b>32.226</b>	<b>38.531</b>

4.3.6 Further detail behind the updated Overall Budget Gap is discussed in the Medium Term Financial Strategy provided at Appendix 1 to this report.

#### **4.4 Savings Programme 2020/21**

4.4.1 The Savings Programme for 2020/21 is designed to bridge the budget gap for 2020/21, to enable a legally balanced budget to be set by 11<sup>th</sup> March 2020, and consider savings which can contribute to the 2021/22 gap. Savings proposals are submitted to Cabinet and the Integrated Commissioning Board

for approval to consult. Those which require approval by Cabinet are a separate agenda item, and are summarised in Table 2.

**Table 2 Savings Programme 2020/21**

	2020/21		2021/22		2022/23	
	Ongoing	One Off	Ongoing	One Off	Ongoing	One Off
	£m	£m	£m	£m	£m	£m
<b><u>Cabinet Approval</u></b>						
Proposals not requiring consultation	-2.424	-0.220	-2.782	-0.225	-3.852	-0.155
Service Delivery/Workforce	-0.033	0.000	-0.033	0.000	-0.033	0.000
Service Delivery	-0.062	0.000	-0.062	0.000	-0.062	0.000
Workforce	-0.187	0.000	-0.217	0.000	-0.233	0.000
	<b>-2.706</b>	<b>-0.220</b>	<b>-3.094</b>	<b>-0.225</b>	<b>-4.180</b>	<b>-0.155</b>
<b><u>Integrated Commissioning Board Approval</u></b>						
CCG	-9.260	0.000	-9.260	0.000	-9.260	0.000
Adult Care	-1.300	-0.060	-2.298	0.015	-2.298	0.000
Public Health	-0.307	-0.153	-0.307	0.000	-0.307	0.000
	<b>-10.867</b>	<b>-0.213</b>	<b>-11.865</b>	<b>0.015</b>	<b>-11.865</b>	<b>0.000</b>
<b>Overall Total</b>	<b>-13.573</b>	<b>-0.433</b>	<b>-14.959</b>	<b>-0.210</b>	<b>-16.045</b>	<b>-0.155</b>

## 4.5 Updated Budget Gap

- 4.5.1 Table 3 shows the Revised Budget Gap after savings proposals. This assumes that all savings proposals are approved. The estimated Budget Gap is based on the assumptions outlined in the MTFs, including the level of Government funding for 2020/21, which is still to be confirmed.
- 4.5.2 The savings proposals for 2020/21 currently being considered include a number of HMRCCG proposals which are pipeline projects. A one-off provision of £2m has been included in the 2020/21 budget to mitigate the Council's potential liability if the savings proposals approved by the Integrated Commissioning Board are not achieved. The requirement for this provision in 2020/21 and future years will be continue to be reviewed throughout the budget process.
- 4.5.3 Once more information is available, in particular the Local Government Finance Settlement 2020/21, the budget assumptions will be reviewed. Any remaining 2020/21 budget gap will be funded from one off resources in order to produce a balanced budget for 2020/21.

**Table 3 Budget Gap after Savings Proposals**

	2020/21	2021/22	2022/23
	£m	£m	£m
<b>Budget Gap before Savings Proposals</b>			
<b>Pooled Fund</b>	<b>8.937</b>	<b>21.856</b>	<b>26.708</b>
<b>Non Pooled</b>			
Local Authority	1.808	3.970	4.023
CCG	3.700	6.400	7.800
	<b>5.508</b>	<b>10.370</b>	<b>11.823</b>
<b>Total Budget Gap</b>	<b>14.445</b>	<b>32.226</b>	<b>38.531</b>
<b>Savings Proposals</b>			
<b>Pooled Fund</b>	<b>-11.324</b>	<b>-12.262</b>	<b>-12.262</b>
<b>Non Pooled</b>			
Local Authority	-2.682	-2.907	-3.938
CCG	0.000	0.000	0.000
	<b>-2.682</b>	<b>-2.907</b>	<b>-3.938</b>
<b>Total Savings Proposals</b>	<b>-14.006</b>	<b>-15.169</b>	<b>-16.200</b>
<b>Budget Gap after Savings Proposals</b>			
<b>Pooled Fund</b>	<b>-2.387</b>	<b>9.594</b>	<b>14.446</b>
<b>Non Pooled</b>			
Local Authority	-0.874	1.063	0.085
CCG	3.700	6.400	7.800
	<b>2.826</b>	<b>7.463</b>	<b>7.885</b>
<b>Total Budget Gap</b>	<b>0.439</b>	<b>17.057</b>	<b>22.331</b>

- 4.5.4 There is a need identify further saving proposals in the light of the significant budget gap identified for 2021/22 and 2022/23 and the continued demand pressures in relation to Children’s Services, Adult Care, and CCG Mental Health and Acute Services.
- 4.5.5 The savings proposals put forward by the CCG are currently shown against the Pooled Fund Gap. Work is ongoing to align the savings to the Pooled and the CCG Non Pooled budget gaps.

## **4.6 Education & Schools Funding**

4.6.1 In the Spending Round 2019 the Chancellor announced a 3 year resource settlement for schools, including that:

- Every secondary school will receive a minimum of £5,000 per pupil next year, with every primary school getting a minimum of £4,000 from 2021/22.
- There will be £700 million extra funding for children with Special Educational Needs and Disabilities (SEND) in 2020/21.

4.6.2 Individual authorities' funding allocations for 2020/21 have not yet been announced.

## **4.7 Alternatives Considered**

4.7.1 The Council is legally obliged to set a balanced revenue budget. The budget setting process is complex and must be undertaken in a planned way. Whilst budgets are prepared in accordance with the approved guidelines a number of alternative options relating to savings proposals and budget pressures are considered as part of the overall budget setting process.

### **Costs and Budget Summary**

5.1 Financial implications are considered in the main body of the report and in the Medium Term Financial Strategy provided at Appendix 1 to this report.

### **Risk and Policy Implications**

#### **6.1 Risk Implications**

6.1.1 The budget forecast has been based on a number of assumptions, known levels of expenditure and anticipated levels of resources. Final confirmation of these assumptions will not be received until November/December this year.

6.1.2 There are a number of areas of the Council's budget where risks to the projections contained in this report have been identified. These are discussed in the Medium Term Financial Strategy provided at Appendix 1 to this report.

6.1.3 The key assumptions are reviewed and updated throughout the year based upon latest information available.

#### **6.2 Legal Implications**

6.2.1 The Council is under a duty to calculate the budget in accordance with Section 32 of the Local Government Finance Act 1992 and must make three calculations namely: an estimate of the Council's gross revenue expenditure; an estimate of anticipated income; and a calculation of the

difference between the two. The amount of the budget requirement must be sufficient to meet the Council's budget commitments and ensure a balanced budget. The amount of the budget requirement must leave the Council with adequate financial reserves. The level of budget requirement must not be unreasonable having regard to the Council's fiduciary duty to its Council Tax payers and non-domestic rate payers.

- 6.2.2 Failure to make a lawful Council Tax on or before 11<sup>th</sup> March could have serious financial results for the Council and make the Council vulnerable to an Order from the Courts requiring it to make a specified increase in Council Tax.
- 6.2.3 Section 151 of the Local Government Act 1972 places a general duty on local authorities to make arrangements for 'the proper administration of their financial affairs'.
- 6.2.4 Information must be published and included in the Council Tax demand notice. The Secretary of State has made regulations, which require charging authorities to issue demand notices in a form and with contents prescribed by these regulations.
- 6.2.5 There is also a duty under Section 65 of the 1992 Act to consult persons or bodies appearing to be representative of persons subject to non-domestic rates in each area about proposals for expenditure (including capital expenditure) for each financial year.

<b>Consultation</b>
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- 7.1 Stakeholders are consulted at appropriate stages throughout the budget preparation process.

Background Papers	Place of Inspection
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