

Report to Cabinet



Date of Meeting	1 st December 2020
Portfolio	Leader of the Council and Cabinet Member for Corporate Delivery
Report Author	Julie Murphy
Public/Private Document	Public

Savings Programme 2021/22

Executive Summary

1. This report provides Cabinet Members with recommendations regarding Savings Proposals in order to meet the pre Covid-19 budget gap for 2021/22. Following the Local Government Finance Settlement 2021/22, further savings proposals will be brought forward should any be required.

Recommendation

2. It is recommended that Members:
 - 2.1 Consider and approve the savings proposals rated as green and amber to address the budget gap and for public consultation starting 4th January 2021.
 - 2.2 Consider and approve the proposal to earmark £0.5m of one-off funds in contingency, which will be allocated to Adult Care Service in 2021/22 if additional demand pressures materialise.

Reason for Recommendation

3. Cabinet members are required to recommend a balanced 2021/22 Revenue Budget to Budget Council, and provisional budgets for 2022/23 to 2023/24. The Council is required to set a balanced budget for 2021/22 by 11th March 2021.

Key Points for Consideration

4. Revenue Budget Position 2020/21

- 4.1.1 The estimated unfunded Covid pressure for 2020/21 is currently £12.498m. Of this £9.5m relates to the Collection Fund deficit, which will not impact on the General Fund budget until 2021/22 and will be addressed across 3 financial years. The deficit also includes income losses from Sales, Fees and Charges (£2.073m), these will be funded by Central Government in two tranches, November 2020 and January 2021. It is also proposed to use specific reserves of £0.8m. This results in a net deficit to be address by Council resources of £0.125m.
- 4.1.2 Previously Cabinet had agreed to use up to £7.0m from reserves in order to balance the 2020/21 budget; this use of reserves being in line with the Council's Covid returns to MHCLG. It must be noted that as the pandemic continues the cost in Table 1 may increase during 2020/21 and the full use of reserves may be required. The next MHCLG return will be submitted mid-December.

Table 1 Revenue Budget Position 2020/21

Expenditure	£'000s
Adult Social Care	9,257
Children's Social Care	2,729
Education	68
Highways and transport, Public Health & Housing	3,617
Cultural & Related	2,970
Environmental and regulatory services	1,727
Finance & Corporate	4,647
Other services	1,215
Estimated Total Spending Pressure	26,230
Less funding received for Infection Control, Test & Trace, Hardship Fund and Health (via CCG)	(15,300)
Estimated Funding Pressure	10,930

Income	£'000s
Sales, fees and charges	3,703
Commercial Income	10,596
Other	
Estimated Total reduction in Income	14,299
Total Estimated Pressure	25,229
Government Emergency Funding	(22,231)
Forecast Government compensation re: Sales, Fees & Charges Income, and use of Reserves	(2,873)
Residual Pressure	125

4.2 Revenue Budget Gap 2021/22

- 4.2.1 As part of the budget setting process, the Council makes a number of assumptions in respect of the key elements of the Council's revenue budget.

- 4.2.2 An updated Revenue Budget position for 2021/22 to 2023/24 was reported at Cabinet 29th September 2020.
- 4.2.3 Since September Cabinet a number of actions have been taken in order to reduce the Budget Gap.
- 4.2.4 A 2% increase in Discretionary Fees and Charges, subject to certain exemptions to be agreed, was approved for consultation at Cabinet on 29th September 2020.
- 4.2.5 The assumptions regarding service budget pressures have been reviewed. As a result, the assumption relating to the 2021/22 pressures for Adult Care has been reduced from £1m to £0.5m. This is a reduction of £0.5m compared to the assumption used in the figures reported to Cabinet on 29th September. However, it is intended to earmark £0.5m of one-off funds in contingency which will be allocated in year to the service if these additional demand pressures do materialise.
- 4.2.6 On 29th September 2020 Cabinet approved the results of a review of the Capital Programme 2020/21 to 2023/24, undertaken in order to establish which projects could be delayed, reduced or removed, in order to reduce the impact of borrowing costs on the Council's revenue budget. This has resulted in a saving of £1.172m in 2021/22.
- 4.2.7 Cabinet 28th July approved bringing the Customer Contact Centre back in-house, resulting in an ongoing saving of £0.083m for 2021/22.
- 4.2.8 Table 2 overleaf provides the estimated Revenue Budget position for 2021/22 to 2023/24.

Table 2 Revenue Budget Position

	2021/22	2022/23	2023/24
	<u>£m</u>	<u>£m</u>	<u>£m</u>
Budget Gap - Budget Council February 2020	2.000	2.000	2.000
<u>Pre-Covid Issues</u>			
Rochdale Riverside development pressures	0.750	0.750	0.750
Adults growth and contracts inflation	0.950	1.409	1.877
Adult Care - RLW impact on contracts	1.112	0.610	0.000
Transformation Funding	(1.112)	(0.610)	0.000
Council Tax freeze 2021/22	1.848	1.903	1.957
3% Pay Award 2021/22	0.706	0.692	0.706
Waste smoothing reserve adjustment	(0.350)	(0.350)	(0.350)
Budget pressures funding adjustment	0.000	0.500	0.500
Neighbourhoods Growth removed	(0.279)	(0.360)	(0.419)
Discretionary Fees & Charges (subject to consultation)	(0.071)	(0.071)	(0.071)
Additional inflation for contractual increases	0.732	0.746	0.968
Reduction in use of one-off funding	0.000	0.000	4.724
Increments	0.000	0.000	1.000
Capital Programme Review	(1.172)	(1.037)	(0.491)
Impact of new capital schemes - subject to consultation	0.052	0.418	0.611
Contact Centre - bringing back in house	(0.083)	(0.083)	(0.083)
Accounting Adjustments	(0.005)	(0.075)	(0.159)
	3.078	4.442	11.520
Pre-Covid Budget Gap	5.078	6.442	13.520
<u>Post-Covid Issues</u>			
Council Tax income reduction	2.887	2.246	1.244
Business Rates income reduction	2.221	2.474	1.952
Airport dividend shortfall	8.517	8.517	(0.389)
Ongoing Covid-19 pressures - Children's Services	3.000	3.000	3.000
Ongoing Covid-19 pressures - Economy	1.500	1.500	1.500
Collection Fund Deficit 2020/21	9.500	0.000	0.000
	27.626	17.737	7.307
Post-Covid Budget Gap	32.704	24.180	20.826

4.2.9 Table 3 summarises the movements in the budget position since the position reported to Cabinet 29th September.

Table 3 Movements in Budget Position since Cabinet 29th September

	2021/22	2022/23	2023/24
	<u>£m</u>	<u>£m</u>	<u>£m</u>
Adult Care Pressures 2021/22 - reduction	(0.500)	(0.500)	(0.500)
Capital Programme Review	(1.172)	(1.037)	(0.491)
Impact of new capital schemes - subject to consultation	0.052	0.418	0.611
Contact Centre - bringing back in house	(0.083)	(0.083)	(0.083)
	(1.703)	(1.202)	(0.463)

4.2.10 The updated Budget position for 2021/22 to 2023/24 is based on the best estimates at a point in time and these will be reviewed again following the Local Government Finance Settlement.

4.3 Actions planned to mitigate the Budget Gap

4.3.1 The government has announced that the local government funding settlement for 2020/21 will be a one-off. The 2021/22 Settlement is expected to be announced in mid-December 2020. The planned significant reforms to the local government funding system are now expected to be introduced for 2022/23. At this stage the impact of these reforms on individual authorities is unknown.

4.3.2 Given the level of uncertainty around the ongoing impact of Covid-19 and the future level of government funding, a number of actions have been identified to mitigate the estimated impact on the Council's financial position.

4.3.3 Discussions are ongoing with regards to considering a New Operating Model for the Council. Given the time needed to develop the model, the one-off nature of the government funding settlement for 2021/22, and the continuing uncertainty over the medium-term impact of Covid-19 it is proposed to treat 2021/22 as a transitional year.

4.3.4 Once the 2021/22 Settlement has been announced the Revenue Budget Gap 2021/22 will be reviewed to establish the savings required in order to set a balanced budget for 2021/22, and look forward in the medium term to years 2022/23 and 2023/24.

4.3.5 A savings programme has been developed in order to address the estimated Pre-Covid budget issues, currently estimated at £5.078m, to help achieve a balanced budget for 2021/22. Details are covered in the private appendices.

4.3.6 A model has been developed to best utilise the Council's reserves to smooth the impact of estimated loss of income for the Manchester Airport and Collection Fund on the Revenue Budget.

4.3.7 The government has recently announced that local authorities are to spread the impact of the loss of Council Tax and Business Rates income over three

rather than the usual one year. This will not provide any additional funding to the Council, but will delay the need to utilise the Council's reserves in the smoothing model.

- 4.3.8 A review of Treasury Management and Reserve budgets is ongoing and will feed into the medium term financial strategy for the Council. The Greater Manchester Combined Authority (GMCA) is currently reviewing its reserves in order to agree those that can be returned to districts in order to help alleviate their financial pressures.
- 4.3.9 Long term government support will be needed in order to offset the ongoing impact of the pandemic on income from Business Rates, Council Tax, Manchester Airport, and the ongoing service pressures.
- 4.3.10 If the government does not provide sufficient funding then the Council will need to develop a strategy to utilise its reserves in order to balance the budget. This will need to include a re-payment plan, to recover the level of the reserves to ensure that reserves are available to meet their original purpose and the authority remains a going concern. Further reports will be provided later in December, when there is more certainty over the level of funding and the level of financial pressures.
- 4.3.11 It is currently estimated that by 2022/23 c 34m of the Council's reserves will need to be utilised in order to balance the budget. The airport and Collection Fund losses are being managed in year and as instructed by Central Government which delays the use of the Council's reserves in this financial year, yet the impact will be felt across a longer period potentially post 2023/24. As highlighted in section 4.1, if the cost pressures increase in the second half of 2020/21 this could change. The length and final total of the use of reserves is also dependent on the recovery of the airport.

4.4 Alternatives Considered

- 4.4.1 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.
- 4.4.2 Consideration has been given to a number of options in putting forward the savings proposals contained in this report and the individual reports outline any alternatives considered. To do nothing was not considered to be an option as the Council is legally required to set a balanced budget.
- 4.4.3 Cabinet Members could decide not to implement these proposals and provide alternative options to enable a balanced budget to be achieved.

Costs and Budget Summary

5. Savings Proposals 2021/22

- 5.1 Draft savings proposals are included in the private appendix and are rated as either green or amber. Officers are recommending to Cabinet that these proposals are approved, and further proposals will be brought forward for consultation following the Local Government Finance Settlement, this being subject to discussions at Cabinet on 21st December post the settlement.
- 5.2 Individual savings proposals are private and will be made public at the consultation stage which begins on 4th January.
- 5.3 If savings are still required to produce a balanced budget following the Local Government Finance Settlement, approval to move to the consultation stage on further individual proposals will be considered at Cabinet on 21st December.
- 5.4 The settlement is complex, built up from a number of funding streams. When the 2021/22 allocations are notified, some elements might be favourable compared to our estimates included in producing the current proposed gap and others could be less favourable. Any less favourable funding streams would increase the gap, for example a lower rate of CPI would reduce income available to the council from business rates, which would only be partly offset by a reduction in costs, resulting in a net pressure.

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 are not likely to be received until December this year.
- 6.1.2 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 11th 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.

6.3 Workforce Implications

- 6.3.1 The detailed 2021/22 budget timetable includes the requirement to undertake formal workforce consultation with the staff and trade unions. The consultation will be undertaken in accordance with the Council's established formal staff consultation processes including meetings of the Joint Consultative Negotiation Group (JCNG) and Service Consultative Groups (SCG). Any Workforce proposals that are agreed by cabinet will be implemented through the delegated Decision making process (DDM).

6.4 Equalities Impacts

6.4.1 Workforce Equality Impacts Assessment

Workforce equality impact assessments will be provided with any savings proposals and an overall workforce equality impact assessment on the budget will be presented to facilitate final decision making.

6.4.2 Equality/Community Impact Assessments

Equality Impact assessments will be provided with any savings proposals and an overall equality impact assessment on the budget will be presented to facilitate final decision making

Consultation

7.1 Consultation will be undertaken with stakeholder groups, staff and service users as appropriate for the approved savings proposals. Consultation will commence on 4th January 2021 and end on 17th February 2021.

7.2 The report will be presented for consultation to Corporate Overview and Scrutiny Committee on 8th February 2021.

7.3 Post consultation options will be presented to Corporate Overview and Scrutiny Committee on 22nd February followed by Cabinet on 25th February.

Background Papers	Place of Inspection
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