

# BUDGET AND MTFS

## Risks

# Key Components of the Council's Budget ...

## Funding Sources

What government funding do we expect ?

What local fees and charges can we raise ?

How will the state of the economy impact on local and government funding ?

## Reserves

What risks might materialise, and if they do how much might the Council spend over its budget ?

Both earmarked and un-earmarked

## Spending on Services

Can services be delivered more efficiently ?

Are the costs of delivering services likely to rise due to inflation or other market pressures ?

## Demand for Services

Is demand likely to increase as a result of the economy or demographics ?

What are the Council's priorities ?

New Burdens ?

# Key Scale of the General Fund Revenue Budget ...

	Gross Spend (£,000's)	Gross Income (£,000's)	Net Spend (£,000's)
Children, Families & Education	348,407	(232,737)	115,670
Health, Wellbeing & Adults	252,963	(109,594)	143,369
Place	142,152	(80,334)	61,818
Resources	241,764	(210,988)	30,776
Service Budgets	985,286	(633,653)	351,633
Corporate Budgets	75,386	(143,046)	(67,660)
	1,060,672	(776,699)	283,973
Revenue Support Grant (RSG)	-	(14,205)	(14,205)
Locally Held Business Rates	-	(71,674)	(71,674)
Council Tax	-	(198,094)	(198,094)
	1,060,672	(1,060,672)	-

- The General Fund Revenue Budget has over £1bn coming in and £1bn going out for 2021/22
- Taken together, if those budgets prove to be only 99% deliverable we could face a £20m variance
- Whilst current savings targets may seem challenging, they should be considered in the context of opportunity to influence either the £1bn of spend or £1bn of income.

# The Budget Gap Challenge (March 2021) ...

	<----- Incremental Changes ----->				<----- Cumulative Changes ----->			
	2021/22 (£,000's)	2022/23 (£,000's)	2023/24 (£,000's)	2024/25 (£,000's)	2021/22 (£,000's)	2022/23 (£,000's)	2023/24 (£,000's)	2024/25 (£,000's)
Children's Families & Education	20,433	85	77	-	20,433	20,518	20,595	20,595
Health, Wellbeing & Adults	28,940	6,919	6,880	-	28,940	35,859	42,738	42,738
Gateway & Housing	311	-	-	-	311	311	311	311
Place	10,102	800	1,000	-	10,102	10,902	11,902	11,902
Resources	13,585	(720)	(863)	-	13,585	12,865	12,002	12,002
Corporate Items	59,192	8,430	23,269	-	59,192	67,622	90,891	90,891
<b>TOTAL GROWTH</b>	<b>132,563</b>	<b>15,514</b>	<b>30,363</b>	<b>-</b>	<b>132,563</b>	<b>148,077</b>	<b>178,439</b>	<b>178,439</b>
Children's Families & Education	(9,433)	(4,694)	(2,296)	-	(9,433)	(14,127)	(16,423)	(16,423)
Health, Wellbeing & Adults	(12,077)	(10,514)	(9,405)	-	(12,077)	(22,591)	(31,995)	(31,995)
Gateway & Housing	(5,417)	(231)	(100)	-	(5,417)	(5,648)	(5,748)	(5,748)
Place	(12,759)	(7,378)	(3,513)	-	(12,759)	(20,137)	(23,650)	(23,650)
Resources	(4,982)	(1,693)	(1,277)	-	(4,982)	(6,675)	(7,952)	(7,952)
Corporate Items	(37,895)	22,373	(11,639)	-	(37,895)	(15,522)	(27,161)	(27,161)
<b>TOTAL SAVINGS</b>	<b>(82,563)</b>	<b>(2,137)</b>	<b>(28,230)</b>	<b>-</b>	<b>(82,563)</b>	<b>(84,700)</b>	<b>(112,929)</b>	<b>(112,929)</b>
<b>NET SAVINGS</b>	<b>50,000</b>	<b>13,377</b>	<b>2,133</b>	<b>-</b>	<b>50,000</b>	<b>63,377</b>	<b>65,510</b>	<b>65,510</b>
Capitalisation Direction Request	(50,000)	25,000	20,000	5,000	(50,000)	(25,000)	(5,000)	-
<b>BUDGET GAP</b>	<b>0</b>	<b>38,377</b>	<b>22,133</b>	<b>5,000</b>	<b>0</b>	<b>38,377</b>	<b>60,510</b>	<b>65,510</b>

# Risks - Funding ...

- Local Government Finance Settlement not expected to be known provisionally until late December – impacts on Revenue Support Grant; Business Rate Retention; Council Tax Referendum Limits; Social Care Precept; New Homes Bonus ...
- Reform of the Local Government Finance System – Fair Funding Review; Business Rate Retention; General Business Rates System and Property Revaluation ...
- Economic Outlook – growth in business rates and council tax property base; risk of rise in bad debt provision if economy struggles to grow ...
- Current Year and Future Capitalisation Directions not yet formally approved

# Risks - Reserves ...

- General Reserves levels normalised in the outturn for 2020/21 – £27m closing (but still subject to external audit)
- Earmarked reserves however still remain relatively low compared to Outer London average
- 1% error in 2021/22 budgeted expenditure and income could represent £20m of the £27m General Reserves if both moved adverse
- £79m of savings (£24m agreed in March 2021 and £45m options currently being considered) – changes to agreed budgets generally carry a higher risk level

# Risks - Expenditure ...

- Inflationary Pressures – August CPI rate was 3.2% (future budget model had previously assumed 2% in future years) – each 1% on non-staffing costs represents a potential pressure of £3.7m ...
- Pay Award – labour market pressures emerging across the economy; inflation pressures seeing employees demand higher pay awards ...
- Sector-Specific Factors – areas such as social care provider costs under specific pressure and may see higher than general inflation levels

# Risks - Demand ...

- Demographics – growing and ageing population not necessarily matched by government funding or ability to grow local income sources to match
- Ageing Population – long term forecasts from ONS are for a growing proportion of the population to be beyond state retirement age
- Economic Outlook – any downturn in the economy has the potential to impact on need for services (e.g. homelessness support) whilst at the same time impacting on income levels
- Further Covid impacts – potential for further spikes to not only impact the local economy, but generate demand pressures on local support functions as well as pressure on NHS budgets

# Process Going Forward ...

## Budget Development Timeline

- Star Chamber Process completed end of October
- Consultation on Purley Leisure Ctr / C/Tax Support Scheme After Oct Cabinet
- Spending Review / Budget 27<sup>th</sup> Oct
- Scrutiny & Overview Meetings w/c 29/11
- Cabinet 6<sup>th</sup> December
- 7<sup>th</sup> December Scrutiny & Overview Ctee
- Local Government Finance Settlement Expected end Dec
- Budget Scrutiny Sessions
- Full Budget Consultation process
- Budget Setting Cabinet / Council end Feb
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- Capitalisation Direction Confirmation