

Body: Cabinet

Date: 10 December 2020

Subject: General Fund Revenue Budget Update

Report Of: Chief Finance Officer

Cabinet member Councillor Zoe Nicholson (Deputy Leader and Cabinet Member for Finance and Assets)

Ward(s) All

Purpose To provide an update on the 2020/21 revenue budget and 2021/22 draft revenue budget.

Decision Type: Non Key Decision

Officer Recommendation(s): To note the latest budget positions as set out in the report.

Reason for recommendations: To progress the budget setting process and update Cabinet on the background to this.

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1.0 Introduction

- 1.1 Cabinet received an update on the **Medium Term Financial Strategy** (MTFS) in September, which set out the initial assessment of the current financial position. It reflected the impact the pandemic was having on the Council's financial position, in terms of lost income from fees and charges, delayed savings, additional direct costs and the new financial support being given by Government.
- 1.2 The report forecast a deficit in the current year of £4m, with future years deficits of between £2.8m to £1.5m (2021/22 to 2024/25), as shown in the following table:

	2020/21 £000's	2021/22 £000's	2022/23 £000's	2023/24 £000's	2024/25 £000's
Net Revenue Budget	14,859	14,625	14,625	14,625	14,625

Covid Impact:					
Additional Costs	2,200				
Income Shortfall	1,900	750			
Covid-19 Grant	(1,223)				
Income Recovery Grant	(900)				
Recovery & Reset		(600)	(600)	(600)	(600)
Net Inflation		246	302	347	384
Spending Review		TBC			
Net Revenue Budget	16,836	15,021	14,327	14,372	14,409
Financing	(12,825)	(12,240)	(12,419)	(12,639)	(12,914)
Budget Shortfall	4,011	2,781	1,908	1,733	1,495

2.0 Revised 2020/21 Revenue Budget & 2021/22 Draft Budget

- 2.1 The position has now been updated following a detailed review of the 2020/21 budget, and production of a draft 2021/22 budget. The following table shows how the updated budgets compare with the previous MTFS forecasts.

	2020/21	
	MTFS (Sept) £000's	Revised Budget £000's
2019/20 Recurring Pressures	1,192	
Savings Changes	842	1,210
Net Increase in Cost of Services	2,034	1,210
Covid-19 Impact:		
Direct Costs - food packages, IT costs, PPE, staffing etc	1,200	1,000
Additional Costs - Hsg Benefits (temporary accomm etc)	1,000	786
Income Shortfalls - net of income recovery grant	1,000	866
Emergency Covid-19 Grant	(1,223)	(1,449)
	1,977	1,203
Funding – Removal of Business Rates Pool income	-	250
Forecast Budget Shortfall	4,011	2,663

	2021/22	
	MTFS (Sept) £000's	Draft Budget £000's
Forecast Budget Shortfall	2,781	2,472

- 2.2 The table shows that the position for the current financial year (2020/21) has improved from the previous forecast shortfall of £4m to £2.7m. The previous increase in the cost of services is lower than forecast, as are the additional costs and income shortfalls resulting

from the pandemic. Overall, the position has improved by £1.348m. Full details of the variances will be provided in future reports.

- 2.3 The draft budget for 2021/22 has also improved slightly from an initial budget shortfall forecast of £2.8m to £2.5m.

3.0 Reserves

- 3.1 The amount held in the General Fund Uncommitted Reserve, which acts as a buffer against negative movements in the budget, is projected to be £2.6m as at 31 March 2021. This is after allowing for the transfer to the newly created £1.8m Covid-19 Reserve. The combined sums set aside in these reserves are sufficient to cover the current year shortfall. However, drawing on reserves to such an extent is not financially sustainable, therefore it is essential that further savings are identified to address the position.
- 3.2 A full review of reserves will be undertaken alongside the continuing budget review process and will be formally reported to Cabinet in February. The current position is shown in the table below.

Reserves Summary	Balance as at 01-April-20* £000's	Transfers into Reserves £000's	Transfers out of Reserves £000's	Balance as at 31-Mar-21 £000's
Asset Maintenance	(2,200)	-	300	(1,900)
Economic Regeneration	(1,666)	(304)	-	(1,970)
Managing In-Year Economic Downturn	(296)	-	296	0
Revenue Grants & Contributions	(503)	-	-	(503)
Strategic Change	(1,265)	-	300	(965)
Vehicle & Equipment Replacement	(751)	-	-	(751)
Elections Reserve	0	(30)	-	(30)
Business Rates Equalisation Reserve	0	(1,067)	104	(963)
Covid-19 (new reserve)	0	(1,800)	-	(1,800)
Total Earmarked Reserves	(6,681)	(3,201)	1,000	(8,882)
General Fund Reserve	(3,425)	-	800	(2,625)
Total Reserves	(10,106)	(3,201)	1,800	(11,507)

4.0 Budget Review Process

- 4.1 In light of the above, the budget review process will continue in respect of the current financial year. This will also inform the monthly returns to MHCLG which continue to be submitted, with the 8th round due on 11 December. In addition to this the next claim for income loss recovery grant is also due in December.

- 4.2 During November Cabinet Portfolio Holders and Directors met to review their respective budget areas. The outcome of those meetings will be developed into formal 2021/22 budget proposal during December. Following this member briefings will be arranged in

January to consider the latest budget position and budget proposals, and allow for the relevant scrutiny and consultation processes to take place.

- 4.3 Clearly at this stage there are still significant financial challenges to address in order to ensure the budget shortfall is addressed in the current year, and a balanced budget approved by Full Council in February.
- 4.4 Future updates will also include the Housing Revenue Account and the combined Capital Programme, which are currently still being reviewed and updated.

5.0 Spending Review 2020

- 5.1 The Spending Review was announced on 25 November and the key headline messages for Local Government were as follows:

- Core spending power to increase by an estimated 4.5% in cash terms.
- Additional emergency Covid funding.
- Providing additional grant funding to help local authorities support household that are least able to afford council tax payments.
- 75% compensation for Council Tax and Business Rates deficits.
- 3 months extension to the income recovery compensation scheme.
- Maintaining the existing New Homes Bonus scheme for a further year.
- Additional funding to support rough sleepers and those at risk of homelessness.
- Council Tax threshold maintained at 2%.
- Public Sector pay freeze

- 5.2 At the time of writing the report the exact impact of the individual elements of the Spending Review had not been published by MHCLG. However, it is clear that they will have a positive impact on the £2.5m deficit currently being forecast for 2021/22.
- 5.3 Once the details are announced the 2021/22 position will be updated and fed into the on-going budget review, with further updates being presented to members in due course.

6.0 Implications

6.1 Financial

None arising directly from this report.

6.2 Legal

None arising directly from this report.

6.3 Risk Management implications

None arising directly from this report.

A full risk assessment will be provided as part of the final budget setting report presented to Council in February.

6.4 Equality Analysis

The equality implication of any individual decisions relating to services reviewed as part of the budget review will be in other relevant Council reports.

7.0 Environmental Sustainability Implications

The environmental sustainability implication of any individual decisions relating to services reviewed as part of the budget review will be in other relevant Council reports.

8.0 Conclusion

The Council faces considerable financial challenges as a result of the pandemic and the impact it has had on the Council's financial position. However, savings will need to be identified in order to ensure the Council can stay within budget for 2020/21 and set a balanced budget for 2021/22.