



ST HELENS
BOROUGH COUNCIL

Cabinet

10 November 2021

Report Title:	Mid-year Medium Term Financial Strategy update 2021-2024
Cabinet Portfolio	Finance and Governance
Cabinet Member	Councillor Martin Bond
Exempt Report	No
Reason for Exemption	N/A
Key Decision	No
Public Notice issued	N/A
Wards Affected	All
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Borough priorities	Ensure children and young people have a positive start in life	
	Promote good health, independence, and care across our communities	
	Create safe and strong communities and neighbourhoods for all	
	Support a strong, thriving, inclusive and well-connected local economy	
	Create green and vibrant places that reflect our heritage and culture	
	Be a responsible Council	X

1. Summary

1.1 At its meeting on 3 March 2021 Council considered and approved a report that set out:

- the proposed Revenue Budget for the financial year 2021/22
- the three-year capital programme and Capital Strategy for the period 2021-2024
- the Treasury Management Strategy Statement for the financial year 2021/22
- the Medium Term Financial Strategy (MTFS) for the period 2021-2024

1.2 This report provides Cabinet with an update on the Council's MTFS and highlights a series of key risks, uncertainties and pressures that continue to exist.

1.3 The report also highlights the ongoing cumulative funding gap during the MTFS period and the requirement for budget savings to be delivered to ensure a medium term financially balanced position that is sustainable and does not call on reserves.

2. Recommendations for Decision

2.1 Cabinet are recommended to note and approve the report.

3. Purpose of this Report

3.1 This report provides Cabinet with an update on the Council's Medium Term Financial Strategy 2021-2024 and highlights a series of key risks, uncertainties and pressures that continue to exist.

4. Background / Reasons for the recommendations

4.1 The Council's current MTFS was approved at the Council meeting on 3 March 2021 and provides an overarching framework which sets out the context in which future decisions on resource allocation and budgeting will be taken.

4.2 The primary purpose of the MTFS is to provide an indication of the future financial position of the Council and, in turn, inform the annual budget setting process, quantifying the likely

level of resources that are available to deliver the Council's services and achievement of its core strategic objectives. The MTFS is key to the successful delivery of the Council's vision and priorities and in achieving its commitment to provide services that meet the needs of its residents and communities and represent value for money within the overall resources available to it.

- 4.3 The impact of the Covid-19 global pandemic and the continuing uncertainty surrounding Local Government funding means the Council continues to face a challenging funding position and will do so for the foreseeable future.
- 4.4 When considered alongside the forecast funding available to the Council, the pressures that will arise from the demand for social care, the need to resource a local economic recovery from the pandemic, and the ability to achieve strategic objectives will drive the need to identify and deliver cash savings and cost reductions. Consequently, it is imperative that resources are allocated following an assessment of strategic priorities and that resource allocation decisions are aligned to those priorities.
- 4.5 The current MTFS includes:
- The overall financial context and a high-level overview of funding issues likely to affect the strategy
 - An impact assessment of the current Revenue Budget on future years
 - A forecast funding position and gap analysis for 2022/23 and 2023/24 informed by underlying assumptions
 - Resource allocations and actions agreed to balance the medium-term forecast resources
 - An assessment of risks to the Council's financial resilience and sustainability
 - An approved Reserves Forecast and Strategy
 - Arrangements for Monitoring and Review
 - An approved Treasury Management Strategy
 - An approved Capital and Investment Plan over the medium term
- 4.6 Approval of the current MTFS was provided against a background that included a number of key issues:
- The previously anticipated three-year Comprehensive Spending Review had been delayed and a third consecutive one-year spending round had been announced for 2021/22 – bringing significant uncertainty for future funding of the Council and making it very difficult to plan over the medium term.
 - The Government's Fair Funding Review of the methodology that determines how much funding each authority receives, based on an assessment of its relative needs and resources, had been further delayed.
 - The Government's intention to introduce reforms to the Business Rates Retention system being similarly further delayed.

- Government announcing a two-year delay to the planned 2021 Business Rates revaluation.
- A one-year only guaranteed extension of the Liverpool City Region Business Rates Retention Pilot into 2021/22, whereby authorities within the City Region retain 99% of business rates.
- A freeze to the Baseline Funding Levels for all authorities in 2021/22 (at their 2020/21 levels).
- A series of one-year only guaranteed grant funding allocations, including those for Social Care Grant, Better Care Fund, improved Better Care Fund and an assumption that the levels will continue into 2022/23 and 2023/24 at the same levels as in 2021/22, whilst the Government were continuing to look to implement a fundamental review of Social Care.
- A continuation of New Homes Bonus (NHB) for 2021/22, but with additional years not attracting legacy payments, and a commitment to reforming the NHB moving forward.
- One-year notification of permissible levels of Council Tax increase beyond which a referendum would be required and the maximum level of increase for the social care precept.
- The ongoing impact of the pandemic stretching into 2021/22 and beyond bringing enormous uncertainty. The Settlement did confirm that some financial support would continue into 2021/22, but the Council considered there to be a very real risk that the sufficiency of Covid-19 support would fall some way short of meeting and addressing the pressures that the Council would face in 2021/22. This was compounded by the absence of any indication of future Covid-19 support in subsequent periods.
- Significant risk and uncertainty in relation to the Merseyside Pension Fund position given the economic downturn and the impact on asset investment performance, alongside the 'McCloud Judgement' impact to public service pensions schemes.
- The extent to which levels of Council Tax Support claimants would increase as a result of the current economic climate and the rate of recovery.
- The extent to which Council Tax and Business Rate yields would be impacted as a result of economic downturn and the speed of recovery as a consequence of the pandemic.
- Allowing for appropriate revenue resources to provide for the ambitious strategic future capital investment as approved within the Capital Strategy.
- Assumptions around the prevailing future levels of pay and price inflation and increases to the National Living Wage.
- Increases in customer service demand levels (most significantly, but not exclusively, in care services) and the ability to manage levels and associated cost.
- Risks to income levels, including those arising from changes in customer behaviours following the pandemic.

Spending Review 2021

- 4.7 On 7 September 2021 the Chancellor wrote to the Secretaries of State in relation to the Spending Review 2021 (SR21) and advised that this would be a multi-year Spending Review which set resource and capital budgets for 2022/23 to 2024/25 and conclude on 27 October 2021, alongside an Autumn Budget 2021.
- 4.8 In doing so, it was stated that SR21 would set out how the Government aim to Build Back Better and put public finances on a sustainable path in the medium term. The outcome of SR21 is critically important to the financial health and viability of local authorities across the country. The Treasury pledged that it would set out the future plan for Local Government funding as part of the review.
- 4.9 Through SR21 the Government would consider its priorities across all spending over multiple years and invited representations to be considered as part of decisions to be taken as part of the Budget and Spending Review.
- 4.10 The Council submitted representation as part of this process, with key messages including:
- The need for wholly adequate funding after a decade of austerity and to fully recognise continuing increases in demand and unit costs being faced by local authorities.
 - The lasting impact of Covid-19, particularly in areas of higher (health and other) deprivation, and the needs driven resources necessary to ensure these issues can be addressed alongside additional legacy costs from latent demand and income reductions.
 - The need for equitable, clearer, longer term funding announcements, with a move away from one-off funding streams that bring risk and uncertainty for local authority financial and service delivery planning.
 - The need for the Government to deliver on its promises and commitment to level up economic and social opportunity across all regions and for councils to be integral to the levelling up agenda. The Council sees that SR21 provides a real opportunity to rebalance investment in infrastructure, but equally should seek to invest sufficiently in people-based services to remove the poverty / deprivation barriers and inequalities that currently exist.
 - The threats to local authority financial resilience and sustainability and their ability to drive economic growth and ensure community resilience when emerging from the pandemic.

Appendix 1 provides a high-level commentary of key points included in the Council's representation.

- 4.11 SR21 has provided some information about how local government's funding will be constructed over the next three years – but there are still a number of significant gaps that will not be resolved until (at the earliest) the Provisional Local Government Finance Settlement later in the year. Key headlines for the revenue funding position of local authorities include:

Council Tax

- It is expected that the referendum threshold for increase in Council Tax is to remain at 2% per year, with an additional adult social care precept of up to 1% per year. Announcements on the thresholds will be provided in the Provisional Local Government Finance Settlement.

With inflation potentially as high as 5% this year, this would imply a real-terms reduction in local authority Council Tax receipts, offsetting some of the increase in grant funding in the coming year (see below).

Business Rates

- A freeze in the Business Rates multiplier for 2022/23.
- Introduction of a new temporary Business Rates relief for eligible retail, hospitality and leisure properties for 2022/23. Eligible properties will receive a 50% relief, up to a £110k cap.
- Introduction of a 100% improvement relief to provide 12 months discount for higher bills for occupiers where eligible improvements to an existing property increase the rateable value. Government will consult on how to implement this relief, which will take effect in 2023.
- Introduction of targeted Business Rate exemptions to encourage the adoption of green technology.
- Frequency of Business Rates revaluations to be every 3 years, starting in 2023.
- Extension of transitional relief for small and medium-sized businesses for 1 year.
- Local authorities to be compensated for the loss of income as a result of these Business Rates measures.
- An 'assumed' continuation of Business Rates Retention Pilot schemes until 2024/25, with further detail on arrangements beyond the current year to be provided by Government in due course.

Government funding

- Additional general settlement funding being made available to local authorities in 2022/23, but no detail of the basis upon which sums will be allocated between individual authorities, or as to what is required to be funded by the increase.

A general rule-of-thumb is that most new spending pressures will have to be funded from this allocation – for example, the increased National Insurance Contributions from April 2022, costs arising from the Local Government Pay Award and the above-inflationary increases in National Living Wage.

- No further increases in general settlement funding being made available in 2023/24 or 2024/25.

This will mean that local authorities will be increasingly reliant on other revenue sources (including those from local taxes) to meet spending pressures in 2023/24 and 2024/25, and face the requirement for further cuts to services. The more deprived local authorities have significantly less ability to raise additional sums from Council Tax.

- No specific additional funding provided to address existing pressures in social care services or ongoing Covid-19 expenditure pressures / income losses.

- No increase in Public Health Grant over the SR21 period, with funding being maintained at the same real-terms levels.
- Funding made available to compensate local authorities for costs arising from the implementation of caps on personal care costs and changes to means testing – but with no current detail around the basis of allocation.

£200m is provided nationally for 2022-2023, rising to £2bn in 2024/25. The LGA has stated its concerns that the money allocated may be insufficient to fund the reforms.

- Further sums being earmarked over a three-year period to “improve the wider social care system, including the quality and integration of care”. No further detail is currently available as to how this funding will be used or how much, if any, will be distributed to local authorities.
- Funding to be made available to reduce homelessness, for which no further detail is available in terms of specific allocations or how this relates to previously announced funding.
- A number of smaller allocations to be made to local authorities over the three-year period, including:
 - Supporting Families programme. £40m has been announced nationally for 2022/23, though it is currently unclear as to how this ties into current Troubled Families funding support.
 - Cyber resilience (£12m nationally in 2022/23).
 - Strengthening Local Delivery and Transparency. The sum for 2022/23 is less than the funding provided in 2021/22 to fund increased costs arising from new audit requirements that have arisen.
- No announcements about the future of the Fair Funding Review or Business Rates reforms / resets.

It is considered that the absence of a Fair Funding Review and frozen settlement model will further widen the spending gap to the detriment of those high needs, low taxbase areas most in need of levelling up.

- No announcement in relation to New Homes Bonus reform or the future of the Lower Tier Support Grant.
- No announcement as to whether local authorities can expect a three-year Local Government Finance Settlement that covers the period 2022/23 to 2024/25.

Other matters

- From 1 April 2022 the National Living Wage will increase by 6.6% to £9.50 per hour.
- Public sector workers will see “fair and affordable pay rises” over the whole Spending Review period.
- The current Universal Credit taper of 63% will be reduced by 8% to 55%, with this change to be introduced no later than 1 December 2021.

- The Government will publish the Levelling Up White Paper by the end of the year, setting out in more detail the framework and next steps towards levelling up opportunities.
- Further detail around the UK Shared Prosperity Fund is awaited, though an allocation across the Spending Review period was announced to provide opportunities for adults to develop their numeracy skills.
- The Office of Budget Responsibility expects inflation to remain elevated across 2022 and 2023 and this presents a major risk for local authorities where grant funding is provided in nominal terms and the existence of inflation erodes the real terms spending power.

4.12 Analysis by the Institute for Fiscal Studies (IFS) concludes that once the money allocated for social care reforms is excluded, the increase in core spending power is 1.8%. When considered against a backdrop of issues including the ongoing increases in demand for services, heightened inflation, and additional costs such as those associated with the National Living Wage and National Insurance increases arising from the health and social care levy, the IFS concludes that during the period Councils will be forced to cut additional services without further funding announcements.

Mid-year updated assumptions of MTFS

- 4.13 Sections 4.5 and 4.6 provide detail that underpins the resource position as included in the MTFS approved by Council on 3 March 2021, covering the financial period through to 2023/24.
- 4.14 With regard to the range of variables, uncertainties, risks and assumptions applied, and in considering the Reserves, Treasury Management and Capital Strategies the following modelled MTFS position was determined:

		REDUCTION FROM 2020/21 (% OF NET PORTFOLIO BUDGET)
	(£M)	%
Potential Gap 2021/22	13.4	8.7
Anticipated demand pressures	7.0	
Ongoing Covid-19 pressures (unfunded)	3.0	
Financing Capital pipeline schemes	1.0	
Pay and prices / other	1.0	
Potential Gap 2022/23	12.0	7.8
Anticipated demand pressures	6.0	
Reducing Covid-19 pressures	(1.0)	
Financing Capital pipeline schemes	2.0	
Pension Costs	2.0	
Pay and prices / other	(1.1)	
Potential Gap 2023/24	7.9	5.1
Cumulative Potential Gap 2021-2024	33.3	21.6

- 4.15 To address this position Cabinet approved the requirement for budget options and further actions necessary in relation to closing the budget gap for 2021/22 and delivering a sustainable, balanced budget.
- 4.16 Collectively, all Portfolio holders worked with Officers to identify acceptable savings options that were agreed by Cabinet and Council.
- 4.17 In doing so, full regard was had to matters such as:
- Impact on statutory duties and other agreed priorities
 - Impact on current policy matters
 - Impact on staff / structures
 - Impact on performance and/or service delivery (including members of the public, service users, carers) - immediately and/or in the future
 - Impact on other Council services - immediately and/or in the future
 - Impact on partner organisations - immediately and/or in the future
 - Potential / actual risks and actions to mitigate them
 - Benchmarking of costs
- 4.18 In approving the MTFs, Council agreed to a series of savings proposals covering the three-year period as detailed in Appendix 2, resulting in the position provided below.

	2021/22 £'000	2022/23 £'000	2023/24 £'000
Integrated Care & Health	4,436	1,715	1,090
Wellbeing, Culture & Heritage	1,123	1,056	0
Children & Young People	3,116	4,829	0
Education, Skills & Business	470	420	50
Environment & Transport	1,510	735	160
Regeneration & Planning	677	417	0
Safer, Stronger Communities	1,005	524	0
Finance & Governance	772	244	0
Reset & Recovery	331	104	0
TOTAL PROPOSED SAVINGS	13,440	10,044	1,300
BUDGET GAP	13,440	12,040	7,904
RESIDUAL GAP	0	1,996	6,604
CUMULATIVE GAP	0	1,996	8,600

MTFS
position as
at March
2021

4.19 Previous sections of this report illustrate the continuing absence of certainty around ongoing funding that serve to make accurate and detailed planning incredibly difficult, including:

- The number of significant information gaps that remain following the Spending Review and Budget, and that will not be resolved until (at the earliest) the Provisional Local Government Finance Settlement later in the year.
- The continued longer-term impact of Covid-19 on both levels of expenditure and income.
- A funding crisis engulfing the social care system amid continually increasing demand.
- Continued delays to Local Government finance reforms (Fair Funding Review and the Business Rates Retention system).
- The outcome of the fundamental review of Business Rates.
- Lack of the necessary detail around Government plans for Levelling Up and the replacement of former EU structural funds.

4.20 Notwithstanding the ongoing uncertainties outlined, revised modelling has been undertaken to forecast indicative budget gaps for 2022/23 and future years. In doing so, a breadth of planning assumptions and budget risks have been revisited to ensure that a realistic mid-term forecast financial position is established.

4.21 Revisions to forecasts have been made in relation to a number of aspects of the budget, based on most recent data or information. These include:

- Pay inflation – informed by the current pay negotiations position and announcements as part of the Spending Review.
- National Living Wage – informed by announcements within the Spending Review / Budget.

- NHB allocations – assumes that NHB will continue to be allocated until the Fair Funding Review is implemented and is provided on a single year basis, with no legacy payments in future years.
- Collection Fund (Council Tax & Business Rates) – informed by expected threshold levels as announced in the Spending Review and more recent & revised forecast positions in relation to the base position, estimated levels of growth and levels of successful Business Rates valuation appeals.
- Demand, underlying base & Covid-19 legacy pressures – informed by more recent & revised forecast positions.
- Flexible use of capital receipts - £1.3m application during 2022/23 and 2023/24 to fund the costs of a Growth Delivering Prosperity Team to accelerate delivery of the Borough's significant growth plans, as approved by Cabinet at its meeting on 20 October 2021.

4.22 The revised modelling is an essential factor in ensuring that the Council maintains its financial resilience, whilst being used to inform decisions around the allocation of resources to meet the Council's priorities ahead, as well as dealing with financial challenges.

4.23 At this stage, the revised modelling for 2022/23 and 2023/24 shows a position where the forecast in-year budget gaps are broadly at the same level with those within the current MTFS, as illustrated in the table below. The Provisional Local Government Finance Settlement should provide confirmation of revisions to the Council's general settlement funding. Given the absence of detail around the basis upon which sums will be allocated between individual authorities, and what is required to be funded by from within that allocation, no associated revisions have been incorporated into the model at this point in time.

	2022-2023 £'000	2023-2024 £'000
Current MTFS Budget Gap	12,040	9,900
Movement in updated modelling	(1,495)	1,055
Revised modelled Budget Gap	10,545	10,955
Savings agreed via MTFS 2021-2024*	(10,044)	(1,300)
Revised Cumulative Budget Gap * (after agreed savings)	501	9,655
Cumulative Budget Gap in current MTFS * (after agreed savings)	1,996	8,600
Net movement in updated modelling	1,495	-1,055

* Assumes all 2021-22 agreed savings are delivered and further years' savings remain as per MTFS 2021-2024.

**MTFS
remodelled
position**

4.24 It should be highlighted that this position is dependent on the full delivery of the agreed savings for, and in, the respective years, as included in section 4.18 and Appendix 2.

The Financial Monitoring Report, included as a separate report on the Cabinet agenda of 10 November, reports the latest position in relation to approved savings for 2021/22. Non-

achievement of savings will require management actions to identify and implement compensating cost reductions where they are assessed as no longer possible.

4.25 The remodelled position is based on, and is sensitive to, a series of other highly critical assumptions, including:

- continued deferral of the Fair Funding Review and Business Rates reforms during the period.
- the continued participation in the (99%) Liverpool City Region Business Rates Retention Pilot throughout the period.
- an inflationary environment that runs at closer to the Government's target rate than at present.
- expected allowable Council Tax increases of 3%, inclusive of an adult social care precept.
- the experienced level of Covid-19 legacy pressures (ongoing expenditure and/or income losses).
- the adequate level of funding being made available to compensate local authorities for costs arising from the implementation of caps on personal care costs and changes to means testing.
- the successful delivery of Children's and Adult Social Care Demand Strategies.
- the levels of future interest rates, both in terms of investment returns and borrowing costs to support the programme of strategic capital investment.
- the impact of changing economic conditions on the Merseyside Pension Fund funding position and investment strategy, as would need to be recognised in the 2022 Actuarial Revaluation.
- legislative changes and/or the imposition of new responsibilities on the Council being funded by Government.
- limits on the level of increases approved by the Levying bodies (especially Merseytravel & Merseyside Recycling and Waste Authority).

Reserves Strategy

4.26 As is evident, the Council continues to face significant financial challenges and uncertainty in funding and must prioritise resources for key priorities, whilst at the same time delivering services within budget constraints. Ensuring financial sustainability over the medium term is a priority for the Council.

4.27 Reserves play a vital role in offering transitional support to act as a buffer and to ensure smooth service transition as the Council adapts to organisational changes and new ways of working; and to offer time limited opportunity for investment to aid strategic delivery.

4.28 It is imperative that the Council continues to have a strong and robust Reserves Strategy that adequately reflects the future needs of the organisation and that reserves are set at a level that mitigate against future risks and uncertainties, whilst providing opportunity for investment within the confines of overall affordability and availability of resource.

- 4.29 Given the current environment it remains imperative that the Council seeks to build its reserves over the short to medium term as part of its MTFS and both the current and revised MTFS modelling allow for a £2m p.a. contribution to the Funding Reform Volatility Reserve to provide resilience to the Council from the uncertainties in future changes in Government funding and finance reform and to 'smooth out' resources during the transition period.
- 4.30 The current target level of the Council's general reserves is set at £12m, with this sum judged to be a prudent level of balance to be set aside to ensure the Council remains financially liquid as a going concern. This fund is held to provide an emergency fund for exceptional circumstances and unknown risks. The target level will be re-assessed as part of the ongoing refinement and development of the MTFS.
- 4.31 The Financial Monitoring Report, included as a separate report on the Cabinet agenda of 10 November reports the latest position in relation to the forecast level and utilisation of reserves.

Capital Investment

- 4.32 In approving the current MTFS, the Council set out and made provision for its ambitious capital plans over the medium term through identification of a number of strategic capital schemes for 2021/22, alongside pipeline schemes for future years. These include investment in highway and property assets, regeneration of the borough and its localities, and invest to save schemes.
- 4.33 In developing the 2022/23 budget and MTFS for 2022-2025, consideration will be given to the identification of further strategic capital investment aspirations to support or deliver Council priorities. The revenue implications of such will need to be fully considered in terms of affordability and the sustainability of the Council's financial position.

Budget Consultation

- 4.34 A budget consultation exercise providing information in relation to the budget challenge that the Council faces and containing a survey to capture views and service priorities from all residents will run from November to December 2021. The outcome of the consultation exercise will be included within future budget reports.

5. Community Impact Assessment

- 5.1 None directly arising from this report. The MTFS provides an indication of the future financial position of the Council that will, in turn, inform the annual budget setting process, quantifying the likely level of resources that are available to deliver the Council's services and achievement of its core strategic objectives.
- 5.2 The MTFS is key to the successful delivery of the Council's vision and priorities and in achieving its commitment to provide services that meet the needs of its residents and communities and represent value for money within the overall resources available to it.

6. Consideration of Alternatives

- 6.1 Consultation feedback and alternative budget proposals will be considered as part of the ongoing Budget setting process.

7. Conclusions

- 7.1 The report provides Cabinet with an update on the Council's MTFS and highlights a series of key risks, uncertainties and pressures that continue to exist.
- 7.2 The report also highlights the ongoing cumulative funding gap during the MTFS period and the requirement to progress savings options over the period to deliver a balanced budget position that is sustainable and avoids a reliance on using reserves.

8. Implications

8.1 Legal Implications

- 8.1.1 A local authority is legally required to produce a balanced budget and the development and approval of the MTFS is key to the delivery of this duty.

8.2 Community Impact Assessment (CIA) Implications

8.2.1 Social Value

- 8.2.1.1 None directly arising from this report. Considerations form an important part of resource allocation decisions.

8.2.2 Sustainability and Environment

- 8.2.2.1 None directly arising from this report. Considerations form an important part of resource allocation decisions.

8.2.3 Health and Wellbeing

- 8.2.3.1 None directly arising from this report. Considerations form an important part of resource allocation decisions.

- 8.2.3.2 The demand and other cost pressures relating to social care are significant, as are the uncertainties associated with existing and future funding streams.

8.2.4 Equality and Human Rights

- 8.2.4.1 None directly arising from this report. As part of the wider budget process, an initial analysis will be undertaken of equalities and other legal implications of various options/proposals. Detailed equalities impact assessments will be undertaken for individual decisions required to implement saving plans.

8.3 Customers and Resident

- 8.3.1 A budget consultation exercise providing information in relation to the budget challenge that the Council faces and containing a survey to capture views and service priorities from all residents will run from November to December 2021.
- 8.3.2 Specific consultation will be undertaken for any savings proposals where there are wider impacts on customers and residents.

8.4 Asset and Property

- 8.4.1 In developing the 2022/23 budget and MTFS for 2022-2025, consideration will be given to the identification of further strategic capital investment aspirations to support or deliver Council priorities.

8.5 Staffing and Human Resource

8.5.1 None directly arising from this report.

8.6 Risks

8.6.1 This report sets out the scale of budget challenges and highlights many of the risks that exist in relation to the Council's ongoing financial position and sustainability.

8.6.2 The comprehensive assessment of risks forms a vital part of the MTFS, budget setting and Reserves Strategy process.

8.6.3 Individual risks that may arise from savings proposals will be set out clearly as part of the decision-making process in relation to each individual saving.

8.7 Finance

8.7.1 As set out in the report.

8.8 Policy Framework Implications

8.8.1 The MTFS is key to the successful delivery of the Council's vision and priorities and in achieving its commitment to provide services that meet the needs of its residents and communities and represent value for money within the overall resources available to it.

9. Background papers

9.1 None

10. Appendices

10.1 Appendix 1 – High level commentary of key points included in the Council's representation submitted for the Budget and Spending Review

10.2 Appendix 2 - Savings agreed as part of Medium Term Financial Strategy 2021-2024

Appendix 1 – High level commentary of key points included in the Council’s representation submitted for the Budget and Spending Review

A need for wholly adequate funding, recognising demand for services
<p>As with most local authorities, over the last decade the Council has suffered significant reductions in its funding from Central Government at a time of enormous increases in demand for services, often driven by matters that are brought about by local deprivation. As a consequence, the Council has been forced to raise Council Tax, whilst considerable savings have still been required to balance budgets. A funding system that operates in such a way is clearly unsustainable and inappropriate.</p>
<p>The Council will be looking for evidence that there is sufficient future general Government funding, and real term growth, made available to cover both the current shortfall in funding and additional spending pressures over the spending review period. This should include priority services (such as social care, public health and children’s) as well as “non-protected” services.</p>
<p>It is essential that the Government fully funds the recently announced social care reforms, providing clarity around the (direct and indirect) financial impact on local authorities and how funding will be distributed, with a commitment to review the approach regularly to ensure that costs are fully funded as they change over the medium term, rather than add to the funding gap within adult social care, which is estimated by the Health Foundation as currently standing at £8.6bn.</p>
<p>A proper funding solution must be found for social care. A recent Institute for Fiscal Studies (IFS) report observed that without further increases in Government funding to pay for the reforms, councils would face the unenviable choice between very large council tax increases (potentially requiring winning local referendums), cuts to other services, and/or failure to improve adult social care services in the way the Government and the public will expect.</p>

The lasting impact of Covid-19
<p>Extended funding needs to be provided to local authorities to allow recovery from the pandemic. Currently announced Covid-19 funding runs out in 2021/22 but continuing Covid-19 driven costs and income losses are inevitable during 2022/23 and beyond.</p>
<p>SR21 is an opportunity for the Government to address the health inequalities exposed by the pandemic which are preventing a levelling up of the country, by investing in councils’ public health services and injecting genuinely new funding into adult social care to tackle immediate pressures, if the nation is indeed to build back better.</p>
<p>The IFS have recommended that the Government uses the SR21 to allocate a baseline amount of funding for local authorities’ Covid-19 costs, which would be topped up if demand increases throughout the year.</p>

The need for greater fairness and certainty

Councils require funding allocations are certain or predictable and, wherever possible, are based on fairly determined / rational bases of distribution. If this can be achieved via SR21 or the subsequent Local Government Finance Settlement, it will provide the Council with the ability to use scarce resources as effectively as possible, whilst a three-year funding settlement would greatly assist in that regard.

The current funding system suffers from having too many different funding streams. At times, some of these funding streams have distribution methodologies and time horizons that are designed to meet a short-term objective rather than distributing in a consistent and longer term, predictable way.

Uncertainty still exists as to whether the Fair Funding Review will be further delayed, and if so, until when. Consensus within the sector is that the introduction of a new funding formula will be delayed for a third time, as will the intended reforms to the business rates retention system.

The review started in 2015 and was initially expected to be implemented in 2019/20. There have been two delays so far (in 2020/21 and 2021/22) and a third (2022/23) is widely considered as inevitable.

The position needs to be urgently clarified.

There is a pressing need to update the formulas and data that are used. Formulas were last updated in 2013/14 and based on data (including that relating to health, social care and education) such that if there is no update within SR21 or the upcoming Local Government Finance Settlement the distribution of funding will be based on factors that are over a decade old.

Since 2013/14 each local authority has retained an element of its local business rates through the business rates retention scheme. The Government's original intention was to "reset" local authority baselines (the target level of business rates it expects each local authority to collect each year) in 2020. However, a series of delays have ensued, and whilst the Government confirmed its commitment to business rate retention system reforms in the most recent Local Government Finance Settlement, it has been unable to commit to implementing reforms in 2022/23.

A consequence of these repeated delays is that the actual levels of business rates collected by local authorities have become increasingly decoupled from their baselines (target levels), which were set in 2013 and any future "reset" of the system, aimed at rebalancing and managing the funding system, could therefore see significant changes in baselines, meaning the risk of sharp variations in funding.

The fundamental review of business rates was previously announced by the Chancellor and a call for evidence was published in July 2020 to seek stakeholders' views on key issues including potential alternative ways of taxing non-residential property. In March 2021 the Government published an Interim Report, which stated their intention to publish a final report in Autumn 2021 that will set out their priorities for reform and longer-term vision for the business rates system.

The outcome of this is of huge importance for local authorities and the Government need to ensure that the reforms and associated measures provide a stable, sustainable and predictable funding source for Local Government.

Levelling up economic and social opportunity

SR21 should present an opportunity to provide the necessary detail of the Government plans to replace former EU structural funds with a new UK Shared Prosperity Fund (UKSPF), due to launch in April 2022.

The November 2020 spending review described the overall purpose of the UKSPF as being to level up and create opportunity across the UK for people and places, and that spending would at least match current receipts from EU structural funds, operating over multiple years to provide certainty and enable long-term planning. This commitment needs to be fairly delivered.

The November 2020 review also stated that UKSPF funding will target places most in need, such as ex-industrial areas and deprived towns, and that its funding profile will be set out at the next Spending Review, with focus on:

- Investment in people – employment, skills and training
- Investment in transport improvements, digital connectivity, neighbour and housing improvements, and civic, cultural and sporting facilities
- Investment for local business, including to support innovation, adoption of new technologies, and a low-carbon transition

SR21 needs to deliver on this commitment.

SR21 also provides an opportunity for Government to set out its position and links to the anticipated Levelling Up White Paper, including clarity on what the role of Local Government and its communities will be on planning and delivering levelling up and what the scope of levelling up is e.g. the extent to which funding will support physical infrastructure and local growth, and/or measures that address inequalities in areas such as health and skills and support for early intervention measures such as early years programmes and public health.

Appendix 2 – Savings agreed as part of Medium Term Financial Strategy 2021-2024

Nature of Saving Proposal	2021/22 £'000	2022/23 £'000	2023/24 £'000
Integrated Health and Social Care Income Generation & Grants	1,241	0	0
Commercial Income Generation	646	0	0
Digitalisation and Review of Supplies and Services	910	0	0
Contract Management			
• Review of Public Health Contracts	442	525	0
• General review of contracts	50	0	0
Adult Social Care Service Reviews			
• Care Home Placement Modelling	1,320	0	0
• Learning Disabilities Service Review	1,090	1,090	1,090
• Commissioned Services	500	500	0
• Care Packages	125	125	0
• Other Services	382	0	0
Children's Social Care Service Reviews			
• Residential and Foster Care Placements	1,050	3,150	0
• Young People Leaving Care	500	500	0
• Children's Centres and Early Help Services	700	700	0
• Family Support Services	480	479	0
• Other Services	50	50	50
Children's Services Service Reviews			
• Education Services	95	95	0
• Young People's Services	234	150	0
• Department Wide	125	125	0
Public Health Service Reviews			
• Review of Public Health Funded Programmes	227	227	0
• Other Public Health	100	0	0
Place Services Service Reviews			
• Councillor Improvement Fund	75	75	0
• Department Wide Service Review	2,013	1,660	160
• Supported Living Grant	245	245	0
Corporate Services Service Reviews	360	348	0
Other	480	0	0
TOTAL	13,440	10,044	1,300