

2020/21 Organisation Plan and Budget

Corporate Policy and Scrutiny Committee

28th January 2020

Key messages

- We are an excellent authority: in the top 10 most efficient Councils for the 2nd year in a row
- We have been judged Outstanding for Children's Services and YOTS
- 90% of schools are rated as good or outstanding
- Delays to transfers of care have reduced substantially
- We secured £318m of Housing Infrastructure Fund grant to support infrastructure projects delivering economic growth – the largest amount for any council
- Since 2010 saved over £820m with a further £58m planned for 2020/21
- Compared to other Counties we are a low tax authority
- Over the last 10 years, for 5 of those years Council Tax was kept at zero

But we face many challenges to our financial sustainability:

- The national review of funding ('Fair Funding') remains incomplete – we have no certainty of funding structure beyond 31st March 2021
- Social Care reform is still an unknown and National Living Wage pressures
- EU exit remains a huge unknown
- Demand for social care and escalating home to school transport costs
- Technology systems that require investment (end of life from 2021)

Update

Following the general election on the 12th December 2019 we have a new Conservative government with a sizeable majority

This was swiftly followed by the provisional settlement from Government on the 20th December, putting an end to much of the uncertainty around our resources for 2020/21

The settlement was slightly more favourable than anticipated, enabling a balanced budget for 2020/21 to be set and providing an opportunity for additional one off investment in priorities, including climate change

Within the budget there is inflationary pressures (including National Living Wage) of £23m, other service pressures totalling £64m (including £17m of additional change capacity to meet ongoing transformation of services and systems and £9m additional resources for Children's Social Care), and one off investment of £22m (including additional investment in our highways and in order to provide additional resilience against delivery risk). This is offset by additional funding of £51m resulting in a net pressure of £58m.

But in the absence of a multi-year settlement the position beyond 2020/21 is less clear and we still face significant challenges

Budget

2018/19	2019/20	2019/20			2020/21	
Actuals	Original	Latest		Gross	Income	Specific
£000	Budget	Budget	Portfolio	Expenditure	£000	Grants
	£000	£000		£000		£000
116,199	122,735	121,059	Children and Families	149,306	(7,807)	(12,957)
17,467	18,546	18,077	Customer, Communities, Culture and Corporate	28,193	(9,876)	(0)
6,887	6,641	7,094	Economic Development	6,783	(520)	(0)
79,170	75,213	78,629	Education and Skills	667,619	(34,701)	(554,587)
87,006	80,642	79,407	Environment and Climate Change Action	86,854	(8,428)	(122)
14,011	15,226	16,553	Finance, Property and Housing	24,939	(7,944)	(256)
399,310	407,398	419,573	Health and Adult Social Care	683,929	(158,167)	(102,744)
54,295	42,818	49,456	Infrastructure	63,809	(18,031)	(1,521)
5,508	6,152	6,609	Leader	6,801	0	
50,576	80,694	43,873	Other Operating Costs	110,511	(8,810)	
1,285	1,940	2,248	Performance, Business Planning and Partnerships	1,902	0	
56,377	58,808	63,610	Customer, Communities, Culture and Corporate RSSS	71,932	(13,490)	
18,480	14,293	19,804	Finance, Property and Housing RSSS	26,543	(10,806)	
2,124	2,110	2,039	Leader RSSS	2,306	(14)	
7,884	6,722	9,326	Performance, Business Planning and Partnerships RSSS	10,103	(500)	
916,579	939,936	937,357		1,941,529	(279,094)	(672,186)
						990,248

Funded by:

	2020/21
	£m
Council Tax	714.9
Revenue Support Grant	18.6
Non-Domestic Rates	179.3
General Government Grant	77.4
Total Funding	990.2

The draft budget assumes 1.99% Council Tax increase and 2% Adult Social Care precept

This equates to a Council Tax of £1,321.11 for a Band D property, an increase of £50.67 a year (or 97p per week)

Capital Programme

2018/19 Actuals	2019/20 Latest Budget	Portfolio	2020/21 Budget	2021/22 Aspirational	2022/23 Aspirational	2023/24 Aspirational	Four Year Total
£000	£000		£000	£000	£000	£000	£000
515	571	Children and Families	1,040	1,000	750	700	3,490
6,282	8,053	Customer, Communities, Culture and Corporate	5,564	5,222	5,100	5,100	20,986
11,771	9,406	Economic Development	11,165	6,000	4,000	4,000	25,165
93,981	60,271	Education and Skills	58,163	79,920	55,649	29,845	223,577
4,604	4,101	Environment and Climate Change Action	4,469	3,028	2,310	500	10,307
12,521	3,869	Finance, Property and Housing	9,805	57,584	39,641	21,713	128,743
1,870	664	Health and Adult Social Care	421	1,052			1,473
121,972	119,484	Infrastructure	143,098	168,354	251,619	303,449	866,520
253,516	206,418	ECC Capital Programme	233,725	322,159	359,070	365,307	1,280,262
(296)	296	Schools Cash Balance					
1,376	3,296	Devolved Formula Capital	1,061	366			1,428
1,080	3,591	Total School Balances	1,061	366			1,428
254,596	210,010	Capital Programme	234,786	322,526	359,070	365,307	1,281,689

2018/19 £000	2019/20 £000	Financing	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	Four Year Total £000
4,536	13,217	Capital Receipts	14,580	13,653	8,157	19,677	56,067
19,682	13,396	Contributions	10,219	17,912	10,948	5,956	45,035
124,207	91,511	Grants	101,188	103,408	195,198	249,648	649,442
5,038	4,700	Reserves	6,242	8,366	6,974	7,074	28,656
101,133	87,186	Unsupported borrowing	102,557	179,187	137,793	82,952	502,489
254,596	210,010		234,786	322,526	359,070	365,307	1,281,689

The annual gross revenue cost of financing including the aspirational programme is £54m in 2020/21 rising to £76m by 2023/24.

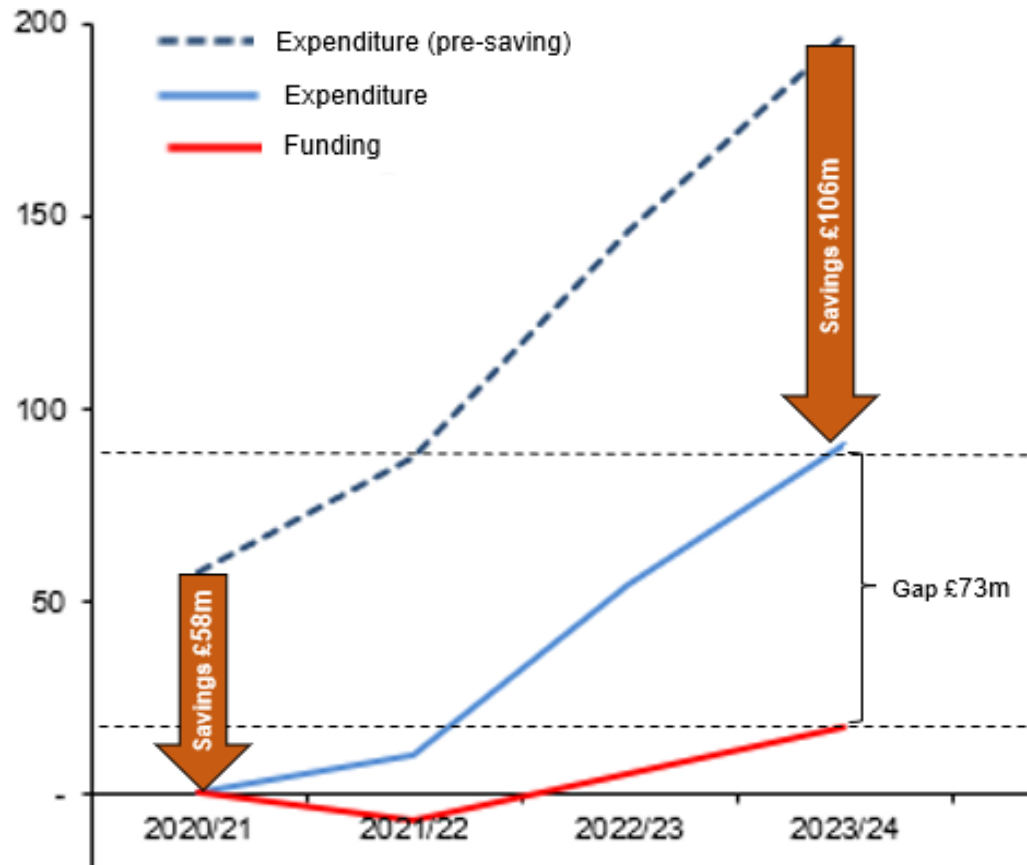
Risks and uncertainty

The budget is set on assumptions and economic forecasts, but there is inherent risk and uncertainty: **Key risks that lie ahead include:**

1. Sustainability of collection of taxes **90% or £894m** of our funding is from business rates or council tax
2. Inflation volatility e.g. borrowing, energy, commodities, pay and National Living Wage in our contracts
3. Market capacity and sustainability in social care
4. Children's placements and complexity
5. Home to School Transport pressures (Special Education needs and mainstream)
6. EU Exit uncertainty and notably the demand impact on labour market (most of the Council's spend is on **people** including care market)
7. Delivery risk of savings and capital investment plans
8. Questions on the sustainability of the business rates regime (more likely longer term)

Medium term

Whilst we propose a balanced budget for 2020/21, there remains significant challenge over the medium term.



We have a forecast of gap of **£16m** in 2021/22 increasing to **£73m** in 2023/24.

This assumes we achieve the **£106m** of savings committed across business plans.

Excellent financial management and appropriate management of reserves remains critical in ensuring resilience through these times

Budget - next steps

- Final Settlement – expected early February
- Council 11th February
- Continue to lobby Government on :
 - Funding certainty and 75% Business Rates Retention
 - Social care funding
 - Inequality of funding
 - More local tax flexibility
- Work continues on re shaping ECC to achieve savings whilst safeguarding outcomes for our residents

