

Policy and Resources Select Committee

17 September 2020

MTFS Update

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Financial Management Before Covid

- Positive outturn position despite reductions of £140m in the 2019/20 budget
- T19 and T21 were progressing to plan with cash flow support in place to easily see us through to the end of 2022/23
- A strong financial management focus and grip across the County Council
- A one year Spending Round for 2020/21 that partially recognised some of the growth pressures in social care
- The prospect of future changes in local government finances through the Fair Funding Review, Business Rate Retention and Comprehensive Spending Review

Impact of Covid-19

- The response to Covid-19 has been fast moving and ever changing
- Financial information can therefore only ever be a 'snapshot' at a point in time
- We are now in a better position to understand the initial response costs and losses as they relate to this year
- An updated MTFS was presented to Cabinet and County Council in July setting out the forecast impact for the next 3 years

Response Costs and Losses

	May £'000	June £'000	Change £'000
Response and Recovery Costs	68,024	71,805	3,781
Lost Savings – 2020/21 only	9,996	9,996	0
Business Rate / Council Tax Losses – 2020/21 only	34,600	34,600	0
Lost Income / Investments	16,016	11,474	(4,542)
Commercial / Trading Losses	23,122	9,182	(13,940)
	151,758	137,057	(14,701)

Unfunded Costs and Losses

	£'000
MHCLG Return	137,057
Market Underwriting	23,355
Lost Savings – 2021/22 and 2022/23	27,775
Total Costs and Losses	188,187
Specific Funding (CCG's and Government)	(4,392)
Covid-19 Grant Allocations	(53,968)
Forecast Savings	(3,600)
Market Underwriting (budgeted)	(23,355)
Net Unfunded Costs and Losses	(102,872)

Medium Term Impact of Covid-19

	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
Net Unfunded Costs and Losses	40,497	56,053	6,322	102,872
Departmental Pressures		32,331	30,997	63,328
Business Rates and Council Tax		21,000	14,000	35,000
Other Pressures	1,700	4,200	3,200	9,100
Total Costs, Losses and Pressures	42,197	113,584	54,519	210,300

Scenario Planning

We have treated the £210m as a one-off issue to deal with and have raided every possible reserve to help meet the funding gap. We then considered scenarios for Government support :

1. No further government funding and no underwrite for council tax and business rate income
2. Further government funding to meet all Covid-19 response, recovery and demand costs (£17.8m) but no underwrite for council tax and business rate income
3. Further government funding to meet all Covid-19 response, recovery and demand costs (£17.8m) and underwriting for council tax and business rate income for the current year's losses (£34.6m)
4. Worse case scenario for costs and losses but assumed £52.4m of additional funding as above

Conclusions

- MTFS concluded that in all but scenario 3 the County Council was not sustainable in the medium term – latest Government announcements and updated forecasts do not change that.
- Even under scenario 3 the County Council would be very vulnerable to any future financial shocks
- This still requires us to meet all savings under T19 and T21 and we must also start to plan for either a T23 Programme of £80m or a T24 Programme of £120m (depending on the outcome of the CSR due this year)
- The County Council is clearly in a difficult financial situation but does at least have the firepower to see it through the current period whilst we await Government announcements

Questions?