

South Lakeland District Council
Overview and Scrutiny Committee
17 July 2020

Draft Medium Term Financial Plan 2020/21 – 2025/26

Portfolio:	Cllr Andrew Jarvis, Finance and Resources Portfolio Holder
Report from:	Helen Smith – Finance Lead Specialist (Section 151 Officer)
Report Author:	Helen Smith – Finance Lead Specialist (Section 151 Officer)
Wards:	All wards
Forward Plan:	Budget and Policy Framework Decision included in the Forward Plan as published on 26 May 2020

1.0 Expected Outcome

- 1.1 The Medium Term Financial Plan is a key element of the Council's corporate planning framework, to ensure the Council has sufficient financial resources in the short- to medium-term to deliver its statutory responsibilities and its Council Plan priorities.
- 1.2 Due to the impact of Covid-19 this report includes high-level projections based on the information available as at early July 2020. The situation is changing significantly and quickly. The projections will be regularly reviewed and reported during the 2021/22 budget preparation process. The Council is required by statute to set a balanced budget in February 2021.
- 1.3 Based on current projections within the report the impact of Covid-19, combined with budget deficits reported in February 2020, the Council will need to find revenue savings (including potential additional income) of between £1m and £1.5m to set a balanced budget for 2021/22. Further recurring savings of £1m will need to be identified by February 2022.

2.0 Recommendation

2.1 It is recommended that Overview and Scrutiny Committee:-

- (1) Consider the Draft Medium Term Financial Plan; and**
- (2) Agree comments to be taken forward for consideration at the Cabinet meeting on 22 July 2020.**

3.0 Background and Proposals

- 3.1 The Council has produced a MTFP for several years. The financial projections were last reported to Council in February 2020. Since then the Council's financial situation has changed massively due to the impact of the Covid-19 pandemic. Current projections suggest a total cost of Covid-19 to the Council of £9m over the 5-years covered by the financial plan of which it is expected that £3m will be offset by

Government grant. The remaining £6m will need to be met initially from reserves and, in the longer term, from savings elsewhere in revenue budgets.

Table 1: Covid-19 Costs and Funding

Covid-19 Costs and Funding	Projected Total Cost	From Government	From SLDC: use of reserves	From SLDC: future year deficits
	£m	£m	£m	£m
2020/21: Total Cost charged in year	6.6	3.2	1.8	1.5
Further costs relating to 2021/22 - 2024/25	2.5	0.0	0.0	2.5
Estimated total cost to SLDC of Covid-19	9.1	3.2	1.8	4.0

- 3.2 Unlike the Government, who can borrow over the long-term to offset additional short-term costs, local authorities are only permitted to borrow to fund capital expenditure. Therefore any additional costs have to be met either through use of reserves or reductions in the net budget. General (un-earmarked) reserves should not be used to meet recurring costs and, once used, usually need to be topped back up to robust levels. It is currently expected that the Council will need to use between £1.5m and £2m of General Reserve in the current financial year (2020/21) to offset the costs of Covid-19.
- 3.3 The size and timing of the financial impact are very difficult to predict. Many businesses had only reopened the weekend before the figures for this report were prepared so it is very early to predict the future lost income, particularly from car parking. Because car parking charges usually raise around £4.5m per year for the Council a small percentage decrease in income has a large impact on the Council's budget. Currently it is expected that there will be a drop in income beyond the current financial year, around 20% or £0.9m in 2021/22. This figure represents the largest single contributor to the increased budget deficit of £1.5m for the next financial year: if parking trends change the deficit will change accordingly. Regular updates of the projections will be carried out during the current financial year.
- 3.4 The Government originally planned to change the funding model for local authorities from April 2019: this has been delayed twice already and a further delay has now been announced until at least April 2022. The timing, and the amount of funding to be distributed, is still to be confirmed and is expected to be announced following the Spending Review 2020, now expected in the autumn. The assumptions used within the financial model will be closely monitored and updates provided during the 2020/21 budget setting process.
- 3.5 The Draft MTFP is attached at Appendix 1. This is a working draft with some appendices still being prepared. The annual revenue budget deficit projections total £1.5m 2021/22 rising to £3.1m in 2022/23 when the funding review is expected to be implemented.
- 3.6 Due to reasonable General Fund balances and reserves at the start of the pandemic, robust financial management practices and a good track record in achieving efficiency savings the Council is in a positive financial position overall compared to many local authorities but now has a substantial challenge to correctly predict and then offset the budget deficit.
- 3.7 The MTFP, once approved, will form the basis of the budgets to be prepared during the remainder of 2020/21 for approval in February 2021. However, the MTFP and the budget strategy provide only the broad framework. Individual decisions,

particularly the level of Council Tax, will be approved during the budget process, and no later than the end of February 2021, based on the latest projections available.

- 3.8 Options to balance the budget in both the short and medium term will be prepared for the 2021/22 budget to be approved in February 2021 and for the 2022/23 budget to be approved in February 2022. The size of the projected deficits may require solutions that will take some time to identify and implement. It will be important to ensure adequate consultation on proposals is carried out. The Commissioning Strategy will be used to identify how the resources of the Council can be used to improve outcomes for South Lakeland residents in the most efficient, effective, equitable and sustainable way.

4.0 Consultation

- 4.1 Various modes of consultation are being undertaken including consideration of this Plan by the Overview and Scrutiny Committee, Corporate Management Team, Leadership Team, and Members prior to the request for approval at the 28 July 2020 Council meeting.

5.0 Alternative Options

- 5.1 The assumptions forming the MTFP could be amended. This is not recommended, as the proposals are regarded as the most appropriate option when considered against the need to secure financial resilience and deliver the Council Plan priorities.

6.0 Links to Council Priorities

- 6.1 The MTFP indicates the resources available to fund the Council Plan and how these resources will be allocated.

7.0 Implications

Financial, Resources and Procurement

- 7.1 As detailed in the report

Human Resources

- 7.2 This report has no direct human resource implications.

Legal

- 7.3 The report recommendations helps ensure the legal requirement to set a balanced budget by the end of February can be met.

Health, Social, Economic and Environmental

- 7.4 Have you completed a Health, Social, Economic and Environmental Impact Assessment? No
- 7.5 The Health, Social, Economic and Environmental Assessment is carried out as part of the future years Budget Report that will follow this strategic direction.

Equality and Diversity

- 7.6 Have you completed an Equality Impact Analysis? No
- 7.7 An Equality Impact Analysis is carried out as part of the future years Budget Report that will follow this strategic direction.
- 7.8 There are no additional Equality or Diversity impacts as a result of the report.

Risk

Risk	Consequence	Controls required
The Council does not have adequate arrangements for the identification and addressing of financial risks	Potentially expenditure could exceed resources available	A full analysis of the key risks are detailed within the MTFP. Robust short, medium and long term planning.

Contact Officers

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Appendices Attached to this Report

Appendix No.	Name of Appendix
1	Draft Medium Term Financial Plan

Background Documents Available

Name of Background document	Where it is available
2020/21 budget book	https://tinyurl.com/y56kswxu

Tracking Information

Signed off by	Date sent	Date Signed off
Section 151 Officer	08/07/2020	Report from S151 Officer
Monitoring Officer	08/07/2020	09/07/2020
CMT	08/07/2020	09/07/2020

Circulated to	Date sent
Lead Specialist	N/A
Human Resources Lead Specialist	N/A
Communications Team	N/A
Leader	08/07/2020
Committee Chairman	N/A
Portfolio Holder	08/07/2020
Ward Councillor(s)	N/A
Committee	17/07/2020
Executive (Cabinet)	22/07/2020
Council	27/07/2020