

MEETING: **CABINET**

DATE: **13 OCTOBER 2020**

TITLE: **2021/22 BUDGET STRATEGY**

PURPOSE: **FINANCIAL PLANNING**

AUTHOR: **DAFYDD L EDWARDS, HEAD OF FINANCE**

CABINET MEMBER: **COUNCILLOR IOAN THOMAS, FINANCE CABINET MEMBER**

Decision sought:

Approve a procedure and timetable to construct the 2021/22 Budget, while noting that financial planning is extremely challenging, and therefore if there is a funding gap to balance the 2021/22 budget, that the Council will use contingencies and reserves to mitigate resource losses in the short term.

Background

1. The purpose of this report is to give an outline of the budget setting procedure for the year 2021/22, in this year's unusual context.

Council Expenditure

2. The Council's accountants are currently doing the budget preparation work in terms of 2021/22 spending requirements, by estimating the impact of pay agreements, other inflation, adjusting pension contributions and other spending commitments.
3. Inevitably, several requests for additional resources will be submitted by Council services facing unavoidable pressure, and these 'bids' will be assessed by the Corporate Management Team and Cabinet members over the coming months.

Government Grant

4. The other side of the coin is the grant resources which will be available to the Council in order to fund these commitments. The Welsh Government have indicated their intention to issue their **2021/22 provisional local government settlement on 15 December 2020** (after publishing their 2021-22 Draft Budget on 8 December 2020) and the **final local government settlement on 3 March 2021** (after publishing their final Budget on 2 March 2021). These dates may change if the UK Government's Comprehensive Spending Review is deferred, and HM Treasury have recently confirmed "that there will be no Budget this autumn" in order to focus on a "winter economy plan" to "protect jobs" as Britain enters a new phase of the pandemic.
5. This timetable will be challenging for local authorities, with an extended period of financial uncertainty following the unforeseen cost of the Covid-19 crisis, but Gwynedd Council will commence from a relatively sound budget base.

6. Members and officers will undertake further work over the coming months in order to meet the timetable to prepare a budget proposal for submission to full Council on 4 March 2021.

Financial Uncertainties

7. At this stage there are a great many assumptions and 'known unknowns', while the financial and economic conditions are continually changing, along with the Governments' responses. In planning the Council's 2021/22 budget, we face unprecedented financial uncertainties, including:
 - i. The impact of the Covid-19 pandemic on spending, income, savings plans, and the pace of recovery.
 - ii. The extent of Government support to offset the financial cost to the Council of the pandemic (additional Government funding will partially mitigate additional costs, income losses and possibly revenue deficits as a consequence of the pandemic and recession in 2020/21, but will not mitigate undeliverable savings proposals, and additional 'Covid' funding has not been identified for 2021/22).
 - iii. The expected world-wide recession as we emerge from lock-down and the end of the Brexit transition period.
 - iv. The economic and financial impacts of Brexit remain unclear and any cost pressure to the Council may need to be contained within existing budgets.
 - v. A trend of recently increased prices, suspended by the Covid-19 pandemic.
 - vi. A trend of higher annual pay awards.
 - vii. The likely delay in the spending review intended to take place in 2020, with no indications of core funding and level of grants in 2021/22 and beyond.
 - viii. The deficit in the business rates national pool, planned for distribution to local authorities in 2021/22.
 - ix. For 2020/21, the Council received a fairer grant settlement than in previous years.
 - x. There will be an election for the Welsh Parliament in May 2021.
 - xi. Unconfirmed Government proposals for sustainable long-term funding for adult social care.
 - xii. No confirmation of additional funding for new burdens and other demand pressures including social care, homelessness and increased claims for Council Tax Reductions.

Conclusion

8. Consequently, **financial planning is extremely challenging**, with a range of potential scenarios suggesting a funding gap for 2021/22 which could be any sum up to £8m (assuming that some of the risks listed above are mutually incompatible), with the range of potential outcomes increasing widely beyond 2021/22. **In planning for 2021/22, if there is a funding gap Gwynedd Council's relatively sound financial base should allow us to 'bridge' in the short term.**

Recommendation

9. We understand, of course, that the Council will want to avoid intensive and unnecessary consideration of listed potential savings and service cuts during a probable second wave of the Covid-19 pandemic. Therefore, **if there is a funding gap to balance the 2021/22 budget, we recommended that the Council should consider using contingencies and reserves to mitigate resource losses**, along with the Council tax needing to increase (assumed at 3.5%, as already assumed in previous medium term budget plans).

Future Steps

10. It's really beneficial being able to draw on reserves to mitigate immediate budget pressures now, in a national crisis. In the longer-term, those Council reserves will need to be replenished, so that they're available when required in future.
11. When the Council faces fewer financial uncertainties, during 2021, the Statutory Finance Officer and the Finance Cabinet Member will look to establish medium term budget plans, reviewing any decisions previously taken.
12. Further reports will be received by the Cabinet in December 2020 and in February 2021, as further funding information becomes available and as budget plans for 2021/22 develop.
13. In January, Cabinet members will consider the Council's unavoidable spending commitments in the context of the draft grant settlement, before the Finance Cabinet Member and the Head of Finance consult with all Council Members in a series of virtual seminars.
14. The Council's budget timetable is in **Appendix A**.
15. We will be adhering to the usual annual timetable of reporting to the Audit and Governance Committee (11 February, to offer comments on financial risks), the Cabinet (16 February, to recommend a budget and tax), and full Council (4 March, to set a budget and the Council Tax, which must be set by 11 March).

Local member's views

Not relevant

Views of the statutory officers

The Monitoring Officer:

An uncertain and challenging situation is highlighted when planning a budget for 2020/21. Setting the budget involves a series of statutory dates. It is appropriate to report on the proposed timetable for the adoption of the 2020/21 budget as the anticipated timescale as set out in the report has the potential to impact on the Council's constitutional timescales. It is sensible to keep the situation under review.

Head of Finance:

I have collaborated with the Cabinet Member in the preparation of this report and I confirm the content.
