

PAPER A

Somerset County Council
Cabinet – 10 February 2020

Revenue Budget - Medium Term Financial Plan 2020-23

Cabinet Member(s): Cllr Mandy Chilcott – Cabinet Member for Resources

Division and Local Member(s): All

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	County Solicitor	Honor Clarke	27/01/20
	Monitoring Officer	Scott Wooldridge	27/01/20
	Corporate Finance	Sheila Collins	31/01/20
	Human Resources	Chris Squire	27/01/20
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	Procurement / ICT	Simon Clifford	27/01/20
	Senior Manager	Sheila Collins	31/01/20
	Commissioning Development Team		
	Local Member(s)	All	
	Cabinet Member	Cllr Mandy Chilcott	27/01/20
	Opposition Spokesperson	Cllr Liz Leyshon	
	Relevant Scrutiny Chairman	Cllr Anna Groskop	
Forward Plan Reference:	FP/19/10/14		
Summary:	<p>Following the Medium-Term Financial Strategy paper considered by Cabinet on 18 December 2019, this report sets out in more detail the proposals to deliver a balanced budget for 2020/21. It also sets out indicative budgets for 2021/22 and 2022/23 that develop the Council's financial resilience over the long-term while also supporting the delivery of the Council's key priorities within the Council's vision to create:</p> <ul style="list-style-type: none">• A thriving and productive County that is ambitious, confident and focussed on improving people's lives;		

- A county of resilient, well-connected and compassionate communities working to reduce inequalities;
- A county where all partners actively work together for the benefit of residents, communities and businesses and the environment, and;
- A county that provides the right information, advice and guidance to enable residents to help themselves and targets support to those who need it most.

As set out in the December 2019 Strategy report, these budget proposals have been developed on the key drivers of protecting front line services, promoting prevention, strengthening financial sustainability and strengthening reserves to more appropriate levels. Further the strategy demonstrates the intention to invest communities and in transforming services to improve lives for residents, whilst avoiding further service cuts. Budget proposals detailed in this report support these strategic aims.

Since the Strategy report was considered by Cabinet more information has become known as summarised below, each of which contributes to the council being able to finalise budget proposals as set out in the rest of this report:

- The provisional Local Government Financial Settlement – published on 20 December 2019;
- Council tax base for 2020/21 and council tax collection levels from District Councils; and
- Quarter 3 budget monitoring information considered separately on this agenda.

The positive position reported in the December Strategy report, that is for a balanced budget for 2020/21 and a modest short-fall for 2021/22 and 2022/23, remains the position as the Council looks to confirm budgets for the MTFP period: net revenue requirement to spend in 2020/21 of £338.370m, with a modest short-fall of £9.4m over the second and third years together. Importantly, it remains the case that this position has been achieved with no additional service cuts, rather through service efficiencies and transformation changes.

As expected, planning beyond 2020/21 with certainty remains a significant challenge since there is no Comprehensive Spending Review (CSR) in place and the provisional Financial Settlement

covers 2020/21 only. Looking ahead into 2021/22 and beyond, the Government have stated their intention to be implementing their Local Government Funding Review (Fair Funding Review and Business Rate Retention). The Council will be pro-actively engaged during 2020 on any technical consultations relating to this, but it does inevitably mean the forward year MTFP assumptions are less certain than would otherwise have been the case.

Alongside the provisional Financial Settlement, a number of other service specific grants have also recently been announced which have been built into the financial plan. Broadly these have confirmed the previous planning assumptions. However, the grant for Public Health have yet to be announced but has been assumed to continue at the current year's level.

This paper sets out detailed proposals for 2020/21 and includes indicative budgets for 2021/22 and 2022/23, in view of an expected new Comprehensive Spending Review (CSR) and new approach to Funding Local Government, it is likely that the current predicted short-fall value will alter as the Government work through their proposed changes. The council is continuing with on-going transformation work within the Improving Lives Programme, that is expected to deliver future efficiencies and financial benefits. However, since these have not yet been quantified, they have not been built into the MTFP. The programme will be reviewed in Spring 2020 when the financial impacts will be identified.

Elsewhere at this meeting, the Quarter 3 2019/20 revenue budget monitoring position reflects the continued tighter financial control: forecasting unallocated corporate contingency of £2m, net of decisions to replenish earmarked reserves by £5.921m. This position is encouraging and demonstrates the Councils success in establishing a more sustainable financial position going forwards. This is consistent with the stated strategy to improve long term resilience.

The MTFP Strategy recognised that the Council declared a climate change emergency in February 2019 and is now working with partners to develop a Climate Emergency Strategy. When this strategy is adopted, the Council will need a financial strategy that is flexible enough to reflect agreed priorities. Pending this strategy, no specific activities have been factored into the

	<p>indicative budget proposals at this stage.</p> <p>The Schools Block funding for 2020/21 is now confirmed as £311.745 million, an increase of £17.860 million (6.1%) compared to 2019/20.</p> <p>This paper brings together the capital and revenue MTFP. With recommendations set out to expand the capital programme, some have a revenue cost associated where supporting funds are the Councils own resources. The impacts on the revenue budgets are factored in all reported figures below, ensuring affordability.</p> <p>The Section 151 is required to produce a Section 25 Statement which sets out their opinion on the budget proposals and the adequacy of reserves (see Appendix L). The overall conclusion is that the Section 151 Officer is satisfied that the proposed budget for 2020/21 is balanced and meets the legal requirement to set a balanced budget and that the level of reserves is adequate. The budget is a sound response to continuing challenging financial circumstances, which maintains services, delivers further efficiencies and responds to anticipated future financial challenges. However, the tighter financial control that has been in place throughout 2019/20 must continue to make sure next year services are delivered within budget and resilience sustained. Also, the shortfall in years two and three of the MTFP period (£9.5m) is an area that must be addressed early in MTFP (2021-24) planning.</p>
<p>Recommendations:</p>	<p>That the Cabinet agree and recommend to full Council to:</p> <ol style="list-style-type: none"> 1. Take account of the Section 151 Officer’s assessment of the robustness of budget and adequacy of reserves on the budget proposals as set out in Appendix L. 2. Agree the net revenue budget in 2020/21 of £338,370,800. 3. Agree to increase the level of the general Council Tax by 1.99%, which will provide a further £4.924m to support the Councils expenditure on services. 4. Agree to increase Council Tax by a further 2% for the adult social care precept, which will provide a further £4.949m to support the growth in demand for services.

5. Agree to continue the Council Tax precept of £12.84 within the base budget for the shadow Somerset Rivers Authority (representing no increase). This results in a Council Tax Requirement of £2,562,543.
6. Agree the precept requirement of **£257,292,090** for 2020/21 and set the County Council precept for Band D council tax charge at **£1,289.20** for 2020/21. This is a rise of £0.95 per week for a Band D property.
7. Note that the amount of council tax payable for dwellings listed by valuation band, calculated in accordance with the proportion set out in Section 5(1) of the Local Government Act 1992, shall be as follows:

Valuation Band	Amount £
A	859.47
B	1,002.71
C	1,145.96
D	1,289.20
E	1,575.69
F	1,862.18
G	2,148.67
H	2,578.40

8. Approve the use of earmarked reserves as follows:
 - a. Contribution to Social Care Transformation Reserve £4.472m
 - b. Contribution to Insurance Fund Reserve £2.067m
 - c. Contribution to Budget Equalisation Reserve £4.562m
 - d. Contribution to Social Care Volatility Reserve £2.343m
 - e. Draw from Corporate Priorities Reserve £5m (£4.831m in 2020/21, and £0.169m in 2021/22)
 - f. Draw from various service Earmarked Reserves £2.047m.
9. Agree the proposals for transformation (as set out in **Appendices A to G**), and delegate the implementation to the relevant Director(s) following due process.

10. Agree that due regards have been taken to any equalities implications identified and risk implications prior to any decision being taken in relation to the recommendations in this report, noting the initial equalities impacts.
11. Agree to keep the current Members' Allowances Scheme unchanged for 2020/21, noting the work being undertaken ahead of the County Council elections in 2021.
12. Note that the Leader of the Council, Cabinet Member for Resources, Chief Executive and Section 151 Officer will oversee and monitor the delivery of the proposals for transformation and report on progress as part of the budget monitoring reports.
13. Delegate authority for the development of any additional alternative proposals for transformation that may be necessary to the Chief Executive in consultation with the Section 151 Officer and relevant Director(s).
14. Delegate powers to the Section 151 Officer following consultation with the Leader of the Council, to finalise budget proposals following analysis of the final Local Government Financial Settlement and confirmation of the Business Rates income.
15. Approve the allocation of the Schools' Block element of the dedicated schools grant (DSG) as set out in **section 6** of the report.
16. Delegate approval of the final formula factors for individual schools 2020/21 to the Cabinet Member for Children and Families, the Cabinet Member for Education and Transformation and the Cabinet Member for Resources.
17. To note the Capital Strategy and adopt the Prudential Code Indicators set within the document.
18. Approve the proposed additions to capital programme for the period 2020/21 to 2023/24 of £123.961m, as set out in **section 9** of the report.
19. Approve that the Chief Executive and the Senior Leadership Team, following appropriate consultation and after giving

	<p>due regard to the information contained within any associated impact assessments, are given delegated authority to decide on the individual capital projects to be delivered within block allocations.</p> <p>20. Approve that the Section 151 Officer is given delegated authority to accept any additional grants or funding that is made available to the County Council together with authority to consequently expand the approved capital programme, providing there are no negative revenue budget implications as a result of that action.</p> <p>21. Approve the continuation of the current MRP Policy for 2020/21.</p>
<p>Reasons for Recommendations:</p>	<p>Preparing a coherent, confident and realistic Medium-Term Financial Plan (MTFP) for the County Council is essential to ensure that the corporate plan and service delivery priorities of the Council can be achieved, and that financial sustainability can be secured.</p> <p>Furthermore, preparing a robust and deliverable budget for the forthcoming financial year, 2020/21, is a statutory obligation as well as being key to the effective management of the Council and delivery of essential services.</p> <p>The council is required by law to make a statement on the Minimum Revenue Provision. This is the annual provision made from the Revenue Budget in line with our statutory requirements and is central to managing debt liabilities and generating the potential for headroom for new borrowing if affordable and required.</p> <p>The recommendations also recognise the separate responsibilities for:</p> <ol style="list-style-type: none"> 1. The County Council to set the Annual Budget for 2020/21 2. The Leader of the Council, Cabinet and Officers to manage services and make changes within the overall envelope of the agreed budget, Schemes of Delegation and the Council’s Financial Regulations.

<p>Links to County Vision, Business Plan and Medium-Term Financial Strategy:</p>	<p>Preparing a coherent, confident and realistic Medium-Term Financial Plan (MTFP) for the County Council is essential to ensure that the corporate plan and service delivery priorities of the Council can be achieved, and that financial sustainability can be secured.</p>
<p>Consultations and co-production undertaken:</p>	<p>No detailed consultations have been undertaken at this time, but such consultation as is required will be arranged as the agreed proposals for change are developed and implemented by the relevant directors.</p>
<p>Financial Implications:</p>	<p>This report describes the overall financial position of the Council for future years; all financial implications are described within the report.</p> <p>The Council's financial position has been set out in this report. Members are under a legal obligation (Local Government Finance Act 1992) to set a balanced budget and in doing so are obliged, under normal administrative principles, to take into account the various relevant factors, particularly in respect of consultation and equalities. Members are entitled to exercise their political judgement, paying due regard to the relevant factors rather than being absolutely determined by them.</p>
<p>Legal Implications:</p>	<p>It is a statutory requirement under the Local Government Finance Act 1992 for the Council to set a balanced budget by 11 March of the preceding financial year.</p> <p>The proposals in this report enable the County Council to meet its statutory requirements in respect of:</p> <ul style="list-style-type: none"> • Determining a balanced budget; • Setting a Council Tax Requirement; • Issuing Precepts on the District Councils; • Making a statement on the Minimum Revenue Provision. <p>The provisions of section 25, Local Government Act 2003 require that, when the Council is making the calculation of its budget requirement, it must have regard to the statement of the chief finance officer (s.151) as to the robustness of the budget and the adequacy of the financial reserves. It is essential, as a matter of</p>

	<p>prudence that the financial position continues to be closely monitored. In particular, members must satisfy themselves that sufficient mechanisms are in place to ensure both that savings are delivered, and that new expenditure is contained within the available resources. Accordingly, any proposals put forward must identify the realistic measures and mechanisms to produce those savings.</p> <p>The report sets out the relevant considerations for Members to consider during their deliberations and Members are reminded of the need to ignore irrelevant considerations. Members have a duty to seek to ensure that the Council acts lawfully.</p> <p>Members are also individually reminded that Section 106 of the Local Government Finance Act 1992 applies to this meeting. Members who are two months or more in arrears with their Council Tax must declare this to the meeting and must not vote on budget recommendations, as to do otherwise can be a criminal offence.</p>
<p>HR Implications:</p>	<p>There are no specific HR implications arising directly from this report, but the Council will follow its HR policies and processes as directors implement agreed, relevant specific proposals for change.</p>
<p>Risk Implications:</p>	<p>Although the Government has allocated additional funding for 2020/21 in the form of the Social Care Grant (national total of £1bn), a decade of austerity has taken its toll of the Council's financial resilience. Together with the ever-growing demands for its core services, the Council still faces substantial challenges to achieve a sustainable balanced budget in the medium term.</p> <p>The key risks are identified on the strategic risk register and particularly within risk ORG0043. This risk is described as:</p> <p><i>"There is a risk to the Councils long term sustainability if there are significant in-year overspends, and or if the Council suffers significant loss of funding in future years its ability to prepare a robust and sustainable MTFP for 2020/21 onwards may be impacted"</i></p> <p>Following the provisional Local Government Financial Settlement</p>

announced on 20 December 2019, the Council is now able to confirm the core grant funding assumptions for 2020/21, although assumptions for later years in the MTFP (2020-23) remain estimates. The uncertainty continues pending Government delivering the promised Comprehensive Spending Review (CSR) covering multiple years as well as other reforms to Local Government Funding (in the form of Fair Funding Review and Business Rate Retention) during 2020 ahead of the Financial Settlement for 2021/22 onwards. Although there are no implications for funding levels in the current financial year, this significant level of uncertain funding, the on-going increasing demand pressures and costs, and the short-fall in years two and three of the MTFP period means that despite growing confidence with internal control mechanisms, the risk score remains at the current level of "very high" (4x4(16)).

Robust control must be maintained.

Likelihood	4	Impact	4	Risk Score	16
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Other Implications (including due regard implications):

Equalities Implications

It is essential that decision makers ensure that consideration is given to legal obligations, in particular the need to exercise the equality duty under the Equality Act 2010, to have due regard to the impacts based on sufficient evidence appropriately analysed. This however does not prevent the Council from making difficult financial decisions, such as the reductions in service or decisions which may affect one group more than another.

The public sector equality duty is that a public authority must, in the exercise of its functions, have due regard to the need to:

- (1) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- (2) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- and (3) foster good relations between persons who share a relevant protected characteristic and persons who do not share it

What the duty requires is consideration of all available information, including the potential impacts and mitigations to ensure a fully informed decision is made.

	<p>Any decision made in the exercise of any function is potentially open to challenge if the duty has been disregarded. The duty applies both to full Council when setting the budget and to Cabinet when considering particular decisions.</p> <p>Whilst there are no specific equalities implications arising from the contents of this report decision makers need to be aware that there can be potential disproportionate impacts from the action taken to balance the budget. The development of specific proposals for change will require the preparation of any necessary Equality Impact Assessments to assist with any subsequent decision making. Where considering these impacts along with other information, the Council may choose not to take that decision or change its scope. As a system the Council will be reactive to this.</p> <p><u>Community Safety Implications</u></p> <p>There are no community safety implications arising from the contents of this report.</p> <p><u>Sustainability Implications</u></p> <p>There are no sustainability implications arising from this report.</p> <hr/> <p><u>Health and Safety Implications</u></p> <p>There are no health and safety implications arising from this report.</p> <p><u>Privacy Implications</u></p> <p>There are no privacy implications arising from this report.</p> <p><u>Health and Wellbeing Implications</u></p> <p>There are no health and wellbeing implications arising from this report.</p>
<p>Scrutiny comments / recommendation (if any):</p>	<p>Each Scrutiny Committee will have considered the budget and proposals for change relating to their respective service areas before the Cabinet meets. Feedback from the Scrutiny Committees will be made available to the Cabinet at their</p>

	meeting.
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1. Introduction

1.1 The Council continues its sharp focus on having tight financial controls during 2019/20 and that has incorporated into the MTFP planning process for 2020-23. The significant financial turnaround achieved during 2018/19 was acknowledged by the external auditor in their value for money conclusion (VFM) for 2018/19 which reached an improved conclusion to 'qualified, except for', considerably better than the previous conclusion of 'adverse'.

1.1.1 In their report to the Audit Committee on 19 September 2019, the auditors said:

"Having considered all the evidence... we are now satisfied that sufficient progress has been made since our Adverse VFM conclusion in 2017/18 to conclude that the financial challenges facing the Council are no longer pervasive to the whole Council".

1.1.2 However, in explaining their rationale for the 'except for' VFM conclusion the auditor said:

"This 'except for' rating recognises that there is still much to do within the Council to return it to a fully sustainable financial position and it is critical that

continued effort is directed to ensuring the positive trajectory over the last 12 months continues”.

- 1.2** It has involved the Cabinet and Scrutiny Committees, commencing with a strategic, top down process starting in the late summer and continuing to develop detailed budget proposals throughout the autumn that take account of the Council priorities anchored in the Corporate Plan.
- 1.3** A revised MTFP approach for 2020-23 that has involved: considerably more focus on the entire MTFP period than has been possible in the past; broader stakeholder engagement; closer alignment between revenue and capital budgets; scenario planning to consider options, and; greater challenge of service pressures and change proposals. Also, the Cabinet has been even more actively engaged in this planning process, informally through briefings most months and formally through consideration of the MTFP Strategy report in December 2019.
- 1.4** This paper builds upon the report presented to the Cabinet in December 2019. It updates the position following the provisional Local Government Financial Settlement and other changes with their impact upon the budget for 2020/21. Information on the indicative budgets for the financial years 2021/22 and 2022/23 is also set out in this report, not least because of the strong inter-relationship between the financial years. The report sets out the position for Schools and includes the Capital Strategy, Capital Programme 2020-23 and MRP policy in order to provide the comprehensive overview of the financial position.
- 1.5** The Scrutiny Committees have received details of the revenue and capital budget proposals for their areas during the January cycle of Committees. It is for Cabinet to consider the budget proposals and make recommendations to the full Council meeting on 19 February 2020.

2. National Context

- 2.1** In September 2019 the Government announced a Spending Review and indicated the likely level of funding for 2020/21. Subsequent to this, the provisional Financial Settlement has confirmed these details. Whilst the provisional Local Government Financial Settlement for 2020/21 gives certainty for the Council’s core Government funding for 2020/21, it is a one-year Settlement only. The Government have indicated an intention to prepare a Comprehensive Spending Review (CSR) during 2020 and it is expected that this will cover multiple years. Government has also indicated their intention to complete their review of Local Government Funding through the Fair Funding Review (FFR) and the Business Rates Retention Review (BRR) ahead of

2021/22. No firm proposals about timing for these reviews is yet known, although local authorities across the sector have all urged the Government to ensure it exemplifies what the implications are likely to be for an individual authority in the summer, rather than autumn. This would help inform sensible medium-term financial planning for future years. However, this is unlikely to happen as early as this Council would wish, meaning that use of scenario panning to model likely options will be important going forwards. Throughout 2020, this Council will continue to be pro-active in responding to any emerging technical consultations.

- 2.2** As a result of the General Election in December 2019, there was a delay to the usual autumn budget by the Chancellor of the Exchequer, although one is now planned for 11 March 2020. A new Government has meant that there has been a recent Queen's Speech (19 December 2019), in which the Government's intention to sustain the additional Social Care Grant allocation made in 2020/21 (£1bn nationally) across the life of the Parliament was included. Government have also indicated their ambition to reform Social Care funding although no timetable is known.
- 2.3** The Council welcomes the additional funding made available for 2020/21 for social care, through allocation of £1bn (Council share is £10.4m). However, this is the first real increase in funding for a number of years and is helpful in compensating authorities for the increases in demands over past years. It does not, however, insulate them from further erosion of net resources as demands for core social care services in particular continue to grow.
- 2.4** In summary, although additional funding for 2020/21 is welcome, the high level of uncertainty from 2021/22, alongside unpredictable growing demands makes medium term financial planning financially challenging.

3. Local Context

- 3.1** The Councils MTFP (2020-23) budget is set to ensure that the Council can deliver on the priorities set out in the County Vision which acknowledges the need to refocus increased resources into prevention and demand management over time in line with the improving lives strategy and to support the longer-term sustainability of the Council.
- 3.2** Our Vision is all about improving lives by creating:
- A thriving and productive County that is ambitious, confident and focussed on improving people's lives;

- A County of resilient, well-connected and compassionate communities working to reduce inequalities;
- A County where all partners actively work together for the benefit of our residents, communities and businesses and the environment in which we all live, and;
- A County that provides you with the right information, advice and guidance to help you help yourself and targets support to those who need it most.

3.3 The Council has a Business Plan and supporting Service Plans which set out how the Council's Vision will be delivered, identify the budgets allocated and how performance will be monitored. These are currently in the process of being refreshed to reflect the Councils MTFP proposals. Alongside up-dating these, services are also up-dating their risk registers

4. Medium Term Financial Plan

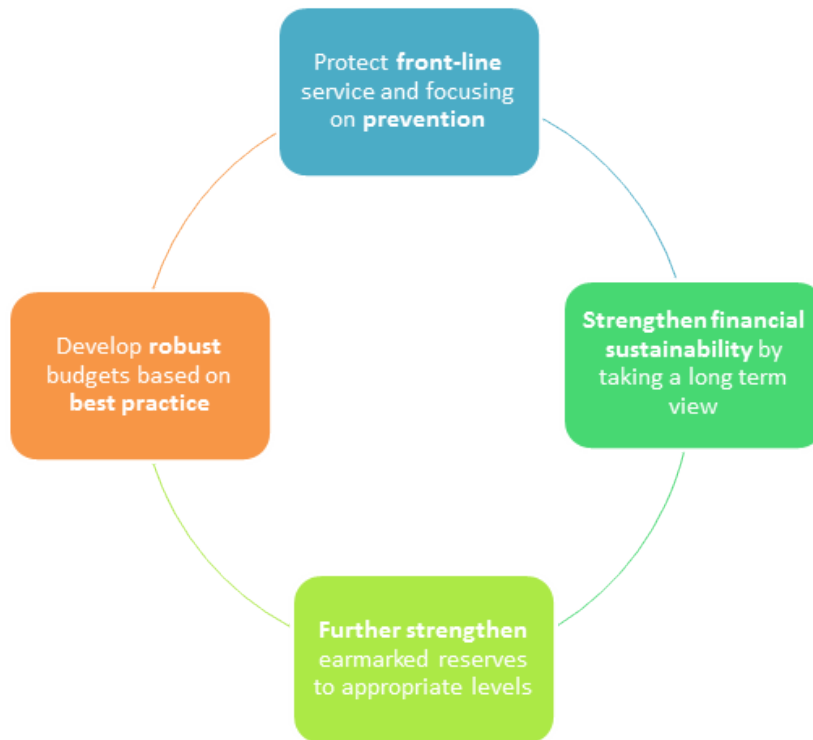
4.1 The approach to developing the MTFP (2020-23) has been significantly strengthened during 2019, with the core improvements being:

- Scenario planning to assess impact of a range of outcomes for both demand areas and funding streams;
- Increased engagement with stakeholders (including members, staff and business community);
- Supportive challenge sessions, chaired by the Chief Executive, with each Director reviewing the evidence underpinning each revenue pressure, saving and capital bid;
- Completion of a Strategic Manager confidence / validation analysis that captures the basis for a level of confidence across the next three financial years for each revenue service area;
- Review by each service of any in-year service revenue variations (through 2019/20 budget monitoring) to assess the extent of any future year implications;
- Consideration of the Grant Thornton (external auditor) advisory activity carried out in August 2019 to assess the level of confidence in forward demand pressures for the core social care demand led activities;
- Deep dive reviews in September 2019, chaired by the Chief Executive of the Improving Lives Programme workstreams to identify the scale and anticipated timing of activities and to scope any revenue budget implications;
- Monthly review by the Senior Leadership Team (SLT) to identify any cross-cutting anomalies and ensure of coherent organisational approach, and;

- Increased Senior Finance Capacity and experience.

Underpinning these changes is the Councils financial strategy that reflects four key drivers as set out in **Chart 1** below.

Chart 1: Key Drivers of the Councils Financial Strategy



- 4.2** This report sets out how the budget has been built for 2020-23, revenue and capital, and the key assumptions. Of particularly crucial importance to this Council in this MTFP period is the need to develop a clear and strong strategy that strengthens the relatively fragile financial resilience. This means further improvement to the level of earmarked reserves.
- 4.3** The MTFP has been built on the principle that the Council needs to understand all the funding and demand pressures upon it in order to be able to prepare a robust plan. Therefore, the budget requirement has been estimated with known pressures across all services across all three financial years. Strategic Managers have been actively engaged in confirming the details for their budgets so that there will be no known, hidden pressures such as unmet inflation or legislative changes. All funding assumptions have been reviewed to produce credible estimates. In this way, a full understanding of spend needs and funding levels for the revenue budget are known before considering how they might be addressed in accordance with the priorities of the Council.

4.4 For both the core spending needs and core funding assumptions, scenarios were developed for consideration that assessed the risks and sensitivity of each element. This scenario planning has helped identify the most sensible scenario to propose in the MTFP and to inform the level of resilience (through corporate contingency and reserves) it is prudent for the Council to plan for.

4.5 **Table 1** below sets out the MTFP for 2020-23. This shows that the budget for 2020/21 is balanced and that the Net Budget Requirement is £338.370m for the year. It also shows the projected budget short-fall across the second and third years of the MTFP as being £9.43m.

Table 1: MTFP for 2020-23

2019/20 Budget £m		2020/21 Budget £m	2021/22 Indicative Budget £m	2022/23 Indicative Budget £m
124.906	Adult Services	126.290	131.977	137.707
80.256	Children's Services	86.600	89.927	92.073
64.724	Economic & Community Infrastructure Services	75.520	74.045	76.994
1.138	Public Health	2.097	1.519	1.635
271.023	Key Services	290.506	297.468	308.409
20.593	Corporate & Support Services	24.962	26.697	27.889
39.485	Non-Service items	36.299	37.726	39.768
331.101	Total Services	351.767	361.891	376.066
(16.476)	Un-ring-Fenced Grants	(19.964)	(14.473)	(14.166)
2.500	General Reserves	0.000	0.000	0.000
10.842	Earmarked Reserves	6.567	4.393	4.562
327.967	Net Budget Requirement	338.370	351.811	366.462
0.000	Financed By:	0.000	0.000	0.000
0.000	Revenue Support Grant	(6.100)	(6.300)	(6.400)
(78.968)	Business Rates Combined	(74.000)	(74.500)	(76.700)
(0.243)	Business Rates Collection (Surplus) / Deficit	0.000	0.000	0.000
(2.802)	Council Tax Collection (Surplus) / Deficit	(0.979)	0.000	0.000
(243.407)	Council Tax (inc Adult Social Care Precept)	(254.729)	(263.045)	(271.310)
(2.547)	Council Tax Somerset Rivers Authority	(2.563)	(2.594)	(2.623)

(327.967)	Total Financing	(338.370)	(346.439)	(357.032)
0.000	Adjustment for prior year budget gap	0.000	0.000	(5.372)
0.000	Budget (Surplus) / Deficit	0.000	5.372	4.058

- 4.6** The MTFP forecast in **Table 1** shows that the net spend on services has increase by £20.666m from £331.101m in 2019/20 to £351.767m in 2020/21. **Table 2** below provides an analysis of this change.

Table 2: MTFP (2020-23) Summary of Service budget movements by type

Service Movements	2020/21 £m	2021/22 £m	2022/23 £m
Demand (Cost and Complexity)	9.792	2.687	2.403
Demography (Volume)	3.218	2.362	2.408
Inflation (General)	3.023	4.009	4.835
Inflation (Contractual)	3.007	3.650	3.735
Change in Legislation	(0.050)	0.000	0.000
Growth	3.221	(2.194)	(0.169)
Pay Award	4.997	3.414	3.455
Prior Year Savings Unachievable	3.083	0.000	0.000
Other Changes (inc Reserves)	0.321	(2.025)	(0.147)
Efficiencies / Transformation	(9.945)	(1.779)	(2.345)
Total	20.666	10.124	14.175

** This means an increase in spend need of £20.666m in 2020/21, a further increase in 2021/22 of £10.124m and an increase of £14.175m in 2022/23.*

- 4.7** **Table 3** below shows a summary of the total funding including grants that the Council is forecast to receive over the MTFP period. They are shown under 3 headings within the MTFP, being un-ringfenced grants, Financing and Grants included within Services. The figure in the MTFP for Lead Local Flood Authority, Inshore Fisheries Conservation Authority and Extended Rights to Free Travel have been based upon previous years allocations and will be subject to separate announcements. All of the other items were part of the provisional finance settlement and further details on them is set out below.

Table 3: MTFP (2020-23) Summary of total funding including grants

Funding	2020/21 £	2021/22 £	2022/23 £
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Un-ring-Fenced Grants:			
Lead Local Flood Authority	(0.080)	(0.084)	(0.089)
Inshore Fisheries Conservation Authority	(0.133)	(0.133)	(0.133)
Extended Rights to Free Travel	(0.611)	(0.611)	(0.611)
New Homes Bonus	(2.040)	(0.979)	(0.567)
Rural Services Delivery Grant	(2.400)	(2.400)	(2.500)
Social Care Support Grant	(14.700)	(10.267)	(10.267)
Total Un-ring-Fenced Grants	(19.964)	(14.473)	(14.166)
Financing:			
Revenue Support Grant	(6.100)	(6.300)	(6.400)
Business Rates Combined	(74.000)	(74.500)	(76.700)
Council Tax Collection Fund (Surplus)/Deficit	(0.979)	0.000	0.000
Council Tax (including ASC Precept)	(254.729)	(263.045)	(271.310)
Council Tax Somerset Rivers Authority	(2.563)	(2.594)	(2.623)
Total Financing	(338.370)	(346.439)	(357.032)
Grants included within Adults Services:			
Public Health Grant	(20.2)	(20.2)	(20.2)
Improved Better Care Fund	(22.7)	(22.7)	(22.7)
Total Grants included within Adults Services	(42.9)	(42.9)	(42.9)
Total	(401.233)	(403.812)	(414.098)

4.8 ***Council Tax***

The forecast for Council Tax is based upon the Provisional Financial Settlement which set the referendum limit for 2020/21 at 2%, (which means an increase of 1.99% for technical reasons) with a further 2% allowed for Adult Social Care. The Council strategy is to increase Council tax in line with the referendum limits set annually by Government. In the absence of a Financial Settlement beyond 2020/21, it is assumed in the MTFP that the referendum limit will continue at 2% annually, meaning Council Tax is assumed to increase at 1.99% each year and that there will no further increases for Adult Social Care.

- 4.9 The Council tax base has been calculated by the District Councils for 2020/21 as 199,575 which is an 0.6% increase on the current year. They have estimated that the tax base will increase by 1.23% in 2021/22 and 1.11% in 2022/23.

4.10 ***Business Rates***

In the current year the Council is a 75% business rates pilot with the Districts across Somerset. However, the Provisional Financial Settlement confirmed that no pilots would continue except for those agreed as part of devolution deals in 2017/18. For 2020/21 the Council will remain in a business rates pool with all of the Somerset Councils and it is estimated that the total income from

business rates will be £74m for 2020/21 increasing by 0.6% to £74.5m in 2021/22 and by 2.9% for 2022/23 to £76.7m. The forecast has allowed for the anticipated business rates reset in 2021/22 but has not factored in any other changes to the business rates retention scheme. The Government has announced its intentions to change to a 75% scheme from 2021/22 and the MTFP will be updated to take account of this once details of the scheme become clear.

4.12 **Public Health Grant**

The Provisional Financial Settlement confirmed that Public Health Grant would continue although no funding details have yet been announced. It is expected that the grant will increase by inflation. However, there may be additional responsibilities linked to this. In the meantime, the MTFP has assumed that the grant and expenditure continues at the same level as the current year.

4.13 **Core Spending Power Grants**

The Improved Better Care Fund, Rural Services Delivery Grant, Revenue Support Grant and Social Care Grant together form the Core Spending Power Grants. The figures for these were announced as part of the Provisional Financial Settlement. The Winter Pressures Grant of £2.5m in the current year has been rolled into the Improved Better Care Fund for 2020/21 and Social Care Grant has been increased by £10.4m from £4.3m to £14.7m for 2020/21 as a result of the additional £1bn announced for social care funding in the September 2019 Spending Round.

5. Revenue Budget Proposals

- 5.1** In 2020/21 the budgeted net expenditure on Services is £351.767m before unringed fenced grants of £19.964m and net contributions to earmarked reserves of £6.567m. **Table 4** sets out the high-level net expenditure on Services. The full breakdown and analysis of the changes for each service have been set out in the papers to the January cycle of Scrutiny Committees. The respective Scrutiny Committees comments will be shared with the Cabinet and full Council to consider. As part of balancing the Budget, 7 transformational change projects have been identified and built into the budget proposals. These are set out in **Appendices A to G** and have been reviewed by the relevant Scrutiny Committee as part of their work on the scrutiny of budget.

Table 4: High Level Summary of Service Budgets

Service	2020/21 £m	2021/22 £m	2022/23 £m
Adults Services	126.290	131.977	137.707

Children's Services	86.600	89.927	92.073
Economic & Community Infrastructure Services	75.520	74.045	76.994
Public Health	2.097	1.519	1.635
Corporate & Support Services	24.962	26.697	27.889
Non-Service	36.299	37.726	39.768
Service Total	351.767	361.891	376.066

5.2 **Table 5** below shows the breakdown and changes of the net budget for Adults Services from the approved 2019/20 budget to the proposed 2020/21 budget and the indicative budgets for 2021/22 and 2022/23. The total increase for Adults Services budgets across the MTFP is 10% which reflects the on-going demands for services.

Table 5: Three-year budget for Adults Services by service compared to the 2019/20 budget

Adults Services	2019/20 Budget £m	2020/21 Budget £m	2021/22 Indicative Budget £m	2022/23 Indicative Budget £m
Commissioning	13.577	12.483	15.277	18.072
BCF/Pooled Budget Income	(57.833)	(57.833)	(57.833)	(57.833)
Adult Social Care	74.352	74.677	75.050	75.490
Mental Health	14.466	15.313	16.207	17.103
Learning Disabilities	49.612	50.612	51.612	52.612
Discovery	30.732	31.038	31.664	32.264
Total	124.906	126.290	131.977	137.707

5.3 Director of Adult Services - Assurance, Comments and Overview

The Adult Social Care budget is based on the continued delivery of the Promoting Independence Strategy and subsequent transformation programme described below. It also relies on the continued support of the health system through the Better Care Fund and additional funding to support winter resilience.

5.4 Demand continues to grow in the over 85 population and we are also seeing a notable change in the upper age of the population. If this continues to be a growth area, we will need to consider the financial implications of this. We are monitoring this closely on a monthly basis and this pressure may result in a need for additional funding through the corporate contingency fund next

year. Grant Thornton have provided helpful challenge in terms of demographic growth to achieve a more realistic demand forecast resulting in a more secure budget for Adult social care.

- 5.5** **Table 6** below includes the total net budget for Public Health Services for the MTFP period (2020-23) as funded by the Council. These budgets reflect the previous indicative budgets agreed by full Council in February 2019 adjusted for expected movements since then.

Table 6: Three-year indicative budget for Public Health Services compared to the 2019/20 budget.

Public Health Service	2019/20 Budget £m	2020/21 Budget £m	2021/22 Indicative Budget £m	2022/23 Indicative Budget £m
Public Health	1.138	2.097	1.519	1.635

5.6 Director of Public Health - Assurance, Comments and Overview

The above figures relate to the County funding that is managed by the Public Health Team. Other public health services are funded through the Public Health Grant from the Department of Health and Social Care. This Councils funding is used to fund two service lines, Community Safety/Domestic Abuse and Volunteering. The Domestic Abuse service has recently been recommissioned within this budget. The volunteering function was brought back into the Council in 2018/19 and the service has undergone some restructuring to ensure it continues to grow volunteering and remain within this financial budget.

- 5.7** **Table 7** below include the total net budget for Children’s services for the MTFP period 2020-23 broken down by service area. These budgets reflect the previous indicative budgets agreed by full Council in February 2019 adjusted for expected movements since then. The total increase across the MTFP period is 14%. This is assessed as necessary despite the re-basing of the Children’s Services budget in 2018/19 and reflects the on-going demand for core children’s services in terms of volume and complexity.

Table 7: Three-year indicative budget for Children’s Services compared to the 2019/20 budget.

Children's Services	2019/20 Budget £m	2020/21 Budget £m	2021/22 Indicative Budget	2022/23 Indicative Budget

			£m	£m
YOT Prevention Services	4.344	4.739	5.022	5.325
Fostering & Permanence	11.554	11.735	11.919	12.107
External Placements	19.176	21.221	22.460	23.743
Fieldwork	7.869	7.869	7.869	7.869
Disabilities	2.900	2.900	2.900	2.900
Safeguarding	1.081	1.081	1.081	1.081
Business Support	3.202	3.082	3.082	3.082
CLA	4.134	4.162	4.193	4.224
Leaving Care	1.856	1.856	1.856	1.856
CSC Management	0.272	2.551	3.358	4.174
Children's Commissioning	6.631	7.222	6.797	5.778
Improving Outcomes & Sufficiency	0.568	0.575	0.580	0.586
Central Commissioning Safeguard & Care	0.467	0.491	0.508	0.525
Early Help Services	(0.124)	(0.624)	(0.124)	(0.124)
Lead Commissioner	0.803	0.827	0.844	0.860
Vulnerable Learners	15.523	16.596	17.585	18.088
WSOA	0.000	0.317	0.000	0.000
Total	80.256	86.600	89.927	92.073

5.8 Director of Children's Services – Assurance, Comments & Overview

The Children's services budget is based on assumptions in relation to partners - NHS, Police, Schools and other Council services capacity to deliver the strategic priorities set out in the Children and Young People's Plan (CYPP) 2019-22 and continued multi-agency operational improvements overseen by the new Somerset Safeguarding Children Partnership arrangements. Grant Thornton have provided helpful challenge to achieve a more realistic demand forecast resulting in a more secure budget for children's social care.

5.9 Children's Social Care

Operationally Children's Social Care management capacity continues to improve with enhanced integrated activity and financial performance management. The main financial challenges relate to pressures arising from Care Placement demand and costs, reflecting regional and national challenges.

There is a detailed monthly Metrics report with actions to address demand and cost factors. Staffing factors relating to recruitment and retention are a secondary factor impacting on direct costs through the use of agency and indirectly through consistency of practice.

5.10 **SEND & Inclusion**

In relation to SEND, significant challenges relate to a more than expected increase in Education Health and Care plans which are having a major impact on the High Needs element of the Schools Budget and on the Council's direct costs through increased assessments and higher than expected increase in eligibility for Home to Schools Transport. New staffing structures are supporting better integrated working across Council teams and schools but are not yet embedded and there is recognised need for significant workforce development across all partners. A deficit recovery plan for the Dedicated Schools Grant (DSG) has been Submitted to the Department for Education (DfE), which has supported stronger collaboration with the Schools Forum. There is a national review of the impact of increases in SEND pressures, due to report in April this year. Locally self-assessment across statutory SEND partners has resulted in a shared plan with the Clinical Commissioning Group (CCG) to mitigate the pressures.

5.11 Table 8 below shows the more detailed service breakdown of indicative budgets for the MTFP (2020-23) period and is followed by an assurance statement from the Director for Economic & Community Infrastructure (ECI).

Table 8: Three-year indicative budget for Economic & Community Infrastructure Services compared to the 2019/20 budget.

Economic & Community Infrastructure Services	2019/20 Budget £m	2020/21 Budget £m	2021/22 Indicative Budget £m	2022/23 Indicative Budget £m
Economic Development	1.887	4.507	2.572	2.615
Highways & Transport Commissioning	1.204	1.926	1.788	1.935
Property Services Commissioning	4.890	5.873	6.181	6.499
Civil Contingencies	1.142	1.082	1.097	1.146
	0.166	0.181	0.192	0.203
Traded Services (Libraries, Registration & Scientific Services)	3.148	3.783	3.682	3.881
Transporting Somerset	8.007	9.260	8.868	9.127
Infrastructure Programmes Group	0.276	0.330	0.366	0.403
Highways	9.895	10.995	11.604	12.314

Business Support	0.668	0.711	0.740	0.769
Heritage	1.638	1.638	1.638	1.638
Traffic Management	1.004	2.826	1.549	1.674
Somerset Waste Partnership	28.252	29.989	31.175	32.168
Accountable Bodies (SRA & LEP)	2.547	2.421	2.594	2.623
Total	64.724	75.520	74.045	76.994

5.12 Director for Economic & Infrastructure: Assurance, Comments & Overview

ECI has managed to deliver within its budget over the last couple of years, this has been largely due to a reduction in waste volumes. These reduced volumes have been factored into the forward budget so an underspend in this area is not expected going forward. Provision has also been made in the waste budget for Landfill Tax increases and contract inflation. The roll-out of the Recycle More service will commence in 2020 and will take until 2022 to cover the whole county. This will deliver both service improvements and efficiencies. The partnership agreement is that the cost of rolling out the new service will be met initially through the savings generated. The new Energy from Waste plant at Avonmouth which will take Somerset's residual waste will start receiving waste in 2020 and savings from this are already factored into the budget. Similarly, saving from the Slim My Waste, Feed My Face behaviour change programme are included in the budget.

- 5.13** Contract inflation has been included within the forward budgets for ECI and can be seen in the increased budget provision for highways, property, transport and waste. Utility costs continue to increase and impact particularly on our property and streetlighting budgets.
- 5.14** Within Highways, in addition to contract inflation, the service will need to deal with the impact of the spread of Ash Dieback, which will affect many trees across the County. The service is also aiming to start to deal with the rights of way backlog through the recruitment of additional staff.
- 5.15** The traffic management service continues to perform well, and income levels reflect the large volume of statutory undertaken work on our network. The service is moving to a new permitting system and this will result a significant amount of work over the next year. Reviews of traffic management across the county are planned to be undertaken.

- 5.16** Given the number of major highways and transport schemes that have been successful in attracting external funding and have been delivered or in delivery, there is a need to replenish our pipeline of schemes to bid into future funding opportunities. Therefore the 2020/21 budget has made provision for this.
- 5.17** Within the Corporate Property Service, the move to a corporate landlord model is expected to deliver efficiencies in how the Council manages its estate. Opportunities to rationalise this further will continue to be sought.
- 5.18** The library redesign project has been completed and created 13 community libraries across the county.
- 5.19** Regarding transport services, the Council has bought 5 large buses in 2019 and have deployed these on the network to deal with a rise in costs experienced across a number of routes. Going forward, improving the rural and college transport is a focus as part of the prevention and economic development work and provision is being made to start this work in 2020/21
- 5.20** As the Council moves away from a reliance on capital receipts to fund transformational work, new revenue budgets have been included where appropriate for example in economic development, property and commissioning.
- 5.21** ECI are accountable body for a number of significant partnerships including the Local Enterprise Partnership (LEP) and the Somerset Rivers Authority (SRA). These bodies hold their own ringfenced budgets. Details are awaited from Government about future funding that may be available for the LEP, such as the Shared Prosperity Fund. And discussions continue with Government about the future funding mechanism for the SRA.
- 5.22** A number of factors outside of the Council's control, including inclement weather can have a significant impact on costs within ECI and these are impossible to predict.
- 5.23** **Table 9** below shows the more detailed service breakdown of indicative budgets for the MTFP (2020-23) period and is followed by an assurance statement from the relevant Directors: including the Director of Corporate

Affairs, Director of Finance, and Director of Human Resources & Organisational Development.

Table 9: Three-year indicative budget for Corporate & Support Services compared to the 2019/20 budget.

Corporate & Support Services	2019/20 Budget £m	2020/21 Budget £m	2021/22 Indicative Budget £m	2022/23 Indicative Budget £m
Finance	2.769	2.965	3.110	3.257
Legal & Governance	4.744	5.030	5.306	5.384
Human Resources & Organisational Development	2.379	2.732	2.870	3.009
ICT	5.820	7.808	8.216	8.917
Corporate Affairs	3.597	5.892	5.676	5.759
Commercial Advisory & Procurement	1.066	0.306	1.283	1.320
Chief Executive	0.218	0.229	0.235	0.242
Total	20.593	24.962	26.697	27.889

5.24 Director for Interim Director of Finance: Assurance, Comments & Overview

While the whole Council has positively engaged in delivering the financial turnaround throughout 2018/19 and continued into 2019/20, it is vital that the Council has a robust Finance Service. During 2019/20 the senior Finance Leadership Team has been strengthened within existing budgets. The appointment of a permanent Director of Finance ahead of 2020/21 provides an opportunity to review the longer term permanent senior team and to ensure that processes, systems and training are all improved during 2020/21. This will enable continual improvement in budget monitoring, financial planning and to provide for better, more insightful information upon which members and officers can make effective decisions. The Interim Director of Finance confirms that this is expected to be achievable within existing resources, although the Permanent Director of Finance may seek to carry forward a proportion of the projected underspend in 2019/20 into 2020/21 in order to upskill and further develop the team.

5.25 Director of HR & OD: Assurance, Comments & Overview

These paragraphs provide assurance across the range of functions that are delivered by the Human Resources & Organisational Development, Legal and Democratic Services teams and that report to the Director of HR & Organisational Development.

- 5.26** Service priorities for 2019/20 will be delivered within budget and this delivery will continue in 2020/21. Areas of service development and transformation are linked to this and are both a continuation of work that has been ongoing for several years as well as new products and initiatives. These programmes will provide assurance as to the focus of the teams on the development of the Council and improving lives for our residents.
- 5.27** Statutory and mandated activities, that are mandated for both local authorities and organisations across the UK and include the functions of the Monitoring Officer, County Solicitor, payroll, pay policy, recruitment & disclosure checks and equalities will all be maintained.
- 5.28** The Human Resources & Organisational Development team was selected as the Team of the Year by its representative body, the Public Services People Management Association ('PPMA') in 2019.
- 5.29** The budgets for all services have been reduced significantly since 2015. Despite this, there have been substantial improvements in the design and delivery of services, including leading the organisation in terms of use of technology. There are pressures, however these are documented and managed appropriately.
- 5.30** The principle risk remaining is need for the development of staff at Council, to provide attractive & fulfilling careers, support transformation and service area priorities and to minimise succession planning risks. This will be complex to achieve. The establishment of an earmarked reserve may help to mitigate this, enabling focused development of staff that will be overseen by the Workforce Boards for service areas.

5.31 Director of Corporate Affairs: Assurance, Comments & Overview

Assurance can be given for services in Corporate Affairs which include, Commercial & Procurement, Business Change, Customers & Communities, ICT, and Communications.

- 5.32** The collective service priorities for the MTFP period will be delivered within budget – this can be evidenced by the fact that services within Corporate Affairs have a strong track record of delivering within defined budgets.

- 5.33** The various services also contribute to transformation programmes within the directorate as well as enabling others across the Council. The Digital Customer and ICT Transformation programme sits within Corporate Affairs and has a strong programme in place for the coming year with the aim of improving lives across the county. There are several statutory and mandated activities across Corporate Affairs, from Data Security/Protection, Freedom of Information, Performance Reporting, Complaints, Data Subject Requests and Records Management. The Director provides assurance across these activities and in nearly all, point to improved performance in these areas. The Contact Centre delivering Council services on the front line was selected as team of the year in the regional awards for the second year in a row in 2019.
- 5.34** As planned, all services operate from reduced budgets over the past year. Despite this there have been notable improvements, the performance of the Freedom of Information team which has seen responses improve from averages around 50% to in excess of 80% over the year is just one example. The contact centre routinely triages and deals with around 60% of social care calls, well above targets. Digital transformation has seen robots issued to school classrooms to help students unable to attend lessons for periods of time to keep up with lessons as well as interact with classmates. And the firm control on corporate spending enabled by Business Change team has helped contribute to a strong year for Corporate Affairs.
- 5.35** There are challenges and risks ahead –the known difficulty of recruiting key staff such as developers in ICT, mean the team have to be creative in finding new ways, and growing our own staff, is a strong message. The directorate has just under 30 apprentices across teams, all showing great skills and promise.
- 5.36** The year ahead presents obvious challenges and opportunities – transformation and in particular our advances in digital solutions and opportunities, the potential of some form of reorganisation of local government, closer collaboration with key stakeholders such as the NHS – all these opportunities, programmes, workstreams or requests for service will be underpinned by resources from across Corporate Affairs. The opportunity to lever new and different funding streams to support whole system transformation with partners and funds such as the Government’s Digital Declaration Fund are also being actively explored.
- 5.37** Teams, such as Business Change, will be tasked with strengthening the Council’s ability to hold the overview of transformation activity including measuring and tracking the expected benefits. Others, the digital transformation team for example, will lead and drive this change. All services

across the directorate will directly or indirectly have a key role in an important year ahead for the Organisation.

- 5.38** As part of improving the Council’s financial resilience, two services, Business Change and ICT are rebalancing their budgets as they move away from reliance on Capital Receipts Flexibility and Capital programming in favour of revenue funding. In relation to Business Change, although appropriate in the past for the services which drives cross-cutting transformation, it is prudent to move away from this to enable the service to plan for effectively and with more certainty for the future. For ICT the funding model is changing as the service moves away from infrastructure development, towards cloud-based solutions requiring revenue licensing streams rather than traditional capital.

5.39 Non-Service Budgets

The non-service area of the Council’s budget covers items that are held centrally: such as bank charges, and financing transactions (investment income) contingencies, contributions (e.g. Inshore Fisheries & Conservation Authority and Environment Agency Levy’s) and corporate costs (e.g. audit fee, pension deficit and subscriptions). These areas are not part of the Council’s key services but are a cost to the Council overall. **Table 10** below shows the more detailed service breakdown of indicative budgets for the MTFP (2020-23) period and is followed by an explanation of the movements.

Table 10: Three-year Indicative Budgets for Non-Service budgets compared to the current 2019/20 budget

Non-Service	2019/20 Budget £m	2020/21 Budget £m	2021/22 Indicative Budget £m	2022/23 Indicative Budget £m
Bank Charges	0.096	0.133	0.133	0.133
Contingencies	7.226	6.000	6.000	6.000
Environment Agency	0.713	0.738	0.763	0.788
Devon & Severn IFCA	0.117	0.117	0.117	0.117
Central Redundancy	1.925	0.500	0.500	0.500
Audit Fee	0.109	0.109	0.109	0.109
Discontinued Services	3.035	3.035	3.035	3.035
Pensions Deficit	7.732	5.085	5.425	5.778
Subscriptions	0.101	0.106	0.108	0.110
Apprenticeship Levy / Reclaim	0.345	0.360	0.372	0.386
Debt Charges Principal	3.721	4.770	5.305	6.340
Debt Charges Interest	16.154	17.937	18.854	19.678

Investment Income	(1.845)	(2.605)	(3.007)	(3.219)
Residual Magistrates Courts	0.057	0.014	0.014	0.014
Total	39.485	36.299	37.726	39.768

5.40 Explanation of movements

Bank Charges - The Council has a significant part of its capital programme that will require new borrowing to be taken in the coming years. Aside from borrowing the Council will be pursuing its investment strategy. There has been an increase in the bank charges budget to allow for brokerage, advice and fees to ensure the Council enters into the best arrangements available.

Corporate contingency - As part of the improvements to the MTFP process the level of Contingency has been reviewed and risk assessed. In recent years, prior to the re-basing of Children's Services budgets in 2018/19, the majority of this was allocated to Children's services. However, for 2018/19 and so far in 2019/20, the corporate contingency has been available to assist financial recovery and improve resilience through addition to reserves. As a result, it is considered prudent and sensible to reduce the budget to £6m for the MTFP period. It is recognised that there are a number of budgets where demand and price increase are likely to rise during the year and the contingency will be used to cover these additional costs within services.

Central Redundancy - The level of the central redundancies has been reviewed and in view of the absence of further service cuts in the MTFP period, this is proposed to be reduced to £0.5m for the MTFP period (saving £1.5m).

Pensions Deficit - The Pensions Deficit budget has been updated for the Tri-annual Pension Fund Revaluation by the Councils Actuary. There is a corresponding increase in service budgets as employer's contribution rate has increased from 15.5% to 18.1% for 2020/21.

Apprenticeship Levy - The Apprenticeship Levy has been updated to reflect the staffing budgets across the MTFP period.

Debt Charges and Interest Budgets - The Debt Charges Principal and Interest budgets have been updated to reflect the funding requirements of the proposed capital programme and the change in Public Works Loans Board (PWLB) interest rates.

Residual Magistrates Court budget - The Residual Magistrates Court budget includes the loan debt charges for the Avon and Somerset Magistrates Courts prior to the service being moved from the local authority to central

government. The budget has been increasingly underspent since 2015/16 due to the residual debt reducing and loan charges therefore reducing in line with this. This has been reviewed and reduced to produce an ongoing saving of (£0.043m).

5.41 Members Allowances 2020/21

The Joint Independent Remuneration Panel recommend that the current Members' Allowances Scheme should continue unchanged for 2020/21. The Panel will be undertaking a review of the Scheme during 2020 ahead of the County Council elections in 2021 and recommendations may therefore come forward during 2020 for the Council to consider. The review will have a focus on carers allowances and parental leave arrangements for elected members following the Council's adoption of a Parental Leave Policy in July 2019. The proposal to continue to use the current Members Allowance Scheme for the 2020/21 financial year follows consultation with Political Group Leaders. The recommendation recognises that the Basic Allowance and Special Responsibility Allowances will increase automatically in line with any officer pay award under the indexing mechanism recommended previously by the Panel and agreed by the Council. The proposed annual budget for 2020/21 reflects this recommendation.

5.42 Council Tax and Precept

There are three elements to the Council tax precept raised: general Council tax, adult social care specific precept and, uniquely to Somerset, funding raised for the Somerset Rivers Authority.

5.43 *Somerset Rivers Authority*

The Somerset Rivers Authority (SRA) was launched on January 31, 2015 to play a key role in flood protection for the county. It is run by a Board of partners from the five District Councils, Somerset County Council, the Environment Agency, the Parrett and Axe Brue Internal Drainage Boards, the Wessex Regional Flood & Coastal Committee and Natural England. Since 2016/17, Somerset County Council and the five district Councils have had the power to raise a shadow precept of up to 1.25%, for funding the Somerset Rivers Authority. This precept equates to £12.84 per year for a Band D property and will raise £2.563m in 2019/20 (£2.594m in 2020/21; and £2.623m in 2021/22) based on current estimates of the Council's tax base. The authority will continue to raise a separate precept on behalf of the SRA and provide them with a budget to match the level of precept received. As the SRA precept is passported to the SRA, the precept has no impact on the Council's budget.

5.44 *General and Adult Social Care Council Tax*

The impact of a 1.99% increase in Council Tax for General Fund purposes and a further 2% for Adult Social Care considered in the budget proposals imply a precept requirement of **£257,292,090** and a Band D Council tax of **£1,289.20** for 2020/21. Based upon this the Council tax charge for each band would be:

Table 11: Council Tax Bands 2020/21

Valuation Band	Amount £
A	859.47
B	1,002.71
C	1,145.96
D	1,289.20
E	1,575.69
F	1,862.18
G	2,148.67
H	2,578.40

- 5.45** The 2020/21 Council tax base is 199,575 Band D equivalents and is set out across the district Councils in **Table 12** below. The table also shows the sums due under precepts from the respective authorities.

Table 12: Tax Base and Precept 2019/20

District Council	Tax Base number	Precept £
Mendip	40,978.57	52,829,572
Sedgemoor	41,435.78	53,419,008
South Somerset	60,710.78	78,268,338
Somerset West & Taunton Council	56,449.87	72,775,172
Total	199,575.00	257,292,090

- 5.46** The detailed breakdown of the Council tax charge for 2020/21 is set out in **Appendix H**.

6. Schools

- 6.1** The DfE has instituted a 'soft' national funding formula (NFF) for all schools. Since 2017 Somerset has moved to adopt this formula and its factors. The

formula provides an allocation for each mainstream school (maintained, academy and free school). This was approved by the lead Cabinet member, and the implementation of the NFF continued in 2019/20.

- 6.2** On the 15 January 2020, the Somerset Schools Forum supported the Local Authority continuing to implement the NFF in 2020/21.
- 6.3** The dedicated schools grant (DSG) schools block allocation for 2020/21, which comprises the Individual Schools Budget (ISB) and the Growth Fund, is now confirmed as £311.745 million, an increase of £17.860 million (6.1%) compared to 2019/20, as set out in **Table 13**.

Table 13 – Schools Block Funding for 2020/21 compared to 2019/20

Schools Budget	2019/20	2020/21	Change
	£	£	£
Individual Schools Budget (ISB)	291,694,372	309,769,192	18,074,820
<i>Plus</i> , Growth Fund (implicit & explicit)	2,190,791	1,975,930	-214,861
Schools Block	293,885,163	311,745,122	17,859,959

- 6.4** **Table 14** shows the total funding allocated against each of the NFF formula factors for 2020/21, compared to 2019/20. It also shows that the ISB element of the DSG settlement is insufficient to meet the cost of implementing the NFF. In order to ensure that all schools receive the full NFF allocation, £122,844 from the Growth Fund will be used to address this central government funding shortfall.

Table 14 – Total Funding Allocated to NFF Formula Factors

Formula Factor	2019/20	2020/21	Change	% Change
	£	£	£	
Primary AWPU	113,947,620	118,133,150	4,185,530	4%
KS3 AWPU	60,361,628	64,211,658	3,850,030	6%
KS4 AWPU	43,408,973	45,655,610	2,246,637	5%
FSM	3,804,233	4,574,507	770,274	20%
FSM 6	8,963,421	9,258,119	294,698	3%
IDACI	6,120,195	6,460,102	339,907	6%
EAL 3	1,363,439	1,447,016	83,577	6%
Mobility	0	381,452	381,452	
LPA Primary	14,206,958	13,511,785	-695,173	-5%
LPA Secondary	8,907,724	9,737,890	830,166	9%

Lump Sum	28,004,166	29,286,400	1,282,234	5%
Sparsity	638,779	687,864	49,085	8%
Split sites	70,000	70,000	0	0%
Rates	3,336,648	3,636,665	300,017	9%
PFI funding	386,511	363,372	-23,139	-6%
Rural Technology	408,710	408,560	-150	0%
Rents	17,675	18,029	354	2%
Total Funding for Schools Block Formula (excluding minimum per pupil funding and MFG)	293,946,680	307,842,178	13,895,498	5%
Minimum Funding Level	1,437,520	2,238,522	801,002	56%
Funding Floor	174,974	0	-174,974	-100%
MFG	46,631	122,233	75,602	162%
Capping	-3,239,868	0	3,239,868	-100%
Total Cost of Funding Formula	292,365,936	310,202,933	17,836,997	6.1%
Individual Schools Budget (ISB)	291,694,372	309,769,192	18,074,820	6%
Implicit Growth Funding	424,475	310,897	-113,578	-27%
Schools Block Transfer	-298,000	0	298,000	-100%
Use of Growth Fund	545,261	122,844	-422,417	-77%
Funding Available	292,366,108	310,202,933	17,836,825	6.1%
Shortfall in funding	172	0		

6.5 The full implementation of the NFF underlines the Council's commitment to ensuring that schools have all the funds that they should have, and its joint commitment with schools to ensuring the needs of all Somerset's pupils can be met as inclusively as possible.

6.6 The High Needs Block of the DSG which provides funding for the education of children with special educational needs and/or disabilities has, as in many other parts of the country, been under increasing pressure for some years. The Local Authority and schools are jointly committed to ensuring the agreed DSG deficit recovery plan is implemented. Work to review and update the deficit recovery plan, in the light of the 2020/21 DSG settlement's increase in the High Needs Block and rising demand, is taking place during February and March by the Schools Forum working group.

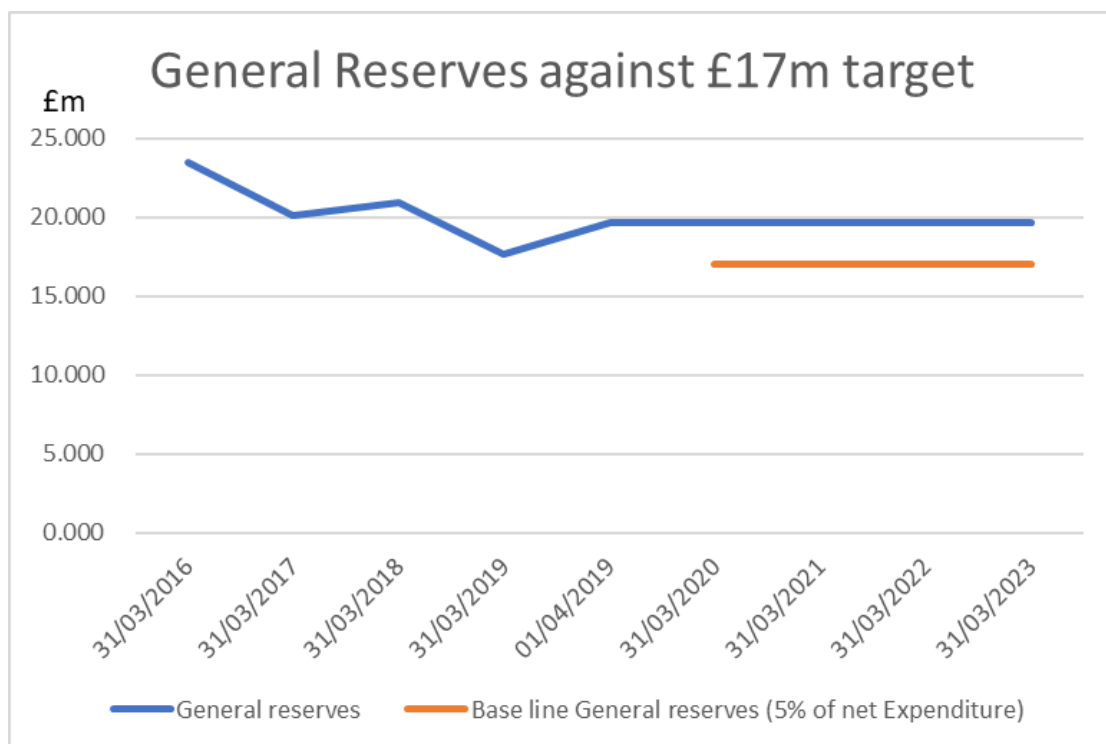
7. Reserves & Balances

7.1 The Council holds reserves for two purposes:

- A General Fund, which is in place to afford general resilience in the event of unexpected, adverse events befalling the Council, and;
- Earmarked Reserves, which hold funds for specific purposes

7.2 The General Reserve was replenished during 2018/19 and is expected to be £19.690m as at the end of 2019/20. Maintaining General Reserves at 5% of net revenue budget is widely recognised as a sensible level for a local authority like Somerset. Looking at the MTFP the forecast net budget for 2022/23 is £366.462m and maintaining General Reserves at their current level would mean that they would be 5.3% of the net revenue expenditure for that year. This is a positive position as Council continues to improve its financial resilience. This resilient position is important given the significant uncertainties surrounding future funding from 2021/22 with the Comprehensive Spending Review, Fairing Funding and Business Rates Retention all due to be implemented and take effect. **Chart 2** shows the trend of General Reserves since 2016 against the target of £17m being 5% of 2020/21 net revenue budget.

Chart 2: General Reserves Trend



7.3 A review of Earmarked Reserves has been undertaken and identified that the Council is holding a number of reserves on behalf of other organisations: schools, the LEP, SRA and Waste Board. At the start of the current financial year these totalled £21.142m and although these are correctly included within

the Councils accounts, they should not be taken into account when assessing the adequacy of the level of reserves held. This figure includes the DSG reserve which had a negative balance of £6.7m at the start of 2019/20 and is currently estimated to increase to a deficit of £11.7m by the end of the current financial year. Work is on-going with the Somerset Schools Forum on a deficit recovery plan.

- 7.4** The Section 151 Officer has assessed that the current level of Earmarked Reserves is too low, and this view was confirmed by the external auditor in their value for money conclusion for 2018/19. There is no guidance on what the level should be but using the recently published CIPFA Resilience Index tool, £50m would be an appropriate target for a Council the size of Somerset. This is not a definitive level but a reasonable target for the Council to work to over the medium term. The target will be reviewed and updated annually to reflect the latest risk environment that the Council is operating within.
- 7.5** The level of Earmarked Reserves after taking account of the reserves held on behalf of others was £23.771m at the end of 2015/16 and reduced down to £1.779m at the end of 2016/17. These were increased to £2.946m at the end of 2017/18. The closing balance of reserves at the 31 March 2019 was £20.925m, a number of actions were undertaken as part of the financial turnaround to replenish these reserves which resulted in them significantly increasing to a final balance of £26.418m by the end of 2018/19. As part of setting the current year's budget these were further boosted to £30.811m and taking into account the actions proposed in the Month 9 Budget Monitoring Report it is estimated that these would be further increased to £38.783m at the year end. This would see the Dillington reserve, which is the only remaining negative reserve, eliminated.
- 7.6** The Earmarked Reserves position will be further boosted by the setting up a new reserve for the implementation costs of the social care transformation (in particular the Family Safeguarding model). The details of the business case for this are in **Appendix D**. The funding required for this is £4.472m which has been made possible through the additional £1bn of Social Care Grant.
- 7.7** The 2020/21 budget proposals include addressing the known shortfall in the Insurance Fund by making a one-off contribution of £2.067m rather than the previous approach of making an annual contribution of £0.438m. The overall level of the Insurance Reserve will be reviewed during 2020/21 and if the Actuary assesses there is still a shortfall this will be addressed in next year's MTFP.
- 7.8** As part of the planned approach to improve resilience the MTFP includes setting up of a Budget Equalisation Reserve to cover unforeseen funding

events and will help smooth these out within the Revenue Budget. The contribution to the reserve will be £4.562m and this will be a key feature in helping the Council achieve its target for Earmarked Reserves. The MTFP proposals assume no surplus or deficit on Business Rates which the District Councils are currently finalising, the balance when known will added to or taken from the Funding Volatility Reserve. A further improvement to assist with resilience is through setting up a Social Care Volatility Reserve which has been created through moving the previous Adult Social Care Reserve of £2.9m and making a once off contribution of £2.343m to give a balance of £5.243m.

- 7.9** An improvement to the MTFP process has been to include the planned use of Earmarked Reserves by Services for the coming financial year within the budget proposals which total £2.047m. **Table 15** provides a summary of the changes to Reserves over the MTFP.

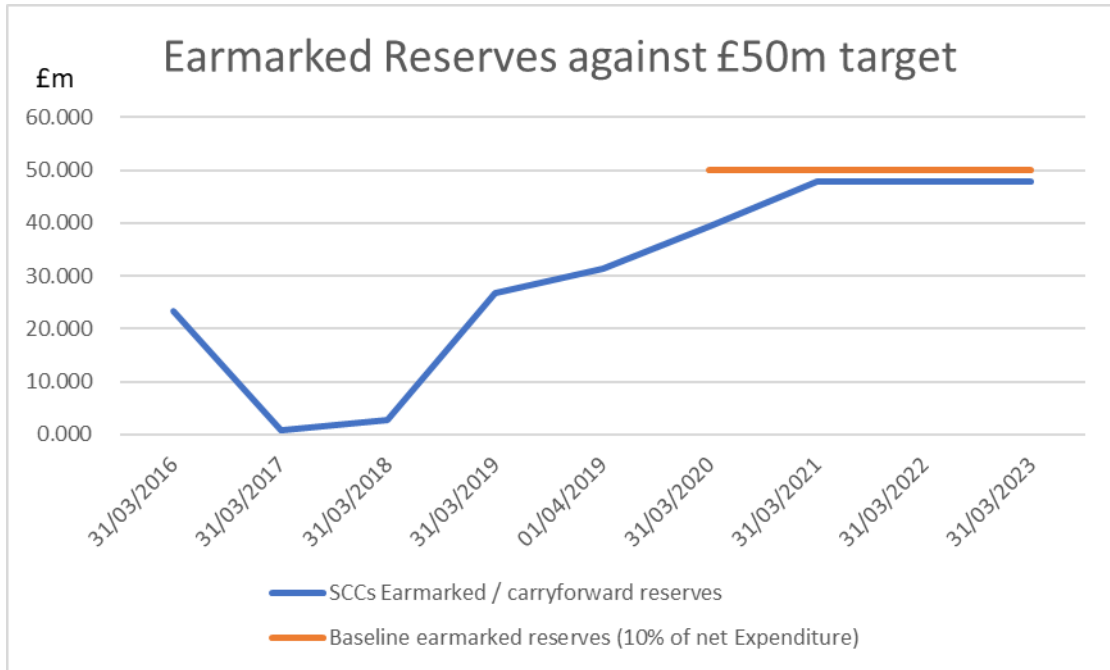
Table 15: Changes to Earmarked Reserves

Reserve Type	Reserve Name	Brief Summary	2020/21 £m	2021/22 £m	2022/23 £m
Insurance Fund	Insurance Fund	Contribution to Insurance Fund	2.067	0.000	0.000
Earmarked Reserves	Corporate Priorities	Draw from Corporate Priorities Reserve	(4.831)	(0.169)	0.000
Earmarked Reserves	Social Care Volatility	Contribution to Social Care Volatility Reserve	2.343	0.000	0.000
Earmarked Reserves	Social Care Transformation	Social Care Transformation Reserve	4.472	0.000	0.000
Earmarked Reserves	Budget Equalisation	Contribution to Equalisation Reserve	4.562	4.562	4.562
Earmarked Reserves	Various Services	Services use of Earmarked Reserves	(2.047)	0.000	0.000
Total			6.567	4.393	4.562

- 7.10** In trying to project the level of Earmarked Reserves at the end of the MTFP period it would be sensible and prudent to assume that Services use of reserves is similar to that planned in 2020/21 at £2m per annum. Taking this into account the estimated level of Earmarked is projected to be £47.211m by 2022/23.

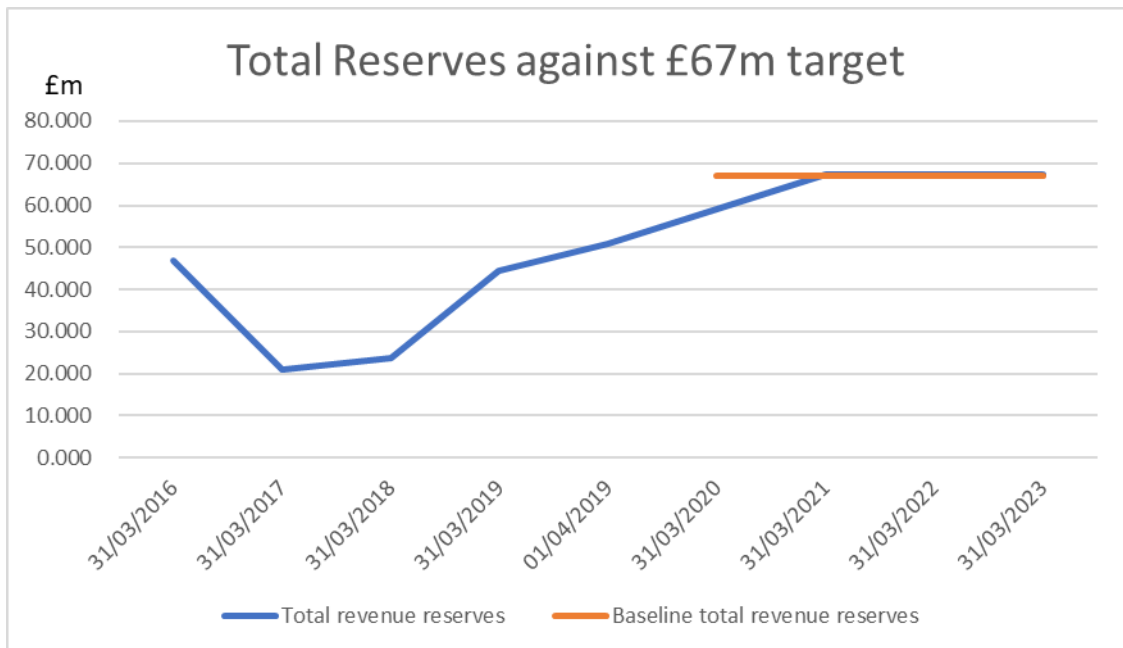
- 7.11** **Chart 3** shows the trend of Earmarked Reserves since 2016 and projected forward against the target of £50m over the MTFP.

Chart 3: Trend of Earmarked Reserves since 2016 projected to 2022/23



7.12 The combined position of General & Earmarked Reserves is projected to reach £66.9m by 2022/23 against a target of £67m. The trend since 2016 is set out in **Chart 4** and clearly shows the improved position since 2017/18 when they were just over £21m. **Appendix I.1** sets out the details of all of the reserves and their balances.

Chart 4: Trend of total reserves from 2016 projected to 2022/23



7.13 It is important that tight financial control is maintained over the use of reserves and that the current arrangements are strengthened with any planned

changes requiring the approval and Chief Executive and Section 151 Officer prior to any formal approval processes. More details are set in the reserves policy statements in **Appendix I.2**.

8. Capital Strategy

- 8.1** The Capital Strategy is intended to give a high-level overview of how capital expenditure, capital financing, and treasury management activity contribute to the provision of services.
- 8.2** Contained within the Capital Strategy are set out the prudential indicators including the authorised and operational limit boundary for external borrowing which the Council is required to approved as part of the Prudential Code.
- 8.3** The Capital Strategy is set out in **Appendix J**.

9. Capital Programme 2020-2023

- 9.1** The Council is proposing an additional capital programme of £123.961m across the MTFP period. **Table 16** below shows the proposed new budgets by service.

Table 16: Capital Programme Proposed Budgets 2020-2023

Ref	Scheme	2020/21 £m	2021/22 £m	2022/23> £m	Total £m
C20-001	ICT Transformation*	1.070	2.750	0.450	4.270
C20-002	ICT - Library Service Equipment & Services*	0.000	0.135	0.143	0.278
C20-003	Council Meeting Streaming Infrastructure*	0.120	0.000	0.000	0.120
C20-004	Schools - Basic Need	2.594	0.000	0.000	2.594
C20-005	Schools Condition	3.661	3.661	3.661	10.983
C20-006	Highway Structural Maintenance, Bridges & Structures	23.754	23.680	23.680	71.114

C20-007	Local Transport Improvement Schemes (SIS)	2.400	0.000	0.000	2.400
C20-008	Recommended Priority Safety & Improvement Schemes	1.250	1.250	0.500	3.000
C20-009	Major Road Network Schemes Development	0.400	0.200	0.200	0.800
C20-010	Trenchard Way Residual Works (NIDR)	0.570	0.000	0.000	0.570
C20-011	Traffic Signals Recovery Programme	0.000	3.000	5.000	8.000
C20-012	Highway Lighting - Basic Need	0.550	0.550	0.550	1.650
C20-013	Rights of Way - Basic Need	1.185	1.185	1.185	3.555
C20-014	Fleet Vehicle Replacement Programme - Basic Need*	0.840	0.789	1.148	2.777
C20-015	Fleet Gritter Replacement Programme - Basic Need*	0.000	0.000	0.472	0.472
C20-016	Park & Ride Site Security	0.048	0.000	0.000	0.048
C20-017	Business Growth Fund	1.600	1.600	1.700	4.900
C20-018	Chard Grow on Workspace Pilot	1.542	1.542	0.000	3.084
C20-019	Library Service - Asset Improvement	0.280	0.207	0.209	0.696
C20-020	Corporate Property Improvement Programme	0.200	1.350	0.950	2.500
C20-021	Heritage	0.050	0.050	0.050	0.150
Programme Total		42.114	41.949	39.898	123.961

Financed by:	2020/21 £m	2021/22 £m	2022/23> £m	Total £m
Borrowing	6.583	7.800	7.285	21.668
Capital Receipts	1.130	2.683	1.231	5.044

Capital Fund/ Revenue	0.900	0.900	0.950	2.750
Government Grants	30.350	30.350	30.400	91.100
3rd Party Contributions	3.151	0.216	0.032	3.399
Total	42.114	41.949	39.898	123.961

9.2 As part of the process for setting the proposed capital programme, all bids have been subjected to challenge and review with Strategic Managers, the Senior Leadership Team and relevant Members. This has included the funding assumptions for each bid.

Capital Programme 2020-23 Funding Assumptions

9.3 *Borrowing*

The use of borrowing for the proposed capital programme has been kept to a minimum level. The Revenue implications for this have been factored into the MTFP and set out in the Capital Strategy in **Section 8**.

9.4 *Capital Receipts and Capital Fund/ Revenue*

As the Council looks to build a sustainable MTFP the intention within this proposal is to plan Revenue resources and utilise known Capital Receipts to finance the expenditure on "short life" assets (those with a replacement cycle of under 8 years). The schemes deemed to be short life are identified within **Table 16** with an * after the title. This is a change to previous MTFP cycles that would have seen recurrent borrowing, which comes with a cost of debt, as the primary funding source.

9.5 *Grants*

The proposed grant funding relates to the following central Government grants.

9.5.1 *Department for Transport Highway Maintenance Grants*

The level of Government grant awarded is based upon a self-assessment return by each Council. The programme assumes the Council will retain its level three status (the highest level possible) over the next three years. Any change to this could result in a reduction in the grant received from Government which, in turn, would lead to a revised programme.

9.5.2 *Department for Education Schools Condition Grant*

It has been assumed for the purpose of the Schools Condition bid that the level of grant awarded for 2020-21 will be the same as during 2019-20. Confirmation of the value of grant awarded is usually received in March.

Therefore, the capital approval may need to be adjusted at the start of next year to reflect the actual grant received. This will be shown in the quarter 1 monitoring report.

9.6 *Contributions*

The value of contributions contained within the above proposals are based on the specific bids. The Council receives a number of contributions throughout the year from developers or other local Authorities (Namely, S106 and Community Infrastructure Levy). Many of these are scheme specific and will be accepted into the capital programme as and when they are received, through the powers given to the Section 151 Officer.

9.7 **Combined Capital Programme**

Table 17 below shows the current capital programme, as forecast at Month 6, included with the proposed new bids for 2020 onwards. Members should note this is only an indication of what the programme may look like as the actual value of approvals will depend on the final 2019/20 figures and any possible slippage within the current programme.

Table 17: Total Capital Programme 2020-2023

Service Area	2020/21 £m	2021/22 £m	2022/23> £m	Total £m
Schools - Primary and Secondary Sector	46.908	28.848	30.914	106.670
Local Enterprise Partnership	11.247	0.000	0.000	11.247
Economic Development	9.537	12.187	26.571	48.295
Highways Engineering Projects	18.189	1.558	0.200	19.947
Highways and Traffic Management	33.281	30.396	30.915	94.592
Support Services	4.506	5.183	2.550	12.239
Somerset Waste Partnership	4.638	3.375	0.000	8.013
Early Years and Community Services	2.577	3.321	4.849	10.747
Flood and Water	0.000	0.000	0.000	0.000
Schools - SEN and Access	0.634	0.700	1.069	2.403
Other Services	2.026	1.048	1.869	4.943
	133.543	86.616	98.937	319.096

Financed by:	2020/21 £m	2021/22 £m	2022/23> £m	Total £m
Borrowing	57.130	38.094	39.921	135.145
Capital Receipts	2.646	4.058	1.231	7.935

Capital Fund/ Revenue	0.900	0.900	0.950	2.750
Government Grants	67.180	36.208	55.123	158.511
3rd Party Contributions	5.687	7.356	1.712	14.755
Estimated funding	133.543	86.616	98.937	319.096

10. MRP Policy

10.1 The Minimum Revenue Provision ensures the Council sets aside revenue to repay the principal debt used to finance the capital programme. There is no change to the MRP policy for 2020/21 and it is therefore a continuation of current years policy which complies with regulations and is deemed prudent and affordable within this MTFP.

10.2 The MRP Statement for 2020/21 is set out in **Appendix K**.

11. Engagement & Consultation

11.1 There has been improved engagement over the MTFP through various forums including 3 members Budget Briefing Sessions, meetings with Trade Unions, the Growth Board, Business sector representatives and Scrutiny Committees.

11.2 Consultation with schools has been carried out through the Somerset Schools Forum and its Technical Working have taken place to discuss the implications of the joint decision with the Local Authority to move towards the NFF during November 2019 and January 2020. Two consultations with Schools were published on 14 November 2019. The first consultation was focused on applications for exceptional circumstances, de-delegation and education management services for maintained schools. The second consultation was focussed on the proposal to transfer funds from the Schools Block to the High Needs Block. The results of the consultation were discussed at Schools Forum on 27 November 2019

12. Financial risks

12.1 Two of the key financial risks concern the uncertainty of funding that the Council will receive and the ability to accurately predict and control the demand for services particularly in the Adults and Children's areas.

12.2 Although the Government has allocated additional funding for 2020/21 in the form of the Social Care Grant (national total of £1bn), a decade of austerity has taken its toll of the Council's financial resilience. Together with the ever-growing demands for its core services, the Council still faces substantial challenges to achieve a sustainable balanced budget in the medium term.

- 12.3** The key risks are identified on the strategic risk register and particularly within risk ORG0043. This risk is described as:

“There is a risk to the Councils long term sustainability if there are significant in-year overspends, and or if the Council suffers significant loss of funding in future years its ability to prepare a robust and sustainable MTFP for 2020/21 onwards may be impacted”

- 12.4** Following the provisional Local Government Financial Settlement announced on 20 December 2019, the Council is now able to confirm the core grant funding assumptions for 2020/21, although assumptions for later years in the MTFP (2020-23) remain estimates. The uncertainty continues pending Government delivering the promised Comprehensive Spending Review (CSR) covering multiple years as well as other reforms to Local Government Funding (in the form of Fair Funding Review and Business Rate Retention) during 2020 ahead of the Financial Settlement for 2021/22 onwards. Although there are no implications for funding levels in the current financial year, this significant level of uncertain funding, the on-going increasing demand pressures and costs, and the short-fall in years two and three of the MTFP period means that despite growing confidence with internal control mechanisms, the risk score remains at the current level of “very high” (4x4=(16)).
- 12.4** Strategic Managers are currently finalising services plans and up-dating risk registers in light of the 2020/21 proposed budgets and these plans will include mitigation actions which helps to provide confidence in delivery of services within budgets. The monthly budget monitoring process has been and will continued to be improved to optimise transparency and enable effective scrutiny of financial control. A continuation of the tight financial control and frequent and transparent financial reporting throughout 2020/21 is essential to the council's financial recovery.

13. Section 25 Statement

- 13.1** There is a legal requirement under the Local Government Act 1992, section 32 and 43 to set a balanced budget. The budget proposals include estimates for expenditure and income and changes to reserves and clearly show a balanced budget for 2020/21.
- 13.2** The Section 151 Officer must give their opinion in their ‘Section 25 Statement’ (see **Appendix L** for details). In summary, the Section 151 Officer confirms that they are satisfied that the proposed budget for 2020/21 is balanced and meets the legal requirement to set a balanced budget and that the level of reserves is adequate. Overall the budget is a sound and sensible response to

continuing challenging financial circumstances, which maintains services, delivers further efficiencies and responds to anticipated future financial challenges.

- 13.3** However, despite the confidence of service Directors that they can deliver within their budgets and the inclusion of a sensible level of contingency, the MTFP proposed is going to be challenging for services to deliver and it must be remembered that there is currently a shortfall in years two and three (£9.4m). Although not sensible to seek to close that shortfall at this stage, due to the significant uncertainty regarding Government funding of Local Government beyond 2020/21, the council must not be complacent and assume that this shortfall will disappear. It is therefore important that focus is given the defining further service efficiencies and transformation activities early in 2020/21.
- 13.4** In line with statutory duties, Members are asked to consider the advice provided in this report, which is based upon the Section 151 Officers assessment of the robustness of the overall budget and estimates in the medium-term financial plan.

14. Background Papers & Appendices

Background Papers

MTFP Approach 2020 to 2023 – Cabinet July 2019
Budget Strategy – Cabinet December 2019
MTFP Overview for Adults Services – January 2020
MTFP Overview for Children’s Services – January 2020
MTFP Overview for Economic & Community Infrastructure and Corporate & Support Services – February 2020
Month 9 Budget Monitoring Report – Cabinet February 2020

Appendices:

A: Mental Health Transformation Proposal
B: Brain in Hand Transformation Proposals
C: Steps to Independence Transformation Proposals
D: Family Safeguarding Transformation Proposals
E: SENDIAS Transformation Proposals
F: Travel Plan Transformation Proposals
G: SMWFMF Transformation Proposals
H: Council Tax Precepts
I: Reserves (numbers and Policy Statement)
J: Capital Strategy 2020-21

K: MRP Statement

L: Section 25 Statement