

Update to Scrutiny Committee 11 October 2021 - Cabinet Member for Finance

The last Cabinet Member for Finance Annual Report to Scrutiny was on 19 April 2021 so this update reflects the 6 months since then. The term “unprecedented” was used last time and that has remained the situation. It has continued to be a very difficult period for the Council’s finances and a very busy time for the Finance Team as Covid-19 continues to have a significant impact both in working practices and on the budget.

Year to Date

The finance team has continued to work almost exclusively from home, albeit still fulfilling the requirements of the task. In April the team was in the process of the annual closedown. Since then the draft Statement of Accounts has been produced in good time and once again MDDC was one of the first Councils in the country to achieve this milestone. The external audit has been largely completed and the finance team is confident of an “unqualified” (in the sense of “without reservation”) opinion.

Fee income from areas reflecting public activity continues to be materially reduced compared with pre-Covid figures. For example, forecasts for annual Leisure income for 2021/22 is some £900k lower and Parking income around £100k down. Fortunately, MDDC can recover approximately two thirds of the loss incurred within the first quarter through the Government’s Income Compensation Scheme (circa £250k) but will have to shoulder any further loss across the remainder of the year. Despite this, at the end of Q1, the forecast was for a small underspend at year end largely due to maintaining strong collection levels for Council Tax and Business Rates.

There are still achievements to be celebrated in terms of Covid-19 Grant payments, such as making nearly 400 payments to residents through the Test and Trace Scheme and making grant payments to local businesses to help offset the implications of the Government’s various restrictions. Although these grant schemes have now ceased, in total nearly £40M was paid out through over 10 700 individual payments to businesses.

The team continues to work hard in keeping good control of the Council’s finances and engage proactively with the local community. I would personally like to express my gratitude to all our staff for their efforts over the past six months, noting that the latest detailed financial Cabinet report sees in-year performance broadly on track.

Medium Term Financial Plan and the 2022/23 Budget

Looking forward focus is now on the Medium-Term Financial Plan (MTFP) and the 2022/23 budget. Work has been undertaken over the summer to review the MTFP position as the starting point for the complex task of balancing the annual budget. Whilst some improvement has been achieved, the work again shows the significant challenge facing the Council in balancing the 2022/23 finances.

Considerable uncertainty remains over the future of Local Government funding. There is little clarity over the potential outcomes of the Fair Funding Review, the Business Rates Review, and the new / revised Housing Incentive Scheme destined to replace the New Homes Bonus scheme. This hinders planning for the 2022/23 budget as

large elements of underlying funding remain unclear. However, the Government have announced their intention to provide a multi-year settlement which, although unlikely to be generous, will provide one area of certainty for forward planning.

Other revenues, as already noted, continue to be affected by the pandemic. It is hard to predict when income will recover to pre-Covid levels making forecasts uncertain. Prudence demands that a cautious return to previous income levels is assumed, notwithstanding the finite risk of further lockdowns. That said, Service Managers have been challenged to stimulate demand for the Council's income-generating Services.

After considering primary incomes, options to mitigate the predicted shortfall are already being developed and include how the Council can explore more innovative ways of working and harnessing the efficiencies that hybrid working offers. Once again, ideas for sharing resources, prioritising budgets, and looking at new ways of delivering Services are under consideration. However, other threats must be kept in mind including pay / price inflation, continuing planning appeal costs above anticipated contingency, as well as the growing cost of essential asset maintenance (post Grenfell). Equally, notwithstanding a predicted budget deficit, there is Members' desire to increase expenditure in areas such as town centre regeneration, climate reduction, enforcement, and discretionary grants.

Ideas created by Members in the 2019 Away-day have now all been examined. More innovative commercial opportunities are never dismissed. However, the Government continues to increase controls on such options, notwithstanding the challenge of the wider economic climate and the need for decisions to be underpinned by rigorous due diligence.

The MTFP will be brought to Cabinet on 26 October 2021 setting out the draft budget baseline based on the best forecast information available. As always thereafter there is an opportunity for all voices to be heard in formulating the budget, balancing the complex, inter-related issues cited above. All Members have an important part to play in the process through PDG reviews of each budget area where all ideas related to income or expenditure can be considered. It's an opportunity for Members to bring ideas forward, but also responsibly consider the implications: any increased expenditure must be balanced by savings. At the end of the process, all avenues should have been raised and examined in good time. Last minute proposals aren't helpful. Most new ideas take time to consider so Members are encouraged to engage as early in the process as possible.

Conclusion

The year to date is progressing steadily and will continue to be monitored closely. The most pressing task is preparing the 2022/23 budget. Background work has been ongoing, and the consultation process begins in earnest in the next few weeks. All Members have a part to play in developing responsible spending plans and a balanced budget for the Council.

Cllr A Moore
Cabinet Member for Finance