

## **QUESTIONS FROM THE CORPORATE SCRUTINY COMMITTEE RE: BUDGET PROPOSALS 2022-23**

- 1. What is our year end prediction against budget and how is our immediate financial health affecting our performance?**

Committee will be aware of the Quarter 2 Performance Management Report considered by the Cabinet on 11<sup>th</sup> November forecasting a £735,000 underspend.

Contained within that forecast is the on-going financial impact of the COVID pandemic at £2m which has been provided for by the sums set aside within the COVID Contingency.

The Council's performance is also set out in that report.

The Quarter 3 Quarterly Performance Management Report will be considered at the Cabinet Meeting of the 10<sup>th</sup> February alongside the Budget and Council Tax Setting 2022-23 Report.

- 2. Is there a variance between our expectation of the settlement and the final figure agreed?**

The Provisional Settlement announcement is now out for consultation and the Final Settlement will be announced in early February 2022.

The figures in the Provisional Settlement leave the Council's financial position as per forecast and the need to identify budget reductions of £3m remains intact.

The Provisional Settlement included additional funding of £4.1m plus the opportunity to again set an Adult Social Care Precept, although the Government has reduced this from the previous 3% to 1% (amounting to a reduction from £2.7m to £0.9m).

This additional £5m however will be required in full to assist toward additional budget pressures including National Living Wage (6.6%), NI increase (1.25%), General Inflation (CPI 4.2% and RPI 7.1%) and Demographic Pressures in ASC and CSC.

Discussions remain on-going with Central Government regarding an award of funding for the Island Deal and there remain the opportunity for an award to be made as part of the Final Settlement. Should the Government ultimately fail to provide an award for our Island Deal then the overall deficit will increase and need to be planned for accordingly.

- 3. What does the level of the settlement mean for our expectations around the setting of council tax?**

The council tax referendum thresholds are as expected with a 2% maximum "core" increase. The consultation is in progress regarding the various options available and the impact of each. Early indications are that the response rate will be higher than previous years.

A 1% increase to the Adult Social Care precept has been allowed  
There is a 2% maximum increase for Fire Authorities

There is a maximum increase of £10 maximum for Police and Crime Commissioners.

There are no limits set for Town and Parish Councils.

**4. How does the notification of the settlement impact on the level of risk, and our expectations of being able to deliver a balanced budget?**

As previously mentioned, in Qu.2, the overall financial position of the Council is expected to be unchanged as a consequence of the Provisional Settlement. This however is predicated on an award of funding being made for the Island Deal in the Final Settlement.

Key uncertainties remain and formed part of the recent budget consultation with Town and Parish Councillors, these include:

- The Covid legacy (particularly in Care Services)
- Rising inflation and the ability of funding from Council Tax, Business Rates and Government Funding to keep pace
- Demographic pressures
- Adequate funding to meet the costs of Adult Social care reform
- Local Government Funding changes due to the forthcoming reviews of the Business Rate Retention Scheme and the Fair Funding Review

Despite these uncertainties some of which extend beyond next financial year, the Administration is confident that it will be able to present a balanced budget for 2022/23.

**5. What is the authority's level of confidence that the MTFS can be delivered – in totality, and in the respective years covered in the strategy?**

The Alliance recognises that all of the above including the continuing financial pressure on local authorities by central government in general and their failure to fully recognise our Island challenges in particular, represent a substantial, ongoing and growing challenge.

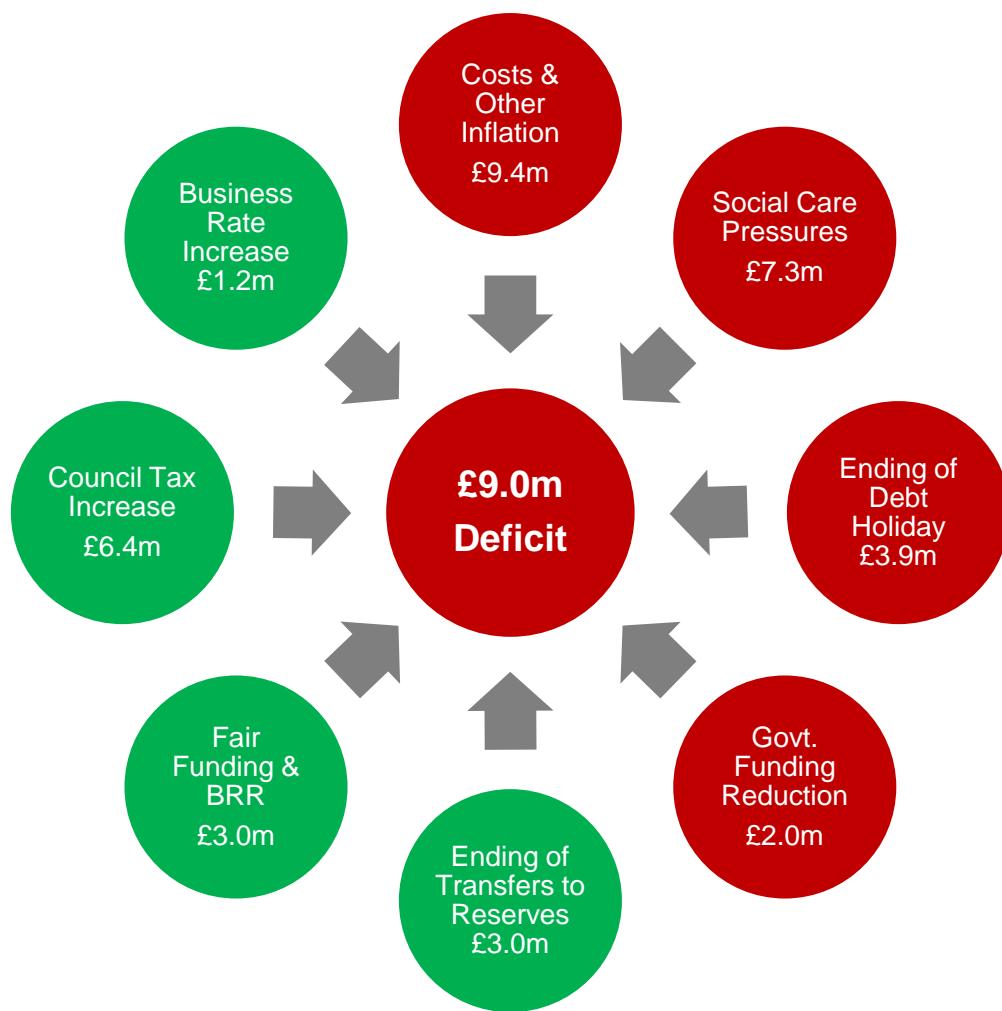
The Alliance remains committed to achieving financial sustainability, environmental sustainability, increasing the supply of affordable housing and preserving core services. No stone will be left unturned in our desire to become a more efficient, financially self-sustaining Council whilst also pursuing Central Government for a proper Island Deal.

Key to moving from the previous position of managing decline to rebuilding our local economy for the benefit of all will be our determined focus on Islandwide regeneration activities.

**6. What evaluations and predictions about future demand have been made?**

As is usual, future forecasts are made in demand led services such as Adults Social Care and Children's Services. The forecasts are then represented in financial terms within the Budget and Budget Forecasts that are presented to Full Council for approval a comprehensive and full revision of the Council's Financial Forecast will be presented to Full Council as part of the Annual Budget report on the 23<sup>rd</sup> February 2022.

The Council's current financial forecast, as presented to full Council in February 2021 and in our recent budget consultation briefings is, in summary:



The forecast is a rolling 3 Year Forecast which will be comprehensively reviewed and "rolled on" a year as part of the Budget Report.

**7. Are there accurate and robust predictions about future funding? What are any such predictions based upon?**

These assumptions are set out within the Budget Report itself. As an example, the Budget Report in February 2021 stated the following:

*"The most significant assumptions in the medium term future forecasts for the period 2022/23 to 2024/25 are described below:*

*Spending:*

- *Cost and inflationary pressures of £9.4m covering all pay and prices (assuming pay awards of 2.0% per annum, specific contract inflation and CPI / RPI increases in line with the forecasts from the Treasury)*
- *Cost pressures in both Adult Social Care and Children's Services of £7.3m*

- *The ending of the "Debt Repayment Holiday" in 2022/23 which is currently benefitting the Council by £3.9m per annum (previously £7m per annum)*
- *The ending of Revenue Contributions to Capital and the Transformation Reserve after 2021/22*
- *An assumption of a steady state for all budgets.*

*Funding:*

- *Government Funding reductions of £2.0m but mainly related to "one off" sums received in 2021/22 relating to COVID-19 not recurring in later years*
- *A net benefit arising from the Fair Funding Review and Business Rate Retention scheme review of £3.0m, phased in from 2022/23 onwards*
- *A 1.99% increase in Council Tax per annum from 2022/23 onwards and accompanied by an improving Tax Base, in total yielding £6.4m*
- *Non-recurrence of the current deficit on the Collection Fund*
- *Indexation uplifts on retained Business Rates of 2.0% p.a from 2022/23 onwards*
- *An underlying zero growth assumption for changes in Business Rates from 2022/23 onwards, to reflect the uncertainty relating to appeals and mandatory reliefs*
- *That any loss of business rates income arising from National Business Rate reduction / capping initiatives will continue to be recompensed by Government via S.31 grant funding."*

## **8. What are our principal challenges and risks over the next 3 years?**

In financial terms, these are set out in Qu. 4 and repeated below:

- The Covid legacy (particularly in Care Services)
- Rising inflation and the ability of funding from Council Tax, Business Rates and Government Funding to keep pace
- Demographic pressures
- Adequate funding to meet the costs of Adult Social care reform
- Local Government Funding changes due to the forthcoming reviews of the Business Rate Retention Scheme and the Fair Funding Review

## **9. What processes do we have in place to escalate and manage these risks?**

Processes and management of risks include:

- Corporate Scrutiny
- Identification of Corporate Risks via the Corporate Risk Register
- Internal monthly monitoring of financial and service performance
- Performance Reporting and Management through the Quarterly Performance Monitoring process
- Financial Estimates and forecasts based on sound evidence bases where they exist with appropriate scenario planning where forecasts are sensitive to change e.g. the Medium Term Financial Forecast Deficit of £9m has been presented as £9m +/- £3m due to risk and uncertainties.
- Provision of a Corporate Contingency to provide cover "in year" for:
- All known risks of uncertain value or uncertain timing
- As yet unknown risks

- Specific Covid Contingency to accommodate the on-going financial risk of the pandemic to the delivery of essential services.
  - Insurable risks covered by insurance policies
  - Uninsurable risks are provided for through an Earmarked Reserve
  - Earmarked Reserves for known future liabilities
  - General Reserves, based on the Council's risk profile, to be available to respond to a "financial shock" once all other options have been exhausted
- 10. What consideration has been given to maximising income (where appropriate and equitable – eg income from sales, fees and charges etc)?**

New proposals for increases in sales, fees and charges will be presented as part of the Budget to Full Council on February 23<sup>rd</sup> 2022. All proposals will be consistent with Alliance policy objectives which will, as is required, properly consider the equalities impact as well as any environmental impact. Any such proposals will also have due regard for the outcome of the current Budget Consultation which is underway.

There will always remain a balance to be made between how the costs of Council Services are met i.e. from Sales, Fees and Charges to the users of such services or by a wider Council Tax subsidy from all Council Tax payers.

The Alliance is ever mindful of the financial pressure on Island businesses and residents and at all times seeks to minimise those impacts whilst maintaining its responsibilities. Ultimately the route to turning the Island ship away from the previous course of managing decline will need to come from ourselves by working with local businesses, partners, Town and Parish Councils and prudent fiscal investment management in local regeneration.

**11. Why is there a suggestion that only a one-year budget will be presented?**

The legislation only allows for the approval of the Budget and Council Tax for the forthcoming year to be considered and approved.

**12. How significant will the Capital Budget allocations be in addressing the chronic shortage of affordable housing on the Island.**

The Alliance are working on a substantial package of measures to support housing that is truly affordable to Island residents. This will include usage of available contingency reserves earmarked in that and associated categories. These will be presented as part of the Alliance Budget Proposal to be considered by the Cabinet on 10<sup>th</sup> February and Full Council on 23<sup>rd</sup> February