

OVERVIEW AND SCRUTINY COMMITTEE 16 JULY 2020

Report title: Financial Planning and Medium Term Strategy 2020/21 to 2024/25

Wards: All

Portfolio: Cabinet Member for Finance and Performance: Councillor Maria Kay

Report Authorised by: Fiona McDermott: Strategic Director for Finance and Investment

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Report summary

This report introduces the Draft Financial Planning and Medium Term Strategy report for the period 2020/21 to 2024/25, setting out the local government financial context and medium term financial strategy, including details of the current budget position and pressures, our response to Covid-19 and the financial implications for the Council of any residual pressures as well as the risk of a shortfall in funding from Government.

The budget report in February also set the financial envelope for the capital investment programme. The appended report now sets the allocation of the capital budget within this envelope outlining the council's priorities within which individual schemes will be developed.

Finance summary

There are no direct financial implications arising from the recommendations of this report.

Recommendations

1. That the Committee considers the Draft Financial Planning and Medium Term Strategy for the period 2020/21 to 2024/25 and forwards any formal recommendations to Cabinet.

1. CONTEXT

- 1.1 This is one of the most uncertain periods in peacetime to be making financial planning assumptions in local government. Local government was already facing a backlog of uncertainty before the Covid-19 pandemic struck: the expectation of the fair funding review; the revaluation of business rates and the retention of business rates; as well as the adult social care green paper and funding review. Although it has been momentarily eclipsed, Brexit also remains firmly on the horizon.
- 1.2 All of these issues and uncertainties have not gone away and have been delayed as a result of the Covid-19 pandemic and government response to it, both central and local. Central government has for a number of years been providing local government with a series of one-year financial settlements, rather than sustainable longer term funding settlements, placing further uncertainty on councils when they consider their finances over the medium and long term.
- 1.3 The Council agreed the 2020/21 budget at its meeting in February 2020. The budget agreed savings of £28m in order to deliver a balanced budget across the financial planning period 2020/21 through to 2023/24. This report extends the MTFS planning period by one year to 2024/25 and revises the position for 2021/22 onwards as a result of the outturn in 2019/20 and the first few months of this financial year operating under the lockdown as a result of the pandemic.
- 1.4 The effect of the pandemic on the Council's finances is severe, with increased costs in order to protect and care for those in need and loss of income from closure of facilities and suspension of enforcement services. The funding received so far is not sufficient to cover the forecast losses and expenses. The full impact may be unknown for some time as the public health crisis continues. The extent of further financial support from Government is not known and the Chancellor's Summer Statement on 8 July did not contain any specific measures for local government funding.

2. PROPOSAL AND REASONS

- 2.1. The attached report sets out the financial position for 2020/21, updating the assumptions and setting out new pressures identified since the February budget report as well as rolling the planning period forward to include 2024/25. The report includes our response to Covid-19 and the financial implications for the Council in light of the limited additional funding provided by central government and the likelihood of any shortfall.
- 2.2. The budget report in February also set the financial envelope for the capital investment programme. This appended report now sets the allocation of the budget within this envelope outlining the council's priorities within which individual schemes will be developed.

3. FINANCE

- 3.1 There are no direct financial implications arising from the recommendations of this report. Overview and Scrutiny Committee is asked to consider the Draft Financial Planning and Medium Term Finance Strategy report and make recommendations to Cabinet as appropriate.

4. LEGAL AND DEMOCRACY

4.1 There are no legal comments arising. Legal advice will be provided on specific work streams as they arise.

5. CONSULTATION AND CO-PRODUCTION

5.1 None for the purpose of this report

6. RISK MANAGEMENT

6.1 None for the purpose of this report

7. EQUALITIES IMPACT ASSESSMENT

7.1 None for the purpose of this report

8. COMMUNITY SAFETY

8.1 None for the purpose of this report

9. ORGANISATIONAL IMPLICATIONS

9.1 None for the purpose of this report

Audit Trail				
Consultation				
Name/Position	Lambeth directorate	Date Sent	Date Received	Comments in paragraph:
Councillor Maria Kay	Cabinet member for Finance and Performance	09.07.20		
Fiona McDermott Strategic Director	Finance and Investment	09.07.20		
Christina Thompson Director	Finance and Investment/ Finance and Property	09.07.20		
Alison McKane Director	Legal and Governance	09.07.20		
Gary O'Key	Legal and Governance	09.07.20		

Report History	
Original discussion with Cabinet Member	
Report deadline	
Date final report sent	10.07.20
Part II Exempt from Disclosure/confidential accompanying report?	No
Key decision report	No
Date first appeared on forward plan	N/A
Key decision reasons	N/A

Background information	
Appendices	July 2020 Financial Planning and Medium Term Finance Strategy Report