

# **Council**

**18 February 2020**

## **2020/21 Budget and 2020-25 Medium Term Financial Strategy**

### **Recommendation**

That Council agrees the 2020/21 Budget and authorises work to continue on ensuring the 2020-25 Medium Term Financial Strategy is aligned with and supports the delivery of the Council's ambitions as set out in the Council Plan 2025.

### **1. Key issues**

- 1.1. Cabinet received reports on the options for the 2020/21 budget at their meeting on 18 December 2019 and a further update at their meeting on 30 January 2020. Cabinet were requested to use this information to issue their 2020/21 revenue and capital budget proposals. These form part of the agenda papers for this meeting and the statement from the Strategic Director for Resources that accompanies the resolutions comments on the robustness of the proposals.
- 1.2. Members are reminded when making decisions of the need to take into account their equality duties and consider any relevant equality impact assessments when formulating proposals.

### **2. Dedicated Schools Grant Deficits**

- 2.1. On Friday 31 January 2020 the DfE published the outcome of the consultation on clarifying the Dedicated Schools Grant (DSG) ringfence. In this response the DfE stated:

*“The effect of these provisions is that local authorities will not be permitted to fund any part of the deficit from sources other than DSG (and any specific grants whose conditions allow them to be applied to the*

*schools budget) without the authorisation of the Secretary of State. If a local authority wished to use other sources, it must apply to the Secretary of State for authorisation to disregard the new arrangements. We would not wish to place barriers in the way of local authorities that have used other sources to supplement the DSG for particular reasons such as PFI costs; or of local authorities who want voluntarily to use small annual sums in support of their high needs budgets.”*

- 2.2. The changes look set to involve statutory backing through amendments to the School and Early Years Finance Regulations 2020 (which come into force in February 2020).
- 2.3. This outcome is welcome – so long as it comes with the extra funding required to relieve the deficit. If there is no additional funding then it is simply an unsatisfied debt which is unsustainable. At this stage we have no indication of further sufficient funding and it is therefore the view of the Strategic Director for Resources (as the Authority’s s151 officer ) that it would be inappropriate and irresponsible to provide for a deficit to continue to accumulate without assurance of funds to re-pay this deficit.
- 2.4. It is the recommendation of the Strategic Director for Resources that the Budget/Medium Term Financial Strategy (MTFS) should make provision for the projected high needs overspends by:
  - Ensuring that there is sufficient funding to pay for the statutory services which the council has a duty to deliver and any deficit on DSG is set to be earmarked on the balance sheet at the year-end; and
  - The Budget/MTFS providing for an equal and opposite provision to offset the projected deficit.
- 2.5. In this way the Council is able to offset any deficit but should the DfE provide the appropriate level of additional funds then the Council can re-claim the offsetting provision and invest the provision to support the Council Plan 2025. The Council is therefore not funding the DSG deficit at this point (and indeed would be unable to do so without the authorisation of the Secretary of State) but is funding provision for the possibility that it may need to in the future in line with good accounting practice.

### **3. Timescales associated with the decision/next steps**

- 3.1. Following this meeting the formal 2020/21 precept notifications will be sent, under seal, to the district/borough councils to allow them to prepare consolidated council tax bills for households across Warwickshire.

3.2. Services will complete their work on how they intend to use the resources allocated in the budget resolution to deliver the objectives and outcomes agreed in the Council Plan 2025. Work is also continuing to finalise service redesigns and apply transformation savings to service budgets. This is likely to result in some further transfers of resources between services or the use of reserves to phase in any changes. Any changes will be reported to Cabinet in March 2020, as part seeking their agreement to the detail of the proposed use of resources. The agreed use of resources will then form the basis of budget monitoring reports to Members during 2020/21.

#### **4. Financial Implications**

4.1. The 2020/21 revenue and capital budget resolutions that are part of the agenda papers for this Council meeting will, once approved, form part of the Council's budget and policy framework for 2020/21. All financial decisions made during 2020/21 will be in accordance with these resolutions, unless otherwise agreed by a subsequent Council meeting.

#### **5. Environmental Implications**

5.1. There are no immediate environmental implications for the Authority from this report. There will be environmental implications that flow from the individual allocations and proposals agreed as part of the Council's approved budget and these should be considered by Members as part of reaching their decisions.

#### **6. Background Information**

6.1. None.

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This report was not circulated to members prior to publication.