

FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

IMPROVEMENT AND SCRUTINY COMMITTEE - RESOURCES

22 July 2021

Report of the Director of Finance & ICT

Financial Resilience in Local Authorities

1. Purpose

- 1.1 To provide the Improvement and Scrutiny Committee – Resources with details of the challenges faced by local authorities in ensuring financial sustainability.

2. Information and Analysis

- 2.1 The information in the slides provides Members with details of financial resilience in the local government sector. Concerns have been expressed regarding the future funding of local authorities, with the position exacerbated by the financial challenges generated for local authorities by the Covid-19 pandemic.
- 2.2 The presentation provides Members with background to the significant issues faced by local authorities, highlighting the funding gap experienced by the sector in the last decade, the financial pressures of the Covid-19 pandemic and the uncertainties and risk faced over the short and medium-term.

3. Alternative Options Considered

- 3.1 N/A

4. Implications

4.1 Appendix 1 sets out the relevant implications considered in the preparation of the report.

5. Consultation

5.1 N/A

6. Background Papers

6.1 N/A

7. Appendices

7.1 Appendix 1 – Implications.

7.2 Appendix 2 – Presentation – ‘Financial Resilience in Local Authorities’

8. Recommendation(s)

That Committee:

a) notes the financial challenges faced by local authorities.

9. Reasons for Recommendation(s)

9.1 To support the Committee in understanding financial resilience in the local government sector.

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Implications

Financial

1.1 N/A

Legal

2.1 N/A

Human Resources

3.1 N/A

Information Technology

4.1 N/A

Equalities Impact

5.1 N/A

Corporate objectives and priorities for change

6.1 N/A

Other (for example, Health and Safety, Environmental Sustainability, Property and Asset Management, Risk Management and Safeguarding)

7.1 N/A


Financial Resilience in Local Authorities

Peter Handford
Director of Finance & ICT

Background

- Substantial reductions in grant funding
 - Fall in Spending Power
 - Situation worsened by Covid-19 pandemic
 - Section 114 Notices
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Funding Gap Nationally

- £8bn by 2025
 - Rise in demand on services between 2011 and 2018
 - Looked after children grown by 11%
 - Population in need aged 65 or over 14%
 - Unintentionally homeless 34%
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Covid-19

- Number of grants allocated to local authorities
- Severe financial challenges include
 - Cashflow problems
 - Lost revenue arising from the restrictions on travel and economic activity


Financial Stress on Individual Authorities

- Northamptonshire County Council
- London Borough of Croydon
- Slough Borough Council
- Public Interest Reports
 - Nottingham City Council
 - York City Council


Uncertainties and Risks

- Service pressures
 - Achievement of savings
 - Economic climate
 - Spending Reviews
 - Fair Funding and Business Rates Reviews
 - Public Health Grant
 - Devolution
 - Brexit
 - Covid-19 costs
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Local Context

- Setting a balanced budget
 - Revenue Outturn 2020-21
 - Five Year Financial Plan
 - Reserve Balances
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Mitigations

- Robust procedures and processes to support budget setting, monitoring and medium-term financial planning
 - Unqualified opinion on the Council's Statement of Accounts and Value for Money Conclusion
 - Financial Management Code
 - Experienced officers
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Summary

- Funding gap
 - Covid-19 created financial uncertainty
 - Uncertainties and risks
 - Multi-year settlement to support financial planning
 - Strong financial management practices and procedures are embedded
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Questions

