

Medium Term Financial Planning – July 2020

1. Covid-19 is having a significant impact across the County's economy, which inevitably extends to the County Council's financial position. The table below sets out the current optimistic and pessimistic budget gap estimates which form part of the County Council's Medium Term Financial Planning assumptions. These estimates remain under constant review to take account of the latest developments and government announcements. As set out in the main body of the report, the projected non-Covid pressures will be met by the revenue contingency budget.

Table 1: Budget Gap – July 2020

Budget Gap – July 2020	2020/21 (£m)	2021/22 (£m)	2022/23 (£m)	2023/24 (£m)	Total (£m)
Budget Gap - February County Council 2020	0	15	17	13	45
Optimistic Scenario:					
Covid-19 pressures (includes undeliverable savings)	50	14			64
Service pressures		12	8	9	29
Council tax and business rate funding	0	18	3	3	24
Government funding	-41	-17	13	0	-45
Revised budget gap – optimistic	9	42	41	25	117
Pessimistic Scenario:					
Covid-19 pressures (includes undeliverable savings)	54	27			81
Service pressures	6	16	8	9	39
Council tax and business rate funding	0	41	4	4	49
Government funding	-41	0	13		-28
Revised budget gap - pessimistic	19	99	42	26	186

- The financial plan is developed using a number of assumptions to deal with the uncertainty. The key assumptions in the creation of the scenarios are detailed in Table 2 below.

Table 2: Scenario Assumptions – July 2020

Scenario Assumptions	Optimistic	Pessimistic
Impact of costs of Covid-19 affect 2021/22	£14m	£27m
Additional costs of Track and Trace over grant allocation	None	£1m
Reduction in Council Tax base	2.5%	5%
Reduction in Business Rate income	None	£10m
Council Tax cap is 2%, no Adult Social Care Precept	Same	Same
Additional service demand pressures	£12m	£16m
Social Care Grant funding	Maintained	Stopped
Price inflation and pay inflation	Price 1.3% Pay 2.75%	Price 1.3% Pay 2.75%

- The uncertainty in government funding is set out the main TPM report. As we progress through the autumn, we will receive clarity on our funding from government for 2021/22 and any change from the current 2% council tax cap. As the review of fair funding and business rates is delayed, uncertainty in government funding for 2022/23 and 2023/24 will remain until next year. We are also still waiting for the government's green paper; outlining a long term solution to fund social care.
- It is uncertain how the Covid-19 pandemic will progress, and for our modelling purposes, we are assuming there are no further lockdown measures and the employment levels in our residents and business rate income will return to levels expected in 2020/21 over the financial planning period. The economic recovery and any further increase in demand for council services is not known and the ranges currently being projected are set out in the table above.
- We continue to track the potential impact on our council tax base through regular updates from our districts and boroughs as well reviewing monthly

information detailing applications for Job Seekers Allowances and Universal Credit for the County. We are also following updates on businesses provided by our districts and boroughs, Gatwick Diamond, Coast 2 Capital and other forums.

6. It is not clear how the pandemic will impact our demand led social care services. Potentially the crisis will escalate plans to enable more residents to be cared for at home rather than residential care, improving outcomes for clients and reduced costs. However, the on-going costs of care, either residential or home care are uncertain and may continue to rise as providers adjust service delivery to ensure guidance to health and safety guidelines.
7. The impact on demand for children's services is not known. The number of referrals has reduced when schools closed and potentially demand could increase when school's open.
8. Also the impact unemployment on individuals and families as the furloughed scheme comes to an end and businesses adapt their operating model to survive in the current economic climate will become more apparent as the autumn progresses.
9. We will continue to lobby government for sufficient funding to cover the pressures arising from the pandemic, including future year's pressures, including the potential use of capital flexibilities for Covid-19 costs. Further updates will be provided in the autumn to Cabinet as we receive more information from government.