

# Independent Group

## The challenges for 2021/22 and beyond

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# Sustainability & resilience

## Sustainability

Ability of the system to continue

**Income = expenditure in the long run**

## Resilience

Capacity to withstand shocks and bounce back

**Reserves levels adequate**

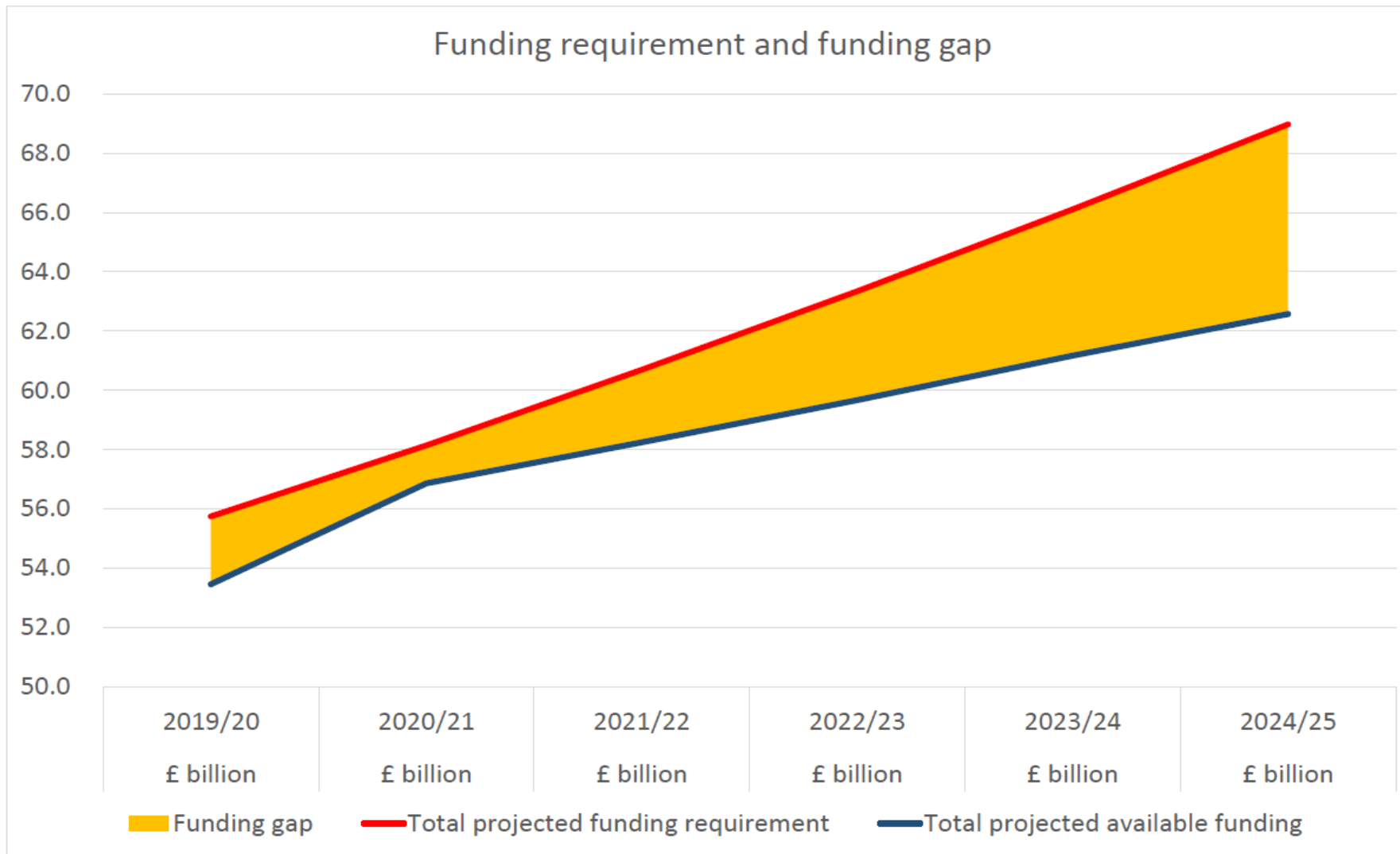
## Deliverability

In order to achieve sustainable, resilient finances, a council needs to be able to deliver its plans

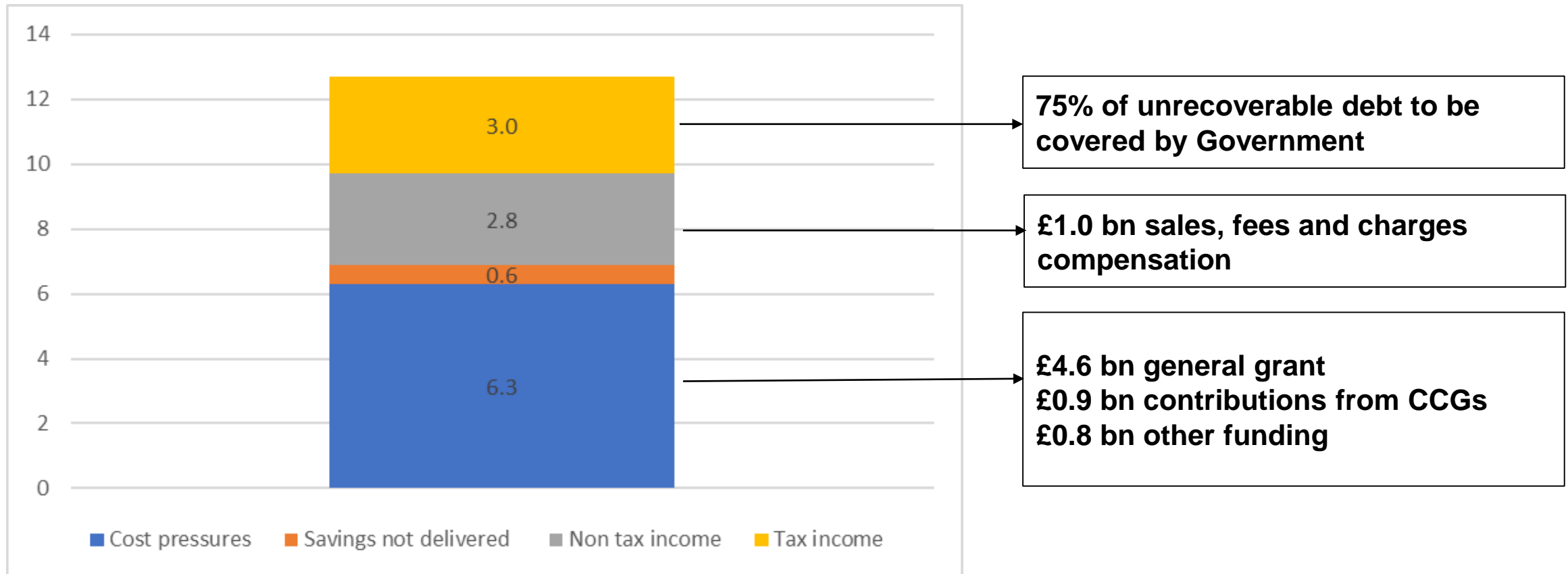
**Uncertainty...**  
**...or Risk?**



# The pre-COVID gap: £6.5 bn by 2025



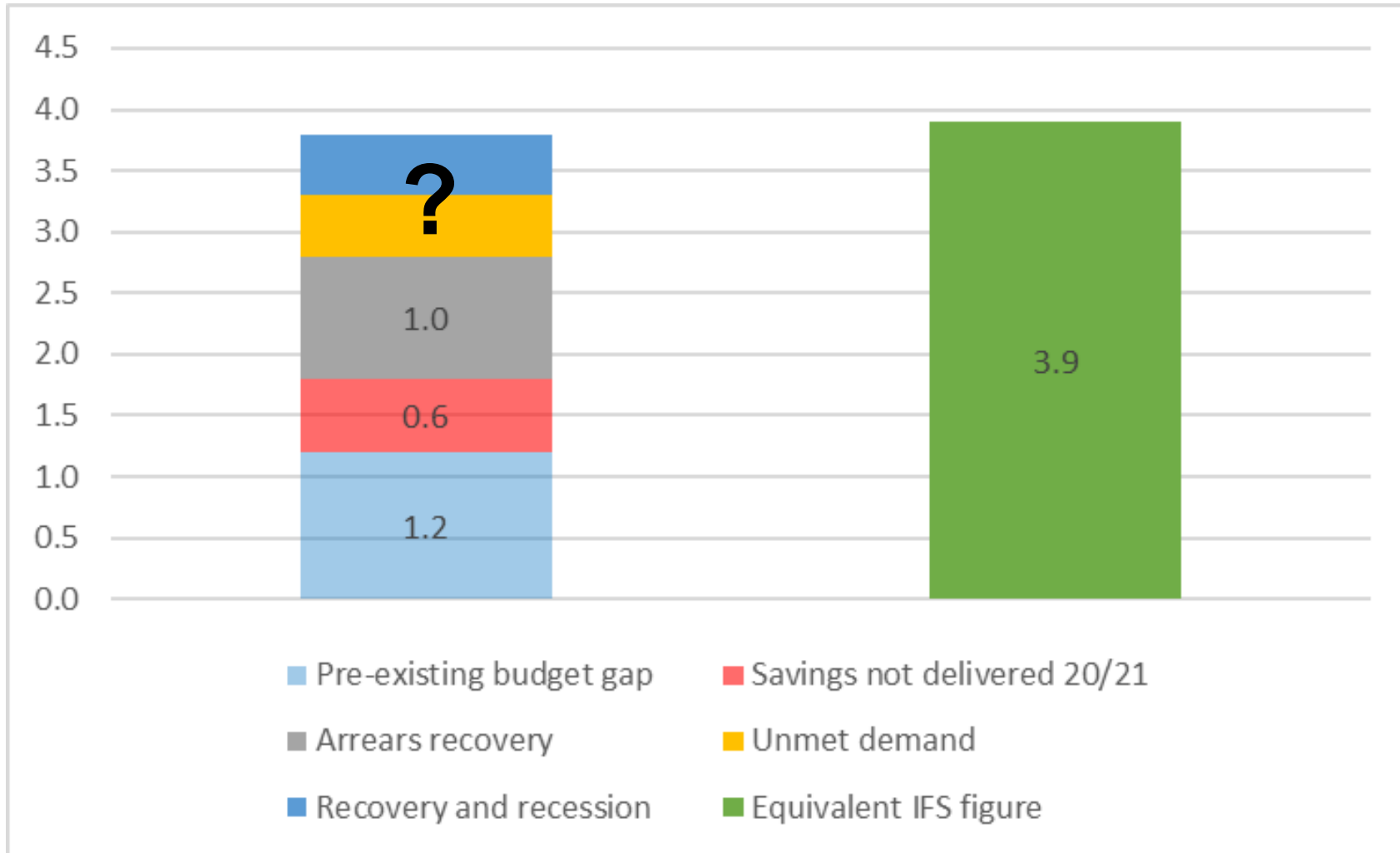
# COVID impact 2020/21 (£12.7 billion)



# Local differences

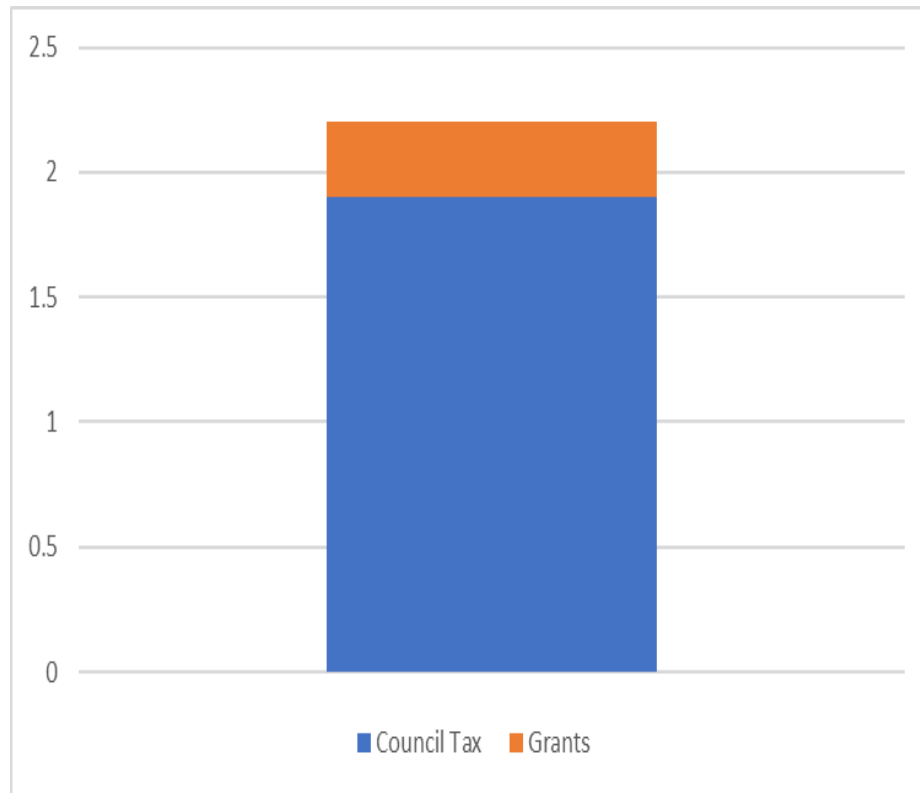
- Individually councils affected very differently
- No evidence of regional differences (IFS)
- In 2-tier areas, Districts affected more on income side, Counties on expenditure
- Major cities, commuter hubs and tourist areas
- Commercial income challenges
- Councils with limited reserves more likely to struggle

# 2021/22 budget setting



Source: (a) Alan's best guess (b) IFS

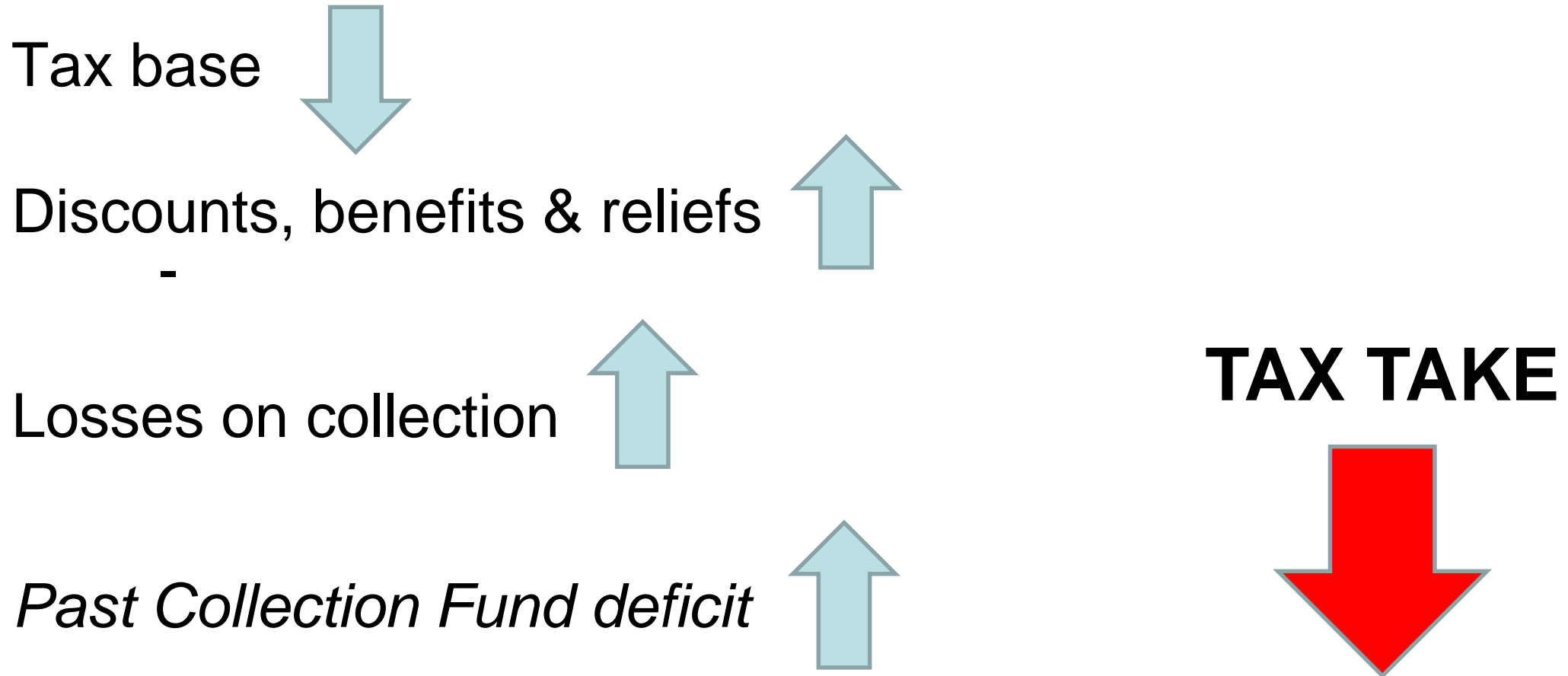
# 2021/22 Local Government Settlement



- **One year settlement**
- **4.5% (£2.2 bn) increase in Core Spending Power**
- **Nearly all from Council Tax (see left)**
- **£1.55 bn COVID expenditure pressures**
- **Continuation of Sales, Fees and Charges compensation until June**
- **75% compensation for irrecoverable Business Rates & Council Tax 2020/21**
- **No news on Public Health Grant**
- **Continuing uncertainty on New Homes Bonus**



# COVID impact, post COVID (2021/22)



## 2021/22+ unknowns

- Duration of COVID
- Depth/ duration of recession
- Income bounce-back
- Impact of Brexit
- Anything else that might happen in 2021/22



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- Local government settlement (consultation)
  - New Homes Bonus
  - Additional COVID funding
  - Treatment of commercial income
  - Business rates reset (2022)
  - Fair funding (2022)



# The future of commercialisation

- Backlash against commercial investments?
  - COVID has changed markets
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- Arguably recovery makes ability to invest for future returns more important than ever
  - If commercial income doesn't fill the gap, what does?

# Local audit

- Your auditor is your friend (no, really!)
- Problems with audit market
- Increased number of audit qualifications?
- Two public interest reports- Croydon and Nottingham

# Summary

- Lots of uncertainty
- Lots of local difference
- Despite Govt support, some difficult decisions ahead
- Watch out for commercial
- Watch out for audit