



COTSWOLD DISTRICT COUNCIL

Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	CABINET- 1 JUNE 2020
Report Number	AGENDA ITEM (12)
Subject	IMPACT OF COVID 19 ON BUDGET 2020/21
Wards affected	ALL
Accountable member	Cllr. Mike Every - Deputy Leader and Cabinet Member for Finance Email: Mike.Every@cotswold.gov.uk
Accountable officer	Jenny Poole - Chief Finance Officer Tel: 01285 623313 Email: jenny.poole@cotswold.gov.uk
Summary/Purpose	To update Members on the impact of Covid 19 on the Council's budget for 2020/21.
Annexes	None
Recommendation/s	<i>That Cabinet:</i> <i>(a) notes the forecast financial impact of Covid 19 on the Council's budget for 2020/21; and</i> <i>(b) authorises the Chief Finance Officer to prepare a revised budget together with revised revenue financing for 2020/21 for September Cabinet and Council.</i>
Corporate priorities	The budget supports the Council's aim "to rebuild the council so it can be proactive and responsive to the needs of our residents and businesses in a fast-changing environment, building for the future whilst respecting our heritage."
Key Decision	NO
Exempt	NO
Consultees/ Consultation	The report includes input from Ubico on the additional costs of delivering the Council's environmental services and SLM on the financial impact to the delivery of leisure and cultural services. Publica has also been consulted regarding the deliverability of savings expected in 2020/21.

1. BACKGROUND

- 1.1. Covid-19 is having a widespread impact on local authority spending and income throughout the country and has been particularly significant for district councils. This report sets out the latest forecast of the impact of Covid-19 on the Council's budget for 2020/21.
- 1.2. The report attempts to take a prudent view of what the impact is likely to be; however, the full picture will only emerge over the coming months and the position will change.
- 1.3. This report focuses upon the immediate issues impacting upon the revenue budget in the 2020/21 financial year. There will also be an impact upon the 2021/22 financial year as, due to the impact of Covid-19 on the national and local economy, the Council is unlikely to be able to maintain its previous high level of collection of council tax and business rates revenue during 2020/21. This will be reflected in Collection Fund deficits at the end of 2020/21 which must be funded as part of the 2021/22 budget.
- 1.4. The first quarter monitoring report will set out a more complete picture of the impact of Covid-19. Given the scale of the impact, an earlier report is being presented to Cabinet so that Members take informed decisions early in 2020/21.
- 1.5. The Council is reporting the financial impact of Covid-19 to the Ministry for Housing, Communities and Local Government (MHCLG) on a monthly basis. The additional expenditure and income losses included in this report were reported to MHCLG on 15th May 2020.

COVID-19 ADDITIONAL EXPENDITURE

- 1.6. The table below summarises the impact to date of both the Council's response to Covid-19 and additional costs incurred by strategic service delivery partners SLM and Ubico.
- 1.7. Financial support was negotiated with SLM to enable SLM to continue to carry out essential routine maintenance at the Council's leisure centres and to provide funding for unavoidable ongoing corporate costs. This funding will enable SLM to respond quickly as the national "lockdown" is eased and leisure and cultural facilities are able to re-open in line with appropriate national guidance.

Budget Area	Spend/Assumptions for ongoing spending requirements	Costs to 30 th April £	Forecast Costs 2020/21 £
Community Support	Communications and support to residents referred through the Gloucestershire Help Hub. Estimated costs of accommodation of homeless people and ongoing support for them.	33,000	69,000

Budget Area	Spend/Assumptions for ongoing spending requirements	Costs to 30th April £	Forecast Costs 2020/21 £
Environmental Services - Ubico service costs including waste and recycling collections	Based upon additional agency resources of 20% of Ubico employee budgets for six months	48,000	352,000
Leisure and Cultural Services SLM Costs	Monthly costs agreed with SLM – forecast assumes full monthly costs for April to June, then gradual recovery July – December.	19,000	97,000
Delay of savings	Delay to investment through Ubico – in cab technology and use of spare vehicles to reduce hire vehicle costs	7,500	30,000
Total Additional Expenditure Costs		107,500	548,000

COVID-19 LOST INCOME

1.8. The table below sets out the impact upon the Council's income streams.

Budget Area	Assumptions for full year projected losses	Income losses to 30th April £	Forecast income losses 2020/21 £
Car Parking	Assumes full loss of income Apr/May, gradual recovery June – December, return to normal January 2021	235,000	1,765,000
Planning Applications and Pre-Application Advice	Assumes fall in applications for Period April to September then return to normal from October	42,000	262,000
Land Charges Services	Reflects Significant loss of income April – June gradual recovery July – March	13,000	94,000
Building Control	Reflects significant loss of income April – June, recovery July – December return to normal January 2021.	14,500	112,500

Budget Area	Assumptions for full year projected losses	Income losses to 30th April £	Forecast income losses 2020/21 £
Garden Waste	Reflects loss of income while service was suspended April to mid -May.	64,000	95,500
Investment Interest	Reflects impact of reduced interest rates and reduced yields from property and other diversified investment funds	18,500	222,000
Leisure Income	Reflects full loss of income from April – June, gradual recovery July – December, return to normal January 2021.	9,000	46,000
Public Conveniences	Assumes full loss of income Apr/May, gradual recovery June – December, return to normal January 2021	7,000	52,500
Licensing and Environmental and Regulatory Services Fees and Charges	Reflects significant loss of income April – June, recovery July – December return to normal January 2021.	18,000	72,500
Other miscellaneous income	Reflects significant loss of income April – June, recovery July – December return to normal January 2021.	7,000	101,000
Total Income Losses		428,000	2,823,000

- 1.9.** Income from investment properties is taken directly to the revenue budget so any reduction will be an immediate pressure on the budget. The Council has adopted a policy of permitting tenants to defer rent payments and allowing payment monthly rather than quarterly. This policy protects the revenue account but it is likely that there will be some commercial property debtors on the balance sheet at the end of the year. It is possible that some tenants will not be able to continue in business, due to the economic impact of Covid-19 and this will result in vacancies and loss of revenue. Where businesses contact the Council, support and advice is provided especially signposting to sources of Government financial support.
- 1.10.** The overall financial impact to the Council for April 2020 taking into account additional costs in 1.7 and lost income in 1.8 is therefore around £0.5 million and forecast impact for the rest of the financial year is around £3.4 million.

GOVERNMENT FUNDING

- 1.11.** To date, the Council has received two tranches of additional funding from Government - £33,080 in March 2020, and £908,807 in April 2020. If no further funding is made available from Government, the forecast net financial impact to the Council in 2020/21 will be £2.5 million.

CAPITAL PROGRAMME

- 1.12.** The Council approved its capital programme of £8.7 million for 2020/21 in February. The Capital Programme includes the following significant investments:
- Investment in car parking in Cirencester £5.0 million
 - Ubico vehicle replacement programme £1.4 million
 - Disabled Facilities Grants £0.7 million
 - Rural broadband £0.5 million
 - Leisure equipment £0.4 million.
- 1.13.** There has been no immediate impact of Covid-19 on the Capital Programme to date. However, progress on parking in Cirencester has been delayed due to difficulties with engaging meaningfully with residents during the lockdown. The business case for car park investment is in development and will need to reflect the potential impact of Covid-19 on demand for car parking. It is anticipated that the business case will be considered by Council later this year.

COUNCIL TAX AND NON DOMESTIC RATES

- 1.14.** There will be a number of implications for the Council's council tax and non-domestic rate income. The Government has made funding available both for the additional Retail, Hospitality and Leisure reliefs given to business rate payers and the additional £150 support for those of working age who are entitled to Council Tax Relief Support (CTRS).
- 1.15.** Impacts on collection rates will feed through the Collection Fund to hit financially in 2021-22. In April 2020 Council tax collection rates were down by 1.2% compared to April 2019, equivalent to £76,000 in cash, with further reductions likely in May and June. Some reductions in the collection rates at the start of the year may recover later in the year depending upon how quickly the local economy recovers. The Council has agreed that some council tax payers may defer payments from April and May to February and March 2021. Reductions in council tax collection rates feed through into the collection fund and hit the general fund through a deficit in the collection fund in the following year; this is shared between ourselves and the precepting authorities.
- 1.16.** In addition to falls in collection rates, we are expecting there to be an increased number of working age people applying for Local Council Tax Support.

- 1.17.** Non domestic rate collections are to a large extent being held up by the enhanced small business and retail, hospitality and leisure rate reliefs, the longer term impact is harder to predict and there are likely to be business failures as a result of the current crisis. The current business rate retention scheme budget assumes an amount of business rate growth and receipts from the business rates pool. Not achieving the assumed business rate growth or the receipts from the business rate pool would equate to £1.3 million reduction in the revenue account. These losses are not included in the overall impact upon the Council at this point in time.

RESERVES

- 1.18.** As at 31 March 2020, the Council held £7.356. million in Earmarked Revenue Reserves. The majority of these balances are held for service specific reasons and are committed for expenditure over the next few years. Others are earmarked to support delivery of the Council's priorities. Therefore, of these reserves, £0.25 million of funding, held in the Council Priorities Fund, has been identified as being available to be reallocated to fund the impact of Covid-19.

GENERAL FUND WORKING BALANCE

- 1.19.** The Council's Medium Term Financial Strategy (MTFS) assumes the level of General Fund Balance as at 31 March 2020 to be £4.746 million. The Finance Team are currently preparing the financial statements for 2019/20. Assuming that the General Funding Working Balance is in line with the MTFS assumption, the Council has approved the use of £3.268 million to forward pay the Local Government Pension Scheme deficit contributions for 2020/21 to 2022/23. The planned General Fund Balance at the end of 2020/21, is therefore already at a low level of £1.690 million.
- 1.20.** Without further government funding, the Council will be facing forecast net additional costs and lost income in the region of £2.5 million which exceeds the forecast level of General Fund Balance.
- 1.21.** The return to MHCLG indicated that £1 million of General Fund Balance could be used to fund the impact of Covid-19 in 2020/21. This would leave £0.7 million of General Fund Balance at the end of 2020/21. The use of £1 million of General Fund Balance and £0.25 million of earmarked reserves will mean the Council requires at least an additional £1.25 million of funding from Government in 2020/21. Ideally, the Council will receive additional funding £2.5 million to mitigate the full impact of Covid-19 on its 2020/21 finances.

LONGER TERM OUTLOOK

- 1.22.** The reserves position above is predicated on what we can reasonably forecast at present in terms of the financial impact of Covid-19. Of greater concern is the impact of the projected economic downturn on over public expenditure and local government finances.

- 1.23. This will not only place additional pressure on government funding but is also likely to have considerable impact on the Council's ability to raise income.
- 1.24. As part of the Council's Covid-19 Recovery Plan, the Council's budget for 2020/21 will be revised in September 2020. This will enable financial performance to be monitored against the original and revised budgets.
- 1.25. In addition, a refresh of the Medium Term Financial Strategy is also required which reflects the revised use of revenue reserves in 2020/21, the Government announcements of a delay to the implementation of the Fairer Funding Review and the 75% Business Rates Retention Scheme and ties in with the Covid-19 Recovery Plan.

2. LEGAL IMPLICATIONS

- 2.1. The Council's Chief Finance Officer has the power to issue a S.114 report which prevents the Council from incurring additional expenditure. At this point in time, the Council is able to review its revenue reserves and release funding to manage the financial impact of Covid-19. However, this will need to be done in line with the Covid-19 Action Plan and any resultant impact upon Corporate Strategy commitments. As the Council has options available, a S.114 report is not deemed to be necessary at this point in time.

3. RISK ASSESSMENT

- 3.1. The additional costs and income losses are based upon high level assumptions. The actual financial impact could equally be worse or better than the assumptions. The data will be reviewed on a monthly basis, in line with the best information available at the time.
- 3.2. Regular reporting to MHCLG will continue throughout the financial year and Cabinet will be updated accordingly. It is possible that Government will make additional funding available to local authorities. The figures in this report are based upon the assumption that no further funding is available.

4. EQUALITIES IMPACT

- 4.1. Not required at this stage as no changes to Council services are proposed within this report.

5. CLIMATE CHANGE IMPLICATIONS

- 5.1. The Council has identified responding to challenges presented by the climate change emergency as a Priority. The budget for 2020/21 includes funding to support action on this priority both from the operational revenue budget and one-off funding from earmarked reserves. The Covid-19 Recovery Plan identifies the opportunity to embed change in the District which directly supports this priority.

6. ALTERNATIVE OPTIONS

- 6.1.** None identified at this point, but further update reports will be presented as the financial situation becomes clearer.

7. BACKGROUND PAPERS

- 7.1.** None.

(END)