



COTSWOLD DISTRICT COUNCIL

Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	CABINET – 7 SEPTEMBER 2020
Report Number	AGENDA ITEM 7
Subject	REVISED BUDGET 2020/21 AND BUDGET 2021/22
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 Email: jenny.poole@cotswold.gov.uk
Summary/Purpose	The purpose of this report is to present a revised budget for 2020/21 reflecting the impact of the Covid 19 pandemic on the Council's finances and to consider the draft budget for 2021/22 as a basis for consultation with the community.
Annexes	Annex A – Draft Medium Term Financial Strategy
Recommendation/s	<i>It is recommended that Cabinet:</i> <i>a) Recommends the revised budget 2020/21 to Council for approval.</i> <i>b) Approves the draft budget for 2021/22 for consultation.</i>
Corporate priorities	The revised budget 2020/21 and the draft budget for 2021/22 reflects the financial implications of the Council Priorities approved in September 2019.
Key Decision	NO
Exempt	NO
Consultees/ Consultation	The following have been consulted on this report and the detail contained within: Major contractors: Publica Business Managers, Ubico, SLM and Cabinet Members, Monitoring Officer and Interim Chief Executive.

1. BACKGROUND

- 1.1.** The Council set its budget for 2020/21 on 26th February 2020. Due to the spread of Covid 19, demand fell for the Council's income generating services from early in March 2020, and this was further exacerbated following the announcement of lockdown on 23rd March 2020. The Council's service related income has continued to be impacted since.
- 1.2.** In addition to reduced service income, the Council has also faced pressure on its expenditure budgets. In particular, providing emergency accommodation for individuals and families facing homelessness; collecting additional waste and recyclable materials presented by households and ensuring that the Council's leisure contractor was able to fulfil its contractual obligations to ensure that the Council's leisure centres and museum were being adequately maintained and managed while they were closed to the public.
- 1.3.** The Council has been regularly reporting the impact of Covid 19 on its finances to the Government. In response the Government has provided three tranches of grant funding in recognition of expenditure pressures. The Government has also made a promise of additional funding to compensate for income losses, although no funding for income losses has yet been received.
- 1.4.** The financial impact of Covid 19 has been felt across the Council's services and therefore across many of the 2020/21 service budgets. This report therefore proposes a revised budget for 2020/21 which: revises income budgets to reflect forecast service income for 2020/21, revises expenditure budgets to reflect additional cost pressures in 2020/21, incorporates the additional Government funding for Covid 19, both received and promised, and sets out a revised funding position for the 2020/21 budget.
- 1.5.** This report also proposes the draft budget for 2021/22, for consultation in the autumn/winter, and a revised Medium Term Financial Strategy which incorporates the following changes announced by the Government:
 1. A deferral of the implementation of the outcome of the Fairer Funding Review and implementation of the 75% Business Rate Retention Scheme from April 2021 to April 2022; and
 2. The ability to spread lost income from council tax and retained business rates in 2020/21 over the next three financial years.
- 1.6.** The revised budget for 2020/21 and the proposed budget for 2021/22 have been prepared following engagement with the Council's key service delivery partners: Publica Group Ltd, Ubico Ltd and SLM. This included a review of the Council's capital programme and earmarked reserves.

2. MAIN POINTS

Revised Budget 2020/21

Changes from Council decisions and external factors excluding Covid 19

- 2.1.** The original budget for 2020/21 included provision for pay award inflation of 2.5%. The latest proposal is for a pay award of 2.75%, which is subject to union ballot. An increased pay award of 0.25% increases cost pressures by £25,000.

- 2.2.** The budget assumed an income reduction of £45,000 as a result of proposed changes to the Gloucestershire County Council Food Waste Collection and Delivery Agreement, now known as the “Residual Waste Incentive Agreement”. The revised scheme has now been determined by the County Council and consists of an element of fixed financial contribution and a flexible element which is performance related. The budget needs to reflect this new arrangement and a further reduction of £20,000 has therefore been included in the base budget.
- 2.3.** The impact of the decision taken by Gloucestershire County Council to change the location of delivery of garden waste collected by this Council to Purton in Wiltshire, from the Love Lane Depot in Cirencester, is expected to increase the Ubico contract cost by £68,000.
- 2.4.** The Council’s decision to defer submitting the planning application for the decked car park on the Waterloo car park site means that additional car parking being made available in Cirencester will now provide more capacity rather than for use as decant car parking. It is estimated that this additional capacity could generate additional income of £18,000 in 2020/21, assuming that the Whiteway car park is half full from November 2020 to March 2021.
- 2.5.** During 2019/20, the Council acquired new vehicles for use in its revised waste and recycling services. The vehicles cost £3.245 million and were expected to be financed through external borrowing resulting in revenue costs for the future repayment of the debt and interest payments. The Council received higher than anticipated capital receipts during 2019/20 as a result of right to buy capital receipts which are passed through to the Council from Bromford Housing Association. The Council was therefore able to finance the vehicle purchased through use of capital receipts rather than borrowing. The budgets for minimum revenue provision, £750,000, and interest, £99,000, are therefore not required.
- 2.6.** The majority of new claims for financial support with rent payments are now processed under the Government’s Universal Credit arrangements. Historically, under the previous rent allowance benefit, where the Council has identified overpayments of rent allowance, the Council has recovered the overpayments. The budget for overpayment recovery needs to be realigned to reflect the rent allowance caseload and associated lower incidence of overpayments for recovery. It is proposed that the budget is realigned by £118,000.

Impact of Covid 19 on 2020/21 Budget

- 2.7.** The Council has responded to increasing demand for support for individuals and families facing homelessness by securing additional accommodation which will cost £50,000 each year. The Council has also needed to make adjustments to its accommodation in Ashcroft Road to enable social distancing to be maintained. This has increased costs there by £11,000.
- 2.8.** The savings target for 2020/21 included an increase to the management fee received from SLM of £35,000. As the leisure and museum services were closed from late March to early August, and are currently subject to social distancing and additional health and safety requirements which reduce capacity, the contractor is unable to generate the additional income which would enable this increase in the management fee to be paid to the Council.

- 2.9.** It is unlikely that the leisure and cultural services will return to pre-Covid levels of capacity for the remainder of the financial year and it is therefore unlikely that SLM will be in a position to pay any of the Council's management fee for 2020/21. The reduction in income from the management fee is therefore forecast to be £105,000.
- 2.10.** Under the terms of the contract with SLM, the Council is required to work with SLM to manage the financial impact of Covid 19. The Council approved an interim financial arrangement with SLM for the period from April to the end of October 2020 at its meeting on 29 July. SLM will be operating under open book arrangements and will be reporting actual financial performance to the Council. The Council's estimated liability for this period is £222,140. The period from November to March is subject to a further review depending upon customer usage and income generated. There is the potential for further costs associated with the SLM contract and the budget provides for an additional £578,000 of costs.
- 2.11.** The Council's waste and recycling service provider, Ubico, responded to increased levels of recycling materials being presented by households, as a result of lockdown, at the same time as implementing changes to the Council's recycling collection service. Ubico also faced challenges with some operatives not being available due to the national measures implemented in response to Covid 19 and a requirement to put in place appropriate health and safety arrangements including the use of personal protective equipment, hand sanitizer and wipes etc.
- 2.12.** Ubico worked with the Council's commissioning team and the Cabinet Member for Environmental Services to deliver the Council's priority services during this challenging time. As a result, the Council's garden waste collection service was suspended from late-March to mid-May. The Council therefore decided to maintain the annual fee for the service at £30 rather than increase it to £35 as per the Council decision in February 2020. This has led to an income reduction of £79,000 against budget.
- 2.13.** As Ubico is a wholly local authority owned company, the Council pays for the actual cost of service delivery. Additional costs incurred by Ubico for agency staff, hire vehicles and personal protective equipment are therefore passed through to the Council. For the period April to July, additional costs have amounted to £200,000. As the operatives that were shielding have now returned to work and changes have been put in place to recycling vehicles to manage the high level of recycling material being presented for collection, provision of £50,000 for additional costs for the period August 2020 to March 2021 have been included in the revised 2020/21 budget.
- 2.14.** The high level of recycling materials is also driving recycling processing costs. Additional costs of £65,000 are forecast for 2021/22. The market price for purchasing cardboard is currently very low and income from the sale of recycling materials is forecast to be £190,000 below budget. However, this is partially offset by additional recycling credits of £50,000.
- 2.15.** Overall the waste and recycling service costs are forecast to be £315,000 higher than budget and income is forecast to be £140,000 lower. The total impact upon the 2020/21 budget is therefore forecast to be £455,000.

- 2.16.** The Council has responded to various Government policies to manage the financial impact of Covid 19 on residents and businesses. This has resulted in revised council tax and business rates bills being prepared and posted. The Council passes on the costs of enforcement action necessary to recover unpaid council tax and business rate income to the bill payer. Taking recovery action in these times has not been appropriate. The impact of additional costs and lost income in respect of council tax and business rates is forecast to be £78,000.
- 2.17.** The Council suspended charging in its car parks in March 2020 in response to Covid 19 with charging restarting in June. The increases to car parking charges approved as part of the budget in February were not implemented until September 2020. Since the lifting of lockdown began, usage of the Council's car parks has remained low but is gradually improving. In June weekly income was around 80% lower than budget assumptions, this improved to 50% lower in July and is currently around 30% lower, although August sees increased use of the car parks due to tourist visits and income could fall again in September. Income from car parking for the year is forecast to be around £1,680,000 lower than budget based upon income reduction of 70% in quarter 2, 50% in quarter 3 and 25% in quarter 4. It is possible that this shortfall will improve if use of the car parks continues at the current level through autumn and winter periods and will be helped by the new charges which come into effect in September.
- 2.18.** Demand for planning services has reduced during lockdown. Income for April and May was around 50% of the profiled budget. Income was in line with budget in June before falling back again in July to 60% of budget. The number of planning applications received is currently around 75% of the number received at the same period last year. The shortfall in income from planning fees and pre-application advice for the year is expected to be £450,000.
- 2.19.** Demand for building control services has also been impacted by lockdown. Income is forecast to be £130,000 over the course of the year. Licensing Income and water sampling income has been impacted in public protection services and is forecast to be £72,000 lower than budgeted for the year.
- 2.20.** Income from the land charges service was 60% lower than expected in the budget in the first quarter of the year. Income has recovered to 85% of the monthly budget in July. Assuming that income returns to the budget level for the second half of the year, the overall impact on income is expected to be £49,000 for the year.
- 2.21.** The Council has supported its commercial tenants by permitting deferrals of rental income. Given the economic conditions, it is possible that some tenants may not be able to continue in business. Provision for income losses of £40,000 from commercial tenants has been included in the revised budget. Rental income and commission from holiday bookings at the Moreton Area Centre have also been impacted by the closure of the centre and the financial impact is forecast at £19,000.

2.22. A review has been carried out by the Chief Finance Officer to identify budgets which are no longer used and therefore not required. These budgets are available to fund the above cost pressures and total £181,000.

2.23. Changes to the 2020/21 base budget, which will also impact upon budget for 2021/22 are set out below:

Service/Cost Driver	Income Change £000	Expenditure Change £000	Total £000
Pay Inflation		25	25
GCC Waste Incentive scheme	20		20
GCC decision on location of garden waste		68	68
Cirencester car parking capacity	(18)		(18)
Minimum Revenue Provision		(750)	(849)
Interest		(99)	
Housing Benefit Overpayments	118		118
Non-Covid 19 Impact upon Base Budget	120	(756)	(636)
Homelessness additional ongoing costs		50	50
Total Base Budget changes	120	(706)	(586)

2.24. One-off changes to the 2020/21 budget as a result of Covid 19 are set out below:

Service/Cost Driver	Income Change £000	Expenditure Change £000	Total £000
Homelessness		11	11
Leisure and Cultural Services	105	800	905
Garden waste income	79		79
Ubico – hire of waste vehicles, agency workers and personal protective equipment		250	250
Recycling processing and materials	140	65	205
Council tax and business rates recovery	46	32	78
Car park income losses to date and impact of delay to increases to charges	1,680		1,680
Planning income	450		450
Land Charges income	49		49

Commercial income provision for bad debts	40		40
Moreton area centre rental income and commission	19		19
Public Protection fees and charges	72		72
Building Control fees	130		130
Savings in supplies and services budgets		(181)	(181)
Total Covid 19 impact upon budget 2020/21	2,810	977	3,787

2.25. The Government has recognised the financial impact of Covid 19 on local authorities and has provided a grant of £1,062,180 to this Council towards the expenditure impact upon the Council. In addition a new burdens grant of £170,000 has been provided towards the cost of administering the £35.4 million of grants to businesses.

2.26. The Government has also committed to funding some of the Council's income losses. The principle is that where income losses exceed 5% of budget, the Government will fund 75% of these losses. The detail of how this additional funding will be claimed by local authorities has not been announced at the time of drafting this report. It is estimated that a grant of up to £1,533,000 could be available to this Council.

2.27. The impact of Covid 19 on the Council's budget is set out below:

Service/Cost Driver	Income Change £000	Expenditure Change £000	Total £000
Forecast Covid 19 impact upon budget 2020/21	2,810	977	3,787
Government grant received/forecast	(1,533)	(1,232)	(2,765)
Net impact upon budget 2020/21	1,277	(255)	1,022

2.28. When the savings identified in the base budget 2020/21, as detailed in 2.21 are reflected the overall position is as follows:

Service/Cost Driver	Income Change £000	Expenditure Change £000	Total £000
Forecast Covid 19 impact upon budget 2020/21	2,810	977	3,787
Government grant received/forecast	(1,533)	(1,232)	(2,765)
Net impact upon budget 2020/21	1,277	(255)	1,022
Savings in base budget	120	(706)	(586)
Net change in 20/21 budget	1,397	(961)	436

- 2.29.** The budget for 2019/20 assumed a contribution from the General Fund Balance of £166,000. The actual use of General Fund Balance was £437,000 reducing the General Fund Balance by £271,000.
- 2.30.** When the Council set the original budget for 2020/21, the forecast General Fund balance at the end of 2020/21 was £1,690,000. The Council, at meetings in June and July 2020, approved funding of one-off payments totaling £333,000 from the General Fund. The payments were necessary as a result of changes to the Council's leadership team.
- 2.31.** Funding the £436,000 impact of the changes to the 2020/21 budget will reduce the General Fund Balance to £650,000 at the end of 2020/21. While this is lower than ideal, the General Fund will improve by £1,634,000 in each of the next two financial years as pension deficit payments due to the Gloucestershire Local Government Pension Scheme for 2021/22 and 2022/23 were paid up-front in April 2020.
- 2.32.** The revised budget for 2020/21 does not account for the impact of Covid 19 on the economy and the associated risk to the Council's collection of council tax and business rate income. Retained income from business rates accounts for £3.1 million of income in 2020/21. Council tax income amounts to £5.6 million in 2020/21. The impact of Covid 19 will be reflected in budget setting for 2021/22 and is therefore discussed later in this report at 2.35.

Revenue Budget proposals 2021/22

- 2.33.** The draft budget for 2021/22 has been updated to reflect the following Government announcements.
- 2.34.** The planned implementation of the Fairer Funding Review and the 75% Business Rate Retention Scheme is deferred to 2022/23 in line with the Government announcement. Retained income from business rates is maintained at the level for the 2020/21 budget plus an inflationary increase. The impact of this change is an increase to Government funding of £283,000.
- 2.35.** It is assumed that the Government will continue to provide a form of Rural Services Delivery Grant. An assumed income of £500,000 is included for 2021/22. This assumption will be updated later in the budget process following announcements from the Government.
- 2.36.** The Government has announced that any collection fund deficit arising in 2020/21 can be spread across three financial years rather than be funded in full in 2021/22. It is difficult to forecast the impact of Covid 19 on the local economy and the impact this will have upon collection of business rates and council tax during 2020/21. At the time of preparing this report, it is assumed that there will be a reduction in business rates income as a result of the economic conditions of 10% and a reduction in council tax income by 1%. The Council's share of the collection fund deficit is therefore forecast at £713,000 for business rates and £140,000 for council tax, recoverable over three financial years. The impact each year is £238,000 for the business rates deficit and £47,000 for the council tax deficit.
- 2.37.** Council Tax base growth in 2021/22 has been reduced from 1.2% to 0.5% in recognition of the slow-down in house building. The Council Tax base will be formally calculated in October 2020 and is therefore subject to change. The impact of the reduction in Council Tax base is £40,000.

Unavoidable Budget Pressures

- 2.38.** Ubico has forecast that the contract sum for 2021/22 requires growth of £460,000 including an increased leasing cost of £400,000 for the new vehicle fleet. The Council will receive the leasing payment of £400,000 and use £297,000 of this funding to pay for the capital financing costs associated with investment in the vehicle fleet during 2020/21 and £75,000 will reflect interest income.
- 2.39.** Other environmental services contracts and income from the disposal of recycling material require additional funding of £175,000 due to a combination of higher levels of recycling material being presented and lower market values, particularly for sale of cardboard.
- 2.40.** The 2020/21 capital programme assumes that the investment in the vehicle fleet of £2.220 million will be funded from borrowing. The revenue impact of providing for the repayment of the debt and external interest is £316,000. This will be funded from the additional £400,000 lease payment due from Ubico.
- 2.41.** Planning income was lower than budget during 2019/20. Assuming that demand for the planning service recovers to the 2019/20 level, the budget requires realigning to £800,000, a reduction of £170,000.
- 2.42.** A provision of £35,000 has been included to fund the new Chief Executive post in addition to the allocation for the former Head of Paid Service. The Chief Executive's salary will be agreed by Council following a recommendation from the Statutory Officers Appointments and Performance Committee.
- 2.43.** The Council has to pay business rates and utilities bills on its own land and buildings. A review of these budgets has identified required budget increases of £18,000.
- 2.44.** The Council will be carrying out a property review of the Cotswold Club. While this review is carried out, it is anticipated that there will be a void period costing £3,000 for 2021/22. Other income budgets require realignment by £9,000 to reflect actual income due to the Council.
- 2.45.** These cost pressures can be partially funded by savings in various supplies and services budgets which amount to £157,000.
- 2.46.** The 2021/22 budget proposal includes additional car park income of £142,000 from additional capacity in Cirencester.
- 2.47.** £50,000 will be saved in software licences from the investment in a new computer system for council tax, business rates and housing benefit administration.

Council Priority Related Investment

- 2.48.** The Council has funded a fixed term post to combat fly tipping in the district. The budget proposes to make the post a permanent position in order to continue the excellent work in this area. Funding of £35,000 has been included within the budget for 2021/22.

Savings

- 2.49.** The Council's Recovery Investment Strategy will be discussed during this meeting of the Cabinet. The savings targets in the Medium Term Financial Strategy (MTFS) have been aligned with the savings targets included in the draft Recovery Investment Strategy.

While the overall savings target for the period 2020/21 to 2023/24 has remained consistent with the previous MTFS, the profile of delivery of the savings has been reviewed to reflect the impact of Covid 19 on the Council's ability to progress with some of the key projects which will deliver the required savings.

2.50. The Council has made £350,000 of funding available to provide additional resources which will be essential to driving forward delivery of the Recovery Investment Strategy.

2.51. The profile of savings and plan for delivery is set out below:

	2020/21 Approved Budget £000	2020/21 Revised £000	2021/22 £000	2022/23 £000	2023/24 £000
Savings target	1,103	989	717	2,230	1,288
Leisure service savings	35	0	53	(3)	0
Publica – Transformation	268	268	25	25	0
Public conveniences business rates	26	26	0	0	0
<i>Recovery Investment Strategy Savings – Planned delivery below:</i>	774	695	639	2,208	1,288
Replacement of incentive based funding schemes by Government				1,100	400
Income from capital investment	184	184	381	500	475
Increased income from revenue streams	500	421	215	308	133
Efficiency savings from service provision partners	90	90	43	300	280
Total	1,103	989	717	2,230	1,288

2.52. The proposed budget follows the Council's budget resolution from February 2020 to increase the fees for garden waste service to make the service cost neutral. For 2021/22, the charge is planned to be £40 for each bin licence. The revenue benefit compared with 2020/21 is expected to be £155,000 as it includes the deferral of the decision to increase the fee to £35 in 2020/21 and the planned increase of £5 in 2021/22. This is included in the savings plan set out in 2.50.

- 2.53.** The proposed budget also includes charges for the delivery of waste and recycling containers which is expected to deliver additional income of £60,000. This is also included in the savings plan set out in 2.50.
- 2.54.** The Government has not yet announced the policy on council tax referendum limits for 2021/22. However, the proposed budget continues the policy in the 2020/21 budget, to increase council tax by £5 for each Band D equivalent property.
- 2.55.** The impact of the changes above are out in the table below:

Changes to 2021/22 Budget	Income £000	Expenditure	Total
Fairer Funding Review/Business Rates Retention – delay to forecast Government funding reduction	(283)		(283)
Rural Services Delivery Grant – assuming a roll over level of Government funding from 2020/21 to 2021/22	(500)		(500)
Collection Fund Deficit (Bus Rates) spread over three years	238		238
Collection Fund Deficit (Council Tax) spread over three years	47		47
Removal of Council tax surplus assumed in MTFs for 2021/22	100		100
Council Tax Base – assuming reduced growth in the taxbase as a result of a slow down in developers during lockdown	40		40
Provision of £35,000 has been included to fund the new Chief Executive post in addition to the allocation for the former Head of Paid Service.		35	35
Fly tipping Officer permanent resource		35	35
Ubico contract		460	460
Recycling material processing		78	78
Recycling material market value	97		97
Planning income – rebased to 2019/20 actual income level	170		170
Business Rates/Utilities		18	18
Realignment of income budgets	12		10
Supplies and Services budget savings		(157)	(157)

Additional car parking capacity	(142)		(142)
Software license savings		(50)	(50)
Capital financing (Min. Rev. Provision and interest)		316	316
Lease income from Ubico	(372)		(372)
Net Change in 2021/22 Budgets	(593)	735	142

- 2.56. The MTFS approved in February 2020 forecast a budget deficit in 2021/22 of £388,000. The budget deficit has now increased to £772,000. The movement of £384,000 is explained in the table below:

	£000	£000
Feb 20 - MTFS Forecast Budget Deficit 2021/22		388
Remove Feb 20 MTFS Forecast Capital Financing 2021/22	(118)	
2020/21 Revised Budget – permanent saving to base budget	(586)	
2021/22 Budget Changes	142	
Defer Recovery Investment Strategy savings related to alternative government funding streams from 2021/22 to later years due to changes to Fairer Funding Review and Business Rates Retention.	946	
Budget Movement Compared to Approved MTFS		384
Revised Budget Deficit 2021/22		772

General Fund Balance

- 2.57. The budget for 2019/20 assumed a contribution from the General Fund Balance of £166,000. The actual use of General Fund Balance was £435,000 reducing the General Fund Balance by £271,000. The Opening Balance for the revised budget for 2020/21 has therefore reduced from £4,746 to £4,475.

- 2.58. The forecast use of the General Fund Balance is set out below:

	2020/21 Approved Budget £000	2020/21 Revised £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Opening Balance	4,746	4,475	651	1,513	2,171	1,390
2020/21 Council decisions June/ July use of Balance	0	(333)	0	0	0	0

Contribution to Glos. LGPS	(3,268)	(3,268)	0	0	0	0
Saving on LGPS Pension Deficit	0		1,634	1,634	0	0
Revenue budget surplus/(deficit)	212	(223)	(772)	(977)	(781)	(111)
Closing Balance	1,690	651	1,513	2,171	1,390	1,279

- 2.59. The approved MTFS reflects the potential impact of changes to Government funding and anticipates a requirement to use General Fund balance for the period 2021/22 to 2024/25, with the budget returning to surplus in 2025/26. The revised MTFS continues to reflect a return to a budget surplus in 2025/26. The revised MTFS position compared to the MTFS approved by Council in February 2020 is set out below:

Forecast revenue budget (surplus)/deficit	2020/21 Budget £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Feb 20 MTFS	(212)	388	707	711	346
Revised MTFS	223	772	977	781	111
Increased/(reduced) revenue budget	435	384	270	70	(235)

Review of the Capital Programme

- 2.60. The Capital Programme has been reviewed and the detailed programme with the associated funding is set out in **Annex A3**. The opening balance of capital receipts reflects the draft financial statements. The key changes to the capital programme include:

1. Carry forward of capital expenditure previously due to take place in 2019/20 for car park improvements, a strategic site acquisition in Cirencester, additional electric vehicle charging points, works on the Corinium Museum and replacement vehicles in the Ubico fleet.
2. The impact of decisions taken by Council since February 2020 including the provision of a loan to the Barn Theatre to provide a cinema in Cirencester and provision for a strategic site acquisition in Moreton-in-Marsh.
3. The revised budget for the new Whiteway car park in Cirencester.
4. Investment in the Cotswold Leisure Centre in Cirencester has been deferred until 2021/22.
5. Investment in the decked car park at the Waterloo car park in Cirencester has been deferred until 2022/23.

6. The capital expenditure required to deliver against the Investment Recovery Strategy has been updated to reflect the proposed Strategy due to be considered at this meeting.

7. Provision has been included for flood prevention works which are urgently required at the Packers Leaze depot.

2.61. The profile of expenditure and funding is set out in the table below:

	2020/21 Approved Budget £000	2020/21 Revised £000	2021/22 £000	2022/23 £000	2023/24 £000
Capital Expenditure	8,667	10,887	18,320	27,804	27,511
Financed By:					
Borrowing	4,758	2,220	16,400	23,620	23,597
Revenue Contribution	250	250	250	250	250
Reserves	757	1,847		705	
Capital Receipts	2,252	5,670	1,020	2,579	3,014
External Funding/Grants	650	900	650	650	650
Total Financing	8,667	10,887	18,320	27,804	27,511

2.62. The impact upon the Council's capital receipts balance is set out below:

	2020/21 Approved £000	2020/21 Revised £000	2021/22 £000	2022/23 £000	2023/24 £000
Opening Balance	8,060	10,023	5,267	4,960	3,094
Forecast new Capital Receipts	915	915	713	713	713
Funding capital programme	(2,252)	(5,670)	(1,020)	(2,579)	(3,014)
Closing Balance	6,723	5,267	4,960	3,094	793

Review of Earmarked Reserves

- 2.63.** A review has been carried out of the revenue reserves previously earmarked for specific purposes. Balances of £872,000 have been identified as no longer required for their original purpose and have been reallocated to the Council Priority Fund to provide one-off funding to support initiatives directly related to the Council's Priorities. Details of the reserve balances reallocated to the Council Priorities Fund are set out at **Annex A5**.
- 2.64.** The following additional commitments have been identified as requiring one-off funding from the Council Priorities Fund:
- 2.65.** £20,000 support for a legal case in the public protection service.
- 2.66.** £25,000 support for work on an Open Space Review approved at Council on 15 July 2020.
- 2.67.** £23,000 funding for the Housing First initiative agreed at Cabinet on 1 June 2020.
- 2.68.** £68,000 provision for the submission of a planning application for a decked car park on the Waterloo Car Park site.
- 2.69.** £75,000 provision for work related to the Government's Devolution White Paper expected in autumn 2020.
- 2.70.** £12,000 to fund the revenue impact of the Council's strategic property acquisition in Moreton-in-Marsh until the site is developed and becomes self-financing.
- 2.71.** Provision of £235,000 in recognition of the extra cost pressures being experienced by Ubico as a result of the additional waste and recycling material being presented by households.
- 2.72.** Details of all commitments against the Council Priorities Fund are set out at **Annex A4**. The Council Priority Fund is now largely allocated and new initiatives will require Members to review existing commitments and to reallocate funds accordingly.

3. FINANCIAL IMPLICATIONS

- 3.1.** The Council's Medium Term Financial Strategy has been updated to reflect the proposals set out in this report and is attached at **Annex A1 – A5**.
- 3.2.** The Council can manage the financial impact of Covid 19 in 2020/21, so long as promised Government funding for income losses is in line with the assumptions in this report.
- 3.3.** There remain some considerable challenges to the longer term financial sustainability of the Council. Delivery of the Recovery Investment Strategy will be critical to that sustainability. The Council is putting in place additional resources dedicated to delivery of the strategy.

4. LEGAL IMPLICATIONS

- 4.1.** None directly as a result of this report.

5. RISK ASSESSMENT

- 5.1.** The risk that local lockdowns within parts of the district would lead to further income losses and additional pressure on expenditure budgets.

- 5.2. The new waste and recycling service was introduced at the same time as the national lockdown response to Covid 19. At the time of preparing this report, it is unclear whether the cost pressures experienced by Ubico are temporary, as a result of lockdown, or have become embedded as households change their patterns of behaviour. This will become clearer as communities settle into a new routine post the Covid 19 lockdown. Provision for additional funding has been made available from the Council Priorities Fund to address this risk.
- 5.3. It is unclear whether the Government will make any changes to the Retained Business Rates Scheme in 2021/22 such as redistributing some (or all) of the growth above the baseline funding position which this Council has previously benefited from.
- 5.4. Until the Government announces details from the Spending Review later this year, it is unclear whether or not the Council will receive any New Homes Bonus over and above the residual payments previously promised. In addition, it is unclear if any Rural Services Delivery Grant will be payable for 2021/22. Longer term, the impact of the Fairer Funding Review and Retained Business Rates Scheme pose a significant risk to the level of core Government funding available to the Council.
- 5.5. The impact of Covid 19 on housing development in the district is currently unclear. This will have an impact upon the Council Tax base. The revised 2021/22 budget assumes a reduced level of growth from 1.2% to 0.5%. Until the 2021/22 taxbase is calculated in October there is a risk that the taxbase could be lower than forecast.
- 5.6. The economic impact of Covid 19 could result in collection fund losses higher than anticipated in this draft budget. This will be reviewed as part of the budget process and will be clearer once the final budget proposals are available in January 2021. The Government has stated that it is considering sharing the impact of taxation losses with local authorities; however, no details have yet been released.

6. ALTERNATIVE OPTIONS

- 6.1. Performance against the revised budget for 2020/21 will be reported quarterly to the Council's Overview and Scrutiny Committee and the Cabinet. The Overview and Scrutiny Committee will be able to propose further changes to the 2020/21 budget to the Cabinet and the Council.
- 6.2. The draft budget for 2021/22 will be subject to consultation until February 2021. During the consultation period, the Cabinet will encourage feedback on its proposals for consideration. In February 2021, the final budget proposals will be presented by the Cabinet to Council for consideration and decision.
- 6.3. The Council could decide not to revise its budget for 2020/21. However, this would mean that significant variances will need to be reported to Members throughout the financial year. It is recommended that the Council revises the budget in order to enable stronger financial management and control.

7. BACKGROUND PAPERS

- 7.1. None.