



Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	OVERVIEW AND SCRUTINY COMMITTEE – 1 DECEMBER 2020
Report Number	AGENDA ITEM 10
Subject	FINANCIAL, COUNCIL PRIORITY AND SERVICE PERFORMANCE REPORT – 2020-21 QUARTER TWO
Wards affected	All
Accountable member	All relevant Cabinet Members
Accountable officer	Christine Gore, Interim Chief Executive Tel: 01285 623605 Email: christine.gore@cotswold.gov.uk
Summary/Purpose	To provide an update on progress on the Council's priorities and service performance To provide information on the Council's financial position
Annexes	Annex A - Council Priorities report Annex B - Performance Indicator report Annex C - Revenue Summary and Variances including Forecast Annex D - Summary of gross capital expenditure
Recommendation/s	<i>That the Committee reviews overall progress on the Council priorities, service delivery and financial performance for 2020-21 Q2</i>
Corporate priorities	Deliver services to the highest standards Respond to the climate crisis Provide socially rented homes Make our Local Plan green to the core Support health and well-being Enable a vibrant economy
Key Decision	NO
Exempt	NO
Consultees/ Consultation	None

1. BACKGROUND

- 1.1.** In September 2019, the Council adopted the high level council aim and priorities. The more detailed work was partly delayed by the impact of Covid-19 but presented an opportunity to re-examine the Council's priorities as part of the Covid-19 recovery work. The recovery work has been embedded within the new Corporate Plan 2020-24 which was adopted by the Council in September 2020.
- 1.2.** A new performance management framework is being developed; a much broader framework than previous frameworks. It sets out six key strands of information on which assurance needs to be provided, with a key shift in focus from performance monitoring to performance management:
 - Business analytics and service assurance
 - Place based measures and comparators
 - Business Plan strategic actions
 - Council Plan priority actions
 - Project and programme management assurance
 - Risk and opportunity management
- 1.3.** As part of the Business Analytics and Service Assurance strand, an initial review of performance indicators has been completed; it is expected that the indicator set will flex as priorities change and gaps are identified.
- 1.4.** Work has commenced on identifying place based measures and other measures of success to help gauge progress on the Corporate Plan, and to ensure that the actions we take both ourselves and in partnership with key stakeholders are making a difference.
- 1.5.** The performance report will evolve in line with the emerging Performance Management Framework as well as feedback from senior officers and Members.
- 1.6.** A high level commissioning statement was approved by Cabinet in January 2020 which sets out the relationship between Publica and the Council and their respective responsibilities. The Executive Director (Commissioning) is accountable to the Council for the services commissioned from Publica, and also for the services commissioned by Publica from third parties on behalf of the Council. Publica must ensure that it provides the necessary information to the Council so it can assess whether the commissioned services are being delivered in accordance with the agreed quality and standard. The Council's Interim Chief Executive is responsible for reviewing and approving the information provided in this report prior to its publication.
- 1.7.** The Council's Interim Chief Executive has received a report on progress towards achieving the Council's priorities and service performance. She has assessed performance in line with the high level commissioning statement, and confirms that overall, services have been delivered to the agreed quality and standard. She has also noted the continued impact of Covid-19 on communities, customers, services, staff, and businesses as they recover. She has drawn particular attention to the following:

- When the nation went into lockdown in March 2020, a significant number of staff were redeployed to support our communities. She was pleased to see that following the intense period of activity, seconded staff have returned to their substantive roles. Furthermore, she has noted that during Q2 many services continued to support residents, communities and businesses that have been impacted by Covid-19, together with the recovery of the high street and tourism, as part of their everyday job.
- As the nation prepared to enter a second lockdown, she noted that key services had already commenced preparation for a second wave of Covid-19. The Health and Wellbeing team will be using the intelligence gained from two focus group meetings in the summer to support the Covid-19 response.
- By August 2020, all services had recommenced including leisure facilities, parking enforcement and food safety inspections. There was a phased approach to the re-opening of the leisure facilities from 1 August, and the core activities of gym, group exercise, and swimming became operational but were required to close down again in line with the government announcement of a second lockdown commencing 5 November. Although parking charges were reintroduced in mid-June, parking income continues to be affected by the reduction in usage, and will be reduced further as a consequence of the second lockdown.
- The delivery of affordable housing, one of the Council's priorities, was impacted by the first lockdown, but has recovered well with 49 affordable homes delivered in Q2 which included 12 new homes for local people at Churnbridge Row, North Cerney, a rural housing development grant funded by the Council.

2. COUNCIL PRIORITY REPORT

- 2.1.** During Q2, the Council adopted the recovery investment strategy 2020-24 and the climate emergency strategy 2020-30, and the draft green economic growth strategy was approved for public consultation; these strategies provide the frameworks and principles, and set the direction and priority action areas. In addition, services have been supporting communities, businesses and town centres to not only recover from Covid-19 but to adapt to changing needs. A range of projects to tackle inequality including working with partners to get young people back into work; and promote healthy lifestyles are being progressed. The Council Priority report is attached at **Annex A**.

3. SERVICE PERFORMANCE REPORT

- 3.1.** Overall, many services have performed well in the current conditions and restrictions with no visible reduction in quality or standard. The majority of staff have continued to deliver services from home, and some services have had to find new ways of working. Other services such as leisure facilities, parking enforcement, and food safety inspections were adversely affected by Covid-19 in the first lockdown. During Q2, these services were able to restart. Following the announcement of a second lockdown, leisure facilities have closed once again. The food safety team is able to undertake some food inspections remotely but high risk premises will require a site visit after the 2 December, as will all new food registrations.

3.2. A full report is attached at **Annex B**.

4. **FINANCIAL PERFORMANCE**

Financial Performance (Revenue)

- 4.1. The Council set its budget for the 2020/21 financial year on 26th February 2020, just before the Covid-19 lockdown. Demand has been lower for many of the Council's income generating services, especially car parking, leisure services, planning and building control. In addition, the Council has faced pressures on its expenditure budgets. In particular, providing emergency accommodation for individuals and families facing homelessness, collecting additional waste and recycling materials and ensuring that the Council's leisure contractor was able to fulfil its contractual obligations to ensure the Council's leisure centres and museum were adequately maintained and managed while they were closed to the public.
- 4.2. The Council has regularly reported 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 agreed to provide additional funding to compensate for irrecoverable and unavoidable losses from sales, fees and charges income generated in the delivery of services, in the financial year 2020/21. The Council is still awaiting confirmation of the funding they will receive for income losses for the period April – July 2020 following the completion of a data collection exercise submitted to MHCLG in October 2020.
- 4.3. The financial impact of Covid-19 has been felt across the Council services and therefore across many of the service budgets. In response to the financial impact of the pandemic a revised budget for 2020/21 was prepared in consultation with the Council's key service delivery partners: Publica Group Ltd, Ubico Ltd and SLM. The budget revised income budgets to reflect forecast service income for 2020/21, revised expenditure budgets to reflect additional cost pressures and incorporated additional government funding for Covid -19. This budget was approved by Council in September 2020.
- 4.4. This report sets out the profiled income and expenditure variances for the period April to September 2020 against the revised budget.
- 4.5. At the end of September, the Council has spent £11,775,044 against its net cost of services budget of £12,164,843. This equates to an under spend against the revised profiled budget of £389,798.
- 4.6. The detailed budget variances and commentary for the period 1 April to 30 September 2020 are set out at **Annex C**. Key variances include:

Income

- 4.7. Demand for planning services reduced during lockdown. Income for April and May was around 50% of the profiled budget. Income was in line with the original budget in June before falling back again in July to 60% of budget and increasing to 85% in August and 80% in September. The impact upon planning fee income and pre-application advice for the year was expected to be £450,000; the position at Q2 is an overachievement of £82,130 against the profiled budget and £36,678 underspend in relation to appeals due to no large appeals costs to date. The current position shows that income has continued to increase throughout October to 84 % of the original budgeted level.

- 4.8.** Demand for building control services has also been impacted by lockdown. Income was forecast to be £130,000 over the course of the year but outturn at Q2 shows that income of £125,798 was achieved against the revised profiled budget of £115,000 resulting in an overachievement of £10,183.
- 4.9.** The Council suspended charges in its car parks in March 2020 in response to Covid19. The increases to car parking charges approved as part of the budget process in February were not implemented until September 2020. Since the lifting of lockdown, demand in the Council's car parks has remained lower than in 2019 but is gradually improving. The revised budget for 2020/21 reduced the budget for car park income by £1,680,000. At the end of September, income from car park fees, permits and excess charges was £140k higher than the profiled revised budget reflecting the increasing demand. It is likely that the usage during the second lockdown period in November will reduce again but will hopefully improve again through the winter period, income levels will also be helped by the new charges which came into effect from September.
- 4.10.** Income from the use of Public Conveniences has been affected by the Covid-19 pandemic this year. Whilst income is underachieved by £15,812, the operating costs on cash collection, electricity and water are also underspent by £11,395.
- 4.11.** Ubico worked with the Council's commissioning team and the Cabinet Member for the Environment, Waste and Recycling to deliver the Council's priority services during the Covid pandemic. As a result, the Council's garden waste collection service was suspended during the period from mid-March to mid-May. The Council therefore decided to maintain the fee for the service at £30 for the year rather than increase to £35 as per the Council decision in February 2020. This resulted in the income budget being reduced by £79,000 as part of the revised budget process. At the end of Q2 £42,000 more income has been received in respect of Green Waste annual subscriptions in comparison to the revised budget as a result of higher take up than anticipated.
- 4.12.** The high level of recycling materials has resulted in the market price for purchasing cardboard being currently very low, income from the sale of recycling materials was forecast to be £190,000 below the original budget partially offset by additional recycling credits of £50,000. At the end of Q2, the profiled income budget was £32k lower than budgeted in respect of recycling credits and sale of other materials.
- 4.13.** Income from the collection of bulky waste has performed better than expected due to increased demand with £23,909 more income received than was forecast in the profiled revised budget, this has also resulted in a corresponding £11,261 increase in expenditure.
- 4.14.** The investment portfolio has a mixture of investments. Longer term with a fixed level of return to guarantee a certain level of performance, plus bonds, pooled funds, and shorter-term Money Market Funds to ensure an element of the portfolio is liquid. Interest received in respect of investments includes a £151,000 variance to profiled budget due to the ongoing impact of the pandemic on global financial markets. The forecast year end position based on current performance is £132,000 below budget and equates to a 1.56% return on investment.

Expenditure

- 4.15.** Leisure and museum services operated by an external contractor, SLM, closed from late March to early August, and have been subject to social distancing and additional health and safety requirements which reduce capacity, SLM have been unable to generate sufficient income to break even. The Council has worked 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. SLM are operating under open book arrangements and report actual financial performance to the Council. The Council's estimated liability for this period was £222,024. Payments made to SLM under open book accounting of £204,025 were £19,485 lower than budgeted for the period to 30 September 2020.
- 4.16.** It is unlikely that the leisure and cultural services will return to pre-Covid-19 levels of capacity for the remainder of the financial year, a further capped financial package of support for SLM of £291,146 was approved by Council in October for the period November to March 2020. The financial impact of the second national lockdown on SLM is not yet known. There is some contingency in the budget for a further package of support, should that be necessary. Any additional support would be subject to a Cabinet or Council decision.
- 4.17.** An underspend of £15,025 against the revised budget has been reported in respect of 'street naming' due to Covid-19 restrictions. Any underspend at year end will be carried forward to 2021/22 to fund new 'Cotswold' signs in the District.
- 4.18.** Levels of planned and reactive repairs and maintenance are lower than budgeted across the Council as a result of reduced access to offices during the pandemic. There is a £23,000 underspend in respect of Trinity Road Council Offices and £6,264 in respect of Moreton in Marsh as only planned programmed maintenance or health and safety work has been undertaken. Any underspend in the Building Maintenance Fund is being re-allocated to projects such as drainage works at Packers Leaze Depot or Cemeteries Memorial works. Lower operating costs have also been reported at both Trinity Road and Moreton on Marsh Council offices due to reduced electricity, gas and metered water expenditure resulting in a further £23,000 underspend at Trinity Road.
- 4.19.** A one-off budget of £10,000 for lighting improvements and move to LED lighting at the Trinity Road offices is currently unspent as works are on hold whilst the Council considers property requirements.
- 4.20.** The Corinium Museum programmed and reactive repairs budget is also £18,848 underspent as a result of the Covid-19 lockdown and ongoing Corinium project.
- 4.21.** The closure of facilities at Bourton Leisure Centre has resulted in lower levels of maintenance expenditure (underspend of £13,915). Cirencester Leisure Centre Maintenance expenditure is £18,354 higher than budgeted due to works undertaken to the air conditioning system in the Cafe as well as works to poolside steels. This expenditure is funded from the Building Maintenance Fund (BMF), any overspend will be covered by underspends in the BMF within other areas such as Bourton Maintenance.
- 4.22.** Expenditure in respect of Youth Participation grants is lower than budgeted due to a £42,500 underspend on Community Activity Support Grants, this scheme has been

reviewed and 'Spacehive' (a civic crowdfunding platform for projects aimed at improving local civic and community spaces) has been procured, a £24,000 annual licence fee will be paid in Q3.

4.23. Expenditure related directly to the impact of Covid-19, and funded from the Government Covid-19 grant, has exceeded the profiled budget by £74,865. The largest impact is from Ubico. 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 September, additional costs have amounted to £197,000. It is likely that these and other costs associated with Covid-19 will continue to increase as the country enters a second lockdown period in November and social distancing is likely to continue through to the end of the financial year.

4.24. At the end of Q2 Publica is reporting an underspend. This Council's share of the underspend was £93,000, this has not been included within the Q2 outturn but will be allocated across services at the end of the financial year when the final outturn position is reported.

Forecast

4.25. With the Country entering a second period of lockdown, it is difficult to forecast the impact upon the Council's financial position at the year-end. However, it is clear from the detail in this report that some income streams have recovered faster than was anticipated when the revised budget was compiled, in particular car park income and planning income. However, there are some additional costs, such as the Ubico contract, which will continue to exceed budgetary provision. Overall the position at the end of the second quarter is positive with a variance of £389,798.

4.26. This provides the Council with some contingency to manage the impact of Covid-19 for the remainder of the year. **Annex C** provides a high level forecast year-end position for the most significant variances identified at the end of the second quarter. This indicates that income performance is expected to continue to exceed additional cost pressures. The Council has a contingency of around £400,000 to manage the impact of Covid-19 for the remainder of the financial year. The forecast will be further refined at the end of the third quarter.

Capital Activity

4.27. The Council's revised capital budget for 2020/21 is £11,063,000. A total of £1,580,215 has been spent against these schemes at the end of Q2 with a further £2,669,475 committed.

4.28. A full breakdown of the schemes for the year and expenditure at Q2 is set out at **Annex D**.

Capital receipts and disposals

4.29. During Q2 the disposal of seven waste and recycling vehicles resulted in the receipt of scrap income of £30,000.

5. CABINET

5.1. Feedback from this Committee will be reported to Cabinet at its meeting on 7 December 2020.

6. FINANCIAL IMPLICATIONS

6.1. As described in section 4 of the report.

7. LEGAL IMPLICATIONS

7.1. There are no legal implications arising from the recommendations in this report

8. RISK ASSESSMENT

8.1. Contained within the report

9. ALTERNATIVE OPTIONS

9.1. None

10. BACKGROUND PAPERS

10.1. None