



# COTSWOLD DISTRICT COUNCIL

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| Council name                | <b>COTSWOLD DISTRICT COUNCIL</b>   |
| Name and date of Committee  | <b>OVERVIEW AND SCRUTINY COMMITTEE – 1 DECEMBER 2020</b>   |
| Report Number               | <b>AGENDA ITEM 9</b>   |
| Subject                     | <b>UPDATE TO MEDIUM TERM FINANCIAL STRATEGY AND BUDGET 2021/22 - CONSULTATION</b>  |
| Wards affected              | ALL  |
| Accountable member          | Cllr Mike Every, Deputy Leader and Cabinet Member for Finance<br>Email: Mike.Every@cotswold.gov.uk   |
| Accountable officer         | Jenny Poole, Chief Finance Officer<br>Email: jenny.poole@cotswold.gov.uk   |
| Summary/Purpose             | The purpose of this report is to consider an update to the Council's Medium Term Financial Strategy and the draft budget for 2021/22. The Committee is asked to provide feedback to the Cabinet and Council for consideration.   |
| Annexes                     | Annex A – Draft Medium Term Financial Strategy   |
| Recommendation/s            | <i>The Overview and Scrutiny Committee are asked to consider the draft Medium Term Financial Strategy and the draft budget for 2021/22 and to provide feedback to the Cabinet and Council for consideration.</i>   |
| Corporate priorities        | The draft budget for 2021/22 reflects the financial implications of the Council Aim and Priorities approved in September 2019 and the Corporate Plan approved in September 2020.   |
| Key Decision                | NO   |
| Exempt                      | NO   |
| Consultees/<br>Consultation | The following have been consulted on this report and the detail contained within:<br><br>Major contractors: Publica Business Managers, Ubico, SLM and Cabinet Members, Monitoring Officer and Interim Chief Executive.<br><br>The Overview and Scrutiny Committee is a consultee on the draft Medium Term Financial Strategy and budget proposals for 2021/22. |

## **BACKGROUND**

- 1.1. The Council set its budget for 2020/21 on 26th February 2020, just before the Covid-19 lockdown. 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 throughout the April to September period.
- 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 museums 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 four tranches of grant funding in recognition of expenditure pressures. The Government has also made a promise of additional funding to compensate for income losses. The Council has submitted the first claim for this support and is expecting the first payment shortly.
- 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. In September 2020, Council approved a revised budget for 2020/21 which revised income budgets to reflect forecast service income for 2020/21, revised expenditure budgets to reflect additional cost pressure in 2020/21, incorporated the initial three tranches of funding received from Government for Covid-19 and the promised support for income losses, and set out revised funding for the 2020/21 budget.
- 1.5. This report proposes the draft budget for 2021/22, for consultation over the autumn, 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. Reflects 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 proposed budget for 2021/22 has 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 which impact upon 2021/22 budget

- 2.1. The original budget for 2020/21 included provision for pay award inflation of 2.5%. The final agreement was a pay award of 2.75%, which was approved by the unions after a

ballot. This increased pay award of 0.25% increased cost pressure by £25,000. This impact has been reflected in the revised budget for 2020/21 and will also impact each subsequent financial year.

- 2.2.** The original budget for 2020/21 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 2020/21 revised budget reflects this new arrangement and a further reduction of £20,000 has been included in the base budget. This impact will also affect each subsequent financial year.
- 2.3.** The impact of the decision taken by Gloucestershire County Council to change the location of delivery of green waste collected by this Council to Purton in Wiltshire, as opposed to the Love Lane Depot in Cirencester, is expected to increase the Ubico contract cost by £68,000. This impact has been reflected in the revised budget for 2020/21 and will also impact each subsequent financial year.
- 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 is now available for additional car parking capacity rather than for use as decant car parking. It is estimated that the additional capacity could generate additional income of £18,000 in 2020/21. This assumes 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 and have been removed in the revised 2020/21 budget.
- 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 has been realigned to reflect the rent allowance caseload and associated lower incidence of overpayments for recovery. The 2020/21 revised budget has been reduced by £118,000.
- 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. This has been reflected in the revised budget for 2020/21 and will also impact each subsequent financial year.

- 2.8.** Changes to the 2020/21 original budget, which will also impact upon budget for 2021/22 are set out below:

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

### **Revenue Budget proposals 2021/22**

- 2.9.** The draft budget for 2021/22 has been updated to reflect the following Government announcements.
- 2.10.** 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.
- 2.11.** 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 subject to announcements from the Government.
- 2.12.** 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 income by 1%. The collection fund deficit is 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.
- 2.13.** Council taxbase growth in 2021/22 has been reduced from 1.2% to 0.5% in recognition of the slow-down in house building. At the time of preparing this report the council

taxbase is being calculated and is therefore subject to change. The impact of the reduction in council taxbase is £40,000.

- 2.14.** The Council's MTFS assumed that in-year growth in the taxbase in 2020/21 would generate a one-off Collection Fund surplus of £100,000 which would be available to the Council in 2021/22. In light of the economic circumstances, it is prudent to remove this distribution from the Collection Fund in 2021/22.

#### Unavoidable Budget Pressures

- 2.15.** 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.
- 2.16.** 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 low market values particularly for sale of cardboard.
- 2.17.** 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.
- 2.18.** 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.
- 2.19.** A provision of £35,000 has been included to fund an increase to the pay scale for the new Chief Executive post, approved at Council on 23<sup>rd</sup> September 2020.
- 2.20.** The Council has to pay business rates and utilities bills on its own land and buildings. A review of these budgets has identified budget increases of £18,000.
- 2.21.** The Council will be carrying out a property review of the Cotswold Club. While this review is carried out 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.
- 2.22.** These cost pressures can be partially funded by savings in various supplies and services budgets which amount to £157,000.
- 2.23.** The provision of additional car park capacity in Cirencester is expected to increase income by £142,000.
- 2.24.** The procurement of a new computer system for council tax, business rates and housing benefit administration has provided software licence savings of £50,000.

#### Council Priority Related Investment

- 2.25.** The Council is proposing to make funding of £35,000 available to tackle fly-tipping and this has been included within the budget for 2021/22.

## Savings

- 2.26.** The Council's Recovery Investment Strategy was approved by Council on 23<sup>rd</sup> September 2020. The savings targets in the Medium Term Financial Strategy (MTFS) have been aligned with the savings targets included in the 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.
- 2.27.** 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.
- 2.28.** The profile of savings and plan for delivery is set out below:

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

- 2.29.** The Council plans to continue with its budget resolution from February 2020 to increase garden waste service fees to make the service cost neutral. For 2021/22, this means implementing the planned increase to £40 for each bin licence. The revenue benefit is expected to be £155,000 as it reflects the deferral of the previous Council 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 2.28.

- 2.30.** The Council also intends to introduce charges for the delivery of waste and recycling containers which is expected to deliver additional income of £60,000. This is included in the savings plan set out in 2.28.
- 2.31.** The Government has not yet announced the policy on council tax referendum limits for 2021/22. The Council is proposing to continue with its existing policy, approved in February, to increase council tax by £5 for each Band D equivalent property for 2021/22.
- 2.32.** The impact of the changes above are out in the table below:

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

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

- 2.33.** 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:

|  | <b>£000</b> | <b>£000</b> |
|--|-------------|-------------|
| <b>Feb 20 - MTFS Forecast Budget Deficit 2021/22</b>   |             | <b>388</b>  |
| Remove Feb 20 MTFS Forecast Capital Financing 2021/22  | (118)       |             |
| 2020/21 Revised Budget – permanent saving to base budget approved by Council in September 2020   | (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         |             |
| <b>Budget Movement Compared to Approved MTFS</b>   |             | <b>384</b>  |
| <b>Revised Budget Deficit 2021/22</b>  |             | <b>772</b>  |

## General Fund Balance

- 2.34.** 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 therefore reduced from £4,746,000 to £4,475,000.
- 2.35.** The forecast use of the General Fund Balance is set out below:

|                        | <b>2020/21<br/>Original<br/>Budget<br/>£000</b> | <b>2020/21<br/>Revised<br/>£000</b> | <b>2021/22<br/>£000</b> | <b>2022/23<br/>£000</b> | <b>2023/24<br/>£000</b> | <b>2024/25<br/>£000</b> |
|------------------------|---|-------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| <b>Opening Balance</b> | <b>4,746</b>                                    | <b>4,475</b>                        | <b>651</b>              | <b>1,513</b>            | <b>2,171</b>            | <b>1,390</b>            |



|   |              |            |              |              |              |              |
|---|--------------|------------|--------------|--------------|--------------|--------------|
| 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)        |
| <b>Closing Balance</b>                              | <b>1,690</b> | <b>651</b> | <b>1,513</b> | <b>2,171</b> | <b>1,390</b> | <b>1,279</b> |

- 2.36.** The MTFS approved in February 2020 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:

| <b>Forecast revenue budget (surplus)/deficit</b> | <b>2020/21 £000</b> | <b>2021/22 £000</b> | <b>2022/23 £000</b> | <b>2023/24 £000</b> | <b>2024/25 £000</b> |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| 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**

- 2.37.** 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 the north of the District.

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 Strategy approved by Council in September 2020.
7. Provision has been included for flood prevention works which are urgently required at the Packers Leaze depot.

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

|                            | <b>2020/21<br/>Approved<br/>Budget<br/>£000</b> | <b>2020/21<br/>Revised<br/>£000</b> | <b>2021/22<br/>£000</b> | <b>2022/23<br/>£000</b> | <b>2023/24<br/>£000</b> |
|----------------------------|---|-------------------------------------|-------------------------|-------------------------|-------------------------|
| <b>Capital Expenditure</b> | <b>8,667</b>                                    | <b>10,887</b>                       | <b>18,320</b>           | <b>27,804</b>           | <b>27,511</b>           |
| <b>Financed By:</b>        |   |                                     |                         |                         |                         |
| 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                     |
| <b>Total Financing</b>     | <b>8,667</b>                                    | <b>10,887</b>                       | <b>18,320</b>           | <b>27,804</b>           | <b>27,511</b>           |

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

|                 | <b>2020/21<br/>Approved<br/>£000</b> | <b>2020/21<br/>Revised<br/>£000</b> | <b>2021/22<br/>£000</b> | <b>2022/23<br/>£000</b> | <b>2023/24<br/>£000</b> |
|-----------------|--------------------------------------|-------------------------------------|-------------------------|-------------------------|-------------------------|
| Opening Balance | 8,060                                | 10,023                              | 5,268                   | 4,960                   | 3,095                   |

|                               |              |              |              |              |            |
|-------------------------------|--------------|--------------|--------------|--------------|------------|
| Forecast new Capital Receipts | 915          | 915          | 713          | 713          | 713        |
| Funding capital programme     | (2,252)      | (5,670)      | (1,020)      | (2,579)      | (3,014)    |
| <b>Closing Balance</b>        | <b>6,723</b> | <b>5,267</b> | <b>4,960</b> | <b>3,095</b> | <b>794</b> |

## Review of Earmarked Reserves

- 2.40.** 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 Priorities. Details of the reserve balances reallocated to the Council Priorities Fund are set out at **Annex A5**.
- 2.41.** The following addition commitments have been identified as requiring one-off funding from the Council Priorities Fund:
- 2.42.** £20,000 support for a legal case in the public protection service.
- 2.43.** £25,000 support for work on an Open Space Review approved at Council on 15 July 2020.
- 2.44.** £23,000 funding for the Housing First initiative agreed at Cabinet on 1 June 2020.
- 2.45.** £68,000 provision for the submission of a planning application for decked car park on the Waterloo Car Park site.
- 2.46.** £75,000 provision for work related to the Devolution White Paper expected from Government.
- 2.47.** £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.
- 2.48.** 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.
- 2.49.** 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.** 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**

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

#### **5. RISK ASSESSMENT**

- 5.1.** The risk of 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 become more 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.** At the time of preparing this report the Government has not announced details of the Spending Review. Therefore it is unclear whether or not the Council will receive any New Homes Bonus over and above the residual payments previously promised by Government. 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. The MTFS includes provision for reduced government funding.
- 5.5.** The impact of Covid-19 on housing development in the District is currently unclear. This will have an impact upon the council taxbase. The 2021/22 budget assumed 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.

#### **7. BACKGROUND PAPERS**

- 7.1.** None.