



COTSWOLD DISTRICT COUNCIL

Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	COUNCIL - 23 SEPTEMBER 2020
Report Number	AGENDA ITEM 7
Subject	REVISED BUDGET 2020/21
Wards affected	ALL
Accountable member	Cllr Mike Every, Deputy Leader and Cabinet Member for Finance Email: Mike.Every@cotswold.gov.uk
Accountable officer	Jenny Poole, Chief Finance Officer 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.
Annexes	Annex A - Revised Budget 2020/21
Recommendation/s	<i>It is recommended that:</i> <i>(a) Council approves the revised budget 2020/21;</i> <i>(b) delegated authority is granted to the Head of Climate Action to use £10,000 from the Council Priorities Fund to commission support for local residents to access the Green Homes Grants.</i>
Corporate priorities	The revised budget for 2020/21 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, just before the Covid 19 lockdown. Demand fell for the Council's income generating services from early in March 2020, and this was further exasperated 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 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 pressure in 2020/21, incorporates the additional Government funding for Covid 19, both received and promised, and sets out revised funding for the 2020/21 budget.
- 1.5. The revised budget for 2020/21 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 excluding Covid 19

- 2.1. The original budget for 2020/21 included provision for pay award inflation of 2.5%. The final pay award of 2.75% has now been agreed. An increased pay award of 0.25% increases cost pressure 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 green waste collected by this Council to Purton in Wiltshire, as opposed to the Love Lane Depot in Cirencester, is expected to increase the Ulico 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 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.
- 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 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. 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 impact upon income from the management fee is therefore £105,000.

- 2.9. Under the terms of the contract with SLM, the Council is required to work with SLM to manage the financial impact Covid 19. The Council has approved an interim financial arrangement with SLM for the period from April to the end of October 2020. 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.
- 2.10. 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.
- 2.11. 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 cancelled during the period from March to 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 has reduced income by £79,000.
- 2.12. 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.
- 2.13. The high level of recycling materials is also driving recycling processing costs. Additional costs of £65,000 are forecast for 2020/21. 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.
- 2.14. 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 forecast to be £455,000.
- 2.15. 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 bill being prepared and posted. The Council passes on the costs of enforcement action necessary to recovery 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 £78,000.

- 2.16. The Council suspended charges in its car parks in March 2020 in response to Covid 19. The increases to car parking charges approved as part of the budget process in February have not been implemented until September 2020. Since the lifting of lockdown, demand in 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 may fall again in September. Income from car parking for the year is forecast to be around £1,680,000 lower than budget based upon losses 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.
- 2.17. 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 impact upon planning fee income and pre-application advice for the year is expected to be £450,000.
- 2.18. 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 for the year.
- 2.19. 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.
- 2.20. 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. Based upon contact from tenants to date, 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.
- 2.21. A review has been carried out 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.
- 2.22. 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 green waste		68	68
Cirencester car parking capacity	(18)		(18)
Minimum Revenue Provision Interest		(750) (99)	(849)
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)

2.23. 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

- 2.24. 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 £37.4 million of grants to businesses.
- 2.25. The Government has also committed to funding some of the 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.
- 2.26. 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

- 2.27. 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

- 2.28. 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.
- 2.29. 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.
- 2.30. 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.
- 2.31. The revised budget 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 the budget setting for 2021/22.

General Fund Balance

- 2.32. 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.
- 2.33. The forecast use of the General Fund Balance is set out below:

	2020/21 Approved Budget £000	2020/21 Revised £000
Opening Balance	4,746	4,475
2020/21 Council decisions June/ July use of Balance	0	(333)
Contribution to Glos. LGPS	(3,268)	(3,268)
Saving on LGPS Pension Deficit	0	0
Revenue budget surplus/(deficit)	212	(223)
Closing Balance	1,690	651

Review of the Capital Programme

2.34. The Capital Programme has been reviewed and is attached at **Annex A3**. 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 have 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. Provision has been included for flood prevention works which are urgently required at the Packers Leaze depot.

2.35. The revised capital expenditure programme for 2020/21 and the sources of funding is set out in the table below:

	2020/21 Approved Budget £000	2020/21 Revised £000
Capital Expenditure	8,667	10,887
Financed By:		
Borrowing	4,758	2,220
Revenue Contribution	250	250
Reserves	757	1,847
Capital Receipts	2,252	5,670
External Funding/Grants	650	900
Total Financing	8,667	10,887

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

	2020/21 Approved £000	2020/21 Revised £000
Opening Balance	8,060	10,023

Forecast new Capital Receipts	915	915
Funding capital programme	(2,252)	(5,670)
Closing Balance	6,723	5,267

Review of Earmarked Reserves

- 2.37. A review has been carried out of the revenue reserves previous 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**.
- 2.38. The following addition commitments have been identified as requiring one-off funding from the Council Priorities Fund:
- 2.39. £20,000 support for a legal case in the public protection service.
- 2.40. £25,000 support for work on an Open Space Review approved at Council on 15 July 2020.
- 2.41. £23,000 funding for the Housing First initiative agreed at Cabinet on 1 June 2020.
- 2.42. £75,000 provision for work related to the Devolution White Paper expected from the Government.
- 2.43. £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.
- 2.44. The Government has recently launched the new Green Homes Grants. scheme £10,000 has been provided from the Council Priorities Fund to enable the Council to work in partnership to provide a public-facing advice service to help local residents access the Green Homes Grants.
- 2.45. Details of all commitments against the Council Priorities Fund are set out at **Annex A4**.

3. FINANCIAL IMPLICATIONS

- 3.1. 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.
- 3.2. 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

- 4.1. None directly as a result of 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.

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 Council could decide not to revise the budget for 2020/21, however, this will 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 financial management and control.

7. BACKGROUND PAPERS

- 7.1. None.

(END)