

Cherwell District Council

Executive

6 July 2020

<p>Financial Monitoring Report Forecast Outturn as at May 2020 including Covid-19 Impacts</p>
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Report of the Director of Finance

This report is public

Purpose of report

This report provides the Executive with an update on the financial impact of the Covid-19 pandemic on Cherwell District Council (CDC) alongside the anticipated forecast outturn as at the end of the May 2020.

1.0 Recommendations

The Executive is recommended to:

- 1.1 Note the forecast overspend being reported against CDC's budget for 2020/21 relating to the financial impact of Covid-19.
- 1.2 To ask officers to identify plans to address the potential overspend in 2020/21 arising from Covid-19 and report back to the next meeting with recommendations for action.

2.0 Introduction

- 2.1 The first quarter of the Performance, Risk and Finance Report, which incorporates the financial position for CDC is due to be reported to the Executive in September. Given the exceptional circumstances and the significant financial impact of Covid-19, this report sets out the forecast financial position based on the position at 31 May 2020.
- 2.2 This report is the first financial monitoring report of the 2020/21 financial year. It builds on the 'Covid-19 Impact' section of the Performance, Finance and Risk Monitoring Report considered by the Executive on 1 June 2020 and is based on actual expenditure incurred and income lost in April and May 2020.

- 2.3 In order to allow CDC to complete forecast in year spending returns for the MHCLG the following assumptions have been applied:
- Assumed phased restart of economy from June to August based on Government decisions to mid-June (e.g. re-opening of high streets)
 - Assumed full restart of the economy from September (e.g. opening of leisure centres)
 - Assumption that full economic rebound does not happen before end of financial year
 - Assumption that support to some providers will continue to the end of October in line with the new Procurement Policy Notice (PPN 04/20).
- 2.4 Applying these assumptions generates a forecast pressure from Covid-19 of £6.2m for 2020/21. This is a combination of additional costs and loss of income arising from the impact of the Covid-19 pandemic on Council services. This is partially met by Covid-19 LA support grant funding available in 2020/21 of £1.6m. This reduces the in-year pressure to £4.6m.
- 2.5 Very real concerns have been expressed across the sector that the funding provided so far is nowhere near enough to enable local authorities to sustain their response to the pandemic. The Government has “made a commitment to support all authorities with the additional cost pressures from the extra work” and acknowledged the need to support councils for the ‘irrecoverable losses in income’, but thus far funding announcements have been insufficient to meet the additional costs and losses of income for councils.
- 2.6 An update from the Government on their further funding commitments and possible additional flexibilities was issued on 2 July. The Government has announced the next stage of its plan to provide certainty to councils:
- Covid-19 costs - a further £500m will be made available to further assist with the additional costs of the response to Covid-19.
 - Irrecoverable income losses - to help provide certainty for council's the Government has committed that where income losses in sales, fees and charges are greater than 5%, the Government will cover 75% of this lost income with council's having to fund the remaining 25%.
 - Tax losses – irrecoverable losses from Business Rates and Council Tax will be considered as part of the Spending Review with a fair apportionment of losses shared between the Government and councils. The Government's press release has indicated that council tax and business rates collection fund deficits will be able to be spread over three years.
 - Individual councils with exceptional circumstances are encouraged to raise these with the Government.

The Secretary of State will write to local government with further details shortly. Individual allocations have not been issued at the time of writing, but it is unlikely to be sufficient to cover all of CDC's costs and losses of income.

- 2.7 CDC needs to plan for how it will meet any funding shortfall that may remain for 2020/21. Therefore, it is recommended that officers identify options to address the

financial position in 2020/21 and report back to the Executive at its next meeting in September.

- 2.8 There are further risks to the forecasts for service delivery such as the possibility of a second period of lockdown, either nationally or locally, to respond to a second peak in Covid-19 cases. This scenario is difficult to model as this would impact different services to different degrees with some services forecasting higher costs in the recovery phase than the response phase.
- 2.9 There is a net underspend of £0.8m forecast for business as usual activity (BAU). Variations are classified as BAU where they do not directly relate to CDC's response to Covid-19 or the impact of recovery plans. The table below summarises the position across CDC including both Covid19 and CDC's main spending activities.

Revenue Monitoring	<i>Budget £000</i>	<i>Forecast Outturn £000</i>	<i>Current Month Variances £000</i>	<i>Covid Costs £000</i>	<i>Variance £000</i>
Communities	8,029	9,647	1,618	1,435	183
Place and Growth	1,856	2,653	797	754	43
Customers and Org. Dev.	4,026	4,176	150	173	-23
Adults and Housing Services	2,932	3,132	200	405	-205
Public Health and Wellbeing	3,066	3,666	600	929	-329
Comm. Dev. Assets and Inv.	2,058	4,569	2,511	2,511	0
Total Directorates	21,967	27,843	5,876	6,207	-331
Executive Matters	3,637	3,160	-477	0	-477
Total Cost of Services	25,604	31,003	5,399	6,207	-808
Total Income	-25,604	-27,204	-1,600	-1,600	0
(Surplus)/Deficit	-0	3,799	3,799	4,607	-808

3.0 Report Details

Communities

Communities predicts an overspend of £1,618k against a budget of £8,029k (20.2%).

Growth & Economy

The budget is anticipated to balance at this stage in the year.

Variation nil

Environmental Services	Of the forecast, the most significant element is the anticipated loss of car parking income, estimated to be £1.0m equating to approximately half the level expected.
Variation £1.6m overspend	In addition, reductions in anticipated income of (£159k) from markets, in bloom sponsorship, fairs, bus station, wheeled bin sales etc., additional spend of (£60k) related to agency staff to cover sickness, spending of (£380k) related to waste activities, such as recycling and increased tonnage and savings of £54k due vacancies.

Regulatory Services	Overall a nil variation is currently reported. The spending and loss of income related to Covid-19, including the decision to waive the first quarter's Street Traders licences and costs related to the Local Outbreak Control system, will be offset with salary savings due to vacancies.
Variation nil	

Place and Growth

Place and Growth predict an overspend of £797k against a budget of £1,856k (42.9%).

Planning & Development	As at end of May, there is a significant forecast reduction in income from Planning Application fees and Building Regulation income, of which £674k is related to Covid-19.
Variation £797k overspend	

Customers and Organisational Development

Customers & Organisational Development predict an overspend of £150k against a budget of £4,026k (3.7%).

Customers & Organisational Dev.	Due to the impact of Covid-19, there is a decline in house sales impacting on Land Charges income, resulting in an under recovery against the budget.
Variation £150k overspend	

Adults and Housing Services

Adults and Housing Services predict an overspend of £200k against a budget of £2,932k, (6.8%).

Housing & Social Care	The overspend can be predominately attributed to the impact of Covid-19, which includes costs of temporary accommodation plus associated 'move-on' costs post lock down. Offsetting the overspend are salary savings as a result of posts that have been vacant for the first half of the year and penalty income from enforcement in the Private Housing Sector being higher than anticipated.
Variation £200k overspend	

Public Health & Wellbeing

Public Health & Wellbeing predict an overspend of £600k against a budget of £3,066k (19.6%).

Wellbeing	The forecast overspend of £929k includes the loss of income from holiday hubs and hiring of sports facilities during closure as a result of Covid-19 alongside the expectation that contributions may not be received from external parties towards the costs of leisure facilities. Furthermore, in order to support the leisure centres during closure as a result of Covid-19, CDC has provided financial support in addition to the contractual management fees. Offsetting these costs is a saving of £330k arising from funding built into this year's budget for compensatory payments for a leisure provider linked to access restrictions which is no longer required.
Variation £600k overspend	

Healthy Place Shaping	The budget is anticipated to balance at this stage in the year.
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Variation nil	
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Commercial Development, Assets and Investments

Comm. Dev. Assets and Invests. predicts an overspend of £2,511k against a budget of £6,403k, (39.2%).

Property	Significant reductions in commercial rent commercial properties are currently forecast as a result of Covid-19. In addition, there is the potential that CDC may incur dilapidation costs for failed businesses.
Variation £2.3m overspend	

Finance	This is made up largely by supporting the additional work related to Covid-19, such as the business grant schemes and additional support with the extension in the completion of the Statement of Accounts. Some additional government support through the New Burdens grant funding may be made later in the year to help offset some of this cost.
Variation £214k overspend	
Law and Governance	The budget is anticipated to balance at this stage in the year.
Variation nil	

Executive Matters

Executive Matters predicts an underspend of £477k against the budget of £3.637m (13.1%).

Interest Costs	Reduced borrowing costs and lower rates are creating a positive variance against budget for 2020/21.
Variation £477k underspend	

4.0 Further Funding and Other Announcements

4.1 Since the last report considered by the Executive on 1 June, the following funding announcements have been made:

- On 24 May 2020, the Government announced a £50 million fund for councils to prepare for the safe reopening of high streets and other retail spaces. This new money is to be used to support measures so businesses can re-open quickly. It will also support a range of practical safety measures including new signs, street markings and temporary barriers. The funding comes from the European Regional Development Fund (ERDF) allocated to councils on a per capita basis. CDC has received £133,843 from the fund.
- Longer term measures to end rough sleeping were also announced in late May, with a commitment from Government for an additional 6,000 supported homes to provide long-term, safe homes for vulnerable rough sleepers currently housed in emergency accommodation during the pandemic. Funding of £433m has been committed, comprising the £381 million announced for rough sleeping services at Budget 2020 and an additional £52 million. Details of how the funding will be allocated have not yet been announced.
- Furthermore, on 24 June the Government announced £105m bid to keep homeless off the streets after lockdown. This forms part of a commitment to stop thousands of homeless people returning to the streets, to help rough sleepers

and those at risk of becoming homeless to secure their own tenancies. Details of allocations for individual authorities has not yet been announced.

- A further update on the levels of support and funding was provided by the Government on 2 July. The Government will write to provide further details shortly.

4.2 The Cabinet Office has published a new 'Procurement Policy Note (PPN) – Recovery and Transition from Covid-19' (PPN 04/20) which is valid from 1 July until 31 October 2020. The guidance builds on what councils are already doing (supported by PPN 02/20 effective from April to 30 June 2020) to support local suppliers, so that they can continue to deliver the critical services communities need. The note advises that councils should now start to plan with suppliers how to exit any contractual supplier relief they may have in place and move to a new, sustainable, operating model. Councils should start to review their contracts and determine whether it is still appropriate to provide the contractual supplier relief measures set out in PPN 02/20, whilst also considering those who may not have relief, but require it going forward

5.0 Conclusion and Reasons for Recommendations

5.1 Financial monitoring is an important part of the overall performance management across CDC, allowing officers and members to understand the position and where necessary take early action in order to deliver a balanced budget. The impact of the Covid-19 pandemic is significant and will place CDC under additional pressure managing its finances over the medium term, especially when taking into account the medium term financial challenges anticipated when the budget was set in February 2020.

6.0 Consultation

6.1 There are no consultation requirements required with this report.

7.0 Alternative Options and Reasons for Rejection – to be completed

7.1 No alternative options need to be considered via the recommendations.

8.0 Implications

Financial and Resource Implications

8.1 The additional financial pressures being experienced by CDC as a result of the Covid-19 pandemic have increased the risk to the financial resilience of CDC, which means that it is even more critical that CDC monitors the financial performance at regular intervals and acts upon the reported position as possible. Considering this information now will allow officers and members to determine the action required to deliver a balanced budget by the end of 2020/21.

Comments checked by:
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Legal Implications

- 8.2 Local authorities are required by law to have a balanced budget and the measures set out in this report are intended to achieve that objective.

Comments checked by:
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9.0 Decision Information

Key Decision

Financial Threshold Met: No

Community Impact Threshold Met: No

Wards Affected

All

Lead Councillor

Councillor Tony Ilott, Lead Member for Financial Management and Governance

Document Information

Appendix No	Title
None	
Background Papers	
None	
Report Author	Karen Dickson – Strategic Finance Business Partner.