

Cherwell District Council

Executive

20 August 2020

Revised Budget 2020/21

Report of Director of Finance

This report is public

Purpose of report

This report proposes a revised budget for 2020/21 to reflect the financial impact of Covid 19 and includes proposed savings required in order to achieve a balanced budget

1.0 Recommendations

The meeting is recommended to:

- 1.1 recommend that Council approve the savings as set out in Appendix 1.
- 1.2 recommend that Council approve a £1.2m use of the reserves as identified in Table 1.
- 1.3 recommend that Council approve the revised budget as set out in Table 1.
- 1.4 agree the revised fees and charges relating to Building Control Fees from 1 October 2020 as set out in Appendix 2.
- 1.5 delegate authority for the Director of Finance, in conjunction with the Finance Portfolio Holder, to carry out further virements between service budgets, Government grant income and reserves when actual sales, fees and charges income losses are known and when actual leisure costs are known.

2.0 Executive Summary

- 2.1 On 6 July 2020 the Executive agreed 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. This report sets out a proposal for a revised budget for 2020/21 which is the outcome of that work. The revised budget will address the risk of overspend and reflects the additional costs incurred by the Council in the response phase to the COVID-19 pandemic and the additional funding that has been received from central government.
- 2.2 The revised budget will provide a balanced budget for 2020/21 that includes budgets to meet the additional costs of COVID-19 to enable effective budget management.

3.0 Introduction

- 3.1 The health, social and economic impacts of COVID-19 have been profoundly felt across Oxfordshire. The devastating impact of the pandemic has represented a challenge to our communities and our services on a scale of which we never seen before in our lifetime.
- 3.2 The pandemic has required local authorities to make rapid adjustments to meet new demands and to step up work in critical frontline services. Cherwell District Council, as well as the other councils across Oxfordshire, has led our communities through the coronavirus lockdown by creating new services and adapting existing services including the shielding of vulnerable residents, adult social care, emergency planning and public health response and ensuring schools are kept open for vulnerable children and those of key workers.
- 3.3 These new and increased demands have resulted in significant additional expenditure. At the same time, council income streams – from car parking to planning fee income – have been severely damaged by the lockdown and the impact on the local economy.
- 3.4 Additional funding has been provided from central Government to help councils with the financial impact of COVID-19, which has been extremely welcome. However, as is the case with other councils across England, this does not match our projected additional expenditure and loss of income and does not address potential increases in demand as lockdown measures are eased.
- 3.5 As such, further financial pressures are likely to follow as we restart services in a COVID-safe manner. Furthermore, the possibility of a second wave or a local outbreak of the virus later this year, particularly if combined with a flu epidemic, will place a significant strain on existing resources, especially if further lockdown is required and services have to be stood down (and then up) again.
- 3.6 There will also be significant income losses in future years arising from COVID as a result of reduced business rates and council tax. Moreover, a deep national recession will not only reduce income but also increase demand for valued public services which will be required in response to local residents and businesses affected.
- 3.7 Councils have a legal duty to balance their budgets each year and act to avoid the possibility that expenditure might exceed available income in any year. This means that Cherwell District Council, like other councils across the country, has no option but to take significant cost-saving measures to address this unavoidable funding shortfall.
- 3.8 Our overall aims when planning these measures have been to minimise the impact on our frontline services, to continue to protect the most vulnerable in our communities, and to prioritise and support the county's recovery from COVID.

4.0 Impact on Services In-Year

- 4.1 The in-year savings proposed are set out in the appendices that accompany this report. They are drawn from across all service areas, with a focus on protecting frontline services and activities that support those who are most vulnerable.

- 4.2 A combination of government funding, holding vacant posts empty for an extended period, reducing costs associated with travel and facilities management as our buildings have been closed and underspends in some service areas means that the in-year savings proposals can be delivered with minimal impact on frontline service delivery.
- 4.3 However, potential increases in service demand following the pandemic are not yet fully apparent and the on-going position during the rest of the year will continue to be closely monitored and scrutinised.
- 4.4 Furthermore, the impact of scaling back in-year projects may affect the longer-term delivery of objectives and potentially planned savings and income generation. Our long-term focus on our re-start, re-cover and re-new strategy, to stand up our services and plan for a post Covid Cherwell will need to consider the budgetary impacts over the medium term. Work is already underway to reprofile our medium-term financial strategy (MTFS) and consider the impact on the budget for 2021/22 and beyond. This will be based on the MTFS approved at Council in February 2020 which identified a budget gap of £7.7m in 2021/22. A planning paper will be presented to the Executive in September to set our financial planning assumptions and strategy to address them which will be based.

5.0 Financial Position 2020/21

- 5.1 As set out in the report to Executive on 6 July 2020, the COVID-19 pandemic has had a significant impact on the local government sector and has required authorities to commit expenditure that is outside of their agreed budgets. Councils are also experiencing significant losses in income from fees and charges.
- 5.2 The report to the Executive on 6 July set out a forecast financial impact of Covid-19 of £6.2m, based on the position at the end of May 2020. At that stage, Government grant income of £1.6m had been received towards this resulting in forecast net costs related to Covid-19 of £4.6m.
- 5.3 On the 2 July 2020 the Secretary of State for Ministry of Housing Communities and Local Government (MHCLG) announced an 'income guarantee scheme for income from sales, fee and charges. Full details of the scheme are not yet available, but it is expected that the scheme will fund losses on sales, fees and charges of 75% of budget after a deduction of 5% to allow for annual variations. This will create a burden share between central and local government. Claims are likely to be made in arrears based on actual losses.
- 5.4 Since the 2 July announcement, the Government has clarified that Cherwell will receive a further £0.2m grant. Cherwell has also estimated that it will receive £1.4m funding for lost income. Cherwell's Covid-19 related costs have also been estimated to increase by a further £0.5m, primarily related to compensation payments to leisure centres. This is a net improvement of £1.1m meaning the latest net forecast cost of Covid-19 is £3.5m.
- 5.5 In arriving at the revised balanced budget for 2020/21, proposals totalling £2.4m have been put forward by services to reduce expenditure or maximise income in year. The proposals are set out in Appendix 1.

- 5.6 The revised budget also addresses the underlying forecast overspend of £0.5m within Communities (£0.3m) and Place and Growth (£0.2m) Directorates. The overspend is mainly due to additional costs of waste and recycling in Communities and minor overspends in Place and Growth which have been offset by savings identified. In order to make the overall budget balance it is proposed to use £1.2m of reserves.
- 5.7 Table 1 summarises the impact of these changes at directorate level and sets out the latest approved budget for 2020/21, the budget changes proposed in this report, and the resulting revised 2020/21 budget.
- 5.8 The proposed virements balance to zero as increases in expenditure and income are equal and opposite. This means that there is no impact on the Council's net operating budget of £25.6m and the Council Tax Requirement remains at £7.7m as set by Council in February 2020.

Table 1 - Proposed Budget Reset Budget Virement						
Directorate	Covid-19 Virement £m	BAU Pressures £m	Total Savings £m	Overall Virement £m	Original Budget £m	Revised Budget £m
Place and Growth	0.650	0.176	(0.426)	0.400	3.506	3.906
Customer and OD	0.202	0.000	(0.301)	(0.099)	3.918	3.819
Adults and Housing Services	0.364	0.000	(0.272)	0.092	2.932	3.024
Public Health and Wellbeing	0.326	0.000	(0.484)	(0.158)	3.066	2.908
CDA&I	2.617	0.000	(0.694)	1.923	2.115	4.038
Communities	1.393	0.310	(0.195)	1.508	6.429	7.937
Corporate	1.163	0.000	0.000	1.163	0.000	1.163
Sub Total - Directorate	6.715	0.486	(2.372)	4.829	21.966	26.795
Executive Matters:						
Treasury	0.000	0.000	(0.472)	(0.472)		
Government Grant	(3.175)	0.000	0.000	(3.175)		
Application of Reserves	0.000	0.000	(1.182)	(1.182)		
Sub Total - Executive Matters	(3.175)	0.000	(1.654)	(4.829)	3.638	(1.191)
Total	3.540	0.486	(4.026)	0.000	25.604	25.604

- 5.9 Covid-19 allocations relating to Leisure are based on actual costs up to the end of June with the balance held corporately until the rate of recovery of leisure centres is known following their ability to begin to reopen from 25 July 2020. Authority should be delegated to the Director of Finance, in conjunction with the Finance Portfolio Holder, to vire resources to the Wellbeing Service when actual costs are known in line with the recommendation set out at paragraph 1.5.

6.0 Conclusion and Reasons for Recommendations

- 6.1 It is recommended that the Executive approves an revised budget for 2020/21 in order to address the net increase in costs the Council faces as a result of Covid-19. Formalising the net forecast underspend the Council has identified within its "Business as Usual" spend as well as further savings plus reflecting additional costs related to Covid-19 will ensure that service managers know the budget within which they are operating. This will help the Council to control its costs for the remainder of the year.

7.0 Consultation

Portfolio Holders	All Portfolio Holders have been consulted in the preparation of these proposals
Budget Planning Committee	Comments attached at Appendix 3.

8.0 Alternative Options and Reasons for Rejection

- 8.1 The following alternative options have been identified and rejected for the reasons as set out below.

Option 1: Do nothing

The Council has the option to do nothing and not introduce a revised budget. However, this would mean that services are operating with budgets which do not reflect service delivery and would make it more difficult for services to control costs.

9.0 Implications

Financial and Resource Implications

- 9.1 The net cost of the budget virement to the Council and council tax payer is nil. However, savings are proposed to be redirected from “business as usual” spend to partially fund Covid-19 costs. This is the prudent course of action to control the overall net spend of the Council. Alternative approaches to rely on Directorates delivering underspends would have resulted in less control over the budgetary position. Tight monitoring of the budget must continue to take place to ensure that these in-year changes are delivered over the course of the year.

Comments checked by:

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Legal Implications

- 9.2 **Balanced Budget**

The provisions of the Local Government Finance Act 1992 (LGFA 1992) set out what the council has to base its budget calculations upon, and require the council to set a balanced budget with regard to the advice of its section 151 officer. The setting of the budget is a function reserved to full Council, who will consider the draft budget which has been prepared by the Executive. Once the budget has been agreed by full Council the Executive cannot make any decisions which conflict with it, although virements and year-in-year changes can be made in accordance with the council's financial regulations.

Building Control Fees

Local authorities are authorised under the Building (Local Authority Charges) Regulations 2010 (“the Charges Regulations”) to charge those carrying out building

work and building owners for carrying out certain functions under Part I of the Building Act 1984 and the Building Regulations 2010.

Under the Charges Regulations, charges must be set at a level that ensures, taking one financial year with another, that the income of an authority from charges equates to the costs that it incurs in providing chargeable functions and advice (in other words, the chargeable functions are to be self-financing but are not meant also to cover the costs of non-chargeable functions).

Local authorities must prepare and publish a charging scheme in respect of the charges it makes to those carrying out building work, those applying for regularisation of unauthorised work, or those seeking chargeable advice.

Comments checked by:

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10.0 Decision Information

Key Decision

Financial Threshold Met: Yes

Community Impact Threshold Met: Yes

Wards Affected

All

Lead Councillor

Cllr Tony Ilott – Lead Member for Financial and Governance

Document Information

Appendix No	Title
1	2020/21 In-Year Savings Proposals
2	Proposed New Building Control Fees from 1 October 2020
3	Budget Planning Committee Comments
Background Papers	
None	
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