

Cherwell District Council

Council

7 September 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

Council is recommended to:

- 1.1 approve the savings as set out in Appendix 1.
- 1.2 approve a £1.2m use of the reserves as identified in Table 1.
- 1.3 approve the revised budget as set out in Table 1.

2.0 Executive Summary

- 2.1 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. The report sets out the actions required to address the risk of overspend and reflects the forecast additional costs incurred by the Council in the response phase.
- 2.2 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. This report sets out a proposal for a revised budget for 2020/21 which is the outcome of that work and has been considered by Budget Planning Committee (18 August 2020) and the Executive (20 August 2020). 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.

- 2.3 The revised budget will provide a balanced budget for 2020/21 that includes budgets to meet the forecast 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-19.

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.

5.0 Financial Position 2020/21

- 5.1 As set out in the report to Executive on 20 August 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 20 August set out a forecast financial impact of COVID-19 of £6.7m, based on the position at the end of July 2020. Government grant income of £3.2m (including £1.4m towards losses of income) had been forecast towards this resulting in forecast net costs related to COVID-19 of £3.5m.
- 5.3 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.
- 5.4 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.
- 5.5 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.
- 5.6 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

- 5.7 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. The Executive has delegated authority to the Director of Finance, in conjunction with the Finance Portfolio Holder, to vire resources to the Wellbeing Service when actual costs are known.

6.0 Conclusion and Reasons for Recommendations

- 6.1 It is recommended that Council approves a 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 (including savings identified in Appendix 1) and 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 2.

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.

Comments checked by:

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10.0 Decision Information

Wards Affected

All

Lead Councillor

Cllr Ilott - Finance

Document Information

Appendix No	Title
1	2020/21 In-Year Savings Proposals
2	Budget Planning Committee Comments
Background Papers	
None	
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