



**Corporate Policy and
Resources Committee**

Thursday 5 November 2020

**Subject: Revised Budget 2020/21 and Mid-Year Review of Medium Term
Financial Plan**

Report by:	Tracey Bircumshaw, Assistant Director of Finance, Business Support and Property Services (S151)
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Purpose / Summary:	To propose a revised budget 2020/21 in redressing the impact of the Covid-19 and business as usual pressures and savings. To provide a mid-year review of the Medium Term Financial Plan

RECOMMENDATION(S):

REVISED BUDGET 2020/21

1. To approve the Revised Budget 2020/21 of £19.479m
2. To set aside £0.046m bequest for an appropriate agreed purpose
3. To transfer £0.782m to the General Fund Balance
4. To approve the transfer to the Collection Fund Reserve £2.703m for the expanded Retail, Hospitality and Leisure relief scheme to fund Collection Fund Deficit repayments

MEDIUM TERM FINANCIAL PLAN – MID YEAR REVIEW

5. To accept the latest forecast of the Medium Term Financial Plan and note the funding gap
6. To approve the assumptions to be used in preparing the Medium Term Financial Plan 2021/22.

IMPLICATIONS

Legal: None from this report

Financial : FIN/99/21/TJB

By approving a revised budget all reported movements from the Current Budget to the forecast outturn, including both business as usual and covid-19 pressures and savings will be transacted as budget virements and all future monitoring will reflect variances to the Revised Budget. Net Revenue Expenditure is forecast to increase from £14.457m to £19.479m, and will be financed from Government Grant and forecast surpluses.

A net contribution to the General Fund Balance of £0.783m will bring the balance to £4.624m

A contribution of £2.703m to the Business Rates Volatility Reserve will bring the forecast Earmark Reserves balance at the year end to £18.102m

The latest MTFP position for 2021/22 reflects a funding gap of £1.284m raising to £1.513m by 2024/25, work will be ongoing throughout the budget setting process to achieve a balanced budget for 2021/22 and future years.

Staffing : None from this report

Equality and Diversity including Human Rights : None from this report

Data Protection Implications : None from this report

Climate Related Risks and Opportunities : None from this report

Section 17 Crime and Disorder Considerations : None from this report

Health Implications: None from this report

Title and Location of any Background Papers used in the preparation of this report:

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Risk Assessment :

A full risk assessment is contained within the 2020/21 budget book.
The General Fund Balance and contingency reserves are held to mitigate financial budget risks.

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)

Yes

No

Key Decision:

A matter which affects two or more wards, or has significant financial implications

Yes

No

Introduction

1. In March 2020 the Covid-19 Pandemic resulted in a national lockdown, and is having an ongoing implication as the situation is regularly under review. The Council's current year budget has been significantly impacted due to the actions we have had to take to ensure continuity of services, the response activity we have undertaken, at both a national and local level, and the additional work we have undertaken in responding quickly as a Council and to administering the Government Grants, initiatives supporting the vulnerable, our communities and our businesses.
2. This has put a strain on our business as usual activities, for example, management have been involved in the Lincolnshire Resilience Forum and various working groups in supporting the wider co-ordinated response and recovery activity. Staff resources were redeployed, ICT capability challenged in terms of accessibility and security to meet working from home arrangements in addition to access to services for customers through digital means. There were increased communications to ensure the public were kept informed of activity, developments and support schemes. This was all in addition to administering a significant amount of Government grants, and completing regular Government data requests.
3. In terms of our facilities, restrictions were required and facilities closed for an extended period i.e. the Guildhall, Leisure Centre, Trinity Arts Centre etc., and there has been a significant reduction in usage of our car parks as people were advised to stay at home.
4. All these impacts have had a significant financial ramifications on both our expenditure and income budgets.
5. We have received a significant amount of additional grant income from Government to support our financial sustainability and to provide funding for the additional activities we have been asked undertaken at a local level. These grants are detailed in the table below. (Note; most grants are held as Funding, or where they are ring-fenced for specific services, within service budgets).

Revenue Grants to WLDC	£
Covid Support Grant Tranche 1-4	1,496,322
New Burdens from BEIS re business grants	130,000
High Street Recovery Grant	84,000
Outbreak prevention fund (via LCC)	100,000
Hardship fund	793,000
S31 Business Rates Reliefs top-up (estimate)	2,472,654
S31 Business Rates Reliefs (estimate)	523,878
Sales fees and charges grant support (estimate)	550,000
New Burdens BEIS discretionary fund admin	TBA
New Burdens Local Restrictions Admin grant	TBA
New Burdens Test and Trace Admin Grant	25,729
Rough Sleeping Contingency Fund	1,650

Next Steps Accommodation Programme	5,063
Local Authority Compliance and enforcement grant	46,233
Total WLDC Grants	6,228,529

NEW BURDENS ADMIN GRANTS	
130,000	Business Support Grants
25,729	Test and Trace
155,729	

6. In addition to the grants directly awarded to the Council, we administer a number of grants on behalf of the Government to our residents and businesses. These will not be reflected in our Revenue Budget as we were acting as an agent of the Government and therefore the grant payments, distributed in line with Government guidance, will be fully funded by the grants.

GOVERNMENT GRANTS ADMINISTERED WITHIN OUR COMMUNITY		
Number of Grants	£	Grant Scheme
1,499	16,820,000	Business Support Grants - Completed
102	927,490	Discretionary Business Support Grants - Completed
*	38,500	Test and Trace - isolation support
*	23,131	Discretionary Test and Trace - isolation support
1,601	17,809,121	

* No payments for the recently launched Test and Trace isolation support grants have been issued at the time of writing this report.

7. Movements from the Original Budget

Budget Managers throughout the Council have worked with their Finance Business Partners to forecast the 2020/21 out-turn position reflecting pressures, savings and additional/lost income from both business as usual and Covid-19 activities and as detailed in the Period 2 Budget Monitoring report found elsewhere on this agenda.

8. Business as Usual pressures and savings/additional income

Significant movements relating to Business as Usual activities include;

Savings/Additional Income

- £62k net employee savings
- £79k green waste subscription income

- £25k fuel cost savings
- £25k shopping trolley recovery income
- £200k commercial contingency offsetting Covid-Income pressure shortfall
- £16k electoral reform
- £46k Will bequest

Pressures

- £10k Housing Benefits
- £18k Car Park Income base budget
- £15k various

Corporate budget movements include;

- £13k Investment Interest additional income
- £587k saving on borrowing interest, due to use of internal borrowing, and of which £200k due to no further purchases of commercial investment property
- £245k income pressure from budgeted additional property purchase not progressed (offset by borrowing cost savings above)
- £3k Actual Drainage Board Levies slightly above base budget amount

Funding

- £130k New Burdens Grant funding towards costs of administering Business Grants which included existing officer time in services such as Economic Growth, Finance, Communications, Customer Services, ICT and deployed staff from other teams working to support the process.

9. Covid-19 impacts on expenditure and income budgets

Our estimated additional expenditure incurred as a consequence of Covid-19 totals some £0.820m against a Government Grant of £1.496m. This grant is to cover cost up to the year end and we have assumed that it will be spent in full.

In relation to net income losses (income losses less related savings) our estimation is that this will be £1.220m. After taking account of the estimated Government Sales, Fees and Charges support Grant of £0.550m, our own savings of £0.237m, £0.448m will have to be met from in year Business as Usual Savings.

10. Covid-19 impacts on the Collection Fund

With the introduction of Government support for the Retail, Hospitality and Nursery Sector in the form of Business Rates Reliefs for the whole of 2020/21, these reliefs will result in an estimated loss of cash of some £6.757m for the Collection Fund, our share being £2.703m 40%. This will be reflected at the year-end as deficit on the Collection Fund, which will have to be repaid over the following 3 years. The Government will compensate preceptors with Grant Funding to match these reliefs but this will be received in 2020/21 and into our Revenue Accounts.

The grant is therefore required to fund the future deficit repayments and as such will be earmarked for this purpose within the Business Rates Volatility Reserve.

11. Carry Forwards

Budgets of £0.326m have been approved by the Management Team for carry forward and consist of the following;

£	Carry Forward
70,000	Mayflower Project delayed due to Covid-19 (grant funded)
76,900	Members Local Grants
39,400	Community Transport
10,000	Planned maintenance of cemetery walls delayed due to Covid-19.
85,800	ERP system resourcing funding
24,000	2 years software costs of Home Choices system
7,000	To support costs of new post of Housing Technical Officer
12,600	Community Payback Scheme (2 year approved spend)
325,700	Total

12. Revised Budget 2020/21

When taking account of all the movements in forecast estimates for both business as usual activity, carry forwards and covid related impacts, against the current budget, Net Revenue Expenditure is forecast to increase from £14.457m to £19.479m.

With such a significant variance, and no formal budget approval for this additional expenditure it is appropriate for the Committee to formally approve a Revised Budget. The consequential contribution to the General Fund Balance of £0.782m (of which £0.326m will be carried forward to 2021/22 for continuation of project delivery), results in a balanced Revised Budget position.

Budget virements (movements) will be actioned to reflect the Revised Budget and future financial monitoring will be against the Revised Budget.

The final Out-Turn report 2020/21 will include a full year variance report from the Current Budget for both Business as Usual and Covid related impacts.

The Revised Budget is presented below for approval;

2020/2021					
SERVICE CLUSTER	Current Budget			Revised Budget	
	Pre Adj £	Adj for BAU £	Adj for Covid £	Adj for Cfwds £	Post Adj £
Our People	1,911,900	(34,500)	788,400	(159,900)	2,505,900
Our Place	4,104,874	(81,700)	558,200	(80,000)	4,501,374
Our Council	6,116,300	(305,200)	1,027,300	(85,800)	6,752,600
Grant Funding Not Yet Allocated	0	0	775,060	0	775,060
Controllable Total	12,133,074	(421,400)	3,148,960	(325,700)	14,534,934
Corporate Accounting:					
Interest Receivable	(250,300)	(13,200)	68,800		(194,700)
Interest Payable	983,000	(587,400)	55,000		450,600
Investment Income	(1,618,600)	245,000	113,500		(1,260,100)
Precepts and Levies	2,505,000	3,400	0		2,508,400
Movement in Reserves:					0
Use of Specific Reserves	(369,600)	0	0		(369,600)
Contribution to Specific Reserves	(1,033,435)	0	2,702,600		1,669,165
Repayment of Borrowing	1,864,161	0	0		1,864,161
Capital Expenditure Charged Against General Fund	243,700	0	32,200		275,900
Net Revenue Expenditure	14,457,000	(773,600)	6,121,060	(325,700)	19,478,760
Funding Total	(14,457,000)	(131,200)	(5,673,100)	0	(20,261,300)
TOTAL	0	(904,800)	447,960	(325,700)	(782,540)
To / (From) General Fund	0	904,800	(447,960)	325,700	782,540
BALANCED BUDGET	0	0	0	0	0

13. Reserves

When taking account of the contribution to the General Fund Balance of £0.782m of which £0.326m carry forwards will be expended in 2021/22, the available balance is £4.297m, being £1.797m above our minimum working balance of £2.5m.

It is proposed that the £0.046m bequest is set-aside for an appropriate purpose, in discussions with the family.

Approval to transfer Government Grant funding of £2.703m be transferred to the Business Rates Volatility Reserve to fund the repayment of the Collection Fund Deficit relating to additional reliefs to support businesses through Covid-19 impacts.

After taking account of contributions to and the approved use of Earmarked Reserves, in addition to the estimated Capital Receipts Reserves, the overall Useable Reserves forecast is £25.555m as at the end of 2020/21, this is compared to the 2019/20 balances is detailed below;

RESERVE	YEAR END 2019/20	YEAR END 2020/21
	General Fund Working Balance	4,233,963
Earmarked Reserves	15,787,127	18,100,786
Capital Receipts	3,461,890	2,829,608
TOTAL	23,482,980	25,554,609

The movements on the General Fund Balance are reflected in the table below and show an improvement in the overall position. This strengthens our financial resilience in dealing with the implications of the delayed Fairer Funding Review, Business Rates Retention Scheme and Reset, Settlement Funding in addition to the ongoing implications of Covid-19 and achieving a balanced budget over the next 2-3 years.

General Fund Balance	FORECAST
	2020/21
Bal Bfwd	(4,233,963)
Approved Carry Forwards from prev year	815,100
MTFP - To Project Investment Reserve ERP Phase 2 (HR/Assets)	400,000
MTFP contribution to GFB	(859,700)
Enforcement Officer 2 year extension	7,200
Service Plans - Elections	7,000
DD Re Legal defence	23,300
Revised Budget Carry Forwards	(325,700)
Revised Budget Surplus	(858,816)
Less Covid 19 unspent grant (as at sept)	447,904
Ringfenced Bequest	(46,000)
Balance Carried Forward	(4,623,675)

A review of Earmarked Reserves will be undertaken as part of the Budget Setting Process.

15 Medium Term Financial Plan – Mid Year Review

The Medium Term Financial Plan 2020/21 has been reviewed to incorporate;

- approved ongoing financial implications
- know base budget pressures and savings
- contractual implications

Whilst we anticipate that these forecasts will change over the next few months, the current position provides an early indication of the challenge we will face in balancing the budget in the 2021/22 financial year and future years.

At this stage the forecasts do not attempt to estimate the ongoing impact of Covid-19 on our income and expenditure nor our taxation from Business Rates and Council Tax. These will be assessed as part of the budget setting process and pending further information from Government in relation to Covid-19 support funding for 2021/22.

The table below details the movements from the 2020/21 Medium Term Financial Plan for each of the next 5 financial years;

MTFP FUNDING GAP B/FWD	893	973	1,041	1,067	1,100
BUSINESS AS USUAL PRESSURES					
Establishment Changes	118	113	141	157	172
Members Allowances	11	11	11	11	12
Contracts	91	107	84	89	88
Housing Benefits	116	119	131	143	163
Land Charges Income	16	16	16	16	16
Car Parking Income	54	40	40	40	40
Planning Fee income reprofiled	50	4	(41)	(26)	(26)
Office room hire income	9	9	9	9	9
Demand increases	33	33	33	33	33
MR Depot lease	7	0	0	0	0
Contribution Vehicle Replacement Reserve	14	14	14	14	14
TOTAL PRESSURES	519	466	438	486	521
SAVINGS / ADDITIONAL INCOME					
Negative RSG removed	(65)	(65)	(65)	(65)	(65)
Misc Budget Savings	(25)	(23)	(23)	(23)	(23)
Contracts	(38)	(39)	(13)	(13)	(20)
TOTAL SAVINGS/INCOME	(128)	(127)	(101)	(101)	(108)
NET MOVEMENT	391	339	337	385	413
MTFP MID YEAR REVIEW	1,284	1,312	1,378	1,452	1,513

16 Assumptions within the Medium Term Financial Plan

Members are asked to approve the following assumptions which will be incorporated into the Medium Term Financial Plan as part of the budget setting process;

Assumptions	£'000 Pressure/ (Saving/Income)
2% annual pay awards	203
17.2% to 2022/23 then 1% every 3 years – Pensions (per Actuary)	13
0% general supplies and services	(10)
Contractual inflation as applicable	-
Electricity 5% 2021/22 then 2% ongoing	6
Gas 0%	0
Water and Sewerage 202/21 0%, 2% ongoing	
1% Business Rates costs	3
10% property void rate (excl Property Portfolio)	50
0.75% annual Council tax base increase in income	(50)
3 % Council Tax Income	(197)

17 Next Steps

The following actions will now be required to finalise both the proposed Budget 2021/22 and the Medium Term Financial Plan;

- Finalise controllable Service Budgets review
- Consider Business Improvement Plans revenue and capital implications
- Review the Executive Business Plan
- Fees and Charges to Policy Committees November/December
- Review of Earmarked Reserves (December CP&R) and consideration of any further Earmarking
- Finalise the Asset Management Plan and financial implications (February CP&R)
- Finalisation of the Capital Programme and revenue implications and financing (February CP&R)
- Develop the Treasury Management Strategy taking account of Capital Investment Plans (G&A January for scrutiny)
- Settlement Funding Implications (expected late December)
- Setting the Council Tax Base (Council, January)
- Business Rates Budget and Pool confirmation (February CP&R)
- Council Tax Setting, Budget Setting and MTFP (Council, March)