

**Eden District Council
Budget Planning Committee
16 July 2020**

**Executive
21 July 2020**

Medium Term Financial Plan Review

Portfolio:	Resources
Report from:	Interim Director of Corporate Services
Wards:	All Wards
OPEN PUBLIC ITEM	

1 Purpose

- 1.1 This report reviews the implications of the Covid19 pandemic on the Council's Medium Term Financial Plan (MTFP) and any actions that need to or ought to be made.

2 Recommendation

The Budget Planning Committee is recommended to:

- 2.1 Review the MTFP update and make any comments to Executive.

The Executive is recommended to:

- 2.2 Note the MTFP update.

3 Introduction

- 3.1 The Covid19 pandemic is having a significant financial impact globally, nationally and locally. It is affecting the majority of businesses including local authorities. We have been working hard to support other businesses in need, recognising our role within the Community. We must also though make sure that we consider our own financial position and actions required to manage our way through this difficult period.
- 3.2 At this time of the year the Council would have usually closed its Accounts and be focussing upon 1st Quarter Monitoring. The pandemic has meant a delay to the timescales for the Accounts and so both are being reported together. It is therefore an opportune time to report on the financial impacts of Covid thus far and to try and project what they might be this for this financial year and beyond.
- 3.3 The current scenario creates a huge amount of uncertainty, which has added to the already uncertain landscape following Austerity and Brexit. The Government has announced financial support for local authorities, which is welcome, although it is currently still unclear what the extent of the help is and whether it will be sufficient to cover the all of the Council's additional costs and lost income.

4 Short Term/High Level Implications

- 4.1 Given the uncertain nature of the future it's important to understand the position in the short-term. With some local authorities considering immediate action through an emergency budget or section 114 notice, I would like to clarify the Council's current position.
- 4.2 The Council currently has significant cash or equivalent balances around £14m in total. This means that cash flow isn't a concern for the Council in the short or medium term.
- 4.3 The Council also maintains a General Fund balance and Earmarked Reserves, which are held to provide funding for unforeseen circumstances and specific projects respectively. The level of funding currently held is as follows:

	2019/20 Outturn	2020/21 Estimate	2021/22 Forecast
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	General Fund Balance		
Balance B/Fwd	7,574	3,180	3,180
Net Transfers In Year	(4,394)	0	0
Balance C/Fwd	3,180	3,180	3,180

	Earmarked Reserves		
Balance B/Fwd	6,442	10,044	7,654
Net Transfers In Year	3,602	(2,390)	(1,468)
Balance C/Fwd	10,044	7,654	6,186

	Total Revenue Reserves		
Balance B/Fwd	14,016	13,224	10,834
Net Transfers In Year	(792)	(2,390)	(1,468)
Balance C/Fwd	13,224	10,834	9,366

- 4.4 This again provides sufficient funding for the Council in both the short and medium term. The action of an emergency budget to reduce spending in year or a section 114 notice to stop spending altogether are not required.

5 Government Support

- 5.1 Since the pandemic began the Government has been working with Local Authorities to understand the financial implications that are being suffered in order to provide a support package to assist authorities through the pandemic.
- 5.2 The Council has completed and submitted financial data forms to help provide the Government with both actual and projected data to assist in refining the support.
- 5.3 There have currently been two tranches of non-ringfenced support provided to Local Authorities. The first was £1.6bn nationally and our share was £30k. It was accepted that at the point in time this was announced the main focus was upon managing in care homes and the vast majority went to top tier authorities.
- 5.4 The second was also £1.6bn nationally but was split according to population, this isn't the most beneficial to a sparse authority, however we received £525k a total of £555k.

- 5.5 In recent weeks the Government has made a further announcement, which contains both additional non-ringfenced funding and specific support around income, council tax and business rates. The package is set out below:
- A further £500 million of funding to cover local authority spending pressures;
 - A co-payment mechanism for irrecoverable Sales, Fees and Charges income, with the Government covering 75% of losses beyond 5% of planned income;
 - Phased repayment of Collection Fund deficits over the next 3 years;
 - A commitment to determine what support is needed to help councils meet the pressures of irrecoverable tax income at the Spending Review.
- 5.6 At the time of writing the detailed guidance still hasn't been published, so it's unclear what our share of the £500m might be. If it's in line with the previous allocation it would be around £165k. In addition to this the Government has announced that it's still considering specifically financial arrangements regarding operation of Leisure Centres and something further is expected on this in a future announcement.
- 5.7 It is also unclear whether the sales, fees and charges mechanism is to be funded from within the existing 3 tranches or whether separate funding will be made available.
- 5.8 The phased repayment of collection fund deficits (Council Tax and Business Rates) will be helpful. These are shared with the other preceptors (County, Police and Parish) for Council Tax and with the County and Government for Business Rates.
- 5.9 The premise is that the larger deficits, which are expected from non-payment in 2020/21, which would normally be recovered, from revenue, in 2021/22 can be partially deferred across the three years.
- 5.10 The Council as billing authority manages the Collection Fund. The non-payment of Council Tax and Business Rates is projected to be significant, but it is particularly difficult to model to revenue given the sharing arrangements through the Collection Fund. Work had started on scenario's for the collection fund and once the detailed guidance is received this will be factored in.

6 Current Projections for the Council

- 6.1 The Quarter 1 Budget Monitoring report sets out the current budget projections for 2020/21. The table below sets out the high level expected variances.

	£000
Increased Costs	
Leisure Contract	1,200
Homelessness	90
ICT - Home Working Setup	20
Total Increased Costs	1,310
Reduced Income	
Car Parking	50
Commercial Income	107
Planning Fees	94
Total Reduced Income	251
Grand Total	1,561

- 6.2 The largest projected variance is in relation to the operation of Leisure Centres, which is still being considered by Government. The projections take account of a phased re-opening of Centres, however there is still a level of uncertainty about the level of income the contractor will be able to achieve, which will have an impact upon the overall level of the variance.
- 6.3 Without the Leisure Centres the level of projected variance would be able to be managed through the Government support (£555k) already of provided. It is therefore critical to both our in year monitoring and medium term forecasting to understand what additional support may or may not be awarded.
- 6.4 At this stage we will need to presume that any additional funding will be limited and we will need to find the additional funding from our own resources. To that end it is recommended that an additional £200k be earmarked from the underspend in 2019/20.
- 6.5 Given the Government changes announced regarding Collection Fund more work will need to be completed to establish what the position will be regarding funding for Council Tax and Business Rates both in year and in to the medium term. A further update will be provided on at the MTFP review at quarter 2.
- 6.6 It is clear therefore that in the short term i.e. this financial year and next the Councils finances remain in a strong position. There are sufficient reserves to manage the projected impacts even without further Government support.

7 Medium Term Factors

- 7.1 Whilst, the short-term outlook remains can be managed there are a number of medium term factors, which need to be taken into account.
- 7.2 The first relates to the ongoing impacts that of those variances we've already discussed. At this stage the uncertainty makes projecting past this year

extremely difficult as there is no definitive financial data in the first quarter. This will again be reviewed substantially at Q2 with a view to providing more accurate projections in to the medium term.

- 7.3 The second relates to future Local Authority Funding settlements and other related income streams such as Rural Services Delivery Grant and New Homes Bonus. The Government has already announced its plans to further defer the introduction of the change to the Retained Business Rates system, but nothing as yet for the others.
- 7.4 These are key to the level of resources within the MTFP and if they are retained at their existing level will provide additional funding as they have been projected to decline.
- 7.5 The main conclusions around the medium term is the uncertainty across the Council's expenditure, income and funding. At this stage projecting past this financial year is difficult as we simply don't have enough information in the majority of areas. This will be further updated at Q2.

8 One Eden Transformation Programme

- 8.1 Whilst, making accurate projections is currently difficult what is absolutely clear is that the Councils resources are under pressure and look likely to remain so for some time.
- 8.2 This was also the reflection when the Budget was set in February and whilst the pressures through Covid are different the method for dealing with them is already in place.
- 8.3 The One Eden Transformation Programme is designed to drive Customer and Service improvements and the financial savings to ensure a sustainable medium term financial position.
- 8.4 What Covid therefore emphasises is the need to continue to deliver the Programme. Work has continued and whilst Covid has had an impact on some of the timescales the project remains on target to be delivered in this financial year.
- 8.5 To support the continuation of the project and additional £156k has been earmarked from the underspend in 2019/20 to support the transformation programme.
- 8.6 In overall terms the reserves maintained by the Council will allow the work to be completed and the ongoing savings will impact positively regardless of the ultimate impacts of Covid. Continuous management and monitoring will be undertaken to ensure that this results in a rolling sustainable medium term forecast of the Council.

9 Policy Framework

- 9.1 The Council has four corporate priorities which are:
 - Sustainable;
 - Healthy, safe and secure;
 - Connected; and
 - Creative

9.2 The annual budget forms an essential part of the Council's budgetary and policy framework.

10 Consultation

10.1 The Executive have been consulted on the report and the Budget Scrutiny group convened to consider a presentation on its content. The report forms the first part of the formal budget setting process and the budget will be consulted upon publicly once approved.

11 Implications

11.1 Financial and Resources

11.1.1 Any decision to reduce or increase resources or alternatively increase income must be made within the context of the Council's stated priorities, as set out in its Council Plan 2019-2023 as agreed at Council on 7 November 2019.

11.1.2 The nature of the report means that Financial and Resources implications are dealt with throughout the body of the report.

11.2 Legal

11.2.1 There are no direct Legal implications.

11.3 Human Resources

11.3.1 There are no direct Human Resources implications.

11.4 Statutory Considerations

Consideration:	Details of any implications and proposed measures to address:
Equality and Diversity	There are no implications
Health, Social Environmental and Economic Impact	There are no implications
Crime and Disorder	There are no implications
Children and Safeguarding	There are no implications

11.5 Risk Management

Risk	Consequence	Controls Required
A funding gap remains on the Council's MTFP although the position is has improved since last February. The lack of forecast information, pressure on budgets and flexibility in local tax setting continue to make maintaining a sustainable budget in	Lack of fiscal control. Decline in reserves. Poor External Audit VFM Conclusion.	Budget Setting process needs to be robust and include all stakeholders. Budget monitoring must be accurate and timely and lead to

Risk	Consequence	Controls Required
the medium term difficult. Specific risks are dealt with throughout the report		proactive decision making.

12 Other Options Considered

12.1 No other options have been considered.

12 Reasons for the Decision/Recommendation

13.1 To keep Members updated on the work of the External Auditor.

Background Papers: **None**

Appendices: **None**

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