

## **BRECKLAND DISTRICT COUNCIL**

**Report of:** Councillor Phillip Cowen, Executive Member for Finance & Growth

**To:** Cabinet, 7 September 2020  
Full Council, 24 September 2020

**Author:** Alison Chubbock, Chief Accountant

**Subject:** Revised 2020-21 Budget

**Purpose:** To provide information on the financial impact of Covid-19 on the Council's budgets and to provide a revised 2020-21 budget to mitigate the impact and provide budget in the necessary areas.

### **Recommendation(s):**

- 1) That the additional revenue costs, funding and use of reserves as set out in Appendix A are approved
- 2) That the changes to the capital programme set out in Appendix B and Appendix C are approved.

### **1.0 BACKGROUND**

- 1.1 Cabinet on 1 June 2020 received a report on the potential financial implications resulting from the Covid-19 pandemic. This forecast that the net financial cost if the pandemic continued for 3 months would be circa £0.7m and if continued for 6 months would be circa £2.8m, based on government funding received at that time. Because of the exceptional circumstances we are currently in, it is prudent to review the Council's budget for 2020-21.
- 1.2 This report provides further information on the financial impact on the 2020-21 budget now that we have had time to evaluate the impacts in more detail and have the first quarter of data to help inform our estimates.

Although aspects of the lockdown have eased recently, there remains a risk of a second wave or local lockdowns in the future, this report therefore takes a balanced view in estimating the financial impact for the full 2020-21 year. The appendices detail the additional costs, compensating savings and proposed use of reserves.

The forecast financial impact is a cost of £3,758k, partly offset by Government funding expected of £2,482k, leading to a net cost of £1,276k. This cost has been mitigated through the proposed use of reserves and by not making a contribution to the General Fund as planned this year, Appendix A provides further details.

The remaining cost is forecast at £217k, we will aim to make further savings in year to mitigate this down to zero, however if this is not achieved or costs rise we may need to draw on reserves further and this will be monitored and reported through our usual quarterly financial reports to Cabinet.

### **Income Budgets**

- 1.3 A significant impact of the current situation is a fall in the income received by the Council in both fees and charges and in our commercial income, total forecast loss of £1,599k as shown in Appendix A. The most significant areas of lost income forecast are:

| <b>Budget Area</b>                       | <b>Lost Income</b> | <b>As %age of Budget</b> |
|--|--------------------|--------------------------|
| Planning                                 | £660k              | 42%                      |
| Investment Interest (including B Bridge) | £258k              | 50%                      |
| Commercial Services Provision            | £398k              | 86%                      |
| Land Searches                            | £109k              | 45%                      |

It should be noted however that staff who would usually have been delivering these services have been redeployed to other priority areas within the Council in order to deliver our response to Covid-19. This means we have been able to utilise our own staff skills and knowledge of the Council rather than relying heavily on consultancy or additional staff and have been able to fully support the Council's priorities relating to Covid-19.

The impact on commercial property rentals will become clearer as the year progresses as agreed rent deferrals become due. However, this revised budget includes additional bad debt provision of £255k for expected losses and known impacts of CVA's.

### **Expenditure Budgets**

- 1.4 Additional costs of £302k have been incurred in various areas in quarter 1 and we forecast a further £768k for the remainder of the year, the most significant are:

| <b>Budget Area</b>  | <b>Increased Cost</b> |
|---|-----------------------|
| Housing Benefit – lost subsidy due to temporary accom costs | £451k                 |
| Housing – rough sleepers & temporary accommodation          | £194k                 |
| Leisure centre contractual & other leisure payments         | £182k                 |

Other costs include: IT solutions to ensure effective home working, communications to residents and businesses, business rates costs of empty properties, additional cleaning and provision of PPE for staff, temporary staffing requirements and supporting the high street reopening.

There are also cost pressures as a result of un-achieved efficiencies and from not meeting the budgeted vacancy factor (as staff turnover is very low) and re-opening our leisure centres. These are partially offset from savings identified resulting from some usual business costs not taking place (i.e. mileage). These are shown in Appendix A.

### **Government and Other Funding**

- 1.5 The government has provided 3 tranches of Covid-19 funding to date, along with specific funding for housing rough sleepers and new burdens funding for administering grant payments. We are also able to claim for lost income from sales fees and charges (not commercial income) with full details to be announced later in the year. Appendix A details all funding and includes an estimate for the income claim and the forecast is £2,498k. This is not sufficient to cover our financial impact and therefore reserves will have to be drawn upon.

### **Reserves**

- 1.6 In order to mitigate the £1,276k remaining cost pressure, this budget proposes the use of some reserves as detailed in Appendix A. There is no allowance in any budgets currently

to replenish these reserves, so whilst they will be used to mitigate the current impact, in future years we will not have reserves available in the same way.

Our General Fund minimum balance is set by us at £2,500k and the fund is currently at this minimum level.

Whilst we still hold healthy balances in reserves, they are set aside for specific purposes and any re-allocation of these would result in agreed projects not going ahead. The table below details the un-allocated balances in our key reserves and shows what they are planned to be used for:

|         | <b>Reserve</b>      | <b>Likely Use</b>                     |
|---------|---------------------|---------------------------------------|
| £1,755k | Revenues & Benefits | To cover potential future NNDR losses |
| £1,018k | Inclusive Growth    | Climate & other Member priorities     |
| £2,500k | General Fund        | Emergency use only                    |
| £1,397k | Growth & Investment | Evolve programme & invest to save     |

### **Capital**

- 1.7 Key capital projects such as Elm Road and Thetford Power have continued over the last few months with little impact on the timing of the projects. A pause was put on other non-key projects to allow staff to focus on the Council's response to Covid-19. These projects will start again as we move into recovery but some budgets will be moved into next financial year as a result. Appendix B details the revised capital programme and Appendix C summarises the changes.

### **Future Budgets**

- 1.8 The budget for 2021-22 currently includes a budget gap of £1,155k, efficiencies need to be identified and achieved to cover this gap. Government funding for future years is not yet confirmed so this value is likely to change and will be reported as part of the 2021-22 budget. The planned Fair Funding Review has been delayed by Government so the impact to the Council will not be seen next year now.

Work has started on a small number of legacy projects to deliver some relatively quick savings/additional income which will mitigate any budget gap in part. In future the Evolve programme will help to drive innovation and change for the Council and help us to set a balanced budget over the medium term.

## **2.0 OPTIONS**

- 2.1 That the additional revenue costs, funding and use of reserves as set out in Appendix A are approved and that the changes to the capital programme set out in Appendix B and Appendix C are approved.

- 2.2 Do nothing.

## **3.0 REASONS FOR RECOMMENDATION(S)**

- 3.1 To set a revised budget which reacts to the Covid-19 situation and provides a new budget to monitor against for the remainder of the year.

## **4.0 EXPECTED BENEFITS**

- 4.1 To support the Councils priorities and support our response to the Covid-19 pandemic.

## 5.0 **IMPLICATIONS**

In preparing this report, the report author has considered the likely implications of the decision - particularly in terms of Carbon Footprint / Environmental Issues; Constitutional & Legal; Contracts; Corporate Priorities; Crime & Disorder; Data Protection; Equality & Diversity/Human Rights; Financial; Health & Wellbeing; Reputation; Risk Management; Safeguarding; Staffing; Stakeholders/Consultation/Timescales; Other. Where the report author considers that there may be implications under one or more of these headings, these are identified below.

### 5.1 **Corporate Priorities**

5.1.1 This revised budget supports the Council's priorities during this exceptional period.

### 5.2 **Financial**

5.2.1 This report is financial in nature and financial information is included within the appendices.

### 5.3 **Health & Wellbeing**

5.3.1 This report provides the budget to support our community activities around the wellbeing of our residents.

### 5.4 **Risk Management**

5.4.1 The revised budget is the best estimate at this time but we are still at an early stage and the numbers are therefore likely to vary. There remains a risk that the revised budget will require updating at a future date, dependent on future conditions.

### 5.5 **Staffing**

5.5.1 The revised budget supports the costs of temporary additional staffing where required to support the Council's priorities

### 5.6 **Stakeholders / Consultation / Timescales**

5.6.1 Budget holders have been consulted with in order to set this revised budget.

## 6.0 **WARDS/COMMUNITIES AFFECTED**

6.1 All

## 7.0 **ACRONYMS**

7.1 CVA – Company Voluntary Arrangement

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### **Background papers:-**

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#### **Lead Contact Officer**

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**Key Decision:** Yes

**Exempt Decision:** No

**This report refers to Mandatory and Discretionary Services**

**Appendices attached to this report:**

Appendix A  
Appendix B  
Appendix C

Revised revenue budget and proposed funding  
Revised capital programme  
Summarised changes to the capital programme