

REPORT TITLE: REVISED GENERAL FUND BUDGET 2020/21

16 SEPTEMBER 2020

REPORT OF CABINET MEMBER: Councillor Neil Cutler – Deputy Leader and Cabinet Member for Finance and Risk

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WARD(S): ALL

#### PURPOSE

The COVID19 pandemic has had a very significant impact on council finances, with additional costs incurred in providing the necessary and life saving community response to support the most vulnerable residents in our district. However, with the national restrictions on social mobility and enforced closure of businesses there has been a significant reduction in income received by the council due to significant reduction in demand in parking, Guildhall activity and service related fees and charges. The associated reduction in economic activity has also severely impacted the council's property portfolio with a reduction in commercial rent.

This unprecedented situation has resulted in a forecast year end deficit of £10.7m compared to the General Fund budget approved by Council in February 2020. Government grants and additional support is projected to amount to £5.6m and this report proposes a revised budget to address the remaining £5.1m deficit to ensure that council can balance the general fund budget by March 2021.

A number of councils have already raised concerns with Government regarding the potential need to issue a section 114 notice in light of their financial uncertainty. Whilst the measures set out in this report would mitigate against the risk of such as position for the council, "worst case" forecasts which take account of the risk of further lockdowns illustrate such a situation remains a possibility later in the year.

#### RECOMMENDATIONS:

1. That due to the continuing restrictions on operation of public venues and associated operating costs of the Guildhall, that the Guildhall remain closed to general public hire for the next 12 months but that a "venue only" service be provided.

2. That virtual meetings of the council's committees continue for the remainder of the 2020/21 committee calendar but this be reviewed on a quarterly basis.

That Cabinet recommend to Council that:

3. The revised revenue budget as set out in Appendix 1 be approved
4. The revised Capital Programme, as set out in Appendix 3 be approved
5. The efforts of community groups and local councils in supporting essential work to support our district is recognised and that the Leader of the Council writes to all groups to thank them for their ongoing support.

## IMPLICATIONS:

### 1 COUNCIL PLAN OUTCOME

- 1.1 The budget approved in February 2020 (CAB3211 refers) directly supported the delivery of all outcomes set out in the Council Plan.
- 1.2 The global pandemic and associated costs and loss of income require the council to review the budget. As set out in this report, changes to service provision are expected in the medium term.

### 2 FINANCIAL IMPLICATIONS

- 2.1 The impact of the additional costs related to the emergency response to COVID19 and the reductions in income forecasts due to economic downturn and restrictions on social mobility are set out in the report and in Appendix 1. In accordance with the “base case”; which is considered to be the most likely outcome by March 2020 in light of existing actual spend/income and forecasts for the remainder of the year, the impacts of these changes have resulted in a forecast deficit, before government support, of £10.7m compared to the 2020/2021 budget set out in CAB3211 in February 2020.
- 2.2 Government support in the form of grants to cover additional costs has to date totalled £1.72m. The recently announced “co-payment” scheme to cover 75% of income losses in relation to fees and charges is forecast to provide an additional £3.8m, based on current “base case” income forecasts.
- 2.3 Following management review, revenue savings totalling £1.074m are set out in section 16 of the report. Changes to the Capital Programme set out in Appendix 3 will release £4.15m of revenue reserves, which when combined with the Government support and revenue savings, supports a revised budget which achieves a net balanced position without having to make additional calls on reserves.
- 2.4 The forecast in Appendix 1 illustrates the potential impact of a “second spike of infection” or any additional “local lockdowns”. The impacts of such events are extremely difficult to predict and if they do occur, it will be necessary to rely on revenue reserves to cover any unfunded additional losses.
- 2.5 The report includes proposals for changes to the operation of the Guildhall which could result in reduced staff numbers. Potential severance costs could amount to £56,000 although there may be opportunities to retain staff in alternative positions which would then reduce this figure.

### 3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 Local authorities are required by law to have a balanced budget. However what is meant by ‘balanced’ is not defined in law and chief finance officers are to use their professional judgement to ensure that the local authority’s budget is balanced, robust and sustainable.

3.2 The Local Government Act 1972 (Section 151) makes the Chief Financial Officer responsible for the proper administration of the Council's financial affairs. The responsibilities of the Chief Finance Officer, in particular in relation to section 114 notices, are set out primarily in section 151 of the Local Government Act 1972.

3.3 All Members and officers have a general responsibility for taking reasonable action to provide for the security of the assets under their control and for ensuring that the use of these resources is legal, is properly authorised and achieves value for money. In doing so proper consideration must be given at all times to matters of probity and propriety in managing the assets, income and expenditure of the Council.

#### 4 WORKFORCE IMPLICATIONS

4.1 The report includes proposals for the future management of the Guildhall operation, which if approved will result in 13 staff being at risk of redundancy. Whilst it may not be possible to completely avoid the risk of redundancy, there are a number of existing vacancies which will be restricted to applications from affected staff in the first instance.

4.2 If approved, it is anticipated that 11 posts will be removed from the establishment with two posts being retained to manage the ongoing facilities management requirements of operating the Guildhall for council and venue only services if required.

4.3 It is proposed to maintain a "work from home" arrangement for the majority of staff which will be reviewed on a quarterly basis. Site visits have continued through the pandemic and will continue to do so from home but staff that return to the office will be based in City Offices which have been made COVID19 secure in accordance with national guidance. The council's recognised union have been engaged in this proposal.

#### 5 PROPERTY AND ASSET IMPLICATIONS

5.1 The proposals set out in this report directly impact on the operation of council property and assets, including the management of the Guildhall and works to car parks. The detail is included in the report. The challenges facing existing tenants of commercial property is also discussed in section 19.

#### 6 CONSULTATION AND COMMUNICATION

6.1 The challenges set out in this report were initially outlined in report CAB3244 –The Impact of Covid 19 (dated 21 May 2020) and in an all member briefing held on 23 July 2020, which also covered the proposed revisions to the 2020/21 budget.

6.2 Staff and members have been briefed on the emerging financial situation for the council. All Staff Briefings were held on 1 June 2020, 30 June 2020 and

26 August 2020. All Member Briefings were held on 24 June 2020 and 23 July 2020.

- 6.3 Unison and staff potentially affected by proposals for the future management of the Guildhall have been advised of the content of this report prior to public release. Appropriate consultation will be undertaken with all staff (and their representatives) who are directly affected.
- 6.4 The report was considered by the Scrutiny Committee at its meeting on 7 September 2020. Specific comments raised included:
- a) Concern was raised with regard to the degree of revisions to the Capital programme, particularly in relation to the Housing Revenue Account programmes. It was noted that the revisions related to the inclusion of “carry forwards” from the 2019/20 outturn and also “re-profiling” to reflect changes to programmes required as a result of COVID19. Overall there is no change to programmes such as investment in fire safety, new homes provision and energy efficiency works. However, the Committee did raise its ongoing concern regarding the changes to timing of investment.
  - b) Clarification was sought as to whether the restrictions in relation to the BAPSY bequest which funded works to the Guildhall would have any impact on the proposals set out in this report. It was clarified that the proposals do not conflict with the requirements of the bequest.
  - c) Not all members supported the proposals for the continuation of “virtual meetings” for the remainder of the calendar year.
  - d) A review of how “restricted reserves” such as the Community Infrastructure Levy (CIL) fund could be used to support the Capital programme was requested. A report on the proposals for CIL reserves will be brought to Cabinet later this year.

## 7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 Reducing the operating footprint of the council’s Winchester operations will directly result in a reduction in carbon emissions from council buildings. “Work at home” arrangements have also resulted in a significant reduction in travel to work mileage. The impact of both of these measures is currently being assessed.

## 8 EQUALITY IMPACT ASSESSMENT

- 8.1 The national guidance that requires ongoing closure of the Guildhall to public events has an impact on regular bookings. An integrated impact screening assessment has been completed. This resulted in an equality impact assessment being undertaken in respect of regular bookings and is included at Appendix 6. There is currently 98 bookings for 2021. It remains unclear

whether these bookings represent actual demand and it is likely that they would be influenced by emerging government guidance.

8.2 The Medium Term Financial Strategy discussed in section 20 will be subject to a full Equality Impact Assessment before being recommended to Council in February 2021.

## 9 DATA PROTECTION IMPACT ASSESSMENT

9.1 All projects set out in this report and the Capital Programme will be subject to individual data protection impact assessments.

## 10 RISK MANAGEMENT

10.1 The financial impact of COVID19 is without precedent and the potential risks and proposed mitigation are discussed in the table below:

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
<p><i>Property Commercial tenants unable to pay rents or subject to business failure</i></p> <p><i>Slow down in commercial property investment, meaning that the councils development schemes achieve less interest or less income than expected</i></p>	<p>Rent abatement process established to support tenants, although deferrals of rent remain the main option where appropriate.</p> <p>The council's advisors are reviewing the property investment market and will provide advice as to timing of any marketing.</p>	
<p><i>Legal</i></p> <p><i>Challenge from potential hirers if Guildhall space not available</i></p>	<p>Compliance with Requirements under Govt guidance for safe use of multi-purpose community facilities which currently prevent most potential hires</p>	
<p><i>Timescales</i></p> <p><i>Slower than projected economic recovery affecting income received by the council</i></p>	<p>The council is actively supporting high street recovery through a EM3 LEP grant working with local partners</p> <p>The council has £12m uncommitted revenue reserves available to support further increases to the projected deficit</p>	
<p><i>Financial</i></p> <p><i>The council is unable to</i></p>	<p>This report sets out proposals</p>	

<p><i>balance the revenue budget</i></p> <p><i>Risk of lower than projected demand for income generating services specifically parking</i></p> <p><i>Govt co-payment scheme generates less receipts than forecast</i></p>	<p>to balance the budget but failure to so may require the S151 officer to make a s114 notice</p> <p>The council has £12m uncommitted revenue reserves available which can be utilised as a last resort</p> <p>As above</p>	
<p><i>Reputation</i></p> <p><i>Negative impacts resulting from delays in re-opening Guildhall</i></p>	<p>Demand for event hire projected to remain low throughout 2021. Alternative venues can be considered. Option to “mothball” Guildhall not recommended and venue only hire will be maintained.</p>	

## 11 SUPPORTING INFORMATION:

- 11.1 The council’s response to Coronavirus was set out in the Cabinet report CAB3244 dated 21 May 2020. Other than where national guidance prevented delivery of services or due to staff redeployment to other critical services, the council retained a full suite of service delivery. The report also set out projections for the potential impact on the council budget as a result of reduced income and additional cost of responding to COVID19. The report highlighted potential deficits in the current year of between £6m and £12m. It is necessary to prepare a revised budget recommending proposals for addressing the deficit.
- 11.2 The forecasts set out in the previous report have been refined and updated in light of events and the latest information. As set out in the table below a net deficit of £10.7m by March 2021 is projected compared to the 2020/21 budget with the emerging MTFS indicating greater deficits than expected for future years (see section 23).

General Fund Revenue Budget Forecast 2020/21

	Forecast Budget Variance		
	Optimistic	Base	2nd Spike
<b>Funding*</b>			
Council Tax	-288,475	-517,230	-692,339
Business Rates	-324,114	-446,000	-648,228
	<b>-612,588</b>	<b>-963,230</b>	<b>-1,340,566</b>
<b>Income</b>			
Car Parking	-3,532,187	-4,617,743	-5,770,583
GF Property (Incl. Garages)	-888,786	-1,290,757	-1,377,552
Guildhall	-301,125	-657,000	-657,000
Development Management	-164,194	-561,942	-561,942
Building Control	-140,516	-243,032	-243,032
Other	-399,963	-701,646	-701,646
	<b>-5,426,770</b>	<b>-8,072,120</b>	<b>-9,311,755</b>
<b>Additional Expenditure</b>	<b>-1,458,548</b>	<b>-1,663,548</b>	<b>-2,033,548</b>
<b>Forecast Net Position Before Gov. Funding</b>	<b>-7,497,906</b>	<b>-10,698,898</b>	<b>-12,685,869</b>

*\* Any collection fund losses (NNDR and Council Tax) will impact on future years but are shown in the table above in order to address these shortfalls in the current financial year.*

- 11.3 This in year deficit includes additional costs arising as a result of COVID19 and projections for reduced income. This deficit has in part been addressed by recent announcements of additional Government support for local councils. The council has received grants totalling £1.72m and the latest “co-payment” proposals to support income losses, excluding commercial income, could generate up to £3.8m.
- 11.4 This report presents a “base case” on which the revised 2020/21 budget is recommended. A more optimistic position is also presented along with the possible impact of a local lockdown or second spike in infections.
- 11.5 The forecast scenarios are:
- a) Optimistic: Strong recovery in second half of year and car parks at capacity for the Christmas season and in final quarter 2020/21
  - b) Base Case: Slow recovery, economic pressures continue until later in year, social distancing continues and parking demand remains lower than budget for rest of 2020/21r.
  - c) Impact second infection spike: Impact as base case but local lockdown affecting Winchester for two months later in year with further impact on income and delay in economic recovery.



## 12 Impact on the collection fund

- 12.1 The Council acts as billing authority for the Winchester district and is therefore responsible for the collection of business rates and council tax behalf of Hampshire County Council, Police and Fire, Parish Councils and Central Government.
- 12.2 In January, the Council forecast total gross collection of £90m of Council Tax for 2020/21, representing a forecast collection rate of 99%. Latest forecasts show an expected reduction of £4m or 4.5% (£2.2m relating to non-payment and £1.8m relating to additional Council Tax Support claims). This equates to a net reduction of £0.5m for Winchester in 2020/21. Current estimates are broadly based on data to the end of July and extrapolated for the full year, with a small additional provision. There is a risk that LCTS claims could be even higher than forecast due to a severe recession and this will be closely monitored on a monthly basis.
- 12.3 Total collectible business rates of c£60m were anticipated for 2020/21. Significant additional government reliefs have reduced this to around £39m and of this £2.2m is currently forecast to result in non-payment. This equates to a Winchester net reduction of c£0.45m, after taking into account the 50% Levy on business rate retention.
- 12.4 The additional rate reliefs implemented nationally have reduced pressures on the collection of business rates as a result of organisations receiving full relief. The council has also distributed over £28m in grants to over 2,300 eligible businesses.
- 12.5 Hampshire County Council agreed with all districts to reduce HCC related precept payments in April, May and June, with the balance being passed to them in the final quarter. All precept payments due to other bodies have been paid as due. Most is paid monthly although payments to parish and town councils are made in two advance instalments at the start of the first and third quarters.
- 12.6 These are “base case” estimates and future estimates of economic performance is subject to a large degree of sensitivity.

## 13 Additional costs incurred

- 13.1 The Council is currently forecasting an additional £1.642m of additional expenditure directly as a result of Covid 19. This has included:
- a) Costs associated with the extended period of closure of the council's leisure centres and with finalising the reopening of River Park Leisure Centre as set out in report CAB3249 dated 22 July 2020.

- b) Property related costs resulting from leasing a vacant hostel in the city centre to ensure the council responded to Government requirements to house rough sleepers.
- c) Additional cleaning to provide COVID secure operations across the council estate
- d) Costs associated with the shift to virtual meetings
- e) The establishment of a Local Resource Centre to provide a 7 day response service to vulnerable residents
- f) Additional signage and support for businesses and market towns with re-opening the High Street

13.2 The additional costs associated with re-opening the High St and supporting businesses through this process have been covered by a direct Government grant of £111k and an additional grant secured from the Local Enterprise Partnership of £93k, resulting in a net cost of the other measures highlighted in 13.1 above totalling £1,438,000.

13.3 However, it should be noted that the above costs are those incurred to date and no additional provision is currently included in the proposed revised budget for 2020/21 to cover potential costs arising from the council's recovery and restoration plans for the district.

#### 14 Revised income projections

14.1 Revised income projections are set out in Appendix 2 and currently project actual income to be £8.072m less than the original budget of £18.254m.

14.2 Annual car parking income usually amounts to £8.1m but reduced from £120k per week to less than £5k per week in May 2020 due to national social mobility restrictions. It has recovered in June and July and is currently in excess of £60k per week. Whilst usage of car parks in the air quality management areas has increased to near 80% capacity, use of those outside of this area remains very low. The base case forecast includes provision for the scheduled price increases and Sunday/evening charges approved in February 2020, which will be implemented in car parks in October. It also assumes that car park occupancy across the city returns to 75% overall by the final quarter of the 2020/21 financial year. Whilst it is uncertain whether this can be achieved, the Government "co-payment" scheme will help to mitigate against further losses.

14.3 Throughout this period, free parking was available in all car parks for NHS staff with specific provision for hospital staff provided in Tower St. This provision has continued whilst public demand is low but will be kept under review. It may be necessary to relocate provision to the Pitt Park and Ride if and when demand for Tower St increases.

14.4 Park and ride buses continued to run to schedule throughout the period and the council continued to pay full contract sums to Stagecoach. A grant of £113,000 has been received in respect of the reduced income for this service.

14.5 The events of recent months highlighted how sensitive council finances are to changes in income and car parking in particular. Proposals for a revised medium term financial strategy which attempt to reduce the reliance on car parking are discussed later in this paper and more detail will be brought to Cabinet in October.

## 15 Government financial support

15.1 The Government announced a number of specific support packages including grants for local councils to meet additional “COVID related” costs. The city council has been allocated:

a)	P&R Bus Subsidy	£ 113,000
b)	Benefits New Burdens Grant	£ 170,000
c)	Grant to cover COVID costs 1 (March)	£ 39,000
d)	Grant to cover COVID costs 2 (April)	£1,240,000
e)	Grant to cover COVID Costs 3 (July)	£ 158,000

15.2 In July, the Government has also set out proposals for a “co-payment” scheme. The scheme will support councils by reimbursing 75% of lost income from sales, fees and charges after first 5% deducted and not including “commercial rents”.

15.3 Based on the latest technical note issued, it is estimated that this scheme will cover £3.8m of the £8.072m income losses set out in Appendix 1.

15.4 The council has also received £75,000 of additional Government funding via the county council to cover ongoing costs in providing assistance to the most vulnerable residents. Demand has reduced significantly in recent weeks although this resource will be essential in the event of further controls or if a spike in infections results in further shielding measures.

## 16 In year revenue saving measures

16.1 With over £5.1m deficit remaining after Government support, it is essential that spend on council services reduces for the remainder of the 2020/21 financial year. Some financial savings have occurred as direct result of national controls, such as the cancellation of the May 2020 elections. In addition a review of service delivery in the current context has been undertaken and budgets will be reduced where clear spending plans are not in place, where reduced demand has reduced the requirement to spend, where work has been deferred or delayed and where the council has discretion over standards of delivery.

16.2 There are areas where additional funding may be required to support recovery and these have been incorporated in proposed budget. Staffing is the most

significant cost within the budget and from 1 August 2020 only essential recruitment will take place. Agency staff will be released unless deployed on essential activity.

- 16.3 It has been possible to identify £1.074m of spending reductions which make a significant contribution towards addressing the forecast deficit as set out in Appendix 1. A summary of proposals is included in the table below:

<b>Budget</b>	<b>£</b>	<b>Comment</b>
Elections	127,000	Cancellation of May 2020 elections
Resources	119,000	“Bheard” external staff survey replaced by “in house” solution. Reduced spend of office expenses/stationery and training (more reliance on line seminars/webinars)
Guildhall	161,500	Reduced operating costs (cleaning, utilities, laundry etc) whilst building is closed. Some staff furloughed.
IMT	52,000	Reduced spend on hardware maintenance and replacement. Desktop replacement deferred.
Parking	20,000	Support software purchase deferred
Support Services/Project Office	227,500	Graduate trainee to be funded from HRA. Project office vacancy management (£55k) and unallocated general provision for consultancy support not required in current year (£105k). Reduced utilities costs in offices (West Wing building not being used with office based staff in City Offices only (£50k).
Environmental Services Contract	£100,000	The net impact of reduced costs achieved by deferring the start of the new contract to February 2020/21.
RPLC Site	142,500	Provision for consultancy support to complete feasibility studies deferred pending
Station Approach	42,000	Vacancy management in relation to programme lead and provision for additional consultancy support deferred whilst project subject to review.
Public Protection	28,000	Consultancy provision not required this year
Engagement	28,000	Proposed not to print “About Winchester”. Also reduced spend on marketing campaigns. “Wheels to Work” scheme not renewed
Criterion	24,000	No criterion in 2020
Others	2,000	Various minor budget changes
<b>Total</b>	<b>1,074,000</b>	

## 17 Revisions to the capital programme and funding

- 17.1 Due to COVID-19, general fund capital expenditure was significantly lower than originally forecast for the first quarter of 2020/21. In total, there was £5.6m expenditure of which £5.3m related to the new Sport & Leisure Park. The revised programme set out in Appendix 3 includes “carry forwards” from 2019/20 as well as a number of amendments in relation to timing and funding of projects and the supplementary estimate for a decked car park at the

former Vaultex site as approved by Cabinet in August (CAB3258 refers) (Appendix 3) The most significant changes include:

- a) RPLC demolition costs – CAB3242 dated 24 June 2020 approved proposals for decommissioning of the RPLC building which results in £790k of capital receipts funding being released back to the capital receipts reserve.
- b) Coach Park – Proposals to establish a new coach park at the South Park and Ride site result in a further £350k savings from the previously agreed capital programme.
- c) Chesil St Car Park – The approved programme included £500k provision for cosmetic improvements to the car park, which although desirable can be deferred. . Essential maintenance work is still planned for 2020/21.
- d) Housing Company – It was previously agreed to purchase £2.5m equity in a wholly owned housing company. However, the funding model for the company has been amended with a greater emphasis on leasing rather than borrowing, reducing the equity provision to £1m. It is proposed to fund this from the element of Right to Buy receipts that can be used to cover debt or support the capital programme rather than from capital receipts, releasing £2.5m back to the capital receipts reserve.

17.2 By using the released capital receipts to fund capital projects rather than revenue reserves, the net total of the changes included in the capital programme contribute £4.150m to the deficit set out in Appendix 1.

17.3 The capital programme detailed in Appendix 3 also includes revisions to the Housing Revenue Account capital programme to include 2019/20 “carry forwards” and to reflect reduced spend on maintenance and New Build programmes since April and anticipated completion dates for all projects. Overall, programmes and outcomes remain unchanged and the changes simply reflect revised “profiling” to take account of up to date projected completion dates for works.

## 18 The Guildhall

18.1 The Winchester Guildhall is an iconic building in the city centre providing a range of public entertainment, hosting civic functions and is available for private hire. However its operation has a net cost to the council of approximately £500k per annum. Operating costs have reduced for the period April 2020 to date as it has not been open for booking due to national social mobility restrictions and other Government directives and 6 staff were furloughed through the Government scheme. However, as a consequence of the pandemic, to date, none of the projected income has been realised and there is no indication when public events such as live music, comedy or plays could take place in any form similar to that offered by the Guildhall. The

Guildhall is a popular wedding venue but at the present time weddings can only provide for 30 guests. If and when the Council is able to reopen the building for external use, demand is likely to be significantly lower for as long as the need for social distancing continues. This is likely to result in net operating costs increasing to nearer £750k-£800k. The Government backed co-payment scheme may cover up to 75% of lost income and could assist to March 2021, subject to final guidance which is still awaited. However, this would only represent a partial contribution towards overall losses and the furlough scheme closes at the end of September.

- 18.2 In light of the very challenging operating period that the council is likely to be facing over the next year, there are two broad medium term options for the Guildhall:
- a) Firstly, that the currently suspended operation recommences with immediate effect but limited to council and civic meetings, or for external hire bookings where no operational support and no internal bar/catering facilities are required. A small team would be retained to manage the building but sales/events support staff would not be retained as demand will not be sufficient to fund the team over the next year. Some events, such as craft fayres, exhibitions, etc bring in their own equipment and operating teams (stalls, reception staff, crew, bars, catering, cleaning etc) and require very limited council support. Other events, such as weddings, parties, conferences and public meetings do rely very much on the wider Guildhall team to facilitate them and could not be supported under such an arrangement. In this scenario, the council effectively acts as key holder providing a venue only service but would be able to facilitate a number of existing customers, subject to individual risk assessments.
  - b) The second option is that some of the Guildhall space could be attractive to an organisation/employer for a short to medium term lease, on a similar basis to the existing use by South East Employers. With its large spaces, it could be possible for a third party to use the space for a range of functions. A number of options are under consideration and negotiations in relation to one specific proposal are already well advanced. Such opportunities may well increase later in the year as the economic situation improves.
- 18.3 The Guildhall is a large complex and the Visitor Information Centre has recently reopened. This can continue as the VIC is a self contained unit of accommodation. The tender exercise for the eighteen71 restaurant is complete. Works to form a self contained catering unit are planned for this year and can continue as it will no longer be dependent on Guildhall facilities.
- 18.4 However, the proposals which suspend some operations at the Guildhall mean that the marketing and events function would be suspended indefinitely pending a review of future operating options. This is regrettable as this proposal has a significant impact on 13 staff engaged in Guildhall operations

who would therefore be at risk of redundancy. It is proposed that two staff are retained in a caretaking role and in accordance with the councils HR procedures, other staff would be eligible for redeployment opportunities.

19 Refresh of the Medium Term Financial Strategy (MTFS)

19.1 It is proposed to bring forward detailed proposals in relation to the MTFS to Cabinet in October 2020 but as set out below the potential economic downturn leads to an unfavourable ongoing financial outlook which will require the council to reconsider its financial priorities. .

19.2 Significant financial support has been provided to local councils but no indications have been given as to future Government funding position and there remains significant uncertainty regarding the impact of issues such as the resetting of business rates, the future of New Homes Bonus or any proposals for Government damping to mitigate the impact of changes (effectively phasing in of changes over a two to three year period)..

19.3 The fair funding review has been delayed by a further year until 2022/23 and there is the potential for a full review of the business rates system.

19.4 The MTFS approved in February 2020 provided a balanced budget covering the two year period from 2020/21 to 2021/22. It also approved the creation of a transitional reserve in order to give the flexibility to create change plans in order to balance the budget over the medium to long term.

19.5 However, the MTFS was based on the assumption of income received based on car parks at capacity and minimal commercial rent arrears.

20 The table below sets out the projected four year deficit with the draft MTFS set out in Appendix 5. This provides an initial indication of the impact of a 10% reduction in income which is anticipated in light of current pressures and the economic projections. Whilst the draft MTFS provides only a high level overview and requires further work regarding forecasts and assumptions, it does indicate potential deficits in excess of £2m per annum from April 2021 which will need to be addressed in the coming months through the outcome based budgeting process. Options include:

- a) Above inflation increases in fees and charges
- b) Review of scope for efficiencies and reductions in base operating costs, both by investing less in service provision and through transformation of service delivery.
- c) Review and prioritisation of the services offered by the council and associated resourcing levels

- d) A focus on investment in the Council's assets and estate, assessing opportunities for disposals and development to support income generation and reducing operating/holding costs

20.2 The below table highlights how financial projections have changed from February 2020 and shows the high degree of sensitivity around income levels. In addition, government funding decisions are not likely to be announced until December 2020 and could further impact on the projected deficits. On current projections, the "best case" scenario on only a 10% reduction in previous budgeted income results in a further £2.3 million budget gap in 2021/22 which will be a significant financial challenge for the council.

<u>GENERAL FUND FINANCIAL PROJECTIONS - 2021/22</u>	CAB3211 - FEB BUDGET	10% less income	20% less income
<b>FUNDING</b>			
Council Tax	8.458	8.458	8.458
Business Rates	2.939	2.939	2.939
Other Government Funding	3.455	3.455	3.455
<b>NET SERVICE AND INVESTMENT EXPENDITURE</b>	<b>-14.625</b>	<b>-16.918</b>	<b>-18.743</b>
RESERVES AND OTHER MOVEMENTS	-0.227	-0.227	-0.227
<b>NET DEFICIT</b>	<b>0.000</b>	<b>-2.292</b>	<b>-4.118</b>

Opportunities to generate additional income through commercial investments are very limited with such uncertainty regarding asset values. Although property prices are currently low, the council should continue to take a measured approach in considering purchases through the SAPS scheme. There is no proposal to change the criteria of the scheme at this time. It should also be noted that Government is currently consulting on proposals to prevent borrowing for investment to address the recent trend of local authorities to replace reductions in national funding by generating commercial investment income. The current economic pressures and increasing commercial arrears demonstrates the risks associated with this strategy.

20.3 The Government proposes to release a Devolution White Paper in the Autumn and although the contents are as yet unknown, this may start the debate around unitarisation of councils or creation of combined authorities which could impact local council structures and responsibilities

## 21 OTHER OPTIONS CONSIDERED AND REJECTED

21.1 This report recommends addressing projected deficits through reduced revenue spend and changes to the funding of the capital programme. An



alternative option would have been to use uncommitted or unrestricted reserves to cover the deficit. However, such an approach would have taken the level of reserves to below acceptable levels and also reduced the options for addressing potential shortfalls in future years and is not recommended.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

CAB3211 – General Fund Budget and Medium Term Financial Strategy 2020/21

Other Background Documents:-

None

APPENDICES:

Appendix 1 2020/21 Revised General Fund Budget Forecast

Appendix 2 Projected Income Reductions due to COVID 19

Appendix 3 Revised Capital Programme

Appendix 4 Revised Capital Programme Financing

Appendix 5 Draft Medium Term Financial Projections

Appendix 6 Equality Impact Assessment – Guildhall proposals