

8 July 2020

Report of	Assistant Director, Corporate & Improvement	Author	Paul Cook <input type="checkbox"/> 505861 Darren Brown <input type="checkbox"/> 282891
Title	Covid-19 finance update		
Wards affected	All		

1 Executive Summary

- 1.1 The report updates the observed and forecast impact of the Covid-19 (coronavirus) crisis on the Council's finances.
- 1.2 A revised assessment is provided of the impact on the 2020/21 budget.
- 1.3 The report sets out further work on the Budget Strategy for 2021/22.

2 Recommended Decision

- 2.1 To note the likely income impact on 2020/21 set out in Table 1.
- 2.2 To agree the revised 2020/21 Amphora dividend forecast of £226k as set out in Section 6.1
- 2.3 To agree the use of £0.250m New Homes Bonus in 2020/21 to cover the Council's Planning Policy development costs as set out in Section 8 of this report.
- 2.4 To approve progress on the Budget Strategy for 2021/22 as set out in Section 9 of this report.

3 Reason for Recommended Decision

- 3.1 The report enables the Council to address the forecast budget pressure in 2020/21 and continue the 2021/22 budget process.

4 Alternative Options

- 4.1 The Council is obliged to balance its budget on an annual basis. There are no alternatives.

5 Income

- 5.1 Since June further analysis has been undertaken on income forecasts, partly based on actual figures for April and May, leading to a potentially reduced income loss in 2020/21, from £9.392m to £9.152m. This is set out in Table 1. These figures are for information at this stage and it would be premature to revise the MTFF reported in June. A corporate economic downturn provision of £500k has been made. This reflects the increasing number of commentators forecasting a slower economic recovery.
- 5.2 No revisions have been made to council tax and business rates forecasts at this stage as at least 3 months evidence is required.

Service	Budget	Loss July
Car parks	-3970	2993
Commercial Rents	-2864	980
Sport & Leisure	-3808	2898
Recycling Credits	-1512	540
Bereavement Services	-1362	0
Planning	-1227	0
Trade Waste	-512	260
Museums	-479	174
Building Control	-455	50
HB Overpayments	-450	0
Interest Receivable	-300	300
Court Fees	-277	0
Events (Amphora forecast dividend loss)	-300	300
Land Charges	-177	157
Premises Licensing	-158	0
Taxi Licensing	-109	0
Corporate Economic Downturn Provision	0	500
Grand Total	-17960	9152

6 Colchester Commercial Holdings Limited (CCHL) Dividend 2020/21

- 6.1 23 June 2020 Governance and Audit Committee recommended to Cabinet a revised forecasted dividend of £226k for the 20/21 financial year as an achievable dividend given the effects on the businesses as a result of the Covid 19 pandemic. Colchester Amphora Trading Ltd (CATL) is particularly impacted and the forecast losses are predominantly due to Coronavirus legislation preventing events from being held, due to limitations on mass gatherings, other specific events (such as weddings) and requirements for social distancing.
- 6.2 This represents a dividend loss of £300k compared to the budgeted dividend of £526k. The CCHL group of companies is working to reduce the dividend loss if possible and income projections for 2021/22 and beyond are being monitored for any additional impacts in the MTFF period.

7 NEGC Ltd

- 7.1 The current vehicle for the Local Authorities is NEGC Ltd, the shareholders Braintree, Colchester and Tendring District and Essex County Councils. Pending a decision by the shareholders on the future of NEGC Ltd, their work continues for now, focused on the Tendring Colchester Borders (TCB) project supported by the Planning Inspector for which a Housing Infrastructure Funded (HIF) approval has been provided for related road and rapid transport improvements.
- 7.2 At its meeting on 3 June 2020, Cabinet recommended to 15 July 2020 Full Council the release of the outstanding £350k 2019/20 contribution to NEGC. Any such contribution should now be seen in context of the shareholder review and any change and transition that may follow. As a shareholder Colchester will be obliged to meet their share of such costs taking account of any carry costs incurred in the 'banker role' played by this Council on behalf of all of the Local Authorities.

8 Planning Policy Development Funding.

- 8.1 The MTFF includes £500k in 2020/21 for garden communities and related planning work. It is proposed that pending review of the revised scope of work, the delivery vehicle and the role and contribution of the partners, that an initial £250k is transferred to the Planning Policy Team.
- 8.2 In accord with the 13 February 2020 Full Council such an allocation needs a further vote and approval in Full Council. The funding will enable the delivery of a Strategic Growth Development Planning Document (DPD) for the Tendring Colchester Borders Garden Community. The Council(s) want to lead this work, to ensure that this provide a strong policy underpinning for subsequent detailed planning development, consistent with the garden community principles as endorsed by the Local Authorities. Early stages of such work will include the commissioning of evidence base studies, sustainability appraisal, transport modelling and a heritage impact assessment.
- 8.3 Cabinet is accordingly asked to recommend to 15 July 2020 Full Council the release of £250k of the 2020/21 contribution for internal purposes, not to be transferred to NEGC Ltd, but for the Planning Policy team.

9 New Strategic Priorities and Recovery

- 9.1 The commitments made to deliver New Strategic Priorities (NSPs) are being reviewed considering the Council's objectives for Covid-19 Recovery and revised budgetary position. Recommendations for the Waste and Recycling NSP project are being made separately on today's Cabinet agenda.

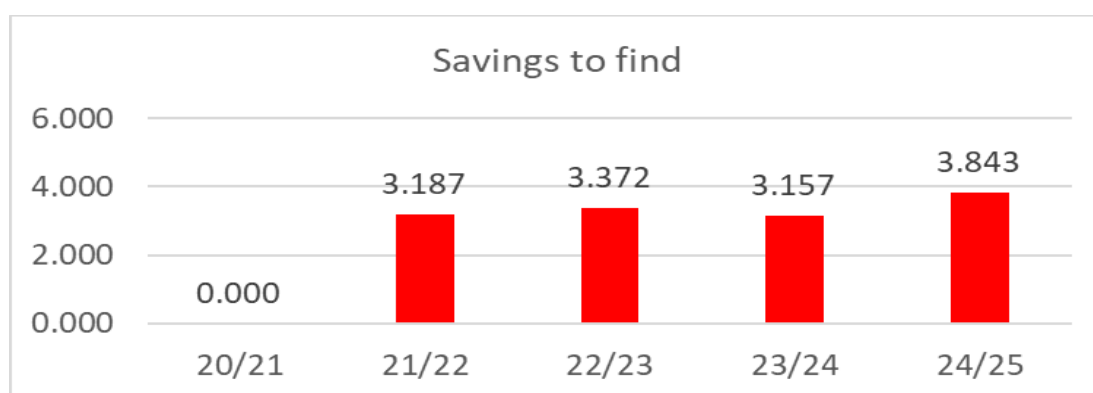
10 Budget Strategy

- 10.1 At Housing, Communities and Local Government oral questions in the House of Commons 16 June 2020, the Minister for Regional Growth and Local Government, Simon Clarke, stated that the Government was working on a "comprehensive plan to ensure financial sustainability of councils this financial year". This was in response to a question which highlighted LGA analysis of the MHCLG financial information returns that councils could need up to £6 billion to cover the cost of coping with the pandemic.
- 10.2 This confirmation of a comprehensive plan appears to be a positive indication that the Government is planning to address the ongoing financial challenges councils

face this financial year as they lead communities through the COVID-19 crisis. However, until firmer details are announced it would not be appropriate to revise the MTFF reported to 03 June 2020 Cabinet

- 10.3 As it is an early stage of the financial year, there is no justification for modifying the challenging budget gap identified in previous reports.

Revised MTFF (£m)	20/21	21/22	22/23	23/24	24/25
Service costs	23.877	31.202	24.089	24.299	24.589
Covid Impacts	10.112	-7.978	-1.417	-0.700	0.000
Business rates	-5.885	-4.913	-4.956	-5.000	-4.544
Council tax	-12.448	-11.146	-13.029	-13.748	-14.508
Other funding	-6.925	-2.945	-2.940	-2.944	-2.944
Use of reserves	-8.731	-1.033	1.625	1.250	1.250
Savings to find	0.000	3.187	3.372	3.157	3.843



- 10.4 The Budget Strategy agreed at 3 June 2020 Cabinet is now being taken forward.

- 10.5 This is a cross-cutting, thematic approach working across the organisation and with partners to develop options within each theme that could contribute to meeting the 2021/22 budget gap shown in 9.3.

- 10.6 The themes are set out below. Each is being led by one of the Council's Assistant Directors, who will be working closely with all services to develop their proposals. Interdependencies between themes will also be considered to ensure added value and avoid unintended consequences.

- **PRIORITIES** – clarifying the Council's priority outcomes in line with the Strategic Plan, Covid-19 recovery objectives and budget position.
- **COMMERCIAL** – increasing income from fees and charges and identifying new sources of income, including through the Amphora trading companies
- **EFFICIENCY** – optimising the efficiency of Council services and processes, committing to 'digital by default' and exploring opportunities for innovation.
- **SERVICE PROVISION** – reviewing the operating model for all Council services, securing better value for money from our spending and pursuing shared services.
- **COMMUNITY** – reducing dependency on Council services by further developing existing successful partnerships with communities and the voluntary sector.

- 10.7 The strategy is looking at all the work the Council undertakes to ensure it can maintain and continue delivering essential services for Colchester. Proposals will be brought back for Cabinet to consider in October this year.

11 MTFF Consultation

- 11.1 The budget strategy and timetable ensure that information is available for scrutiny and input from all Members. The Leader of the Opposition has been offered the opportunity to meet with officers to assist with consideration of any alternative budget proposals.
- 11.2 The normal statutory consultation with business ratepayers and parish councils will take place.

12 2019/20 Outturn

- 12.1 The 2019/20 revenue outturn is an overspend of £197k due to Covid-19 income shortfalls. A detailed report is included on this Cabinet agenda.
- 12.2 A detailed report on the 2019/20 capital programme is included on this Cabinet agenda.

13 Financial implications

- 13.1 As set out in the report.

14 Environmental and Climate Change Implications

- 14.1 All budget measures will be assessed for their likely environmental impact, reflecting the Council's commitment to be 'carbon neutral' by 2030. Environment and Climate Change is an essential cross-cutting theme in the Council's post-Covid recovery planning.

15 Equality and Diversity Implications

- 15.1 Consideration will be given to equality and diversity issues in respect of budget changes proposed as part of the budget process. This will be done in line with agreed policies and procedures including production of Equality Impact Assessments where appropriate.

16 Risk Management Implications

- 16.1 Extensive modelling work has been undertaken to understand the impacts and variables arising from the crisis. Staff and support costs are evidence based but will be subject to transformation work.
- 16.2 Further government support should be provided and will be sought by lobbying and in discussions with MHCLG but is uncertain.
- 16.3 Leisure and commercial income is very dependent on events beyond the Council's control, on lock-down, the return of consumer confidence, and impacts due to the severity and duration of the macro-economic downturn and recovery.

16.4 Modelling has been undertaken with service managers to assess the potential range of impacts before adopting the assumptions described within the report.

16.5 All the above and other significant uncertainties and risks will have to be managed. Further material change is likely to budget assumptions and the actions needed to ensure a balanced budget.

17 **Other Standard References**

17.1 There are no direct Publicity, Human Rights, Community Safety or Health and Safety implications as a result of this report.