

 Executive 24 August 2020		Agenda Item No. 8
Title	Quarter 1 Budget Report	
For further information about this report please contact	Mike Snow 01926 456800 Andrew Rollins 01926 456013	
Wards of the District directly affected	N/A	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No	
Date and meeting when issue was last considered and relevant minute number	26 February 2020	
Background Papers		

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	No
Equality Impact Assessment Undertaken	N/A

Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	10 August 2020	Chris Elliott
Head of Service	10 August 2020	Mike Snow
CMT	10 August 2020	
Section 151 Officer	9 August 2020	Mike Snow
Monitoring Officer	10 August 2020	Andrew Jones
Finance	10 August 2020	Andre Rollins
Portfolio Holder(s)	10 August 2020	Richard Hales
Consultation & Community Engagement		
Insert details of any consultation undertaken or proposed to be undertaken with regard to this report.		
Final Decision?		Yes/No
Suggested next steps (if not final decision please set out below)		

1. Summary

- 1.1 This report provides an update on the current financial position as at 30th June 2020, both for the current year 2020/21 at the end of Quarter 1, and for the medium term through the Financial Strategy. Key variances and changes are highlighted to inform members, with some recommendations also being put forward for their consideration.

2. Recommendation

- 2.1 That the Executive notes the latest current year Financial position for both Quarter 1 (General Fund £1,233,000 Adverse and Housing Revenue Account £833,000 Favourable) at forecast for the year (General Fund £5,676,000 Adverse and Housing Revenue Account £381,000 Favourable), with the key variations that drive these positions.
- 2.2 That Executive agree to the match funding for the CWLEP Bid as detailed in section 3.3, and for budgets to be amended and re-profiled between years to ensure the Council's requirements as part of the LEP funding can be fulfilled.
- 2.3 That Executive agree to appropriate the unallocated net General Fund surplus of £291,700 is appropriated to the Service Transformation Reserve.
- 2.4 That the Executive notes the impact of both current year and future years ongoing and forecast changes will have upon the Medium term Financial Strategy (MTFS), how these changes are expected to be accommodated, and where further savings / income generation need to be achieved to mitigate the deficit position to enable it to set a balanced budget for 2021/22.
- 2.5 That Executive agree to progress the savings proposals detailed in Appendix C.
- 2.6 That Executive agrees to enter into a contract extension with Suez for the provision of refuse, green waste and recycling collection services and thereby agrees that the budget shortfall for the service in the current Medium Term Financial Strategy (MTFS) will increase by £1.863m, noting the steps that officers are now taking in preparation for a new tender process, with a further one-off sum required in 2020/21 of £528k.
- 2.7 That noting the timeline for the conclusion of the tender process for the street cleansing (lot 2) and grounds maintenance (lot 3) contracts, Executive delegates authority to the Head of Finance, in consultation with the Portfolio Holder for Finance, to determine whether it would be more advantageous for the Council to purchase the vehicles necessary to deliver those contracts and that if this is the case, the capital programme is amended accordingly and reported to a subsequent Executive Committee.
- 2.8 That Executive agrees to release funding of £30,000 from the Contingency budget to enable a comprehensive analysis of Stratford Road depot options and infrastructure requirements to be undertaken.

- 2.9 That Executive notes at Appendix D the request by the Chief Executive, in accordance with his constitutional authority CE (4), and approved by the Group Leaders, to provide financial subsidy of £245,465 for the period 1st July to 31st August to Sports Leisure Management (trading as Everyone Active and hereafter referred to as EA), further noting that emergency payments for the period 1st April to 30th June of £37,000 per month had already been agreed, and agrees that the Council should provide further financial subsidy to EA for the period 1st September to 31st March 2021 in accordance with the principles set out at paragraph 3.9 and so agrees the WDC/EA contract variation at Appendix E (to follow).
- 2.10 That subject to agreeing recommendation 2.9, the funding for this financial support is dealt with as part of the overall funding shortfalls for 2020/21 funded from the Government COVID support and the use of the Business Rate Retention Volatility Reserve.
- 2.11 That Executive notes that in accordance with the Chief Executive's emergency authority CE (4), approval was given for the creation of a pandemic Emergency Response Fund financed by budgets appropriated from Community Forum Grants (£21k), Sports Grants (£17.3k), Arts Grants (11.7k), Rural / Urban Capital Improvement Scheme (RUCIS) Grants (£169.9k), VE Day 75th Anniversary Grant Fund (£8k).
- 2.12 That Executive agrees funding for lone working facilities of £26.5k per annum, with the current year funded from the Contingency Budget and future years included within the Medium Term Financial Strategy.
- 2.13 That the Executive agrees to £20,000 being reallocated from the St Mary's Lands project budget to provide a one off grant to Hill Close Gardens Trust for a year and that by Christmas 2020, the Trust be required as a condition of that grant to submit a robust business plan for the financial years 2021/22 to 2023/24 to help the Council consider any further financial support.
- 2.14 It is recommended that a sum of £250,000 is allocated from the s106 receipts for Tach Brook Country Park to support the submission of a full planning application for the country park.

3. Reasons for the Recommendation

3.1 Current year variances

3.1.1 General Fund Financial Position as at 30th June (Q1)

Variations have been identified by the Accountancy Team in conjunction with the relevant budget managers, giving an adverse variance of £1,233,000 as at 30th June, with a forecast adverse variance for 2020/21 of £5,676,000. A summary of this is provided below:

2020-21				
Service	Variation Description	Q1 Variation £'000	Forecast Full Year Variation £'000	Rec / Non-rec
General Fund	Staffing	£271 F	£500 F	Non-rec
Business (Development Services)	Town centre road closures	£16 A	-	Non-rec
	Market and Events Income	£4 A	£6 A	Non-rec
	Event Savings	-	£36 A	Non-rec
Cultural Services	Closure of Concessions	£146 A	£578 A	Non-rec
	Arts staff Furlough	£22 F	£31 F	Non-rec
	Leisure Centre Concession	£233 A	£940 A	Non-rec
	Leisure Centre Expenditure	£111 A	£943 A	Non-rec
Development Services	Building Control Income	£19 A	£334 A	Non-rec
	Planning Fee Income	£95 A	£567 A	Non-rec
Finance	Investment Interest	£50 A	£200 A	Rec
	Court Fee Revenue		£208 A	Non-rec
Neighbourhood Services	Bereavement Activity Increased	£70 F	£100 F	Non-rec
	Car park closures	£692 A	£1,820 A	Non-rec
	Additional waste collection	£190 A	£600 A	Non-rec
Strategic Leadership	Apprenticeship scheme	£13 F	£25 F	Non-rec
	COVID-19 Other Costs	£85 A	£100 A	Non-rec
TOTAL		£1,233 A	£5,676 A	

3.1.2 Vacancies across a number of teams have resulted in staffing costs being underspent by £271,100 during Q1. Key drivers of the underspend include vacancies within Neighbourhood Services for waste management and green space development, Finance for Revenues and Customer contact services, Health and Community Protection for a Community Safety Officer and Strategic leadership within ICT. Vacancy durations have increased caused by delays to recruitment as a result of COVID-19 and remote working. It is anticipated that vacancies will continue through the second quarter. Any savings are likely to be offset with the agreement of the latest pay award for staff which is currently still in negotiation.

3.1.3 Business (Development Services)

Leamington and Warwick High Streets have been closed to traffic as part of town centre social distancing measures. Traffic Stewards have been appointed to manage the closures. These additional costs (£16,300 to date) will be reimbursed by Warwickshire County Council in due course.

3.1.4 Cultural Services

Income from events and room bookings at sites including the Royal Spa Centre, Royal pump Rooms and Town Hall is significantly down due to cancelled events as a result of the national lockdown. These sites have been closed for the duration of Q1. The income lost has been offset by a reduction in expenditure costs, such as bar supplies and Art booking Fees. However, the decision to continue to pay all substantive staff 100% pay has resulted in £250k of staffing costs on services which are not currently operational, leading to a net adverse position of £146,100. While the Council has supported casual staff as part of this, the decision was made to furlough them from May, resulting in WDC receiving Grant payments for Q1 totalling £22,100. Furlough grants will continue to be claimed (estimated £60k in total) to cover most of these costs while awaiting further guidance and decisions on the reopening of sites.

A support package has been agreed to support the Leisure Centre concession provider. Payments have been made for each of the months in Q1 totalling £111,000, to cover costs not covered by other Government schemes, such as staff pay through furlough. This support package will continue throughout 2020/21, and be received by Everyone Active in conjunction to them not paying Warwick District Council any concession this financial year. More details on the agreed arrangements can be found in section 3.9.

3.1.5 Development Services

Building Control income was adversely impacted by COVID-19 during April. While this has shown signs of recovery in subsequent months, it is anticipated there will be a reduction of income in the region of 40% over the financial year.

3.1.6 Neighbourhood Services

There has been increased Bereavement activity, with levels of burials and cremations being driven by COVID-19 related deaths, giving rise to some additional income. It is forecast that this should stabilise as COVID-19 deaths reduce across the District, but at a level higher than originally budgeted for.

Car parks have been free to use since the start of lockdown, resulting in £692,200 of forecast lost income during Q1. Car parks are to remain free to use until 1st August to support the high streets by encouraging people to head back to shops and restaurants. After this date, the previously agreed charges will recommence. However, it is forecast that car park use will be down significantly against budget, with anticipated levels being 50% of usual income.

Waste collections have increased in cost as a result of more people being at home rather than at work, which has generated more waste requiring collection through our waste management contractor, at a level of approximately £15k per week. It is anticipated that this level of service will need to continue beyond the first quarter as more people continue to remain in their homes.

3.1.7 Strategic Leadership

The apprenticeship scheme is currently underspending, due to a lack of recruitment during the first quarter as a result of COVID-19. It is anticipated that this is likely to continue until September when a number of apprentice schemes commence.

A number of other COVID-19 specific costs have been incurred during the first quarter of the year, including the purchase of specific Hardship Fund and Business Rates software, the distribution of a Council newsletter to all households in the District, and the costs incurred with establishing and running the Shielding Hub. As the focus turns to recovery, it is likely more costs will be outlined in future reports.

3.1.8 Housing Revenue Account Financial Position as at 30th June (Q1)

Variations have been identified by the Accountancy Team in conjunction with the relevant budget managers, giving a favourable variance of £883,000 as at 30th June, with a forecast favourable variance for 2020/21 of £381,000. A summary of this is provided below:

2020/21				
Service	Variation Description	Q1 Variation £'000	Forecast Full Year Variation £ '000	Rec / Non-rec
HRA	Staffing	£228 F	£400 F	Non-rec
	Council Tax vacant properties	£19 A	£19 A	Non-rec
	Housing Repairs	£674 F	-	Non-rec
TOTAL		£883 F	£381 F	

3.1.9 There are currently a significant number of vacancies across the HRA, within Estates supervisors, Housing Strategy and Development, Tenancy Management, William Wallsgrove House and Lifeline services. Some of these vacancies have remained vacant following the recent Housing restructure, with COVID-19 presenting further recruitment challenges.

3.1.10 There has been an increase in void properties during the first quarter, as Housing Services were not able to re-let properties during the lockdown period as work could not be guaranteed to ensure properties were up to the necessary standard, or to ensure the properties were clean. When a property becomes void, the HRA has to bear the cost of the Council tax until a new tenant commences occupancy. This has now been resolved as lockdown restrictions have been eased, and so there is not forecast a rise in vacant properties as the year progresses.

3.1.11 Housing repairs, both major and responsive, have suffered from delays due to COVID-19 presenting issues with contractors being available to work, and with getting the necessary access to properties. It is anticipated that there will be a catch up on these works later in the year.

3.1.12 As it is early in the financial year, and owing to the fact that many external factors, predominately related to COVID-19 are continually evolving, it is possible that the forecast outturn position could change substantially. Work is on-going by officers to assess to what extent this net forecast deficit position can be accommodated within the overall budget.

3.1.13 The proposed funding of these pressures is discussed as part of the Medium Term Financial Strategy in Section 3.5.

3.2 Funding for COVID related expenditure and lost income.

3.2.1 It will be noted from the above that many of the significant additional costs falling on the Council and reduced income are as a result of the current pandemic.

3.2.2 In response to much lobbying by local government, the Government has announced some packages of support to local authorities. The Council has received the following grants which are non-ring-fenced.:-

	Total Local Authority support £	Warwick District Council support £
Tranche 1	1,600,000,000	60,705
Tranche 2	1,600,000,000	1,423,355
Tranche 3	500,000,000	199,729
Total	3,700,000,000	1,683,789

These grants have been allocated to go towards the overall revenue deficit projected for the year.

3.2.3 Income funding

It will be seen from the significant variances detailed in paragraph 3.1.1, that the most significant drivers of the Council's shortfall in the current year are income reductions, mainly from fees and charges. This is in common with most district councils.

The Government has recently announced an income loss scheme. From the initial details:-

- The local authority will absorb the first 5% of the loss
- The Government will fund 75% of the loss thereafter.
- The losses are in respect of sales, fees and charges that are not recoverable.
- Rents, commercial income and interest receipts are excluded.
- It is understood that the concession that the Council was due to receive from Everyone Active (c£940k in 2020/21) is eligible as a loss of income.

It is expected that claims for the support will need to be made retrospectively, based on the actual losses against the Council's budgeted income for the year; further details are currently awaited.

3.2.4 Within the Medium Term Financial Strategy, estimated income in respect of this scheme of £3.1m has been included for 2020/21. Until there are definitive details of the scheme are made available alongside the Council losses, the actual amount that can be claimed will remain uncertain.

3.2.5 All the funding packages announced are in respect of the current year. Whilst local authorities will undoubtedly continue to incur additional costs and reduced income as a consequence of the pandemic, the Government has not intimated that any further funding will be available.

3.3. Commonwealth Games Funding

3.3.1 In July 2019 Executive agreed a funding package to support a bid for funding from Coventry and Warwickshire Local Economic Partnership (CWLEP). That bid was successful with Council being awarded £1,798,255 to be spent by 31 March 2021.

3.3.2 Following the sign off of the original bid it became apparent that not all schemes within the overall bid were deliverable within the CWLEP timescales. The CWLEP project cost plan is included as Appendix A.

More recently, in April 2020, as a consequence of the pandemic and concerns about its impact on project deliverability, CWLEP requested that Warwick District Council review and amend its bid again to ensure that any projects that would be majority grant-funded could, despite COVID-19 be completed by March 2021.

Following a review of the original bid the following projects were removed from the delivery plan due to the high-risk of being unable to achieve completion of these projects by March 2021;

- Bike Hire Hub Facilities
- Electric bus services
- Access bridge across River Leam

The removal of these projects from the delivery plan reduced grant-funded capital costs amount by £971,975 and overall project costs (excluding professional fees and contingencies) to £4,194,152.

Given the reduced claim for grant-funding, a proportionate reduction in the match-funding contribution towards the projects was considered appropriate when resubmitting the bid. Consequently, the project programme was further reviewed and the following projects were considered appropriate to remove from the CWLEP delivery agreement;

- Lighting in Victoria Park
- Commonwealth Park proposals for development
- Branded car parking and signage and signage Leamington Town Centre

The removal of these projects from the programme reduced the total capital project costs to £3,137, 478 and total project costs allowing for fees and contingency to £3,733,219 (48% of which is to grant funded through CWLEP and 52% of which is match-funding from Warwick District Council and other partners). The amended bid was submitted in April 2020 and agreed by CWLEP in May 2020.

3.3.3 As a result of the successful bid, the Council needs to provide match funding of £1,934,964. Most of this funding will come from pre-agreed budgets. It is proposed that the following sources of match funding are now agreed:-

	£
WCC Contribution	60,000
PPM budget 2020/21	392,410
Capitalisation of WDC Project Support	350,000
WDC Grant - paid to Sustrans	50,000
Royal Priors - wayfinding (2018) as match	2,000
B'ham 2022	15,000
Community Project Reserve	280,000
Car Park Displacement Reserve	484,824
Commonwealth Games (Bowls) reserve	£47,911
CIL - "wayfinding in Leamington"	32,000
Pavilion café (completed)	20,000
Service Transformation Reserve	200,820
Total	1,934,964

3.3.4 Specific points relating to changes in funding are detailed below

- The Pre-Planned Maintenance (PPM) funding was allowed for within the PPM Programme agreed in February.
- The Community Projects Reserve funding was agreed by Executive in July 2019, as part of agreeing the CWLEP bid, as funding the installation of charging infrastructure for an electric bus scheme. This scheme is not now progressing due to the project being undeliverable before the end of March 2021 – the deadline for defrayment of grant funding from CWLEP. The funding is still required as part of the match funding.
- Within the Bid the Car Park Displacement Reserve was to fund £225,800 Blue badge holder car parking in Victoria Park and improve parking Archery Road and Princes Drive. The sum now requested to be used from the Car Park Displacement Reserve is £484,824. This represents the unallocated balance on that reserve on the basis that the other projected originally intended to be funded to support the proposed temporary closure of Covent Garden Car Park are not required.
- For the Council to come up with the overall match funding, a further £200,820 is required. This is proposed to come from the Service Transformation Reserve. The balance and use of this reserve is discussed in more detail within paragraph 3.4.3.

3.3.5 With the intention for the LEP funding to be all spent by 31 March 2021, the LEP funding projects are having to take priority. It is therefore intended that the Council funding is primarily used for the projects in 2021/22. It is therefore necessary for some expenditure on schemes and funding thereof, to be pre-profiled within years within the Council's Budgets.

3.4 Reserves

3.4.1 Appendix B sets out the unallocated balances on the General Fund Reserves. Each of these reserves has been allocated for specific purposes.

3.4.2 Business Rate Retention Volatility Reserve.

This is one of the Council's most significant reserves. As discussed below (para 3.5.6) much of this reserve has been agreed to support the General Fund in forth-coming years pending the Council securing revenue budget savings. With changes planned to the Business Rate Retention Scheme, and the difficulties many businesses may have in forthcoming years, it is not considered prudent to allocate further sums from this reserve at present.

3.4.3 Service Transformation Reserve

Within the February 2020 Budget report, the Service Transformation Reserve was shown as having an unallocated balance of £916k. This was on the basis of the Council Tax Referendum taking place and having a successfully outcome. With the Referendum not taking place, it has meant the Council has not incurred the cost of the ballot (estimated £300k), but has had to fund the cost of council tax re-billing (estimate £63,000). The latest unallocated balance on the Service Transformation Reserve is shown below:-

Service Transformation Reserve	£000
Balance Executive February 2020	916
Net previous allocations returned	101
Less Allocation agreed in main Budget Report	-707
Add allocation in alternate Budget Report	189
Add Referendum funding not required	300
Reduced cost of re-billing	137
COVID-19 £15k 120 RSA Tokens	-15
Kenilworth Leisure additional funding. July 13 Exec	-391
£48k for HR support June Exec	-48
HS2 Bridge - CE delegated	-60
Racing Club Warwick	-60
CWRT loan - underwriting - July 20 Exec.	-250
Kenilworth Rugby Football Club £3k - June 20 Exec.	-3
NS Project Officers - 3 years at £30.4k	-91
Current Unallocated Balance	18

3.4.4 The Final Accounts 2019/20 report was considered by the Executive in July. This showed a General Fund surplus of £782.4k, with £490.7k agreed to be returned to the Corporate Assets Reserve, leaving an unallocated net surplus of £291.7k. It is now proposed that this balance is allocated to the Service Transformation Reserve to meet forth-coming funding requests that are anticipated in future months.

- 3.4.5 Taking into account the above appropriation, the proposed funding of the Commonwealth Games (£200,820, para 3.3.4) and other recently approved allocations, the unallocated balance on the Service Transformation Reserve will be £60,000, as set out below.

Service Transformation Reserve	£000
Current Unallocated Balance	18
General Fund Surplus 2019/20	292
New Balance	310
Newbold Comyn Masterplan - CE delegated	-14
Commonwealth Games	-201
Local Government Review	-35
Balance	60

- 3.4.5 It will be noted that some of the reserves are forecast to be over-committed within the next 5 years based on expected commitments. If these commitments are to be met, funding will need to be found to be allocated to these reserves. In recent years some of the Council's allocations of New Homes Bonus has been allocated to specific reserves. The future of New Homes Bonus remains uncertain, with expectations that from next year allocations will reduce considerably, or potentially cease altogether. More detailed are expected as part of the Local Government Settlement in December.
- 3.4.6 The Covent Garden Multi Storey Car Park Reserve was set up to fund the income losses whilst the car park was redeveloped and the debt charges until the income stream re-commenced. With this project currently on hold, it would be possible for this funding to be used for alternative purposes. This should be considered as part of a future Budget report to Executive.
- 3.4.7 Within the 2020/21, £370k was allocated to the Leisure Options Reserve. This was to fund the cost of the operator and initial debt charges whilst Kenilworth Leisure Centres were re-developed. It was planned for a further £370k to be similarly allocated to this reserve in 2021/22. This project is planned to be paused once it reaches RIBA 4, as reported to Executive in July 2020. Consequently, it is possible for the £370k allocated to this reserve to be re-directed to alternative uses. This should be considered as part of a future Budget report to Executive. If this project is eventually funded from capital receipts as reported to Executive, it will still be necessary to find funding to compensate the leisure centre operator during the closures.
- 3.4.8 In addition to the various reserves, the Council also holds a Contingency Budget for unplanned items of expenditure. At the start of the year £200k was allocated here. To date, the unallocated balance is £192.5k. As discussed in para 3.8.2, £30k is proposed to be allocated for a comprehensive analysis of Stratford Road depot options and infrastructure requirements, and £26.5k for Lone Workings (paragraph 3.11). This will reduce the balance on the Contingency to £136k.

3.5 Medium Term Financial Strategy

3.5.1 The MTFS was last formally reported to members in February as part of the 2020/21 Budget setting. At that stage to profile of revenue savings to be found was as follows:-

	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000
Deficit-Savings Req(+)/Surplus(-) future years	0	0	522	1,868	1,762
Change on previous year		0	522	1,346	-106

3.5.2 This profile of savings reflected net £6.245m contribution from the Business Rate Retention Volatility Reserve to support the General Fund over the period 2020/21 to 2024/25.

3.5.3 In addition to the Q1 variations, and their full year forecasts presented in section 3.1, there have been further changes to the Strategy.

3.5.4 Waste Contract

While negotiations are ongoing with the contractor regarding an extension for 2021/22, it has become clear the additional budget requirements identified in the February MTFS would not be sufficient. Therefore, an additional £1.863m has been allocated on a recurrent basis, and one-off costs in the current year of £528k. The waste contract is discussed in further detail in section 3.6.

3.5.5 Street Cleansing and Grounds Maintenance Contracts

Whilst the procurement of these contracts is still taking place, figures received to date suggest it is possible to reduce the budget for these works by £127k; this has been included as a recurrent saving from 2021/22 within the MTFS. There is the potential for greater savings. Members will be informed of the outcome of the tender process in due course.

3.5.6 Car parking

Car parking income has been reduced for future years by £750k p.a. to reflect the reduced demand for parking in the district expected as a consequence to the current crisis, and people expected to change their travel and working arrangements in future years.

3.5.7 Investment Income

Following the two changes introduced in March, interest rates were reduced from 0.75% to 0.1%. This has impacted the expected yield from our financial investments during the year. Reserve balances are invested in money market

and equity funds to maximise their return while they are not being utilised. It is anticipated that this will reduce income by £200k recurrently from 2020/21.

3.5.8 Council Tax

Budgeted Council Tax income for 2020/21 is £107.7m, with the majority of this due to WCC, and the District Council's element being £9.6m. The Council tax expected to be collected in the current year is being impacted in several ways as a result of the pandemic.

- Council Tax Support. The level of Council Tax Support was estimated to be c£7m for the year within the tax base calculations. With increased claimants to date, this has increased to £8m. This figure is expected to increase further in forthcoming months as unemployment increases as a result of the ending of the furlough scheme.
- Growth in new properties. With house moves having been put on hold for some of this year, and due to broader economic impacts of the pandemic, the number of new properties have not increased in the year to date as originally estimated, and is unlikely to increase at the expected rate for the rest of this year.
- Non-payment. Many council tax payers have opted to shift their instalments from April-January to June –March. To date there has not been evidence of significant non-payment, although this remains a possibility.

3.5.9 Taking into account all these factors, it is estimated that there may be a deficit in council tax for the current year of c£2.4m. This will be shared between the County Council, the Police and Crime Commissioner and the District Council. This Council's share is estimated at £300k. Normally this balance would need to be recovered in the subsequent year. However, due to the magnitude of the balances expected by local authorities, the Government has announced that these balances can be spread over 3 years. This has been reflected within the MTFS with £100k being charged to each year 2021/22 to 2023/24.

3.5.10 With the increase in Council Tax support and delays to new properties, the council tax base is significantly below the estimated figure for the current year of 55,851 by over 1,000. This will impact on the tax base for 2021/22 and future years. Previously within the MTFS, the tax base had been forecast to increase by 2% each year. This has now been re-based further downwards to reflect the current position. Consequently, the forecast tax base for next year is below that for the current year. This means that the council tax income due to the district council, based on forecast council tax levels will be c£200k less than previously estimated for 2021/22, and increasing thereafter. This reduction is carried through each year of the MTFS. The tax base for 2021/22 is due to be formally agreed in the Autumn.

3.5.11 Taking into account the above two paragraphs, there is a net cost to the MTFS of £650k in 2021/22 to 2023/24, and £550k per annum thereafter.

3.5.12 The MTFS still relies upon £6.245m support from the Business Rate Volatility Reserve, as referred to in paragraph 3.5.2. However, in view of the increased financial pressures being incurred by the Council in the current year and next year, it has been necessary to bring forward the use of this reserve. Whilst the BRRVR was previously allowing the Council to have some time to get savings initiatives in place, this is no longer the case. It is by the use of this reserve

that the Council is able to maintain its going concern status. Without this, the Council may have been in the position of having to consider S114 notices, as some authorities have encountered in recent months as a consequence of the financial impact of the pandemic. The use of this reserve is enabling the Council to show a balanced budget for the current year taking into account all the changes discussed within sections 3.1 and 3.5.

3.5.13 Updated Medium Term Financial Strategy

Taking into account the above changes, the savings to be found within the Medium Term Financial Strategy are as follows: -

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
	£'000	£'000	£'000	£'000	£'000	£'000
Deficit-Savings Req(+)/Surplus (-) future years	0	3,190	6,139	5,701	5,355	5,306
Change on previous year		3,190	2,949	-438	-346	-49

3.5.14 It will be noted that 2020/21 presents a balanced position. This takes account of all the budget pressures detailed in section 3.1, the Covid funding from the Government (section 3.2), the one –off costs of the waste contract (paragraph 3.6.6) and the additional payments to Everyone Active (section 3.9). With the re-profiling the use of the Business Rate Retention Volatility Reserve to support 2020/21 (paragraph 3.5.6), it has been possible to accommodate these significant budget pressures so as to give the neutral position shown in the table for this year. For 2021/22, without the use of the Business Rate Retention Volatility Reserve, the deficit for that year would be far greater.

3.5.15 The figures in the above table are the estimated level of savings that the Council needs to find out of its General Fund revenue account. The gross expenditure on the General Fund, excluding recharges, Benefits and capital charges, over which the Council has control is estimated at £35m. It will be noted that £3.2m savings need to be secured to enable the Council to be able to set a balanced budget for 2021/22.

3.5.16 Appendix C details proposed projects and savings which should assist the Council to reduce the above deficit. It will be noted that the savings in Appendix C, if they all materialise at the levels quoted will not be sufficient to remove the forecast deficit. Further projects and initiatives need to be agreed in forthcoming months to seek to enable the budgeted deficit to be eradicated. Members are asked to agree these proposals within Appendix C for officers to progress as soon as possible. It will be noted that some savings relate to the Council working with Stratford on Avon District Council. Work is already on-going in terms of sharing some heads of service. Green waste charges have been included on the basis if the Council jointly re-procures for the waste service with Stratford, it will be necessary for the service provisions to be closer aligned.

3.5.17 With such a significant saving to be found for 2021/22, and increasing thereafter, it would be wrong for the Council to commit future resources to any project that has limited prospect of payback, or with the potential to be a further draw on the Council's finances. The reserves referred to in paragraphs 3.4.6 and 3.4.7 should be held back to support the General Fund in the 2021/22 Budget if necessary.

3.6 Waste Contract

3.6.1 With effect from the 31st March 2021, the Council's contracts for its major public realm contracts are due to end. These contracts cover many of the services that are most visible to the District's residents and therefore preparation for OJEU (Official Journal of the European Union) compliant tender processes commenced over 18 months ago. The tenders were broken down into three lots:

- Waste collection (lot 1)
- Street cleansing (lot 2)
- Grounds maintenance (lot 3)

3.6.2 The process for lots 2 and 3 has gone relatively smoothly and the remaining timeline for the process sees final tender submissions by 31st August and tender evaluation completed and contract awarded by 30th September. Based on the information received from bidders thus far, it is anticipated that the bids will be within budget and that no further Executive approvals are required.

3.6.3 With regard to lot 1 for the reasons described in the confidential note (Item y on this agenda), officers have worked closely with a Leader established Councillor Working Party (Councillors Grainger, Hales and Matecki) to determine the next steps. Concluding that it was untenable to continue the lot 1 procurement process, officers were asked to request a contract extension of 18 months (with the option of a further year) from the current service provider Suez.

3.6.4 Prior to Councillors making this decision, the erstwhile Head of Neighbourhood Services had requested a contract extension quote from Suez as a contingency should the procurement process be hampered by the pandemic. Suez had provided a quote of £5,290,610 which was £1,768,407 greater than in the Council's indicative budget for 2021/22. Whilst this amount would bring significant challenges to the Council's finances for the period of the extension, it was felt that it would be sensible to recommence the procurement process afresh and revisit the parameters upon which the process was launched to determine whether a less expensive long-term contract could be achieved. Councillors are keen to use the contract extension period to explore options around co-mingling, Materials Recovery Facilities (MRFs) options, a joint contract with Stratford and service redesign. Officers have already commenced this work.

3.6.5 Discussions have now concluded with Suez and the cost of a contract extension will be £5.823m. There is no alternative other than to accept this offer as the procurement process for lot 1 has now ended and there would be no time to commence and conclude a new process in time for the new contract period from April 2021. Councils are able to deliver waste collection services themselves but with no relevant in-house experience and the limited time left before the current contract ends, it is just not feasible to have a service up-and-running.

Under the new contract the Council would retain the income from the sale of recyclables, estimated at £315k per annum, making the net cost to the Council of £5.507m. however, this figure will vary as the values of the recyclables can be highly volatile.

- 3.6.6 Under the contract, the Council will need to agree to £328k works to Stratford Road depot and other one-off costs of £200k.

3.7 Grounds Maintenance and Street Cleaning Contracts

- 3.7.1 Within the tender documents for lots 2 and 3, there is a request for bidders to provide costs for delivery of services with electric vehicles up to 3.5 tonnes in weight. To enable an objective tender evaluation to take place, bidders had been asked to provide a pricing schedule A, where there is no requirement for electric vehicles and schedule B where electric vehicles are included. Following discussions with the bidders, the following issues were identified which have since been discussed with the Working Party:

- 3.5t vehicles are available but bidders are not confident in their reliability and performance
- Concerns about contractual and reputational risk if the Council specifies 3.5t electric vehicles from contract start
- Capacity of electrical supply to Council's depot is unknown (see later recommendation) and bidders may struggle to put together a comprehensive proposal in time for tender submission

- 3.7.2 Bidders requested a phased approach to introduction of electric vehicles and the Working Party therefore concluded that there should be 2 costed bids: (i) Schedule A - standard fleet; and (ii) Schedule B - electric fleet up to and including 3.5t vehicles. Schedule B would allow a phased approach with introduction of electric vehicles from 1st April 2024.

- 3.7.3 As advised in the previous recommendation, the final bids will not be available before 31st August. Having considered the detail of those bids, it may be the case that if the Council was to finance the purchase of vehicles above 3.5t there could be a cost saving. Should the Council go down this route then there will need to be capital financing. As the extent of that potential financing is not known at this point, it is recommended that authority is delegated to the Head of Finance, in consultation with the Portfolio Holder for Finance, to determine whether it is appropriate and if so amends the capital programme accordingly with Executive updated in a subsequent report.

3.8 Stratford Road Land

- 3.8.1 Within Warwick District Council's Local Plan 2011-2029, there is a land allocation off Stratford Road, Warwick for employment use. The land is owned in various parcels by this Council, Severn Trent and a private individual. The parties have been discussing over a period of time how to bring the land forward for development. Among other issues is the fact that part of the land houses a depot for the Council's waste and ground maintenance contractors. Despite best efforts by bidders and officers to find an alternative site from which the contractors could operate this has not proven possible. It has

therefore been necessary to give a commitment to the bidders that Stratford Road would be available as a depot for the life of the new contract.

- 3.8.2 The location of the depot is at the entrance to the site which in land value terms is the most attractive. Officers are therefore working with Severn Trent to appraise various options for relocating the depot on the site. This work will feed into the overall master planning of the site and given the Council's climate change commitment and desire to see the contractors using electric vehicles where possible, the planning work will need to consider the electric infrastructure requirements. To undertake this master planning work and potential negotiations it is estimated that a budget of £30,000 is required, which is proposed to be funded from the Contingency Budget (see paragraph 3.4.8).

3.9 Everyone Active

- 3.9.1 Members will note from the information contained in Appendix D that since the Government imposed its lockdown measures in response to the pandemic, the Council's leisure operator has been unable to generate any income as service delivery had to cease. As soon as the measures came into force, officers started discussions with EA to consider what steps could be taken to ensure that when the lockdown was either relaxed or removed, EA was in a position to recommence the delivery of the service. Initially, Group Leaders agreed that payments of £37,000 per month should be made to ensure that the buildings did not need to be mothballed and that when the measures were relaxed, the leisure centres could reopen as soon as possible.
- 3.9.2 The Government announced in week commencing 13th July that it would allow gym and fitness classes, swimming and other indoor leisure activities to recommence from 25th July. Due to the initial financial support that the Council had provided, EA had been able to thoroughly prepare for the reopening of the leisure centres within a "covid-safe" environment with effect from 25th July in respect of gyms and sports halls and from 1st August for indoor swimming pools. To reopen the buildings EA required a further subsidy of £245,465 for the period 1st July to 31st August which was agreed by Group Leaders under the Chief Executive's emergency powers.
- 3.9.3 During the lockdown period not only had officers been working with EA on the practicalities of reopening the leisure but also on the financial business plan which would be needed to support the recommencement of the service. A cross-Council project team led by DCX (AJ) was established to oversee the negotiations, whose work ultimately led to a draft variation of the underlying contract between this Council and EA. The variation is commercially sensitive but can be found at item Appendix E (to follow) on this agenda.
- 3.9.4 During the course of the negotiations, officers discussed the situation with Executive members to get a steer on what outcomes the Council was looking for. It was clear that having just invested c£16m in new facilities at Newbold Comyn and St Nicholas Park members wanted to reopen the facilities right across the District as soon as possible but also wanted to do this in a way that limited the cost to the taxpayer as much as possible.
- 3.9.5 Therefore the following principles of negotiation were summarised by the Council Leader:

- That the Council recognises that EA and WDC have shared values with both valuing the public service ethos each brings to their service delivery and that this underlying ethos should govern how negotiations are conducted;
- That the Council recognises that the situation is fast changing and that if the relationship is to endure then there needs to be complete transparency from each party;
- That the Council recognises that it is not impossible that EA could go insolvent and therefore there must be due diligence of EAs financial status with officers drawing-up a framework for Plan B should EA cease trading;
- That the Council recognises that to support EA it will require a significant financial subsidy and so financial monitoring of the contract must be on an open book basis and that subsidy must not include any element of profit;
- That the Council will require weekly performance management information to be provided by EA;
- That whilst negotiations are ongoing, officers must continue to talk with other Councils to ensure that by-and-large they are in-step with what the sector is doing and to be alive to any evidence to suggest that EA may be in financial difficulty that could ultimately threaten the survival of the parent company;
- That specifically the Head of Service ensures that she is aware of how negotiations between EA and Stratford District Council (SDC) are progressing.

3.9.6 In line with these parameters, officers have continued their negotiations with EA and are able to recommend the business plan at Appendix F (to follow). This business plan will require a Council subsidy of up to £x (to follow) for the period up to 31st March although it is important to note that this is a capped figure and should EA perform better than anticipated then EA will require less subsidy.

3.9.7 Officers have also undertaken the following activities:

- Ensured that the Council's negotiations have been supported by Warwickshire Legal Services;
- Ensured that EA's financial position is properly understood by reference to a Creditsafe enquiry;
- Drawn-up a framework for Plan B which has been approved by the Council's Leader and Deputy Leader;
- Has put processes in place to monitor EA's financial performance on a monthly basis and activity performance on a weekly basis through an open-book approach;
- Maintained regular liaison with Councils throughout the County and further afield including with SDC;
- Continued to lobby the Local Government Association and other bodies for a comprehensive financial rescue package for the leisure industry.

3.9.8 Members should note that the Government has produced an income compensation scheme for Councils which should allow the Council to recover an element of the concession fee it was due from EA (as discussed in paragraph 3.2.3). Whereas the Council was due to receive £940k the scheme should enable it to recover £669k in 2020/21.

3.9.9 The MTFS till is based on EA being able to pay the Council the full concession as within the original contract. The position here will be kept under review, with there being a risk that this will not be possible.

3.10 Emergency Response Fund

3.10.1 Following the Government's instruction that the country went into "lockdown", officers considered all the practical and financial support the Council could potentially provide for local residents. Among many initiatives, an Emergency Response Fund was established following Group Leader approval to support various organisations who were providing financial support to vulnerable residents. The fund was established through the aggregation of budgets from Community Forum Grants (£21k), Sports Grants (£17.3k), Arts Grants (11.7k), Rural / Urban Capital Improvement Scheme (RUCIS) Grants (£169.9k), VE Day 75th Anniversary Grant Fund (£8k). The future of the scheme is currently being reviewed to consider its effectiveness.

3.11 Lone Working

3.11.1 Following a review of Council's lone working procedures has taken place and identified that current system is outdated and no longer meets the needs of the council. As a result, research of the available systems on the Market including product trials have taken place. This has allowed the council to identify a specification which meets the needs of the various lone worker employees. Subject to agreement of the budget purchase of the lone worker system will be subject to a procurement exercise. Accordingly, it is recommended that £26.5k recurring budget is agreed from 2020/21 to fund this, funded in the current year from the Contingency Budget, and future years to be included within the Medium Term Financial Strategy.

3.12 Hill Close Gardens

3.12.1 Hill Close Gardens Trust run a well-regarded facility on a lease from the Council. The Trust has benefited in previous years from a grant from the Council but this expired at the end of the last financial year. The Trust has sought a renewed grant from the Council of £20,000 especially in the context of the impact on visitor numbers from the Covid 19 emergency. Given the risk that should the Trust fold then the job and the cost of maintaining the Gardens would fall to the Council, at a cost greater than £20,000 per year, it is suggested that from within the existing St Mary's Lands project budget £20,000 is reallocated as a one off grant to the Trust on condition that before the end of the calendar year, the Trust submits a robust 3 year business plan upon which the Council could then consider any ongoing financial support in the form of a Service Level Agreement.

3.13 Tach Brook Country Park Planning Application

3.13.1 The development of the Tach Brook Country Park is being progressed working with a consultant to an agreed budget. This work has been varied to accommodate proposed additions to the project and continues.

3.13.2 Two elements of the project have altered since the original specification for the project work was agreed:

1. The development of a school adjacent to the country park is on-going and a planning application is required to be submitted for the school in Spring 2021. In parallel, a planning application for the country park

would need to be submitted at the same time as that for the school to ensure that links between the sites are properly considered and approved.

2. At the outset of the project, it was not anticipated that a full planning application would be required for the country park. However, the Planning Authority has now confirmed that a full planning application will be required. The completion of all the necessary supporting information and development of the full planning application is therefore a new and unplanned element to the Tach Brook Country Park project.

3.13.3 Costs have been estimated following soft market research and information from previous similar activity procured by the Council. The final figure will be subject to the completion of a procurement exercise in accordance with the Council's Code of Procurement Practice. The costs are proposed to be funded from S106 receipts which currently total in excess of £1.2m. This funding is specifically for the delivery and maintenance of the Country park and the obligations set out in the Agreements.

4. Policy Framework

4.1 Fit for the Future (FFF)

The Council's FFF Strategy is designed to deliver the Vision for the District of making it a Great Place to Live, Work and Visit. To that end amongst other things the FFF Strategy contains several Key projects. This report shows the way forward for implementing a significant part of one of the Council's Key projects.

The use of the highlighted part is dependent upon the report being about a key project.

The FFF Strategy has 3 strands – People, Services and Money and each has an external and internal element to it. The table below illustrates the impact of this proposal if any in relation to the Council's FFF Strategy.

FFF Strands		
People	Services	Money
External		
Health, Homes, Communities	Green, Clean, Safe	Infrastructure, Enterprise, Employment
<u>Intended outcomes:</u> Improved health for all Housing needs for all met Impressive cultural and sports activities Cohesive and active communities	<u>Intended outcomes:</u> Becoming a net-zero carbon organisation by 2025 Total carbon emissions within Warwick District are as close to zero as possible by 2030 Area has well looked after public spaces All communities have access to decent open space Improved air quality Low levels of crime and ASB	<u>Intended outcomes:</u> Dynamic and diverse local economy Vibrant town centres Improved performance/productivity of local economy Increased employment and income levels
Impacts of Proposal		
The recommendation within the report seek to help to provide future funding for the above outcomes		
Internal		
Effective Staff	Maintain or Improve Services	Firm Financial Footing over the Longer Term
<u>Intended outcomes:</u> All staff are properly trained All staff have the appropriate tools All staff are engaged, empowered and supported The right people are in the right job with the right skills and right behaviours	<u>Intended outcomes:</u> Focusing on our customers' needs Continuously improve our processes Increase the digital provision of services	<u>Intended outcomes:</u> Better return/use of our assets Full Cost accounting Continued cost management Maximise income earning opportunities Seek best value for money
Impacts of Proposal		
The recommendation within the report seek to help to provide future funding for the above outcomes		

4.2 Supporting Strategies

Each strand of the FFF Strategy has several supporting strategies and the relevant one for this proposal is the Financial Strategy as reported to Executive as part of the Budget report in February 2020.

4.3 Changes to Existing Policies

This Section should address if the This report does not propose any changes to the Council's existing policies.

5. Budgetary Framework

- 5.1 Officers review current year budgets on a monthly basis at the same time as considering implications for the medium term. Members are updated on a quarterly basis.
- 5.2 The Budget Review Process provides a planning tool to ensure resources are directed to the Council's priorities. Alongside the Council's own activities, external factors influencing its finances are also taken into consideration, for example Central Government Financing, the Business Rates Retention scheme, changes in legislation and the economy.
- 5.3 The Council maintains its Reserves to deliver Capital and other projects, and to ensure that there are sufficient resources available to manage unforeseen demands and continue to deliver its services. Close monitoring of these Reserve balances and Capital Programme, together with plans to replenish them will preserve the financial stability of the organisation for future years.
- 5.4 Members will note the significant savings that need to be secured to enable it to set a balanced budget for 2021/22 if there is to be no reduction in the level of service provision by the Council.
- 5.5 The figures included within this report for the balances on the Contingency Budget and the Service Transformation Reserve are subject to proposed further allocations within the WDC Post Covid 19 Recovery Strategy - Back to the Future report, also on this agenda.

6. Risks

- 6.1 The February Budget report details the main financial risks facing the Council. Many of these relate to local authority funding, notably Business Rate Retention and New Homes Bonus.
- 6.2 The current pandemic has brought many risks to the Council's finances, relating to income and expenditure. Whilst it is believed the figures within this report present prudent yet reasonable estimates, it is possible that the financial position for the current year and future years is worse than forecast.
- 6.3 Many controls and mitigations are in place to help manage the financial risks facing the Council. These include: -
 - The comprehensive Budget Review process. This entails all budget managers reviewing their budgets on at least a monthly basis, considering previous, current and future years, along with any possible issues that may impact upon their budgets. As part of this process, regular Budget Review reports are issued to the Executive and Senior Management Team.

- Financial Planning with the MTFs/financial projections, bringing together all issues that will impact on the Council's finances in the medium term.
- Financial controls, including the Codes of Financial and Procurement Practice, system controls, reconciliations, audit (internal and external).
- Project Management and associated controls.
- Trained staff and access to appropriate professional advice (e.g. WCC Legal).
- Risk Management process across the Council, including the on-going review and maintenance of risk registers.
- Scrutiny by members of the Council's finances, including Budget Reports, and the financial implications of all proposals.
- Within the 2020/21 Budget there was a Contingency Budget, originally of £200,000 for any unplanned unavoidable expenditure, the balance of this being discussed further within this report.
- Reserves – The Council holds reserves as discussed within section 3.4. Whilst much of these reserves have already been earmarked for specific projects, it is important that reserves are held for any unforeseen demands. The use of the Business Rate Retention Volatility Reserve as discussed in 3.4.2 and 3.5.6, does reduce the forecast balance on this reserve to around £1m. This balance should not be allowed to go below this level.
- The General Fund Balance is £1.5m. This is available to accommodate any unplanned expenditure, or to make up any shortfall in income. However, the Council should seek to maintain the balance at this level.
- The specific causes of reductions to income or increased expenditure should continue to be managed by the relevant Service Area as part of managing the risks within each Service Risk Register. Each Service Area's Risk Register is presented to Finance and Audit Scrutiny Committee annually on a rolling basis for scrutiny.

7. Alternative Option(s) considered

- 7.1 No alternative options are presented for consideration. Members may choose to not accept all of the recommendations within the report.

