

Note on Summary Financial Position 2020-21

Finance Task Group – 30 September 2020

Introduction

At the last meeting on 30 September the Finance Task Group considered the 2020/21 financial position, and the approach to budget setting for 2021/22.

The Covid-19 pandemic has created immense uncertainty for local government finances. The budget for 2020/21 was approved in February before it became clear the impact that the pandemic would have. Consideration of the Medium Term Financial Strategy (MTFS) was deferred from March 2020 as it became apparent that the future would be very different from expectations. The draft budget papers to be considered by the Executive in November will include revised forecasts based on the first half of 2020/21.

The financial impact in 2020/21 has been across a number of areas of the Council's budgets:

- Revenue expenditure in dealing with the response
- Some savings as activities have slowed down
- Income loss from fees and charges and commercial rents
- Government support grants
- Cost and timing of capital projects

Even with the known current situation it remains very difficult to forecast for rest of the year as position continues to change.

Additional Costs

The most significant areas of expenditure have been in Housing and Leisure

Housing

The Council secured the Woking Travelodge for temporary housing at the beginning of the crisis. The Woking Hotel was also used, together with the HG Wells centre which was adapted using pods to provide further accommodation. There were also additional costs for food and security.

Some of these costs have been covered by income from other authorities, and businesses, in need of accommodation, and by benefits payments.

The current forecast for the year is a net cost of circa £930,000.

Leisure

From March 2020 the Council has provided support to Freedom as their business was initially closed completely, and now has partially re-opened. The Council originally also paid Freedom staffing costs, using staff to assist in the response to the crisis and to complete welfare calls. The forecast cost for the full year is £1,234,000.

Other

For 3 months the Council supported the Woking News and Mail and facilitated the weekly delivery of a free copy to every property in the Borough. This provided an additional communication mechanism during the lockdown period. The cost has been £138,000.

IT improvements have been required in the form of additional equipment to enable staff to work from home, and Zoom licenses to enable virtual meetings.

Other costs incurred include PPE, sanitiser and communications material.

Savings

Some activities have slowed down eg Celebrate Woking, the extent of this is currently being established to ensure cost variations are savings and not a rescheduling of costs.

Income loss

The government launched an income compensation scheme in August with the first claim being submitted by the end of September covering the period to 31 July 2020. This scheme requires local authorities to fund an initial 5% reduction in income, but after that the government will fund 75% of the loss. Associated cost savings have to be identified and offset from the amount claimed. The scheme covers service income but not income generated through commercial activities such as commercial rents.

A claim has been prepared which covers Off and On Street Car Parking and the Freedom Leisure management fee. In total, a request for government funding of £2.1m.

Other areas may be included in future returns if income becomes irrecoverable during the year.

Commercial Rents

The most significant area of income for the Council is Commercial Rents. Over 60% of commercial tenants are paying rent and service charge on time and require no assistance. A further 8% have agreed to the Council's proposed terms for recovery of amounts owed, and 18% are in discussions with the Council. 13% have not responded to requests to engage, many of these are in the retail and hospitality sectors. Work continues with tenants to agree acceptable strategies.

Of the £21m commercial rent budget, £8.5m has been received to date although this only includes data from some tenants for the September rent quarter. Once the September position is clearer this will be used as the basis for forecasting for the rest of the financial year and budget process.

The figures currently have to be treated with caution. Some of those in discussions may be near to being resolved, others may be requesting significant further assistance. In addition

some of those where strategies have been agreed may not keep to agreements as the environment changes over the coming months.

Government Support

The Government has provided support in the form of grant funding. The Council has been awarded the following funding over 3 tranches since the beginning of the crisis.

Local Authority	First Tranche of Covid-19 Funding	Second Tranche of Covid-19 Funding	Third Tranche of Covid-19 Funding ²	Total Covid-19 Additional Funding
Woking	37,595	998,732	143,214	1,179,541

The Council has recently been awarded a further £380k revenue grant funding towards our rough sleeper costs for 2020/21.

The government have committed to additional 'New Burdens' funding to cover the Council's costs of new requirements such as administration of the Business Grants. Generally it has been possible to meet these requirements using existing resources.

The Council was allocated £89k from the Reopening the High Street fund. This should cover some of the costs of changes in the town centre.

Financial Forecasting

As the year progresses the financial pressures and the government approach to support becomes clearer. The Chancellor has announced that there will not be a budget this autumn. The Comprehensive Spending Review (CSR), which determines government department budgets, is expected to only cover one year. The Fair Funding Review and reform of the Business Rates systems will be further delayed. Local Government Reorganisation has been the subject of recent discussions but any developments on this are now also likely to be deferred.

It is assumed that the government to continue with the approach it has taken to date. Provision of support for local government services is expected on a staggered basis, depending on how the crisis develops both locally and nationally.

So far support has covered a proportion of the pressures experienced by the Council but the government is not inclined to cover everything or to cover commercial losses. The Council has requested that capitalisation of losses during this period be considered. However, any flexibility is likely to be on a case by case basis, agreed individually Councils on the basis of specific circumstances.

Management Action

The Council has reviewed staffing costs and has taken a number of posts out of the establishment. This secures the saving for 2020/21 as reported in the Green Book, and will be incorporated in the 2021/22 budget.

The Investment Programme has been rolled forward (also on the FTG agenda) and is being reviewed by CMG and Senior Managers to consider what savings could be secured, in particular from projects funded by borrowing and revenue reserves.

Other service expenditure is being considered to establish what savings can be made by deferral of activity.

Approach to budget setting

Actual income and expenditure will be assessed at the end of September:

- This provides a half year of actuals on which to base the forecast and budget
- Allows for time to assess the experience of the recovery post full lock down and to take a view of the likely government approach to Autumn/Winter 2020.
- Will include the income claim for lost fees and charges
- Enables the experience of the September rent quarter to be assessed

During October this will be refined and form the base for:

- Monitoring going forward
- November draft 2021/22 budget and determining what assumptions to make
- Medium Term Financial Forecast
- Approach to managing the Council finances, reserves and decision making for 2020/21 and beyond.