

Part A

Report to: Finance Scrutiny Committee

Date of meeting: Monday, 28 June 2021

Report author: Section Head - Financial Planning

Title: Council Finances 2021/22 Budget Update

1.0 Summary

1.1 This report updates the Committee on the Council's 2021/22 budgets as a result of the continuation of Covid 19.

2.0 Risks

2.1

Nature of Risk	Consequence	Suggested Control Measures	Response (Treat, tolerate, terminate , transfer)	Risk Rating (combination of severity and likelihood)
Watford as a place and as a council does not recover from the impact of the pandemic	Serious impact on the economy and vibrancy of the town. Reduction in the ability of the council to deliver the requirements of residents and businesses and fulfil its statutory obligations. Impact on long term financial sustainability of the Council	Recovery cell established led by the Group Head of Commercial to ensure that plans are put in place as early as possible with action taken as early as possible and to ensure the decision-making during the pandemic is cognisant of Recovery. The recovery cell includes the Shared Director of Finance and will have a focus on financial as well as economic recovery.	Treat	3 x 4 = 12

3.0 Recommendations

3.1 That the Finance Scrutiny Committee note and comment on the attached report.

Further information:

Nigel Pollard, Alison Scott

nigel.pollard@watford.gov.uk, alison.scott@threerivers.gov.uk

Report approved by:

Alison Scott Shared Director of Finance

4.0 Details**Covid 19 Revenue**

- 4.1 The MTFs agreed at Council on 26 January 2021 took into account the longer term impact of COVID-19 on the resource base to the extent that these could be forecasted at that time. The table below summarises the impact of the additional financial implications that have arisen and assuming an end date of 19 July 2021 when all restrictions are lifted and things return to a 'new' normal. The total net increase in budget for 2021/22 is £2.165m. Details are shown at **Appendix 1.**

Additional Expenditure

- 4.2 The expected additional expenditure totals £0.402m and is mainly due to the £0.350m additional support to the leisure operator. This is an agreed settled position and under the agreement (deed of variation) the Council will provide financial support to the leisure operator without accepting any legal obligation to under the contract but as financial relief payments.

Loss of Income

- 4.3 A loss of income of £1.764m is being estimated. This primarily relates to losses of £0.442m on commercial rent and £1.065m on the management fee from the leisure contract. The waive of the management fee is also under the deed of variation. With the exception of commercial rent, it is expected that the Government will reimburse 75% of all other income losses, this equates to approx. £1.0m.

Council Tax & Business Rates

- 4.4 Due to the impact of COVID-19, the Council has experienced a drop in its council tax base, combined with the impact of holding the Council Tax increase to the level of inflation. This has been taken into the MTFs and currently the Council does not estimate any further losses at this time. In terms of Business Rates, there was a small drop in 2020/21 collected due to the Government compensating for the majority of the loss. The loss will be spread over 3 years commencing this financial year.

Government Funding

- 4.5 The government has provided further COVID-19 grant funding of £0.471m for 2021/22 to compensate for additional expenditure and announced that the income guarantee scheme will continue into 2021/22.
- 4.6 The Council received £802,000 for the Council Tax hardship fund and £17.2M for Small Business and Retail, Hospitality and Leisure Grants in 2020/21. Further grants were also received with any unspent balance at the end of 2020/21 carried forward to support the implications of Covid 19. The Council acts as a conduit for these grants which do not form part of the Council's budget figures. It is likely that any unspent grants will be returned to government.

Key risks

- 4.7 The figures above are based on the known position in terms of the leisure management contract up to the end of June. Whilst some reopening of leisure facilities is expected in July. The Council is continues to monitor the position for the remainder of the year.
- 4.8 Income from the investment portfolio is taken directly to the revenue budget so any reduction will be an immediate pressure on the budget and reserves.

Next Steps

- 4.9 The Council's focus is on the recovery phase both in terms of council services and the town. During 2020/21 a Renewal Fund was established to help Watford recover from the impacts of Covid-19. As at the end of March 2021, the balance on the reserve was £1.035m. Any costs incurred not funded by the Government or not considered part of the recovery criteria will fall on reserves. Budget implications will be reported to this Committee at its September meeting as part of the quarter 1 Finance Digest.

5.0 Implications

5.1 Financial

- 5.1.1 These are covered within the report.

5.2 Legal Issues (Monitoring Officer)

- 5.2.1 The Group Head of Democracy and Governance comments that there are no specific legal implications in this report.

5.3 Equalities, Human Rights and Data Protection

5.3.1 Under s149 (1) of the Equality Act the council must have due regard, in the exercise of its functions, to the need to –

- eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Act
- advance equality of opportunity between persons who share relevant protected characteristics and persons who do not share them
- foster good relations between persons who share relevant protected characteristics and persons who do not share them.

5.3.2 Having had regard to the council's obligations under the General Data Protection Regulation (GDPR) 2018, it is considered that officers are not required to undertake a Data Processing Impact Assessment (DPIA) for this report.

5.3.3 This report provides an over view of Budget proposals and equalities issues will need to be specifically considered before any changes to existing service levels are introduced.

5.4 Staffing

5.4.1 Where necessary some staff have been redeployed. To date no member of staff has been furloughed.

5.5 Accommodation

5.5.1 There are no accommodation implications arising from this report.

5.6 Community Safety/Crime and Disorder

5.6.1 There are no community safety/crime and disorder implications arising from this report.

5.7 Sustainability

5.7.1 There are no sustainability implications arising from this report.

Appendices

Appendix 1 – Revenue Implications

Background papers

No papers were used in the preparation of this report.

REVENUE IMPLICATIONS

Service	Description	Additional Expenditure	Explanation	Reduced Income	Explanation
		£		£	
HR	Agency Staff	5,250	Extension of additional HR Advisor to 30 June 2021		
Legal	Software Licences	40,000	To enable the council chamber and committee rooms to be able to have hybrid meetings (mixture of face to face and remote.)		
	DocuSign Licence	6,370	To enable the signing of contracts and licences remotely.		
Leisure & Environmental Services	SLM			1,065,000	Due to the Covid 19 pandemic an agreement has been extended with SLM where the Council will not receive any of the management fee income for 2021/22.
		350,000	Additional operational support to SLM		
Regeneration & Property	Commercial rent			442,000	Atria Watford – 2021/22 - £558K (compared to historical level of c£1m)
	Parking			226,140	CitiPark – 2021/22 - £670,000 (compared to historical level of £896,138 due to rent concession agreed in return for break in Sutton car Park lease)
Parking	Town Hall Car Park			10,000	Loss of parking income at Town Hall Car Park (and Visitor Car Park) as long as enforcement remains suspended to accommodate the vaccination centre
Environmental Health	Pest control services			10,000	This is predicted £10k reduction in income expected from lesser number of pest control services, as businesses are closed, home visits reduced, and generally demand has lessened. This estimate is taken from indicative information last year, and we will update after wasp season and depending on Covid cases locally over the year.
	Food Safety training courses to the public			2,500	Predicted less income from training courses normally run for the public, as face to face not possible, and whilst we are adapting to online courses, we are focussing Covid response at present and it is the EHOs who provide the training so not a current priority.
Licences	Taxi driver licences			8,000	Anticipated reduction in come as people choose not to renew or to renew later driver licences due to limited business, based on last year and will be reviewed each month.
		401,620		1,763,640	