

East Herts Council Report

Executive

Date of Meeting: 6 October 2020

Report by: Councillor Geoff Williamson, Deputy Leader & Executive Member for Financial Sustainability

Report title: Quarterly Corporate Budget Monitor – Quarter 1 June 2020

Ward(s) affected: ALL

Summary

- To provide a report on financial monitoring for East Herts Council for 2020/21 as at 30th June 2020.
- The net revenue budget for 2020/21 is £10.667m as set out in Table 1, this is funded by Council Tax. The forecast outturn as at 30th June 2020 predicts an overspend of £100k at the year end.
- The revised capital budget for 2020/21 is £73.985m, of which £100k is estimated to be carried forward to future years.

RECOMMENDATIONS FOR EXECUTIVE:

- a. The net revenue budget forecast overspend of £100k in 2020/21 be noted (Table 1);
- b. The revised capital budget for 2020/21 is £73.985m, of which £100k is estimated to be carried forward to future years be noted (paragraph 5.1.1);

1.0 Proposal(s)

1.1 Not applicable

2.0 Background

2.1 This report sets out the financial position for the financial year 2020/21 to date and provides forecasts for the outturn position.

2.2 The Council's revenue budget is made up of 5 areas; these are shown in table 1. The report that follows provides details of the forecast outturn position against these areas.

2.3 The 2020/21 Budget was set by Council on 29th January 2020. The Council's income and expenditure has been impacted by the Covid-19 pandemic, as previously reported to Executive. This report contains estimates of the Covid-19 income loss scheme funding from the government to support the loss of fees and charges income and also Local Authority support grant.

2.4 The income loss scheme will involve a 5% deductible rate, whereby councils will absorb losses up to 5% of their planned sales, fees and charges income, with the government compensating them for 75p in every pound of relevant loss thereafter.

Table 1 – 2020/21 Revenue Forecast Outturn

| | Original Budget 2020/21 £'000 | Forecast outturn £'000 | Variance £'000 |
|----------------------------|--|---------------------------------------|---------------------------|
| Total Net Cost of Services | 15,511 | 17,228 | 1,717 |
| Corporate Budgets Total | 830 | 930 | 100 |
| Capitalising Salaries | (150) | (50) | 100 |
| Net Use of Reserves | 732 | 618 | (114) |
| Funding | (6,256) | (7,959) | (1,703) |
| Net Revenue Spend | 10,667 | 10,767 | 100 |
| Funded by Council Tax | (10,667) | (10,667) | - |
| Overspend | - | 100 | 100 |

2.5 The report contains the following sections and Appendices:

| Background Report Sections | |
|----------------------------|----------------------|
| 2.6 | Net Cost of Services |
| 2.18 | Corporate budgets |
| 3.0 | Reserves |
| 4.0 | Funding |
| 5.0 | Capital budgets |
| 6.0 | Debtors |

| Appendices | |
|------------|---------|
| A | Capital |
| B | Debtors |

2.6 Net Cost of Services

2.7 The Council's net cost of services budget for 2020/21 is £15.511m. An overspend of £1.717m is forecast in 2020/21. Table 2 overleaf shows this current forecast outturn position broken down by service area.

Table 2 – Net Cost of Services

| | Original Budget 2020/21 | Forecast outturn | Fees & Charges Grant | Revised outturn | Variance |
|---------------------------------------|--------------------------------|-------------------------|---------------------------------|------------------------|-----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Chief Executive & Directors | 383 | 386 | - | 386 | 3 |
| Communications, Strategy & Policy | 1,255 | 1,244 | - | 1,244 | (11) |
| HR & Organisational Development | 540 | 503 | - | 503 | (37) |
| Strategic Finance & Property | 1,556 | 1,910 | - | 1,910 | 354 |
| Housing & Health | 2,764 | 2,826 | (13) | 2,813 | 49 |
| Democratic and Legal | 1,269 | 1,338 | (41) | 1,297 | 28 |
| Planning & Building Control | 915 | 1,686 | (296) | 1,390 | 475 |
| Operations | 3,665 | 5,583 | (994) | 4,589 | 924 |
| Shared Revenues & Benefits Service | 1,683 | 1,716 | - | 1,716 | 33 |
| Revenues & benefits retained costs | (386) | (604) | - | (604) | (218) |
| Housing Benefit Subsidy | (550) | (455) | - | (455) | 95 |
| Shared Business & Technology Services | 2,417 | 2,439 | - | 2,439 | 22 |
| Total Net Cost of Services | 15,511 | 18,572 | (1,344) | 17,228 | 1,717 |

2.8 The use of reserves to fund Net Cost of Services expenditure is included in section 3.0.

2.9 Communications, Strategy & Policy

Due to reception areas being closed since the end of March, vacant customer service advisor posts have not been filled and use of agency support has stopped. As a result a significant underspend in salaries is forecast. The majority of this will be used to fund project management costs that were budgeted to be capitalised, this is reflected in the figures in table 2.

2.10 HR & organisation development

A forecast underspend of £37k is reported. Most of this relates to an underspend on salary budgets due to having a lower number of apprentices than initially expected.

2.11 Strategic Finance & Property

A forecast shortfall in income of £354k is reported. This relates to:

- £50k reduced rental income from Charrington's House in relation to the current nationwide pandemic
- £64k underachievement in expected income from Millstream, as the company have not been able to buy properties in line with the business plan due to the pandemic
- £200k underachievement of the financial sustainability saving target due to delays in acquisitions, again caused by the pandemic

2.12 Housing and Health

A forecast shortfall in income of £49k is reported for the

service. This almost exclusively relates to the negative impact of Covid-19 on commercial activity leading to a projected under recovery of premises licence fees, environmental health licence fees and taxi licence fees. The shortfall is net of anticipated compensation due under the Government scheme.

2.13 Democratic and Legal

A forecast shortfall in income of £28k is reported. This is due to reduced land charges fee income following restrictions placed on the housing market, net of Government compensation.

2.14 Planning & Building Control

A forecast shortfall in income of £475k is reported against the service. This is net of anticipated grant income received to cover losses in fees and charges.

2.15 Operations

A forecast shortfall in income of £924k is reported against the Operations service as a result of the impact of covid 19 on income streams, particularly car parking income. This is net of anticipated grant income received to cover losses in fees and charges. Not all income streams are eligible to receive government funding, for example kerbside dry recycling and penalty charge notices.

2.16 Shared revenue and benefits

A forecast overspend of £33k is reported against the Shared revenues and benefits service, this is due to staff turnover and the associated vacancy saving being lower than anticipated.

2.17 Revenues and benefits retained costs

The revenues and benefits retained costs budget is forecast to overachieve by £218k. This is primarily due to additional central government new burdens funding.

2.18 Corporate Budgets

Corporate budgets are costs and income received by the Council that are not service specific, these include income from the Council's investments, pension deficit contributions and New Homes Bonus grants to Town and Parish Councils. Table 3 shows the forecast outturn position against the corporate budgets.

Table 3 – Corporate budgets 2020/21 forecast outturn

| | Original Budget 2020/21 | Forecast outturn | Variance |
|--------------------------------------|--------------------------------|-------------------------|-----------------|
| | £'000 | £'000 | £'000 |
| NHB Grants to Town & Parish Councils | 708 | 708 | - |
| Interest Payments | 207 | 207 | - |
| Interest & Investment Income | (800) | (700) | 100 |
| Pension Fund Deficit contribution | 715 | 715 | - |
| Corporate Budget Total | 830 | 930 | 100 |

2.18.1 The interest and investment income budget forecasts an underachievement in income of £100k. This is an estimate based on the current Covid 19 impact on interest rates and property fund returns.

2.18.2 The Interest Equalisation Reserve has a balance of £1.785m as

at 31st March 2020. This reserve will be utilised to smooth the impact of any under achievement of interest income. Table 4 includes use of this reserve to cover the £100k shortfall.

3.0 Reserves

3.1.1 The Council holds earmarked reserves to fund unpredictable financial pressures and to smooth the effect of known spending over time. Table 4 reflects the forecast outturn position as at 30th June 2020.

3.1.2 In previous years the use of reserves to fund Net Cost of Services expenditure has been shown in table 2. A different presentation is being used in 2020/21, to aid transparency, and the use of reserves to fund Net Cost of Services expenditure is now shown in table 4.

Table 4: Use of reserves 2020/21

| | 2020/21 Budget | 2020/21 Forecast Outturn | Variance |
|--|---------------------------|---|-----------------|
| | £'000 | £'000 | £'000 |
| Contributions to reserves | 42 | 42 | - |
| Contributions from reserves | (817) | (931) | (114) |
| Use of General reserve | (96) | (96) | - |
| Contribution to Priority spend Reserve | 1,603 | 1,603 | - |
| Use of Reserves: | 732 | 618 | (114) |

3.1.3 It is forecasted that there will be a contribution from reserves of £931k in 2020/21. This is made up of:

- £831k to fund items included in the Net Cost of Services such as Gilston Garden town project costs, expenditure on the IT shared service and the smoothing of the leisure contract costs, approved as part of the 2020/21 budget setting
- £100k use of the interest equalisation reserve to smooth the impact of anticipated shortfall in investment returns

4.0 Funding

These income budgets are general and non-service specific income sources. The table below shows the value and source of these funding streams as at 30th June 2020.

Table 5: 2020/21 funding

| | Original Budget 2020/21 | Forecast Funding 2020/21 | Variance |
|--------------------------------------|--------------------------------|---------------------------------|-----------------|
| Business Rates | (3,124) | (3,124) | - |
| (Surplus)/Deficit on collection fund | (300) | (300) | - |
| Government support grant | - | (1,703) | (1,703) |
| New Homes Bonus | (2,832) | (2,832) | - |
| Total Funding | (6,256) | (7,959) | (1,703) |

4.1.1 The impact on collection rates for both Council Tax and Business Rates as a result of covid-19 is being closely monitored by officers. A contribution to the Collection fund

reserve of £2.554m was made in 2019/20. This can be utilised in this and future years to mitigate the impact of reduced collection in year.

- 4.1.2 The Council received £1.703m grant from central government, as Local Authority support grant to enable us to manage increased expenditure as a result of covid-19.

5.0 Capital Programme

- 5.1.1 The revised capital budget for 2020/21 is £73.985m, this includes £30.898m carried forward from 2019/20. It is currently forecast that £100k is to be carried forward to future years. Appendix A provides an analysis of the projects and their budgets.

- 5.1.2 A review of the capital programme is currently being undertaken, and any resulting amendments to the budget or spend profiling will be reported in the Quarter 2 budget monitoring report.

6.0 Debtors

- 6.1.1 The total outstanding debt as at 30th June 2020 is £1.778m, which has increased by £578k from the 19/20 outturn position.

- 6.1.2 The outstanding debt over 120 days totals £868k.

Due to the current nationwide pandemic there has been an increase in aged debt. However officers have been proactively working by agreeing payment plans/deferrals with debtors in order to pursue the debt.

In calculating the bad debt provision as at 31 March 2020, officers were prudent and allowed for potential non collection of debts due to the pandemic.

Appendix B analyses the profile of aged debtors

7.0 Reason(s)

7.1 As part of its budget monitoring process, the Council is required to produce budget monitoring reports in order to provide effective financial and performance management.

8.0 Options

8.1 Not applicable

9.0 Risks

9.1 Not applicable

10.0 Implications/Consultations

Consultation was undertaken with budget managers/finance contacts to assist in writing this report.

Community Safety

No

Data Protection

No

Equalities

No

Environmental Sustainability

No

Financial

All financial implications are included in this report.

Health and Safety

No

Human Resources

No

Human Rights

No

Legal

All statutory requirements have been considered in preparing this report.

Specific Wards

No

11.0 Background papers, appendices and other relevant material

Appendix A: Capital

Appendix B: Debtors

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