

East Herts Council Report

Audit and Governance Committee

Date of Meeting: 17th November 2020

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

Report title: Quarterly Corporate Budget Monitor – Quarter Two - September 2020

Ward(s) affected: ALL

Summary

- To provide a report on financial monitoring for East Herts Council for 2020/21 as at 30th September 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 September 2020 predicts an overspend of £168k at the year end.
- The revised capital budget for 2020/21 is £70.499m, of which £20.224m is estimated to be carried forward to future years.

RECOMMENDATIONS FOR AUDIT AND GOVERNANCE COMMITTEE:

- a. The net revenue budget forecast overspend of £168k in 2020/21 be noted (table 1);**
- b. The revised capital budget for 2020/21 is £70.499m, of which £20.224m 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	Forecast outturn	Variance
	£'000	£'000	£'000
Total Net Cost of Services	15,511	17,392	1,881
Corporate Budgets Total	830	930	100
Capitalising Salaries	(150)	(50)	100
Net Use of Reserves	732	522	(210)
Funding	(6,256)	(7,959)	(1,703)
Net Revenue Spend	10,667	10,835	168
Funded by Council Tax	(10,667)	(10,667)	-
Overspend	-	168	168

2.5 The report contains the following sections and Appendices:

Background Report Sections	
2.6	Net Cost of Services
2.16	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 Councils net cost of services budget for 2020/21 is £15.511m. An overspend of £168k 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	Grant funding	Revised outturn	Variance
	£'000	£'000	£'000	£'000	£'000
Chief Executive & Directors	383	390	-	390	7
Communications, Strategy & Policy	1,255	1,267	-	1,267	12
HR & Organisational Development	540	505	-	505	(35)
Strategic Finance & Property	1,628	1,974	-	1,974	346
Housing & Health	2,692	2,760	(76)	2,684	(8)
Democratic and Legal	1,269	1,315	-	1,315	46
Planning & Building Control	915	2,004	(390)	1,614	699
Operations	3,665	6,001	(1,680)	4,321	656
Shared Revenues & Benefits Service	1,683	1,719	-	1,719	36
Revenues & benefits retained costs	(386)	(447)	-	(447)	(61)
Housing Benefit Subsidy	(550)	(362)	-	(362)	188
Shared Business & Technology Services	2,417	2,411	-	2,411	(6)
Total Net Cost of Services	15,511	19,538	(2,146)	17,392	1,881

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

2.9 HR & organisation development

A forecast underspend of £35k is reported. Most of this relates to an underspend on salary budgets due to having a lower number of apprentices than initially expected. Recruitment was delayed initially due to the pandemic's impact on apprenticeship courses and has been delayed further to allow potential savings to be considered

2.10 Strategic Finance & Property

A forecast shortfall in income of £346k is reported. As reported previously, this relates to:

- £50k reduced rental income from Charrington's House in relation to the current nationwide pandemic. £49k increase in service charge and business rates costs due to vacant space in building as site is to be redeveloped.
- £53k 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

2.11 Democratic and Legal

A forecast overspend of £46k is reported. £27k of this is related to an increase in court and legal costs and the remainder an overspend on salaries due to the continued use of agency workers.

2.12 Planning and Building Control

A forecast shortfall in income of £699k is reported against the service. This is due to the impact of Covid-19 in addition to a national downward trend of application fee income and changes to the planning system. This is net of anticipated grant income received to cover losses in fees and charges.

Additionally there has been an increase of £161k in relation to appeals costs in relation to Little Hadham and other sensitive planning and enforcement cases. This also includes a number of judicial reviews against planning decisions that the Council has taken.

2.13 Operations

A forecast overspend of £656k is reported against the Operations service as a result of the continued 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. In addition, a loss in Alternative Financial Model income of £340k relating to waste recycling is forecasted. An increase in waste collection and materials handling costs of £86k is also forecasted.

2.14 Shared revenue and benefits

A forecast overspend of £36k is reported against the Shared revenues and benefits service, this is due to The pay award being higher than initially budgeted for.

2.15 Revenues and benefits retained costs

The revenues and benefits retained costs budget is forecast to overachieve by £61k. This is primarily due to additional central government new burdens funding. Additionally income from Summons costs has been reduced due to lack of court dates in

this financial year.

2.16 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

2.16.1 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, which remain unchanged since quarter 1.

2.16.2 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 September 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)	(1,027)	(210)
Use of General reserve	(96)	(96)	-
Contribution to Priority spend Reserve	1,603	1,603	-
Use of Reserves:	810	522	(210)

3.1.3 It is forecasted that there will be a contribution from reserves of £1.027m in 2020/21. This is made up of:

- £835k 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 September 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 As mentioned in the quarter 1 budget monitoring report, 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 £70.499m, this includes £30.898m carried forward from 2019/20.

5.1.2 A review of the capital programme has been undertaken, with many budgets re-profiled due to covid-19 restrictions and delays. This has resulted in £20.224m of the 2020/21 budget, now forecast to be carried forward to future years. Appendix A provides an analysis of the projects and their budgets.

6.0 Debtors

6.1.1 The total outstanding debt as at 30th September 2020 is £2.195m, which has increased by £417k since Q1. Since writing this report, invoices totalling £1.07m have subsequently been paid.

6.1.2 The outstanding debt over 120 days totals £1.242m.

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.

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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