



EXECUTIVE

11 AUGUST 2021

SUPPLEMENTARY AGENDA

PART I

6. 4TH QUARTER REVENUE MONITORING REPORT 2020/21 - GENERAL FUND AND HOUSING REVENUE ACCOUNT

To consider the 4th Quarter Revenue Monitoring Report for 2020/21 in respect of the General Fund and Housing Revenue Account.

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Meeting: EXECUTIVE

Agenda Item:

Portfolio Area: Resources

Date: 11 August 2021

4th QUARTER MONITORING REPORT GENERAL FUND AND HOUSING REVENUE ACCOUNT

KEY DECISION

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1. PURPOSE

- 1.1 To update Members on the 2020/21 outturn positions for the General Fund (GF) and Housing Revenue Account (HRA) and to seek approval for revisions to 2021/22 revenue budgets. The revenue spend included within this report are subject to completion of the 2020/21 audit of accounts.
- 1.2 To update Members on the Council's reserves and balances available to support revenue expenditure.

2. RECOMMENDATIONS

2.1 General Fund

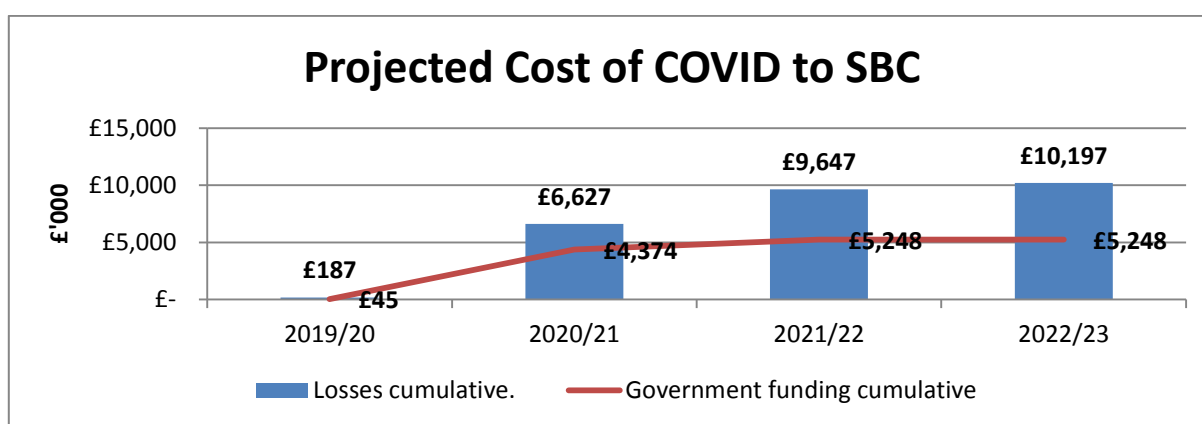
- 2.1.1 That the 2020/21 actual General Fund net expenditure of £10.152Million be noted, subject to the 2020/21 audit of the Statement of Accounts.
- 2.1.2 That carry forward requests totalling £1.162Million be approved for the General Fund (paragraph 4.5.1).

2.2 Housing Revenue Account

- 2.2.1 That the 2020/21 actual in year HRA surplus of £5.580Million be noted, subject to the audit of the Statement of Accounts.
- 2.2.2 That new carry forward requests totalling £378K be approved for the HRA (paragraph 4.11.1).

3. BACKGROUND

- 3.1.1 The General Fund working revenue budget of £12.039Million was approved by Members at the March 2021 Executive, as part of the Quarter 3 monitoring report.
- 3.1.2 The HRA working revenue budget of £4.032Million was approved by Members at the March 2021 Executive, as part of the Quarter 3 monitoring report.
- 3.1.3 The last update to Members on General Fund COVID losses arising from increased costs or income forgone was estimated to be £6.440Million, (in March 2021), as reported to the Executive as part of the 3rd Quarter monitoring report. These losses for 2020/21 and mitigation to fund this were included in the 2020/21 working budget and summarised below.



- 3.1.4 The Accounts and Audit Regulations contain provisions on financial management, annual accounts and audit procedures. Within the amended regulations there is no requirement for Member approval of the Statement of Accounts prior to the completion of the external audit and only the Responsible Financial Officer is required to certify the presentation of the pre audit annual accounts.
- 3.1.5 In January 2021, the government consulted on amendments to the Accounts and Audit Regulations 2015 to implement recommendation, to extend the deadline for publishing audited local authority accounts to 30 September from 31 July. The deadline was extended for two years from 2020/21 with a review at that point to see whether there is a continued need to have an extended deadline. These regulations came into force on 31 March 2021.
- 3.1.6 The deadline for unaudited accounts has been extended to the 31 July (2021) (formally 31 May). However, even with the extension, the production of the pre-audit accounts has been impacted by the delay to the completion of the 2019/20 audited account process. This has been affected by key staff leaving and the impact of additional financial monitoring as a result of COVID. This means the pre-audited accounts have not been published on the Council's website by the 31 July 2021. A notice has now been published on the Councils website to this effect, (as required) and the finance team are working to complete the 2020/21 and 2019/20 Accounts in August.

4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 General Fund 2020/21 outturn

- 4.1.1 The 2020/21 Services Net Expenditure (before capital contribution of £350K) on the General Fund was £9.802Million, compared to a budget of £12.234Million, (this is different from the approved net expenditure in para 3.1.1 as the income for the Business Rates Income Tax compensation scheme of £195K has now been shown below the line in General Fund core resources). The in year underspend (before the transfer to the capital reserve and consideration of any carry forward requests), was £2.432M.
- 4.1.2 The General Fund does not budget for, but plans to transfer £350K to the capital reserve, if in year underspends arise, the transfer was completed for 2020/21, which means General Fund net expenditure underspend was £2.082Million, which is detailed further in section 4.4. While this seems a large underspend, Members should note, there are significant budgets requested for carry forward into 2021/22 (section 4.5, £1.162Million), losses relating to business rates which are accounted for in future years (as set out in legislation), 2021/22 reserve adjustments as a result of the underspend in 2020/21 and this means overall there is a net deficit position compared to the budget across 2020/21 – 2023/24 of £166K as set out in section 4.2.
- 4.1.3 General Fund service expenditure is funded from a combination of Business Rates, Business Rates Section 31 grants (compensation for business rate reliefs granted by the government) and Council Tax Precept. There is a pressure across Core Resources of £358K compared to budget. This is detailed further in section 4.6 of the report.
- 4.1.4 The General Fund budget assumed a drawdown from General Fund balances of £2.252Million, to fund 2020/21 net expenditure but only £529K is required, (see General Fund Outturn Position below), an increase in balances of £1.724Million however, as stated in para 4.1.2 this draw on balances needs to be considered over a three year period.

Table one-2020/21 GF Outturn Position	2020/21 Budget	2020/21 Outturn	Variance
	£	£	£
Services Net Expenditure (pre adjustments)	12,039,050	9,802,284	(2,236,766)
Business Rates Tax Income Guarantee (TIG) Scheme now shown in core resources	195,390	0	(195,390)
Services Net Expenditure (before capital contribution)	12,234,440	9,802,284	(2,432,156)
Contribution to Capital Reserve	0	350,000	350,000
Service Net Expenditure (see section 4.4)	12,234,440	10,152,284	(2,082,156)
Core Resources (including TIG)	(9,981,950)	(9,623,348)	358,602
General Fund Outturn Position	2,252,490	528,936	(1,723,554)

4.2 General Fund Balances 2020/21 – 2023/24

4.2.1 As set out in para 4.1.4 above there is an increase in 2020/21 General Fund Balances of £1.724Million. However, when the impact of carry forwards, change in use of reserves and the future spreading of business rates losses is taken into account, the 2020/21 reduction in use of General Fund balances of £1.724Million overall is a net increase in the use of General Fund balances of £166K across the period 2020/21 – 2023/24. This is because:

- £1.162Million carry forwards are requested in 2021/22, (see section 4.5).
- Business rate income losses of £1.164Million relating to 2020/21 are required to be spread across the next three financial years (in line with regulation), equating to £387K per annum, (see table two below).
- The Business rate losses of £387K per year are partly offset by the £865K Tax Income guarantee scheme (explained in more detail in paragraph 4.6) claimed in 2020/21 and also spread across the three financial years, equating to £288k per annum. This gives a net loss of £99K per year for the three years, (see table two below).
- An increased Revenue Contribution to Capital of £1.194Million is required in 2021/22 (reduced in 2020/21) and partly negated by a use of reserves movement of £766K, (see para 4.4.11).

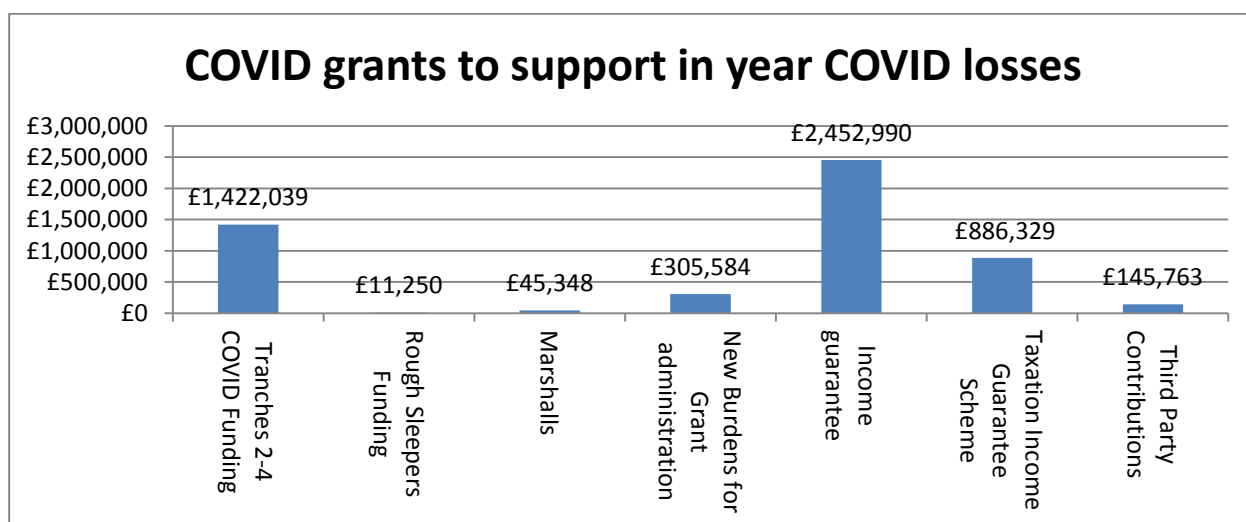
4.2.2 The impact set out in 4.2.1 means over the period 2020/21-2023/24, there is a total loss or increased use of General Fund balances of £166K. The General Fund position will continue to be reviewed as part of the Quarterly Monitoring report to Executive with key risks and opportunities identified.

Table two General Fund Increased use of Balances 2020/21- 2023/24		Actuals
Year	Movement	£
2020/21	Increase in GF Balances in year	(£1,723,554)
2021/22	Carry Forwards from 2020/21	£1,162,395
	Business Rates Losses (3 year spread)	£387,834
	Transfer of Tax Income Guarantee scheme from reserves to partly offset business rate losses	(£288,256)
	Revenue Contribution to Capital not required in 2020/21	£1,194,753
	Transfer to and from reserves not required 2020/21	(£766,370)
	Increase in use of GF balances	£1,690,356
2022/23	Business Rates Losses (3 year spread)	£387,834
	Transfer of Tax Income Guarantee scheme from reserves to partly offset business rate losses	(£288,356)
	Increase in use of GF balances	£99,478
2023/24	Business Rates Losses (3 year spread)	£387,834
	Transfer of Tax Income Guarantee scheme from reserves to partly offset business rate losses	(£288,356)
	Increase in use of GF balances	£99,478
Total Increase in use of General Fund balances 2020/21 - 2023/24		£165,758

4.3 COVID Impact 2020/21

4.3.1 There has been an adverse impact of COVID on the Councils finances during 2020/21, however determining the actual financial impact is difficult as not all changes in spend/income will be totally COVID related. However the table below aims to give a high level view of the financial impact of COVID on the Council during 2020/21. The impact of all 2020/21 changes from the original 2020/21 budget shows that:

- £6.584Million of additional spend or income foregone predominately as a result of COVID during 2020/21.
- Business Rates losses of £1.164Million, (detailed in paragraph 4.2.1).
- Government grant funding of £5.269M including £2.453M from the income guarantee scheme, £1.422M across tranches 2-4 of the Government support package and £886K Tax Income Guarantee support (TIG) as shown in the chart below.



*excludes funding to support additional spend

- A 2020/21 net cost to the Council arising from predominately COVID of £2.478Million, which equates to the mitigation measures included in the June 2020 MTFS report, (£1.218Million of the measures were realised in the 2019/20 General Fund accounts).

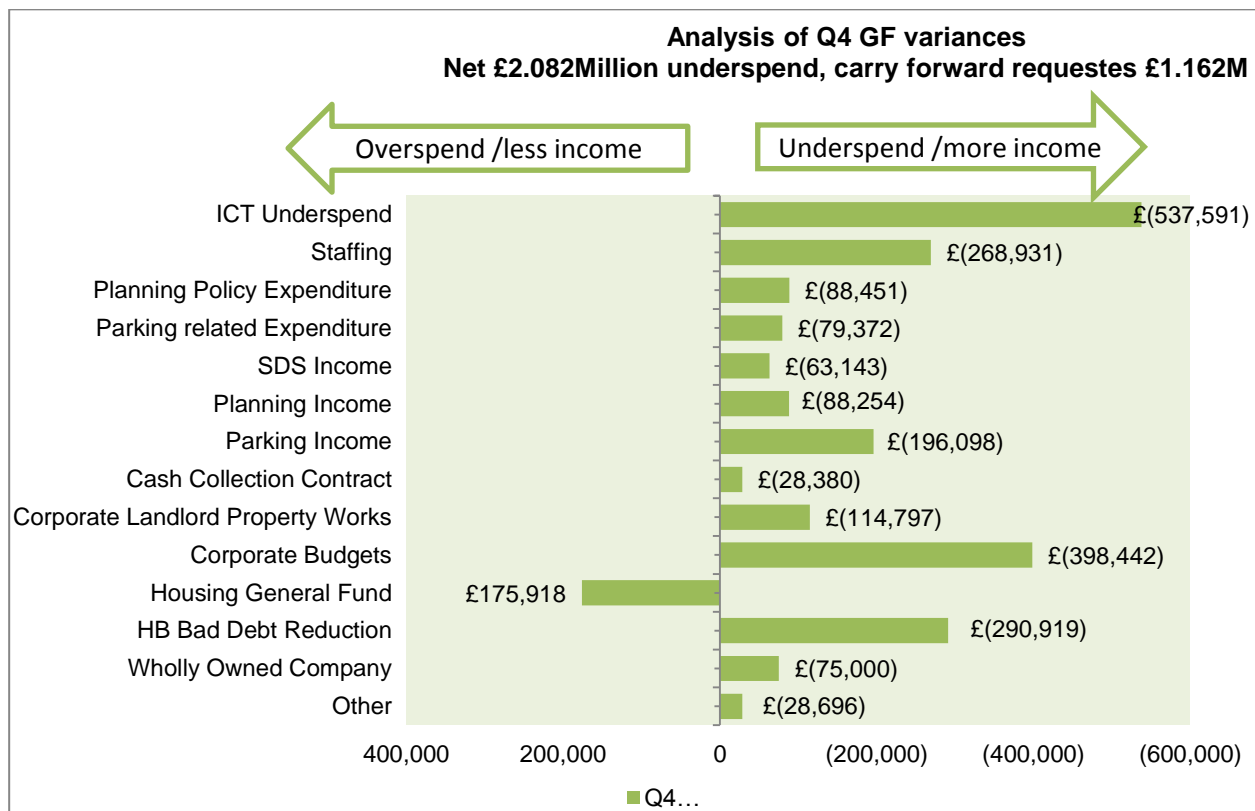
Table three 2020/21 Impact	Original 2020/21 budget £'000	Actual spend £'000	Gap £'000
Net Expenditure:			
Net Expenditure	£10,220	£15,642	£5,422
Add carry forwards to be spent in 2021/22	£0	£1,162	£1,162
Total Net Expenditure increase	£10,220	£16,804	£6,584
Core Resources:			
Business Rate losses (spread over three years)	£0	£1,164	£1,164

Table three 2020/21 Impact	Original 2020/21 budget £'000	Actual spend £'000	Gap £'000
Total Overall losses	£0	£17,968	£7,748
COVID grants in net expenditure		(4,237)	(4,237)
Contributions third parties		(146)	(146)
Tax Income guarantee scheme (NDR)		(865)	(865)
Tax Income guarantee scheme (council tax)		(21)	(21)
Total Grants and mitigation measures	£0	(5,269)	(5,269)
Gap between funding and cost in 2020/21	£10,220	£12,699	£2,478
COVID measures to reduce spend agreed at June MTFS 2020/21 budget		(1,249)	(1,249)
Measures taken in MTFS June 2020 (2019/20 budget)		(1,218)	(1,218)
Net Impact		£10,231	£11

4.3.2 The on-going impact of COVID is also covered in paragraph 4.7.2, and more detail will be provided in the Quarter 1 monitoring report and updated Medium Term Financial Strategy to the September 2021 Executive.

4.4 General Fund Service Underspend

4.4.1. The 2020/21 net service under spend is summarised in the following chart:



4.4.2 ICT Underspend - £538K, proposed carry forward of £513K

During 2020/21, work has been underway to improve the resilience of ICT. The ICT team have procured technology, completed detailed design work and are now implementing measures to improve the core infrastructure and network. However some of this work has not been completed due to the impact of COVID (including supporting remote working), supplier challenges and the prioritisation of core works ahead of other projects, has meant an underspend on ICT expenditure. A proposed carry forward of £513K, (a breakdown is provided in paragraph 4.5.1) to fund works not completed in 2020/21 is requested. The remaining £25K is an underspend across the ICT retained shared service budgets and £25K is the amount due to SBC.

4.4.3 Staffing Underspend - £269K, proposed carry forward of £253K

There has been an underspend on staffing budgets across various services in 2020/21 with £253K proposed for carry forward (see also paragraph 4.5.1), to fund posts which are required in 2021/22 to support service improvements, income generation or savings delivery.

4.4.4 Planning Policy Expenditure underspend - £88K, proposed carry forward of £72K

Within the Planning Service, there was an underspend of £30K, due to lower Local Plan related expenditure. The remaining reduction is due to £31K unspent budget relating to climate change activities and £27K for planned event which could not take place during 2020/21 as a result of COVID. The proposed carry forward of £72K is for

- £32K to fund investment in electric vehicle charging,
- £20K to fund climate change events
- £20K towards indoor market works.

4.4.5 Parking Related Expenditure underspend - £79K

The COVID pandemic has had an adverse financial impact on the council's car parks, (see also paragraph 4.4.8), with a £3.296Million shortfall in income compared to budget. There were some reductions in spend as a result of the lower in year usage relating to:

- A £45K underspend on contracted enforcement officers due to less enforcement activity,
- A £21K reduction in credit card charges due to less payments being made
- A £13k electricity savings due to less usage in the car parks.

4.4.6 Recycling Income increase on the 3rd Quarter projection - £63K

An income overachievement was largely due to an increase in HCC recycling credits for plastic and glass. HCC recycling credits at £49.92 per tonne and with 1,240 tonnes more recycling collected increased income by £63K. However, Members should note although credit income increased, the working budget for recycling income was reduced in year for recyclate sales, to reflect lower resale prices of £150K as reported as part of the quarterly monitoring. This means that the increase in recycling credits only partially offset recyclate sale losses. In addition

there was no Alternative Funding Mechanism (AFM) income from HCC due to the increase in waste tonnage collected; also reduced as part of the quarterly monitoring reporting and removed from the 2021/22 Original Budget as an on-going pressure.

4.4.7 Planning Income overachievement - £88K

There has been an increase in pre planning applications, resulting in a net income overachievement of £33K against budget. There was a further £32K income from charges, to developers in the town centre, with the remainder due to income from repair works completed at a North Herts District Council car park by the Council's Engineers team.

4.4.8 Parking Income improvement compared to the working budget - £196K

The income the Council receives from parking has seen the single biggest adverse financial impact of all the Council's income streams. Parking Services (on street, off street and Penalty Charge Notices), generated just £1.428Million of income in 2020/21 versus the budgeted fees of £4.724Million, resulting in a significant shortfall of £3.296Million.

Usage for on and off street parking did slightly improve on the working budget assumption during the last financial quarter which gave an income improvement of £196K against working budget, reducing overall losses from £3.5Million to £3.3Million. Parking income continues to be impacted by COVID in the current year, with a current shortfalls looking nearer to £2.073M versus the original budget projection of £1.627Million (see also paragraph 4.7.2).

4.4.9 Cash Collection Contract reduced expenditure - £28K

The Council's cash collection contract was suspended and has now ceased (as approved in the 2021/22 General Fund budget setting report), (cash is collected predominately for car parks and the ATM in the Customer Services Centre), reducing expenditure by £28K.

4.4.10 Corporate Landlord Property Works expenditure underspend - £114K, proposed carry forward requested of £114K

As part of the 2020/21 budget setting process, £128K of budget was approved to fund works across the non-housing estate, the completion of these has been impacted by COVID. Only £14K of these works were completed during 2020/21, with the bulk of the £114K now committed with the work due to be completed over the next three months.

4.4.11 Corporate Budgets underspend - £398K (after contribution to Capital of £350K)

This includes transfers to and from reserves and revenue contributions to capital in 2020/21. The actual versus budget was £748K lower; however an increase of £428K is required in 2021/22. After the £350K unbudgeted contribution to the capital reserve was transferred this reduced the underspend to £398K. The Capital

Strategy assumes that there will be General Fund underspends of up to £350K that can be transferred annually to fund capital.

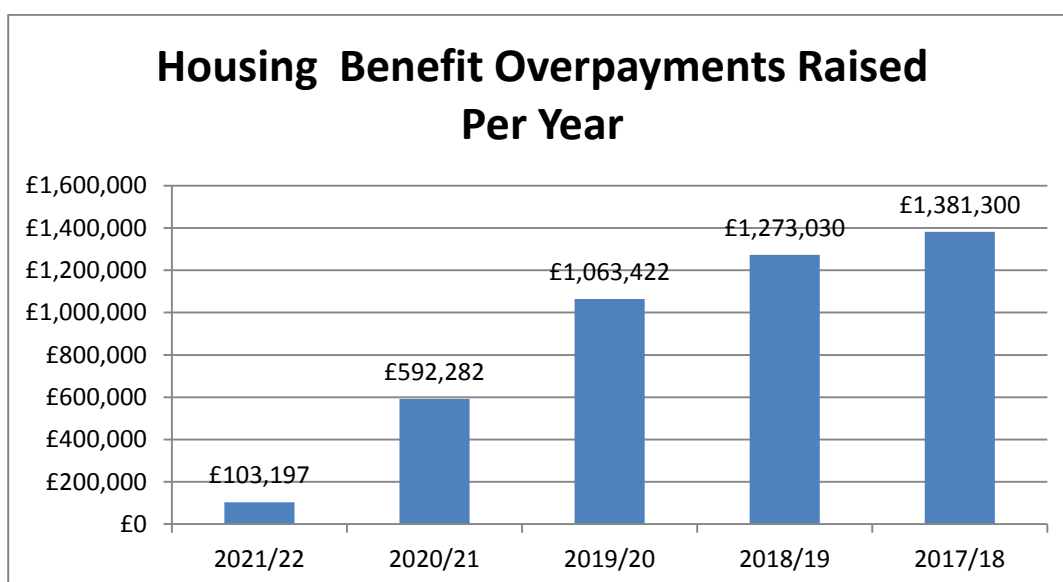
4.4.12 Housing General Fund expenditure pressure - £176K after applying grant funding from reserves, proposed carry forward of £77K unused ring-fenced grant funding

There was a net overspend of £176K on Housing General Fund spend, of which £134K relates to a higher cost of providing temporary accommodation during the pandemic than budgeted for, in particular accommodating rough sleepers. There was also:

- An increase in the level of bad debt provision for the tenancy deposit scheme of £53K, due to the age profile of the debt.
- Court costs relating to homelessness decisions were £33K higher than the budget, as several cases concluded at the end of the financial year.
- Other net smaller overspends in this area of £33K, mainly related to pressures on the service caused by the pandemic.
- Underspend as there was unused grant funding of (£77K) on the Next Steps Accommodation Programme, which has been requested as a carry forward item.

4.4.13 Housing Benefit Bad Debt provision reduction - £291K

Housing Benefit overpayments raised have reduced in recent years and significantly so during 2020/21. This is due to 'real time' information flows from the DWP and HMRC which mean overpayments are identified more quickly. The lower overpayments raised means less provision needs to be set aside for bad debt; the level of debt from housing benefit overpayments has fallen from £2.975Million at 31st March 2020 to £2.638Million at the 31st March 2021.



*2021/22 three months only

4.4.14 Wholly Owned Company underspend - £75K, proposed carry forward of £75K

The Housing Wholly Owned Company (WOC) was approved at the February 2021 Council, no set up costs have yet been incurred and a carry forward is requested to fund the set up costs in 2021/22.

4.4.15 Other Expenditure underspend - £29k, proposed carry forward of £58K

This consists of various small under/overspends across the all General Fund budgets. The £58K carry forward includes £30k to fund system and process improvement works within Finance, £12K grant carry forward to fund a project at King George's playing fields, £10K towards a sheltered area within Peartree Park and £6K for Resource Link consultancy.

4.5 General Fund carry-forward requests

4.5.1 Carry forward request of £1.162Million have been identified at year end to fund projects that are due for completion in 2021/22, these are detailed in the table four below:

Paragraph refers	Service Area	Table four Carry Forward Requests	Carry Forward Value £
4.4.2	Resourcing and AV Equipment	£50K for future resourcing requirements and £20K to fund Civic suite AV equipment	70,240
4.4.2	Growth	Carry Forward of One off Growth Funding to continue the planned IT improvement work set out in the IT Strategy.	374,240
4.4.2	Customer Services	To support the implementation of the new CSC delivery model for face to face services.	10,000
4.4.2	Policy	Carry Forward to fund Website & forms for the website enhancements that are now being developed for 2021/22.	21,000
4.4.2	GIS	Implementation Costs of the new GIS system	33,600
4.4.2	HR System	To assist funding a new module	4,290
Total for IT Projects			513,370
4.4.3	Community Services	To fund a post within Cultural Services to drive forward the Culture Strategy (carried Forward if 2021/22 growth not approved)	74,510
4.4.3	SDS	To Fund Commercial Manager Post £40K(carried Forward if 2021/22 growth not approved), SDS Transformation Manager £22K and £7K IT systems work	69,340
4.4.3	Policy	Remaining Balance of In Phase consultancy funding - work still ongoing	2,680
4.4.3	Policy	Carry Forward to fund Stevenage Together Policy Lab (Diabetes Project) - project postponed to April 2021	10,000
4.4.3	Communications	To fund a Campaigns Manager post in 2021/22	30,000
4.4.3	HR	To fund Assistant Business Partner post to assist with 2021/22 Transformation Works	36,500

Paragraph refers	Service Area	Table four Carry Forward Requests	Carry Forward Value £
4.4.3	Finance and Estates	To fund process improvement works including Integra utilisation, payments and payroll. Current capacity within the service means improvements have not been implemented and the budget is requested for carry forward and supports the Making Your Money Count priority	30,000
Total Staffing			253,030
4.4.4	Planning	Investment in Electric Vehicle Charging	31,830
4.4.4	Planning	To fund part of the Indoor Market Works	20,000
4.4.4	Planning	To fund Climate Change events and related expenditure	20,000
4.4.10	Finance and Estates	Corporate Landlord Property Works	114,800
4.4.12	Housing GF	The unapplied portion of the £333k Next Steps Accommodation Programme (NSAP) revenue grant. To be used, or returned to the Government, in 2021/22	76,760
4.4.14	Housing and Investment	To fund set up costs for the Wholly Owned Housing Company (WOC)	75,000
4.4.15	Parks and Open Spaces	Grant Funding for use on a project in King George's	12,210
4.4.15	Environment	To Fund a sheltered area within Peartree Park	10,000
4.4.15	Finance and Estates	To fund process improvement works including Integra utilisation, payments and payroll. Current capacity within the service means improvements have not been implemented and the budget is requested for carry forward and supports the Making Our Money Count priority	30,000
4.4.15	HR	To fund Resource Link Consultancy Works	5,400
Total Other			396,000
Total General Fund Carry Forward Requests			1,162,400

4.6 General Fund Core Resources

4.6.1 The budgeted level of Core Funding for 2020/21 (as detailed in the table below), was £9.892Million; the total amount recognised in the 2020/21 pre-audited accounts is £9.623Million, a pressure of £359K, (as summarised in the overall outturn position in paragraph 4.1).

Table five 2020/21 Core Resources	2020/21 working Budget	2020/21 Outturn	Variance
	£	£	£
Business Rates (note 1)	(2,846,784)	(2,846,784)	0
Business Rates Levy (note 2)	622,982	487,988	(134,994)
Business Rates Pooling Gain 20/21 (note 3)	(367,702)	(341,590)	26,112
Business Rates Collection Fund Surplus/(Deficit) prior years	380	380	0
Business Rates Transfer to Reserves (note 4)	0	1,157,424	1,157,424

Table five 2020/21 Core Resources	2020/21 working Budget	2020/21 Outturn	Variance
	£	£	£
Business Rates Tax Income Guarantee Scheme (note 5)	(195,390)	(865,069)	(669,679)
Section 31 Grants Transfer to Reserves (note 6)	8,395,960	8,193,530	(202,430)
Section 31 Grant (note 6)	(9,535,530)	(9,332,101)	203,429
Council Tax - Tax Income Scheme (note 7)	0	(21,260)	(21,260)
Council Tax Collection Fund Surplus/(Deficit)	(67,265)	(67,265)	0
Council Tax SBC Precept	(5,988,601)	(5,988,601)	0
Total Core Funding Position	(9,981,950)	(9,623,348)	358,602

4.6.2 The reasons for the variances are given below:

- Business Rates – The amount of business rates in the General Fund is fixed at budget setting, when the 2020/21 budget was approved in February 2020 and as included in the NNDR1 return to government. Any variance from this amount is accounted for in future years. For 2020/21 this means a total of £1.164Million losses will be repaid to the Collection Fund over the period 2021/22 - 2023/24, plus a further £8.193Million in 2021/22. The repayment of the £8.193Million is because the government gave COVID reliefs to businesses during 2020/21 which reduced the amount of business rates collectable, however as stated in above the amount taken from business rates is fixed for the year, so any extra taken has to be returned in 2021/22. (note 1)
- Business Rates Levy – The amount of Levy payable, in 2020/21 is lower than budgeted as the actual business rate income received was lower than expected due to higher levels of appeal provision required and lower income collected. Unlike business rate income (in the General Fund), the levy payment and S31 grants are paid and accounted for based on the actual amount due for the year and not the budgeted value.(note 2)
- Business Rates Pooling Gain – The amount of pooling gain (from being in the 2020/21 Hertfordshire Pool of five councils), received was also lower than budgeted and £292K of the NNDR Pooling gain has been transferred to the NNDR pool until the final accounts have been verified. However, this can be returned to General Fund balances when complete to mitigate any further losses (see also section 4.2). (note 3)
- Business Rates Transfer to Reserves – This figure is the transfer of £292K of pooling gains for 2020/21 (previously included as £367K in net cost of service) and the transfer of the Business Rates Tax Income Guarantee scheme (see note 5) of £865K. The latter is returned to the General fund over the period 2021/22-2023/24 to partly offset the £1.164Million NDR losses for those years. (note 4)
- Business Rates Tax Income Guarantee – This is government financial support (announced in the finance settlement), paid due to the business rates losses after the application of Section 31 grants in 2020/21. The amount paid is approximately 75% of the value of the loss. The losses have to be spread over three years as

detailed in paragraph 4.2.4, this income has been transferred to the NDR reserve as set out above. (note 5)

- Section 31 Grant and Section 31 Grants Transferred to Reserves – The amount of Section 31 grant received and transferred to the NDR reserve is lower than budgeted (2.4%). The grant has been transferred to the S31 NDR Reserve (so as not to artificially inflate General Fund reserves) and is repaid to the Collection Fund in 2021/22. (note 6)
- Council Tax, Tax income Scheme – £21K was received from the Tax Income Guarantee Scheme, it was assumed that there would be no losses claimable in the working 2020/21 budget, however a small gain has been calculated. (note 7)

4.7 Impact on 2021/22 General Fund Budget

4.7.1 The impact on the 2021/22 General Fund budget of the 2020/21 carry forwards identified at year end is summarised in the table below and will be incorporated in the next General Fund Medium Term Financial Strategy (MTFS) update.

Table six General Fund Budget 2021/22	Original Budget set at February Council £	Revised Budget £	Change in Budget Requirement £
Original Net Budget	£10,635,570	£10,635,570	£0
Q4 Carry Forward requests (section 4.5)	£0	£1,162,400	£1,162,400
Changes to use of reserves & revenue contribution to capital (para 4.4.11)		£428,380	£428,380
Net Service Expenditure	£10,635,570	£12,226,350	£1,590,780
Core Funding (NDR/council tax)	(£ 9,322,208)	(£ 9,322,208)	£0
S31 Grants	(£ 815,229)	(£ 815,229)	£0
Lower tier grant	(£ 140,043)	(£ 140,043)	£0
Council tax support	(£ 118,859)	(£ 118,859)	£0
2020/21 Business rate losses (3 year spread) (note 5 above)	£86,839	£387,834	£300,995
Transfer from NDR reserve to mitigate 2020/21 business rate losses (previously shown in Net Services) (note 5 above)		(£ 288,256)	(£ 288,256)
Total Core Funding	(£ 10,309,500)	(£ 10,296,761)	£12,739
Use of General Fund balances	£326,070	£1,929,589	£1,603,519

4.7.2 There are other potential financial risks for 2021/22 which are currently not included within the above budget position and which will be included in the Quarter 1 Monitoring report and the MTFS update to the September Executive, these include:

- Projected Bed and Breakfast costs of approx. £350K
- Projected further Parking losses of approx. £450K

4.7.3 The Council will seek to mitigate the additional Bed and Breakfast cost increases by ensuring Housing Benefit is claimed when the person is eligible for it, additional staffing resource have been brought in to support this due to challenges faced getting people to provide the necessary information/complete the forms. Also Included within the 2021/22 finance settlement was £500K to fund additional COVID losses (and unidentified costs were included in the budget); Members have approved £214K for Housing First costs, with the remainder is available to mitigate some of the additional pressures above.

4.7.4 The income guarantee scheme was extended for the period April-June 2021, the current projections for expected claim value is approx. £150K higher than budgeted and will also mitigate some of the pressures identified.

4.7.5 Other mitigations include;

- 2020/21 pooling gains held in the allocated reserve of £292K once verified, can be returned to the General Fund
- There is £258K held within the income equalisation reserve which could be returned to the General Fund
- A number of carry forwards have been requested in advance of the growth bids being released. If the impact of COVID is in line with the budget assumptions (update September Executive), this would give an in year, one off increase in balances.

4.7.6 The MTFs report and the Quarter one monitoring report to September Executive will provide a detailed update on the financial impact of the above key risks and other COVID across the Council.

4.8 Balance sheet

4.8.1 The Council's General Fund and HRA balance sheet is reviewed quarterly and reported annually in the Council's Statement of Accounts in its entirety. The following accounting adjustments were made to the balance sheet as at 31 March 2021

4.8.2 The bad debt provision for the Council's debtors (excluding Council Tax and NDR) as at 31 March 2020 is £3.600M, as detailed in the following table:

Table seven Bad Debt Provisions	19/20 £	20/21 £	Adjustment £
Commercial Properties	274,004	425,967	151,963
Sundry Debtors	107,195	430,008	322,813
Garages	32,343	51,550	19,207
Tenancy Deposits	195,477	258,666	63,190
HB overpayments (see also para 4.4.13)	2,713,303	2,433,477	(279,826)
Total Bad Debt Provision	3,322,322	3,599,668	277,347

4.8.3 Due to the impact of COVID the level of outstanding debt across the Council's Commercial portfolio and sundry debtors has increased, this may be further

exacerbated with regulations to prevent enforcement of debt. A moratorium on commercial evictions for arrears continues until 31 March 2022. However against this trend is the Housing Benefit (HB) provision which has reduced, in line with arrears, (detailed in paragraph 4.4.13); currently the provision covers 92% of the total HB debt.

4.8.4 As at the 31 March 2021 the Council's total provisions (funded from the General Fund and HRA) were £8.215M and these are shown in the chart below:

Table eight Provisions	19/20 £	20/21 £	Adjustment £
Insurance	383,000	425,000	42,000
Organisation change	152,000	202,000	50,000
Municipal Mutual Insurance	51,000	83,000	32,000
NDR Appeals	2,837,000	4,029,000	1,192,000
New: Leisure Provision	0	1,186,000	1,186,000
New: Water rates	0	2,290,000	2,290,000
Other Provision	94,000	0	(94,000)
Total Provisions	3,517,000	8,215,000	4,698,000

4.8.5 Insurance – This provision for self-insured, insurance policy excesses is set aside to enable the council to have financial provision to cover the costs of known insurance financial liabilities at the end of 2020/21.

4.8.6 Organisation Change - This provision represents an assumption of costs associated with the savings options approved at the February 2021 Council, some costs are due to be paid in 2021/22.

4.8.7 Municipal Mutual Insurance (MMI) - In common with most other local authorities, until 30 September 1992 the Council insured with the MMI Company. There is continued uncertainty around the scale of future payments and further levy charges and in recognition of a contingent liability a reserve of £83K is maintained.

4.8.8 NDR Appeals (SBC share only) – This provision is to fund any successful business rate appeals approved by the Valuation Office Agency (VOA).

4.8.9 Leisure – Members approved COVID support to the Council's leisure provider to as a result of COVID losses and the closure of the service during 2020/21. This has yet to be drawn down by the contractor.

4.8.10 Water Rates – This provision is set aside from HRA resources to provide financial coverage for any liabilities that may arise from case law relating to the water resale order.

4.9 Reserves

4.9.1 Allocated Reserves - Some balances are 'ring fenced' and have been set aside for specific purposes. The total value of allocated reserves available for the Council to spend at 31 March 2021 is £15.193Million but this has been temporarily inflated by

£9.351 Million due to the Section 31 business rates grant and the Taxation Income Guarantee scheme which will be repaid to the Collection Fund over 2021/22-2023/24 as a result of losses on the Collection Fund. Following the 2021/22 repayment of £8.482M of the Section 31 business rates grants and other movements on reserves the anticipated balance at 31st March 2022 is £4.352 Million.

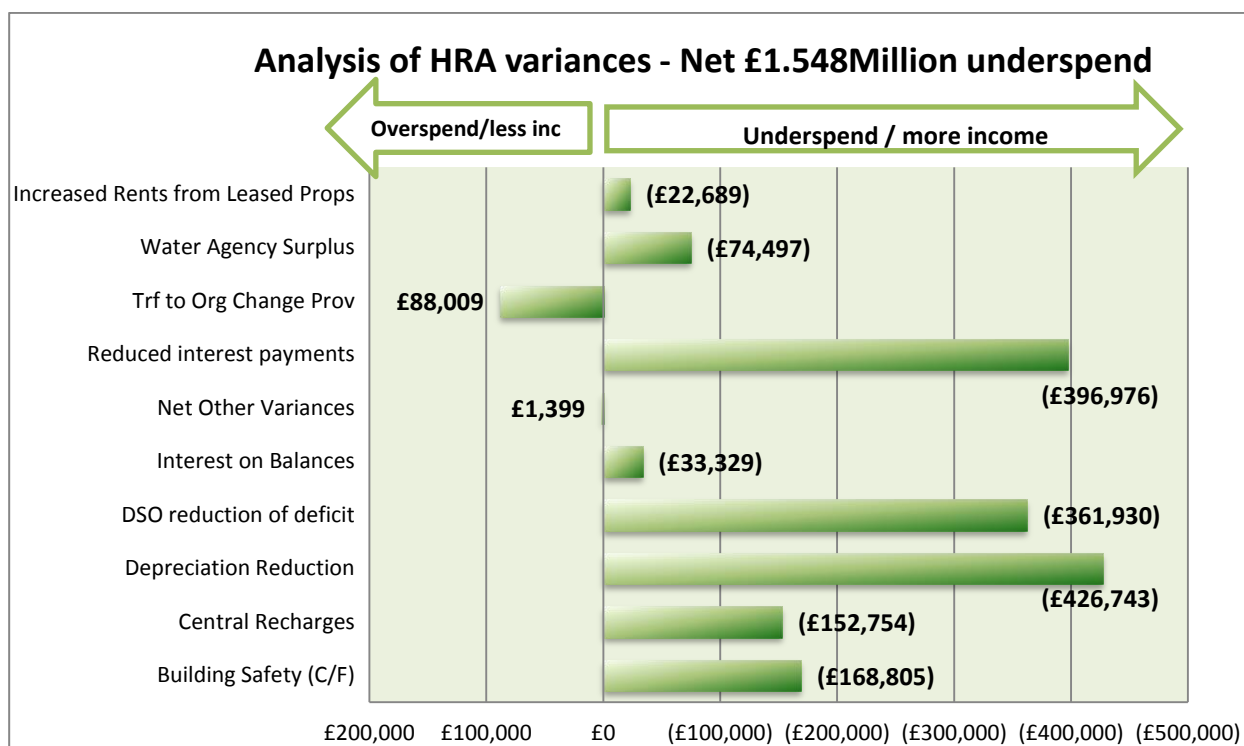
4.9.2 The reserve balances remaining at 31 March 2022 may seem a significant sum but they are held either to meet future NDR losses or for specific purposes, some of which are set out below. These mean they are not available to fund General Fund expenditure with the potential exception of NDR gains set out in note 10 below.

- £1.1 Million required to fund the holding costs of assets due for regeneration, (26%), (note 8)
- £577K due to be repaid to the Collection Fund in 2022/23 and 2023/24 for 2020/21 business rate losses (13%), (note 9)
- £1 Million of NDR reserves of which £766K relates to gains for 2020/21 and 2021/22 not yet verified or realised and therefore not utilised and £172K to fund any future business rate losses before the government is required to provide safety net funding (25%) (note 10)
- £330K to fund the Councils Transformation ambitions and to support the 'Making Your Money Count' priority (7.5%) (note 11)
- £177K grant funding ring fenced for homeless and rough sleeper initiatives (4%) (note 12)

Table nine Movements to/from Allocated Reserves £					
Allocated Reserve	Balance as at 1 April 2020	Anticipated transfer to/from reserves	Balance as at 31 March 2021	Anticipated transfer to/from reserves	Balance as at 31 March 2022
New Homes Bonus	(629,975)	161,258	(468,717)	229,503	(239,214)
NNDR Reserve (note 10)	(1,235,106)	(408,654)	(1,643,760)	551,846	(1,091,914)
Section 31 Grants & NDR Taxation Income Guarantee scheme (note 9)	0	(9,059,364)	(9,059,364)	8,481,887	(577,477)
Regeneration Assets (note 8)	(1,122,492)	105,273	(1,017,219)	(101,180)	(1,118,399)
Insurance Reserve	(102,750)	27,124	(75,626)	7,870	(67,756)
Regeneration Fund (SG1)	(826,770)	80,914	(745,856)	399,000	(346,856)
Town Centre activities	(34,122)	(46,788)	(80,910)	0	(80,910)
Transformation Reserve (note 11)	(60,000)	(270,310)	(330,310)	0	(330,310)
Planning Delivery Grant	(40,004)	(25,094)	(65,098)	0	(65,098)
Income equalisation reserve	0	(8,000)	(8,000)	(250,000)	(258,000)
Homeless and Rough Sleeping Reserve (note 12)	(347,330)	(22,274)	(369,604)	193,140	(176,464)
Capital reserve	(1,094,000)	(234,323)	(1,328,323)	1,328,323	(1)
Total	(5,492,549)	(9,700,238)	(15,192,788)	10,840,389	(4,352,399)

4.10 Housing Revenue Account (HRA)

4.10.1 The 2020/21 outturn position on the HRA was an in year surplus of £5.580Million, a £1.548Million increase from the working budgeted surplus of £4.032Million. The main variances to the working budget are highlighted below.



4.10.2 Increased Rents from Leased Properties – increased income £23K

The HRA has a small number of properties leased to partner organisations, mainly to provide specialist accommodation needs. During the financial year several of these agreements were due for review and this has resulted in a small increase in rents. This increased income will be built into future budgets and the HRA business Plan.

4.10.3 Water Agency Surplus – increased income £74K

The Council has an agency agreement with the main water supplier to collect water bills on their behalf from the majority of the Council's tenants. Under the agreement an allowance is made for losses from void properties and from non-payment. Where the Council's performance exceeds these allowances a surplus is generated that is taken into HRA balances to help fund the wider housing service. As this surplus can change year on year, depending on the level of void property and non-payment, this increase will not be built into to future years.

4.10.4 Reduced Interest Payments – underspend £397K

Due to the timing of new loan finance (not all loans were taken within the financial year) there has been a saving on budgeted interest payments in the year. However higher borrowing rates may increase the cost of future borrowing and this will be reviewed as part of the HRA Business Plan review.

4.10.5 Interest on Balances – increased income £33K

Overall, HRA balances are higher than originally estimated and this has led to an increase in interest earned for the year.

4.10.6 Repairs and Voids Reduction of Deficit – net underspend £362K

Overall the deficit cost of the service was lower than budgeted and an explanation of the Repairs and Voids unit for the year is given in section 4.12 below.

4.10.7 Depreciation Reduction – net underspend £427K

A technical correction to the depreciation calculation on HRA assets has resulted in a reduction in the annual charge to the HRA for the year. Depreciation in the HRA is taken to the Major Repairs Reserve (MRR) to be spent on capital works on the housing stock. The HRA had assumed a level of funding from MRR and may require a corresponding increase contribution from revenue balances to compensate for this change. This will be reviewed as part of the HRA business planning process in November.

4.10.8 Central Recharges – underspend £153K

Final recharges for central services were £153K less than the working budget of £4.2Million; this reflects underspends on General Fund services which are recharged to the HRA.

4.10.9 Building Safety – underspend £169K

Following the Grenfell Tower fire and in anticipation of increased responsibilities and costs for building safety, budgets were allocated in the last business plan to make sure that the Council could accommodate these changes. The anticipated regulation has been delayed and the budget allocated for this purpose has been requested for carried forward. In the Quarter 3 Budget Report it was also agreed to carry forward £300K.

4.10.10 Other – net overspend £2K

This net variance relates to the smaller variances across the HRA for the year.

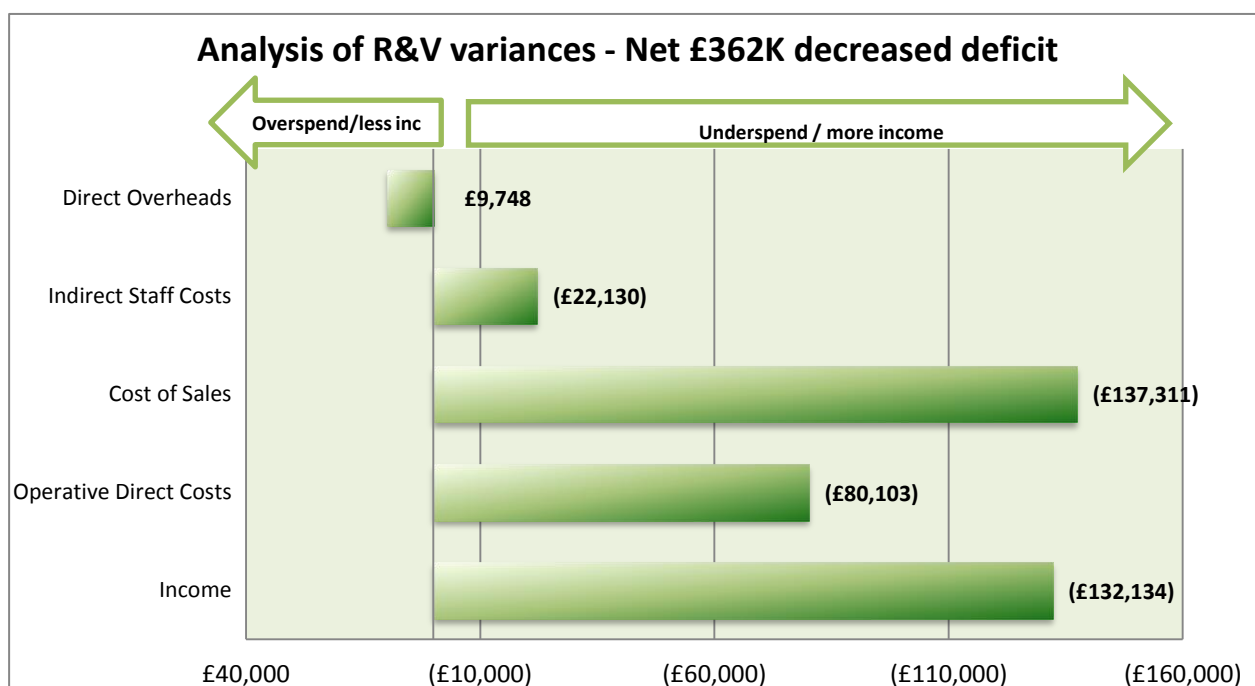
4.11 Carry Forwards

4.11.1 As part of Quarter 4 monitoring carry forwards of £378K were identified and listed below.

Service Area	Table 10 Carry Forward Requests	Carry Forward £
Housing Development	This budget is intended for design and feasibility work on new schemes. The timing of the current project list has meant that the budget has been carried forward.	10,460
Housing Transformation Project	This represents the remaining funds from the £1.5Million budget (£500K per year for three years). This will be spent on completing the transformation programme in 2021/22.	36,420
Cyclical Maintenance	This budget is needed to complete scheduled works that were delayed due to the Covid pandemic.	41,420
Building Safety	This budget is being carried forward to meet the costs of building safety regulations and works in 2021/22, including the provision of “waking watch” provisions where needed.	168,810
Business Unit Review (BUR) transition posts and COVID Posts	As part of the Housing and Investment business unit review a number of fixed term transition posts were put in place. Also, during last year, further fixed term posts were provided to meet the operational demands created by the pandemic. Due to recruitment timings a carry forward is required to match the budget to actual spend.	120,000
TOTAL		377,110

4.12 Repairs and Voids Service Financial Performance

4.12.1 The Repairs and Voids team’s financial position is accounted for in the overall HRA. The outturn versus budget deficit was £362K lower, as detailed below.



4.12.2 Income – Increased income of £132K

The budget pre COVID assumed income of £3.4Million would be received for repairs to council homes, this was reduced to £2.5Million due to the challenging operation conditions imposed by the pandemic, the final position showed an increase in rechargeable work of £132K.

4.12.3 Operative Direct Costs/Indirect costs - underspend £80K/£22K

Operative costs were £80K lower than the working budget, due to additional vacancies after the Quarter 3 report that were not filled and a decrease in the Councils allocation of the pension lump sum contribution for the year to the service. This also resulted in lower indirect employee costs.

4.12.4 Cost Of Sales – underspend £137K

There a number of cost of sales savings including;

- Saving on materials of £24K.
- Waste disposal recharges lower by £70K, as a result of the lower levels of activity during the pandemic.
- Vehicle costs were also slightly lower by £33K
- There were net small variances of £10K across this area.

4.12.5 Direct Overheads – overspend £9K

There was an overall net increase in recharges of £9K for the year.

4.13 2020/21 – HRA Out-turn Position

4.13.1 The 2020/21 outturn position on the HRA included in this report and its impact on reserves are summarised in the table below.

HRA Reserves	2020/21 Original Budget £	2020/21 Working Budget £	2020/21 Actual £	Variance to Working £
HRA Balance 1 April	(19,819,410)	(19,819,410)	(19,819,410)	
In Year (Surplus) / Deficit	(3,416,630)	(4,031,950)	(5,580,265)	(1,548,315)
HRA Balance 31 March	(23,236,040)	(23,851,360)	(25,399,675)	(1,548,315)

4.13.2 The impact on the 2021/22 HRA budget is shown in the table below:

HRA Budget	2021/22 Budget £
Original Budget	(2,719,960)
Quarter 3 carry forwards requests	834,380
Approved 2020/21 budget to date	(1,885,580)
Quarter 4 carry forwards requests (para 4.12.11)	377,110
HRA Working Budget	(1,508,470)

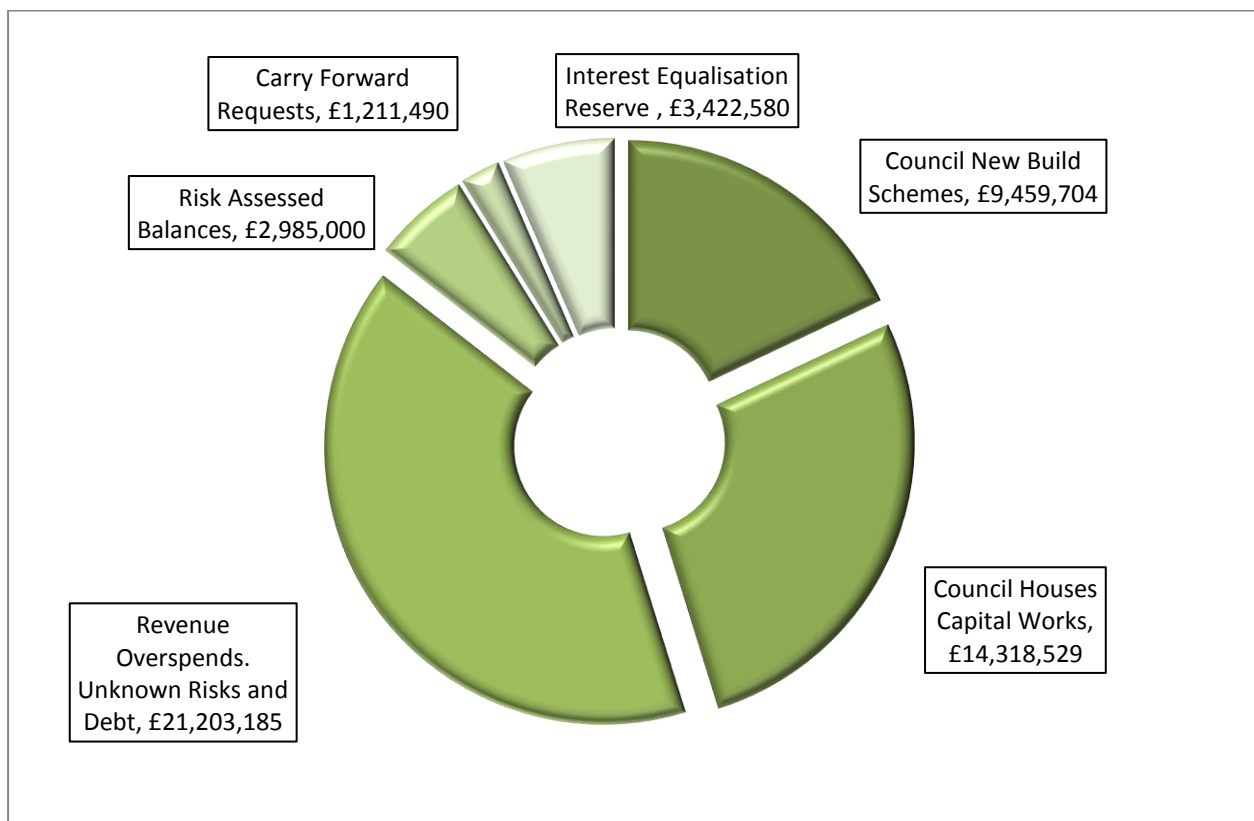
4.13.3 These changes will be incorporated into the updated HRA Business Plan, as part of the preparation for the 2022/23 budget process.

4.14 Usable reserves – Housing Revenue Account

4.14.1 The Reserves that can be used to support the Housing Revenue Account (HRA) total £52.600Million, of which £9.460Million is restricted to fund the provision of new social housing and £14.319Million is restricted to capital investment in the stock and repayment of debt. The reserves earmarked for new housing provision come from the proceeds of house sales under the Right to Buy scheme and must have 70% match funding from the Council and be spent within five years. If unspent, the receipts must be returned to Government, with an interest penalty. The remaining HRA reserve balances are held to meet the future cost of debt repayments as set out in the HRA Business Plan and are not available to be spent.

4.14.2 The level of HRA balances/revenue reserves that have been risk assessed for 2021/22 is £2.985Million and carry forwards to be funded are £1.2Million. This leaves a balance of £21.3Million for revenue overspends, unknown risks and future debt repayment. Last year a reserve of £5.7Million was created to offset the risk of increased interest rates on future borrowing within the HRA business plan. This has been reduced to £3.4Million.

4.14.3 Usable HRA balances are shown in the following chart:



4.15 Investments and Loans

4.15.1 Council's actual **investments** as at year end were **£69.7Million**, £7.3Million higher than the forecast £62.4Million. The Council's investment portfolio is detailed in appendix A.

- 4.15.2 The cash balances held by the Council relate to the provisions held (including those held for the collection funds), capital receipts (for which some have restrictions over their use and may have to be returned), and timing issues between when the council receives the money and when it is to be paid out.
- 4.15.3 As at the 31 March 2021 the Council had loans of £218.966Million. All loans are with the Public Works Loan Board (PWLb), with £263K of General Fund borrowing repaid in year. The Council identified the need for borrowing of £790K to fund the 2020/21 General Fund capital programme and £20.9Million to fund the 2020/21 HRA capital programme. £10Million of the 2020/21 HRA borrowing requirement has been taken out externally to date; the balance is currently covered by internal borrowing.
- 4.15.4 The majority of the Councils debt relates to the HRA and predominately due to the HRA self-financing settlement , which required the Council to pay the Treasury £199Million in 2012.

5. IMPLICATIONS

5.1 Financial Implications

- 5.1.1 This report is financial in nature and consequently financial implications are included above.

5.2 Legal Implications

- 5.2.1 None identified at this time.

5.3 Risk Implications

- 5.3.1 There is still some uncertainty about the potential for the Council to receive further government funding. The position regarding COVID losses and the cost of recovery is also uncertain at this time. The Council has a Strategy in place to address the financial impacts due to the likely level of losses and the increased uncertainty that income levels are going to be challenging to achieve for some time to come. The Quarter 1 Monitoring report to September Executive will cover this in more detail.

- 5.3.2 The HRA balances are higher than the minimum level of balances required for the year (£2,985,000). In addition balances will be needed to repay the HRA loans (as at 31 March 2021, the HRA had loans of £217Million) of which most related to a one off payment to the Government as a result of the self-financing settlement on the 28 March 2012.

5.4 Climate Change Implications

- 5.4.1 £20K is being carried forward to fund Climate Change events that were not possible in 2020/21 due to COVID. There is also £32K carry forward to fund expenditure related to electric charging.

5.5 Policy Implications

- 5.5.1 The budget framework represents a development of a policy led budgeting approach across Council services and the overall Medium Term Financial Strategy.

5.6 Equalities and Diversity Implications

- 5.6.1 This report is of a technical nature reflecting the actual spend for the year for the General Fund and HRA. The identified ongoing budget changes reported have arisen through efficiencies and do not change any existing equalities and diversity policies, nor will they impact on any groups covered by statutory equalities duties.

BACKGROUND DOCUMENTS

- BD1 - 3rd Quarterly monitoring report General Fund and Housing Revenue Account
- BD2 – 2021/22 Council Tax and General Fund Budget
- BD3 – 2021/22 HRA Budget

APPENDICES

- Appendix A - Investment and Loans Portfolio

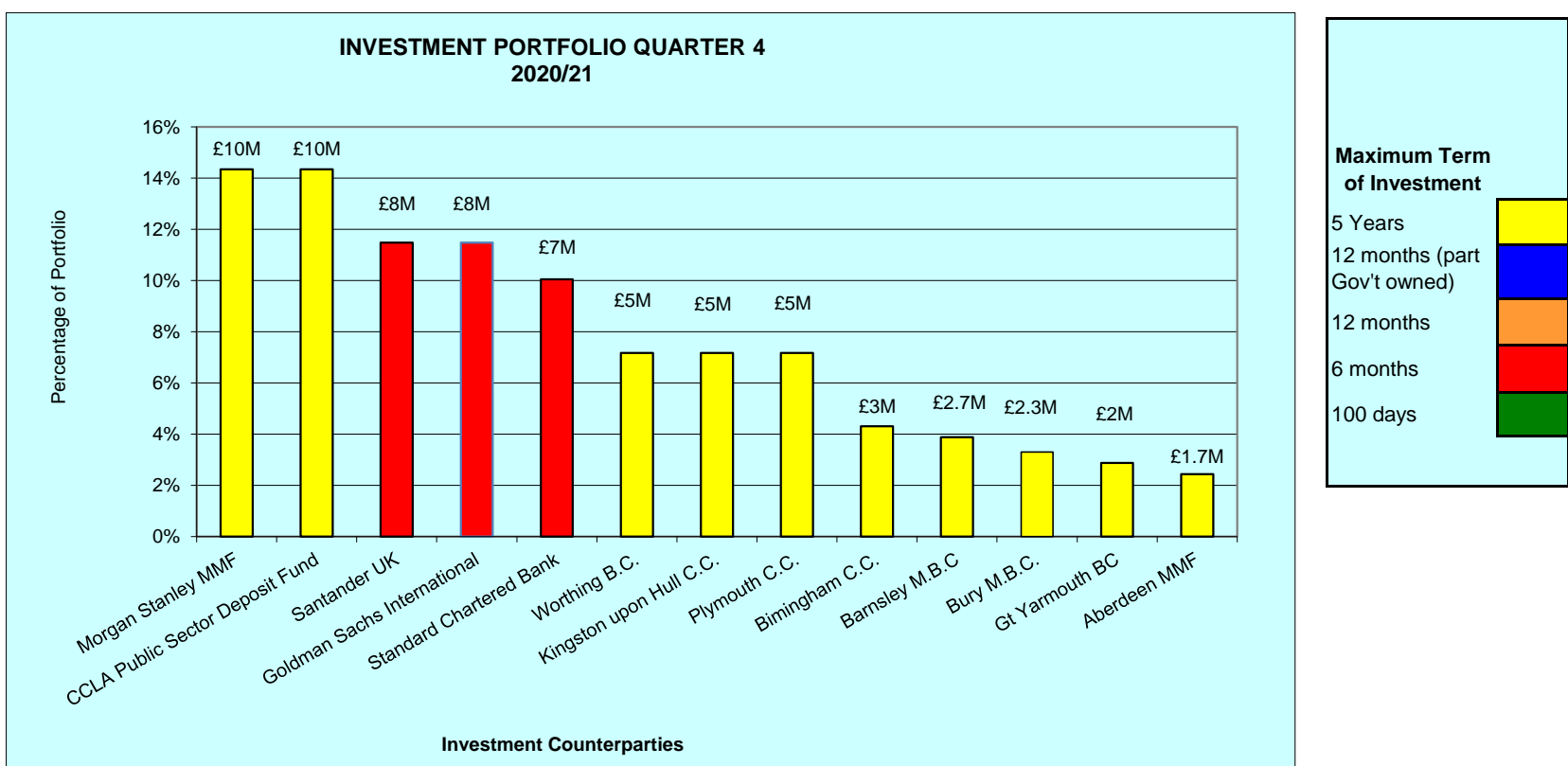
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INVESTMENT PORTFOLIO QUARTER 4 (31st March 2021)

Appendix A

Average interest rate - 2019/20	0.98%
Average interest rate - 2020/21	0.65%
Bank of England Bank Rate	0.10%

<u>Borrower</u>	<u>Nation</u>	<u>Sovereign Rating (Fitch)</u>	<u>Amount £'s</u>	<u>From</u>	<u>To</u>	<u>Rate %</u>
Money Market Funds (Instant Access)						
Morgan Stanley	UK	AA-	10,000,000			0.03
CCLA Public Sector Deposit Fund	UK	AA-	10,000,000			0.05
Aberdeen MMF	UK	AA-	1,700,000			0.01
95 Day Notice						
Standard Chartered Bank	UK	AA-	7,000,000			0.36
Fixed Term Deposit						
Birmingham C.C.	UK	AA-	3,000,000.00	15-Apr-20	14-Apr-21	1.15
Gt Yarmouth BC	UK	AA-	2,000,000.00	16-May-18	17-May-21	1.45
Santander UK	UK	AA-	8,000,000.00	31-Dec-20	30-Jun-21	0.30
Goldman Sachs International	UK	AA-	8,000,000.00	14-Jan-21	14-Jul-21	0.10
Barnsley M.B.C	UK	AA-	2,700,000.00	15-Sep-17	15-Sep-21	0.98
Kingston upon Hull C.C.	UK	AA-	5,000,000.00	28-Sep-20	27-Sep-21	0.32
Plymouth C.C.	UK	AA-	5,000,000.00	30-Nov-20	29-Nov-21	0.25
Worthing B.C.	UK	AA-	5,000,000.00	05-Dec-19	06-Dec-21	1.50
Bury M.B.C.	UK	AA-	2,300,000.00	18-May-20	18-Nov-24	2.00
			69,700,000			



LOAN PORTFOLIO QUARTER 4 (31st March 2021)

Decent Homes Borrowing

<u>Lender</u>	<u>Type</u>	<u>Rate %</u>	<u>Amount £'s</u>	<u>From</u>	<u>To</u>	<u>Life of Loan</u>
PWLB	Fixed Rate/Maturity	4.75	2,000,000	04/03/10	04/03/35	25 years
PWLB	Fixed Rate/Maturity	4.28	1,800,000	25/05/10	25/05/35	25 years
PWLB	Fixed Rate/Maturity	4.24	963,000	17/08/10	17/08/35	25 years
PWLB	Fixed Rate/Maturity	4.65	3,000,000	25/03/10	25/09/35	25 1/2 years
PWLB	Fixed Rate/Maturity	1.72	510,000	25/03/20	25/03/45	25 Years
PWLB	Fixed Rate/Maturity	1.60	3,500,000	25/03/20	25/03/37	17 years
PWLB	Fixed Rate/Maturity	2.06	10,000,000	30/03/21	30/03/41	20 years
			21,773,000			

Self Financing Borrowing

<u>Lender</u>	<u>Type</u>	<u>Rate %</u>	<u>Amount £'s</u>	<u>From</u>	<u>To</u>	<u>Life of Loan</u>
PWLB	Fixed Rate/Maturity	2.92	500,000	28/03/12	28/03/26	14 years
PWLB	Fixed Rate/Maturity	3.01	8,000,000	28/03/12	28/03/27	15 years
PWLB	Fixed Rate/Maturity	3.08	8,700,000	28/03/12	28/03/28	16 years
PWLB	Fixed Rate/Maturity	3.15	9,600,000	28/03/12	28/03/29	17 years
PWLB	Fixed Rate/Maturity	3.21	10,600,000	28/03/12	28/03/30	18 years
PWLB	Fixed Rate/Maturity	3.26	11,000,000	28/03/12	28/03/31	19 years
PWLB	Fixed Rate/Maturity	3.30	16,000,000	28/03/12	28/03/32	20 years
PWLB	Fixed Rate/Maturity	3.34	17,500,000	28/03/12	28/03/33	21 years
PWLB	Fixed Rate/Maturity	3.37	17,600,000	28/03/12	28/03/34	22 years
PWLB	Fixed Rate/Maturity	3.40	17,300,000	28/03/12	28/03/35	23 years
PWLB	Fixed Rate/Maturity	3.42	15,300,000	28/03/12	28/03/36	24 years
PWLB	Fixed Rate/Maturity	3.44	21,000,000	28/03/12	28/03/37	25 years
PWLB	Fixed Rate/Maturity	3.46	18,200,000	28/03/12	28/03/38	26 years
PWLB	Fixed Rate/Maturity	3.47	19,611,000	28/03/12	28/03/39	27 years
PWLB	Fixed Rate/Maturity	3.48	4,000,000	28/03/12	28/03/40	28 years
			194,911,000			

Prudential Borrowing

<u>Lender</u>	<u>Type</u>	<u>Rate %</u>	<u>Amount £'s</u>	<u>From</u>	<u>To</u>	<u>Life of Loan</u>
PWLB	Fixed Rate/EIP	2.37	526,316	19/08/13	19/02/22	9 1/2 years
PWLB	Fixed Rate	2.29	1,755,950	19/03/18	19/03/28	10 years
			2,282,266			

Total Borrowing	218,966,266
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