

Report to: Cabinet



Date of Meeting 31 March 2021

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Review date for release N/A

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## Financial Monitoring Report 2020/21 – Month 11 February 2021

### Report summary:

This report gives a summary of the Council's overall financial position for 2020/21 at the end of month eleven (28 February 2021).

Current monitoring indicates that:

- The General Fund Balance is being maintained at or above the adopted level.

A significant overspend against budget is predicted from a combination of additional expenditure and reduced income as result of Covid-19. This overspend is being mitigated through additional Government Funding, including the income guarantee scheme, the healthy financial position of the General Fund Balance as a result of 2019/20 Outturn position and steps taken by services.

The shortfall remains in line with earlier forecasts and as previously agreed will be covered by use of the General Fund Balance which leaves the balance within the adopted range with no further action required.

- The Housing Revenue Account Balance is being maintained at or above the adopted level.

### Is the proposed decision in accordance with:

Budget                      Yes  No

Policy Framework    Yes  No

### Recommendation:

The variances identified as part of the Revenue and Capital Monitoring process up to Month 11 be acknowledged.

### Reason for recommendation:

The report updates Members on the overall financial position of the Authority at set periods and includes recommendations where corrective action is required for the remainder of the financial year.

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Portfolio(s) (check which apply):

- Climate Action and Emergencies
- Coast, Country and Environment
- Council and Corporate Co-ordination
- Culture, Tourism, Leisure and Sport
- Democracy and Transparency

- Economy and Assets
- Finance
- Strategic Planning
- Sustainable Homes and Communities

**Equalities impact** Low Impact

**Climate change** Low Impact

**Risk:** Low Risk;

### **Links to background information**

Link to [Council Plan](#):

Priorities (check which apply)

- Outstanding Place and Environment
  - Outstanding Homes and Communities
  - Outstanding Economic Growth, Productivity, and Prosperity
  - Outstanding Council and Council Services
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## **Report in full**

### **1. Introduction**

- 1.1 The purpose of this monitoring report is to update members of Cabinet on the overall financial position of the Authority following the end of month eleven. The report considers expenditure to date and projections on year-end spend to determine if the Council will maintain its spending within budget and maintain the General Fund Balance and the Housing Revenue Account Balance within the adopted ranges.

### **2. General Fund Position as at Month 11 February 2021**

- 2.1 The following table shows the original budget set for the year and any supplementary estimates approved to date affecting the General Fund position. In year variances have been identified which are likely to alter the outturn position for the year as detailed in the table below.

Members have been presented with financial updates during the financial year highlighting the significant implications of Covid-19 on the Council's finances. This highlighted the significant impact of additional spend because of various measures and implications of Covid-19 and a large reduction in income from fees and charges against the budget set. This is a changing position and is being carefully monitored. The latest position is reflected in the table below.

The Government have responded in direct funding of authorities, our allocation to date being £1.810m, they have also introduced a scheme to reimburse Councils for lost income from fees and charges (75% of lost income against the budget after the first 5% is deducted) in recognition that authorities rely on this income to pay for essential services. Following ongoing analysis the claim against this scheme now stands at £1.086m with the exclusion of some income lines, the recovery of income in some service areas and also in recognition that expenditure has been lower due to the lack of activity and income, an example is savings on the payments for acts at the Manor Pavilion offsetting the loss in income.

The following variance analysis includes the LED additional subsidy sum which at this stage is funded by the General Fund balance. This is offset with 30% of the National Leisure Recovery Fund claim with the remaining 70% required to fund reopening costs in 2021/22.

<b>General Fund Position</b>	<b>£000</b>
<b>Original Budget Requirement (set 26/02/20)</b>	<b>12,554</b>
Predicted adverse (A) / favourable (F) spend at year end (detailed below)	1,287 (A)
<b>Predicted Outturn Position 31/3/2021</b>	<b>13,841</b>

A summary of the predicted over and under spends to the Year End is shown below:

<b>Predicted adverse (A) / favourable (F) spends</b>	<b>Predicted Outturn Variation £000</b>	<b>Govt SFC* claim scheme £000</b>	<b>Predicted Net Variation £000</b>
Car Parks – income loss due to CV19	959 (A)	683 (F)	276 (A)
Beach Huts & Chalets – income loss due to CV19	175 (A)	124 (F)	51 (A)
Local Land Charges – income loss due to CV19	49 (F)	-	49 (F)
Manor Pavilion – income loss due to CV19, offset with savings achieved (income £410k (A), savings £312k (F))	98 (A)	70 (F)	28 (A)
Licencing – income loss due to CV19	43 (A)	31 (F)	12 (A)
Green Waste Service – income loss due to CV19 deferred income (income £100k (A), savings £60k (F))	40 (A)	28 (F)	12 (A)
Building Control – income loss due to CV19	35 (A)	25 (F)	10 (A)
Other fees & charges – income loss due to CV19	174 (A)	125 (F)	49 (A)
Net interest (after loans) – change to minimum revenue provision £134k (F)	217 (A)	-	217 (A)
Donations & recovery of costs loss due to CV19 and non-achievement of budgeted savings target	116 (A)	-	116 (A)
Additional Government Grant received in year	1,810 (F)	-	1,810 (F)
Predicted Furlough Funding & other savings e.g. travel	147 (F)	-	147 (F)
CV19 activity additional costs – mail outs, PPE, equipment, signage, overtime, donations/grants, emergency accommodation £154k (A) offset with Gvt grant	164 (A)	-	164 (A)
LED additional subsidy – shall not exceed	1,339 (A)	-	1,339 (A)
National Leisure Recovery Fund claim – 30% of total £299k received. Remaining 70% is to be used in 21/22 for reopening	90 (F)	-	90 (F)

Public Conveniences – additional costs on opening offset with certain toilets remaining closed. Less than predicted but will be monitored closely.	28 (A)	-	28 (A)
Strata savings – additional savings made to assist partners	100 (F)	-	100 (F)
Housing Benefit awarded – overpayments recovery position improved but expected to be lower by £540k but offset with minor savings	430 (A)	-	430 (A)
Court summons income down due to courts not opening until October (Council tax £58k, Business rates £116k)	174 (A)	-	174 (A)
Ocean venue property – rental income after the provision of £50k repairs sinking fund	117 (F)	-	117 (F)
Refuse Collection & Recycling – Recycling income £397k (A), Cost Savings £67k (F)	330 (A)	-	330 (A)
Suez claim for additional costs incurred during Covid-19 pandemic	184 (A)	-	184 (A)
Suez claim for additional costs incurred during Covid-19 pandemic – contingent budget	139 (A)	-	139 (A)
Total overall employee costs forecast on £14.5m budget	41 (A)	-	41 (A)
<b>Predicted Net Outturn Total Variations General Fund</b>	<b>2,373 (A)</b>	<b>1,086 (F)</b>	<b>1,287 (A)</b>

\*Sales Fees and Charges

2.2 These variations will have the following overall effect on the Council's General Fund Balance:

	£000
<b>General Fund balance as at 1/4/2020</b>	<b>6,395 (F)</b>
Use of General Fund to balance 2020/21 Budget	0
Net predicted overspend	1,287 (A)
Transfer to MTFP risk reserve	2,000 (A)
<b>Predicted General Fund Balance 31/03/21</b>	<b>3,108 (F)</b>

The Council has an adopted range for the General Fund Balance to be within £3m to £3.8m. The predicted balance is currently within this range and any required action can be taken at year end.

### 3. Housing Revenue Account Position – month 11

3.1 The following table shows the variation against the original budget which will affect the Housing Revenue Account year end position.

Predicted adverse (A) / favourable (F) spends	Predicted Outturn Variation £000
Income	203 (A)
Responsive Repairs	362 (A)
Programme Maintenance	402 (F)
Special Works	2 (F)
Supervision & Management	447 (F)
Other Expenditure	184 (F)
Major Repairs	1,238 (F)
Financing interest on Balances	37 (A)
<b>Predicted Outturn Total Variations HRA</b>	<b>1,671 (F)</b>

- Repairs underspend could be reduced at year end with transfer to reserves (19/20 was 0.350m) for next years planned spend items. The transfer to the Property Maintenance reserve allows works to be undertaken that have been planned for this year but will carried out in 2021/22.

Notable items of budget variance are;

- Income lower but materially consistent with prior year and collection rates are being maintained at high levels.
- COVID requirements and work restrictions have impacted significantly on the Council's ability to carry out certain types of work and therefore expenditure is under budget.

3.2 The following table shows the original budget surplus set for the year and the total variations as identified above, giving a revised budget surplus for the year.

HRA (Surplus)/Deficit	£000
<b>Original Budget surplus (Council 26/2/20)</b>	<b>927 (F)</b>
Predicted net (under)/overspend to year end	744 (F)
<b>Predicted Budget (Surplus)/Deficit HRA</b>	<b>1,671 (F)</b>

The original approved budget generates a surplus of £0.927m in 2020/21. This sum was to be used to help finance the purchase of properties, continuing with the £5m annual investment programme (£3.5m from reserves/surplus and £1.5m from RTB receipts).

3.3 The following table shows the effect on HRA Reserve:

	£000
<b>HRA balance as at 1/4/2020</b>	<b>4,059 (F)</b>
Predicted net over / (under) spend to year end	1,671 (F)
<b>Predicted HRA Balance 31/03/21</b>	<b>5,730 (F)</b>

The HRA Balance is required to be maintained within the adopted range of £2.1m and £3.1m, it is currently being projected to be £5.7m at the end of 2020/21. The outturn report

will confirm this position and its possible allocation. Other reserves held by the HRA are contained in the most recent report to Housing Review Board.

#### 4. Capital Programme Position up to Month 11

4.1 Below is the current position estimated for the capital programme which reflects a re-profiling of expenditure taking into account carried forward from the 2019/20 budget.

<b>Capital Programme</b>	<b>£000</b>
<b>Net Capital Programme Budget (Council 26/02/20)</b>	<b>7,453</b>
2019/20 outturn position, budget slippage into 2020/21	8,057
<b>Revised 2020/21 budget</b>	<b>15,510</b>
<b>Capital Programme variations</b>	<b>0</b>
<b>Actual Capital Expenditure</b>	<b>4,508</b>
<b>Unpaid orders</b>	<b>1,506</b>
<b>Capital Budget Requirement per programme</b>	<b>9,496</b>

4.2 Details of the annual capital programme financing is given below:

<b>Capital Programme Financing</b>	<b>£000</b>
<b>Predicted Capital Budget Requirement Month 11</b>	<b>15,510</b>
HRA Financing	(4,906)
New Homes Bonus	(2,054)
General Fund Capital Receipts	(100)
Contribution to/ (use of) Capital Reserve	(2,505)
<b>Net Internal/External Borrowing</b>	<b>(5,945)</b>

4.3 The Council currently does not hold a general capital reserve and all funding needs to be found. The cash required to fund the expenditure of £5.945m can be met from internal cash balances or through raising loans, this decision is made in line with Council's Treasury Management Strategy. The revenue implications of funding this position has been factored into the revenue monitoring position.

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#### **Financial implications:**

Contained within the report.

#### **Legal implications:**

Any legal implications are identified in the report and no further comment is required.