

**Report to:** Cabinet  
**Date of Meeting:** 30 September 2020  
**Public Document:** Yes  
**Exemption:** None  
**Review date for release** None



**Subject:** **Financial Monitoring Report 2020/21 - Month 5 August 2020**

**Purpose of report:** This report gives a summary of the Council's overall financial position for 2020/21 at the end of month five (31 August 2020).

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 recently announced 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. These factors have led to a change in position whereby it is now considered in year emergency action will not be required to address the shortfall if members are in agreement to using the General Fund Balance. This Balance still maintains within the adopted range, although at the lower end.

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

**Recommendation:**

- 1. The variances identified as part of the Revenue and Capital Monitoring process up to Month 5 be acknowledged.**
- 2. That members agree to use the General Fund Balance to meet the in year net shortfall as result of Covid-19 currently estimated at £1.163m**

**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.

**Officer:** John Symes – Finance Manager, [jsymes@eastdevon.gov.uk](mailto:jsymes@eastdevon.gov.uk)

**Portfolio Holder:** Portfolio Holder for Finance

**Financial implications:** Contained within the report

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

**Equalities impact:** Low Impact

**Climate change:** Low Impact

**Risk:** Low Risk

In compiling this report we have looked at all large, high risk and volatile budget areas. Predicted spending patterns have been linked to operational activity and all material budgets have been subject to thorough risk assessments by operational managers and finance staff. Any continuing variances in spending patterns will then be considered as part of the Financial Plan.

**Links to background information:** .

**Link to [Council Plan](#):** Outstanding Council and Council Services

## 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 five. The report considers expenditure to date and projections on year end spend to determine if the Council will maintain it's 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 5 August 2020

- 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 beginning of the financial year highlighting the significant implications of Covid-19 on the Council's finances (briefing note to all members and a further updated report to Cabinet). 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 £1.710m, 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. This scheme and required return has only just been released and we are currently compiling the necessary data, our initial assessment is that we should be able to reclaim at least £1.7m. Again this position is reflected in the table below.

<b>General Fund Position</b>	<b>£000</b>
<b>Original Budget Requirement (set 26/02/20)</b>	<b>12,554</b>
Month 5 predicted over/(under) spend at year end (detailed below)	1,163
<b>Predicted Outturn Position 31/3/2021</b>	<b>13,717</b>

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

<b>Predicted over / (under) 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	1,222	(786)	436
Beach Huts & Chalets – income loss due to CV19	231	(163)	68
Local Land Charges – income loss due to CV19	90	(59)	31
Manor Pavilion – income loss due to CV19	393	(278)	115
Licencing – income loss due to CV19	91	(60)	31
Green Waste Service – income loss due to CV19	130	(73)	57
Building Control – income loss due to CV19	162	(102)	60
Other fees & charges – income loss due to CV19	529	(180)	349
Net interest (after loans) – net loss due to CV19	200	-	200
Public Conveniences – additional costs on opening	80	-	80
Other Grants & Con't 3 <sup>rd</sup> party/donations loss due to CV19	224	-	224
COVID-19 additional costs – Homeless accommodation, mail outs, PPE, signage, overtime, community group grants	220	-	220
Additional Government Grant received in year	(1,710)	-	(1,710)
Strata savings – additional savings made to assist partners	(100)	-	(100)
LED – initial request scenario range £0.616m to £1.276	1,276	-	1,276
Predicted Furlough Funding & other savings e.g. travel	(103)	-	(103)
Non spend grounds maintenance agency staff budget	(71)		(71)
<b>Predicted Net Outturn Total Variations General Fund</b>	<b>2,864</b>	<b>(1,701)</b>	<b>1,163</b>

\*Sales Fees and Charges

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

	<b>£000</b>
<b>General Fund balance as at 1/4/2020</b>	<b>(6,395)</b>
Use of General Fund to balance 2020/21 Budget	0
Net predicted overspend	1,163
Proposed transfer to MTFP risk reserve	2,000
<b>Predicted General Fund Balance 31/03/21</b>	<b>(3,232)</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 (based on approval of MTFP risk reserve transfer).

### 3. Housing Revenue Account Position – month 5

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

<b>Predicted over / (under) spends</b>	<b>Predicted Outturn Variation £000</b>
Income	607
Responsive Repairs	(640)
Programme Maintenance	(395)
Special Works	(417)
Supervision & Management	322
Other Expenditure	(187)
Major Repairs	(746)
Financing interest on Balances	29
<b>Predicted Outturn Total Variations HRA</b>	<b>(1,427)</b>

Notable items of budget variance are;

- Income lower but materially consistent with prior year
- Expenditure significantly under budget primarily due to COVID impacting on the Council's ability to carry out certain types of work not possible with COVID requirements and work restrictions.

3.2 The following table shows the original budget surplus set for the year and the total variations as identified above, which are likely to affect the budget to give a revised budget deficit for the year.

<b>HRA (Surplus)/Deficit</b>	<b>£000</b>
<b>Original Budget surplus (Council 26/2/20)</b>	<b>(927)</b>
Month 5 predicted net (under)/overspend to year end	(500)
<b>Predicted Budget (Surplus)/Deficit HRA</b>	<b>(1,427)</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:

	<b>£000</b>
<b>HRA balance as at 1/4/2020</b>	<b>(4,059)</b>
Predicted net over / (under) spend to year end	(1,427)
<b>Predicted General Fund Balance 31/03/21</b>	<b>(5,486)</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 £5.486m at the end of 2020/21. Other reserves held by the HRA are contained in the detailed report to Housing Review Board.

3.4 The latest Housing Review Board finance report can be found [here](#).

#### 4. Capital Programme Position up to Month 5

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>£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>Predicted Capital Budget Requirement Month 5</b>		<b>15,510</b>

4.2 Details of the capital programme financing is given below:

<b>Capital Programme Financing</b>	<b>£000</b>
<b>Predicted Capital Budget Requirement Month 5</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.