

Agenda Item No: 6
Report To: Cabinet
Date of Meeting: 24 September 2020
Report Title: Financial Monitoring – 1 June 2020 to 31 July 2020
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Portfolio Holder Cllr. Neil Bell
Portfolio Holder for: Finance & IT



Summary:

This is a shortened (bi-monthly) budget monitoring report covering the two-month period to 31 July 2020, as agreed by Cabinet on 25 June 2020 in response to financial uncertainty as a result of the Covid19 Pandemic.

This report looks at the movements in the General Fund, Housing Revenue Account (HRA), Collection Fund and provides an update on the Government Fees and Charges Support Scheme.

Since the last budget report forecasts have been revised based on latest Covid19 information including the potential for a second spike, and the end of the furlough scheme. Overall there has been a reduction in the forecast deficit by £570,000 moving the overall in year General Fund pressure to £1.324m (excluding Collection Fund reported deficit).

The significant movements since Period 1 include an increased pressure of £103,000 in Corporate Property, this is largely due to increased business rate liabilities, and a saving in borrowing costs of £479,000 as borrowing costs continue to fall.

A further £793,000 pressure is forecast as Business Rates and Council Tax collection rates are lower than anticipated, although due to accounting purposes this pressure will not be reflected until next year.

This overall pressure of £2.084m is within the allocation of reserves earmarked at the May 2020 Cabinet meeting to mitigate the financial impact of Covid19.

The HRA is reporting a reduction of £877,000 since period 1 due to a lower than expected indexation figures on the PFI contract and better than anticipated level of rent collection.

Key Decision: No

Significantly Affected Wards: None

Recommendations:	The Cabinet is asked to:-
	<ul style="list-style-type: none"> I. Note the forecast outturn position for the General Fund and the Housing Revenue Account. II. Note the forecasts for Council Tax and Business Rates (the Collection Fund)
Policy Overview:	The Budget is a key element supporting the delivery of the Council's wider policy objectives.
Financial Implications:	<p>The General Fund is reporting an overall deficit of £1.324m for 2020/21 with a further £793,000 shortfall in the Collection Fund that will need to be repaid in 2021/22 resulting from the reduction in Business Rates and Council Tax receipts.</p> <p>The HRA has a forecast increase in costs of £326,000 primarily due to a reduction in forecast rent.</p> <p>The pressures can be contained within the Council's reserves which were earmarked at the May Cabinet Committee meeting to support the Covid19 pressure.</p>
Legal Implications	N/A
Equalities Impact Assessment	As part of Budget Setting 2020/21 a full assessment was undertaken.
Exempt from Publication:	N/A
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Report Title: Financial Monitoring Period 2 to 31 July 2020

Introduction and Background

1. This report presents the forecast outturn position for 2020/21 based on information gathered up to 31 July 2020. This is a shorted reporting period (two months) to report the moving financial picture in light of the Covid19 Pandemic.
2. An initial report on the impact of Covid19 was presented to the May Cabinet Committee which set aside £4.5m of reserves to be earmarked to support the balancing the 2020/21 budget pressure.
3. The full impact of the Pandemic is still to be determined and the position is changing on a regular basis with significant concerns around a second spike and the economic impact when the Government's Furlough Scheme ends.
4. This report considers each of the following areas of the Council in more detail including the; General Fund, Housing Revenue Account and the Collection Fund.

Summary of Current Overall Position

5. The current General Fund position is forecasting a deficit of £1.324m for 2020/21 which is a reduction of £570,000 from the previous forecast at the end of May
6. Since the May forecast, significant movements include additional costs of £103,000 in Corporate Property, largely due to the business rate liabilities falling onto the Council due to vacancies in the commercial stock, and a saving of £478,810 in borrowing costs as short term borrowing rates continue to fall.
7. The HRA forecast deficit has decreased by £877,000 following confirmation of indexation payments linked to the PFI Scheme, and the rent collection levels performing better than originally forecast at the start of the pandemic.
8. In relation to Council Tax and Business Rates collections, initial indications were forecast at around £2m would be needed to be set aside for losses in 2021/22, however these revenue streams have proved more resilient (partly due to Government Support Schemes) and this forecast has now been reduced to a pressure of £793,000 overall.
9. **Table 1** shows variances at a Directorate level, with further breakdown at **Table 2** to a service level.

Table 1 – General Fund Period 2 Budget Outturn Forecast as at 31 July 2020 – Directorate Level

* Directorate	Current Budget (net) £'000	Forecast Outturn (net) at 31/05/20 £'000	Forecast Outturn (net) at 31/07/20 £'000	Variance P1 to P2 £'000
a Chief Executive	1,416	1,428	1,431	3
b Director Of Finance & Economy	2,688	3,944	3,984	40
c Director Of Law & Governance	2,051	3,487	3,528	41
d Director Of Place & Space	10,975	11,674	11,500	(175)
Net Service Expenditure	17,130	20,533	20,443	(91)
e Non service specific items	(1,161)	(2,671)	(3,150)	(479)
Budget Requirement	15,969	17,862	17,293	(570)
f Financing:	(15,969)	(15,969)	(15,969)	0
Total movement	0	1,893	1,324	(570)

Table 2 - General Fund Period 2 Budget Outturn Forecast as at 31 July 2020 – Service Level

* Service	Current Budget (net) £'000	Forecast Outturn (net) at 31/05/20 £'000	Forecast Outturn (net) at 31/07/20 £'000	Variance P1 to P2 £'000
a Corporate Policy, Economic Development, Communications and CMO	1,416	1,428	1,431	3
b Corporate Property & Projects	(1,830)	(882)	(777)	105
b Finance & Ict	3,658	3,591	3,550	(42)
b Housing Services	860	1,235	1,211	(24)
c Community Safety and Wellbeing	428	1,975	2,024	49
c Hr & Customer Services	197	148	141	(7)
c Legal & Democratic Services	1,426	1,365	1,363	(2)
d Culture	3,342	3,536	3,478	(58)
d Environmental & Land Management	5,505	5,487	5,407	(80)
d Planning	2,128	2,650	2,615	(35)
Net Service Expenditure	17,130	20,533	20,444	(91)
e Capital Charges and net interest	(2,587)	(2,738)	(3,181)	(444)
e Covid19 Grant	0	(1,359)	(1,359)	0
e Levies, Grants and Precepts	271	271	271	0
e Contribution (from)/to reserves	1,155	1,155	1,120	(35)
Budget Requirement	15,969	17,862	17,294	(570)
Financing:				
f Retained Business Rates	(4,991)	(4,991)	(4,991)	0
f Council Tax	(7,923)	(7,923)	(7,923)	0
f New Homes Bonus	(3,055)	(3,055)	(3,055)	0
Total movement	0	1,893	1,324	(570)

* Cross referencing of Directorate Table to Service table

10. The following section provides explanations of the material movements between the current budget and the forecast outturn as at 31 July 2020 identified in the table above, grouped into directorate headings.

Director of Finance & Economy

11. **Corporate Property & Projects** – A further pressure of £105,000 is reported in this area as a result of increased business rates liabilities for empty units and further reductions in the rent forecasts.
12. **Finance and ICT** – Additional Saving of £41,000 as a result of additional Government grant of £31,400 and salary savings of 9,500.
13. **General Fund Housing Services** – There has been a reduction of £24,000 in temporary accommodation forecasts as numbers have started to fall.

Director of Law & Governance

14. **Community Safety and Wellbeing** – An additional pressures of £49,000 is reported in this area largely due to further reduction in parking income of £50,000 as Victoria Way car park is being used as a Covid testing site. £18,000 has also been incurred for new virtual permit software.
15. There has also been some savings in this areas including £17,000 for the removal of the Community Minibus schemes and £10,000 in salary savings.

Director of Place & Space

16. **Culture** – This area is showing a net saving from period 1 of £58,000, this is as a result of utility savings at the Stour Centre of £113,000, salary saving of £10,000. The Service also shows an increase in Community Grant payment of £65,000 which is being funded by reserves.
17. **Environment and Land Management** – A net saving of £79,000 has been reported which is largely due to £122,000 of additional income from the sale of Garden Waste Bines as a result of more targeted promotion as part of the Council's commercialisation strategy. In accordance with the Commercialisation policy £30,000 of the additional growth will be transferred to reserves to support the future commercialisation works, this is reflected in the reserves section.
18. Some pressures arising in this areas include £18,000 of additional cleaning costs to adhere to Covid requirements and a £12,000 water bill as a result of water leak at the Town Centre Fountain.
19. **Planning**– the Service is continuing to recruit however due to lead in times this has increased the consultancy pressure to do the day job by an estimated £85,000 for this year. Anticipated planning income figures which have seen income projections increase by £125,000 giving a net saving of £35,000 since Period 1.

Contributions (from)/to Reserves

20. The movement in reserves since period 1 represents £30,000 to reserves for commercialisation income and £65,000 from reserves to fund Grant payments.

Government Scheme for lost Sales Fees and Charges

21. The Government confirmed details of the “Local government income compensation scheme for lost sales, fees and charges” which enables the council to claim 75p in every pound having absorbed after the first 5% of budgeted losses, less any saving made.
22. Despite this welcomed support, not all lost sales fees and charges are eligible and notably rental income has been excluded from the scheme.
23. The Council will review all eligible sales fees and income streams and make a claim accordingly, based on forecasted figures to 31 March 2021. It is currently estimated that this scheme could provide further support to the Council of around £1m.

Collection Fund

Business Rates

24. At the beginning of the pandemic, Government introduced the Business Grant Scheme that the Revenues and Benefits team administered. This scheme helped many business in the Borough and has possibly contributed to the favourable position report this period with the loss of Business Rates not as high as originally forecast.
25. There is a risk to this forecast from further local or national lockdowns or business not surviving through to the later part of the year due to recession.
26. Some payments have been deferred until the end of the year so there is still some risk to the forecast as these payments fall due, with some defaults on deferred payments already occurring.
27. An increase of 1% has been made to the bad debt provision in anticipation of non-payments. This has resulted in the fund having an overall deficit of £1.65m as shown in the table below, of which Ashford's share is £660,000.

Table 3 – Business Rates Fund

	Original Budget	Outturn (net)
	2020/21	2020/21
	£'000	£'000
Opening (Surplus)/Deficit		168
Surplus paid to Major Preceptors NNDR 1 Estimate		1635
2020/21		
Amount of Business Rates to be paid to Major Preceptors	52,960	52,960
Amount of Business Rates Billed	-54,819	-28,590
Retail/Nursery S31 discounts 2020/21		-27,283
Other Items Charged to the Collection Fund	82	82
Bad Debts/Appeals	1,777	2678
In year (Surplus)/Deficit	0	1,482
Overall (Surplus)/Deficit	0	1,650

Council Tax

28. The Council Tax collection is forecasting a deficit of £1.329m at year end. This reflects an increase in bad debts of 1.25% which takes into account the effect of the winding down of the government's furlough scheme and the possibility of increased unemployment. Ashford's share of the deficit is £133,000.

Table 4 – Council Tax Fund

					Outturn (net) to 31/03/21
Opening Surplus					-537
Surplus distributed to Major Preceptors					536
Amount of Council Tax to be paid to Major Preceptors					87,431
Amount of Council Tax billed					-87,191
In Year Write Off's and Bad Debt Provison increase					1,090
In year (Surplus)/Deficit					1,330
Overall (Surplus)/Deficit					1,329

Housing Revenue Account (HRA)

29. The Housing Revenue Account is showing a decrease in its forecast since period 1 of £877,000 as a result of rent payments not being impacted as anticipated £609,000, and the indexation figures for the PFI contract are lower than budgeted levels £226,000. A breakdown of this variance is shown in **Table 5** below.

Table 5 – 2020/21 Housing Revenue Account Forecast Outturn Position

HRA	Current Budget (net)	Forecast Outturn (net) at 31/05/20	Forecast Outturn (net) at 31/07/20	Variance
Income	(25,369)	(24,069)	(24,678)	(609)
Supervision and Management	6,283	6,236	6,193	(43)
Repairs and Maintenance	3,758	3,708	3,708	0
Other	15,958	15,958	15,732	(226)
Net Revenue Expenditure	630	1,833	956	(877)
Capital Works - Decent Homes	4,435	2,931	2,931	0
Financed By:				
Contribution To/(From) Major Repairs Reserve	(4,435)	(2,931)	(2,931)	0
Net Capital Expenditure	0	0	0	0
Total Net Expenditure	630	1,833	956	(877)

Portfolio Holder's Views

30. This report shows a further reduction in previous forecasts as the impact of the pandemic is becoming more evident. We cannot however under estimate the risk to this forecast with the potential of additional spikes, and the unknown economic impact when the Government Furlough scheme ends.
31. With confirmation of the Government's support for reduced income streams the budget deficit will reduce further, thus reducing the draw on reserves earmarked at the start of the pandemic.

Contact and Email

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