

North East Derbyshire District Council

Cabinet

20 August 2020

Medium Term Financial Plan – Budget Monitoring April – June 2020

Report of Councillor P Parkin, Portfolio Holder for Finance

This report is for publication

Purpose of the Report

To update Cabinet on the financial position of the Council following the first quarter's budget monitoring exercise for the General Fund, the Housing Revenue Account and the Capital Programme.

1 Report Details

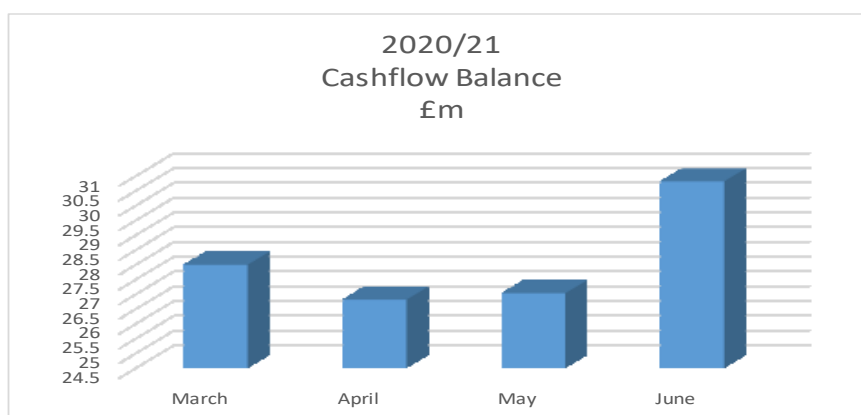
Impact of Covid-19

- 1.1 The Covid19 pandemic is inevitably having a detrimental impact on the Council's financial position and as a result steps were put in place to mitigate this, including the production of an emergency budget.
- 1.2 As we now start to enter the recovery phase and many of our services can begin to operate in some capacity again, our main priority is to provide as far as possible some stability with the budget for the rest of this financial year and return budgetary control to budget holders. Therefore this year we intend to separate the revised budget process from the MTFP refresh and hope to present the revised budget for consideration by Cabinet at its meeting in October.
- 1.3 When producing the emergency Covid budget income losses of £1.9m were forecast, largely from lost fees and charges within Leisure. To mitigate against this, expenditure budgets were adjusted by £1.2m, leaving a budget shortfall of £0.957m. To date Covid-19 response grants of £1.2m have been received from the Government.
- 1.4 On 2 July the Government announced a further funding package for councils to help address the Covid 19 pressures being faced. This includes an income loss scheme that will compensate us for income we lose from independently generated sources such as our leisure centres. Further updates will be provided to Cabinet as additional information on this scheme becomes available.
- 1.5 The Government also announced additional support to protect the year end position on the Collection Fund. Where there is a shortfall in income collected, compared to expected levels, this leads to a deficit on the collection fund. Preceptors are usually required to meet their share of any deficit in the following

year. The Government is therefore proposing that repayments to meet collection fund deficits in 2020/21 will instead be phased over three years to ease immediate pressures on the budget. Again, further details on how this will operate are awaited and an update will be provided to Cabinet in due course.

Impact of Covid-19 on Cash Flow

- 1.6 The Covid-19 pandemic also has the potential to impact negatively on our daily cash flow position as monthly receipts from council tax, business rates and fees and charges may be lower than we normally receive.
- 1.7 Council tax income collection is currently higher than we'd originally expected. The current collection rate at 96.6% is only 1.4% lower than the pre pandemic rate of 98%. Income collected by direct debit continues to increase this year.
- 1.8 Income from business rates however, whilst at 86% is higher than the initial forecast of 80%, remains considerably lower than the pre pandemic rate of 98%.
- 1.9 Fees and charges remain low, which is to be expected with all activity based income almost non-existent during the first three months, whilst we were in lockdown. However, income from planning fees in quarter 1 remained at pre pandemic levels and the number of suspensions received for the trade waste service has also been lower than originally expected. Income from industrial units has also remained at pre pandemic levels with businesses who received business support grants continuing, in the main, to pay their rent.
- 1.10 Taking account of all income and expenditure, the graph below shows that the cash flow balance has remained relatively static throughout the first quarter and is currently at a healthy level. Advance receipt of government grants and deferred payment of government business rates payments along with low capital expenditure has aided the position considerably. This provides assurance that the measures put in place are creating the headroom needed and that the balances held will be sufficient to protect the Council's cash flow position throughout the recovery phase. This will however need to be kept under constant review as the impact of changes to government policy, further reductions in income, reintroduction of the capital programme and recommencement of deferred government payments for business rates will all create additional cash flow pressures.



General Fund

- 1.11 Appendix 1 shows the General Fund Summary. At the end of quarter one, net expenditure is £0.132m under the Covid budget. This is largely as a result of income from fees and charges outperforming against the reduced budget - planning fees have remained at pre pandemic levels throughout this quarter.
- 1.12 All anticipated vacancy savings were removed from the Covid budget so the pay variance at the end of June is negligible. There have been a number of minor variances within supplies and services where expenditure has been necessary so the budget will need to be reinstated at least in part, but these are low in value with nothing of note or concern at this point.

Financial Reserves

- 1.13 The Invest to Save Reserve currently has a balance of £3.372m. Commitments already made against this reserve for 2020/21 and future years amount to £0.727m leaving £2.645m uncommitted.
- 1.14 The Resilience Reserve had a balance at the end of the year of £1.349m. The Covid 19 grants received from the Government have also been placed in this reserve increasing the balance to £2.563m. This reserve will be utilised to provide financial resilience to the General Fund as required by Medium Term Financial Plan and especially during the recovery phase of the Covid 19 pandemic.
- 1.15 There are ongoing commitments against the earmarked reserves which will continue in 2020/21 and future years. Should any of the reserves prove unnecessary in the light of subsequent events then they will be moved back into unallocated General Fund resources.

Housing Revenue Account (HRA)

- 1.16 Appendix 2 shows the HRA position at quarter one. To date the HRA has remained relatively stable but will remain under review. Large expenditure items are, in the main fixed, and rent collection levels to date are only slightly lower than forecast.

Capital Programme

- 1.17 Appendix 3 shows the capital position at quarter one. Due to the pausing of the capital programme, very little expenditure has been incurred to date. We are now cautiously releasing restrictions on the capital programme whilst ensuring cash flow is protected as necessary.

Capital Resources

- 1.18 The Council has sufficient capital resources in place to finance the actual expenditure and commitments of the capital programme at the end of the first quarter.

Treasury Management

- 1.19 The treasury management function covers the borrowing and investment of Council funds. All transactions are conducted in accordance with the Council's approved strategy and the CIPFA Code of Practice. Good treasury management plays an important role in the sound financial management of the Council's resources.
- 1.20 The Council approved the 2020/21 Treasury Management Strategy at its meeting in February 2020. Appendix 4 identifies the Treasury Management activity undertaken during the first quarter of 2020/21.

2 Conclusions and Reasons for Recommendations

- 2.1 The report summarises the financial position of the Council following the first quarter's budget monitoring exercise for the General Fund, the Housing Revenue Account, Capital Programme and Treasury management activity taking account of the Council's response to the impact of the Covid-19 pandemic.

3 Consultation and Equality Impact

- 3.1 There are no consultation and equality impact implications from this report.

4 Alternative Options and Reasons for Rejection

- 4.1 This report is concerned with monitoring the position against the Council's previously approved budget. Accordingly the report does not set out any options where a decision is required by Members.

5 Implications

5.1 Finance and Risk Implications

- 5.1.1 Measures have been put in place to minimise the impact of lost income in 2020/21 and ensure that the cash flow position remains protected as a result of the pandemic.
- 5.1.2 The impact on the annual budget will be continually reviewed during this period of uncertainty to ensure it remains robust and that reserves remain adequate should they need to be utilised.

- 5.1.3 The Financial Resilience reserve was created as part of the Medium Term Financial Plan refresh for 2020, reflecting the CIPFA Financial Management Code recommendations to effectively manage reserves. The government grant has been moved to this reserve and will be utilised for the purposes of Covid-19.

5.2 Legal Implications including Data Protection

- 5.2.1 There are no legal issues arising directly from this report.

5.3 Human Resources Implications

- 5.3.1 All human resource implications arising as a result of this report will be addressed through current policies and procedures.

6 Recommendations

- 6.1 That Cabinet notes the budget monitoring position outlined in this report and detailed in Appendices 1-4.

7 Decision Information

Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: <i>BDC: Revenue - £75,000 <input type="checkbox"/></i> <i>Capital - £150,000 <input type="checkbox"/></i> <i>NEDDC: Revenue - £100,000 <input type="checkbox"/></i> <i>Capital - £250,000 <input type="checkbox"/></i> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i>	No
Is the decision subject to Call-In?(Only Key Decisions are subject to Call-In)	No
Has the relevant Portfolio Holder been informed	Yes
District Wards Affected	All
Links to Corporate Plan priorities or Policy Framework	All

8 Document Information

Appendix No	Title
1	General Fund Summary

GENERAL FUND SUMMARY 2020/21 Quarter 1

APPENDIX 1

	Current Budget 2020/21 £	Covid Budget 2020/21	Profiled Covid Budget to Q1 £	Actuals (with Accruals) £	Variance £
Environment & Enforcement	4,372,123	4,606,908	1,151,727	1,098,556	(53,171)
Corporate Resources	6,003,742	6,525,242	2,175,081	2,138,380	(36,701)
Growth & Economic Development	1,512,362	1,303,485	600,181	557,851	(42,330)
Bad Debt Provisions	40,000	40,000	10,000	10,000	0
Recharges to Capital and HRA	(527,500)	(527,500)	(131,875)	(131,875)	0
Savings Target	(216,995)	(956,939)	(239,235)	(239,235)	(0)
Net Cost of Services	11,183,732	10,991,196	3,565,879	3,433,677	(132,202)
Investment Properties	(437,366)	(444,830)	(111,208)	(125,573)	(14,366)
Interest	(132,764)	(132,764)	(33,191)	(33,691)	(500)
Debt Repayment Minimum Revenue Provision	56,000	56,000	14,010	14,010	0
Parish Precepts	3,295,046	3,295,046	82,387	82,387	0
Parish Council Tax Support Grant	70,382	70,382	17,596	17,596	0
Transfer To Earmarked Reserves	20,000	20,000	0	0	0
Transfer From Earmarked Reserves	(258,372)	(258,372)	(239,235)	(239,235)	0
Total Spending Requirement	13,796,658	13,596,658	3,296,239	3,149,171	(147,068)
Business Rates	(3,650,000)	(3,450,000)	(862,500)	(912,500)	(50,000)
Revenue Support Grant	0	0	0	0	0
New Homes Bonus	(823,860)	(823,860)	(205,965)	(205,965)	0
Collection Fund (Surplus)/Deficit - Council Tax	(98,661)	(98,661)	(24,665)	(24,665)	0
NEDDC Council Tax Requirement	(5,929,091)	(5,929,091)	(1,482,273)	(1,482,273)	0
Parish Council Council Tax Requirement	(3,295,046)	(3,295,046)	(823,762)	(823,762)	0
Council Tax Requirement	(13,796,658)	(13,596,658)	(3,399,165)	(3,449,165)	(50,000)

HOUSING REVENUE ACCOUNT: SUMMARY 2020/21 - Quarter 1

APPENDIX 2

	Current Budget 2020/21 £	Profiled Qtr 1 Budget £	Actuals with Accruals £	Variance £
INCOME				
Dwelling Rents	(31,137,288)	(7,790,548)	(7,718,255)	72,293
Non-Dwelling Rents	(420,817)	(105,302)	(145,352)	(40,050)
Charges for Services and Facilities	(152,400)	(38,124)	(25,728)	12,396
Contributions Towards Expenditure	(50,000)	(12,500)	(12,500)	0
INCOME TOTAL	(31,760,505)	(7,946,474)	(7,901,834)	44,640
EXPENDITURE				
Repairs & Maintenance	5,182,329	1,296,615	1,271,208	(25,407)
Supervision and Management	5,426,874	1,541,347	1,532,219	(9,128)
Rents, Rates & Taxes	110,000	27,522	27,522	0
Capital Charges - Depreciation	8,101,505	2,026,993	2,026,993	0
Provision for Bad Debts	250,000	62,500	62,500	0
Debt Management Expenses	11,500	2,875	2,875	0
EXPENDITURE TOTAL	19,082,208	4,957,852	4,923,317	(34,535)
NET COST OF SERVICES	(12,678,297)	(2,988,622)	(2,978,517)	10,105
Corporate & Democratic Core	185,450	46,363	46,363	0
NET COST OF HRA SERVICES	(12,492,847)	(2,942,260)	(2,932,154)	10,105
Interest Payable	5,211,719	1,303,971	1,303,971	0
Interest Receivable	(85,197)	(21,316)	(21,316)	0
Revenue Contribution to Capital	4,643,302	1,160,826	1,160,826	0
Contribution to Debt Repayment	1,205,815	301,692	301,692	0
Transfer to Insurance/Litigation Reserve	783,572	195,893	195,893	0
(Surplus)/Deficit on HRA Services	0	(1,194)	8,911	10,105

Project/Scheme	Current Programme 2020/21 £000	Profiled Budget Quarter 1 £000	Actual and Commitments Quarter 1 £000	Variance at Quarter 1 £000
Housing Investment				
HRA Capital Works	10,164	2,541	0	(2,541)
HRA Capital Works - Non Traditional Properties	1,725	431	0	(431)
Pine View Danesmoor	1,100	275	0	(275)
Acquisitions and Disposals (RHL)	500	125	0	(125)
North Wingfield New Build	2,015	504	0	(504)
Garage Demolitions	23	6	0	(6)
Concrete Balconies	115	29	0	(29)
Parking Solutions	288	72	0	(72)
				0
Private Sector Spending	393	171	171	0
Total Housing Investment	16,323	4,154	171	(3,983)
Other Capital Projects				
Asset Refurbishment - General	500	56	56	0
Roller Shutter Door Replacements	0	0	1	1
Replacement Vehicles	2,327	119	119	0
ICT Schemes	158	22	22	0
Northwood Group Grant	290	220	220	0
Total Other Capital Projects	3,275	417	418	1
Total Capital Expenditure	19,598	4,571	589	(3,982)
Housing Investment Funding				
Major Repairs Allowance	(11,889)	(2,972)	0	2,972
HRA Capital Investment Reserve	(1,466)	(367)	0	367
Usable Capital Receipts	(1,165)	(291)	0	291
Prudential Borrowing	(1,410)	(353)	0	353
	(15,930)	(3,983)	0	3,983
Private Sector Spending				
Disabled Facilities Grant	(373)	(166)	(166)	0
Usable Capital Receipts	(20)	(5)	(5)	0
Total Housing Investment Funding	(16,323)	(4,154)	(171)	3,983
Other Capital Projects Funding				
Prudential Borrowing	(2,327)	(119)	(119)	0
RCCO - GF	0	0	(1)	(1)
Useable Capital Receipts	(948)	(298)	(298)	0
Other Capital Project Funding	(3,275)	(417)	(418)	(1)
Total Capital Financing	(19,598)	(4,571)	(589)	3,982

Treasury Management Activity April – June 2020/21**PWLB Borrowing**

The Council's total outstanding PWLB debt amounted to £149.541m at 1st April 2020. During the first quarters of 2020/21 £0.000m has been repaid to the PWLB so the balance at 30th June 2020 is £149.541m. During the current financial year no new loans have been taken out with the PWLB. The profile of the outstanding debt is analysed as follows: -

PWLB Borrowing	Maturity Profile 31 March 2020 £'000	Maturity Profile 30 June 2020 £'000
Term		
12 Months	304	304
1 - 2 years	2,205	2,205
2 - 5 years	10,332	10,332
5 - 10 years	23,377	23,377
10 - 15 years	32,233	32,233
Over 15 years	81,090	81,090
Total PWLB Debt	149,541	149,541

PWLB Interest

The interest cost to the Council of the PWLB debt for 2020/21 is shown in the table below. The cost is split between the HRA and General Fund based on the level of debt outstanding within the CFR.

Date	Amount Paid to PWLB £'000
Accrued Interest re 2019/20	(46)
Accrued Interest re 2020/21	1,365
Total Paid	1,319

Temporary Borrowing

Cash flow monitoring and management serves to identify the need for short term borrowing to cover delays in the receipt of income during the course of the year. During the current year to date short term borrowing from the Council's own bank hasn't incurred any interest charges. At the 31th June 2020 the Council had no temporary borrowing in place.

Temporary Investments

The tables below detail the short term investments made during the first quarter of 2020/21: -

Bank Name	Duration of Loan	B/Fwd 01/04/20 £000's	Amount Invested 2020/21 £000's	Amount Returned 2020/21 £000's	Balance Invested 30/06/20 £000's	Interest Received 30/06/20 £000's
Santander	Call	3,000	2,003	(5,003)	0	(3)
Handelsbanken	Call	5,000	3	(5,003)	0	(3)
Barclays	Call	0	5,000	(5,000)	0	(0)
NatWest	Call	0	5,001	(5,001)	0	(1)
Federated Fund 3	Call	3,000	2	(2)	3,000	(2)
Federated GBP 3	Call	2,000	2	(2)	2,000	(2)
Aberdeen Standard	Call	5,000	4	(4)	5,000	(4)
CCLA Public Sector Deposit Fund	1 Day Call	5,000	4	(4)	5,000	(4)
Aviva	Call	0	5,001	(1)	5,000	(1)
Invesco	Call	0	5,001	(1)	5,000	(1)
Debt Management Account Deposit Facility	Various	0	23,000	(23,000)	0	(0)
Gosport Borough Council	12 Months	1,000	2	(2)	1,000	(2)
Slough Borough Council	1 Year	2,000	4	(4)	2,000	(4)
Total		26,000	45,027	(43,027)	28,000	(27)

Overnight Investments

The balance of the daily surplus funds can be placed as overnight investments with the Councils bank which is Lloyds. The maximum amount invested with Lloyds in the first quarter of the financial year was £4.964m. There has been no breach of the £5m limit set in the Treasury Management Strategy. For clarity, this limit relates to the amount invested and doesn't include interest accruing as a result. The interest earned from daily balances to 30th June 2020 is £161.94.

Compliance with Treasury Limits

During the financial year the Council continued to operate within the treasury limits set out in the Council's Borrowing and Investment Strategy.

	Actual 2020/21 £'000	Set Limits 2020/21 £'000
Authorised Limit (total Council external borrowing limit)	193,047	199,485
Operational Boundary	188,047	194,485