

North East Derbyshire District Council

Cabinet

22 April 2021

Medium Term Financial Plan – Budget Monitoring October – December 2020

Report of the Portfolio Holder for Finance, Councillor P Parkin

Classification: This report is public

Report By: Jayne Dethick, Head of Finance and Resources

Contact Officer: Jayne Dethick, Head of Finance and Resources

PURPOSE / SUMMARY

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

RECOMMENDATIONS

1. That Cabinet notes the budget monitoring position outlined in this report and detailed in Appendices 1-5

Approved by the Portfolio Holder - Yes

IMPLICATIONS

Finance and Risk: Yes ☒ No ☐

Details:

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. The impact on the annual budget is continually reviewed during this period of uncertainty to ensure it remains robust and that reserves remain adequate should they need to be utilised. 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.

On Behalf of the Section 151 Officer

Legal (including Data Protection):

Yes ☐

No ☒

Details:

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On Behalf of the Solicitor to the Council

Staffing: **Yes** ☐

No ☒

Details:

On behalf of the Head of Paid Service

DECISION INFORMATION

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: BDC: Revenue - £75,000 <input type="checkbox"/> Capital - £150,000 <input checked="" type="checkbox"/> NEDDC: Revenue - £100,000 <input type="checkbox"/> Capital - £250,000 <input type="checkbox"/> <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
District Wards Significantly Affected	None
Consultation: Leader / Deputy Leader <input type="checkbox"/> Cabinet / Executive <input type="checkbox"/> SAMT <input type="checkbox"/> Relevant Service Manager <input type="checkbox"/> Members <input type="checkbox"/> Public <input type="checkbox"/> Other <input type="checkbox"/>	Yes Details: Ward Members

Links to Council Ambition (BDC)/Council Plan (NED) priorities or Policy Framework including Climate Change, Equalities, and Economics and Health implications.

All

REPORT DETAILS

1 **Background** *(reasons for bringing the report)*

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

2. **Details of Proposal or Information**

- 2.1 The Covid19 pandemic is inevitably having a detrimental impact on the Council's 2020/21 budget. The main concern is income lost from fees and charges, predominantly within Leisure Services but also within other services such as MOT testing and commercial waste:

Service	Lost income to 31 Dec 2020 (£000)
Leisure	1,268
Taxi MOT's	84
Commercial Waste	24

- 2.2 To date, the Council has received £1.44m in grants from the government to aid the continued delivery of council services. This is being held in the Resilience Reserve and will be utilised to fund the additional expenditure incurred as well as lost income detailed above.
- 2.3 The Government's income compensation scheme is compensating the Council for 75% of the income lost from fees and charges. Claims are made retrospectively and are based on actual losses compared to pre pandemic budgets. We are required to demonstrate the measures we have put in place to reduce expenditure during the pandemic period and claims must be net of these savings. Claims to the end of November have been submitted totalling £0.797m.
- 2.4 The Government has 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 two schemes to assist:
- Immediate pressures on the collection fund as a result of non-collection of council tax and business rates will be spread over three years.

- Reductions to the level that can be billed for council tax and business rates as a result of increased levels of council tax support or business rates appeals (when compared to the original position at the start of the year) will be compensated by 75%.
- 2.5 The 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 are lower than we normally receive.
 - 2.6 Council tax income collection is currently higher than originally expected. The current estimate at 95.8% is 2.2% lower than the pre pandemic rate of 98%.
 - 2.7 However, the current estimate of the collection rate for business rates is 88%, considerably lower than the pre pandemic rate of 98%.
 - 2.8 Fees and charges remain almost non-existent for leisure services as centres remain closed due to national restrictions. However, income from planning fees up to quarter 3 is in excess of the budget and the number of suspensions received for the trade waste service has 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.
 - 2.9 Taking account of all income and expenditure, cash flow has remained relatively static throughout the year and is currently at a healthy level. Advance receipt of government grants and deferred payment of government business rates payments has aided the position considerably. The balances held are forecast to be sufficient to protect the Council's cash flow position throughout this year.
 - 2.10 Appendix 1 shows the General Fund Summary. At the end of quarter three, net cost of services expenditure is £0.345m lower than budget. This is largely as a result of income from planning fees which have remained at pre pandemic levels throughout this year and are also higher than forecast.
 - 2.11 All anticipated vacancy savings were removed from the revised budget but they have now begun to accrue again and currently total £0.173m. There are minor variances within the premises (£0.036m), transport (£0.086m) and supplies and services budgets (£0.171m) but there is nothing of note or concern at this point.

Housing Revenue Account (HRA)

- 2.12 Appendix 3 shows the HRA position at quarter three. To date the HRA has remained relatively stable throughout the pandemic and net income at the end of December is £0.034m. This is mainly because large expenditure items are in the main fixed, and rent collection levels to date are only slightly lower than forecast.

Capital Programme

- 2.13 Appendix 4 shows the capital position at quarter three. Expenditure is currently £8.7m lower than forecast largely as a result of the pandemic limiting HRA capital works in the first half of the year.
- 2.14 The Council has sufficient capital resources in place to finance the actual expenditure and commitments of the capital programme at the end of the third quarter.

Treasury Management

- 2.15 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.
- 2.16 The Council approved the 2020/21 Treasury Management Strategy at its meeting on 1 February 2021. Appendix 5 identifies the Treasury Management activity undertaken up to the third quarter of 2021/22.

3 Reasons for Recommendation

- 3.1 The report summarises the financial position of the Council following the third 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.

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.

DOCUMENT INFORMATION

Appendix No	Title
1, 2, 3, 4 and 5	General Fund Summary; General Fund Detail, Housing Revenue Account; Capital; and Treasury Management
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
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