

FINANCIAL RESULTS 2020/21 - TO THE END OF JULY 2020

Finance & Investment Advisory Committee - 8 September 2020

Report of Deputy Chief Executive and Chief Officer - Finance & Trading

Status: For consideration

Also considered by: Cabinet - 17 September 2020

Key Decision: No

This report supports the Key Aim of Effective Management of Council Resources

Portfolio Holder Cllr. Matthew Dickins

Contact Officers Alan Mitchell Ext. 7483

Adrian Rowbotham Ext. 7153

Recommendation to Finance and Investment Advisory Committee: That the report be noted, and any comments forwarded to Cabinet.

Recommendation to Cabinet: Cabinet considers any comments from Finance and Investment Advisory Committee and notes the report

Reason for recommendation: Sound financial governance of the Council.

Overall Financial Position

- 1 The year-end position is currently forecast to be an unfavourable variance of £3.3m which is largely due to COVID-19; this represents 21.2% of our net service expenditure budget totalling £15,581,000.
- 2 The financial cost of the COVID-19 pandemic started at the very end of March 2020 and therefore the financial cost was limited in 2019/20 and has already been reported. However, as the current forecast position shows, a far greater impact will be incurred within the 2020/21 financial year. This and the future financial impact will be addressed through the 10-year budget process.
- 3 The COVID-19 accounts for the majority of the £3.3m unfavourable variance. Further funding from Government is expected and will be included in future reports when more details are known.

Year to Date - Areas of Note

- 4 The financial impact of Pay costs - the expenditure to date on staff costs is £47,000 below budget. There are currently vacancies within Corporate Services and Planning. The impact of salary variances are included within the Chief Officer commentaries.
- 5 The 2020/21 budget for the pay award is 2.0% but the current increase being offered is £2.75%. If accepted this would cost an additional £130,000.
- 6 Income - the Council receives a number of different income streams to help balance the budget; section 8 of the monitoring pack provides details in relation to the main streams. At the end of June, income as detailed within this report is significantly below budget.
- 7 Investment Returns - the return to date on the treasury management investments held by the Council is lower than budgeted with interest received to date totalling £34,000 compared to a budget of £71,000.
- 8 Council Tax - collection levels are expected to be below budgeted levels due to the impacts of COVID-19. Due to how the Collection Fund is accounted for, this will not impact the Council until 2021/22.
- 9 Retained Business Rates - Income expectation of £2.139m forms part of the 2020/21 budget; any receipts over and above this amount, including those that result from being a beneficiary of the Kent Business Rates Pool, will be transferred to the Budget Stabilisation Reserve. Regular monitoring takes place, with any amendments feeding into the outturn forecasts.

Year End Forecast

- 10 The year-end forecast position is an unfavourable variance of £3.3m. In paragraphs 11 to 21 there are details of the larger variances, both favourable and unfavourable.

Net Service Expenditure - Favourable variances

- 11 Within Miscellaneous Finance is the balance £826,000 of the £1.2 Government COVID-19 grant that was used in 2019/20. The forecast shows a surplus to offset where costs have been incurred in other areas.

Net Service Expenditure - Unfavourable variances

- 12 Homeless prevention is forecasting an adverse variance of £280,000 which is the additional cost being incurred relating to an increased number of people being put in temporary accommodation. The homelessness funding is currently being reviewed in order to fund the programme in future years.

- 13 Land charges fees were revised for 2019/20 but the number of searches has remained down compared to previous years and due to COVID-19 the level of searches has dropped even lower leading to a £90,000 unfavourable forecast.
- 14 Local Tax is forecasting an unfavourable variance of £369,000 due to COVID-19 of which £279,000 is loss of court costs recovery at 100% for the first 6 months as Government had advised that debts should not be chased during this period, and at 50% for the second 6 months. Also underachievement of income on Enforcement is estimated to be £90,000.
- 15 Car parking fees were suspended on 23 March due to COVID-19 but have now been re-started. This has led to a significant loss of income with Car Parks forecasting an adverse variance of £1.909m income. Similarly, with On-Street Car Parking which is also forecasting an unfavourable variance of £662,000.
- 16 Direct service are forecasting an unfavourable variance of £104,000 due to loss of income in areas such as bulky waste, MOT's and pest control and also increased costs due to COVID-19.
- 17 Due to COVID-19 the Print Shop was unable to conduct business as normal for both internal and external customers. An unfavourable variance of £73,000 is forecast.
- 18 Within Planning and Regulatory services there are a large number of adverse variances which are losses of income due to COVID-19 with the overall variance being £336,000. Within the service there are some savings due to staff vacancies but these will be utilised to offset other staff budget overspends including career training.

Other Variances

- 19 Interest Receipts - current levels of investment returns and possible rates available going forward has resulted in a £37,000 unfavourable variance.
- 20 Investment Property Income - The majority of properties held within the Property Investment Strategy continue to achieve the income levels predicted. Due to COVID-19 a single property has not produced income in line with budget and this loss of income is reflected in the unfavourable variance of £96,000

Future Issues and Risk areas

- 21 Chief Officers have considered the future issues and risk areas for their services and the impacts these may have on the Council's finances as follows:
 - COVID-19 continues to effect the entire authority and is being closely monitored. As part of the 10-year budget process the expected financial cost will be identified and solutions presented.

- Feasibility costs for property investments and development of council owned assets.
- Staff turnover remains high with planning and recruiting to vacant posts continues to be difficult to fill.

22 The potential impact of Brexit is being monitored and addressed as part of the Council's risk management process.

Key Implications

Financial

The financial implications are set out elsewhere in this report.

Legal Implications and Risk Assessment Statement.

Under section 151 of the Local Government Act 1972, the Section 151 officer has statutory duties in relation to the financial administration and stewardship of the authority.

Detailed budget monitoring is completed on a monthly basis where all variances are explained. Future risk items are also identified.

Equality Assessment

The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

Appendices

Appendix A - July 2020 Budget Monitoring
Commentary

Appendix B - July 2020 Financial Information

Background Papers

None

Adrian Rowbotham

Deputy Chief Executive and Chief Officer Finance & Trading