

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

Finance & Investment Advisory Committee - 21 January 2021

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

Status: For Consideration

Also considered by: Cabinet - 11 February 2021

Key Decision: No

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

Portfolio Holder: Cllr. Matthew Dickins

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Recommendation to Finance and Investment Advisory Committee:

That the report be noted, and any comments forwarded to Cabinet.

Recommendation to Cabinet:

Cabinet considers and comments from Finance and Investment Advisory Committee and notes the report.

Reason for recommendation: Sound financial governance of the Council.

Introduction and Background

- 1 The year-end position at the end of November was forecast to be an unfavourable variance of £22,000. The increase in expenditure or income losses which related to COVID-19 total £3.1m; this represents 19.9% of our net service expenditure totalling £15.581m.
- 2 The table below sets out the current position in terms of the Government's Income Compensation Scheme. Two claims have been submitted to date, July and November with a further claim and reconciliation at the end of March 2021.

Table 1: COVID-19 Sales, Fees and Charges Compensation Scheme

	<u>£m</u>
Projected total net claim	2,059
Net claim to November 2020	1,573

- 3 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 has been addressed through the 10-year budget process which was approved by Council on 17 November 2020.

Year to Date - Areas of Note

- 4 The financial impact of Pay costs - the expenditure to date on staff costs is £48,000 below budget. The current Full Time Equivalent position as the split between SDC staff, Agency and Casual staff are detailed within the staffing stats (section 5) and the impact of salary variances are included within the Chief Officer commentaries.
- 5 The 2020/21 pay award was approved at 2.75%, which is 0.75% higher than budgeted. This has 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 November, income as detailed within the report is significantly below budget. Some of this will be mitigated by the COVID-19 Sales, Fees and Charges Compensation scheme.
- 7 Investment Returns - the return to date on the treasury management investments held by the Council is lower than budget with interest received to date totalling £65,000 compared to a budget of £195,000. The forecasted income from investments is £214,000 below the £303,000 annual budget. This is due to very low interest rates being offered by counterparties and our cash balances being lower than in previous years.
- 8 Council Tax - collection levels are expected to be below budgeted levels due to the impacts of COVID-19. Due to the way in which 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. The current projection is that £454,000 of additional receipts will be received.

Year End Forecast

- 10 The year-end forecast position is an unfavourable variance of £22,000 (after the inclusion of the Covid-19 Sales, Fees and Charges Compensation Scheme forecasted total claim).
- 11 In paragraphs 12 to 22 there are details of the larger variances, both favourable and unfavourable.

Net Service Expenditure - Favourable Variances

- 12 Within Miscellaneous Finance the forecasted favourable variance £3.4m which is made up of the receipt of a number of grants, including the Covid-19 Sales, Fees and Charges Compensation Scheme and the balance of the £1.2m Government COVID-19 grant which are offsetting additional costs or losses incurred in other areas.
- 13 Parking Enforcement -is forecasting a favourable variance of £40,000 due to a new contract with Tandridge.

Net Service Expenditure - Unfavourable Variances

- 14 Homelessness prevention is forecasting an adverse variance of £129,000 which is the additional cost being incurred relating to an increased number of people being put in temporary accommodation This reduced from £240,000 following receipt of an additional Homelessness grant. The homelessness funding is currently being reviewed in order to fund the programme in future years.
- 15 Land charges fees were revised for 2019/20 but the number of searches has remained down compared to previous years. Due to COVID-19 the level of searches has dropped even lower leading to a £70,000 unfavourable forecast.
- 16 Local Tax is forecasting an unfavourable variance of £339,000 due to COVID-19 of which £279,000 is loss of court cost recovery. This is forecast at 100% for the first 6 months of the year as Government had advised that debts should not be chased during this period, and at 50% for the remainder of the year. There is also underachievement of enforcement income estimated to be £90,000.
- 17 Car parking fees were suspended on the 23 March due to COVID-19 but were reintroduced in June, with some free parking. This coupled with the significant drop in carpark usage has led to a significant loss of income with Car Parks forecasting an adverse variance of £1.732m income. Similarly, with On-Street Car Parking which is also forecasting an unfavourable variance of £574,000. The loss of Car Parking income is the largest amount included in the COVID-19 Sales, Fees and Charges Compensation claim.
- 18 Direct Services are forecasting an unfavourable variance of £145,000 due to loss of income in areas such as bulky waste, MOT's and pest control and increased costs due to COVID-19.

- 19 Due to COVID-19 the Print Shop was unable to conduct business as normal for both internal and external customers. An unfavourable variance of £64,000 is forecast.
- 20 Within Development & Conservation there are a large number of adverse variances which are losses of income due to COVID-19 with the overall variance being £153,000. Within the services there are some savings due to staff vacancies but these will be utilised to offset other staff budget overspends including career training.

Other Variances

- 21 Interest Receipts - current levels of investment returns and expected rates going forward, along with reduced cash levels due to ongoing loss of income, have resulted in an unfavourable variance of £214,000 being forecast.
- 22 Investment Property Income - forecasting a unfavourable variance of £136,000. The majority of properties held within the Property Investment Strategy continue to achieve the income levels predicted. Due to a tenant going into administration as a result of 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 which has been addressed by 21/22 SCIA 13 . In addition Business Rates have been charged in relation to the Burlington Mews show home.

Future Issues and Risk Areas

- 23 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 have been projected and solutions presented and approved
 - Ongoing impact of COVID-19 on the leisure industry and Council owned leisure facilities.
 - Ongoing Temporary Accommodation costs within the district, excluding COVID-19 related cost.
 - Covid-19 related risks are currently the greatest concern. Also, additional staffing costs for Direct Services are possible if a number of staff self-isolate as the intention is to continue at normal service levels wherever possible.
 - Car parking customer numbers were increasing up to November but it is uncertain what the impact will be for the rest of the year especially with subsequent local Tier restriction and further national lockdowns.
 - The likely effect of the Government's Income Compensation scheme is included elsewhere in this report.

- Potential unknown liabilities associated with Business Rates relating to distressed leases. A systemic risk associated with the pandemic may result in further loss of income.
- Feasibility costs for property investments and development of council owned assets.
- There remains the risk that planning decisions and enforcement action will be challenged, either at appeal or through the Courts.
- The Local Plan legal challenge is ongoing
- The financial impact of proposed changes to the Planning System will need to be carefully considered.

24 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 - November 2020 Budget Monitoring Commentary

Appendix B - November 2020 Financial Information

Background Papers

None

Adrian Rowbotham

Deputy Chief Executive and Chief Officer - Finance & Trading