

PROVISIONAL OUTTURN 2020/21

Finance and Investment Advisory Committee - 16 June 2021

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

Status: For Consideration

Also considered by: Cabinet 8 July 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 any comments from Finance and Investment Advisory Committee and notes the report.

Reason for recommendation: Sound financial governance of the Council.

Introduction and Background

- 1 This has been an exceptional year and one that has put unprecedented pressure on the authority not only financially but operationally. Therefore, I believe it is a real achievement that the Provisional Financial Outturn figures for 2020/21 (attached at Appendix A) only shows a unfavourable variance of £321,000. The net unfavourable impact of COVID-19 is £336,000 and therefore excluding COVID-19 there would be a favourable variance of £15,000 for the year.
- 2 There are a number of outstanding items from external sources that will need to be incorporated into the final outturn position which will be reported to a future meeting.
- 3 In addition to the unfavourable variance above, a provisional figure of £454,000 for additional business rates was retained due to being part of the

Kent & Medway Business Rates Pool. There was a cost of £32,000 to identify new business rates growth which has been funded by the additional business rates.

- 4 In line with the financial strategy, the balance of £422,000 of additional business rates will be transferred to the Budget Stabilisation Reserve and the New Homes Bonus received transferred to the Financial Plan Reserve.
- 5 It was approved by Council on 23 February 2021 that any favourable variances achieved on the 2020/21 budget be put into the Budget Stabilisation Reserve.
- 6 The table below sets out the current position in terms of the Government's Income Compensation Scheme. Three claims have been submitted for 2020/21.

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

	<u>£m</u>
July 2020 claim	898
November 2020 claim	675
March 2021 claim	800
Total	2,373

- 7 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 as reported last year. However, as the provisional outturn position shows, a far greater impact has been incurred within the 2020/21 financial year. This and the future financial impact have been addressed through the 10-year budget process which was approved by Council on 17 November 2020.

Areas of Note

- 8 The 2020/21 pay award was approved at 2.75%, which is 0.75% higher than budgeted. This has cost an additional £130,000.
- 9 Investment Returns - the return on the treasury management investments held by the Council is lower than budget with interest received totalling £117,000 compared to a budget of £300,000. This is due to very low interest rates being offered by counterparties and our cash balances being lower than in previous years due the impact of COVID-19 and planned use within the capital programme. Furthermore, cash balances (internal borrowing) have been used to fund Quercus 7 acquisitions which are earning returns of approx. 4.5%.

These total £180,000 for the year and are shown within 'Investment Property Income' rather than 'Interest receipts'.

- 10 Council Tax - collection levels are 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.
- 11 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. The current projection is that £454,000 of additional receipts will be received, £422,000 of which will be transferred to the reserve.

Net Service Expenditure - Favourable Variances

- 12 Within Miscellaneous Finance the favourable variance is £3.8m. This 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 Government COVID-19 grant which are offsetting additional COVID-19 costs or losses in income incurred in other areas.
- 13 Parking Enforcement is reporting a favourable variance of £51,000 due to a new contract with Tandridge District Council.
- 14 Corporate Management is reporting an underspend of £77,000 which as a result of reduced expenditure on brought-in external services and some minor variances on salaries which are attributed to the corporate management of the organisation.
- 15 Planning Policy and Development Management are reporting a favourable variances of £80,000 and £71,000 respectively . Income has recovered extremely well and a number of large applications have been received which has resulted in the income budget being exceeded. However, this is being used to offset other unfavourable variances within Planning and Regulatory Services resulting in a net unfavourable variance of £26,000.

Net Service Expenditure - Unfavourable Variances

- 16 Homeless and Homelessness prevention is reporting an adverse variance of £194,000 and £128,000 respectively which is the additional cost being incurred relating to an increased number of people being put in temporary accommodation. These costs are being funded by the Community Outbreak Management Fund which is shown in Miscellaneous Finance. The homelessness funding is currently being reviewed in order to fund the programme in future years.
- 17 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 £52,000 unfavourable variance.

- 18 Local Tax is reporting an unfavourable variance of £467,000 due to COVID-19 restrictions. £372,000 is because of being unable to take people to court for the whole year plus £40,000 write offs for courts costs raised in previous years. The total underachievement of income on Enforcement is estimated to be £100,000, which is £20,000 higher than last year due to COVID.
- 19 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 car park usage has led to a significant loss of income with Car Parks reporting an unfavourable variance of £2.046m. Similarly, with On-Street Car Parking which is also reporting an unfavourable variance of £614,000. The loss of Car Parking income is the largest amount included in the COVID-19 Sales, Fees and Charges Compensation claim.
- 20 Direct Services are reporting an unfavourable variance of £326,000 due to loss of income in areas such as bulky waste, trade waste, MOT's and pest control and increased costs such as the increased use of agency to cover staff shortages due to COVID-19.
- 21 Due to COVID-19 the Print Shop was unable to conduct business as normal for both internal and external customers resulting in an unfavourable variance of £83,000.

Other Variances

- 22 Investment Property Income - is reporting an unfavourable variance of £131,000. 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. In addition, Business Rates have been charged on the above property and 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 affect the entire authority and is being closely monitored. As part of the 10-year budget process the expected financial cost has been projected and solutions presented and approved. Specific risks include:
 - 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 costs.

- 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 the future income recovery is uncertain.
- 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.
- The Environmental Health Partnership dissolution costs.
- Ongoing Temporary Accommodation costs within the district, excluding COVID-19 related costs.
- 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.
- Land Charges - are being monitored and will continue to be reviewed in light of changes to the service with the Land Registry.
- There remains the risk that planning decisions and enforcement action will be challenged, either at appeal or through the Courts.
- The Building Control dissolutions costs
- The financial impact of proposed changes to the Planning System will need to be carefully considered.

24 The potential future 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 - March 2021 Budget Monitoring Commentary

Appendix B - Provisional Outturn - March 2021 Financial Information

Background Papers

None

Adrian Rowbotham

Deputy Chief Executive and Chief Officer - Finance & Trading