

**CABINET
29 JUNE 2021**

PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: REVENUE BUDGET OUTTURN 2020/21

REPORT OF THE SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: EXECUTIVE MEMBER FOR FINANCE AND IT

COUNCIL PRIORITY: ENABLE AN ENTERPRISING AND CO-OPERATIVE ECONOMY

1. EXECUTIVE SUMMARY

- 1.1. The purpose of this report is to inform Cabinet of the summary position on revenue income and expenditure as at the end of the financial year 2020/21. The net outturn of £19.379m represents a £866k decrease from the working budget of £20.245million. There are corresponding requests to carry forward £317k (of underspends) to fund specific projects that will now take place in 2021/22. There is a further forecast impact on the 2021/22 base budget of a £10k increase. As itemised and explained in table 3, the most significant variance, a decrease of £321k, relates to the financial support provided to Stevenage Leisure Limited (SLL) to maintain operations during the year. The finance required to allow leisure centres to open as restrictions were eased contributed to a total net additional expenditure due to Covid-19 in the year of £1.5m. Table 6 lists the main financial impacts of the pandemic and shows the extent to which these have been mitigated by additional government funding received.
- 1.2. The report also provides an update on;
- the delivery of planned efficiencies (paragraph 8.4 and table 4)
 - the use of budget approved to be carried forward from 2019/20 (paragraph 8.5)
 - performance against the four key corporate 'financial health' indicators (paras 8.6-8.7)
 - confirmation of the funding position as at the end of 2020/21 and the financial impact of Covid-19 (paras 8.8 – 8.20)
 - details of earmarked reserves movements and balances (table 9)
 - the support payments made to businesses and those individuals required to self-isolate due to the Covid-19 pandemic (table 10)

2. RECOMMENDATIONS

- 2.1. That Cabinet note this report.
- 2.2. That Cabinet approves a decrease of £866k in the 2020/21 net General Fund expenditure, as identified in table 3 and paragraph 8.1, to a total of £19.379million.
- 2.3. That Cabinet approves the changes to the 2021/22 General Fund budget, as identified in table 3, paragraph 8.2 and paragraph 8.3, a total £377k increase in net expenditure.

That Cabinet recommends to Council

- 2.4. That Council approves the net transfer to earmarked reserves, as identified in table 8, of £11.464million.

3. REASONS FOR RECOMMENDATIONS

- 3.1. Members are able to monitor, make adjustments within the overall budgetary framework and request appropriate action of Services who do not meet the budget targets set as part of the Corporate Business Planning process.
- 3.2. Changes to the Council's balances are monitored and approved.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1. Budget holders have considered the options to manage within the existing budget but consider the variances reported here necessary and appropriate.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1. Consultation on the budget monitoring report is not required. Members will be aware that there is wider consultation on budget estimates during the corporate business planning process each year.

6. FORWARD PLAN

- 6.1. The report contains a recommendation on a key decision that was first notified to the public in the Forward Plan on the 5th February 2021.

7. BACKGROUND

- 7.1. Council approved the revenue budget for 2020/21 of £15.136million in February 2020. At the end of the financial year the working budget has increased to £20.245million. Table 1 below details the approved changes to this budget to get to the current working budget:

Table 1 - Current Working Budget

	£k
Original approved budget for 2020/21	15,136
Quarter 3 2019/20 Revenue Monitoring report – 2020/21 budget changes approved by Chief Executive under delegated authority as a result of the Cabinet meeting on 24 March 2020 being cancelled due to Covid-19 situation (March 2020)	287
2019/20 Revenue Outturn Report – 2020/21 budget changes approved by Cabinet (June 2020)	403
Quarter 1 2020/21 Revenue Monitoring report - 2020/21 variances approved by Cabinet (September 2020)	1,468
Quarter 2 2020/21 Revenue Monitoring report - 2020/21 variances approved by Cabinet (December 2020)	2,036
Month 8 revenue monitoring included within 2021/22 budget report – 2020/21 variances approved by Cabinet (January 2021)	291

	£k
Quarter 3 2020/21 Revenue Monitoring report - 2020/21 variances approved by Cabinet (March 2021)	624
Current Working Budget	20,245

- 7.2. The Council is managed under Service Directorates. Table 2 below confirms the current net direct resource allocation of each Service Directorate and how this has changed from the budget allocations published in the Quarter Three monitoring report.

Table 2 – Service Directorate Budget Allocations

Service Directorate	Net Direct Working Budget at Q3	Changes approved at Q3	Other Budget Transfers	Net Direct Working Budget at Outturn
	£k	£k	£k	£k
Managing Director	1,866	0	(26)	1,840
Commercialisation	(214)	2	38	(174)
Customers	4,318	(46)	3	4,275
Legal & Community	2,193	(37)	23	2,179
Place	7,155	66	28	7,249
Regulatory Services	1,826	641	40	2,507
Resources	2,477	(2)	(106)	2,369
TOTAL	19,621	624	0	20,245

8. RELEVANT CONSIDERATIONS

- 8.1. Cabinet are asked to approve the net expenditure on the General Fund in 2020/21 of £19.379 million (recommendation 2.2). This is a net decrease of £866k on the working budget of £20.245million. Table 3 below highlights the most significant variances, which are generally more than £25k, and contains an explanation for each. The final columns detail if a carry forward into 2021/22 is requested and the estimated ongoing impact of the variances reported:

Table 3 - Summary of significant variances

Budget Area	Working Budget £k	Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2021/22 £k
External Audit Fees	40	80	+40	Outturn includes accrued additional fees relating to both the 2019/20 and 2020/21 Final Accounts audits for the supplementary audit work required to be undertaken as a result of the impact of Covid-19, as detailed in the Annual Audit Letter presented to Finance, Audit and Risk Committee in January this year.	0	12

Budget Area	Working Budget £k	Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2021/22 £k
Strategic Priorities Fund	81	0	(81)	A total budget of £100k was made available for the Strategic Priorities Fund in 2020/21, of which a total of £19k was allocated to successful investment bids. It is requested that the remaining £81k is carried forward to enable the Council's Leadership Team to fund invest to save or continuous improvement projects as the opportunity arises in the next financial year.	81	0
Apprenticeship Scheme	93	0	(93)	The impact of the pandemic and the subsequent closure of Council offices has resulted in some delays to the recruitment and induction of apprentices in the current remote working arrangements. A proportion of the underspend will relate to several apprentices who moved into permanent roles before the end of their apprenticeships, and one apprentice who left the council mid-way through their apprenticeship for personal reasons. It is requested that the unspent budget is carried forward and used to increase the number of apprenticeship placements in the next financial year.	93	0
HMRC Tax Liability	0	28	+28	Through a review of the vehicles provided to employees for business purposes, the Council identified that cars provided to staff in the Enforcement and Waste teams created a tax liability. The vehicles were taken home for efficient business reasons but this is considered to be personal use by HMRC, and therefore creates employment tax and VAT liabilities. The Council has notified HMRC of the issue and is seeking an employer voluntary settlement agreement for the tax payable, while the Vehicle Use Policy has been updated to ensure a similar issue does not arise in future years. The accrued cost is the Council's assessment of the relevant tax liability. Should HMRC disagree with the basis of the calculation, the final tax bill could be significantly higher.	0	0

Budget Area	Working Budget £k	Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2021/22 £k
Commercialisation – Consultants Expenditure	33	18	(15)	The impact of the pandemic limited the capacity to pursue commercial opportunities and investments, hence the use of consultants during the year was lower than anticipated. However, as the economy reopens and recovers, there are several potential large opportunities that will require specialist expertise and guidance. A carry forward is therefore requested to finance these activities in the next financial year.	12	0
Sales Ledger Bad Debt Provision	26	88	+62	The higher than budgeted contribution to the bad debt provision is indicative of the higher level of outstanding debt at the end of this year. The level of aged debt between 3-12 months old is £223k, compared to £40k at the end of the last financial year. The increase in debt follows the light touch approach adopted to debt recovery to assist customers amidst the Covid-19 pandemic.	0	0
Debt Recovery - Court Fees	8	(33)	(41)	While no court cases have occurred due to the pandemic, the negative expenditure outturn in 20/21 relates to expenditure accrued at the end of 2019/20 for outstanding court costs that had not been invoiced by the court. With no invoices received this year, and in light of the age of the cases to which the fees relate, it is now considered more likely that the relevant invoices will not be raised by the court.	0	0
IT Software Support and Maintenance	683	642	(41)	The budget for 2020/21 included £35k for the investigation of the potential for Artificial Intelligence (AI) software to automate processes to enable customer queries to be dealt with more efficiently and reduce the number of customer contacts. The procurement of the robotics software was completed in March 2021, meaning the software licenses will not commence until 2021/22. A carry forward of the 2020/21 approved investment budget is therefore requested.	35	0
Careline Agency Staff	43	83	+40	Overspend on agency staff is due to a higher than anticipated level of vacancies and the need to ensure key service performance indicators were delivered.	0	0
Premises License Application Income	(32)	(68)	(36)	The over achievement of income relates to an application for a planned large event that was ultimately cancelled.	0	0

Budget Area	Working Budget £k	Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2021/22 £k
Green Space Maintenance - Water Rates	20	(6)	(26)	In response to Covid-19, the splash parks were closed for most of the year. This therefore reduced water consumption significantly. The negative outturn is due to credit adjustments in respect of the sites at 50 Burford Way and Avenue Park Recreation Ground. Previous charges had been based on estimated usage while actual consumption was much lower.	0	0
Green Space Maintenance - Howard Park and Gardens	42	6	(36)	This underspend is due to the lower number of activities and events in Howard Park and Gardens over the last 12 months.	0	0
Leisure Centre Management	1,642	1,321	(321)	The working budget expectation was based on a worst-case scenario and represented the maximum level of support approved by Council. Stevenage Leisure Limited were able to manage down costs (e.g. through use of Furlough and reducing utility costs) to reduce the impact.	0	0
Waste Awareness Expenditure (AFM Funded)	97	19	(78)	This budget is used for improving communication and engaging with residents on waste related matters with the aim of improving recycling performance and our environment. The impact of Covid-19 and lockdown has limited opportunities for communication and engagement during the year, as the Government guideline has been to stay at home. With no AFM income receipt expected next year, it is requested that the unspent budget is carried forward to help maintain and improve recycling performance and the environment.	78	0
Comingled Recycling - Haulage and Processing Costs	811	775	(36)	The sale price achieved for some materials improved in February and March. As the processing fees are net of the income generated from the sale of the materials collected, this reduced the processing costs charged to the Council for these two months.	0	0
Comingled Recycling – Recycling Credit Income	(540)	(633)	(93)	Tonnages collected continued to be significantly higher than anticipated in the final quarter of the year. This has increased the eligible amount of recycling credit income from Hertfordshire County Council.	0	0

Budget Area	Working Budget £k	Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2021/22 £k
Temporary Accommodation	274	319	+45	The number of households placed in hotels by the Council grew from 40 at the end of December 2020 to over 60 at the end of March. This is due to the latest national lockdown and the government's continuing directive of "Everyone In", whereby local authorities have been asked to accommodate all rough sleepers due to the health risk to the individuals and the wider community (the majority of those accommodated in hotels are single people at risk of rough sleeping due to unstable housing situations). With housing benefit expenditure relating to residents in temporary accommodation not fully reimbursed by government, the increase in the numbers residing in temporary accommodation during the final quarter has increased net expenditure.	0	0
Net Housing Benefit Expenditure	309	271	(38)	The increase in the proportion of housing benefit expenditure eligible for reimbursement through housing benefit subsidy is due to the substantially reduced level of benefit overpayments identified in 2020/21, as initially highlighted in the Quarter One 2020/21 revenue monitoring report. Overpaid amounts are eligible for only 40% reimbursement by government through Housing Benefit subsidy.	0	0
Highways Treeworks	146	86	(60)	Underspend reflects the impact of Covid-19 on contractors' capacity to deliver works requested. Contractors have seen much higher demand generally for their services, while staff have at times been unavailable due to illness and / or required to self-isolate.	0	0
Highways Verge Maintenance – Contribution from HCC	(282)	(296)	(14)	Increase in income follows the new service contract agreed with Hertfordshire Highways.	0	(15)
Car Parking Lines and Signs Maintenance	23	8	(15)	Various projects have been delayed, with works deferred due to the lockdown. It is requested that the unspent budget be carried forward to fund the works deferred in the next financial year.	15	0

Budget Area	Working Budget £k	Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2021/22 £k
Parking PCN Bad Debt Provision	162	128	(34)	The lower number of Penalty Charge Notices issued in 2020/21 has contributed to a reduction in the contribution required to the corresponding bad debt provision.	0	0
Car Parking Income				As highlighted throughout the year, parking activity has been severely impacted by the Covid-19 pandemic, with people and businesses changing their normal routines and activities in response.		
Pay-As-You-Use Income	(848)	(826)	+22	The shortfall in parking fees income reflects a slower recovery than assumed in the projection at Quarter Three. The projection had anticipated income receipts in March amounting to 60% of the original budget expectation.	0	0
Car Park Season Ticket Income	(147)	(81)	+66	The annual spike in season ticket income towards the end of the financial year, as annual tickets are renewed, did not materialise in 2020/21. With lockdown measures easing in March, the reduced demand suggests more businesses have chosen to adopt home working routines on a permanent basis. This will be kept under review and an ongoing budget adjustment may be required.	0	0
PCN Income	(343)	(371)	(28)	The working budget assumed a one third reduction in receipts during the final quarter compared to the original budget expectation. While activity at off-street car parks remained low, an increase in the level of parking offences committed on street through the easing of lockdown meant the working budget expectation was surpassed.	0	0
Total Parking Income:	(2,039)	(1,338)	+60		0	0
Covid-19 Community Grants				£150k was made available from the Special Reserve to fund grant payments awarded through the Coronavirus Community Support Fund. At the end of the year, grants totalling £86.2k have been awarded.		
Expenditure	150	86	(64)		0	0
Drawdown from Special Reserve	(150)	(86)	+64		0	0
Total of explained variances	2,341	1,558	(783)		314	(3)
Other minor balances	17,904	17,821	(83)		3	13
Overall Total	20,245	19,379	(866)		317	10

- 8.2. Cabinet are asked to approve the estimated impact on the 2021/22 budget, an overall increase in budget of £327k, which comprises;
- £317k of budget carry-forwards from 2020/21 to 2021/22 for projects that were not completed by the end of the financial year. These are shown in the penultimate column of table 3 above. This will take the total carry-forward to £719k, after including those reported and approved at quarter 2, month 8 and quarter 3.
 - £10k increase in budget to reflect the estimated net impact in 2021/22 and beyond of variances identified at Outturn. These are shown in the final column of table 3 above.
- 8.3. Cabinet are also asked to approve that £50k of the underspend against the working budget is carried forward to provide cover for work pressures. This will provide absence cover (e.g. to cover for untaken holidays), enable a catch-up on work that was deprioritised to allow a focus on the pandemic and support for new essential projects (e.g. supporting the boundary commission review). This allocation will be used where good value solutions can be identified that provide positive outcomes for the Council and our staff. All requests will be approved by the Leadership Team. See recommendation 2.3.
- 8.4. The original approved budget for 2020/21 (and therefore working budget) included efficiencies totalling £651k, which were agreed by Council in February 2020. Progress in delivering the efficiencies identified has been monitored throughout the year and reported at each quarter. At the end of the year there is a total net underachievement of £120k, as summarised in Table 4 below.

Table 4 – Efficiency Delivery 2020/21

Efficiency	Planned Efficiency 2020/21 £k	Efficiency Achieved 2020/21 £k	Net Under / (Over) Achievement £k
Investment Interest Income	(133)	(17)	116
Town Lodge Premises Costs	(68)	(25)	43
AFM Income (receipt in 2020/21 relates to 2019/20 performance)	(156)	(177)	(21)
Document Centre Closure	(107)	(125)	(18)
All other efficiencies	(187)	(187)	0
Total	(651)	(531)	120

- 8.5. The working budget for 2020/21 includes budgets totalling £679k that were carried forward from the previous year. These are generally carried forward so that they can be spent for a particular purpose that had been due to happen in 2019/20 but was delayed into 2020/21. At Quarter Three it was forecast that £222k of the total carried forward would not be spent in 2020/21. At the end of the year, a total of £256k has not been spent in 2020/21, of which £253k has been requested to be carried forward again into 2021/22. The increase in the final quarter relates to the Strategic Priorities Fund and the budget for Commercial Consultants, as itemised and explained in table 3 above.

- 8.6. There are 4 key corporate 'financial health' indicators identified in relation to key sources of income for the Council. Table 5 below shows the performance for the year. A comparison is made to the original budget to give the complete picture for the year. Each indicator is given a status of red, amber or green. A green indicator means that income recorded matched or exceeded the budgeted level of income. A red indicator means that the outturn has not met the budgeted level of income. An amber indicator is only used during the year to highlight that there is a risk that the budgeted level of income may not be met.
- 8.7. At the end of the year, all four indicators are red. The red indicators for Land Charges, Car Parking Fees and Parking Penalty Charge Notices income were initially highlighted and explained at Quarter One, while the amber indicator at Quarters 1 and 2 in respect of planning income was amended to red at Quarter 3. The only significant changes at Outturn from that forecast at Quarter 3, relating to parking fees and parking PCN income, are highlighted and explained in table 3 above.

Table 5 - Corporate financial health indicators

Indicator	Status	Original Budget	Outturn	Variance
		£k	£k	£k
Planning Application Fees (including fees for pre-application advice)	Red	(950)	(822)	128
Land Charges	Red	(164)	(142)	22
Car Parking Fees	Red	(1,936)	(826)	1,110
Parking Penalty Charge Notices	Red	(573)	(371)	202

FUNDING, RISK AND GENERAL FUND BALANCE

- 8.8. The Council's revenue budget is funded from the following main sources; Council Tax, New Homes Bonus and Retained Business Rates income. The Council was notified by Central Government in February 2020 of the amount of New Homes Bonus it could expect to receive in 2020/21 and planned accordingly. For 2020/21 the Council has also used Covid-19 grant funding and made use of reserves.
- 8.9. Council Tax and Business Rates are accounted for in the Collection Fund rather than directly in our accounts, as we also collect them on behalf of other bodies. Each organisation has a share of the balance on the Collection Fund account. As statute requires that Collection Fund income amounts chargeable to the General Fund in year must be those estimates prepared around the time of setting the budget for the year, Collection Fund surpluses or deficits do not impact the 2020/21 funding total / projected general fund balance shown in table 7.

- 8.10. At the end of the year, there is a deficit on the NHDC share of the Council Tax Collection Fund of £313k. This is an increase of £128k on the estimate for the year declared in January 2021 of £185k. The increase in the deficit is primarily due to a change in methodology in the calculation of the bad debt provision required for outstanding Council Tax debt. In previous years, no provision was made for Council tax amounts outstanding in respect of the current year. This year, with current year debt much higher than in previous years due to the impact of Covid-19, it was prudent to make provision for all debt outstanding, with overall collection rates used to estimate the level of provision required, based on the experience of the previous ten years. While the increase in the deficit of £128k does not change the Council Tax funding available in 2021/22, it will impact the level of funding from Council Tax in 2022/23.
- 8.11. As explained in the Revenue Budget Report 2021/22, due to Covid-19 related legislation, the estimated in-year deficit for 2020/21 declared in January is spread over three years from 2021/22, rather than full repayment in 2021/22 (as would have been required under the previous legislation). Of the total £185k deficit declared in January 2021, £23k related to the deterioration in the Collection Fund position in the final quarter of 2019/20. This amount must be repaid in full in 2021/22. The remainder (£162k) was the estimated deficit occurring in the current year and it is the repayment of this amount that will be spread equally over the next three years, as reflected in the budget estimates.
- 8.12. As highlighted in the Revenue Budget Report 2021/22 and at Quarter 3, the reported deficit on the Council Tax Collection Fund is subject to the Local Tax Income Guarantee for 2020/21. With the cash receipt anticipated in the next financial year, the accrued benefit to the Council's General Fund in 2020/21 has been calculated as £141k (as shown in table 7 below). This is a marginal decrease of £9k on the £150k total estimated at Quarter 3. It should be noted that the movement in the Council Tax bad debt provision, which is included in the total reported deficit, is excluded from the calculation of the eligible income amount.
- 8.13. The Council's share of the deficit on the Business Rates Collection Fund at the end of 2020/21 is £10.39m. This is an increase of £1.64m on the £8.75m deficit forecast in the return submitted to Central Government in January 2021 and indicated at Quarter Three. The main reason for the increase in the deficit is an increase in the provisions made for both bad debts (£700k increase) and the cost of successful business rates appeals (£735k increase), following a review by external consultants. The increase in the appeals provision follows a change to the previous assumption that all appeals would by now have been lodged, given the length of time that has elapsed since the 2017 revaluation. The consultants advised that, based on their analysis of the timing of appeals submitted following previous revaluations, for example in 2010 and 2005, this may well not be the case. The revised calculation assumes that the cost of appeals against the 2017 listing will ultimately be in line with the initial assessment by MHCLG, with the total provision required based on an annual cost of appeals equivalent to 4.7% of collectable rates income. The consultant review also prompted a revised calculation of the bad debt provision, similar to that described for Council Tax in 8.10 above, with provision now made for outstanding debt relating to the current year based on collection rates for previous years.

- 8.14. The overall size of the deficit is primarily due to the additional business rate reliefs introduced by government in response to the COVID-19 pandemic. The Council receives compensation in the form of a grant from Central Government for business rate reliefs introduced, which goes into our funds rather than the Collection Fund. The Council is eligible to receive total compensation of £10.04m for reliefs in 2020/21, which includes £7.82m for the additional reliefs introduced by government in response to the COVID-19 pandemic. The Council holds the grant received in a reserve to fund the repayment in future years of deficits recorded. Some of the amount held in reserve was used in 20/21 to fund the repayment to the Collection Fund of the deficit originally estimated for 2019/20, as shown in table 7.
- 8.15. The Business Rates Collection Fund deficit for 2020/21, after adjusting for business rate reliefs, is £2.57m (£10.39m total deficit less £7.82m relating to additional reliefs). This amount is also subject to the Local Tax Income Guarantee for 2020/21. The accrued value of the Income Guarantee in 2020/21 is £1.232m. This amount has been transferred to the Grant reserve and will be used to fund the repayment of the deficit next year. The increases to provisions for bad debts and appeals at the end of the year increased the compensation amount by approximately £800k.
- 8.16. The spread over the next three years of the repayment of the Business Rates Collection Fund deficit for 2020/21 is based on the estimates prepared in January 2021 and therefore the impact remains unchanged from that detailed at Quarter 3. The element of the deficit relating to the additional reliefs, declared in January as £7.5m, is required to be repaid in full in the following financial year. The repayment of the remainder of the deficit, estimated in January to be approximately £1.25m, will be spread over three years from 2021/22, with the relevant amount (£416k) included in each calculation of the surplus/ deficit recorded for the two subsequent financial years. A contribution from the General Fund to the Business Rates Collection Fund of £7.9m (total of £7.5m and £416k) is therefore required in the next financial year for the estimated deficit in this year. The £1.64m difference between the £8.75m deficit estimated in January and the £10.39m recorded at the end of the year will be incorporated in the calculation of the surplus/ deficit for 2021/22, with the additional contribution to the Collection Fund made in 2022/23. The contributions required to the Collection Fund will be funded from the grant held in reserve.
- 8.17. The Council is also subject to a business rates levy from Central Government as NHDC collects more in business rates than the baseline need determined by Central Government. In 2020/21 NHDC is a member of the Hertfordshire Business Rates Pool with five other Hertfordshire Local Authorities. The Pool was formed with the expectation that this should reduce the business rates levy amount otherwise payable at the end of the year, as has been the case in prior years. At the time of writing Hertfordshire County Council, the Pool lead authority, has not yet notified NHDC of the final outcome for 2020/21. The contribution required to the Pool to meet the total levy payable for the pooled authorities will be funded from the grant held in reserve.

- 8.18. The timing of the impact on the General Fund of the detail in paragraphs 8.8 to 8.16 is summarised below. The amounts in relation to Business Rates will be held in a reserve to smooth the impact on the General Fund balance. The overall income position for Business Rates reflects that the Council budget based on the baseline. This amount will be reduced by any levy payable, and will also be impacted by business closures, which could result in the recovery of s31 grants.

General Fund impact by year (£000)	2020/21	2021/22	2022/23	2023/24	Overall impact
Council Tax deficit declared in January spread over 3 years	0	77	54	54	185
Additional Council Tax deficit at end of year	0	0	128	0	128
Tax guarantee scheme – Council Tax	(141)	0	0	0	(141)
Council Tax Impact	(141)	77	182	54	172
Compensation for Business Rate Reliefs-held in reserve (s31 grants)	(10,040)	0	0	0	(10,040)
Tax guarantee scheme – Business Rates	(1,232)	0	0	0	(1,232)
Business Rates deficit declared in January due to reliefs	0	7,500	0	0	7,500
Business Rates deficit declared in January - remainder	0	416	417	417	1,250
Additional deficit at end of year	0	0	1,640	0	1,640
Business Rate impact	(11,272)	7,916	2,057	417	(882)

- 8.19. The Council has received non-ringfenced emergency grant funding in 2020/21 from Government of £1.602m in relation to the Covid-19 pandemic. In addition, MHCLG has invited Local Authorities to apply for compensation for loss of sales, fees and charges income due to the impact of Covid-19 affecting demand. At Quarter Three the value of the income compensation was forecast to be around £1.85million. The total amount expected at the end of the year is £1.9m, of which £620k, relating to the period December 2020 to end of March 2021, has been accrued and remains subject to confirmation from MHCLG.
- 8.20. At Quarter Three, the overall full year net impact of Covid-19 was estimated to be around £1.65m. At the end of the year, the net direct financial impacts of Covid-19 totals £1.5m. This reduction is primarily due to the additional financial support to SLL being less than the expectation at Quarter Three, as highlighted and explained in table 3. Table 6 below breaks down by budget area the main impacts of Covid-19 and the extent to which these impacts have been compensated by additional Government funding.

Table 6 – COVID-19 Financial Impact on General Fund

Budget Area	Net Impact £k	Covered by Income guarantee *	Estimated Sales, Fees and Charges (SFC) Contribution £k	Balance not covered by SFC contribution £k
Careline Expenditure	63	No	0	63
Community Support Grants	86	No	0	86
Court Summons Income	237	No	0	237
Homeless Accommodation	205	No	0	205
HTH/ Museum Income	138	Yes	95	43
Investment Income	116	No	0	116
Land Charges Income	22	Yes	10	12
Leisure Centres	1,899	Part- as majority relates to expenditure	576	1,323
Parking Income	1,590	Yes	1,079	512
Planning Income	128	Yes	54	74
Sales Ledger Bad Debt Provision	62	No	0	62
Trade Waste and Recycling	151	Yes	72	79
Waste and Recycling	524	No	0	524
Other	143	Part- as mix of income and expenditure	13	130
Total	5,364		1,899	3,465
Less: non-ringfenced grant funding				(1,602)
Less: New Burdens Funding				(270)
Less: Funding from Special Reserve				(86)
Net General Fund impact				1,507

* Support from Government covers 75% of relevant losses that are in excess of 5% of the original budget.

8.21. Table 7 below summarises the impact on the General Fund balance of the outturn position detailed in this report. It should however also be noted at this point that the Statement of Accounts is yet to be audited and changes to the General Fund balance may arise as a result of the final accounts audit.

Table 7 – General Fund impact

	Working Budget	Outturn	Difference
	£k	£k	£k
Brought Forward balance (1st April 2020)	(9,378)	(9,378)	-
Net Expenditure	20,245	19,379	(866)
Funding (Council Tax, Business Rates, NHB)	(15,576)	(15,571)	5

Contribution to Funding Equalisation Reserve	329	329	0
Contribution to Collection Fund	294	294	0
Funding from Reserves (including Business Rate Relief Grant)	(294)	(294)	0
Covid-19 un-ringfenced government grant funding	(1,602)	(1,602)	0
Government Compensation for Covid-19 related income losses (Working budget= compensation applied at quarter 3)	(1,750)	(1,899)	(149)
2020/21 Council Tax Guarantee Income	(150)	(141)	9
Carried Forward balance (31st March 2021)	(7,882)	(8,883)	(1,001)

8.22. The minimum level of General Fund balance is determined based on known and unknown risks. Known risks are those things that we think could happen and we can forecast both a potential cost if they happen, and percentage likelihood. The notional amount is based on multiplying the cost by the potential likelihood. The notional amount for unknown risks is based on 5% of net expenditure. There is not an actual budget set aside for either of these risk types, so when they occur they are reflected as budget variances (see table 3). We monitor the level of known risks that actually happen, as it highlights whether there might be further variances. This would be likely if a number of risks come to fruition during the early part of the year. We also use this monitoring to inform the assessment of risks in future years. The notional amount calculated at the start of the year for known risks was £1,351k, and at the end of the financial year a total of £882k has come to fruition. The identified risk realised in the final quarter relates to

- Usage of bed and breakfast accommodation for homeless households (as highlighted in table 3 above) - £45k.

Table 8 – Known financial risks

	£'000
Original allowance for known financial risks	1,351
Known financial risks realised in Quarter 1	(189)
Known financial risks realised in Quarter 2	(244)
Known financial risks realised in Quarter 3	(404)
Known financial risks realised in Quarter 3	(45)
Remaining allowance for known financial risks	469

EARMARKED RESERVES

8.23. The Council has a number of earmarked reserves, which can be used to fund revenue expenditure. These are detailed in Table 9 below. A total of £13.599million has been contributed to the reserves in 2020/21 and a total of £2.135million has been transferred out of the reserves to the General Fund. The level of contribution to reserves is mainly due to the transfer of compensation (Section 31 grants) received for business rate reliefs introduced in the year, as explained in paragraph 8.14.

8.24. Cabinet are therefore asked to recommend to Council that the net contribution to reserves of £11.464million be approved (recommendation 2.4), which leaves a total balance in earmarked reserves at 31 March 2021 of £20.808million.

Table 9 – Earmarked Reserves

	Balance at 1 April 2020	Contributions to reserve	Transfers out of reserves	Balance at 31 March 2021
	£'000	£'000	£'000	£'000
Cemetery Mausoleum Reserve	167	10	(2)	175
Childrens Services Reserve	57	43	(9)	91
Climate Change Grant Reserve	26	0	(1)	25
Funding Equalisation Reserve	68	329	0	397
Growth Area Fund Reserve	53	0	0	53
Homelessness Grants Reserve	413	276	(208)	481
Housing & Planning Delivery Reserve	1,069	54	(101)	1,022
Information Technology Reserve	78	0	(20)	58
Insurance Reserve	34	0	0	34
Land Charges Reserve	94	0	(28)	66
Leisure Management Maintenance Reserve	77	0	(51)	26
MHCLG Grants Reserve	3,741	11,725	(1,118)	14,348
Museum Exhibits Reserve	13	1	0	14
Neighbourhood Plan Reserve	78	20	0	98
Paintings Conservation Reserve	11	0	0	11
S106 Monitoring Reserve	19	0	(19)	0
Special Reserve	1,175	0	(432)	743
Street Name Plates	16	0	0	16
Syrian Refugee Project	272	194	(16)	450
Taxi Licences Reserve	15	0	(8)	7
Town Centre Maintenance	53	8	0	61
Traffic Regulation Orders	346	40	0	386
Waste Reserve	730	19	0	749
Waste Vehicles Reserve	554	359	0	913
Total Revenue Reserves	9,344	13,599	(2,135)	20,808

COVID-19: PAYMENTS TO BUSINESSES AND ISOLATING INDIVIDUALS

8.25. As part of the Government's economic support for Covid-19, the Council has been required to distribute a number of business grants. The Council has also been required to make self-isolation payments to individuals on low incomes. In both cases this has involved developing specific schemes (within the criteria set out by Government), setting up application processes, determining eligibility and making payments. Table 10 below confirms the amounts that have been distributed as at the time of writing this report (as at 6th June 2021).

Table 10 – Covid-19 Financial Support to Businesses and Individuals

Support Schemes	Payments	
	Number	Value (£)
Small Business Grant Fund and Retail, Hospitality and Leisure Businesses Grant Fund (First National Lockdown)	2,077	26,125,000
Local Authority Discretionary Grant Fund (First National Lockdown)	220	1,445,600
Local Restrictions Support Grant (November 2020 National Lockdown)	785	1,299,334
Additional Restrictions Discretionary Grant (Ongoing from November 2020)	1,455	3,124,738
Local Restrictions Support Grant (Hertfordshire in Tier 2)	447	314,412
Local Restrictions Support Grant (Hertfordshire in Tier 4)	739	734,230
Wet Pub Christmas Grants	70	70,000
Business Support Packages (4 th January – 15 th February 2021)	806	5,939,097
Local Restrictions Support Grant (16 th February – 31 st March 2021)	794	2,051,644
Restart Grants (Non-Essential Retail and Hospitality, Leisure, Personal Care & Gyms)	683	5,147,387
Total Payments to Businesses	8,076	46,251,442
Track & Trace Payments to Isolating Individuals	310	155,000

* Businesses will have received payment from more than one grant.

9. LEGAL IMPLICATIONS

- 9.1. The Cabinet has a responsibility to keep under review the budget of the Council and any other matter having substantial implications for the financial resources of the Council. Specifically, 5.6.8 of Cabinet's terms of reference state that it has remit "*to monitor quarterly revenue expenditure and agree adjustments within the overall budgetary framework*". By considering monitoring reports throughout the financial year Cabinet is able to make informed recommendations on the budget to Council. The Council is under a duty to maintain a balanced budget and to maintain a prudent balance of reserves.
- 9.2. The Accounts and Audit Regulations 2015 require that the Annual Statement of Accounts be approved and published.
- 9.3. The requirement for financial reserves is acknowledged in statute. Sections 31A, 32 42A and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.
- 9.4. The Council must ensure sufficient flexibility to avoid going into deficit at any point during the financial year. The Chief Financial Officer is required to report on the robustness of the proposed financial reserves, under Section 25 of the Local Government Act 2003.

- 9.5. Section 151 of the Local Government Act 1972 requires every local authority to make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs. The level of the general reserve is a matter for the Council to determine having had regard to the advice of the S151 Officer.
- 9.6. This is a requirement of the Council Procedure Rules as set out in Part 4.4.1 (b) and 4.4.1 (k) of the Council's Constitution.

10. FINANCIAL IMPLICATIONS

- 10.1. Members have been advised of any variations from the budgets in the body of this report and of any action taken by officers.
- 10.2. The General Fund balance of £8.883million (table 7) meets the recommended minimum balance of General Fund reserves agreed when the budget was set. The Statement of Accounts is however yet to be audited and changes to the General Fund balance may arise as a result of the final audit. As the Housing Benefit claim is also yet to be audited, the relevant values included in the reported outturn are based on un-audited figures.

11. RISK IMPLICATIONS

- 11.1. As outlined in the body of the report. The process of quarterly monitoring to Cabinet is a control mechanism to help to mitigate the risk of unplanned overspending of the overall Council budget.

12. EQUALITIES IMPLICATIONS

- 12.1. In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.2. For any individual new revenue investment proposal of £50k or more, or affecting more than two wards, a brief equality analysis is required to be carried out to demonstrate that the authority has taken full account of any negative, or positive, equalities implications; this will take place following agreement of the investment.

13. SOCIAL VALUE IMPLICATIONS

- 13.1. The Social Value Act and "go local" policy do not apply to this report.

14. ENVIRONMENTAL IMPLICATIONS

- 14.1. There are no known Environmental impacts or requirements that apply to this report.

15. HUMAN RESOURCE IMPLICATIONS

- 15.1. Although there are no direct human resource implications at this stage, care is taken to ensure that where efficiency proposals or service reviews may affect staff, appropriate communication and consultation is provided in line with HR policy.

16. APPENDICES

16.1. None.

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18. BACKGROUND PAPERS

18.1. None.