

Report To:	CABINET	Date:	1 December 2020
Heading:	2020/21 FORECAST OUTTURN FOR GENERAL FUND, HOUSING REVENUE ACCOUNT (HRA) AND CAPITAL PROGRAMME AS AT SEPTEMBER 2020.		
Portfolio Holder:	CABINET MEMBER FOR FINANCE AND RESOURCES – COUNCILLOR RACHEL MADDEN		
Ward/s:	ALL		
Key Decision:	YES		
Subject to Call-In:	YES		

Purpose of Report

To summarise the Council's forecast financial outturn position to 31 March 2021 compared to the latest approved budgets for the General Fund, Housing Revenue Account (HRA) and the Capital Programme. The forecast financial outturn is based on the actual financial activity to the 30 September 2020 and forecast costs and income from 1 October 2020 to 31 March 2021.

Recommendation(s)

Cabinet is requested:

- (1) To note the current forecast outturn for the General Fund, Housing Revenue Account (HRA) and Capital Programme 2020/21.
- (2) To approve the budget adjustments outlined in section 3.1, Table 3.
- (3) To recommend to Council the proposed addition to the Capital Programme as set out in Section 6.3.

Reasons for Recommendation(s)

In accordance with the Council's Financial Regulations to report to those charged with Governance the financial position.

Alternative Options Considered

None

Detailed Information

- 1.1 Table 1 below shows the current revised budget based on original budget approved by Council on the 5th March 2020 and Council approved budget adjustments to 30th September 2020. It sets out the 2020/21 net revenue forecast outturn position based on actual income and expenditure to 30 September 2020 and forecast income and expenditure for the remainder of the year to 31 March 2021.
- 1.2 The current General Fund forecast is £1.601m underspend, taking into account the in-year Covid-19 grant received to date. Details of significant variances are detailed in the commentaries below the table.

General Fund	Revised Budget	Forecast Outturn	Current Forecast Variance	Previous Forecast Variance	Change
	£'000	£'000	£'000	£'000	£'000
Directorate					
Chief Executive Officer	540	529	(11)	0	(11)
Legal and Governance	1,783	1,817	34	(41)	75
Resources and Business Transformation	(931)	101	1,031	468	563
Place and Communities	9,844	9,852	8	264	(256)
Housing and Assets	2,137	2,300	163	121	42
Total Net Directorate Expenditure	13,373	14,599	1,226	812	414
Net Recharges	(2,781)	(2,781)	0	0	0
Capital Financing	2,454	2,252	(202)	(130)	(72)
Net Interest Payable	216	25	(191)	0	(191)
Net Revenue Expenditure	13,262	14,095	833	682	151
Funding	(12,886)	(15,320)	(2,434)	(1,543)	(891)
Net Revenue Expenditure before transfer to(from) earmarked reserve	376	(1,225)	(1,601)	(861)	(740)
Transfer to(from) earmarked reserve	(376)	(376)	0	0	0
Net Revenue Expenditure after transfer to(from) earmarked reserve	0	(1,601)	(1,601)	(861)	(740)

1.3 Chief Executive (£11k forecast underspend)

The Chief Executive's budgets are forecast to be underspent due to savings on the Civic Events budget (£8k) due to events not being held during the pandemic and £3k forecast savings across the wider Directorate.

1.4 Legal and Governance (£34k forecast overspend)

The main forecast variances in Legal and Governance are:

- Directorate wide salary costs - £15k forecast underspend.
- Legal Services - £41k forecast under achieved income due to reduced charges to MDC for shared legal services, as a result of vacancies.
- Democratic Services – £8k forecast overspend due to a required unbudgeted upgrade to mod.gov. system software.

1.4 Resources and Business Transformation (£1,031k forecast overspend)

The main forecast variances within the Resources and Business Transformation Directorate are:

- ICT – £23k forecast overspend on salaries due to the vacancy factor not being achievable. £4k forecast underspend on printing costs due to increased agile working. £61k forecast overspend due to increase in telephone and internet charges due to the Covid-19 pandemic as previously reported.
- Revenues and Benefits – £31k forecast underspend on salaries due to vacancies partially off-set by £15k forecast overspend in overtime charges due to the Covid-19 pandemic, £15k forecast underspend on postages and £2k forecast underspend on car mileage as the visiting officers are doing less mileage due to COVID restrictions and £8k forecast under-recovery of fees and charges. Net uncommitted new burdens grant monies of £70k reduced down from £200k previously as additional resources are now forecast to be needed to meet service needs.
- £312k overspend forecast on Housing Benefits due to reflecting the outcome of the 2019/20 final claim in the forecast for 2020/21 as previously reported.
- £291k forecast loss of income as Housing Benefits Overpayments invoices have reduced due to COVID, which means the overpayments are being collected through benefits rather than invoicing not previously reported.
- £17k increase in income for NNDR cost of collection allowance and £185k forecast loss of income due to reduced NNDR and council tax costs raised due to Covid-19, increasing from £85k previously reported, partially off-set by £8k forecast underspend on court fees.
- Investment Properties – Forecast loss of income of £530k, associated with one tenant going onto administration and a new tenant and lease agreement being secured. £34k forecast costs for a re-gear on the Wishaw lease not previously reported. This is being partially off-set by forecast £240k additional rental income for the new investment property purchased in year.
- Commercial Properties - Forecast loss of income of £18k due to a rent free period being agreed to secure a 5 year extension to a lease as previously reported.
- Commercial Development - £31k forecast underspend on salaries due to vacancy.
- Director - £5k forecast overspend on salaries as the vacancy factor will not be achieved.
- HR & Payroll – forecast underspend of £42k on the shared services element partially off-set by £20k overspend in recruitment advertising and £2k forecast overspend for occupational health costs.

- Finance - £35k forecast overspend on salaries due to the vacancy factor not being achieved, £3k forecast overspend on application software
- Corporate Support – forecast overspend of £12k on salaries as the vacancy factor will not be achieved.
- £62k Covid-19 grant income received in 2019/20 being moved from reserves into 2020/21 budget. This along with the Covid-19 grant funding received in year (see paragraph 1.9) is off-setting the loss of income and additional expenditure relating to Covid-19 across all Directorates as previously reported.

1.5 Place and Communities (£8k forecast overspend)

The main forecast variances within the Place and Communities Directorate are:

- Community Protection - £192k forecast underspend due to vacancies across the service area.
- Environmental Maintenance – £75k forecast overspend. £44k due to implementation of pay award, and non-achievement of vacancy factor, £20k on Vehicle hire to maintain social distancing (Covid related), £11k net overspend on a number of items across the service area.
- Twin Bin Scheme - £11k forecast overspend on equipment purchases.
- Waste Services - £53k forecast overspend on pay due to implementation of pay award and overtime, partly off-set by £10k forecast underspend on repairs.
- Trade Waste - £19k forecast underspend on cost of disposals due to lower tonnage; reduced forecast income from disposal of £31k; and £9k forecast reduction in income for collections.
- Transport and Depot - £31k forecast overspend, due to £15k overspend on pay due to implementation of pay award, reduced income from lower MOTs £6k, Covid related expenditure £7k, and Canteen net overspend of £3k due to closure as a result of Covid-19.
- Place & Wellbeing – Employee costs £33k forecast underspend due to staff vacancies.
- Leisure Centres Payments to Contractors - Forecast overspend £136k due to additional support to SLM during Covid-19 lockdown including a further £100k (£50k each for August and September) support recently agreed to facilitate the re-opening of the Leisure Centres from August.
- Locality income – £19k forecast underachieved income due to the effects of the Covid-19 pandemic on use of outdoor sports facilities.
- Markets - £57k forecast underachieved income due to Covid-19, and £22k over spend on Supplies & Services as a result of expenditure on measures to counter the effects of the Covid-19 pandemic.
- Planning and Regulatory Services - £10k underachieved income due to lower fees from Land Charges, offset by additional income of £20k due to the delay in transfer of Building Control to Erewash and £129k forecast underspend on staffing as a result of staff vacancies, both in Planning and Environmental Health.
- Regeneration - £56k forecast underspend due to late implementation of service, after bringing it back 'in house'.
- Directorate wide – Forecast £13k overspend being net of other over and under spends.

1.6 Housing and Assets (£163k overspend)

The main forecast variances within Housing and Assets Directorate are:

- Homelessness Bed & Breakfast - £8k forecast overspend due to providing accommodation under Covid-19 regulation introduced by the Government
- Community Centres - £16k forecast loss of income while closed under Covid-19

- Car parking - £109k forecast loss of income
- Asset Management - £14k forecast overspend on central office costs associated with changes required for safe working due to Covid-19
- Full establishment, pay award and agency costs anticipated to overspend by the year end of £28k
- Strategic Housing - £9k forecast underspend while reviewing analogue to digital equipment switchover and £3k forecast underspend due to changes to car allowances.

1.7 Capital Financing (£202k forecast underspend)

This is the revenue charges that are a consequence of the historic and existing capital programme. The forecast underspend is £130k on the Minimum Revenue Provision (MRP) charges due to slippage on the capital programme in 2019/20, as previously reported, and £72k underspend on interest due to borrowing being undertaken at the end of the previous year being at lower interest rates than budgeted.

1.8 Net Interest payable (£191k forecast underspend)

This is the net position of the interest earned on investment balances and the interest paid on third party balances that are managed and utilised by the general fund in managing its cash flow, mainly HRA balances, S106 balances and insurance balances. The overall underspend is due to the reduction in interest rates due to Covid-19 pandemic.

1.9 Funding (£2.434m forecast over achievement)

This increase in funding against budget is due to the central government grant received in year to cover costs and loss of income associated with Covid-19. A fourth tranche of funding has been received of £784k to add to £1.543 previously reported as being received in year. Some of the costs and loss of income to be covered from the grant include loss of income in relation to NNDR and Council Tax, however this will impact in future years due to the treatment under collection fund accounting. Therefore the impact of Covid-19 will continue to be updated and excess grant will be moved to reserves to mitigate these future year impacts. An allocation may be made to the HRA to contribute towards additional costs and loss of income associated with Covid-19. Clarification is awaited as to whether the grant funding can be used to meet HRA pressures.

The forecast also includes an additional £107k funding expected in relation to the first claim made against the sales fees and charges compensation scheme which covered April to July.

1.10 Transfer to (from) earmarked reserves - (net transfer to reserves £376k)

Appendix 1 details the approved earmarked reserves movements for 2020/21 to date and the impact on earmarked reserve balances.

2. **General Fund Savings/Efficiencies Monitoring 2020/21**

2.1 The 2020/21 budget included the proposed savings and efficiencies as detailed in Table 2 below. The forecast achievement of these savings is identified, on the following basis:

- saving has been achieved in full (green),
- saving forecast to be achieved but not in full, revised forecast savings is detailed in the 'Forecast Saving' column (amber),

- saving will not be achieved (red).

Table 2 - General Fund Savings/Efficiencies Monitoring 2020/21

Saving/Efficiency	Comments on achievement	Budgeted Saving	Forecast Achieved Saving	Forecast Saving Shortfall
		£'000	£'000	£'000
Base Budget Review		302	302	0
HRA - reviewed contribution		100	100	0
Increase Vacancy Factor by 0.5%		72	72	0
Cease Trade Waste arrangement with MDC	Some waste is being collected by a third party contractor, forecast saving reduced to £30k, to be keep under review.	35	30	5
Building Control – Outsource	Delay in transfer of service resulting in costs of service being incurred, which has been partially off offset by income generated. Saving forecast to be £66k	75	66	9
Regeneration Service (Updated Proposal)		90	90	0
Transport Review - Phase 1&2		49	49	0
Lifeline Service - transfer to Notts City Homes		58	58	0
HR/Payroll structure review		35	35	0
Stationery (including paper) saving (20%)		10	10	0
Pest Control - additional income to break even	Income forecast to be slightly less due to Covid-19 impact – saving forecast to be £9k but needs to be monitored for recovery impact.	13	9	4
Depot Canteen - income target	The canteen has been closed due to covid-19, therefore the income target will not be achieved. However reduced costs are contributing to wards the savings target.	5	2	3

Democratic Services restructure		14	14	0
Environmental Health restructure		37	37	0
Finance Review		9	9	0
Community Foundation – Grants		5	5	0
Ashfield Business Centre		33	33	0
Reduce revenue ICT budget (capitalisation)		40	40	0
Kingsmill Reservoir Car Parking income	Impacted on by free parking until September given across the district under Covid-19 – saving forecast to be £1.5k.	3	1.5	1.5
Additional rental income from Police	Rent increase not yet confirmed.	2	2	0
TOTAL		987	964.5	22.5

- 2.2 Since previously reported the additional rental income from the police has been achieved and the canteen savings target has been partially achieved. This has increased the savings achieved by £4k since previously reported. As outlined in the previous monitoring report the position outlined above has been included in the forecast outturn reported in section 1 of the report. It is anticipated where deliverability of the savings have been impacted on by Covid-19, the loss on achieving the full savings will be met from the Covid-19 grant.

3. General Fund Budget Adjustments

- 3.1 Approval is requested for the following budget adjustments to recognise additional grant income received in year and create the corresponding expenditure budgets:

Table 3 – Budget Adjustments 2020/21

Description	£'000
Covid19 emergency funding	(2,327)
Covid19 emergency costs expenditure budget *	2,327
New burdens funding for the delivery of the Covid-19 business support grant schemes	(130)
New burdens expenditure budget for costs of delivery of the Covid-19 business support grant schemes	130
New burdens funding – various R&B initiatives	(69)
New burdens expenditure budget for costs of delivery of the R&B initiatives	69
Test & Trace Self Isolation Support Payments - administration funding	(37)
Test & Trace Self Isolation Support Payments - administration costs expenditure budget	37
Re-opening High Streets Safely funding	(115)

Re-opening High Streets Safely costs expenditure budget	115
Covid-19 LA Compliance & Enforcement funding	(74)
Covid-19 LA Compliance & Enforcement expenditure budget	74
Homelessness Grant	(202)
Homelessness expenditure budget	202
Rough Sleeper Initiative Grant	(837)
Rough Sleeper Initiative expenditure budget	837
Syrian Vulnerable Person Refugee Scheme Grant	(175)
Syrian Vulnerable Person Refugee Scheme Payment to contractors	175

4. Summary for Housing Revenue Account (HRA)

- 4.1 Table 3 sets out the 2020/21 HRA forecast outturn position based on actual income and expenditure to September 2020, compared to the revised budget.
- 4.2 Details of any significant variances incorporated within the forecast outturn are detailed in the commentaries below the table.

Table 4 - Net Revenue Forecast to 31 March 2021 by Directorate

Description	2020/21	2020/21	Current	Previous	Change
	Revised Budget	Forecast Outturn	Forecast Variance	Forecast Variance	
	£'000	£'000	£'000	£'000	£'000
Income					
Rents, Charges and Contributions	(24,471)	(24,435)	36	30	6
Interest and investment income	(210)	(60)	150	100	50
Total Income	(24,681)	(24,495)	186	130	56
Expenditure					
Repairs and Maintenance	7,799	7,517	(282)	(113)	(169)
Supervision and Management	4,446	4,433	(13)	(7)	(6)
Interest payable and similar charges	3,548	3,548	0	0	0
Rents, Rates, Taxes and other charges	192	187	(5)	(1)	(4)
Depreciation and impairments of fixed assets	3,736	3,736	0	0	0
Debt Management Costs	45	45	0	0	0
Contribution to the Bad Debt Provision	240	240	0	0	0
Transfer to Major Repairs Reserve	22	22	0	0	0
Capital expenditure funded by the HRA	2,589	2,589	0	0	0
Total Expenditure	22,617	22,317	(300)	(121)	(179)
Net Cost of HRA Services	(2,064)	(2,178)	(114)	9	(123)

4.3 Rents, Charges and Contributions

Tenant rental income is forecast to be £19k underachieved due to delayed property sign ups and property moves and community centre income is forecast to be underachieved by £17k, both due to the Covid-19 lockdown.

4.4 Interest and Investment Income

Reduced Interest rates in the banking sector will reduce the average annual interest rate on the HRA balances. Currently forecasting a reduction of £150k but this is open to fluctuation dependant on the economy.

4.5 Repairs and Maintenance

Forecast underspend of £282k across several budget areas. This includes vacancy savings across the Housing Repair Operatives, Estate Services and the Responsive Maintenance management sections. A reduction in materials and subcontractors used in planned, responsive and void repairs due to Covid-19 lockdown. It is unlikely that subcontractors will be able catch up the lost time on planned works in the remainder of the current financial year as their capacity is limited. This is being reviewed each month taking into account the responsive element of the service.

4.6 Transfer to the Major Repairs Reserve

Since the previous forecast, Cabinet approved the budget changes to the Capital Programme on the 15th September 2020, which in turn approves a revised budget for the MRR in line with the current forecast.

Additional costs of £58k have been incurred due to Covid-19 in terms of a payments to the existing contractor to contribute towards on-going costs during the lockdown to ensure the contract remains live and ensure their ability to resume works upon the easing of lockdown; these cost are being off-set against the underspend detailed above.

4.7. Capital Expenditure funded by the HRA

Since the previous forecast, Cabinet approved the budget changes to the Capital Programme on the 15th September 2020 which in turn approves a revised budget for the HRA contribution to the capital programme.

5. HRA Savings/Efficiencies Monitoring 2020/21

5.1 The 2020/21 HRA budget included the proposed savings and efficiencies as detailed in Table 5 below. The forecast achievement of these savings is identified, on the following basis:

- saving has been achieved (green),
- saving forecast to be achieved but actions are still required to secure the saving (amber),
- saving will not be achieved (red).

Table 5 - General Fund Savings/Efficiencies Monitoring 2020/21

Saving/Efficiency	£'000
Housing Repairs Review - staffing efficiency	13
Dynamic Resource Scheduler efficiency - less use of subcontractors	60
Increase Vacancy Factor by 0.5%	25
TOTAL	98

5.2 The forecast full achievement of these budgeted savings is included within the forecast outturn reported in section 4 of the report. There has been no changes since previously reported.

6. Capital Programme Summary 2020/21

6.1 Table 6 below details the current approved Capital Programme for 2020/21 as at 30th September 2020. This is based on the original budget approved by Full Council on the 5th March 2020 adjusted for slippage from the 2019/20 Capital Programme and other amendments to 2020/21 Capital Programme as approved by Full Council up to 30 September 2020.

Table 6 - Capital Programme Summary 2020/21

Description	Actual and Commitments as at 30 September 2020 £'000	Current Approved Capital Programme as at 30 Sept 2020 £'000	Variance to Current Approved Capital Programme £'000
Housing Revenue Account			
<i>Decent Homes Schemes</i>			
Management Fee	0	581	(581)
Catch Up and Future Major Works	1,170	3,163	(1,993)
Service Improvements	2	72	(70)
Contingent Major Repairs	27	115	(88)
Exceptional Extensive Works	36	190	(154)
Kirkby & Rural	-80	0	(80)
Disabled adaptations - Major adaptations	66	178	(112)
Disabled adaptations - Minor adaptations	56	339	(283)
Sub Total	1,277	4,638	(3,361)

<i>Other Housing Revenue Account Schemes</i>			
Affordable Housing developments	0	730	(730)
Investment in Additional Council Dwellings in Hucknall	0	4	(4)
Investment in New or Existing Dwellings	246	1,595	(1,349)
Hucknall Infill Sites	0	1,750	(1,750)
Housing Vehicles	675	700	(25)
Maun View Sutton-in-Ashfield	0	2,606	(2,606)
Officers` IT for Agile Working (HRA)	41	103	(62)
Other Housing Revenue Account Schemes (less than £100k)	176	117	59
Sub Total	1,137	7,605	(6,468)
Total HRA	2,415	12,243	(9,828)
General Fund			
Green Space Improvements	0	366	(366)
Health and Safety works for Kirkby Offices	0	312	(312)
Hucknall Car Parks (Combined)	0	115	(115)
Hucknall Leisure Centre	6	118	(112)
Improvement Grants 1996 Act Disabled Facility Grant	306	1,177	(871)
Investment Properties	3,565	26,494	(22,929)
Kings Mill Reservoir (The King and Miller to Kingfisher)	350	650	(300)
Kings Mill Reservoir Car Park Expansion	1	196	(195)
Kirkby Leisure Centre	646	4,200	(3,554)
Kirkby Park and Play Areas	58	165	(107)
Lindleys Lane Play/Youth Area	0	178	(178)
Officers' IT for Agile Working (General Fund)	47	103	(56)
Piggins Croft Car Park	5	153	(148)
Purchase of Vehicles	298	325	(27)
Titchfield Park Brook	19	319	(300)
Towns Fund Projects	0	1,425	(1,425)
Other General Fund Schemes (less than £100k)	134	702	(568)
Total	5,434	36,998	(31,564)
Grand Total	7,849	49,241	(41,392)

6.2 The current forecast for the year 2020/21 is the approved budget of £49.241m.

6.3 Cabinet is asked to recommend to Council that £28k be added to the Capital Programme to fund rewiring costs at Urban Road and the Depot to facilitate optimisation of the Digital Services Transformation Programme. To be funded via external borrowing.

As part of the preparatory work undertaken by ICT, it has been identified that the current wiring infrastructure across the Urban Road and Northern Depot sites is old and does not meet current standards of Cat6 or Cat5e. External cabling companies have reviewed and tested the wiring and in places it requires replacing to ensure the new LAN equipment will work at its fullest capacity.

This work will see most of the networking equipment (the edge switches) moved from the Comms Room to locations across the building (similar to the top floor), freeing space and tidying the Comms Room. This will remove the requirement for the Comms Room to include gas suppression which can be removed.

Implications

Corporate Plan:

The revenue and capital funding included within this report supports delivery of the priorities in the Corporate Plan.

Legal:

This report ensures compliance with the Council's approved Financial Regulations.

Finance:

Budget Area	Implication
General Fund – Revenue Budget	As set out in the detailed information section of the report.
General Fund – Capital Programme	
Housing Revenue Account – Revenue Budget	
Housing Revenue Account – Capital Programme	

Risk:

Risk	Mitigation
Failure to spend within approved budgets could impact on the financial sustainability of the Council.	Financial monitoring reports to CLT and Cabinet. Financial Regulations. Financial Management training of Budget Holders and Managers.

Human Resources:

No implications

Environmental/Sustainability

No implications

Equalities:

No implications

Other Implications:

No implications

Background Papers

Annual Budget and Council Tax 2020/21 and Medium Term Financial Strategy Update to Council
5th March 2020 2019/20

Forecast Outturn for General Fund, HRA and Capital Programme as at Jan 2020 to Council 23rd
April 2020

Draft Outturn 2019/20 Accounts Report to Cabinet 21 July 2020
2020/21 Forecast outturn for General Fund, Housing Revenue Account (HRA) and Capital Programme as at July 2020 Report to Cabinet 15 September 2020.

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