

SOUTH HOLLAND DISTRICT COUNCIL

Report of: Portfolio Holder for Finance, Strategies, Partnerships and Executive Director - Commercialisation (S151)

To: Cabinet 27 October 2020

Author: Carl Holland, Strategic Finance Manager

Subject: 2020/21 Financial Report Quarter 2

Purpose: To provide information on the Quarter 2 (to 30 September 2020) financial position of the Council.

Recommendation(s) to Cabinet:

- 1) That the report and **Appendix A** be noted.
- 2) That the estimated position with regard to the approved contributions to and use of reserves be noted.

Recommendation(s) to Council:

- 3) That the General Fund Capital programme be approved as set out in table 5 and 6 of **Appendix A**.

1.0 BACKGROUND

1.1 Throughout the year quarterly monitoring reports are completed forecasting the expected year end out-turn against the budgets. This report provides information on the forecast full year financial performance at 30 September 2020, in the attached appendix, for the following areas:

- The General Fund Revenue Budget (GF),
- Housing Revenue Account (HRA),
- The General Fund and HRA Reserves Position,
- The Capital Programme for 2020/21 (GF and HRA), and

2.0 OPTIONS

- 2.1 To note the report and to approve the recommendations detailed at Appendix A.
- 2.2 Do nothing.

3.0 REASONS FOR RECOMMENDATION(S)

3.1 To provide timely information to Members on the overall financial position of the Council.

4.0 EXPECTED BENEFITS

4.1 To ensure that members are updated regularly and in a timely fashion on the overall Council Financial position.

4.2 To make the best use of the funding available to the Council and allow us to respond quickly to opportunities as they arise.

5.0 IMPLICATIONS

5.1 This report is financial in nature. The outturn position in respect of the General Fund, HRA, Capital Programme, Reserves and Treasury Management are summarised below with further detail at **Appendix A**.

5.2 General Fund Revenue Outturn

5.2.1 The full year outturn based on current projections and assumptions is a forecast service overspend in the General Fund of £2.552m, (20.3% of net budget) and includes the cost of Covid-19, unrealised savings and net pressures from services. After allowing for additional Government grants of £1.158m the Council is left with a projected net overspend of £1.394m (11.1% of net budget).

5.2.2 The forecast outturn position by Directorate is detailed at **Appendix A – Table 1** together with an analysis of service variations.

5.2.3 A claim for compensation to support losses of income as a result of compliance with Covid safety measures has been made to the Ministry of Housing, Communities and Local Government (MHCLG). This additional financial support has not yet been received and as such has not been included in this forecast outturn.

5.2.4 It is extremely difficult to forecast accurately in the current circumstances and therefore these numbers will change over the coming months and will continue to be reported to Cabinet each quarter.

5.3 Housing Revenue Account (HRA) Revenue Outturn

5.3.1 The HRA is forecasting a total surplus budget of £2.548m, a favourable movement of £16k, detail is provided at **Appendix A - Table 2**.

5.4 Reserves (GF and HRA)

- 5.4.1 As a result of financing the Planned General Fund Capital Programme and General Fund revenue spend the General Fund Specific Reserves are forecasting a net use of reserves of £4.354m from £8.013m to £3.659m, further details are set out in **Appendix A - Table 3**.
- 5.4.2 In addition, the General Fund Reserve Balance remains at £2.078m.
- 5.4.3 The HRA General Reserve balance is forecasting an overall increase of £0.372m from £23.595m to £23.967m. More detail is provided at **Appendix A – Table 4**.

5.5 Capital – General Fund

- 5.5.1 **Appendix A – Table 5** details a change to the General Fund Capital Programme between Q1 and Q2. An increase of £20k from £10.386m to £10.406m. This is to fund an upgrade to the existing income recording software. **Appendix A Table 6** and the explanatory notes detail the current forecast outturn £8.722m.

5.6 Capital – HRA

- 5.6.1 There are no changes to the 2020/21 HRA Capital Budget at this time. **Appendix A Table 7** and the explanatory notes detail the forecast outturn of £9.498m.

5.7 Treasury Management

- 5.7.1 **Appendix A - Section 5** provides details of the Council Treasury Investments. Interest earned on investments during the year to 30 June 2020 was £202k (compared to the profiled budget of £273k), **Appendix A** provides more information on the investments held by the Council at 30 September 2020. The forecast income from investment interest has been set at £325k a reduction of income of £219k, (General Fund pressure of £139k and HRA pressure of £80k).

6 Other Key Items

- 6.1 Uncertainty over the Council's future funding sources remain as a result of the Chancellor of the Exchequer's confirmation that the review relating to the percentage of retained Business Rates has been delayed by Government from the planned implementation in 2021/22 alongside the Fair Funding review.
- 6.2 The Covid-19 pandemic has had a considerable impact on the Council, our businesses and our residents. It is difficult to quantify the financial effects of the pandemic with any certainty, the forecast pressure continues to be significant, even after the Government's emergency Covid-19 funding is taken into account. This continues to be a major area of risk looking forward as part of the Council's Medium Term Financial Planning and is being closely monitored.

7 WARDS/COMMUNITIES AFFECTED

- 7.1 Income and expenditure affect all wards of the Council.

8 ACRONYMS

8.1	GF	General Fund
	HRA	Housing Revenue Account
	HRT	Housing Repairs Team
	ICT	Information and Communications Technology
	MHCLG	Ministry of Housing, Communities and Local Government
	MTFS	Medium term Financial Strategy
	RTB	Right to Buy

Background papers:	The 2020/21 Estimates Report to Council 26 February 2020 Q1 Outturn 2020/21 to Cabinet 15 September 2020
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Key Decision: No

Exempt Decision: No

This report refers to a Mandatory Service

Appendices attached to this report:

Appendix A	Financial report for 2020/21 with details of the GF and HRA revenue spend, Reserves, Capital expenditure and Treasury Management.
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