

HARBOROUGH DISTRICT COUNCIL

REPORT TO THE CABINET MEETING OF 30th November 2020

PUBLIC REPORT: Yes

EXEMPT REPORT: No

Report Title	2020/21 Revenue and Capital Monitoring – Quarter 2					
KEY DECISION	No					
Report Author	Carolyn Bland					
Purpose of Report	<ul style="list-style-type: none"> To provide Cabinet with a forecast outturn position based upon the period 1 July to 30 Sept 2020. 					
Reason for Decision	<ul style="list-style-type: none"> This report is for noting, no decision making is required. 					
Portfolio (holder)	Councillor James Hallam; Finance					
Corporate Priorities	<table border="1"> <tr> <td colspan="2">YOUR COUNCIL: innovative, proactive and efficient</td> </tr> <tr> <td>CO 10</td> <td>Deliver Financial Sustainability for the future</td> </tr> </table>		YOUR COUNCIL: innovative, proactive and efficient		CO 10	Deliver Financial Sustainability for the future
YOUR COUNCIL: innovative, proactive and efficient						
CO 10	Deliver Financial Sustainability for the future					
Financial Implications	<ul style="list-style-type: none"> The report gives a forecast outturn position for the Council's 2020/21 revenue and capital budgets. 					
Risk Management Implications	<ul style="list-style-type: none"> It is important to monitor the position against budget regularly in order to ensure any issues can be addressed appropriately and in a timely manner. 					
Environmental Implications	<ul style="list-style-type: none"> None 					
Legal Implications	<ul style="list-style-type: none"> The Council is legally required to set and manage a balanced budget. 					
Equality Implications	None					
Data Protection Implications	None					
Consultation	Consultation has been undertaken with Portfolio Holder..					
Options	<ul style="list-style-type: none"> None 					
Background Papers	None					
Appendices	<ul style="list-style-type: none"> Appendix A .1 Financial Outturn Q2 by Portfolio Appendix A-2 – Financial Outturn Q2 by Chief Officer Appendix B – Variances over £25,000 by Portfolio Appendix C – Capital Qtr 3 Appendix D - Estimated Covid 19 financial impact 					

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Recommendation	<p>2.1 To note that as at 30 September 2020 the revenue budget is forecast to be overspent by £1.312m as shown in Appendix A.1.</p> <p>2.2 To note the analysis given in Appendix B for cost centre variances over £25k.</p> <p>2.3 To note the actual expenditure to 30 September 2020 incurred on the Capital Programme as shown in Appendix C.</p> <p>2.4 To note that as at the 30 September 2020 the Capital Programme is forecast to underspend by £17.407m, as outlined in Appendix C, and that this underspend may be required to be carried forward into 2021/22 as slippage.</p>
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Financial Performance Monitoring Suite September (Quarter 2) 2020/21

Executive summary

This report sets out the financial forecast for Quarter 2, based on information at the end of September, for revenue and capital. The headlines are:

Revenue: Service and Covid-19

The net direct cost of services forecast outturn is an estimated overspend of £1.130m when compared to the revised budget of £13.679m. Excluding Covid 19 impact of £0.976m for 2020/21 there is a small service overspend of £154k. The movement from Qtr 1 to Qtr 2 excluding covid is shown in the table below:

Underspend excluding covid at Quarter 1	(57)
Change in planning forecast - see appendix b.1 (Movement from Qtr 1, £58k to Qtr 2, £468k)	410
Change in variances under £25k level	(112)
Savings or additional income forecast	(272)
Additional expenditure forecast	185
Overspend excluding covid at Quarter 2	154

Appendix B provides the variances by service and where variances are +/- £25,000 comments have been provided by the budget managers/Head of Service. Where there are adverse variances the budget managers have provided details of the actions they are undertaking to address the overspend. As there is a significant variance in the planning forecast (negative variance of £468k) we have addressed this separately and in detail within **appendix B.1**.

In summary the variance has arisen for the following reasons:

- With the Local Plan being approved in April 2019, the 2020/21 Planning income budget included ambitious budgets based on the adopted Plan. However, it should be noted that the planning team remain busy dealing with an equivalent number of applications to prior years; but speculative major residential schemes are not being received in comparable numbers.

- General uncertainty during the Covid 19 pandemic.
- Various technical issues on the existing “major” planning applications, resulting in ongoing intensive work – see details in Appendix B-1.
- The Planning Portal has reported planning applications nationally went from well below the average in May 2020, to well above the average from June 2020 onwards. It identifies the ‘recovery’ over the summer has largely been driven by an increase in householder related applications, whilst full and outline applications in general have been slow to recover.

Capital Programme – the forecast outturn is an estimated spend of £3.855m in 2020/21. Several schemes are now requiring a re-phasing of their expenditure profiles and this is expected to move £17.407m of expenditure to 2021/22. See **Appendix C**.

Revenue: Covid-19 – the main financial impacts of Covid-19 have been met by the Council during 2020/21. However the government is currently indicating that some elements of the local government support/compensation process will be extended into future years.

To date, the gross CV-19 expenditure/income losses total £3.213m; this is currently split as follows:

- £2.319m in respect of services
- £0.894m in respect of estimated Collection Fund losses.

The Council has received direct government support totalling £1.343m; split as follows:

- £1.174m; Emergency Funding
- £83k; Town Centre Support
- £23k: Local Authority Emergency Assistance Grant
- £9k: NSAP Funding to support rough sleeping
- £24k Test & Trace Discretionary Schemes
- £30k Covid Marshalls Funding

This gives a total net impact on the Council of £1.870m. In respect of the:

- Services related CV-19 expenditure/income losses, the current forecast net cost is £976k; unless savings are found in year it is likely that this in-whole or in-part will have to be met from reserves.
- Collection Fund losses of £894k, the government is currently indicating that this will be able to be spread over the next 3 years

The actual and forecast spend is shown at **Appendix D**.

Business Grants Scheme - In respect of the Business Grants Scheme, members will recall that Local Government has been administering 3 grants schemes for the

government. As at end of October, and in agreement with the latest Delta return, for the:

- Small Business Rates & Retail, Hospitality and Leisure Schemes; the Council received £19.1m and has distributed £20.6m (107.9%) to 1,661 businesses. exceeding its original grant allocation by 7.9% (i.e. delivered 107.9% of the Councils original allocation). BEIS will re-imburse the Council for any grant that it has had to self-finance.
- Discretionary Grants Scheme; In early May 2020 BEIS announced a third grant scheme for businesses, the Local Authority Discretionary Grant Scheme (LADGS). The LADGS is significantly different to the previous scheme in that each of the 315 English Councils were given discretion to develop their own local scheme within specific BEIS priorities and eligibility criteria. The scheme was developed along with other authorities in Leicestershire; although they are different in detail, they are based on similar eligibility criteria. The Council received £1 million to distribute to businesses and it launched its scheme on 3 June 2020. The Council's LADGS was initially open for two weeks but due to slow take-up, the scheme was subsequently extended. Further, the scheme was also opened to local nurseries who were outside of the original Small Business Grant scheme. When the scheme closed at the end of August, a total of £1 million was distributed, to 109 local businesses.

Second National Lockdown: Business Grants

Prior to the second National Lockdown, the Harborough District was in Tier 1 Covid-19 restrictions. When the government moved into National Lockdown on the 5th November, all of England moved into National (Tier 3) restrictions. As a consequence of these restrictions, the government announced two business grant schemes:

- Scheme 1: Local Restrictions Support Grant (Closed)-Addendum
and
- Scheme 2: Additional Restrictions Grant

Local Restrictions Support Grant (Closed)-Addendum (LRSGCA)

The LRSGCA is a mandated scheme that is aimed at "closed" businesses; the Council is expecting to receive around £3.1m. It is an extension of the "pre-lockdown" Local Restrictions Support Grant (Closed) (LRSG) scheme that applied when councils moved into Tier 3 restrictions. There is little difference between the two schemes other than that the Addendum scheme is for four-weeks (i.e. the duration of the current national lockdown), whereas the other is for two-weeks. The LRSGCA scheme gives a grant to closed businesses only and is based on rateable value. There are three tiers; namely:

RV £0 to £15,000:	Grant: £1,334
RV £15,001 to £51,000:	Grant: £2,000
RV £51,001 and greater:	Grant: £3,000

If the national lockdown is extended beyond the current 4-week period, it is expected that the government will extend the scheme – including further funding. If the lockdown ends, it is expected that the Council will fall back into either Tier 2 or 3 of the local lockdown measures; if this occurs then the applicable mandatory business grants scheme will be followed.

Additional Restrictions Grant (ARG)

The ARG scheme is a discretionary grant scheme; the Council is expecting to receive around £1.8m and this funding must last from November 2020 through to March 2022. There are two elements to this scheme:

Discretionary Grant Scheme (DGS)

The DGS is applicable to the second (and any subsequent) lockdown and is broadly similar to the Council's previous discretionary grant scheme that it administered over the summer:

- Same business categories.
- Grants to businesses are going to be £1,122; which is 84% of the Lower tier businesses of the LRSGCA (the same as the previous scheme).
- Small and Micro businesses.
- There are some mandatory eligibility criteria to mitigate fraudulent activity and compliance with state aid.

The Council has allocated £1.3m to support businesses with these grants until March 2022.

Local Business Support Fund (LBSF)

The ARG scheme also permits local authorities to allocate funding to support the wider business community. The Council has allocated £500k for this purpose and expects to use it to provide:

- Local Business Top-Up Grants
- Business Recovery Support

MTFS – Members will recall that when it set its 2020/21 budget, it did not approve an MTFS. However, the 2021/22 budget setting process has now started in earnest and when members come to see the draft budget later in the year, this will also include a draft MTFS. It is anticipated that the MTFS will cover the period from 2021/22 through to 2024/25 and will include a:

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1. 'service' funding statement; this will illustrate any budgeted surplus or deficit for each financial year of the MTFS. This will reflect net annual service spend, reserve contributions and grant receipts; balancing to the net Council Tax Requirement.
2. reserves statement; this will demonstrate how the Council is managing both its general fund (unallocated) reserves and earmarked reserves to support ongoing services and/or transformational activity.