



Report for:	Strategic Planning and Environment Overview and Scrutiny Committee
Date of meeting:	15th June 2021
PART:	I
If Part II, reason:	

Title of report:	Provisional Financial Outturn 2020/21
Contact:	Cllr Graeme Elliot, Portfolio Holder for Finance and Resources Author/Responsible Officer Nigel Howcutt, Assistant Director (Finance & Resources) Fiona Jump, Group Manager (Financial Services)
Purpose of report:	To update members on the provisional financial outturn position for 20/21 including the; <ul style="list-style-type: none"> • General Fund • Capital Programme
Recommendations	It is recommended that Committee note the financial performance in regards to: <ol style="list-style-type: none"> 1. The General Fund projected outturn, 2. The Capital programme financial performance.
Corporate objectives:	Ensuring efficient, effective and modern service delivery.
Implications:	<u>Financial</u> This report outlines the financial position for the Council for 2020/21 and so summarises the financial implications of service decisions for the financial year. <u>Value for Money</u>

	Regular budget monitoring and reporting supports the effective use of the financial resources available to the Council.
Risk Implications	This reports outlines the financial position for the Council for 2020/21 and in so doing quantifies the financial risk associated with service decisions for the financial year.
Community Impact Assessment	The content of this report does not require a Community Impact Assessment to be undertaken.
Health And Safety Implications	There are no Health and Safety implications arising from this report.
Statutory Officer Comments:	Deputy Section 151 Officer: This is a Deputy S.151 Officer report.
Consultees	The position reported within this report has been reviewed and discussed with relevant Council Officers.
Glossary of acronyms and any other abbreviations used in this report:	GF – General Fund HRA – Housing Revenue Account MRP- Minimum Revenue Provision MHCLG – Ministry of Housing, Communities and Local Government HCC – Hertfordshire County Council AFM – Alternative Financial Model

1. Executive Summary

- 1.1** The Council has faced significant financial pressures as a result of the Covid-19 pandemic. The provisional year-end financial outturn is showing a deficit of £2.4m on the General Fund, which is consistent with previous forecasts of the effect of the pandemic on Council services. It is proposed that this deficit is funded from a contribution from the Economic Recovery Reserve, which has been set up specifically for this purpose.
- 1.2** It should be noted that Collection Fund and pension adjustments are yet to be finalised, and the outturn position may be subject to change as a result of these.
- 1.3** Strategic Planning and Environment Capital budgets have seen slippage of £1.0m with an overspend of £195k. More detail is provided in Section 5 of this report.

2. Introduction

- 2.1** The purpose of this report is to present the Council's Provisional Outturn for 2020/21, prior to the production of the Statement of Accounts. Outturn is reported for the following:
- General Fund
 - Capital Programme
- 2.2** The Council's outturn position is a primary source of information for the production of the Statement of Accounts. The outturn position detailed in this report will be subject to further amendment as work continues on the preparation of the Accounts. The Final Outturn position, along with movements in reserves,

will be reported to Audit Committee for sign off on 8th September 2021, subject to confirmation of this date at Full Council.

3. General Fund Revenue Account

3.1 The General Fund revenue account records the income and expenditure associated with all Council functions, except the management of the Council's own housing stock, which is accounted for within the Housing Revenue Account (HRA).

3.2 Appendix A provides an overview of the General Fund provisional outturn position.

The table below outlines where significant financial pressures have arisen within Strategic Planning and Environment service areas:

Table 1	Key Financial Pressure	Description
Scrutiny Committee		
Strategic Planning and Environment	£1.2m	Waste Services (Waste cost pressure and income pressures for Domestic Waste and Commercial Waste)

3.3 The table below provides an overview by Scrutiny area of the current forecast outturn for controllable budgets within the General Fund.

Table 2	Current Budget £000	Provisional Outturn £000	Variance	
			£000	%
Finance & Resources	8,027	11,852	3,825	47.7%
Strategic Planning and Environment	10,906	12,760	1,854	17.0%
Housing & Community	1,666	1,945	279	16.7%
Total	20,599	26,557	5,958	28.9%
Core Funding	(20,599)	(24,199)	(3,600)	17.5%
Deficit to be funded from Economic Recovery reserve	0	2,358	2,358	

3.4 Core Funding - £3.6m additional funding / reduction in expenditure

A surplus of £3.7m has been achieved on corporate grant income that is entirely linked to additional Covid financial support/grants. This includes the following:

- £2.05m of Covid-19 support grant has been received from MHCLG

- £1.34m of Covid Income Guarantee Scheme compensation, which reimburses local authorities for 75% of lost income after the first 5% of the budgeted total.
- £99k of New Burdens funding relating to welfare reform within the Revenues and Benefits service.
- £109k Homelessness Prevention funding utilised to offset service pressures.
- £76k of new burdens funding to support the Local Authority Discretionary Grants scheme.
- £68k of Test and Trace admin support grant.

In addition, there are variances on the following corporate items:

- £140k pressure in General Fund investment income budgets due to the reduction in interest rates announced by the government in March 2020.
- £99k surplus on interest and MRP (Minimum Revenue Provision) charges.
- £122k under budget on the recharge to the HRA. This is due to temporary accommodation void costs being higher than expected. These are initially borne by the HRA as part of the Total Asset Management contract but allocated to the General Fund in line with the ownership of Temporary Accommodation properties.

3.5 The following sections provide an analysis of the projected outturn and major budget variances for Strategic Planning and Environment Scrutiny area.

4. Strategic Planning and Environment

Table 4 Strategic Planning and Environment	Current Budget £000	Provisional Outturn £000	Variance	
			£000	%
Employees	10,078	10,807	729	7.2%
Premises	990	1,001	11	1.1%
Transport	1,240	1,485	245	19.8%
Supplies & Services	2,422	2,720	298	12.3%
Third-Parties	366	373	7	1.9%
Income	(5,359)	(4,818)	541	(10.1%)
Capital Charges	1,571	1,605	34	2.2%
Earmarked Reserves	(402)	(413)	(11)	2.7%
Total	10,906	12,760	1,854	17.0%

4.1 Employees - £729k pressure against budget

The pressure in employees' costs includes:

- A pressure of £655k relates to Waste Services employees' costs from additional agency requirements during the Covid-19 pandemic. This is due to a combination of staff sickness and requirements to self-isolate, as well as the requirement for clinically extremely vulnerable staff to remain at home. The service is under pressure due to increased levels of waste, access issues due to more people working from home resulting in a significant increase in missed bins, and the need to maintain social distancing which has put pressure on the rural rounds where there is increased travel in the waste vehicles.
- Pressure of £60k in Planning where staffing levels have been higher than budgeted due to maternity leave in the service.
- Pressure of £40k in the Vehicle Repair Shop due to additional staffing requirements as a result of Covid-19.

4.2 Transport - £245k pressure against budget

A pressure of £185k relates to the maintenance of ageing fleet vehicles in Waste Services. This pressure is expected to continue until the full fleet of waste vehicles is received.

A pressure of £150k relates to hire of waste vehicles to support social distancing requirements, particularly for crews on rural rounds. The two rural rounds consisting of a driver and two loaders have been split, requiring the hire of two additional vehicles.

These are offset by some more minor variances in fuel budget and in employee travel budgets which have not been fully utilised as a result of less business travel.

4.3 Supplies and Services - £298k pressure against budget

A pressure of £235k has arisen in Waste Services from the increased cost of disposal of commingled recycling. This is as a result of 3 factors: firstly, tonnages of recyclable waste have increased by 30% as a result of households being at home during lockdown and continuing to work from home; secondly the contractor has charged additional processing fees to fund the costs of safe working conditions under Covid; and thirdly the global market for recyclables has declined leading to a reduction in income for recyclables.

Pressure of £70k in the Planning service for legal expenditure relating to the appeals process. Where planning decisions are appealed and the decision is not in favour of the Council, legal costs are incurred which causes a budget pressure.

4.4 Income – £541k pressure against budget

The pressures in income budgets are all Covid-19 related:

- Pressure of £170k related to Waste Services income. No income has been generated this financial year against a budgeted £310k in the Alternative Financial Model (AFM) with Hertfordshire County Council (HCC). This is due to

the increase in residual waste particularly during the lockdown period. An increase in residual waste pushes up the cost of disposal to HCC, which is then passed back to local authorities via a lower AFM income payment. This is partially offset by an increase of £140k in recycling credit income due to increased tonnages of recycled waste.

- Pressure of £55k in Planning Income. This income stream has held up well given the uncertainties in the market to be just slightly below budget.
- Pressure of £180k in Commercial Waste Income. This variance has arisen due to businesses being closed during the various periods of lockdown.
- Pressure of £50k in Maylands Business Centre income. A pressure in rental income has arisen, due to the effect of the pandemic on smaller businesses.
- There are other pressures in income streams such as Cesspool emptying £55k, Pest Control £30k and Bulky Waste £16k as a result of Covid-19.

5. Capital Programme

5.1 Appendix B shows the provisional capital outturn in detail by scheme.

The table below summarises the overall capital outturn position by Scrutiny committee area.

The current budget is the original budget approved by Cabinet in February 2020, plus approved amendments.

The 'rephasing' column refers to projects where expenditure is still expected to be incurred, but will now be in 2021/22 rather than 2020/21 ('slippage'), or conversely, where expenditure planned initially for 2021/22 has been incurred in 2020/21 ('accelerated spend').

The 'Variance' column refers to projects which are expected to come in under or over budget and projects which are no longer required.

	Current Budget £000	Rephasing £000	Revised Budget £000	Provisional Outturn £000	Variance £000 %	
Strategic Planning and Environment	3,055	(999)	2,055	2,250	195	6.4%

5.2 Major Variances

There is rephasing of £1.0m into 2021/22 on the General Fund, with an overspend of £195k.

The rephasing to future years includes:

- Line 61: Slippage of £0.9m on fleet replacement programme. New waste vehicles have been ordered and 5 have already been delivered this financial year, but a further 9 that had been expected will now be delivered in financial year 2021/22.

The overspend of £195k includes the following items:

- Line 57: Overspend of £0.11m on Wheeled Bins. The demand for new bins has increased due to new properties coming on line and increased volumes of domestic waste during the pandemic.

6. Balances and Reserves

6.1 The Reserves Summary at Appendix C reflects the movements approved by Council in February 2021 and updated for the reserve movements as set out below.

6.2 In cases where reserves were to be drawn down in 2020/21 to fund budgeted expenditure which was not spent in full, only the amount required to fund actual expenditure was drawn down. Where the balance is now required in 2021/22, the carry forward of unspent reserve budgets is recommended.

6.3 Approved reserve movements to support the payment of upfront pension contributions in 2020/21 are reflected in Appendix C. Any changes in the accounting treatment of these contributions will be presented as part of the final outturn report to Audit Committee.

6.4 Additional reserve movements are:

- Contribution from Management of Change reserve of £120k to fund one-off costs in the Garages service
- Contribution from Dacorum Development reserve of £81k to fund investigative work at Highbarns
- Contribution from Earmarked Grants reserve to fund Homelessness expenditure £44k
- Transfer of £581k to Covid-19 Hardship Reserve
- Contribution from Economic Recovery Reserve of £2.358m which has been set up specifically to fund the deficit in the General Fund as a result of Covid-19 pressures.