

Committee(s): Policy, Resources & Economic Development	Date: 30 June 2021
Subject: 2020/21 Financial Outturn	Wards Affected: All
Report of: Jacqueline Van Mellaerts, Corporate Director (Finance and Resources)	Public
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Summary

This report gives a summary of the overall financial outturn position for the financial year 2020/21.

The key elements of the provisional outturn are:

General Fund

- 1) The outturn for the general fund is a net overspend of £243k against the set balanced budget.
- 2) In March 2021 it was forecasted there would be a deficit of approximately £361k.
- 3) Working balances reduce to £2.874 million this is still within the minimum level of reserves.
- 4) During 2020/21 the authority incurred net expenditure of £867k on the General Fund due to the COVID-19 pandemic.
- 5) General Fund earmark reserves have increased by £6.377 million to £10.781 million. Of which £6.042 million is committed for COVID-19 mitigation, £1.057 million is committed for specific future commitments, £1.738 million is committed for service level expenditure and £1.944 million is committed for future financial mitigation.

Housing Revenue Account

- 1) The outturn reflects a net underspend of £409k against the working budget.
- 2) The HRA working balance has increased significantly to £1.480 million as at the 31st March 2021
- 3) The HRA earmarked reserves remain at a level of £2.400 million
- 4) The HRA COVID-19 net expenditure was £345k. No government funding was received to support the HRA specifically for the pandemic pressures.

Capital

- 1) The capital outturn was £125.836 million compared to a reported revised budget of £143.282 million
- 2) Requested slippage of £12.388 million will be carried forward into 2021/22
- 3) The COVID-19 pandemic resulted in additional capital expenditure of £299k.

Treasury Management

- 1) The treasury activity and relevant prudential indicators for the year is listed in Appendix B.
- 2) During 2020/21 PWLB made changes to its lending terms criteria. Appendix B enhances on these changes. However, the Council continues to meet PWLB's new criteria for lending.

The Annual Financial Statements are yet to be audited, until external audit finalise the audit process, these figures are subject to revision, however it is expected that these figures will not change.

Main Report

Introduction and Background

1. The provisional outturn forms part of the preparation of the Council's Statement of Accounts for 2020/21. The outturn is reported prior to the audit of the Council's Accounts by the Council's external auditors – Ernst & Young LLP, which is scheduled to be completed at the end of September 2021.
2. The provisional outturn does not usually change because of the audit, however due to the ongoing impact of COVID-19 on the local economy and the Council's operations; there is likely to be more challenge in areas such as provision for bad debt, provisions, valuation of Council assets, Council acquisitions and pension fund arrangements, all ensuring the Council can demonstrate it remains a going concern as an entity.
3. In line with the Local Government Act 2003, the relevant CIPFA codes of Practice and the Council's associated Treasury Management Policy and Practices, the outturn is presented to Members.

Issue, Options and Analysis of Options

General Fund and Housing Revenue Account (HRA)

4. Appendix A summarises the outturn position for each of the Council's revenue funds, general fund and HRA. Page 3 of these appendices details the variances

per corporate priority. It compares it to working budget for 2020/21. The high-level summaries of the General Fund and HRA are tabled below.

General Fund Outturn 2020/21

	2020/21 Budget £'000	2020/21 Outturn £'000	Variance
Total Cost of Services	8,800	11,487	2,684
Total Funding	(8,800)	(11,244)	(2,444)
Deficit/(Surplus)	0	243	243
Working Balance b fwd	3,117	3,117	0
Working Balance C fws	3,117	2,874	243

HRA Outturn 2020/21

	2020/21 Budget £'000	2020/21 Outturn £'000	Variance
Total Expenditure	9,986	10,010	24
Total Income	(13,180)	(13,186)	6
Non-Service Expenditure	3,107	2,767	(340)
Deficit/(Surplus)	(87)	(409)	(322)
Working Balance b fwd	1,071	1,071	0
Working Balance C fws	1,158	1,480	322

5. To analyse the variances a subjective analysis has been produced for each revenue fund this can be found within Appendix A
6. In summary the £243k variance caused within the General fund was associated to the following:
 - a) The Council's Vacancy Factor was higher than budgeted for. Current assumptions assume a 4% rate, whereas the Council achieved a 6% this considers the agency costs incurred that are covering vacant posts.
 - b) Premises Costs saw an increase in Repairs & Maintenance to make assets COVID-19 secure, however there was a reduction in utility costs with properties not utilised to capacity due to the pandemic.

- c) Transport Related Expenditure, direct transport costs have increased significantly, due to an ageing fleet.
- d) Supplies & Services associated with an increase in costs of fees & services. These are external professional fees incurred such as legal costs (associated with the liquidation of the Brentwood Leisure Trust predominantly) audit fees and increase in brokerage fees for the cost of securing funds for the strategic acquisitions that were purchased in year.
- e) Third Party Payments were less than expected where officers have managed their requirement for external support.
- f) The Council's income suffered significantly due to the pandemic. The most affected loss on fees & charges was car parking income. However, the income compensation scheme from central government has supported the Council's finances. In turn, golf income is higher than anticipated this can be associated to a good summer and outdoor sports being able to operate earlier than indoor sports during the lockdowns.
- g) The Council continued to borrow on a short-term basis, ceasing the opportunity of cheap borrowing of surplus cash in local authority lending. This significantly reduced the outturn on interest payable compared to the working budget.

7. For the HRA the increased in the budgeted surplus of £322k was due to the following factors:

- a) An increase in repairs & maintenance costs was predominantly associated to ensuring the stock remained COVID secure.
- b) Due to the pandemic and being unable to chase arrears the rent arrears has increased, in turn, this has resulted in a larger provision of bad debt being provided against the arrears balance.
- c) The HRA has contributed less revenue to its capital program. This has allowed the HRA working balance to rejuvenate. In addition, it was not financially appropriate to contribute revenue to the capital program when borrowing rates are low. The HRA will take advantage of the low borrowing rates.

COVID-19

- 8. The financial impact of the pandemic and subsequent lockdowns and continuing restrictions on economic and social activity has had a significant impact on the financial outturn for 2020/21.
- 9. The Council in totality has incurred net expenditure of £1.511m of which £867k was borne by the General Fund, £345k was the impact to the HRA and £299k resulted in additional capital expenditure. The Council received allocated funding of £982k for costs associated to COVID-19 pandemic. In addition, the

Council was also in receipt of £1.106m, through the income loss compensation scheme. Other grants have been received that have been more specific to the service delivery of the pandemic.

10. In addition, the Council has been acting to support the local economy by administering a total of £27.6 million in grants associated with the pandemic and enforced lockdown by central government. The largest single stream has been £16.9 million in respect of Small Business Grants.

Collection Fund

11. The Collection Fund is a statutory account relating to the administration of Council Tax and Business Rates. The account is administered by Brentwood as “billing authority” on behalf of relevant precepting authorities, including the Borough, and, in the case of Business Rates, also the central government. The account records all income due in respect of Council Tax and Business Rates. The precepts due to the participating bodies are debited to the account. Any balance remaining on the account following these transactions is normally shared proportionately between the precepting bodies in the following financial years. For deficits arising in 2020/21, the Government permits these to be phased over the following three years.

12. For 2020/21 the financial position of the Collection Fund is as follows:

- a) Business Rates. There is a deficit of £14,393k, of which the Council’s share is £5,757k. The deficit is mainly due to the business rate reliefs awarded by the Government to businesses to support them during the pandemic. The government compensated the Council directly for the loss of income due to these reliefs. This leaves a deficit of £1,110k, which will be debited to the General Fund in a phased approach over the next three financial years. £610k of this amount will be debited in 2021/22, but this will be partly offset by £512k grant from the Government to compensate the Council for loss of tax income in 2020/21.

The Council is member of the Essex Business Rates Pool. The Council’s business rates income for 2020/21 was below the level at which a levy was payable.

- b) Council Tax. There is a surplus of £708k, of which the Council’s share is £82k. The Council gave reliefs to Council Tax Payers totalling £319k, which were funded through Council Tax Hardship Grant from the Government.

Earmarked Reserves

13. Within Appendix A, it sets out the drawdown to and from earmark reserves in detail. In summary the following movement on earmarked reserves is as follows:

	Opening Balance	Contribution To/(From)	Closing Balance
Mitigation	1,520	424	1,944
Service	1,474	264	1,738
Specific	1,381	(324)	1,057
COVID-19	29	6,013	6,042
Total	4,404	6,377	10,781

Capital and Investment Strategy

14. Enclosed within Appendix B is the capital and investment report. Capital projects approved as part of the 2020/21 budget cycle are tabled and compared to the projects working budget.

15. In summary the capital outturn is as follows:

	2020/21 Budget £'000	2020/21 Outturn £'000	Variance
Total General Capital Programme	130,172	121,440	(8,732)
Total HRA Capital Programme	13,110	4,396	(8,714)
Total Capital Programme	143,282	125,836	(17,446)
Total General Fund Capital Funding	130,172	121,440	(8,732)
Total HRA Capital Funding	13,110	4,396	(8,714)
Total Capital Funding	143,282	125,836	(17,446)

16. For 2020/21 there has been significant delays to capital project due to the ongoing pandemic. At the beginning, work ceased completely if deemed non-essential. Projects began to start when lockdown measures were eased,

however the impact of adhering to social distancing measures has slowed projects down significantly. Prioritisation of works associated to COVID-19 has also meant that other projects have not got off the ground. The result of this is the request to bring underspends of projects forward as the work slips into 2021/22.

17. The most significant project to be impacted due to the pandemic is the development at King Georges Playing field, it is expected that this project will now complete in 2022.
18. As part of the strategy, slippage for certain projects have been requested. The detail of the slippage required is included within Appendix B The total amount of slippage requested is £12.388 million.
19. Finally, Appendix B also includes a review of the Council's treasury Management activities during the year. Alongside this is an update on Council's prudential indicators for the year.

Consultation

20. The Outturn has been presented to the senior leadership team, the leader and the Chairs of Committees.

References to Corporate Plan

21. The outturn underpins the ability to be able to deliver the aspirations outlined within the Corporate Strategy by managing our finances and contracts robustly to ensure best value for money and deliver services meets the needs of our residents.

Implications

Financial Implications

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22. Financial implications have been included within the main body of the report and appendices.

Legal Implications

Name & Title: Amanda Julian, Corporate Director (Law & Governance) and Monitoring Officer

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23. The Council is obliged under Section 151 of the Local Government Act 1972 to make proper arrangements for the management of its financial affairs.

Economic Implications

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24. Growing our economy is a corporate priority. Therefore, everything the Council does contributes or impacts the borough's economy in some way, either directly or indirectly. It is important that the Council maintains a budget that considers such implications. In this case, it is important to regularly monitor and publish the final overall financial outturn position.

Other Implications

Risk Management – Managing the Council's finances

Background Papers

Medium Term Financial Strategy 2020/21

Appendices to this report

Appendix A: General Fund Revenue Outturn 2020-21

Appendix B: Capital & Investment Strategy Outturn 2020-21