

## FINANCIAL MONITORING REPORT (based on Performance April to October 2020 inclusive)

### 1. RECOMMENDATIONS

- 1.1 It is recommended that Cabinet;
  - 1.1.1 notes the latest budget forecasts of the General Fund (section 4), Capital (section 5) and HRA (section 6); and
  - 1.1.2 supports the distribution of £107,308 to the Town and Parish Council's on the basis of £1.50 per band D property (2021/22 tax base) in support of the financial pressures faced by each Council as a result of the Coronavirus

### 2. INTRODUCTION

- 2.1 Following the adoption of the Emergency Budget 2020/21 in September 2020, this report provides an update on the General Fund, Capital and Housing Revenue Account budgets, adjusting for any budget changes now required.

### 3. BACKGROUND

- 3.1 The Council's 2020/21 budget has been significantly impacted by COVID-19. An Emergency budget for 2020/21 was approved by the Council in September. The Emergency Budget included adjustments to take account of new expenditure pressures, income losses, funding support and mitigating adjustments. At that time, certain assumptions were made on the recovery period, and didn't include, for example, provision within services for a second 'lockdown'. The Emergency Budget did however retain a 2020/21 contribution to the budget equalisation reserve of £1.062m and preserved the Councils £3m General Reserve, both of which are therefore available to assist in further budget pressures, above and beyond the expectations within the Emergency Budget.
- 3.2 Financial Monitoring is an important feature in the management of the Council's finances as it gives an opportunity to reflect on variations as against the latest set budget and reflect on the impact that these variations may have over the period covered by the Councils Medium Term Financial Plan.

### 4. GENERAL FUND REVISED PROJECTION

- 4.1 A General Fund budget of **£19.194m** for 2020/21 was agreed by Council in February 2020.
- 4.2 The new expenditure pressures assumed within the Emergency budget totalled £1.305m, and income losses after the application of specific grant and funding schemes was £2.041m. The Emergency Budget adopted in September, which also

took into account mitigations put in place by the Council, increased the General Fund Budget to **£20.117m**.

- 4.3 The latest forecast confirms an improved budget position with adverse net expenditure variations totalling £23k and favourable net income adjustments totalling £136k. The income adjustments include additional forecast loses within services totalling £433k and improved/additional income collection in other services and specific service grants of £569k. The potential government support through the Sales, Fees and Charges compensation scheme for the additional losses is worth a reimbursement of £259k, but as no income has been received yet from this scheme, the support funding has not been assumed within this monitoring report.
- 4.4 Rephasing of £442k (with a General Fund impact of £354k) has occurred within the ICT strategy (covered by a separate report on this cabinet agenda). The replacement of the Synthetic Turf Pitch at Lymington Health & Leisure centre (£172k) will now take place during the Easter '21 school holidays, and the planned maintenance of the Stillwater Park site will be deferred until 2021/22 resulting in rephasing of £67k. The resultant total rephasing of £593k will be released in future years in accordance with the revised delivery timescales.
- 4.5 The changes as above result in an updated General Fund Budget of **£20.004m**; a reduction of £113k from the September Emergency Budget.
- 4.6 In addition to the Portfolio variations reportable, additional support funding of £204,463 has been received to further assist with the financial pressures faced by the Council due to COVID-19.
- 4.7 The September Emergency Budget allowed for a reduction in interest earnings, to a level c50% of the returns generated in 2020/21. There has been a further shift in the instant access market, with some rates being set at negative, even though the Bank of England has not taken the Bank Rate negative. There are also limited options for the placement of medium-term cash at this time due to volatility that current exists in the pooled equity markets. Cash balances will continue to be managed in line with the adopted Treasury Management Strategy, ensuring security and liquidity are prioritised over yield. No further adjustment is made to the interest earning income budget within this monitoring report, but the situation will be kept under close review over the final part of the financial year.
- 4.7 Taking all variations as outlined above into account, the overall net adjustment of £317k can be credited to the budget equalisation reserve and can be called upon if further expenditure pressures or income losses accrue between now and the yearend.
- 4.8 The revised General Fund Budget 2020/21 can be seen at Appendix 1, with further details on the variations being reported included within Appendix 2.

## **5. CAPITAL EXPENDITURE (General Fund and Housing Revenue Account)**

- 5.1 A Capital Programme budget of **£25.694m** for 2020/21 was agreed by Council in February 2020.
- 5.2 The programme was revised in line with the preparation of the Emergency Budget, with

non-essential schemes being removed, new requirements added and rephasing from the previous year reflected, where necessary. The Emergency Budget adopted in September increased the Capital Programme Budget to **£29.214m**.

- 5.3 The latest forecast confirms variations totalling -£455k and rephasing's of £2.649m as against this revised budgeted position. The variations are summarised below:

#### **Variations**

- Disabled Facilities Grants (£580k and £500k) – issues with access to properties and availability of contractors and materials during 2020 mean that the full private sector (Better Care Funded) and public sector (HRA funded) programmes will not be delivered in 2020/21
- Emergency Works Milford Sea Wall (£625k) – covered by a previous report to Full Council

#### **Rephasings**

- New Depot Site – the delivery timeframe now needs to be adjusted.
- Vehicles & Plant Replacement Programme – 4 vehicles will no longer be replaced in 2020/21, resulting in a rephasing of £649k.
- Smarter Working; Future Delivery – a budget was allowed for within the 2020/21 programme, but competing priorities in 2020/21 mean that only an element of the budget will be spent in the current financial year.

- 5.4 The changes as above result in an updated Capital Programme Budget of **£26.110m** (appendix 3).

## **6. HOUSING REVENUE ACCOUNT**

- 6.1 A break-even HRA budget for 2020/21 was agreed in February 2020, with the Revenue Account surplus of £8.473m supporting the financing of the £15.8m HRA Capital Programme.
- 6.2 While there has been an increase in gross rent due from additional properties arising from the Acquisition and Development Strategy this has been offset by an increase in income lost from void (temporary vacant) dwellings and garages. No overall budget variation is currently forecast from the original £28.2m budget.
- 6.3 Despite the supply chain disruptions and other complications arising from COVID the revenue and capital repairs maintenance budgets of £10.493m are still on target to be spent. There are various movements within the £6.44m supervision and management budgets but no overall budget variation is currently forecast.
- 6.4 Expenditure of £75k has been incurred on enhancements to the computer software within rents and maintenance but this will be funded from the specific HRA ICT Reserve.

## **7. SUPPORT TO NEW FOREST TOWN AND PARISH COUNCILS**

- 7.1 Within the District Councils' Emergency Budget 2020/21, £100,000 was set aside in the Leaders Portfolio to assist Town and Parish Councils with their financial pressures

as a result of the Coronavirus. Town and Parish Councils have not received support funding directly from central government, but rather the amounts released to District Councils were intended to also support lower tier councils 'in financial distress'.

- 7.2 The Tax Base calculation has been completed for 2021/22 (elsewhere on this Cabinet agenda) and confirms a Tax Base of 71,538.7, resulting in an overall year-on-year growth of 0.06%. This is lower than the typical average growth due to the impact of additional Council Tax Reduction Claimants and a lower forecast collection rate for 2021/22. This negligible level of growth in the Tax Base further supports the rationale for the District Council in sharing a proportion of the support funding we have received.
- 7.3 The latest grant distribution methodology being used by the government is to apply a fixed £ per head to individual authorities. Using the calculated 2021/22 Band D Tax Base as the 'per head' measure and a fixed £1.50 per dwelling is a transparent and clear methodology that can be shared with the Town and Parish Councils.
- 7.4 The resultant cost of £1.50 x 71,538.70 is an overall support payment by this Council to the Town and Parishes of £107,308, marginally exceeding the initial £100,000 budgeted.
- 7.5 The individual Council values are shown within Appendix 4.

## **8. CRIME AND DISORDER / EQUALITY AND DIVERSITY/ENVIRONMENTAL IMPLICATIONS**

- 8.1 There are no Crime & Disorder, Equality & Diversity or Environmental implications arising directly from this report.

## **9. PORTFOLIO HOLDER COMMENTS**

- 9.1 The report highlights, if it is necessary to do so, the ever-changing financial environment in which all organisations find themselves. The variations within this report do not have a material impact on the financial position of this Council and can be accommodated without any need to revise our overall strategy.
- 9.2 One other part of this report that is worthy of note is that earlier on in the outbreak of COVID-19 this Council made provision to support Town and Parish Councils. We are now detailing how that will be delivered through a one off payment tailored on the Council Tax Base to ensure that it provides support across the whole of the District, without adding to the administrative burden of those organisations.

### **For Further Information Please Contact:**

Alan Bethune  
Chief Finance Officer (S151 Officer)  
Telephone: (023) 8028 5001  
E-mail: [alan.bethune@nfdc.gov.uk](mailto:alan.bethune@nfdc.gov.uk)