

Somerset West and Taunton Council

Scrutiny – 3 March 2021

2020/21 Financial Monitoring as at Quarter 3 (31 December 2020)

This matter is the responsibility of Executive Councillor Henley, Corporate Resources

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1 Executive Summary

- 1.1 This report provides an update on the projected outturn financial position of the Council for the financial year 2020/21 (as at 31 December 2020).
- 1.2 The position this year is significantly affected by COVID – both in terms of large additional sums spent on issuing financial assistance to local businesses and council tax payers, and direct impact on the Council’s service costs and income. Additional COVID related financial pressures, through additional costs and income losses, are forecast to be £7.3m for the year. This is partly offset by projected £5.4m emergency grant funding from Government, but has also required the Council to reprioritise funds and support the annual budget from reserves. The net impact of COVID on the Council’s own resources is therefore projected to be £1.9m for the year. Despite this, the Council remains financially resilient and continues to forecast adequate reserve balances.
- 1.3 The current Revenue Budget forecast is summarised below:

General Fund Revenue	Projected £1.466m underspend (£245k overspend relating to COVID and a net underspend of £1.711m for non-COVID)
Housing Revenue Account	Projected £247k underspend

- 1.4 Although services are now projecting fairly large underspends with the General Fund, this is largely due to timing of spend. Based on the Q3 projected year end position, budget holders have indicated proposals to carry forward £1.277m of expenditure into next year’s budget, which if approved would effectively reduce the underspend to £189k. These proposals will be finalised at the year end.

2 Recommendations

- 2.1 The Scrutiny Committee reviews and notes the Council’s forecast financial performance and projected reserves position for 2020/21 financial year as at 31 December 2020.

3 Risk Assessment

- 3.1 Financial forecasts are based on known information and projections based on assumptions. As such any forecast carries an element of risk. The current forecasts included in this report are considered reasonable given the extra element of risk around COVID, and based on experience it is feasible the year end position could change. It is common for underspends to emerge during the last quarter, reflecting an optimism bias within previous forecasting.
- 3.2 Salient in year budget risks are summarised in sections 9 and 11 in this report. The Council manages financial risk in a number of ways including setting prudent budgets, carrying out appropriate monitoring and control of spend, operating robust financial procedures, and so on. The Council also holds both general and earmarked reserves which include contingencies to manage budget risk.

4 Background and Full details of the Report

- 4.1 This report provides the Council's forecast end of year financial position for revenue and capital expenditure as at 31 December 2020 for the Council's General Fund (GF) and Housing Revenue Account (HRA).
- 4.2 The regular monitoring of financial information is a key element in the Council's Performance Management Framework. Crucially it enables remedial action to be taken in response to significant budget variances, some of which may be unavoidable. It also provides the opportunity to assess any consequent impact on reserves and the Council's Medium Term Financial Plan.
- 4.3 Members will be aware from previous experience that the position can change between 'in-year' projections and the final outturn position, mainly due to demand-led service costs and income levels. The budget monitoring process involves a detailed review of the more volatile budgets and a proportionate review of low risk/low volatility budget areas. Budget Holders, with support and advice from their accountants, update their forecasts on a monthly basis based on currently available information and knowledge of service requirements for the remainder of the year. As with any forecast there is always a risk that some unforeseen changes could influence the position at the year-end, and a number of risks and uncertainties are highlighted within this report. However, the following forecast is considered to be reasonable based on current information.
- 4.4 Full Council approved a supplementary estimate of £657k on 15 December 2020 and delegated authority to the CEO and S151 Officer to further realign affected budgets in year. The budgets have been realigned to take into account the current predicted position in relation to COVID overspends and estimated grant income. Though a further overspend of £245k is predicted.

5 General Fund Revenue Budget – 2020/21 Forecast Outturn

- 5.1 The Council is currently forecasting an overall net underspend of £1.466m (6.9% of £21m Net Budget), as summarised below. The main reasons for this shown in table 2 below.

- 5.2 The forecast remains volatile and subject to change. It includes a significant number of assumptions about demand for services and the timing of planned spend to meet service objectives. The level of uncertainty is increased this year as the full extent of the impact of COVID is not yet known. There has been an immediate impact on service costs and income, for example a significant reduction in parking income due to lock down measures throughout the year. The Government has so far provided emergency additional funding of £2.4m. Additional new burdens funding has also been received towards the administration of grants. We are also able to claim grant to partly offset the loss of income from fees and charges and a full year estimate has been included within this report.
- 5.3 As previously reported, despite the reported pressures and uncertainties summarised in this report, the Council is in a strong position financially to withstand losses this year and remain financially resilient. This financial strength has also provided opportunity to allocate reserves to support economic recovery. The scale of flexibility is however still reliant on the receipt of emergency funding, and the sector is continuing to lobby Government to ensure local authorities are adequately funded for the impact of COVID.
- 5.4 Full Council approved a supplementary estimate of £657k on 15 December 2020 and delegated authority to the CEO and S151 Officer to further realign affected budgets in year. The budgets have been realigned to take into account the current predicted position in relation to COVID overspends and estimated grant income. The total estimated spend/loss of income due to COVID is £7.254m, income from grants is estimated to be £5.352m and the Council has approved the use of £1.657m from reserves, this leaves a further estimated overspend of £245k.

Estimated Net Impact of COVID on General Fund Resources:

	£k
Net impact of additional costs and income losses	7,254
Less: Actual and projected additional grants income from Government	-5,352
Less: Approved in-year allocations from SWTC reserves	-1,657
Further projected funding shortfall to be met from SWTC reserves	245

- 5.5 The following table presents a summary of the revenue budget and current forecast outturn for the year by directorate. The forecast variances have been presented to provide a distinction between those primarily as a consequence of COVID impact (after budgets have been realigned for in-year approvals), and those primarily related to normal operations.

Table 1 - General Fund Revenue Outturn Summary 2020/21

	Current Budget £'000	Forecast Outturn for the Year £'000	Residual Forecast Variance COVID £'000	Forecast Variance non COVID £'000	Total Forecast Variance £'000 %	
Development and Place	1,885	1,866	0	-19	-19	-1.0
External Operations and Climate Change	13,516	12,910	245	-850	-605	-4.5
Housing	2,805	2,506	0	-299	-299	-10.7
Internal Operations	10,725	10,418	0	-307	-307	-2.9

	Current Budget £'000	Forecast Outturn for the Year £'000	Residual Forecast Variance COVID £'000	Forecast Variance non COVID £'000	Total Forecast Variance £'000 %	
Senior Management Team	873	819	0	-54	-54	-6.2
Net Cost of Services	29,804	28,519	245	-1,529	-1,284	-4.3
COVID Grant Income	-5,352	-5,352	0	0	0	0
Investment Property Net Income	-947	-1,115	0	-168	-168	17.7
Interest and Investment Income	-600	-976	0	-376	-376	62.6
Net Transfers to Earmarked Reserves	1,272	1,272	0	0	0	0
Transfers to General Reserves	-1,124	-1,124	0	0	0	0.0
Capital and Other Adjustments	-1,781	-1,419	0	362	362	-20.3
Net Budget	21,272	19,805	245	-1,711	-1,466	-6.9
Funding	-21,272	-21,272	0	0	0	0.0
Variance	0	-1,466	245	-1,711	-1,466	-6.9

5.6 The table below provides more detail on the significant non-COVID variances forecast for the year.

Table 2 - Summary of non-COVID Related Forecast Variances for the Year

Budget heading	Direct-orate	Variance £'000	Comments
D&P Salaries	D&P	-19	The £19.4k D&P favourable variance is mainly due to the net effect of additional staffing costs due to having to cover 2 Planning Enforcement officer posts with agency staff, offset by savings in Major Projects due to vacant positions and unbudgeted recovery of staff costs in the Economic Development department from various local agencies (for example Somerset County Council and the Steam Coast Train) who officers perform work for.
Leisure Partnership	EO&CC	-192	Underspend on maintenance budget as work delayed due to COVID. It is proposed to ear mark reserve this to fulfil maintenance commitments during 2021-22. Please refer to table 3.
Parks and Open Spaces	EO&CC	495	Income budget not altered to reflect non-renewal of external contracts.
Building Control Partnership	EO&CC	-10	Income from gain share.
Street Cleansing Partnership	EO&CC	-10	Budget realigned to actual costs.
Parking Enforcement	EO&CC	-312	Reduction in enforcement and CCTV charges (£212k). Other budgets realigned to actual costs (£47k). Underspend on maintenance budget as work delayed due to COVID (£53k). It is proposed to ear mark reserve this to fulfil maintenance commitments during 2021-22. Please refer to table 3.
Waste Partnership	EO&CC	-34	Budget realigned with actual costs.
Park and Ride	EO&CC	-57	Budget realigned with actual costs.
Asset Management	EO&CC	-98	Income is predicted to be higher than budgeted by circa (£220k) – this may continue to alter as we realign income to investment

Budget heading	Directorate	Variance £'000	Comments
			properties. This has been part offset by an over spend on salaries.
Planning Obligations	EO&CC	37	Reconciling legacy S106 issues.
Operation Clean Sweep	EO&CC	-40	Underspend on contracted costs. It is proposed to ear mark reserve this to purchase litter bins during 2021-22. Please refer to table 3.
EO&CC Salaries	EO&CC	-220	Various salary underspends across the Directorate due to active vacancy management and service restructures. It is proposed to ear mark £50k to meet required food hygiene inspections. Please refer to table 3.
Climate Change	EO&CC	-500	The Climate Change budget is likely to have a significant underspend. There are a number of reason for this and the lack of spend should not be considered as a lack of action. There have been 28 of the CNCR immediate actions within External Operations and Climate Change directorate that have been completed to date. Much of this activity has been cost neutral to the council with some of the work on EV charge points bringing a revenue to the authority, work will continue to deliver these actions whilst providing value to the council. Please refer to table 3.
Pollution Control	EO&CC	24	Private Sector Water sampling was not included within the budget therefore the costs are higher than the budget.
Welfare Funerals	EO&CC	56	This forecast is based on a greater reliance on the service this year (compared with last year) and less recovery of costs from the deceased's estate.
Licensing	EO&CC	40	Budget realigned with actual income
Other minor underspends	EO&CC	-29	Various minor underspends across the Directorate.
Revenues and Benefits	IO	-125	Overall there are some pressure in the budget but the grant funding towards operational costs for this year is greater than anticipated.
Rent Allowances/Rebates	IO	170	This is the position at Q3. It is a high risk area and depends on the amount of debt outstanding, assumptions regarding the amount of irrecoverable debt and the amount of overpayments made. The position could change significantly by the year end
IO Salaries	IO	-235	There are various salary overspends and underspends within the Directorate which have been identified. The Deane Helpline salaries budget is not sufficient to cover the current staffing costs, whilst other services such as the Income Team, Customer Services, ICT Infrastructure Team, Internal Change, HR, Finance and the Governance Team have had various vacancies throughout the year. The staffing budget within Internal Operations overall is predicted to underspend as whole this year and any changes to the budget moving forward will be managed as part of the budget setting process.
Comms and Engagment operating	IO	-50	The majority of communications and engagement budget is for promotions and marketing (to attract residents, visitors, businesses to the area - using advertising and other communication methods) and for supporting and sponsoring

Budget heading	Directorate	Variance £'000	Comments
			local community initiatives. Many usual costed / sponsored activities have not taken place, due to the restrictions imposed by central Government (advising not to travel, stay home etc)
Business Operations	IO	43	The postage budget has been transferred from facilities and there has been a lot of work by the Business Operations team to identify predicted spend. This is an estimate of the forecast overspend and work is still being done on this
Elections	IO	114	This is the first year of the new canvas leading to an increased spend on stationery. In addition not all the claims regarding the elections last year have been finalised and £47k may be due back from Sedgemoor which would improve the position.
Learning and Development	IO	-70	The amount of training undertaken has been significantly impacted by the current COVID situation. It was agreed in month 4 that this budget would offer in year savings of £70k.
Internal/ External Audit/Shape	IO	42	Increase in contract/fees after 20/21 budget set.
Insurance	IO	-93	Effect of renegotiated contract
IT	IO	-110	Various projects and work streams operating throughout the current financial year have worked towards reducing the operational ICT revenue budget, these include rationalising BT circuits, consolidation of Public Service Network and mobile phone costs. Predicted costs for the Microsoft M365 agreement in the current financial year are also less than expected as a proportion of the initial fees were paid out of the project budget. Although the ICT budget is regularly monitored, due to the merger of TDBC and WS ICT systems and associated complex costs, clarity over the final outturn for the budget has been difficult to predict until the final periods of the financial year.
Other Minor Variances	IO	7	Various minor overspends across the Directorate.
Homelessness	Hsg & Comm	-256	The under spend has resulted from suppressed demand due to lockdown, suspension of landlord evictions and alternate provision (such as Beach Hotel and Canonsgrove) funded by additional COVID19 homeless grants. This led to a steep drop in B&B costs, alongside spend to private landlords (for rent in advance, deposits etc), as well other related spend. This is offset in part by an over spend on staffing costs due to current management arrangements to meet the service statutory requirements.
Community Safety	Hsg & Comm	-24	The Community Safety budget includes the CCTV contract with SDC which includes a contribution to a sinking fund for repairs and maintenance. The sinking fund has grown large and partners have agreed a one-off rebate. This has been offset in part by one-off repairs on CCTV in the old WS area (not part of the SDC CCTV contract).
Shopmobility	Hsg & Comm	-23	Legacy budgets held that are no longer needed to fund service.
Other Minor Variances	Hsg & Comm	4	Other Minor variances

Budget heading	Direct- orate	Variance £'000	Comments
Senior Management Team	SMT	-54	Underspend on staffing costs.
Interest payable	Gen	-376	We have not had to externally borrow for everything that was budgeted for and therefore there is a saving in interest costs. This has benefitted in part by the receipt of cash through Government funding in advance of making payments e.g. for business grants and council tax hardship and early receipt of other grant funding such as New Homes Bonus.
Minimum Revenue Provision	Gen	194	Revised calculation for the provision for repayment of debt.
Investment Property Net Income	Gen	-168	Estimated income for this year is £168k more than budgeted.
Capital Costs	Gen	168	Contribution towards capital costs of investment properties
TOTAL – over / (-)underspend		-1,711	

General Fund Proposed Carried Forwards

- 5.7 Whilst reviewing the predicted outturn position the following potential carry forwards of budget have been identified, totalling £1.277m. If approved at the end of the financial year this would effectively roll forward this spending approval into next financial year, leaving a net non-COVID underspend of £434k. Netting off the residual COVID pressures of £245k that are not yet funded, this would reduce the overall net underspend to £189k.

Table 3 – Potential Carry Forwards (To be agreed at year end)

	Direct- orate	£'000	Comments
Major Contracts - Leisure Partnership	EO&CC	203	To fulfill maintenance commitments during 2021-22, due to delays incurred in 2020-21 due COVID.
Parking Partnership	EO&CC	53	To fulfill maintenance commitments during 2021-22, due to delays incurred in 2020-21 due COVID.
Litter Bins	EO&CC	40	To purchase litters bin in 2021-22.
Climate Changes	EO&CC	500	The Climate Change budget is likely to have a significant underspend. There are a number of reason for this and the lack of spend should not be considered as a lack of action. There have been 28 of the CNCR immediate actions within External Operations and Climate Change directorate that have been completed to date. Much of this activity has been cost neutral to the council with some of the work on EV charge points bringing a revenue to the authority, work will continue to deliver these actions whilst providing value to the council.
Public Health	EO&CC	50	To employ a contractor or agency to meet required food hygiene inspections.

	Direct- orate	£'000	Comments
Council Tax Support (Benefits)	IO	43	The Revenues & Benefits system, whilst being provided by a single supplier (Civica), is running on two separate platforms. This is a legacy of the Taunton Deane and West Somerset days. This causes problems and results in a large element of double-handling particularly with things such as reporting and the year-end processes where everything needs to be duplicated. We need to implement a database consolidation exercise during the coming financial year. Doing so will also make more easy the implementation of process efficiencies. There will be supplier and resourcing costs associated with the database consolidation. The carry-forward will be used to help fund those costs.
Income Control and Sundry Debt	IO	28	We have a significant backlog of previous year arrears cases for Business Rates & Council Tax, both in terms of case numbers and value of debt outstanding. This problem has been exacerbated by the impact of the Covid crisis, which has essentially prevented us from undertaking any enforcement activity during the current financial year. Our intention during 2021/22 is to implement a project to focus on this backlog of cases. This will have an impact on resourcing and the £28k will be used to fund temporary additional resourcing.
IT	IO	110	It is requested that the current ICT underspend is carried forward in to the new financial year and for this to be repurposed for additional Microsoft Server licences (£35k) and the remaining £75k to fund a replacement to the Councils internal Intranet, which is soon to be out of support.
Homelessness	Hsg & Comm	250	COVID19 has built a backlog of unmet demand into the system and we anticipate a surge in homeless demand once landlords are able to evict again, furlough ends and the full impact of COVID19 is felt. We will also need to invest significantly in 2021/22 to meet the ambitions of the Accommodation Strategy and resolve the longer term housing needs of people accommodated through 'Everyone In.'
Total		1,277	

General Fund (GF) Reserves

- 5.8 The opening general reserves balance as at 1 April 2020 is £4.522m.
- 5.9 Following approved/proposed transfers to and from reserves, the revised overspend and prudent contingency due to COVID and underspend due to non-COVID variances the projected General Fund reserve uncommitted balance this year is £7.831m. As part of the budget proposals to Full Council on 18 February 2021, £2.4m of current reserves are planned to be used to soften the budget gap in the next two financial years. In addition, as part of the budget report a further £2.4m is recommended to be allocated to an earmarked reserve to underwrite budget risk and volatility in 2021/22, reducing the projected uncommitted balance to £5.422m.

Table 4 – GF General Reserve Balance

	Approval	£k
Balance 1 April 2020		4,522
2020/21 Original Budget Transfer to Reserve	Council - 19/2/20	300
Approved - From Earmarked Reserves review	Exec 28/10/20	1,218
Approved - From NHB reserve	Council - 15/12/20	3,949
Approved - From BR Volatility reserve	Council - 15/12/20	1,000
Approved - Town Centre Recovery	Council - 29/9/20	-500
Approved - Unitary Programme Delivery Funds	Exec - 23/9/20	-249
Approved - Climate Change Fund	Council – 26/10/20	-500
Approved - Tree Planting	Officer – 23/09/20	-18
Approved - 2020/21 COVID overspend	Council – 15/12/20	-657
Projected Balance after current commitments		9,065
Projected Outturn - COVID (Month 9 forecast)		-245
Projected Outturn - Non-COVID (Month 9 forecast – <i>before any carry forward requests</i>)		1,711
COVID Contingency (2020/21)		-300
Proposed transfer to Budget Risk and Volatility Reserve	Council – 18/02/21	-2,400
Projected Balance 31 March 2021		7,831
MTFP Planned use of reserves 2021/22		-1,159
MTFP Planned use of reserves 2022/23		-1,250
Projected uncommitted balance		5,422
Recommended Minimum Balance		2,400

- 5.10 The projected balance remains above the minimum adequate reserves requirement as assessed by the S151 Officer. It is prudent to continue to hold reserves above the minimum at this stage as risks remain higher than normal due to COVID and the Council may need additional resources to deliver service efficiency and improvement, and to implement structural change if local government unitarisation is approved by Government this year.

Earmarked Reserves

- 5.11 The General Fund Earmarked Reserves brought forward balance for 2020/21 is £20.586m. The budgeted transfers to earmarked reserves in 2020/21 are £2.249m. The following transfers from reserves have been approved: return £6.167m to General Reserves (£1m from the Business Rates Volatility Reserve, £3.949m from NHB and £1.218m identified surpluses from a range of other reserves). Under emergency powers in March the Chief Executive also approved a contribution of £1m from the NHB reserve towards funding COVID pressures, and this is included within the forecast for this year.
- 5.12 It is anticipated there will be a large Business Rates S31 Grant reserve created in 2020/21 to set aside grant from Government that will be needed to mitigate the Collection Fund Deficit in the 2021/22 budget. This will include grant towards the Business Rates Holiday in 2020/21 for retail, hospitality and leisure properties (estimated £11.1m), and the 75% tax loss compensation grant (estimated £3m). Part of the deficit, excluding the

business rates holiday element, may be spread over 3 years therefore the allocation from reserves will also include an element of spreading. Final figures will be confirmed through the outturn report at the end of the current financial year.

5.13 The following table details those reserves with balances greater than £500,000.

Table 5 – General Fund Earmarked Reserves

	Balance 1 April 2020 £'000	2020/21 Budgeted Transfers £'000	Approved Return to General Reserves £'000	Projected Transfers £'000	Projected Balance 31 March 2021 £'000	21/22 Budgeted Reserves transfer £000	Projected Balance 31 March 2022 £000
Business Rates Volatility	3,303	2,031	-1,000		4,334	1,595	5,929
Business Rates S31 Grant	0			14,114	14,114	-12,117	1,997
Budget Volatility and Risk	0			2,400	2,400		2,400
Investment Risk	3,500	0			3,500		3,500
NHB	6,860	391	-3,949		3,302		3,302
Garden Town	814	-65			749		749
Asset Management	687				687		687
Economic Development Initiatives	1,268				1,268		1,268
Community Housing*	569				569		569
Other Smaller Balances	3,585	-108	-1,218		2,259		2,259
Total	20,586	2,249	-6,167	16,514	33,182	-10,522	22,660

*ring-fenced grant

5.14 Earmarked reserves are reviewed during the year. This is in order to confirm they align to current priorities, and to identify any surplus balances that can be redirected to mitigate in-year financial risks or be returned to general reserves.

6 COVID Financial Support – Business Grants

6.1 The Government earlier this year launched a range of grant schemes to provide financial assistance to businesses with fixed property costs that have been affected by COVID. This includes grants to small businesses and to businesses in the retail, hospitality and leisure sector. The Council received grant funding of £46,626,000 on 1 April 2020 to provide us with the cash upfront to meet the costs of the scheme. In May the Government also provided additional flexibilities to introduce a local discretionary grant scheme with a total allocation of up to £2,128,250, which extended eligibility to some businesses that were outside the scope of the initial schemes such as market traders and small businesses in shared spaces that pay no business rates. These schemes closed by September 2020 and the final totals are summarised below. The cost of the local discretionary grants is covered within the initial £46m grant received.

Table 6a – Business Grants

	Number of grants issued	£	£
Grant Funding Received from Government			46,626,000
Small Business Grants of £10,000	2,635	26,350,000	
Retail Hospitality and Leisure Grants of £10,000	487	4,870,000	
Retail Hospitality and Leisure Grants of £25,000	427	10,675,000	
Local Discretionary Grants	353	2,127,500	
Total Paid Out	3,902		44,022,500
Balance To Be Returned to Government			2,603,500
Percentage of Funding Spent			94.4%

- 6.2 Following the reintroduction of national lockdown measures in November 2020 and after Christmas 2020, further grant funding has been allocated to provide additional support to local businesses. The grant totals are summarised below, and current allocations and grants paid as at 14 February 2021. For the mandatory schemes if we need to approve spending above the allocations then these will be funded by central government. Further information on the grant schemes can be found on the Councils website under the following link: <https://www.somersetwestandtaunton.gov.uk/business-rates/covid-business-support-grants/>

Table 6b – Local Restrictions Grants (LRSGs)

	Discretionary / Mandatory	Allocations £	Number of Grants Issued	Value Issued £
LRSG (Closed) Pre 1 st Dec	Mandatory	3,517,164	1,503	2,241,818
Additional Restrictions Support Grants (ARG)	Discretionary	4,480,195	882	1,354,436
Tier 2,3 & 4 Open 2 December to 4 th January	Discretionary	1,271,028	1,119	585,200
Tier 2,3 & 4 Closed 2 December to 4 th January	Mandatory	912,736	1,885	533,746
Christmas Support for wet led pubs	Mandatory	89,600	93	93,000
LRSG (Closed) 5 Jan onwards	Mandatory	5,275,746	1,402	3,126,645
One-off Support - Lockdown 5 Jan onwards	Mandatory	10,548,000	1,402	6,251,000
Total		26,094,469	8,286	14,185,845

7 COVID Financial Support – Business Rates Holiday 2020/21

- 7.1 In March 2020 the Government also announced a Business Rates Holiday for 2020/21 – expanding the previously announced 50% retail discount to 100%, and including retail, hospitality and leisure property; and adding Early Years nurseries. The Revenues team worked very quickly to apply the discounts to business rates accounts before the 1 April, so that direct debits due on 1 April would exclude eligible property. Discounts totalling £24.5m had been awarded at that stage, and this has increased subsequently to £28.317m as at 15 February 2021 – representing approximately half of the total business rates due to be collected for the year.

Table 7 – Business Rates Holiday 2020/21 Forecast

	Number of accounts	Rateable Values £	Total Discount £
Expanded Retail Discount	1,388	58,412,440	28,160,454
Nurseries	25	445,125	156,380
Totals	1,413		28,316,834

- 7.2 The discount awarded clearly affects the total amount received from ratepayers, which impacts on the amount of business rates available to distribute through the Business Rates Retention system. The Government will provide additional S31 Grant to SWTC to fully compensate its 40% share of the reduction in rates income. This does result in a skew in the accounting for business rates retention funding – with S31 grant received in 2020/21 which will be needed to offset the resulting deficit in the Collection Fund (which accounts for income from rate payers but not S31 grant) in 2021/22.

8 COVID Financial Support – Hardship Funding

- 8.1 As well as providing financial support to businesses, the Government has also provided grant funding of £1,382,002 as a Hardship Support fund to support households with council tax costs. Whilst this is discretionary funding the Government set out its expectation that the funding would be used to reduce council tax bills for those in receipt of Local Council Tax Support by £150 (or reduced to nil if the net bill after other discounts is less than £150). As at 10 February 2021 the total hardship discount awarded is £1.126m. There is no requirement to repay any grant not used for the £150 discount scheme, however it is considered likely the funding will be fully allocated by the end of this financial year as new claims for LCTS are made.

Table 8 – Hardship Funding

	Number of Accounts	£
Grant Funding Received from Government		1,382,002
Total hardship discounts awarded to 10 February 2021	8,793	1,282,002
Balance of Funding remaining		100,000
Percentage of Funding Spent to date		92.8%
Allocation to Test and Trace Payments (Table 8 below)		20,000

9 COVID Financial Support – Test and Trace

- 9.1 The Government introduced a Test and Trace scheme to support those having to isolate.

As at 14 February the total amount awarded is £231,000. Information of those who are eligible to apply can be found on the Council's website under the following link:
<https://www.somersetwestandtaunton.gov.uk/benefits/test-and-trace-support-payment/>

Table 9 – Test and Trace Funding

	Standard £	Discretionary £	Total £
Grant Funding Received from Government	121,500	86,000	207,500
Grant Funding from the SCC COMF	0	75,000	75,000
Allocation from the Hardship Funding in Table 7 above	0	20,000	20,000
Total Funding	121,500	181,000	302,500
Total hardship discounts awarded to 14 February 2021	121,500	109,500	231,000
Balance of Funding remaining	0	71,500	71,500

10 General Fund - Risk and Uncertainty

10.1 Budgets and forecasts are based on known information and the best estimates of the Council's future spending and income. Income and expenditure over the 2020/21 financial year is estimated by budget holders and then reported through the budget monitoring process. During this process risks and uncertainties are identified which could impact on the financial projections, but for which the likelihood, and/or amount are uncertain. The Council carries protection against risk and uncertainty in a number of ways, such as insurances and maintaining reserves. This is a prudent approach and helps to mitigate unforeseen pressures.

10.2 The following general risks and uncertainties have been identified:

- a) **COVID 19:** Although work has been undertaken to identify as much as we can the impacts there could still be short, medium and long term impacts to both income and expenditure which have not yet been identified.
- b) **Fluctuation in demand for services:** We operate a number of demand-led services and the levels of demand do not always follow a recognisable trend. We therefore have to caveat the forecasts in these areas to account for fluctuations.
- c) **Forecasting Assumptions:** It is conceivable that, whilst budget holders are optimistic that they will spend all of their budget, experience shows we could see underspends of £250k-£500k by year-end caused by the cumulative effect of minor underspends in a number of service areas. There is also uncertainty around delivery of service which can vary from operational planning assumptions and impact on the timing of spend.
- d) **Year-end Adjustments:** Certain items are not determined or finalised until the financial year-end. For example, the final assessment of provisions required for bad

debts, and final allocations of support service recharges. These can result in potentially significant differences to current forecasts.

- e) **Business Rates:** There are inherent risks and uncertainties within the Business Rates Retention system. The Council's share of business rates funding is directly linked to the total amount of business rates due and collected in the area, which can fluctuate throughout the year and be affected by the result of Rateable Value changes e.g. as a result of Appeals.
- f) **Recruitment costs:** There is a risk of no savings within salary budgets to take into account these costs – these costs are normally covered by vacancy savings in-year.
- g) **Interest receivable:** Due to COVID the forecast have been based on the best current information that we have. Interest rates are unpredictable and there is a risk that interest rates could decrease further, and investment fund performance is susceptible to financial markets.
- h) **Asset Management:** The budgets for maintaining our assets do not hold any contingency for significant unforeseen repairs or improvement works.
- i) **Landlord Property Compliance:** A review of all compliance areas against every property for which Somerset West and Taunton Council has landlord property compliance responsibility is being undertaken. Within 2020/21 these costs are expected to be covered by earmarked reserves though if any costs above the approved budgets/earmarked reserves are identified these will be reported in future financial reports.

11 General Fund Capital Programme

11.1 The capital budget for 2020/21 is £101.2m. It is estimated that spend in 2020/21 will be £61.7m, with slippage into future years of £37.6m and a budget return of £1.9m. This mainly relates to the following 2 items:

- a) Watchet East Quay Development Loan to the Onion Collective - A loan approval for the Onion Collective as part of their development on the East Quay was approved by WSC in February 2019. They have not drawn down that loan to date and have indicated any request is not expected to exceed £0.5m, creating the £1m underspend against the approved budget. The development is due to complete in the summer 2021, and OC plan to finalise their funding without the need for a loan from SWTC if possible. If a loan is requested this will be subject to up to date full due diligence.
- b) Loan facility to Leisure Contractor of £1m is no longer required.

11.2 The detailed capital programme is set out in Appendix A. The table below summarises the programme per Directorate:

Table 10 - Summary of General Fund Capital Outturn

Capital Expenditure	2020/21 Capital Budget £	Forecast Outturn 2020/21 £	Forecast Outturn 2021/22 £	Forecast Outturn 2022/23 £	Forecast Outturn Future Years £	Variance
Development and Place	89,117,147	55,331,802	23,869,668	925,677	8,990,000	0
External Operations	5,583,141	1,259,217	2,381,039	0	0	-1,942,885
Internal Operations	1,229,500	979,778	249,722	0	0	0
Housing	5,307,525	4,107,895	1,199,630	0	0	0
Sub-Total	101,237,313	61,678,692	27,700,059	925,677	8,990,000	-1,942,885

12 Housing Revenue Account (HRA)

- 12.1 The HRA is a ring-fenced, self-financing, account used to manage the Council's housing stock of some 5,700 properties, with the Council acting as the Landlord.
- 12.2 The Council retains all rental income to meet the costs of managing and maintaining the housing stock, as well as meeting the interest payments and repayment of capital debt.
- 12.3 The current year end forecast outturn position for the Housing Revenue Account for 2020/21 is on budget a net underspend of £247k.

Table 11: HRA Outturn Summary

	Current Budget £'000	Forecast Outturn for the Year £'000	Forecast Variance COVID £'000	Forecast Variance non COVID £'000	Total Forecast Variance	
					£'000	%
Gross Income	-26,773	-26,921	0	-148	-148	-0.55%
Service Expenditure	15,026	14,756	0	-270	-270	1.80%
Other Expenditure	11,746	11,917	0	171	171	-1.46%
Total	0	-247	0	-247	-247	-0.92%

- 12.4 The table below provides more detail on the significant variances forecast for the year:

Table 12 - Summary of non-COVID Related Forecast Variances for the Year

Budget heading	Variance £'000	Comments
Income	-148	The outturn forecast is an over recovery of income of £148k. This relates in part to dwelling rents where more income is estimated to be recovered than predicted when setting the budget and providing an allowance for voids. This also relates to leaseholder service charges where the budget is set prior to the associated costs being incurred and then billed in arrears.
Salaries	-421	The estimated total under spend of £421k on staffing costs relates to the new structure for 2020/21 which has taken time to recruit suitable candidates. Therefore some vacancy savings have materialised

Budget heading	Variance £'000	Comments
		across the service, specifically in the performance and development team. This has been offset in part by the increase in costs associated with the pay award at 2.75% compared to the estimated 2% pay award that was budget and approved by Full Council in February 2020, meaning an increase in costs to the HRA of £59k.
Housing Partnership	13	The estimated over spend on SWPSHP is due to an incorrect budget split between GF and HRA during 2020/21 budget setting process.
Landlord Property Compliance	211	A review of all compliance areas against every property for which Somerset West and Taunton Council has landlord property compliance responsibility is being undertaken. The review has so far identified that approximately £211k of additional costs will need to be incurred this financial year over and above existing budgets.
Transfer Removal Grants	-22	This relates to a freeze in transfer removal grants in lettings due to COVID19. This has now recommenced but is progressing slowly due to the current climate.
Letting Expenditure	-10	This relates to a reduction in lettings expenditure with regards to paying for adverts related to house moves which have been restricted due to COVID19.
Meeting Halls	-25	There has been a significant reduction in activity seen in meetings halls due to their closure during COVID19 lockdowns.
Policy & Management	40	This relates to a range of variances in this cost centre for example additional costs incurred to increase communication to our tenants through the year which incurred additional printing and postage costs. We have also engaged independent financial modelling consultant to scenario plan and health check our business plan which supports our ambitious 10 year development programme.
Tenant Empowerment (TSG)	-17	Tenant empowerment work has been reduced this year due to Covid restrictions. Meetings are now taking place online and newsletters to our tenants have restarted but we will underspend on this budget this year by c£17k.
Tenants Action Group	-39	The Tenants Action Group have restarted their meetings online since September 2020 following Covid19 putting a stop to face to face meeting. The group are still hoping to issue youth initiative funding of £20k but other environmental improvements and training for the group has been halted due to Covid creating an underspend of c£39k. Of which a c/f request of £20k for the Youth Initiative grant as this may not be awarded in time for year end due to COVID19.
Depreciation	348	Following the closedown of the 2019/20 accounts a variance on the depreciation charge, which is transferred to the Major Repairs Reserve (MRR) to fund the capital programme and/or repay capital debt. Due to this being calculated at the end of the financial year the 2020/21 budgets were not adjusted for this and therefore there will be an overspend of c£348k. The budget for 2021/22 will be updated to reflect the latest estimates for this.
Interest Payable	-177	The current forecast estimate is an under spend of £177k. The authority have recently taken out an additional £10m loan at 1.64% reducing the amount and cost of internal borrowing. The final outturn position will depend on the final capital funding requirement funded from internal borrowings and the rate applied.

Budget heading	Variance £'000	Comments
TOTAL – over/ (-) underspend	-247	

HRA - Risk and Uncertainty

- 12.5 Budgets and forecasts are based on known information and the best estimates of the Council's future income and expenditure activity. Income and expenditure over the financial year is estimated by budget holders and then reported through the budget monitoring process. During this process any risks and uncertainties are identified which could impact financial projections, but for which the likelihood and/or amount are uncertain.
- 12.6 There are also a number of areas where the financial impact is not known until the end of the financial year such as depreciation charges and change in provision for bad debt.
- 12.7 The current areas of risk and uncertainty being reported include:
- a) **Repairs & Maintenance:** Overall this is a very demand led and reactive service based on the needs of the tenants. There are also a number of uncontrollable variables associated with this service such as the weather (e.g. cold winters causing burst pipes, roof leaks, etc), condition of properties when returned (e.g. void refurbishments), consumer demand on minor internal / external repairs (e.g. broken door or fence) and the type of repair work required.
 - b) **RTB Receipts:** The RTB scheme is a government scheme that enables tenants to purchase their homes at a discount, subject to meeting qualifying criteria. The receipts allowed to be retained by the Council can fund up to 30% of new social housing costs and must be used within three years of receipt. To date, the Council has successfully spent all of their retained 1-4-1 receipts resulting in no returns being made to the Treasury/MHCLG.

On the 31 Dec 202 the government issued a temporary relaxation of the rules in response to the COVID situation, to give authorities until 31 December 2020 to catch up with their spending plans. This has now been extended until the 31st March 2021.

Whilst projected spend and additional purchases are being sought by the service there is a risk that the quarter 4 spend requirements will not be met and may result in funds being return to MHCLD / Treasury. This is a direct result of COVID delaying progress on new build and purchasing houses on the open market.

13 HRA Capital Programme

- 13.1 The HRA approved Capital Programme is £113.8m. This consists of £15.9m of new schemes approved for 2020/21 plus £15.8m of slippage from prior years and £82.1m of approved supplementary budgets. The Capital Programme relates to schemes which

will be completed over the next five years.

13.2 The Council is supporting this investment through the use of the Major Repairs Reserve, Capital Receipts, Revenue Funding and Borrowing.

13.3 The capital programme can be split into three distinct areas:

13.4 **Major Works:** The approved budget of £9.5m is funded by the Major Repairs Reserve and relates to spend on major works on existing dwellings such as kitchens, bathrooms, heating systems, roofs, doors and windows. New schemes approved for 2020/21 total £6m with slippage from the prior year of £3.5m. It is likely that the impact of COVID will result in an underspend in this area within the year.

13.5 **Improvements:** The approved budget of £3.2m is funded by the Major Repairs Reserve and relates to spend on improvements such as disabled facilities adaptations, asbestos removal and environmental improvements. New schemes approved for 2020/21 total £2.9m with slippage from the prior year of £0.3m.

13.6 **Social Housing Development Programme:** The approved budget of £18.9m is for the provision of new housing through schemes such as Phases A-E for North Taunton Regeneration, Laxton Road and other buybacks to increase the Council's housing stock. Funding allocated for new schemes totals £6.9m with slippage from the prior year of £12m mainly being North Taunton and Laxton Road. Supplementary budgets of £82.1m have since been approved for a variety of new build affordable home schemes. In the current year £1.1m has been spent in buy backs.

14 **HRA Earmarked Reserves**

14.1 The HRA Earmarked Reserves (EMR) at the beginning of 2020/21 were £1.648m (see **Table 12** below). The Social Housing Development Fund will be used as required to fund social housing development feasibility studies and usage approved through the Housing Programme Board. The remainder of the earmarked reserves have been specifically committed to be spent within the next three financial years.

Table 13: Balance of Earmarked Reserves held at 1 April 2020

Description	Balance b/f (£'000)
HRA Employment and Skills Dev	102
HRA Asbestos Surveys	102
HRA One Teams	37
Social Housing Development Fund	1,232
HRA Contribution to Change	175
HRA Total	1,648

15 **HRA General Reserves**

15.1 The HRA reserves at the start of the year were £2.7m. This is £901k above the minimum

recommended reserve level of £1.8m.

- 15.2 **Forecast Outturn** - The current outturn position is forecast to be a net underspend of £247k. If this is the position at year end then this will be returned to general balances, increasing them to £2.948m.

Table 14: HRA Reserve Balance

	£k
Balance Brought Forward 1 April 2020	2,701
Forecast Outturn 2020/21 (as at 31 Dec 2020)	247
Forecast Balance Carried Forward 31 March 2020	2,948
Minimum Balance Per Business Plan	2,000

16 Links to Corporate Aims / Priorities

- 16.1 The financial performance of the Council underpins the delivery of corporate priorities and therefore all Corporate Aims.

17 Partnership Implications

- 17.1 A wide range of Council services are provided through partnership arrangements e.g. SLM for leisure services and Somerset Waste Partnership for Waste and Recycling services. The cost of these services is reflected in the Council's financial outturn position for the year.

18 Other Implications

- 18.1 None for the purpose of this report.

19 Scrutiny Comments / Recommendations

- 19.1 To be added following the Scrutiny meeting.

Democratic Path:

- **Scrutiny – 3 March 2021**
- **Executive – 17 March 2021**
- **Full Council – no**

Reporting Frequency: Quarterly

List of Appendices

Appendix A	Capital Programme
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