

Finance Q1 2020/21 – appendix C

1 The National Picture – key financial events during Quarter 1 2020/21

The main issues affecting the Council in the first quarter of 2020/21 were:

- COVID-19 lockdown continued throughout the quarter, thus many of the Council's incoming generating activities were closed
- Various new Government responses to the pandemic were introduced, that have financial implications for the Council
- Support delivered through the Business Grant Schemes, over £14m paid to local businesses.
- Bank base rate remained at 0.1% (since 19 March 2020); £100bn Quantitative Easing announced in June
- Strategic Alliance – the Council voted on the 25 June to agree the Strategic Alliance with East Lindsey DC

2 Revenue Budget

Table 1 – Net spend for the year against budget by Service Area:

Service Area	Net Budget 2020/21 £000	Projected Outturn 2020/21 £000	Variance (under spend)/ overspend £000	Summary of Main Variances
Chief Executive	654	662	8	Corporate Democratic Core
Deputy Chief Executive	958	1,163	205	Planning, Mayfair, Guildhall
Chief Finance Officer	1,789	1,765	(24)	Credit Control, I.T.
Head of Regulatory Services	2,029	2,250	221	Housing Enforcement, Land Charges, Licensing, Building Control
Head of Operations	742	813	71	Bereavement, Recycling, Commercial Waste
Head of Place and Space	147	1,222	1,075	Leisure, Parking, Markets
BTAC	703	703	-	
Net Service Expenditure	7,022	8,578	1,556	
Drainage Board Precepts	1,960	1,960	-	
Direct Revenue				
Financing of Capital	1,861	2,198	337	Note 8
Minimum Revenue Provision	15	15	-	
Investment Income	(100)	(68)	32	Note 7
Income Receivable from Property Funds	(977)	(894)	83	Note 7
Interest Payable	494	494	-	Note 7
Net Transfer from Earmarked Reserves	(926)	(1,444)	(518)	Note 6
Total Expenditure	9,349	10,839	1,490	
Financing				
Council Tax	(4,429)	(4,429)	-	
Business Rates	(2,354)	(2,354)	-	
Renewable Energy	(204)	(204)	-	
Non Ring Fenced Government Grant	(2,362)	(2,362)	-	
Covid-19 Support Grant	-	(750)	(750)	Note 3
Net Overspend	-	740	740	

Table 2 – Net spend for the year against budget by Portfolio Holder Area:

Portfolio Holder Area	Net Budget 2020/21	Projected Outturn 2020/21	Variance (under spend)/ overspend	Summary of Main Variances
	£000	£000	£000	
Housing, Property & Community	1,615	1,639	24	Housing Enforcement, Municipal Buildings.
Tourism, Arts, Culture & Heritage	384	965	581	Leisure, Mayfair, Guildhall.
Town Centre	(582)	(6)	576	Parking, Markets, Public Conveniences.
Environment	1,248	1,466	218	Licensing, Land Charges, Building Control, Bereavement, Commercial Waste, Recycling.
Economic Development & Planning	1,024	1,183	159	Planning.
Leader	1,721	1,734	13	CCTV, Democratic Core, I.T.
Finance & Governance	909	894	(15)	Credit Control, HB Admin.
BTAC	703	703	-	
Net Service Expenditure	7,022	8,578	1,556	
Drainage Board Precepts	1,960	1,960	-	
Direct Revenue Financing of Capital	1,861	2,198	337	Note 8
Minimum Revenue Provision	15	15	-	
Investment Income	(100)	(68)	32	Note 7
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Council Tax	(4,429)	(4,429)	-	
Business Rates	(2,354)	(2,354)	-	
Renewable Energy	(204)	(204)	-	
Non Ring Fenced Government Grant	(2,362)	(2,362)	-	
Covid-19 Support Grant	-	(750)	(750)	Note 3
Net Overspend	-	740	740	

Table 3 – Net spend for the year against budget by Corporate Priority:

Priority	Net Budget 2020/21 £000	Projected Outturn 2020/21 £000	Variance (under)/overspend £000	Summary of Main Variances
Prosperity	916	1,722	806	Leisure, Planning, Markets, Mayfair, Guildhall.
People	1,515	1,737	222	Housing Enforcement, Land Charges, Licensing, Building Control, Public Conveniences.
Place	1,494	1,540	46	Commercial Waste, CCTV, Recycling.
Public Service	2,394	2,876	482	Parking, Bereavement, Municipal Buildings, Credit Control.
BTAC	703	703	-	
Net Service Expenditure	7,022	8,578	1,556	
Drainage Board Precepts	1,960	1,960	-	
Direct Revenue				
Financing of Capital	1,861	2,198	337	Note 8
Minimum Revenue Provision	15	15	-	
Investment Income	(100)	(68)	32	Note 7
Income Receivable from Property Funds	(977)	(894)	83	Note 7
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Net Transfer from Earmarked Reserves	(926)	(1,444)	(518)	
Total Expenditure	9,349	10,839	1,490	
Financing				
Council Tax	(4,429)	(4,429)	-	
Business Rates	(2,354)	(2,354)	-	
Renewable Energy	(204)	(204)	-	
Non Ring Fenced Government Grant	(2,362)	(2,362)	-	
Covid-19 Support Grant	-	(750)	(750)	Note 3
Net Overspend	-	740	740	

3. Variations to budget

	Budget 2020/21	Variance 2020/21	Projected Outturn 2020/21	Comments
	£'000	£'000	£'000	
Total Service Expenditure	7,022			
Additional Costs				
Housing – Advice and Homelessness, grant award		221		Rough Sleeper initiative from Reserves – see Additional income off-set
Housing – Advice and Homelessness, grant award		193		Rough Sleeper initiative – see Additional income
Covid-19 Reopening Our High Street		63		see Additional Grant income
Covid-19 Rough Sleeper costs		14		see Additional Grant income
CCTV		14		
Housing Enforcement		27		
Bereavement		72		Cremator maintenance and emissions abatement
Other small variances		13		
		617		
Reduced Costs				
Mayfair		(28)		Event cancelled due to COVID-19 - costs saved
Municipal Buildings		(36)		Business rates less than budget
Credit Control		(20)		Postage/Recovery Costs
Other small variances		(9)		
		(93)		
Additional Income				
Housing – Advice and Homelessness, as above		(221)		Rough Sleeper initiative from Reserves – see Additional costs off-set
Housing – Advice and Homelessness, as above		(193)		Rough Sleeper initiative – see Additional costs
Covid-19 Reopening Our High Street grant funding		(63)		To off-set additional costs
Covid-19 Rough Sleeper costs – contingency grant claim		(14)		To off-set additional costs
Bereavement		(33)		Increased no. of cremations
		(524)		

Reduced Income				Projections below budget – COVID-19 impact
Building Control		42		Building Regulation Fees
Parking		500		
Leisure Pool		545		
Mayfair		50		Event cancelled
Markets		66		
Licensing incl Hackney Carriage Licences		52		
Land Charges		53		
Housing – Housing Enforcement		33		
Guildhall - Events		14		
Planning		159		
Commercial Waste		22		
Recycling		10		
Public Conveniences		10		
		1,556		
NET SERVICE EXPENDITURE			8,578	
Other Operating Income and Expenditure	3,253			
Direct Revenue Financing of Capital				Incl. Timing of Refuse vehicle replacements – as previously reported in 19-20. Note 8.
		337		
Income Receivable from Property Funds		83		
Investment Income		32		
			3,705	
Net Transfer (From)/To Earmarked Reserves	(926)	(518)	(1,444)	
TOTAL EXPENDITURE	9,349	1,490	10,839	
Financing	(9,349)			
Business Rates		-		
Non Ring Fenced Government Grant		-		
Covid-19 Support Grant to 30 June		(750)		
			(10,099)	

* Net Overspend	-	740	740	
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* The Government continues to review the way that costs and lost income are compensated to councils, and the next quarterly update will provide further information on the recently announced Support for Income Lost as a consequence of the pandemic. There will inevitably be changes to the projected cost increases and lost income as the year progresses, and these and the outcome of Government support will be presented to members as appropriate.

Regular returns on the impacts are being reported to Government to allow the national position to be aggregated.

Formal reporting on the residual costs of the pandemic and how they will be met will take place once details of the various support measures have been announced and the impact upon the Council's finances known. At this stage it is expected that this will consist of a mixture of grant support, deferral of the timing of collection fund losses and funding from reserves.

4 Controlling Migration Fund

Table 4 shows the total funding received on the project, which covers a 2-year period and the cumulative actual expenditure to 30 June 2020

Table 4 – Breakdown of Bid and Cumulative Spend to June 2020

Spend Category	Breakdown of Bid £'000	Spend to 30 Jun 2020 £000
A Passion for People Project	80	83
Community Leadership, Advice & Integration	467	466
Adding Value to Learning	114	114
Doing what's important for our community	726	506
Total	1,387	1,169

5 Trading Income

The Council has a number of demand led budget areas, which are reliant on receiving income for services provided. The COVID-19 pandemic, however has had a significant impact on the sales, fees and charges income, most notably Parking, Leisure and Planning. These areas are included in the following table:

Table 5 – Trading Income:

Income Area	Budget £000	Projected Outturn £000	Variance £000
Building Control	(183)	(141)	(42)
Planning	(561)	(402)	(159)
Land Charges	(91)	(38)	(53)
Licensing	(131)	(79)	(52)
Garden Waste	(574)	(564)	(10)
Bereavement	(859)	(892)	33
Commercial Waste	(285)	(263)	(22)
Parking	(1,019)	(519)	(500)
Markets	(130)	(64)	(66)
Leisure	(922)	(377)	(545)
Total	(4,755)	(3,339)	(1,416)

6 Earmarked Reserves

The following table shows the level of earmarked reserves held at the beginning of the year, movements in the year, and the projected position at 31 March 2021:

Table 6 – Earmarked Reserves

Reserve	Balance 1 April 2020	Previously Approved Movement	Proposed Movement	Projected Balance 31 March 2021
	£000	£000	£000	£000
Capital Funding	5,583	263	(307)	5,539
Transformation Reserve	1,111	20	-	1,131
Repairs and Renewals	704	(46)	(90)	568
ICT Reserve	359	(100)	-	259
Housing Reserve	1,280	(722)	(150)	408
Controlling Migration	47	(47)	-	-
Insurance Reserve	290	-	-	290
Property Funds Returns				
Mitigation Reserve	1,000	-	-	1,000
Funding Volatility Reserve	2,975	(261)	(4)	2,710
Total	13,349	(893)	(551)	11,905

Notes

- **Capital Funding Reserve** – the proposed movement in reserve reflects changes to in-year financing requirements associated with the revised capital programme, as set out in section 8.
- **Housing Reserve** – the proposed movement in reserve reflects slippage in 2019-20 in the capital programme relating to grant funding to Waterloo Housing.
- **Repairs and Renewals Reserve** – the proposed movement in reserve reflects changes to the in-year financing requirements associated with the revised capital programme, as set out in section 8.

Recommendation:

F1 To approve the reserve movements detailed in Table 6.

7 Treasury Management

At 30 June 2020, the Council held £21.130m in cash investments (£14.870m at 31 March) and £19.043m in property funds (£19.599m at 31 March). The reduction in Property Fund values has occurred due to the Covid-19 pandemic.

The Council budgeted to receive £1,077,000 in gross investment income in 2020/21 comprising £977,000 from Property Funds (including £209,000 of management fees), and £100,000 from cash investments.

At 30 June 2020, total gross investment income for the year is estimated to be £962,000 comprising £894,000 gross from Property Funds and £68,000 from cash investments. Property fund management fees for 2020/21 are estimated at £209,000.

In 2020/21 quarter 1, the Council achieved an average gross revenue return (before deduction of management fees) of 4.66% from the Property Fund purchases (3.57% after fees)

Treasury (cash) Investments achieved an average rate of 0.49%.

Table 7 - Property Funds as at 30 June 2020

Property Fund	Sum Invested	Fair Value 31 March 2020	Fair Value 30 June 2020	Gain /(Loss) in Q1 2020-21
	£000	£000	£000	£000
Black Rock	4,500	4,370	4,283	(87)
Schroders	4,250	4,190	4,141	(49)
Threadneedle	4,239	3,919	3,767	(152)
M&G	4,000	3,531	3,443	(88)
AEW	4,000	3,589	3,409	(180)
TOTAL	20,989	19,599	19,043	(556)

External Borrowing

At the start of the 2020/21 financial year, the Council's total long-term borrowing was £16.449m. Total annual interest payable on external borrowing is estimated at £494,000.

No additional borrowing was undertaken during the quarter ended 30 June 2020.

8 Capital

The following table shows the approved capital programme for 2020/21 as reported to Council on 2 March 2020 and subsequently slippage from 2019/20 as presented in the outturn report in June 2020, plus other known in-year changes together with actual spend to the end of quarter 1:

Table 8 –Capital Programme for 2020/21

Scheme	2020/21 Approved Program. Feb. 2020 £'000	2020/21 Program. with slippage £'000	In Year Changes £'000	Revised Program. £'000	Actuals to 30 June 2020 £'000
Scheme					
Disabled Facilities Grants*	280	1,050	-	1,050	(24)
Housing Strategy	-	150	-	150	-
Housing Scheme – Julian's Yard/Ingelow Avenue	-	25	-	25	-
Marginal Viability Fund**	-	448	-	448	343
Resurfacing and Footpath Improvements	11	34	-	34	-
Town Centre Heritage Scheme (PSICA 2)	200	600	381	981	-
Multi Use Games Area (CMF)	-	249	-	249	-
Information Technology Refresh	100	100	-	100	-
Upgrade to Bartec Collective Vehicle Replacement	-	-	-	-	(17)
Ford Transit Tipper Van	-	22	-	22	-
Grounds Tractor	-	60	(17)	43	43
Refuse Vehicles***	-	1,225	54	1,279	-
Road Sweepers x 2	240	240	11	251	-
Crematorium – Canopy for Floral tribute area	-	25	(25)	-	-
Crematorium – Provision of Parking and Resurfacing Works	-	65	(65)	-	-
Crematorium-Cremator replacement phase 1	-	-	209	209	73
Electric Vehicle Charging Points	-	19	-	19	-
	831	4,312	548	4,860	418

Capital Financing	2020/21 Approved Program. Feb. 2020 £'000	2020/21 Program. with slippage £'000	In Year Changes £'000	Revised Program. £'000	Actuals to 30 June 2020 £'000
External Grants and Contributions	463	2,312	350	2,662	319
Capital Reserve	251	1,670	167	1,837	99
I.T. Reserve	100	100	-	100	-
Repairs and Renewals Reserve	17	76	31	107	-
Housing Reserve	-	150	-	150	-
Funding Volatility Reserve	-	4	-	4	-
	831	4,312	548	4,860	418

****Disabled Facility Grants***

Total resources for Disabled Facility Grants, including approved Better Care Funding of £0.558m for 2020/21, is £1.050m.

At Quarter 1, the Council has commitments of £0.357m with a further £0.098m of adaptations out for pricing. There are a further 88 cases at various stages of progression, totaling £0.400m. Housing services are constantly seeking opportunities to increase the pace of spend.

*****Marginal Viability Fund***

The £3.5m Housing Infrastructure Fund contract with Homes England was signed in July 2019 for the development of Boston United's new Community Stadium, a new major road junction, new businesses and 212 new homes. The drawdown of funds is now expected in three tranches, equating to one payment of £3.052m in Quarter 3, 2019/20 and a residual £0.448m anticipated in Q2 and Q3, 2020-21. A claim for £0.343m was made on 26/06/20 for the period 01/04/20 to 31/08/20.

******Vehicle Replacements – Refuse Vehicles***

As previously reported in 2019-20 the timing of refuse vehicle fleet's replacement has been amended to 2020-21, to coincide with tendering for future vehicle maintenance arrangements. The delivery of the vehicles is expected to be complete by December 2020.

Recommendation:

F2 To approve the updated capital programme as detailed in Table 8

9 Consultancy costs

Where specialist work is required, the Council seeks support from third parties when necessary.

Table 9 – Consultants

Consultant	Q1 £000	Activity
Link Asset Services	2	Treasury services
Elysian Associates	1	VAT Consultancy Services
Heritage Trust of Lincolnshire	4	Archaeological services
Total	7	

10 Debt Collection

A review of debts is undertaken every month and monitoring is reported against targets. Debts approved for write off by the Chief Finance Officer under the approved delegation, after all appropriate and proportionate recovery actions had been undertaken, were £40,521 for Council Tax and £20,792 for Housing Benefit Overpayments.

An analysis of the Council's Sundry Debts held at 30 June 2020 is shown in the following table:

Table 10 – Sundry Debt analysis

Quarter 1	Not yet due	0-30 days	31-91 days	92-365 days	Over 365 days	Total
Amount £	284,776	60,965	228,586	28,615	30,060	633,002

11 Supplementary Estimates

Supplementary estimates reflect instances where the Council has received additional income in the quarter, notified since the formal budget was set and its use is for a specific purpose.

Table 11 – Supplementary Estimates

Supplementary Estimates requiring Cabinet approval	Amount £000
DCLG - Rough Sleeper Initiative (50% 20-21 funding, plus 19-20 shortfall)	313
To be added to in year budget	(313)
DWP – Verify Earnings & Pension	10
To be added to in year budget	(10)

Recommendation:

F3 That the supplementary estimates in respect of Rough Sleeper Initiative and Verify Earnings & Pension be approved, as set out in table 11.

12 Supplementary Estimates – COVID-19

The impact of the pandemic on income from sales, fees and charges and additional costs has seen the Government introduce a compensation scheme for councils for these unforeseen losses that are irrecoverable. Table 12 sets out the funds received during the quarter.

Table 12 – Supplementary Estimates – COVID-19 specific

Supplementary Estimates requiring Cabinet approval	Amount £000
DCLG - Covid-19 Emergency Funding – 2 nd Tranche (1 st Tranche 19-20)	703
To support additional costs arising from the pandemic	(703)
DCLG - Covid-19 – Contingency Grant Claim – Rough Sleeper Support	14
To support additional costs arising from the pandemic	(14)
DCLG - Covid-19 – Reopening Our High Streets	63
To support additional costs arising from the pandemic	(63)
DCLG – Covid-19 – Hardship Fund – Council Tax Support	538
Additional support to working age claimants, adjusted through the Collection Fund	(538)
DCLG – Business Support Grants	16,640
Eligible for payment out to local businesses	(16,640)
DCLG – Local Authority Discretionary Grants	128
Eligible for payment out to local businesses	(128)

Recommendation:

F4 That the supplementary estimates in respect of COVID-19 be approved, as set out in table 12.

13 Insurance

The number of insurance claims against the Council are relatively small and are in line with years'. Not all claims result in the Council making a settlement payment.

A summary of the number of claims received, comparing them to 2019/20, is given below:

Table 13 – Insurance claims received

Cover	Q1
Public Liability	0 (1)
Employer's Liability	0 (0)
Motor	1 (1)
Property	0 (0)
Total	1 (2)

(Previous year comparison in brackets)

14 Procurement Exemptions

Under the Council's Contract and Procurement Procedure Rules (specifically sections 3.1.2 (1) and (2) in this instance), exemptions over £25,000 need to be approved by the Cabinet.

There are no exemptions to be approved in quarter 1.

15 Localisation of Business Rates and Council Tax Support Scheme

Table 14 – Localisation of Business Rates

	Base Estimate Included in 2020/21 £	Projected Outturn 2020/21 £	Projected Deficit/ (Surplus) in 2020/21 £
Business Rates income for the year	20,043,811	10,890,216	(9,153,595)
Less: Lincolnshire County Council share (10%)	(2,004,381)	(1,089,021)	915,360
Less: Central Government share (50%)	(10,021,906)	(5,445,108)	4,576,798
Boston Borough Council's Share (40%)	8,017,524	4,356,087	(3,661,437)
Renewable Energy Schemes	203,753	203,753	-
Net Levy to Pool	(250,000)	(250,000)	-
Business Rates - Tariff adjustment	(5,140,710)	(5,140,710)	-
Levy Account Surplus Grant income	-	-	-
Business Rate Income credited to General Fund *	2,830,567	(830,870)	(3,661,437)

* The projected outturn for the year to 31 March 2021 shows an overall Collection Fund deficit in year of (£9,153,595) of which (£3,661,437) is Boston BC's share; however this is substantially off-set by the award of Section 31 monies from the Government, which goes directly into the General Fund. The Government has proposed any residual deficit in the Collection Fund is smoothed over the next three years and this will be included in the 2021/22 budget and Medium Term Financial Strategy (MTFS).

Business Rates Assurance

The lockdown measures introduced in response to the pandemic have meant that ongoing Assurance work was limited for the whole of quarter 1. The opportunity was therefore taken to divert resources towards supporting the team dealing with the administration of Business Support Grants, that the Government brought in and asked us to implement and pay quickly. Alongside this new priority, cases not requiring site visits have continued to be progressed. The results of these will be analysed and included in the next quarterly report.

Council Tax Support Scheme

2020/21 is the eighth year of the localised Council Tax Support (CTS) scheme. Following the statutory annual review during 2019/20, the decision was made to go forward into this year with a largely unchanged scheme, but allowing national up-ratings to be applied. This scheme continues to support the Government's Welfare Reform agenda to bring further reductions to the national benefits bill. The continuation of the scheme sustains the required protection of those of pension age, protects vulnerable customers and encourages people into employment. When approving the 2018/19 CTS scheme, it was proposed that a fundamental review of the scheme would not be undertaken until the roll out of Universal Credit had taken place, currently estimated at 2023. This should allow sufficient evidence to determine the on-going impacts.

Whilst Collection of Council tax remains steady and on track against forecasts, there is still some uncertainty of the overall ongoing impact of CTS. In recognition, we continue to remain prudent in setting the bad debt provision in this area.

The number recipients of CTS in 2020/21 continues to show a roughly even split between working age claimants and pensioners.

16 Other Financial Matters

Audit and Governance Committee

No Audit and Governance Committee meetings took place during the quarter, due to COVID-19 restrictions.

However, the 2019/20 pre-audit Financial Report was prepared during the quarter and sent to members of the Committee for their comments prior to audit by Mazars.