

REPORT TO	ON
CABINET	Wednesday, 11 November 2020



TITLE	PORTFOLIO	REPORT OF
Budget Monitoring Quarter 2 2020-21	Cabinet Member (Finance, Property and Assets)	Deputy Director of Finance (Section 151 Officer)

Is this report a <b>KEY DECISION</b> (i.e. more than £100,000 or impacting on more than 2 Borough wards?)	Yes
Is this report on the <b>Statutory Cabinet Forward Plan?</b>	Yes
Is the request outside the policy and budgetary framework and therefore subject to confirmation at full Council?	No
Is this report confidential?	No

## PURPOSE OF THE REPORT

1. This report explains the Council's overall financial position for quarter 2 of the financial year 2020-21.

## PORTFOLIO RECOMMENDATIONS

2. Cabinet notes, reviews and comments on the contents of this report.
3. Cabinet approves the re-profiled budgets for the capital programme, which reflects forecasted underspend against the existing budgets, as detailed in Appendix C.

## EXECUTIVE SUMMARY

4. The overall forecast for 2020/21 for the revenue budget is a net surplus of £55,000. A summary of the variances by directorate is shown in Table 1, and a detailed list of the main variances within each directorate is shown in Table 2.
5. The report outlines the impact Covid-19 has had on the budget in 2020/21 including the additional grant funding received and the management of the business grant schemes.
6. The total capital spend including commitments in 2020/21 is £4.178m, which is 47% of the current 2020/21 capital budget of £8.950m. Appendix C gives the details for individual schemes and the revised forecasts, both for 2020/21 and the following 3 years.

## CORPORATE OUTCOMES

7. The report relates to the following corporate priorities:

Excellence, Investment and Financial Sustainability	✓
Health, Wellbeing and Safety	✓
Place, Homes and Environment	✓

Projects relating to People in the Corporate Plan:

Our People and Communities	✓
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## INFORMATION

### A) Revenue Budget and Forecast Summary

8. Table 1 below summarises by directorate the revenue budgets and forecasts.
9. The overall forecast is a surplus of £55,000 against the funding requirement. Table 2 below lists the main variances within particular service areas for each directorate.

**Table 1: Revenue Budget Summary**

	Original Budget £'000	Current Budget £'000	Forecast at Quarter 2 £'000	Forecast Variance £'000
Corporate	496	324	304	(20)
Neighbourhoods & Development	7,230	7,230	7,136	(94)
Planning & Property	701	701	950	249
Customer & Digital	2,394	2,394	2,271	(123)
Governance	1,757	1,697	1,625	(72)
Finance	754	717	679	(38)
Communications & Visitor Economy	203	252	248	(4)
Transformation & Partnerships	512	638	628	(10)
Pensions Deficit Contributions	25	25	25	0
Savings Targets	(305)	(187)	0	187
Forecast Additional CV-19 Expenditure	0	0	2,591	2,591
<b>Net Cost of Services</b>	<b>13,767</b>	<b>13,791</b>	<b>16,457</b>	<b>2,666</b>
Interest payable / (receivable)	649	649	649	0
Parish Precepts	(170)	(170)	(170)	0
Provision for repayment of debt	432	432	432	0
<b>Funding Requirement</b>	<b>911</b>	<b>911</b>	<b>911</b>	<b>0</b>
<b>Funding:</b>				
Council Tax	(8,596)	(8,596)	(8,596)	0
New Homes Bonus – City Deal	(525)	(525)	(525)	0
New Homes Bonus – SRBC	(135)	(135)	(135)	0
Retained Business Rates	(3,715)	(3,715)	(3,715)	0
Section 31 grants (mainly business rates)	(1,595)	(1,595)	(1,595)	0
CV-19 Funding	0	0	(2,721)	(2,721)
<b>Total Funding</b>	<b>(14,566)</b>	<b>(14,566)</b>	<b>(17,287)</b>	<b>(2,721)</b>
<b>Net Contribution (To) / From Reserves</b>	<b>112</b>	<b>136</b>	<b>81</b>	<b>(55)</b>

**Table 2: Revenue Forecasted Variations Within Directorates**

Details	Forecasted Over / (Under)- Spend or Income Deficit / (Surplus) £'000
<b>Corporate</b>	
Staffing Costs	(20)
<b>Neighbourhoods &amp; Development</b>	
Staffing Costs	(94)
Car Parking reduced income	92
Garden Waste surplus income	(85)
Other income variations - net deficit (see Table 5)	152
Government support	(159)
	<b>(94)</b>
<b>Planning &amp; Property</b>	
Staffing Costs	(72)
Investment Property reduced rental income	310
Other income variations (see Table 5)	11
	<b>249</b>
<b>Customer &amp; Digital</b>	
Staffing Costs	(160)
Court Summons income deficit	114
Government Support	(77)
	<b>(123)</b>
<b>Governance</b>	
Staffing Costs	(99)
Income Deficit (see Table 5)	70
Government support	(43)
	<b>(72)</b>
<b>Finance</b>	
Staffing Costs	(38)
<b>Communications &amp; Visitor Economy</b>	
No major variances	(4)
<b>Transformation &amp; Partnerships</b>	
Staffing Costs	(10)
<b>Budgets Not In Directorates</b>	
Pension Contributions (note 2)	-
Savings Target	187
Covid-19 Forecast Expenditure Not Budgeted	2,591
Covid-19 Government Funding	(2,721)
<b>Overall Variance for 'Net Cost of Services'</b>	<b>(55)</b>

## B) Revenue Budget Requested Changes

10. There are currently no requests for changes to revenue budgets.

## C) Staffing Costs

11. The original budget includes a shared services savings figure of £233,000. The budgets have now been updated to reflect the new staffing structures.

12. After updating the budgets to reflect the new shared services structures, the overall reduction in the budget is forecast at £196,000, meaning there is a residual deficit balance of £37,000 compared to the budgeted savings figure of £233,000. There are various reasons for the difference but mainly it is due to posts that were assumed to be shared being taken out of the shared services process and in addition the NI and Pension costs for the newly created shared senior posts are higher than were originally budgeted in September 2019.

13. The overall forecasted saving in staffing costs is £493,000. The main reason for the underspend is posts being vacant, either currently or during an earlier part of the year. Appendix A shows the posts that were vacant at 30<sup>th</sup> September 2020.

**Table 4: Staffing Costs Main Variations**

Service Area	Over / (Under-) spend £	Reasons and notes
<b>Corporate</b>		
Chief Executive	(20,000)	The post became vacant on 15/07/20. The forecast figure is based on the Interim Chief Executive continuing to the end of the financial year without the post being filled. Phase 2 proposals have been put forward to share this role, if approved this forecast will be adjusted.
<b>Neighbourhoods &amp; Development</b>		
Street Cleansing	(5,000)	A Team Operative post became vacant on 30/05/20.
Mechanics	16,000	The budget is set based on the actuals SCPs of the post-holders. One member of the team was at the top of the grade whereas the others were nearer the bottom. Subsequently a HR review was carried out and to ensure equality and fairness, all members of the team were brought up to the same SCP.
Community Involvement	(28,000)	Two new posts, created in the budget setting process, were vacant at the end of quarter 2 – a Community Involvement Officer and a Youth Council Officer. They have been filled in October.
Engineers	(17,000)	Two posts have been vacant all year – a Graphic Designer and an Engineering Assistant.
Environmental Health	(31,000)	A new Housing Enforcement Officer post was created in the budget setting process but has not yet been filled. Also two post-holders have reduced their hours.
Youth Support	(35,000)	A Youth Support Officer role was created in the budget setting process but has not yet been filled. This post, and the wider project, is being funded by the surplus Sports Development income held in reserves.
<b>Planning &amp; Property</b>		
Senior Management	(20,000)	The Assistant Director of Housing and Property post has been vacant all year. Some of the saving has been used to fund the

Service Area	Over / (Under-) spend £	Reasons and notes
		additional costs of agency cover in the Estates team, giving a net forecasted underspend of £20,000. This underspend will be used to help fund a temporary Estates Surveyor role.
Building Control	19,000	Upgrades to two staff following Job Evaluation reviews
Planning	(51,000)	One Enforcement post is vacant and the other was vacant for the first 5 months of the year. More complex work is being picked up via a retained specialist consultant on a case by case basis. There will still be a net saving of around £35,000. In addition, two staff have reduced their hours.
Leisure	(10,000)	The Partnership Development Manager has reduced her hours
Museum	(10,000)	The Museum Curator post is vacant
<b>Customer &amp; Digital</b>		
Gateway	(56,000)	Three posts have been vacant since the start of the year. New starters for all 3 posts began in October.
IT	(31,000)	Two posts have been vacant all year.
Revenues	(73,000)	One post has been vacant since before the start of the year and another became vacant at the end of July. One person is on adoption leave and another is on maternity leave. Options are being considered regarding potential automation of processes that may result in at least one vacant post not being required.
<b>Governance</b>		
Democratic Services	(30,000)	Two posts were vacant in the earlier part of the year but are now both filled.
Legal Services	(25,000)	A Solicitor post was vacant until 27th July and the new person is on reduced hours compared to a budget for a full-time post.
Licensing	(44,000)	The Head of Licensing post has been vacant all year.
Assurance	-	There are 4 vacancies within the team. Agency cover has been used for some posts. There is a forecasted underspend against those posts but this is offset by the additional costs of £23,100 for the Interim Head of Shared Assurance post, which are not part of the budgeted establishment. Along with the review of the service, the overall forecast for the team is currently break-even.
<b>Finance</b>		
Senior Management	(23,000)	Recruitment will begin in November for the Director of Finance post.
Financial Services	(15,000)	A Management Accountant post became vacant in June. Recruitment is underway.
<b>Transformation &amp; Partnerships</b>		
HR	(10,000)	There is a vacant HR Advisor post but the saving is partially offset by additional costs for an upgrade of another post. The post will be incorporated into the phase 1 service review.

#### D) Non-Staffing Costs

14. There are currently no significant forecasted variances relating to non-staffing costs.

## E) Impact of Covid-19

15. The impact of Covid-19 on the Council's budgets is varied and includes delays to recruitment and restructuring, reduction in income and additional expenditure. The major impacts on the budget are summarised below. This includes the various grant funding streams received to help the council manage the transition back to business-as-usual.

### Income

16. It has been well documented that the country has undergone a significant reduction in economic activity pushing the economy into recession. The impact on local residents and businesses is potentially vast, especially in the service industries. Two areas this may significantly affect the council's finances is the impact on its business rates and council tax collection funds.

### Business Rates

17. The original gross (including amounts paid over to the Government and other preceptors) collectable business rates for South Ribble was budgeted at £36.7m for 20/21. As part of the budget on 11 March the Government announced that it would increase the discount on business rates liability for businesses in the retail, hospitality and leisure industry to 100% for 20/21. This has reduced the council's gross collectable to an estimated £25.1m. The council and other preceptors will receive compensatory grant payments, known as S31 grants, in 20/21 for this extended relief.

18. After adjusting for this reduction in collectable business rates the analysis below gives the forecast outturn position for South Ribble's business rates collection fund.

	Cumulative Income							Forecast Total 20/21
	Apr £m	May £m	Jun £m	Jul £m	Aug £m	Sep £m		
Forecast	3.858	5.671	7.899	9.893	12.563	14.692	25.135	
Actual	3.132	4.746	6.64	8.782	11.295	13.719	24.162	
Deficit	<b>0.726</b>	<b>0.925</b>	<b>1.259</b>	<b>1.111</b>	<b>1.268</b>	<b>0.973</b>	<b>0.973</b>	

19. Based on current collection rates it is estimated the gross shortfall of business rates income could be £0.973m. South Ribble's share of this deficit would be approximately £389,000 meaning the council would be £389,000 short of its budgeted business rates income in 20/21. This is a reduction of £55,000 from reported at Quarter 1. Although this figure seems large it should be noted:

- The council only began pursuing outstanding business rates debt in September. It is likely there are many businesses that are not currently able to pay but that will be able to meet the liability over the remainder of the year or over a longer agreed period. As such it is expected that the current collection rates will improve therefore reducing the forecast deficit as has been seen partially between August and September.
- The Government has announced that councils will be able to spread out the loss of business rates and council tax income over the next three years, rather than in one year. A deficit of £389,000 may therefore only result in a £130,000 impact for the council per year.
- The council holds a business rates retention reserve of £3.309m to fund one-off shortfalls in the business rates it collects. This includes managing downward revaluations, the risk

surrounding this has however now been reduced as the scheduled 2021 national revaluations have been put back to 2023. The reserve is therefore considered more than sufficient to manage the risk surrounding business rates income.

20. The table above demonstrates that the cumulative shortfall in expected business rates actually improved from £1.268m shortfall in August to £0.973m shortfall in September. The forecasted outturn has not been adjusted in Table 1 due to the uncertainty regarding the final shortfall in businesses rates income. It has also not been adjusted because, due to the complexities of the business rates system, any shortfall is likely to be recognised in 2021/22 rather than this financial year.

#### Council Tax

	Cumulative Income						Forecast Total 20/21 £m
	Apr £m	May £m	Jun £m	Jul £m	Aug £m	Sep £m	
Forecast	7.384	13.927	20.499	27.178	33.748	40.136	70.029
Actual	7.083	13.403	19.869	26.401	32.942	39.465	69.358
<b>Deficit</b>	<b>0.301</b>	<b>0.524</b>	<b>0.63</b>	<b>0.777</b>	<b>0.806</b>	<b>0.671</b>	<b>0.671</b>

21. Based on current collection rates it is estimated that the gross shortfall of council tax income could be £0.671m in 20/21. South Ribble's share of this deficit would be approximately £81,000 meaning the council would be £81,000 short of its budgeted council tax income in. This is a reduction in deficit of £12,000 from Quarter 1.

#### Expenditure

Description	Apr	May	Jun	Jul	Aug	Sep	Total Apr to Sep	Commitments	Spend + Commitments
Communications	1,701	916	0	0	0	2,287	4,904		4,904
Homelessness Support	1,205	5,252	11,460	6,435	11,200	5,360	40,912	5,040	36,742
ICT	1,900	0	0	0	0	3,295	5,195		5,195
Staffing	1,411	794	17,580	0	0	903	20,688		19,785
Temp. Borrowing	12,055	0	0	0	0	0	12,055		12,055
Works to Offices	1,432	197	1,329	1,544	272	0	4,774		5,397
Communications	0	0	0	2,134	546	2,224	4,904		2,680
Food, Supplies & PPE	41,332	1,944	3,499	2,853	0	71,934	121,562	5,765	131,478
<b>Total</b>	<b>61,036</b>	<b>9,103</b>	<b>33,868</b>	<b>12,966</b>	<b>12,018</b>	<b>86,002</b>	<b>214,993</b>	<b>10,805</b>	<b>218,236</b>

22. The table above outlines the additional expenditure incurred as a result of Covid-19. This includes the additional provision for the Holiday Hunger scheme approved by S35 decision on 7 July 2020.

23. In addition to the £218,000 above, £240,000 of support was agreed to Serco Leisure Operating Ltd in relation to leisure provision. Discussions are ongoing to confirm the overall amount of support required however which is subject to the Government's continued support of its Furlough scheme. The Government announced a £100m fund to help support councils in keeping leisure facilities open. Councils will be required to bid for the funding and further guidance is expected to be announced soon.

## Government Funding

24. The following funding has been provided by the Government to support South Ribble Council during the pandemic.

Funding	Funding
1 <sup>st</sup> Tranche CV-19 Funding	£41,325
2 <sup>nd</sup> Tranche CV-19 Funding	£1,097,210
3 <sup>rd</sup> Tranche CV-19 Funding	£160,799
4 <sup>th</sup> Tranche CV-19 Funding	£181,833
<b>TOTAL</b>	<b>£1,481,167</b>
<hr/>	
<i>Ringfenced Funding</i>	
New Burdens Funding – Business Grants	£130,000
Extending Council Tax Support	£707,201
Reopening High Streets	£97,965
Test & Trace	£86,539
Local Restrictions Support Grant	Unknown
Health Protection Project (TTS)	£118,839
Food & Essential Supplies	£99,244
<b>TOTAL CV-19 Related Funding</b>	<b>£2,720,955</b>

### *CV-19 Grant Funding Support*

25. A fourth funding allocation has been announced as part of a £1bn support package to councils. South Ribble Council's allocation will be £181,000 bringing the total allocation to £1.481m. No specific grant guidance has been provided regarding this funding however it is currently assumed to be un-ringfenced. The figures in this report assumes that all this funding will either be committed in 2020/21 or rolled forward into 2021/22.

### *Other Funding Support*

26. On top of the CV-19 funding the council has also received £130,000 to cover the costs of **administering the business grants scheme**. The total cost of administering the scheme will certainly be in excess of this amount such has been the demand on staff time across teams such as business support, revenue and benefits and finance.
27. The council also received £98,000 '**Reopening High Streets Safely Fund**'. This grant is ERDF funding and as such the restrictions as to how this can be spent are extremely prohibitive. Further guidance continued to narrow the type of expenditure within the scope of this fund and to date what has been committed relates to improving communication regarding the safe return to the high streets.
28. The Council will also be receiving funding as part of the Governments **Test and Trace Support Payments**. The Department of Health and Social Care on the 30 September issued operational guidance for the implementation of the Test and Trace Support Payments. Within that guidance the distribution methodology for the allocation of funding to local government was set out. The funding for the initial £500 payments allocated to South Ribble is £86,539:
- Test and Trace Payment £38,000

- Admin costs of both schemes £25,654
  - Test and Trace Discretionary Payment £22,885
29. On 9 September 2020, the Government announced further funding to support businesses that are required to close due to lockdown restrictions. The **Local Restrictions Support Grant** has both a mandatory and a discretionary element and is available for businesses impacted by the formal requirement to lock-down. Officers are in the process of creating an online application process however it should be noted that final guidance has not yet been received.
30. Through LCC, the Council has received a grant allocation from Government that will be used to fund support for the Government's **Test & Trace** scheme. This will involve the council utilising the fund to recruit additional staff who will chase up the contacts that the national scheme have been unable to contact. Total funding is £118,839.
31. The Local Authority **Emergency Assistance Grant for Food and Essential Supplies** is a one-off contribution to upper tier local authorities in England to use to support people who are struggling to afford food and other essentials due to COVID-19. The grant must be spent within this financial year and South Ribble's allocation is £99,244.
32. Table 1 of this report outlines the assumed additional spend against the total Covid-19 funding streams, in summary:

	<b>Forecast Variance £'000</b>
Forecast Additional CV-19 Expenditure	2,591
CV-19 Funding	(2,721)

33. To be prudent, it is assumed all funding from the Government relating to Covid-19 will either:
- meet any additional costs incurred by the council
  - be rolled forward into 21/22, or
  - be returned if not fully committed against.
34. The only deviation from this approach is the assumption that the £130,000 to cover the costs of administering the business grants scheme will meet budgeted staff costs and as such provides a £130,000 budget underspend to the council.

#### *Business Grants*

35. Below is a table outlining the grants paid to businesses as part of the Small Business and Retail, Hospitality and Leisure and discretionary grant programmes.

	<b>Number</b>	<b>£</b>
Small Business Grants £10k	1,418	14,180,000
Retail, Hospitality and Leisure £10k	96	960,000
Retail, Hospitality and Leisure £25k	162	4,050,000
<b>TOTAL NON DISCRETIONARY GRANTS</b>	<b>1,676</b>	<b>19,190,000</b>
<b>TOTAL DISCRETIONARY GRANTS</b>	<b>160</b>	<b>992,470</b>

36. The Council received a total funding allocation of £20.888m of which the following was allocated by the Government in May 2020:
- £19,896,000 maximum allocation for Small Business & Retail, Hospitality & Leisure grants
  - £992,500 maximum allocation for Discretionary Grants
37. Officers working across both councils and across different departments have supported businesses in applying for receiving as much grant funding as possible. All schemes have closed as at the end of August with final payments made by the end of September. The initial grant allocation from Government was an estimate of need made in March 2020, the Government will request the return of the unspent allocation totalling £706,000.

## F) Income from Fees and Charges

38. Table 5 below, shows the budgets and forecasts of the main types of income that are generated by services. (Note: this is different to general funding that isn't attributable to particular services such as non-specific government grants, council tax and business rates.)
39. The main forecasted variations are as follows:
- **Car Parking** – There was zero income in April to June. Around £4,000 was received in both July and August, which is only a third of the monthly budget. The forecast of £53,000 is based on assumed reduced income up to Christmas and then normal levels of income from January.
  - **Garden Waste Collection Charges** – Charges in 20/21 were reduced to £25 per bin and the budget was reduced to take this into account. Take-up for 2020-21 has increased again compared to last year, resulting in a forecasted surplus of £85,000 (equivalent to 3,400 extra charges of £25).
  - **Land Charges and Licensing** - Income is expected to be below the budgeted levels in 2020/21. The forecast is currently based on a simple forecast using income to date.
  - **Investment Property** rental – In response to Covid-19, the council did not charge rents from March to June 2020. The loss of rent for March was accounted for in 2019-20. The loss of rent for April to June 2020 is the main reason for the forecasted deficit of £310,000.
  - **Sports Coaching** – At the time the budget was set there was uncertainty over some of the potential grant funding so, to be prudent, the budget assumed the funding would not occur. Usually the budget for the whole service is set to break-even but due to the assumption that funding might be reduced, the budget was set as a deficit of £100,000 to be matched by a transfer from reserves of the surplus of sports development income that has built up over the years. However, the funding has since been confirmed and therefore the income will be £100,000 higher than the budget figure.
  - **Court Summons** costs recovered – due to courts closure and the decision not to chase debts until September this income has been zero to date. At this point in 19/20 we had recovered approximately 75% of the budget. Depending on whether the courts are back up and running some backlog may be recovered but it is unlikely to return to normal levels in 20/21d.
40. The Government has offered support of up to 75% of shortfall in income from fees and charges in 20/21. The figures in Table 5 include this support after taking into account the fact that the Council must manage the first 5% of budgeted lost income. The total forecast level of Government support is currently £301,000. This is reported quarterly to the Government with the first payment to the Council expected to be in November. This is a significant increase from quarter one largely as a result of the change in forecast to Summons income and discussion with other Councils based upon the facts the courts were unable to open due to Covid-19.

**Table 5: Income from Fees and Charges**

Service Area	Income 2019-20 £'000	Current Budget 2020-21 £'000	Actual to 30/09 £'000	Forecast £'000	Forecast (Surplus) / Deficit £'000
<b>Neighbourhoods &amp; Development</b>					
Car Parking charges and fines	-141	-145	-20	-53	92
Civic Centre Business & Conference Ctr	-26	-36	0	0	36
Dog impounding, littering and dog fouling	-4	-18	-1	-3	15
Environmental Permits	-23	-19	-1	-19	0
Grounds Maintenance	-156	-155	-146	-146	9
Licensing - Piercings, Tattoos & Animals	-9	-7	-3	-3	4
Licensing - Street Traders	-23	-25	-19	-19	6
Open Spaces (sports pitches, fairs, etc)	-33	-18	-4	-10	8
Pest Control	-46	-50	-34	-34	16
Property rental - Civic Centre	-67	-50	-52	-52	-2
Property rental - Market	-126	-142	-23	-100	42
Property rental - Moss Side Depot	-43	-43	-31	-31	12
Property rental - Worden Craft Centre	-11	-15	-12	-12	3
Sports Coaching	-279	-120	-128	-220	-100
Waste Collection - Garden waste	-809	-683	-768	-768	-85
Waste Collection - New bins	-56	-45	-64	-64	-19
Waste Collection - Special collections	-40	-40	-27	-40	0
Waste Collection - Trade Waste	-445	-481	-448	-448	33
Vehicle Maintenance for FCC	-120	-101	-70	-112	-11
Government Support				-159	-159
	<b>-2,457</b>	<b>-2,193</b>	<b>-1,851</b>	<b>-2,293</b>	<b>-100</b>
<b>Planning &amp; Property</b>					
Building Control	-177	-191	-91	-160	31
Planning application fees	-436	-505	-331	-513	-8
Planning pre-application fees	-31	-40	-13	-30	10
Investment property rental	-950	-1,105	-709	-795	310
Government Support				-22	-22
	<b>-1,594</b>	<b>-1,841</b>	<b>-1,144</b>	<b>-1,520</b>	<b>321</b>
<b>Governance</b>					
Land Charges	-90	-80	-36	-50	30
Legal fees recovered	-13	-15	-6	-15	0
Licensing - Alcohol	-78	-76	-51	-51	25
Licensing - Gambling	-10	-12	-7	-7	5
Licensing - Taxis	-84	-90	-53	-80	10
Government Support				-43	-43
	<b>-275</b>	<b>-273</b>	<b>-153</b>	<b>-246</b>	<b>27</b>
<b>Customer &amp; Digital</b>					
Court summons costs recovered	-219	-228	0	-114	114
Government Support				-77	-77
	<b>-219</b>	<b>-228</b>	<b>0</b>	<b>-191</b>	<b>37</b>
<b>Total</b>	<b>-4,545</b>	<b>-4,535</b>	<b>-3,148</b>	<b>-4,250</b>	<b>285</b>

## G) Reserves

41. The total balance on reserves at the beginning of the financial year was £20.814m. Table 6 below shows the expected movements in the reserves for 2020-21. The details of the purposes of each earmarked reserve and the movements in the balances are as follows:

- Borough Council Elections – The original budget includes a £40,000 top up of this reserve every year to build up a fund for local elections that take place every 4 years. In the Outturn 2019-20 it was approved to top up the reserve for a full £160,000 using the surplus in 2019-20 so that no contributions are needed over the next 3 years.
- Borough Investment Account – This reserve was created for the purpose of purchasing investment property to generate more rental income for the revenue budget. In the MTFS 2020-21 to 2023-23, a proportion of the reserve was budgeted to be used for the Worden Hall and Hoole Village Hall capital projects. £2m of the reserve has been potentially committed towards the Leyland Town Deal project subject to the funding bid being successful as outlined in the report to Full Council on 30 September 2020. This potential commitment is not yet included in Appendix B.
- Business Rates Retention – This reserve exists as a contingency to cover any unexpected shortfalls in business rates funding that may occur within a one- or two-year period to allow time for the council's budgets to be realigned. Some of the reserve will be required in 2020/21, and the following year, to cover the expected deficit in business rates funding due to Covid-19.
- Capital Funding – This is the main reserve used for funding the capital programme.
- City Deal – This reserve exists as a contingency to fund any unexpected costs that arise in relation to City Deal.
- Climate Change – The approved budget for 2020/21 included the creation of a Climate Change reserve of £250,000.
- Credit Union – As part of the budget monitoring report for quarter 3 of 2019-20, Cabinet approved the creation of a Credit Union reserve of £150,000 using the surplus in 2019/20.
- Housing Needs Surveys – This reserve is topped up each year so that when housing surveys are needed to be carried out there is funding available.
- Local Plans – The purpose of this reserve is to meet the forecasted expenditure requirements in relation to the Local Development Framework.
- My Neighbourhoods – This is the balance of unspent funding for the My Neighbourhoods forums.
- Performance Reward Grant – This is the balance of unspent PRG funding.
- Repairs and Maintenance – This reserve exists as a contingency to fund unexpected costs for repairs and maintenance of council properties that cannot be covered by existing revenue budgets. The approved capital programme for 2020/21 onwards allocates this reserve to the leisure centres refurbishments scheme, which has a total budget of £2.1m.
- Restructure Costs – This reserve was increased at Outturn 2019-20 to £200,000 as a provision for potential cost relating to the expansion of shared services.
- Transformation Fund – This reserve is being used to fund the IT Digital Strategy costs in the capital programme.
- Other Earmarked Reserves – This reserve comprises three elements: approved carry forwards of underspends that have not yet been allocated, surplus income relating to Sports Development, and miscellaneous ring-fenced grant income specific to certain service areas.

42. Appendix B shows the planned movement in reserves over this year and the next 3 years.

**Table 6: Reserves Summary**

Reserve Name	Opening Balance £'000	Transfers In £'000	Transfers Out £'000	Capital Financing £'000	Movement Between Reserves £'000	Closing Balance £'000
<b>Earmarked Reserves</b>						
Borough Council Elections	(160)	-	-	-	-	(160)
Borough Investment Account	(4,576)	-	-	700	-	(3,876)
Business Rates Retention	(3,309)	-	65	-	-	(3,244)
Capital Funding	(3,514)	-	-	3,262	-	(252)
CIL Admin	(248)	-	-	-	-	(248)
City Deal	(1,851)	-	-	-	-	(1,851)
Climate Change	(250)	-	-	-	-	(250)
Credit Union	(150)	-	-	-	-	(150)
Housing Needs Surveys	(100)	(20)	40	-	-	(80)
Local Plans	(255)	-	99	-	-	(157)
My Neighbourhoods	(67)	-	-	-	-	(67)
Performance Reward Grant	(27)	-	27	-	-	-
Repairs and Maintenance	(500)	-	-	500	-	-
Restructure Costs	(200)	-	100	-	-	(100)
Transformation Fund	(415)	-	-	252	-	(163)
Other Earmarked Reserves:						
Ring-fenced grants	(488)	-	200	-	-	(289)
Sports Development income	(337)	-	220	-	-	(117)
Carried forward underspends	(126)	-	126	-	-	-
	<b>(16,574)</b>	<b>(20)</b>	<b>877</b>	<b>4,714</b>	<b>-</b>	<b>(11,004)</b>
General Reserve	(4,239)	-	-	-	-	(4,239)
<b>Total</b>	<b>(20,813)</b>	<b>(20)</b>	<b>877</b>	<b>4,714</b>	<b>-</b>	<b>(15,243)</b>

## H) Capital Programme

### Spending

43. Covid-19 has had an impact on the timescales for delivering capital schemes but generally the programme is on track in 20/21. There are a few schemes where profiling could mean slippage in to 21/22 but will depend on progress in the coming quarter.
44. Appendix C lists all the capital schemes within the programme and the detail regarding budgets, spending and current forecasts.

### Financing

45. Table 7 below shows the movements in the balances of capital funding streams.

- Community Infrastructure Levy (CIL) – Funding has been steadily building up over the last 5 years. The balance in Table 7 shows the net funding available to the Council after deducting payments made, or due, to Parish Councils and LCC as part of the arrangements for City Deal.
- Land Release Fund – The grant was received a couple of years ago in relation to the house-building project. That project has seen been terminated and the money cannot be repurposed, meaning it will have to be returned.
- Section 106 – The majority of the balance of Section 106 funding is allocated to schemes within the capital programme. Several receipts totalling £523,000 have stipulations that they must be used for highways work and have been earmarked to be paid to LCC once the relevant works are completed. The unallocated balance is £359,000. There are three large value affordable housing schemes that will use all the affordable housing funding: Station Road Bamber Bridge, McKenzie Arms Bamber Bridge and an Extra Care facility. The other Section 106 funding is allocated mostly to parks and open spaces schemes within the programme.

**Table 7: Capital Financing**

Funding Stream	Opening Balance £'000	Receipts £'000	Release to Revenue £'000	Capital Financing £'000	Closing Balance £'000
<b>Grants and Contributions</b>					
City Deal capital funding	-	(50)	-	50	-
Community Infrastructure Levy (CIL)	(2,029)	-	-	125	(1,904)
Disabled Facilities Grant (DFG)	(314)	(688)	-	1,003	-
External Contributions	-	-	-	-	-
Housing grants repaid	-	-	-	-	-
Land Release Fund	(362)	362	-	-	-
Lottery Funding (Hurst Grange Park)	-	(300)	-	300	-
Section 106 Affordable Housing	(5,044)	-	-	663	(4,381)
Section 106 Other	(2,391)	-	-	926	(1,464)
Other grants and contributions	(25)	(750)	-	750	(25)
	<b>(10,165)</b>	<b>(1,426)</b>	<b>-</b>	<b>3,817</b>	<b>(7,775)</b>

### **COMMENTS OF THE STATUTORY FINANCE OFFICER**

46. The contents of the report outline the financial implications for the council.

## **COMMENTS OF THE MONITORING OFFICER**

47. Clearly it is important that a council should report openly and transparently with regard to the monitoring of the budget. Residents need to know how the council is performing. From a legal perspective there are no concerns to report.

## **APPENDICES**

Appendix A – Staffing Vacancies at 30<sup>th</sup> September 2020

Appendix B – Capital Programme

Appendix C – Reserves Planned Movements

Leadership Team Member's Name: James Thomson

Job Title: Deputy Director of Finance (and Section 151 Officer)

Report Author:	Date:
Neil Halton (Principal Management Accountant)	20 <sup>th</sup> October 2020