

REPORT TO: CABINET

DATE: 12 JULY 2021

TITLE: YEAR END 2020/21 JOINT FINANCE AND PERFORMANCE REPORT

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This is not a Key Decision

It is on the Forward Plan as Decision Number I012605

The decision is not subject to Call-in Procedures for the following reason:

The recommendations are within the scope of the original budget and Corporate Plan approved by Full Council in February 2020.

This decision will affect no ward specifically.

RECOMMENDED that Cabinet:

- A** Acknowledges the outturn position set out in within the report in respect of the General Fund for the year ending 31 March 2021.
- B** Recognises the End of Year operational performance and risk management that has been achieved in 2020/21 across all Council services.
- C** Approves:
 - i) The carrying forward of £242,320 of budgets from 2020/21 to 2021/22 in respect of the General Fund as set out in Appendix 3B to the report.
 - ii) The transfer to reserves of £2,144,000 as set out in Appendix 3C to the report.

REASON FOR DECISION

- A** To ensure that Cabinet reviews performance against the Council's approved budgets for the General Fund for 2020/21.
- B** To seek approval for the recommendations set out in the report in relation to transfer to reserves and carrying forward underspends to ensure that the resources remain to provide services in 2021/22 (paragraph 13).

BACKGROUND

1. The closure of the accounts deadline for local authorities has been extended because of the impact of Covid-19. The Accounts and Audit (Amendment) Regulations 2021 have extended the publication date for final, audited, accounts from 31 July to 30 November 2021. To meet the extended deadline the Council's 2020/21 must publish their draft accounts by 31 August 2021 so that the 10-day public inspection period can begin on 1 September at the latest.
2. The closure of the accounts enables the final contribution to the General Fund Reserve to be calculated representing the variance between the approved budget and the actual income received and expenditure incurred delivering Council services for the year.
3. Budget management has been made more difficult as a result of the Covid-19 restrictions that everyone has faced over the last year. The uncertain levels of reductions in income and additional expenditure, offset in the main by grants from Central Government, have added a layer of complexity when trying to forecast a year end outturn position. However careful management of service budgets has once again ensured any in-year pressures that have arisen have been effectively managed within the overall service budgets wherever possible.

ISSUES/PROPOSALS

General Fund

4. A review of the 2020/21 financial year indicates that service controllable budgets have overspent by £0.635 million, or 1.11 per cent. After adjusting for the requested budget carry-forward items detailed in this report (totalling £242,321), and other non-controllable variations there is an underspend for the financial year of £0.129 million or -0.22 per cent of the General Fund budget. The previous estimated position, based on December 2020 forecast and reported to March Cabinet I was for an underspend of £79,000, or -0.14 per cent.
5. Appendix 3A to this report summarises major budget variations across all service areas and non-controllable budgets.
6. The following table summarises the year-end financial position:

Table 1 – Summary of Year End Financial Position

	£'000
Total Service Variations	635
Windfall and non-controllable variations and reserve movements	(1,006)
Budget Carry Forward requests (Appendix 3B)	242
Total General Fund outturn 2020/21	(129)

7. As in previous years, budgets have been carefully managed across all services to guard against expenditure pressures and offset income reductions.

8. Significant variations have been reported to Cabinet during the year. Key areas that have contributed to the reported outturn position include:
- a) Additional Government grant in respect of business rates reliefs - £2.3million;
 - b) Higher than budgeted returns from HTS - £0.2 million;
 - c) Reduced PWLB loan interest payments - £0.7 million;
 - d) Additional transfer to earmarked reserves - £2.6 million.

General Fund Balance

9. The position on the General Fund balance is:

Table 2 – General Fund Balance

	£ millions
General Fund closing balance 31 March 2020 (as per the unaudited accounts)	4.511
2019/20 budget Carry Forward Requests	-0.163
Pension Deficit Payments	-1.605
Effective General Fund closing Balance 31 March 2020	2.743
Service Variations 2020/21	-0.635
Non-Service Variations	1.156
Service Carry Forward Requests	-0.242
General Fund Closing Balance – 31 March 2021	3.022
Proposed Covid – 19 Reserve	-0.150
Final General Fund Closing Balance 31 March 2021	2.872

10. After adjusting for proposals previously approved by the Council and proposals set out in this report, the General Fund balance will move from an opening position of £4.511 million to £2.872 million at the year-end.
11. As part of the 2021/22 budget setting process and as approved in the Medium Term Financial Strategy (MTFS), the minimum level for the General Fund Reserve balance over the life of the current MTFS is £2.5 million.
12. This level was set to ensure that the Council has adequate reserves given the financial uncertainty resulting from the Government's welfare reform, the Local Government Resource Review proposals, and the impact of the on-going economic conditions in the medium term and more recently the local impacts of Covid-19. Subject to Cabinet decision, the forecast level for 2021/22 will be £372,000 above the minimum recommended balance.

Carry Forwards Affecting the General Fund Balance

13. Cabinet is requested to approve the carry forward of 2020/21 budgets of £242,321. These have been reviewed by the Senior Management Board (SMB) and are detailed in Appendix 3B to this report. No funding is currently provided within the 2021/22 budget for the items identified and if the carry forwards are not approved it is unlikely that the work/ projects will be carried out.

Transfers to Reserves

14. It is recommended that the net movement in reserves for 2020/21 of £2,144,000 as set out in Appendix 3C to the report is agreed.

Summary of the End of Year Operational Performance - 2020/21

15. The Council's Year End operational performance is set out in Section 5 to this report. The Council performed on or above target for 46 out of 49 (94 per cent) of its monthly, quarterly, and annual key performance indicators.
16. The Council continues to improve its performance in key areas linked to its Corporate Priorities and Principles. Some of the indicators that have contributed to this achievement are set out in the 'good performance' table of Section 5 to this report.
17. The Council successfully completed 72 per cent of its corporate milestones. One per cent were significantly off track; and three per cent were slightly delayed due to Covid 19. Sixteen per cent were cancelled due to Covid 19 or suspended and moved to the new financial year 2021-2022. Eight per cent of the milestones are 'on-going' and will be carried over to the new financial year 2021-22.
18. At Year End, the Council had no exceptional strategic risks (rated 20 or higher – high likelihood, high impact) recorded in the Council's Risk Register.

SIGNIFICANT RISKS/OPPORTUNITIES

19. The Council continues to operate in a period of major change driven by both worldwide economic conditions and legislative changes being introduced by the Government and at the end of 4th Quarter 2020/2021 is starting to see impact from Covid-19. Key changes that will or continue to impact on the Council include:
 - a) Variations in income from fees and charges and other specific grants.
 - b) Ongoing low staff turnover rates which put at risk the achievement of the vacancy savings targets allocated to each service within the Council's budget.
 - c) The uncertainty with regard to the funding arrangements for the local government sector beyond 2022/23. This ongoing uncertainty stems

from both the proposals regarding the new distribution methodology and the actual level of resources to be distributed through that mechanism.

- d) Short and medium term impacts of the Brexit process following the UK's exit of the European Union in December 2020.
- e) Effects of Covid-19 pandemic. Working with key partners and businesses has been key through lockdown and will continue to be necessary as the Government's roadmap out of lockdown is implemented.

20. Significant opportunities continue to arise and develop to benefit the town and its residents. The Council must ensure it continues to work with all stakeholders to realise those benefits. Examples where opportunities arise include:

- a) Harlow and Gilston Garden Town.
- b) Enterprise Zone delivery and skills plan to support development of a skilled workforce.
- c) Public Health England relocation to Harlow including partnership working to address employment skills development and supply chain opportunities. This remains under close review following the government's announcements around National Institute for health Protection (NIHP)
- d) Road and transport infrastructure including completion of M11 Junction 7a and associated improvements to Gilden Way.

21. The Senior Management Board continues to review strategic risks on a regular basis to assess future impact and necessary controls required to keep risks at acceptable levels.

IMPLICATIONS

Environment and Planning (Includes Sustainability)

As contained within the report.

Author: Andrew Bramidge, Head of Environment and Planning

Finance (Includes ICT, and Property and Facilities)

As contained within the report.

Author: Simon Freeman, Head of Finance and Property and Deputy to the Chief Executive

Housing

As contained within the report.

Author: Andrew Murray, Head of Housing

Community Wellbeing

As contained within the report.

Author: Jane Greer, Head of Community Wellbeing

Governance (Includes HR)

As contained within the report.

Author: Simon Hill, Head of Governance

Appendices

Appendix A – Joint Finance & Performance Report, Year End 2020/21

Background Papers

None.

Glossary of terms/abbreviations used

IAP – Improvement Action Plan

KPI – Key Performance Indicators

MHCLG – Ministry for Housing, Communities and Local Government

MTFS – Medium Term Financial Strategy

SMB – Senior Management Board