

REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE (SPECIAL)	AGENDA ITEM: 8
DATE OF MEETING:	22nd JULY 2021	CATEGORY: RECOMMENDED
REPORT FROM:	STRATEGIC DIRECTOR (CORPORATE RESOURCES)	OPEN
MEMBERS' CONTACT POINT:	VICKI SUMMERFIELD victoria.summerfield@southderbyshire.gov.uk	DOC: s/finance/committee/2020-21/July/budget outturn report 2021
SUBJECT:	FINAL REVENUE BUDGET OUT-TURN 2020/21	REF:
WARD (S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

1.1 To approve the final outturn position for:

- The General Fund Revenue Account 2020/21
- The Housing Revenue Account 2020/21
- The Collection Fund 2020/21
- The Balance of Reserves as at 31 March 2021.

1.2 That a net appropriation of £5,081,382 in 2020/21 is made from the General Fund Reserve to other Earmarked Reserves and a net appropriation of £150,000 is made from the HRA General Reserve to Earmarked Reserves as detailed in the report.

1.3 That the Committee note the following contributions and adjustments have been made to Bad Debt and Appeal Provisions in 2020/21:

Sundry Debtors	115,288	General Fund
Temporary Accommodation	8,902	General Fund
Housing Benefit Overpayments	53,374	General Fund
Council Tax Arrears	156,858	General Fund
Business Rates Arrears	234,102	General Fund
Business Rates Appeals	319,560	General Fund
Redundancy Provision	63,460	HRA
Redundancy Provision	3,000	General Fund
Planning Appeals	-15,000	General Fund
Housing Rent Arrears	64,501	HRA

2.0 Purpose of Report

2.1 To detail the final out-turn position for 2020/21 on the Council's revenue accounts. The report also details the financial position on these accounts as at 31 March 2021 compared to that estimated in the Council's Medium-Term Financial Plan (MTFP).

Details of the Collection Fund position, together with details of provisions and reserves is also provided.

2.2 This report is divided into the following sections:

- Section 3 – General Fund Revenue Account and Collection Fund 2020/21
- Section 4 – Housing Revenue Account 2020/21
- Section 5 – Reserves as at 31 March 2021

- Appendix 1 - General Fund Account 2020/21
- Appendix 2 –The Collection Fund 2020/21
- Appendix 3 – Earmarked reserves 2020/21

3.0 GENERAL FUND REVENUE ACCOUNT

3.1 Apart from Council Housing, day-to-day income and expenditure on Council services is accounted for in the General Fund. The net expenditure is financed by:

- General Government Grant
- Retained Business Rates
- New Homes Bonus
- Council Tax

3.2 The Budget for 2020/21, which was approved in February 2020, estimated a budget surplus of £806,757 for 2020/21. Following the update of the Medium-term Financial Plan (MTFP) in March 2021, this was revised to a surplus of £477,778 as summarised in the following table:

	£
Base Budget	13,838,320
Reverse out Depreciation	-988,536
Minimum / Voluntary Revenue Provisions	320,738
Contingent Sums	593,797
Total Estimated Spend	13,764,319
Council Tax	-5,787,948
Business Rates	-4,191,978
New Homes Bonus	-4,262,171
Estimated Surplus	-477,778

Final Budget Outturn 2020/21 - Summary

3.3 **Appendix 1** details the final outturn on the General Fund for 2020/21 with a comparison to the approved budget.

3.4 The appendix shows that the General Fund achieved a surplus, after appropriations, of £587,863 for the year which is £110,085 greater than budgeted.

Overview of Income and Expenditure 2020/21

3.7 Although there was an overall surplus, this was after meeting some additional cost pressures. Variances have been reported in monitoring reports during the year, with

actual figures now finalised. An analysis of the major variances is shown in the following tables with commentary in the sections that follow.

GENERAL FUND VARIANCE TO BUDGET MARCH 2021

	£'000
Salary savings (vacancies, maternity etc.) - E&D	390
Salary savings (vacancies, maternity etc.) - F&M	29
Salary savings (vacancies, maternity etc.) - H&C	237
Total Employee	656
Derbyshire County Increased Contributions	204
Housing Benefit Overpayments	133
Extra Refuse Collections	82
Industrial Unit Rental Income	80
Waste Disposal and Collection Costs	77
Investment Income	69
Pension Charges Overbudgeted	69
Election and Canvas Savings	63
Increased Environmental Services Income	37
Members Allowance, Room Hire and Training	36
Fuel	33
Utilities	30
Rosliston Forestry Centre Laundry & Advertising	25
Release of Planning Appeals Provision	25
Grant income	25
Land Charges & Street Naming Income	23
Cemetery Fee Income	22
Insurance Claim Settlements	19
Printing and Stationary	16
Lower Grant payments than budgeted	14
Training	13
NNDR Charges	13
Professional Fees	12
Choice Based Lettings Income	12
HRA Recharges	11
Savings on Events	9
Other Variances (net)	12
Total Favourable Variances	1,821
Bad Debt Provision Increase	-13
Recruitment Costs	-15
Costs of Councillor Complaints	-21
Audit and Employee Investigations	-30
Vehicle Hire	-32
Animal Welfare Act Costs	-39
Vehicle Spare Parts	-51
Rosliston Forestry Centre Income	-69
Agency and Consultancy Costs	-795
Total Adverse Variances	-1,065
Other Operating Income & Adjustments	-168
GENERAL FUND SURPLUS	588

Variances

3.8 Salary savings in year relate to vacancies and maternity (£656k) but are more than offset by agency and consultancy to support service areas (£795k) as noted in the following table. Due to current vacancies, a saving in employee training has been realised (£13k) and recruitment costs (£15k) have been incurred for two vacant posts in year.

	Employee Saving £'000	Agency Cost £'000	Variance £'000	
Refuse and Transport	61	-223	-162	Vacancies plus sickness
Land Charges	61	-151	-90	Vacancies - Lichfield DC supporting
Recycling	-21	-45	-66	No posts budgeted - costs offset by income and contract saving
Planning	55	-108	-53	Long-term sickness
Environmental	65	-118	-53	Long-term sickness plus vacancy
Finance	-25	0	-25	Post unbudgeted - savings made on professional fees (£12k)
Business Change	3	-21	-18	Long-term sickness
Licensing	21	-32	-11	Maternity cover
Housing	2	0	2	Pension
Digital Services	7	0	7	Vacancy
Democratic	17	-8	9	Long-term sickness
Civic Offices	15	-6	9	Vacancies and sickness
ICT	14	-3	11	Vacancy
Events	11	0	11	Reduced hours
Senior Management	11	0	11	Budget at top scale point
Rosliston Forestry Centre	16	0	16	Casual staff savings
Legal	104	-80	24	Vacant posts
Property	25	0	25	Vacant post
Organisational Development	31	0	31	Vacant post
Revenues and Customer Services	35	0	35	Vacancy
Street Scene	148	0	148	Vacant posts
	656	-795	-139	

3.9 Investment income is greater than budget due to the large value of cash deposits held by the Council. Cash investments have been higher in year due to lower service and capital expenditure as reported. £4m is currently invested in a longer-term high interest account with an average return of 4%. The receipt in year has exceeded the total budget on the General Fund by £69k.

3.10 Grant income was received in year for the Neighbourhood Plan of £25k This was unbudgeted, and costs were incurred for the work in 2019/20. In addition, a review of live and potential Planning Appeals has resulted in a release in year of the provision (£25k) due to lower costs incurred in 2020/21 and expected to incur during 2021/22.

3.11 Contributions from Derbyshire County Council are higher than budget on waste disposal (£193k) due to higher levels of green waste and recycling throughout the Covid-19 pandemic. Additional income has also been received for the service charge paid to the Council for use of the Civic Offices (£11k).

- 3.12 Waste disposal costs have been lower than budgeted in year as the budget was based on a lower number of tonnes than actually occurred but also an increase on the price per tonne of 8%. No increase in the rate has been implemented resulting in a large saving in year. Additional collections of refuse have been undertaken and Trade Waste income losses have been topped up by the COVID-19 grant funding received.
- 3.13 Food Safety and Pollution Reduction income has been lower in year than previously and so these losses have been transferred against the COVID-19 grant income. Fee income generated through food safety certificates generally exceeds the budget year-on-year. Costs of £102k have been incurred for seizing animals under the Animal Welfare Act although it was determined that £46k of this cost was directly related to the pandemic. This resulted in an overall adverse variance for the General Fund of 39k.
- 3.14 A budget is always included for the potential requirement for a By-Election each year. No Election was required and therefore a saving of £24k has been made. Additional savings have been made on the annual canvas whilst a review is underway of £39k providing a total Election based saving of £63k.
- 3.15 Commercial lets are favourable in line with previous years but expected income losses through non-payment have been topped up by the COVID-19 grant income received. Lower void properties has resulted in a lower NNDR liability for the Council. There is a potential that the impact of the pandemic will result in more void units in 2021/22 and this is being kept under review.
- 3.16 Due to reduced use of the Public Buildings and Rosliston, utility savings of £30k and printing of £16k have been made in year. Insurance claims for damage to Public Buildings during flooding have also been settled. This income was unbudgeted.
- 3.17 Street Naming, Land Charges and Cemetery fee income seen lower income in year due to the pandemic. Losses have been offset against the COVID-19 grant income received. Income from Choice Based Lettings is higher due to an increase to the price charged per authority as approved in fees and charges but not updated in the Base Budget.
- 3.18 Due to the site closure over the pandemic, Rosliston Forestry Centre has seen savings on casual staff wages (noted in the table at 3.8), advertising, laundry costs and utilities. Although income levels were lower than budgeted, the savings made on other cost lines have offset this loss. Savings have also been seen due to event cancellations.
- 3.19 Additional Benefit Overpayment Income was received in year which has offset the slightly higher than budgeted Local Authority error percentages. Further detail is included at 3.34.
- 3.20 Pension deficit charges are included within the budget each year. Added years due to redundancies and transferal of staff into the pension fund from Northgate Public Services has also been budgeted but the Council has not incurred a cost as large as expected.
- 3.21 During the year fifteen vehicles required major repair works resulting in an additional cost of £51k on spare parts plus vehicle hire of £16k. An additional vehicle hire cost of £16k was also incurred due to Recycling which has previously been reported. Savings have been made on fuel due to lower costs per litre which partially offset the overspends.

- 3.22 Recharges from the General Fund to the HRA are updated as part of the year-end process. Areas of additional expenditure on Finance, Customer Services and support from Grounds Maintenance partially offset by savings in other services areas has resulted in a larger than budgeted recharge of £11k.
- 3.23 Member's allowances and budgeted expenses have been lower in year (£36k) due to the pandemic and reduced travel. Costs have been incurred however for complaints against Councillors (£21k) which have been offset against these savings.
- 3.24 Grant payments are budgeted for Parish Council's for maintenance of public conveniences. The Committee approved the transfer of these assets to the Parish but the budget for payment of the grant was not removed. This saving is a one-off in 2020/21.
- 3.25 External audit fees are higher (£6k) in year due to the additional works completed in relation to the 2019/20 audit and external support has been required for internal investigations which was not budgeted for (£24k)
- 3.26 Accounting adjustments are made as part of the year-end process and in line with Accounting Standards. The main adjustments are for growth which has been earmarked in line with approval from this Committee, earmarked capital contributions also approved by this Committee, Minimum Revenue and Voluntary Revenue provisions as reported within the MTFP plus the reversal of depreciation and revaluation adjustments.

Provision for Bad Debts

- 3.27 Under accounting regulations, the Council has to provide for debts that may become uncollectable, and which may need to be written-off. Provisions are based on a calculation that considers the risk of a debt becoming uncollectable.
- 3.28 The provisions made in 2020/21 and charged against the General Fund are shown in the following table.

General Fund Bad Debt Provisions	
Sundry Debtors	£38,625
Temporary Accommodation	£8,902
Housing Benefit Overpayments	£65,435
Total	<u>£112,962</u>

- 3.29 The total contribution of £112,962, as shown in the above table, was greater than that budgeted of £100,000.
- 3.30 Sundry Debt has increased in year due to the decision to not chase debt across the Council during the early stages of the pandemic. A softer recovery approach commenced in October 2020 and some headway has been made during the first quarter of 2021/22. This is being closely monitored.

Temporary Accommodation - Bed and Breakfast Charges

- 3.31 These charges arise where the Council has to incur costs under its duties to provide temporary accommodation for homeless people. The Council is entitled to recover the costs, but this is generally difficult as people concerned are unlikely to have the means to pay.
- 3.32 The Council is responsible for pursuing recovery of the amount owed and this is generally difficult.
- 3.33 In addition, the Council has an earmarked reserve, which relates to Government grants not fully utilised from previous years to fund initiatives to prevent the incidence of homelessness occurring. This is overseen by the Housing and Community Services Committee.

Housing Benefit Overpayments

- 3.34 These relate to overpayments whether they have occurred through processing error, claimant misinformation or fraud. The recovery is usually slow and may take several years where an overpayment is being deducted from on-going benefit. Depending on how the overpayment occurred, on average, around 40% is reimbursed through the housing benefit subsidy system in the year that the overpayment occurred.

Net Cost of Housing Benefit

- 3.35 The cost of Housing Benefits decreased overall by £110k as shown in the following table.

	Estimate £'000	Actual £'000	Variance £'000
Rent Allowances Paid	8,043	8,118	75
Rent Allowances Subsidy	-7,809	-7,785	23
Net Cost of Rent Allowances	234	333	99
Rent Rebates Paid	4,930	4,962	33
Rent Rebates Subsidy	-4,881	-4,889	-9
Net Cost of Rent Rebates	49	73	24
Net Cost of Benefits Paid	283	406	123
Overpayments Recovered (Rent Allowances)	-150	-406	-256
Overall Cost of Housing Benefit	133	-0	-133

- 3.36 The cost of benefits falling on the Council is sensitive to small changes given the amount involved. It is important that the Council maximises its subsidy through robust processing. The total cost of benefits paid and administered was approximately £13m in 2020/21.
- 3.37 The previous table shows that the net cost of benefits paid was approximately £133k less than that estimated. Overpayments recovered were budgeted at £150k against

an actual recovery of £406k. Any overpayments recovered are a direct benefit to the General Fund.

Retained Business Rates

3.38 An analysis of income retained directly in the General Fund is shown in the following table.

	£
Precept	11,089,480
Tariff paid to Derby City Council	-6,631,195
Pool Contribution 2020/21	-710,436
Pool Contribution 2019/20	-160,366
Deficit	-3,715,725
Business Rates Reliefs	3,693,325
Taxation Income Guarantee	215,469
Retained Business Rates	3,780,552
Reversal of Current Year Deficit	3,715,725
Declared Surplus	18,957
Earmark S31 Reliefs	-3,263,164
General Fund Receipt	<u>4,252,070</u>

3.39 Business rates generated a large deficit in 2020/21 which was covered by the Taxation Income Guarantee grant and Business Rates Reliefs. The deficit for the year totalled £9,289,313 and the Council's share of 40% is listed in the table above. Increases in Appeals and Bad Debt plus lower Business Rates chargeable due to Reliefs was the cause for the deficit; *this is detailed later in the report from paragraph 3.52.*

3.40 The estimated budget for Business Rates was £4,191,978 and due to the reversal of the Deficit in year, the Council has performed favourably.

3.41 In year, the Council received large sums of Section 31 relief from the Government for compensation in applying large reliefs to Businesses through out the pandemic. As part of the year-end process, £3,263,164 has been earmarked to cover the reversal of the Deficit seen in year in future years. Although the sum is lower than the Deficit, the Council has a surplus in reserve to rely on and this earmarked sum has been reviewed in detail.

Transfers between Reserves

3.40 Numerous transfers are required between the General Reserve and other Reserves held by the Council as part of the year-end process. These transfers are split between expenditure that is incurred and financed from earmarked reserves, together with amounts received in advance and capital receipts, which need to be transferred into earmarked reserves to meet future expenditure.

3.41 In addition, certain budget mangers have made requests to transfer underspends from budgets in the year into 2021/22, to meet on-going commitments. Several of these have already been approved by the Committee. All proposed transfers are detailed in the following table.

Transfers between General Reserve and Other Reserves 2020/21

Transfers from General Reserve to other Usable Reserves		£'000
NNDR Relief for Future Year Deficit		3,263
New Burdens COVID Support		349
Vehicle Replacement Fund		315
District Growth		222
Local Authority COVID Support Remainder		181
Biodiversity Woodville Regeneration Route		158
ICT Strategy Contribution		125
Council Tax Support Hardship Scheme Underspend		99
Flooding Community Recovery Fund		92
Homelessness Prevention		76
Cultural Service Restructure Provision - previously approved		69
S106 movement in year		50
Rosliston Capital Contribution		50
Public Buildings Planned Maintenance and Asset Renewal		38
Land Charges Software Support		35
Welfare Reform, Fraud and Compliance		35
TIC Provision for Town Centre Unit		30
Finance Staffing and Resource - to support Payroll transfer		20
Get Active in the Forest contribution		19
Youth Engagement Contribution		14
Health Partnership contribution		13
Safer Communities		11
Corporate Training		9
Environmental Education		8
Planning Policy S106 Fee - new reserve		5
Public Open Spaces Contribution		3
		5,288
Transfers from other Usable Reserves to the General Reserve		£'000
Planning Reserve Drawdown		-5
Commuted Sums Drawdown		-15
Pension Reserve Drawdown		-39
Economic Regeneration Drawdown		-68
Garden Village Drawdown		-78
		-205
		5,083
Accounting Adjustments between General and other Reserves		
Transfer of pension deficit adjustments to Pension Reserve		-1,222
Accounting Adjustments transferred to Unusable Reserves		-5,855
Transfer of land sales to Capital Receipts and Deferred Capital Receipts Reserve		855
		-6,222
TOTAL ADJUSTMENTS		-1,140

3.42 **Appendix 3** details the proposed adjustments to Earmarked Reserves. The overall effect on the General Reserve following the surplus on the General Fund, together with these transfers to other Reserves is detailed in Section 5.

COVID-19 PANDEMIC

3.43 At the start of the pandemic, the Government issued a variety of grant funding to support local authorities with losses in income and additional expenditure. The Council has received £1.4m in direct support plus a number of other grants for additional duties.

3.44 The following table shows the grant income received, costs incurred during 2020/21, income losses and shows the proposed carry forward balance to support the Council in 2021/22.

	£
Tranche 1	-44,449
Tranche 2	-1,068,691
Tranche 3	-156,241
Tranche 4	-169,839
Total Funding	-1,439,220
Agency	234,166
Council Tax and Business Rates Court Fees	192,238
ICT, Software, Licences and Home Working	109,574
Rosliston Income Losses	96,129
Leisure Centre Income	95,903
Community Centre and Environmental Education Income	64,029
Licensing, Land Charges and Street Naming Income	62,906
Overtime	60,010
Recycling Costs	56,284
Kennelling Costs	46,490
Rental Income Losses	45,826
Activity Income Losses	41,133
Trade Waste Income Losses	38,289
PPE	33,207
Contribution to East Midlands Gateway	22,235
Discretionary Grant Awards	17,700
Cemetery Income	15,545
Vehicle Hire	14,827
Void Cleaning	4,500
Signage, Warning Tape and Printing	4,029
Temporary Accommodation Furniture	2,981
Total Known Impact	1,258,002
Remaining Funding	<u>-181,218</u>

3.45 The figures quoted above are all actual incurred. The balance of £181,218 has been earmarked awaiting feedback from the Government on the final return submitted.

3.46 Agency and vehicle hire have been incurred to ensure service delivery remains uninterrupted for waste collection. Agency and overtime costs have also been

incurred to support with the added pressure on homelessness and for business grants.

- 3.47 Income losses have now been adjusted and are a reflection of the income usually generated by the Council in a normal year.
- 3.48 Court fee income is normally in excess of £200k for Council tax and Business Rates but due to the closure of the courts it has been impossible to secure this level of income in year.
- 3.49 As noted earlier in the report, the Council has incurred large costs for kennelling and vet bills for animals seized under the Animal Welfare Act.
- 3.50 Leisure Centre closures during the pandemic have resulted in the contractor who manages both Etwall and Green Bank Leisure Centres being unable to pay the Council the contractual income due.
- 3.51 Additional costs for recycling have been incurred in year due to the volume of waste being collected. Due to the Recycling contractor filing for liquidation, the Council has incurred additional costs through agency and staffing plus vehicle hire.
- 3.52 The Committee set aside £100k for discretionary grant funding of which only £17,700 has been utilised. The remaining balance is to be carried forward as part of the £181,218 remaining on the fund.

THE COLLECTION FUND

- 3.43 The Collection Fund is the statutory account that records the collection of Council Tax and Business Rates and shows how that income has been distributed to the Government and other Preceptors on the Fund, including this Council.
- 3.44 During the year, income from Council Tax and Business Rates was lower than estimated, mainly due to the pandemic. The final outturn on the Fund for 2020/21 is detailed in **Appendix 2**.

Council Tax collectable

- 3.45 Overall collection generated a surplus in the year of £107k. This maintained a cumulative fund balance of £2,616k as at 31 March 2021 – an reduction of £949k compared to that estimated. This was mainly due to an increase in the bad debt provision and less growth than forecast.
- 3.46 The amount due to South Derbyshire is approximately £270k (*10.3% of £2,616k*). This amount remains in the Collection Fund pending the 2021/22 budget round, when the surplus on the Fund has to be declared in setting the Council Tax for the following year. Depending on the on-going performance of Council Tax, at this point any surplus due to the General Fund will be included in the MTFP. At this stage, it is not expected that the Fund will fall into deficit given the current positive balance, but this will be kept under review.

Business Rates

- 3.47 As highlighted earlier in the report, this part of the Fund generated a large deficit in 2020/21 of £9,289k, compared to an estimated surplus of £1k. This was due to significant Business Rates reliefs (funded by the Government) resulting in lower

chargeable rates plus an increase in both Appeals and Bad Debt Provisions due to the pandemic.

Business Rates Appeals

- 3.48 Under accounting regulations, the Council must provide against a certain number of appeals being successful.
- 3.49 During 2020/21, an increase in businesses appealing against the latest 2017 Valuation list has been seen. Although the Government has legislated that appeals due to the pandemic will not be heard and these have therefore been removed, there has still been a substantial increase in other appeals.
- 3.50 The provision for appeals bought forward from 2019/20 was £1.74m. This was increased to £2.54m after a review of the movement of outstanding appeals on file. Although the Government are supporting losses, income from Business Rates remains a risk to the Council's overall financial position.

4.0 HOUSING REVENUE ACCOUNT (HRA)

- 4.1 The Council is required to account separately for income and expenditure in providing Council Housing. The approved HRA Budget for 2020/21 was set with a surplus of £171k.

Final Outturn 2020/21

- 4.3 Final performance on the HRA is shown in the following table.

HRA SURPLUS 2020/21			
Summary HRA 2020/21	BUDGET £000	ACTUAL £000	PROJECTED VARIANCE £000
Total Income	-12,618	-12,546	-72
Contribution to Capital & New Build	2,935	2,935	0
Responsive & Planned Maintenance	3,345	3,543	-198
Interest Payable and Receivable	1,713	1,378	335
Supervision & Management	1,780	1,754	26
Supported Housing & Careline Services	839	884	-45
Provision for Bad Debts	100	65	35
Provision for Debt Repayment	1,542	1,536	6
Asset Replacement Contribution	45	45	0
Contingent Sums	148	236	-88
Surplus	-171	-170	-1

- 4.4 The table shows that the HRA generated a surplus in line with that expected but there were some more significant variances within the overall variance figure of £1k as shown in the above table.
- 4.5 Interest on debt was lower due to the interest rate on the variable element of the debt portfolio (£10m) having been settled at 0.35% compared to that budgeted of 2.50%. Interest received from investments was also significantly higher than budgeted due to the Council having more funds on deposit than in previous years as noted earlier in the report.

Other Variances

- 4.6 The main favourable variances related to supervision and management and repairs and maintenance. There were savings made in year on vacancies (£400k) and training (£11k) but these were more than offset by agency costs (£471k) to support services.
- 4.7 Repairs and maintenance costs increased as the year progressed, and some headway has now been made on planned works and void dwellings. During 2019/20 this area had underspent due to a delay to the start of a new contractor. The pandemic initially delayed works at the beginning of the year but during the final quarter the pace of works has increased.
- 4.8 Capital expenditure in year was lower than budgeted. The contribution to capital from revenue resources is a statutory requirement through a depreciation charge. Depreciation charged to revenue is then reversed in reserves but can only be used to fund capital items. In year, the depreciation was lower than initially forecast due to a smaller movement than expected on revaluation of dwellings. An additional contribution of £700k has also been made to fund future capital projects.
- 4.9 Rental income was lower in year due to void properties. Right to Buy losses have been lower than budgeted in year which has aided the reduction in income. Right to Buy is a significant risk to the HRA and it is considered that the pandemic helped slow the losses, but these are likely to pick up as 2021/22 progresses. Void losses however should reduce as turnaround of dwellings improves.
- 4.10 As noted earlier in the report, the recharge from the General Fund to the HRA was higher by £11k in year.
- 4.11 The provision for bad debts is based on the level of rent arrears at each year-end. The level of arrears and associated bad debts provision is shown in the following tables.

	2019 £	2020 £	2021 £
Leaseholders	6,071	3,804	615
Current Tenants	300,512	435,928	459,228
Former Tenants	100,527	114,849	118,271
	407,110	554,581	578,114

- 4.12 The level of arrears has increased by £24k in the year. The bad debt provision required has increased from £369k to £423k, with an increase of £65k after write-offs (compared to an estimate of £100k) required as shown in the following table.

	£
Bad Debt Provision B/fwd	369,067
Less write-offs	-10,482
Remaining Provision	358,585
Provision Required	423,086
Top up	64,501

- 4.13 Universal credit is starting to show an impact on arrears which has been compounded by the pandemic and the Housing team are working with tenants and monitoring the arrears position closely.
- 4.14 Overall, the effect of the HRA surplus on the HRA's General Reserve is detailed in **Section 5**.

5.0 RESERVES

General Fund Reserve

- 5.1 Following the out-turn figures detailed in *Section 3*, the position on the General Fund Reserve Balance is summarised in the following table.

General Fund Reserve	Budget £'000	Actual £'000	Variance £'000
Balance b/fwd 1st April 2020	-12,605	-12,605	0
Add: Deficit / (Surplus) for the Year	-478	-588	-110
Add: Asset Replacement and Renewal Fund Contribution	540	540	0
Add: ICT and Digital Strategy Contribution	210	210	0
Add: Funding for Capital Projects	865	416	-449
Add: Accumulated Absences Adjustment	0	-26	-26
Transfer to Earmarked, Capital and Unusable Reserves	0	-1,140	-1,140
Closing Balance as at 31st March 2021	-11,468	-13,193	-1,725

- 5.2 The table shows that the level of general reserves was greater than estimated at March 2021 by around £1.7m, after allowing for the transfers in reserves of £1.1m as detailed in Section 3 of the report. This improved position is due to a better out turn as detailed in Section 3 plus a lower capital cost of £449k. The above balance is still subject to audit.
- 5.3 The contributions towards capital works that were unspent in year will be maintained in the Reserve. They will be drawn down as expenditure is incurred to complete the relevant schemes in 2021/22. The effect of the 2020/21 out-turn on the longer-term General Fund Balance, will be reported to the Committee at its meeting on 26 August 2021.

Earmarked Reserves

- 5.4 The Council maintains earmarked reserves that are held, at the Council's discretion, for specific purposes. These are to meet one-off items of expenditure, together with areas where costs are incurred over several years, for example, vehicle and ICT replacements together with repairs and maintenance and where external funding may be received in advance of expenditure.
- 5.5 Annual contributions are made to these reserves from other accounts and reserves, and they are drawn down to finance expenditure in revenue and capital accounts as required.
- 5.6 Once established, earmarked reserves can only be used for that specific purpose. Other reserves may be established through a legal agreement or contractual commitment.
- 5.7 The Council's earmarked reserves are detailed in **Appendix 3**. This shows the overall change on individual balances during 2020/21, including the appropriations detailed earlier in the report in Section 3.

Housing Revenue Account (HRA) Reserve

- 5.8 Section 4 detailed the final account of the HRA, and this highlighted a surplus for 2020/21 of £170k.

5.9 The HRA reserve balance totals £8.42m as at 31 March 2021 and is the balance expected in the MTFP.

5.10 The reserve balance is shown in the following table.

HRA General Reserve	Budget £'000	Actual £'000	Variance £'000
Balance b/fwd 1st April 2020	-8,260	-8,260	0
Add: Surplus for year	-171	-170	1
Closing Balance as at 31st March 2021	-8,431	-8,430	1

7.0 Financial Implications

7.1 As set out and detailed in the report.

8.0 Corporate Implications

8.1 As detailed in the report.

9.0 Community Implications

9.1 The production of financial information in a timely manner is an important part of stewardship and accountability for public resources. It aims to give electors, those subject to locally levied taxes and charges, Elected Members of the Council, employees and other interested parties clearer information about the Council's finances and its financial standing.

10.0 Background Papers

10.1 None

GENERAL FUND OUTTURN 2020/21

APPENDIX 1

Cost Centre	Actual £	Budget £	Accounting Adjustments £	(Surplus) / Deficit £	Comment
Emergency Planning	15,505	16,000	0	-495	
Local Land Charges	70,091	-3,196	0	73,287	Favourable salaries £61k, fees £17k; adverse agency £151k
Grounds Maintenance	524,711	658,899	-4,113	-138,301	Favourable salaries £119k, HRA recharge £14k, training £5k
Countryside Recreation & Management	14,478	14,404	0	73	
Tourism Policy, Marketing & Development	59,014	66,071	7,057	0	Earmarked
Food Safety	111,447	85,926	0	25,521	Favourable salaries £59k, fees £26k, prof fees £7k; adverse agency £118k
Pollution Reduction	318,097	320,971	-274	-3,149	Favourable training £3k, fees £11k; adverse prof fees £8k, subs £3k
Pest Control	12,700	18,255	0	-5,555	Favourable salaries
Public Health	989	200	0	789	Adverse County contribution
Licensing	6,055	4,379	0	1,676	Favourable salaries £21k, training £4k, prof fees £5k; adverse agency £32k
Public Conveniences	58,372	56,245	-16,061	-13,934	Favourable grants £12k, utilities £2k
Community Safety (Safety Services)	201,039	175,289	0	25,750	Favourable materials £13k; adverse Animal Welfare Act £39k
Street Cleansing (not chargeable to highways)	375,687	390,641	-36,531	-51,485	Favourable salaries £29k, training £4k, materials £12k, recharge £3k, prof fees £3k
Household Waste Collection	1,845,442	1,596,007	-140,144	109,291	Favourable salaries £37k, extra collections £38k, County income £44k, TPP £37k; adverse agency £223k, vehicle hire £16k, materials £22k, insurance £4k
Trade Waste Collection	-173,553	-101,171	0	-72,382	Favourable waste collection £42k, fees £44k; adverse materials £6k, TPP £8k
Recycling	344,210	418,435	0	-74,225	Favourable County income £150k, TPP £6k; adverse salaries £21k, agency £45k, vehicle hire £16k
Operational Services Central Admin	203,231	212,166	0	-8,936	Favourable salaries £7k, subs £2k
Building Regulations	35,200	35,200	0	0	

Planning Delivery	325,785	254,915	-45,999	24,872	Favourable salaries £55k, appeals £25k, training £9k; adverse fees £6k, agency £108k
Planning Policy	235,773	301,605	40,960	-24,871	Favourable grant income
Street Naming and Numbering	7,303	13,207	0	-5,904	Favourable fees
Environmental Education	78,905	86,423	7,518	-0	Earmarked
Promotion and Marketing of the Area	243,446	267,613	23,236	-931	
Community Development	8,720	10,000	0	-1,280	Favourable grant payments
Environmental Maintenance (Other Roads)	-7,308	-1,281	0	-6,027	Favourable gully cleansing
Off-Street Parking	127,238	98,667	-35,364	-6,794	Favourable utilities
Welfare Services	4,570	1,800	0	2,770	Adverse welfare funeral costs
Public Transport	16,988	28,999	0	-12,011	Favourable bus shelter cleaning
Transport Services	612,461	602,775	-2,344	7,342	Favourable salaries £17k, fuel £33k, HRA recharge £5k; adverse insurance £11k, spare parts £51k
Environmental and Development Services Total	5,676,594	5,629,445	-202,060	-154,911	

General Grants, Bequests & Donations	299,278	300,594	0	-1,316	Favourable grant payments
Melbourne Leisure Centre	42,841	2,463	-40,238	140	
Arts Development & Support	14,160	15,290	0	-1,130	Favourable prof fees
Events Management	101,870	124,106	0	-22,236	Favourable salaries £11k, NNDR £2k, events £9k
Midway Community Centre	48,167	12,316	-39,989	-4,138	Favourable utilities
Stenson Fields Community Centre	360	14,746	0	-14,387	Favourable NNDR £7k, fees £7k
Community Centres	202,157	263,719	60,536	-1,026	Favourable fees
Get Active in the Forest	10,015	28,779	18,763	-0	Earmarked
Sports Development & Community Recreation	178,742	165,004	-13,738	-0	Earmarked
Indoor Sports & Recreation Facilities	611,621	436,657	-175,186	-222	
Outdoor Sports & Recreation Facilities (SSP)	-9,670	2,938	12,609	0	Earmarked
Playschemes	-8,026	19,949	27,976	0	Earmarked
Allotments	-953	-1,212	0	259	
Village Halls	0	4	0	-4	

Rosliston Forestry Centre	185,955	214,623	23,668	-4,999	Favourable salaries £16k, insurance £9k, utilities £17k, laundry £15k, materials & R&M £50k (earmarked), adv £9k, bank chgs £4k, prof fees £4k; adverse fees £69k
Cemeteries	-4,211	17,797	-126	-22,134	Favourable fees
Closed Churchyards	3,353	6,230	0	-2,877	Favourable repairs
Housing Standards	91,609	82,978	0	8,632	Favourable fees £3k; adverse salaries £4k, prof fees £8k
Community Safety (Crime Reduction)	116,703	128,443	11,740	0	Earmarked
Defences Against Flooding	57,667	51,987	0	5,679	Adverse grounds fees £1k, HRA recharge £4k
Market Undertakings	1,520	589	0	932	Adverse subscriptions
Housing Strategy	95,610	95,803	0	-193	
Administration of Renovation & Improvement Grants	44,532	50,813	0	-6,280	Favourable salaries
Bed / Breakfast Accomodation	4,356	6,500	2,144	0	
Pre-tenancy Services	115,719	189,924	74,206	0	
Other Housing Support Costs (GF)	13,245	25,487	0	-12,241	Favourable fees (higher charge than budgeted)
Community Parks & Open Spaces	317,432	281,132	-36,300	-0	
Housing and Community Services Total	2,534,053	2,537,659	-73,934	-77,541	

Democratic Representation & Management	92,923	83,003	0	9,921	Favourable salaries £17k, training £1k, subs £3k, comp main £2k; adverse agency £8k, Cllr complaints £21k, HRA recharge £4k
Corporate Management	63,674	63,905	0	-230	
Corporate Finance Management	38,550	37,114	0	1,436	Favourable HRA recharge £3k; adverse audit fees £4k
Funded Pension Schemes	209,663	278,341	0	-68,678	Overbudgeted added years charges
Planning Agreements	-137,918	0	137,919	1	
Increase/Decrease in Provision for Bad or Doubtful Debts (GF)	112,962	100,000	0	12,962	Benefits £65k, sundry £39k, B&B £9k
Council Tax Collection	85,495	100,110	0	-14,615	Favourable salaries £7k, training £3k, court costs £4k
Non Domestic Rates Collection	-87,885	-84,500	0	-3,385	Favourable court costs
Elected Members	306,484	316,031	0	-9,547	Favourable Cllr allowances, expenses & training £26k, prof fees £10k; adverse HRA recharges £26k

Registration of Electors	19,687	58,729	0	-39,043	Annual canvas under review - saving expected
Conducting Elections	139,956	163,773	0	-23,817	No election during 20/21
Parish Councils	417,375	417,441	0	-67	
COVID-19 Emergency Fund	-280,311	0	280,311	-0	Earmarked
Business Change	96,674	100,361	0	-3,687	Favourable salaries £3k, comp maintenance £7k, HRA recharge £22k; adverse agency £21k, training £7k
Digital Services	125,591	149,219	0	-23,627	Favourable salaries £7k, printing £16k, comp maintenance £4k; adverse training £3k, recruitment £8k
Concessionary Fares	-9,791	0	9,791	0	Earmarked
Rent Allowances Paid	-63,276	94,266	0	-157,542	} Detail included within report
Rent Rebates	72,850	48,809	0	24,041	
Revenues & Benefits Support & Management	282,368	282,368	0	-0	
Housing Benefits Administration	75,344	143,925	30,544	-38,037	Favourable salaries £28k, training £8k, periodicals £2k
Corporate Fraud	61,740	44,500	-17,240	0	Earmarked
Caretaking	116,844	122,100	0	-5,256	Favourable salaries £11k, County recharge £11k; adverse agency £6k, HRA recharge £11k
Senior Management	437,567	427,426	0	10,140	Favourable salaries £11k; adverse HRA recharge £21k
Financial Services	384,405	433,607	20,000	-29,202	Favourable training £14k(earmarked), prof fees £12k (less £6k earmarked), HRA recharge £48k; adverse salaries £25k
Internal Audit	108,667	108,340	0	328	Favourable HRA recharge £2k; adverse inflation £2k
Merchant Banking Services	58,718	69,942	0	-11,223	Favourable bank charges £4k, HRA recharge £7k
ICT Support	699,863	635,281	-54,524	10,057	Favourable salaries £14k, prof fees £7k; adverse training £5k, agency £3k, HRA recharge £23k
Legal Services	216,698	250,898	35,000	800	Favourable salaries £139k (less £35k earmarked), training £3k, fees £4k; adverse agency £80k, recruitment £7k, HRA recharge £25k

Performance and Policy	35,646	37,841	0	-2,195	Favourable HRA recharge £3k; adverse salaries £1k
Personnel/HR	350,394	358,598	8,550	346	Favourable salaries £25k, corp training £9k (earmarked), HRA recharge £13k; adverse medical fees £10k, audit & investigation costs £24k, comp maintenance £4k
Communications	86,725	96,989	0	-10,264	Favourable salaries £2k, training £1k, HRA recharge £23k; adverse agency £16k
Customer Services	493,743	505,542	11,799	-0	Earmarked
Health & Safety	40,661	50,531	0	-9,870	Favourable salaries £5k, HRA recharge £1k, tools £3k, training £1k
Admin Offices & Depot	764,700	524,260	-192,355	48,085	Favourable salaries £4k, insurance claim £13k, NNDR £6k, utilities £2k; adverse recycling bins £4k, comp maintenance £2k, vehicle hire £3k, HRA recharge £32k
Estate Management	-304,743	-254,409	-71,087	-121,422	Favourable salaries £25k, repairs £10k, income £80k, insurance claim £6k, HRA recharge £2k; adverse NNDR £2k
Protective Clothing	26,358	23,250	0	3,108	HRA recharge
Procurement	11,911	17,033	0	-5,123	HRA recharge
Interest & Investment Income (GF)	-245,224	-177,738	0	-67,487	Investment income
IAS19 Pensions Adjustment (GF)	1,221,721	0	-1,221,721	-0	
External Interest Payable (GF)	29	700	0	-671	
Finance and Management Total	6,126,837	5,627,588	-1,023,014	-523,765	

Taxation & non specific grant income (GF)	-15,066,280	-14,242,097	-102,915	-927,098	NNDR, Ctax and NHB
Contingent Sums (GF)	0	-74,001	-351,685	-277,685	Savings on Refuse - trf to 21/22
Other Operating Income & Expenditure (GF)	517,859	43,627	373,793	848,025	Parish Precept
Other Reserve Adjustments	0	0	525,112	525,112	Capital contributions to Earmarked
Other Operating Income and Expenditure Total	-14,548,422	-14,272,470	444,305	168,354	

GENERAL FUND SURPLUS 2020/21

-210,938 -477,778 -854,703 -587,863

Collection Fund Account 2020/21

	Actual 2019/20	Estimate 2020/21	Actual 2020/21	Variance 2020/21
	£'000	£'000	£'000	£'000
COUNCIL TAX - INCOME & EXPENDITURE				
Council Tax collectable	62,162	65,270	65,215	-55
County Council Precept	-44,054	-46,517	-46,517	0
Police and Crime Commissioner Precept	-7,213	-7,812	-7,812	0
Fire and Rescue Authority Precept	-2,538	-2,680	-2,680	0
SDDC Precept	-5,405	-5,704	-5,704	0
SDDC Parish Precepts	-798	-848	-848	0
Bad Debt Provision Movement	337	-653	-1,547	-894
Surplus for the year	2,491	1,056	107	-949

COUNCIL TAX BALANCE				
Opening balance as at 1st April	1,819	3,310	3,310	0
Surplus paid to County Council	-734	-587	-587	0
Surplus paid to Police and Crime Commissioner	-111	-96	-96	0
Surplus paid to Fire and Rescue Authority	-45	-34	-34	0
Surplus paid to SDDC	-110	-83	-83	0
Surplus for the year (as detailed above)	2,491	1,056	107	-949
Closing balance as at 31st March	3,310	3,566	2,617	-949

BUSINESS RATES - INCOME & EXPENDITURE				
NNDR collectable	27,253	27,756	19,572	-8,184
Central Government Precept	-13,398	-13,862	-13,862	0
SDDC Precept	-10,718	-11,089	-11,089	0
County Council Precept	-2,412	-2,495	-2,495	0
Fire and Rescue Authority Precept	-268	-277	-277	0
Cost of Collection	-91	-92	-91	1
Transitional Protection Payments	635	456	341	-115
Bad Debt Provision Movement	-183	-311	-589	-278
Provision for Appeals	241	-85	-799	-714
Surplus / Deficit (-) for the year	1,059	1	-9,289	-9,290

BUSINESS RATES BALANCE				
Opening balance as at 1st April	-377	1,155	1,155	0
Deficit paid by Central Government	-286	36	36	0
Surplus paid to County Council	460	-40	-40	0
Surplus paid to Fire and Rescue Authority	5	0	0	0
Surplus paid to SDDC	294	-19	-20	-1
Deficit for the year (as detailed above)	1,059	1	-9,289	-9,290
Closing balance as at 31st March	1,155	1,133	-8,158	-9,291

List of Earmarked Reserves 2020/21

	Balance b/fwd April 2020 £	Movement 2020/21 £	Balance c/fwd March 2021 £
Specific Grants/Earmarked Reserves			
Homelessness Prevention	267,794	76,350	344,144
Schools Sport Partnership Project	255,949	12,609	268,558
Rosliston Forestry Centre - Capital Works	125,290	50,154	175,444
Rosliston Forestry Centre - Café Reserve	40,573	0	40,573
IT Reserve (incl HRA)	635,927	230,258	866,185
Local Plan - Consultation and Implementation	145,233	40,690	185,923
Operational Services Public Open Space	146,906	7,834	154,740
Vehicle, Plant and Replacement Fund (incl HRA)	352,085	790,011	1,142,096
Environmental Education	16,414	7,518	23,932
Dilapidation Works - Factory Site as per Lease Agreement	10,869	-1,635	9,234
New Town Centre Project Fund	43,717	0	43,717
Land Charges Software Support	0	35,000	35,000
Planning - Staffing and Support Costs	138,775	-45,999	92,776
Planning - 20% Fee Increase	90,598	0	90,598
Software upgrades to GIS/LLPG	9,000	0	9,000
Biodiversity Enhancements - Swadlincote Woodville regeneration route	0	157,638	157,638
Flooding - Community Recovery Fund	0	91,500	91,500
Cultural Services Restructure Provision	0	69,101	69,101
New Burdens - COVID-19 Support	0	349,300	349,300
Local Authority Support COVID-19	0	181,218	181,218
NNDR Relief Overpayment Provision	0	3,263,164	3,263,164
Council Tax Support Scheme - Hardship Fund	0	99,093	99,093
Pensions Reserve	130,288	-38,794	91,494
Corporate Training	63,035	8,550	71,585
Welfare Reform, Fraud & Compliance	291,867	34,894	326,761
District Growth	1,121,759	-208,405	913,354
Business Change and Transformation	52,000	0	52,000
Garden Village Fund	77,854	-77,854	0
S106 Planning Policy Fee	0	5,000	5,000
EU Exit Funding	52,452	0	52,452
Economic Regeneration Fund	1,000,000	-68,481	931,519
Building Control Transition	13,709	0	13,709
Public Buildings Maintenance	251,463	-52,351	199,112
Asset Replacement and Renewal Fund	194,316	90,000	284,316
Cultural Services Public Open Space	412,775	-5,306	407,469
Parks Improvement Fund	16,071	0	16,071
Finance Staffing and Resource Costs	30,000	20,000	50,000
District Conservation Works	10,000	0	10,000
Swadlincote Woodlands - S106	39,949	0	39,949
Tourist Information Centre Premises Provision	0	30,293	30,293
South Derbyshire Partnership Reserve	4,617	0	4,617
Community Safety and Crime Reduction	362,460	11,105	373,565
Young People's Cultural Partnership / Arts Development	7,306	0	7,306
Public Open Space - Commuted Sums	486,695	-15,000	471,695
Youth Engagement Partnership	584,029	14,238	598,267
Get Active in the Forest Partnership	73,423	18,763	92,186
Maurice Lea Park NHLF Grant	23,012	0	23,012
Tetron Point Storm Water Basin - S106 UK Coal	53,012	0	53,012
Total	7,631,221	5,180,456	12,811,677
Section 106 - Earmarked Funds	10,319,539	50,205	10,369,744

TOTAL EARMARKED/SPECIFIC RESERVES

17,950,760 5,230,661 23,181,421

