Present: Councillor Gary Hewson *(in the Chair)*, Councillor Thomas Dyer, Councillor Rebecca Longbottom, Councillor Bill Mara, Councillor Lucinda Preston, Councillor Pat Vaughan and Councillor Loraine Woolley

Apologies for Absence: Councillor Helena Mair and Councillor Laura McWilliams

17. Declarations of Interest

No declarations of interest were received.

18. Financial Performance - Quarterly Monitoring

Jaclyn Gibson, Chief Finance Officer:

a) presented Performance Scrutiny Committee with the first quarter's performance (up to 30 June 2020) on the Council's:
   - General Fund
   - Housing Revenue Account
   - Housing Repairs Service
   - Capital Programmes

b) Reported as follows:

   - **General Fund Revenue Account** – for 2020/21 the Council's net General Fund revenue budget was set at £12,963,220, including a planned contribution from balances of £286,310 (resulting in an estimated level of general balances at the year-end of £2,522,188, after allowing for the 2019/20 outturn position)

   - The General Fund Summary was currently projecting a forecast over spend of £78,802 as shown in Appendix A of the report. Although this was a relatively minor overspend in comparison to the net budget there were a significant number of forecast year-end variations in income and expenditure against the approved budget, primarily as a result of Covid-19 along with variances arising from measures taken to address the budget pressures and the financial support provided by Government. Key variances were detailed in the table in paragraph 3.2 of the report and the main variances were detailed in Appendix B.

   - In response to the emergency situation arising in March 2020, the Council had to adjust its service provision to meet the needs of its users and residents as well as establish new services/response cells and meet increased costs through contractual arrangements. This increased costs across a range of services including:
     - Setting up the Civic Society (including the befriending service) and Business Support cells
     - Moving rough sleepers into temporary accommodation
     - Provision of PPE and COVID secure status for Council services and buildings

- Requirements under existing contracts for services
- Increased demand on the Revenues and Benefits Service
- Increased demand on Licensing and Health & Safety Teams
- Other costs

- In total the estimated cost in supporting the response to the emergency situation and recovery phase, as well as meeting rising demand for some services was currently estimated to be £0.518m in the General Fund.

c) advised that the most significant of income losses had been:
- Car parking
- Development Management, Land Charges & Building Control
- Leisure, Recreation & Tourism
- Christmas Market
- Commercial Rents
- Treasury Management
- Court Cost charges
- Other Income areas

d) detailed financial support received from Government had been provided through a package of measures:

- £3.7bn of un-ringfenced funding to respond to spending pressures – from this allocation of funding the Council had received three allocations totalling £1,254,696.
- An income compensation scheme. Recognising the unprecedented impact, the pandemic had on councils' income the government was introducing a scheme to compensate for these losses. The new income loss scheme involved a 5% deductible rate, whereby councils paid the first 5% of all lost planned sales, fees and charges income, with the government compensating them for 75p in every pound of net loss.
- Targeted grants in relation to specific cost pressures and new burdens arising during Covid-19, for the Council which included:

  - New Burdens: Business Support Grants - £130,000
  - Rough Sleepers - £20,250
  - Test & Trace - £41,383 (currently allocated in line with expenditure)

e) reported that the total package of financial support was currently estimated to be £4.046m which still left the General Fund facing a budget shortfall of £2.194m, prior to the offset of any expenditure savings arising as a result of Covid-19.

f) detailed a range of measures aimed at reducing expenditure in the current financial year as follows:

- Budget Review
- Coronavirus Job Retention Scheme
- Towards Financial Sustainability
- Direct Revenue Finance (DRF)
- Covid19 Earmarked Reserve

g) reported in relation to the Housing Revenue Account that:

- For 2020/21 the Council's Housing Revenue Account (HRA) net revenue budget was set at £75,000, resulting in an estimated level of general balances at the year-end of £921,071, after allowing for the 2019/20 outturn position.
- The HRA was projecting an in-year variance of a £182,615 underspend, which would increase the General Balances to £1,103,686 at the end of 2020/21.

- In response to the emergency situation arising in March 2020, the Council had to adjust its service provision in order to meet the needs of its tenants. This had increased costs as follows:

    - Establishment of Housing Rent Hardship Fund
    - Provision of PPE and COVID secure status for HRA services and buildings

- The more significant pressure facing the HRA was in relation to its income streams, primarily it's housing rent income, as follows:

    - Housing Rents
    - Housing Voids
    - Treasury Management
    - Court Cost charges

- The HRA could not absorb this level of budget shortfall without a range of measures aimed at reducing expenditure in the current year. The proposed measures were as follows:

    - Budget Review
    - Coronavirus Job Retention Scheme
    - Savings through Repairs and Maintenance
    - Earmarked Reserves

h) reported on the Housing Repairs Service as follows:

- For 2020/21 the Council's Housing Repairs Service net revenue budget was set at zero, reflecting its full cost recovery nature
- At quarter 1 HRS was forecasting a surplus of £44,853 in 2020/21 (appendix E provided a forecast HRS Summary), with full details of the main variances provided in appendix F.

i) updated the committee in respect of the Capital Programme as follows:

- The original General Investment Programme for 2020/21 in the MTFS 2020-25 amounted to £15.586m. This was increased to £16.430m following quarter 4 approvals and year end re-profiles from 2019/20
- The overall spending on the General Investment Programme for the first quarter was £0.12m, which was 0.73% of the 2020/21 programme and 1.01% of the active programme. This was detailed further at Appendix J.

j) stated that in respect of the Housing Investment Programme:

- The original Housing Investment Programme for 2020/21 in the MTFS 2019-24 amounted to £25.640m. This was increased to £28.505m following approvals and year end re-profiles as part of the 2019/20 outturn. This had been further adjusted to £29.324 during the first quarter of 2020/21
- Expenditure against the HIP budget during the first quarter was £1.407m, which was 4.8% of the programme. A further £2.559m had been spent as at the end of July 2020. The expenditure was detailed further at Appendix L.

k) invited members' comments and questions.

Question: Members asked whether the funding from Government came as a whole or in part payments?

Response: Funding came in two ways – sent as upfront cash payments in respect of grants, of which some had already been received. The compensation payments were anticipated in October and then further in December. These payments helped cash flow along with other grants that had been paid upfront.

Question: Members asked what proportion of budget reductions were due to money no longer needed, and which to services not provided?

Response: The detail to these budget reductions was outlined behind each heading in Appendix M. The budget reductions were a combination of both.

Question: Members asked how many staff were furloughed from the General Fund and the HRA?

Response: All staff were to return when the furlough scheme ended. Of the initial 132 staff furloughed, there were now currently 26 staff still furloughed across the General Fund and the HRA.

Question: Members asked how much had been invested in IT since the lockdown?

Response: Most expenditure occurred in 2019/20 and was around £40k – there had been additional costs of approximately £2k per month during 2020/21.

Question: Members asked whether most of the commercial rents were related to the Travelodge?

Response: Most of the commercial rents were due to the Travelodge CVA and drop off of income at Managed Workspace and The Terrace.

Question: Members asked whether we had information on the financial position of the biggest contributors to Business Rates?

Response: The financial position of businesses regarding Business Rates had was continually monitored. Although, due to accounting treatment, there would be no financial detriment in the current financial year, there would be financial pressures in the future.

Question: Members asked how the cancellation of the Christmas Market would affect car parking income?

Response: A specific assessment of the impact of the market on car parking income had not been undertaken as an overall assessment of car parking income for the year had been completed. Significant losses were forecast, as set out in the report.

Question: Members asked for more detail relating to profit share with partners.

Response: In relation to Leisure Centres, a claim had been made and negotiated.

Question: Members asked what risk assessments had been carried out in the event there was a second lockdown?

Response: A range of scenario planning had been undertaken in relation to income and expenditure forecasts. If there was another lockdown then our income would be affected, however the government compensation scheme would remain in place during the financial year, although the Council would still need to fund every 25p per £1 lost. Staff would be redeployed if needed and there were earmarked reserves set aside to help.

RESOLVED that:

1. The financial performance for the period 1st April to 30th June 2020, the projected outturns for 2020/21 and the impact of Covid19 on the Council's financial position be noted.

2. The underlying impact of the pressures and underspends identified in paragraphs 3.2 (and Appendix B), 4.3 (and Appendix D), and 5.2 (and Appendix F) be noted.

3. The proposed budget revisions to the General Fund as summarised in paragraph 3.18 and the HRA as summarised in paragraph 4.11 be noted.

4. The proposed contributions from earmarked reserves as set out in paragraph 3.19 be noted.

5. The changes to the Housing Investment Programme as approved by the Chief Finance Officer as detailed in paragraph 7.10 of the report be noted.