

## BRECKLAND DISTRICT COUNCIL

**Report of:** Councillor Phillip Cowen, Executive Member for Finance and Growth

**To:** Cabinet, 1 February 2021

**Author:** Alison Chubbock, Chief Accountant

**Subject:** Quarter 3 Financial Performance Report 2020-21

**Purpose:** This report provides information on the forecast full year financial position of the Council as of 31 December 2020

### **Recommendation(s):**

- 1) That the report and appendix be noted.

### **Recommend to FULL COUNCIL:**

- 2) That the income received from the NNDR and Council Tax income compensation scheme be carried forward in reserve to cover the deficits recognised in future years (as detailed in paragraph 1.6).
- 3) That the NNDR S31 grant for expanded retail relief and nursery reliefs received in 2020-21 is carried forward in reserve to cover the deficits recognised in 2021-22 from the lost income as a result of these NNDR reliefs (as detailed in paragraph 1.6).
- 4) That the below budget NNDR levy payment at the end of the year is carried forward in reserve to cover the deficits recognised in future years from the lost income as a result of the pandemic (as detailed in paragraph 1.6).

## **1.0 BACKGROUND**

1.1 Throughout the year quarterly monitoring reports are completed forecasting the expected year end out-turn against the budgets. This report provides information on the forecast full year financial performance as of 31 December 2020 for revenue, capital and treasury, with the detail being included in the attached Appendix.

## **1.2 Revenue**

The full year out-turn based on current projections is on budget spend, with a nil overall variance. Appendix A provides details of the large variances, with the main additional costs relating to the leisure PFI and lost interest income.

Since the revised budget was set, an additional Government grant to help support Councils with budget pressures resulting from the Covid pandemic has been received and we have more certainty on additional costs with each month that passes.

At this time it is recommended that any below budget spend at year end be held in the General Fund, as this is currently at the minimum required balance and we may need to draw on this fund in next financial year as a result of continuing cost and lost income pressures. This forecast shows £101k remaining from the Covid grant funding currently.

### 1.3 **Capital**

The forecast out-turn shows spend of £13,645,371k (93%) against the budget at this stage of the year, with our larger projects continuing well at this stage, despite the pandemic pressures. Below budget spend of £325k is requested to be carried forward as the projects will run into future years, these carry forward requests will be included in the budget setting report to Council in February 2021.

### 1.4 **Treasury**

The investment interest budget is forecasting below budget income of £44k as detailed in the appendix to this report. This partly relates to external loans to a 3<sup>rd</sup> party which are still expected to be made, but the timing is later than when budgeted. This means the income will be achieved but will be lower in this year and higher in future years. Alongside the reduced interest rate environment we are currently operating in.

### 1.5 **Other Issues of Note**

Our Business Rates and Council Tax collection rates have held up well to date, although this has been supported by the various Government initiatives such as NNDR Retail and Nursery reliefs, Business grants and Council Tax support funding. There is a risk that these incomes will drop over the remainder of the year and significant risks on NNDR income next year with estimates included in next years budget.

### 1.6 **NNDR Carry Forward in Reserve**

The lower than anticipated NNDR income this year will result in a reduced levy payment on growth. This under spend will be recognised in this financial year, however the deficit is recognised next financial year due to accounting rules and therefore this report includes a recommendation to carry this levy under spend forward in reserve to next financial year to cover the deficits recognised.

The Government has announced 75% income compensation schemes for lost income in 2020-21 relating to irrecoverable Council Tax and Business Rates (NNDR), with values calculated at the end of the financial year & recognised in the current financial year. As a result of the Covid pandemic, the Government announced expanded NNDR relief for Retail, Hospitality, Leisure and Nurseries which totals around £15m for Breckland. Government have fully recompensed Councils for this lost income through NNDR S31 grants received in the current year.

Both this irrecoverable income and these reliefs create a deficit to the council through lost NNDR and Council Tax income. Due to accounting rules, deficits on Council Tax and NNDR income are recognised in the following year (i.e. 2021-22) however the income compensation will be paid in the current financial year. This report therefore includes a recommendation to Full Council requesting these grants are carried forward in full to next financial year to cover the deficits recognised.

## 2.0 **OPTIONS**

- 2.1 That the report and appendix be noted and recommend to Full Council that:  
The income received from the NNDR and Council Tax income compensation scheme be carried forward in reserve to cover the deficits recognised in future years (as detailed in paragraph 1.6); and

The NNDR S31 grant for expanded retail relief and nursery reliefs received in 2020-21 is carried forward in reserve to cover the deficits recognised in 2021-22 from the lost income as a result of these NNDR reliefs (as detailed in paragraph 1.6); and  
The below budget NNDR levy payment at the end of the year is carried forward in reserve to cover the deficits recognised in future years from the lost income as a result of the pandemic (as detailed in paragraph 1.6).

2.2 Do nothing.

### 3.0 **REASONS FOR RECOMMENDATION(S)**

3.1 To provide timely information to Members on the overall financial position of the Council, enabling resource re-allocation to priorities where necessary and to smooth the effects on the unusual collection fund deficits.

### 4.0 **EXPECTED BENEFITS**

4.1 To ensure Members are updated regularly on the overall Council financial position.

4.2 To make the best use of the funding available to the council and allow us to respond quickly to opportunities as they arise.

### 5.0 **IMPLICATIONS**

In preparing this report, the report author has considered the likely implications of the decision - particularly in terms of Carbon Footprint / Environmental Issues; Constitutional & Legal; Contracts; Corporate Priorities; Crime & Disorder; Data Protection; Equality & Diversity/Human Rights; Financial; Health & Wellbeing; Reputation; Risk Management; Safeguarding; Staffing; Stakeholders/Consultation/Timescales; Other. Where the report author considers that there may be implications under one or more of these headings, these are identified below.

#### 5.1 **Financial**

5.1.1 The report and appendix are financial in nature and include the financial implications of activities planned or underway.

#### 5.2 **Risk Management**

5.3.1 Financial risks are included within the report.

#### 5.3 **Stakeholders / Consultation / Timescales**

5.4.1 Budget holders have been consulted on their variances and the reasons for those variances.

### 6.0 **WARDS/COMMUNITIES AFFECTED**

6.1 N/A

### 7.0 **ACRONYMS**

7.1 DMADF – Debt Management Account Deposit Facility

7.2 LIBID - London Inter-Bank Bid Rate.

7.3 MHCLG – Ministry for Housing Communities and Local Government

7.4 NNDR – National Non-Domestic Rates

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Background papers:-

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**Lead Contact Officer**

Name and Post: Alison Chubbock, Chief Accountant  
Telephone Number: 01362 656865  
Email: alison.chubbock@breckland.gov.uk

**Key Decision:** No

**Exempt Decision:** No

**This report refers to Mandatory and Discretionary Services**

**Appendices attached to this report:**

Appendix A Forecast financial report for 2020-21 full year.