



## EXECUTIVE MEETING 26<sup>th</sup> August 2021

Report Title	Draft 2020/21 Outturn Positions Kettering Borough Council Borough Council of Wellingborough
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Executive Member	Councillor Lloyd Bunday, Executive Member for Finance and Transformation

Key Decision	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Forward Plan Reference (if yes to Key Decision)	
Is the decision eligible for call-in by Scrutiny?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Are there public sector equality duty implications?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information (whether in appendices or not)?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Applicable paragraph number for exemption from publication under Schedule 12A Local Government Act 1974	

### List of Appendices

Appendix A – Kettering Borough Council Reserves – 31/03/21

Appendix B – Borough Council of Wellingborough Reserves – 31/03/21

#### 1. Purpose of Report

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- 1.1. This report sets out the draft outturn position for Kettering Borough Council and the Borough Council of Wellingborough for 2020/21 and compares this to the approved budget.
- 1.2. The 2020/21 outturn for both Corby Borough Council and East Northants Council will be reported to a future meeting of the Executive – as the 2019/20 accounts still being closed.
- 1.3. The closure of the former County Council's 2020/21 accounts is being led by West Northamptonshire Council and an update on this will also be reported to a future meeting of the Executive.

## 2. Executive Summary

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- 2.1 The report provides a draft outturn position for both Kettering Borough Council and the Borough Council of Wellingborough. This is summarised in Table 1.

<b>Table 1 – Draft Outturns</b>	<b>Outturn Excluding Business Rates S31 Payments</b>	<b>Outturn Business Rates S31 Payments</b>	<b>Draft Outturn</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Kettering Borough Council	(2,621)	(4,731)	(7,352)
Borough Council of Wellingborough	(598)	(4,340)	(4,938)

## 3. Recommendations

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- 3.1 It is recommended that the Executive:
- a) Note the forecast outturn position for 2020/21 for Kettering Borough Council and the Borough Council of Wellingborough.
- 3.2 *Reason for Recommendations – To inform Members of the outturn position for 2020/21 for both Kettering Borough Council and the Borough Council of Wellingborough as the outturn will form part of the Statutory Statement of Accounts.*

## 4. Report Background

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- 4.1 This report considers the draft financial outturn for 2020/21 for Kettering Borough Council and the Borough Council of Wellingborough and provides a summary of both Councils financial performance against its approved 2020/21 budget and also incorporates the financial pressures resulting from COVID 19 and provides a summary of the funding received from Government as a result of the COVID 19 pandemic.
- 4.2 The COVID 19 pandemic has had a considerable impact on the way services are provided by the Council's and its partners, as well as presenting significant financial challenges to the Council's during 2020/21. The implementation of a nationwide lockdown in late March meant that the financial impact of the virus was materially felt in the 2020/21 financial year.
- 4.3 COVID 19 has also impacted on the 2021/22 budget and this was reflected in the budgets that were approved by the Shadow Authority at it's meeting on the 25<sup>th</sup> February where the 2021/22 budgets were approved. This is an area that will be kept under close review.

## 5. Forecast Outturn Position 2020/21

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- 5.1 Whilst Members do not need reminding of the unprecedented nature of events that gripped the country (and indeed the world) during 2020/21 – this report

provides a reminder and provides context around the challenges local government faced in delivering its services during 2020/21.

- 5.2 The scale of the COVID-19 Pandemic resulted in public agencies having to work together on a scale never seen before, and for a significant period work under the emergency planning protocols that were instigated in every region of the country. The challenges across Northamptonshire were exemplified owing to Local Government re-organisation.
- 5.3 Whilst the budgets for 2020/21 were approved by each of the Sovereign Councils in February 2020 the scale of the unprecedented events could not have been foreseen.
- 5.4 The Government in response to COVID-19 provided support for small businesses, and businesses in the retail, hospitality and leisure sectors. This support was initially provided through two grant funding schemes, the Small Business Grant Fund (SBGF) and the Retail, Hospitality and Leisure Grant Fund (RHLGF).
- 5.5 A Discretionary Fund scheme widened access for support to businesses and further funding was made available by the Government to support businesses.
- 5.6 Local Authorities were responsible for making payments to businesses whilst the schemes were fully funded by the Government, this required resources to be redirected to ensure funding was made to support businesses. Across North Northamptonshire around 20,000 payments were made to businesses to support them through the COVID 19 pandemic. Payments amounted to in excess of £97m.
- 5.7 The Government also provided support to those in receipt of Local Council Tax Support (LCTS) this again was administered by each of the local authorities.
- 5.8 The Government provided financial support to Local Authorities and four tranches of additional funding for local authorities were made to help them respond and to recover from the COVID-19 pressures across all the services they deliver. Table 2 summarises the funding that the authorities across North Northamptonshire received which amounts to £5.488m. In addition the County Council received funding of £43.728m.

<b>Authority</b>	<b>First Tranche of Covid-19 Funding</b>	<b>Second Tranche of Covid-19 Funding</b>	<b>Third Tranche of Covid-19 Funding</b>	<b>Fourth Tranche of Covid-19 Funding</b>	<b>Total Covid-19 Funding</b>
Corby	£37,241	£724,281	£146,375	£438,936	£1,346,833
East Northants	£42,443	£950,970	£131,788	£100,000	£1,225,201
Kettering	£44,458	£1,024,078	£171,060	£335,324	£1,574,920
Wellingborough	£42,629	£797,537	£145,686	£355,082	£1,340,934
<b>Total</b>	<b>£166,771</b>	<b>£3,496,866</b>	<b>£594,909</b>	<b>£1,229,342</b>	<b>£5,487,888</b>

- 5.9 The Government also provided financial support to local authorities via the 'income compensation scheme for lost sales, fees and charges. The funding was to compensate authorities where COVID-19 had impacted on their ability to generate revenues as a result of lockdown, government restrictions and social distancing measures, that related to the pandemic in the 2020/21 financial year.
- 5.10 The scheme involved a 5% deductible rate for those fees and charges impacted by COVID 19, whereby authorities had to absorb the first 5% loss – this loss was calculated based on their planned 2020/21 income for eligible sales, fees and charges income, with the Government compensating them for 75p in every pound of relevant loss thereafter.
- 5.11 The scheme compensated authorities for irrecoverable losses compared to budgets that had been set for the period from 1 April 2020 to 31 March 2021. The Government have also extended this scheme for the first three months of 2021/22. Table 3 provides a summary of the irrecoverable losses claimed by each of the Districts during 2020/21. In addition the County Council claimed around £2.036m.

<b>Table 3 – Sales Fees &amp; Charges Funding</b>				
<b>Authority</b>	<b>First Tranche Apr to July</b>	<b>Second Tranche Aug to Nov</b>	<b>Third Tranche Dec to Mar</b>	<b>Total Sales Fees &amp; Charges</b>
Corby	£573,863	£417,000	£541,500	£1,532,363
East Northants	£107,250	£37,500	£56,250	£201,000
Kettering	£201,975	£155,250	£0	£357,225
Wellingborough	£35,246	£18,638	£13,500	£67,384
<b>Total</b>	<b>£918,334</b>	<b>£628,388</b>	<b>£611,250</b>	<b>£2,157,972</b>

- 5.12 All four of the former District and Borough Council's received £166,800 from the Government department for Business, Energy and Industrial Strategy ('BEIS'). This payment was received on 12<sup>th</sup> May 2021 but related to the additional costs resulting from grant delivery for the Local Restrictions Support Grant schemes, Christmas Support Payment for wet-led pubs and the Closed Business Lockdown Payment between August 2020 and March 2021 as such this payment has been reflected in the 2020/21 accounts.
- 5.13 There was also a significant change to business rates in 2020/21 where as a result of COVID the Government introduced a scheme referred to as 'Extended Retail Relief' which applied 100% Business Rates relief to those businesses in the retail, hospitality and leisure sectors in response to the pandemic.
- 5.14 To ensure local authorities cashflows were not disadvantaged the Government paid local authorities the equivalent amount to what those businesses were due to pay in business rates. The reliefs were paid in accordance with Section 31 of the Local Government Finance Act 2003 and these totalled £21.445m for the former sovereign Council's in North Northamptonshire (this includes the County Council's share). This is summarised in the Table 4 below:

<b>Table 4 – Retail Hospitality and Leisure (Section 31 Grants)</b>			
<b>Authority</b>	<b>Section 31 Grants</b>	<b>NCC Section 31 Grant</b>	<b>Total Section 31 Grant</b>
Corby	£3,509,388	£789,601	£4,298,939
East Northants	£5,266,599	£1,175,985	£6,402,584
Kettering	£4,730,364	£1,064,393	£5,795,027
Wellingborough	£4,339,707	£976,434	£5,316,141
<b>Total</b>	<b>£17,806,878</b>	<b>£4,006,413</b>	<b>£21,812,691</b>

5.15 The Business Rates scheme is based on the following proportionate shares – which have been reflected in Table 4 for the Districts and the County.

- Districts 40%
- County 9%
- Fire 1%
- Central Government 50%

5.16 This resulted in a timing issue to the General Fund as the Section 31 Grants were recognised in the General Fund in 2020/21 but the resulting deficit from those businesses in the Retail Hospitality and Leisure Sector from not paying rates in 2020/21 is not reflected in the General Fund until 2021/22. There was a transfer of £21.445m from the Business Rates reserve to fund the adjustment to the Business Rates Collection Fund as part of the 2021/22 Budget – the forecast Collection Fund position as at 31<sup>st</sup> March 2021 is £21.813m. The difference of £368k would be then form part of the Collection Fund Surplus / Deficit calculation which is required by the 15<sup>th</sup> January each year and would be reflected in 2022/23.

5.17 It is important that Members are aware of the financial challenges that COVID 19 has had on the 2020/21 budget and Members are reminded that these accounts are still subject to review by external audit.

### **Kettering Borough Council**

5.18 The net budget for Kettering Borough Council for 2020/21 was £9.414m the draft outturn excluding S31 Grants for Business Rates (£4.731m) results in an underspend of £2.621m compared to the Budget. The main variances are shown in Table 5. Included within this variance is £1.381m which relates to Business Rates Growth – this additional growth has been allocated to the Business Rates Reserve as part of Council’s smoothing strategy to mitigate the potential impact of a Business Rates re-set, this follows the strategy from previous years after taking account of this the variance amounts to £1.240m.

<b>Table 5 - Kettering Borough Council 2020/21 Draft Outturn Summary</b>	
	<b>Variance</b>
	<b>£'000</b>
Main Variances	
Government Funding - COVID 19 (Table 2)	(1,575)
Business Rates Growth	(1,381)
Bereavement Services	(448)
Government Funding - New Burdens Grants	(369)
Government Funding - Sales, Fees & Charges (Table 3)	(357)
Homelessness	(312)
IMAN & DHP	(239)
Trade Waste	(76)
Lower Fleet Costs	(75)
Leisure - Support to Provider resulting from COVID	153
Domestic Recycling / Waste	308
Car Parking - On Street Parking - Reduced Income	327
Commercial Investments - Reduced Income	329
Car Parking - Off Street - Reduced Income	535
Council Tax Court Costs - Reduced Income	627
Other	(69)
<b>Total</b>	<b>(2,621)</b>

5.19 The budgeted contribution from reserves was £2.453m, the actual movement to reserves is £7.184m. This resulted in a movement of £9.637m. The main movement in reserves results from Section 31 Grants for Business Rates (£4.731m) as set out in 5.14. Business Rates Growth (£1.381m) and the Council's Economic Development and Regeneration reserve (£1.802m) which was to be used to fund the Heritage Action Zone capital scheme however this scheme has been delayed as a result of COVID. The change in reserves between Budget and Outturn are summarised in Table 6. Full details of the Council's reserves are shown at Appendix A.

<b>Table 6 - Kettering Borough Council Movement in Reserves</b>	<b>Budget</b>	<b>Outturn</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Business Rates S31	0	4,731	4,731
Business Rates Growth	0	1,381	1,381
Economic Develop. & Regeneration	(1,933)	(131)	1,802
Burton Wold Wind Farm Reserve	0	8	8
Organisational Development	0	(43)	(43)
Planning	0	(169)	(169)
Elections	(150)	25	175
Commercial Investment Returns	0	1,164	1,164
Joint Planning Unit Reserve	0	163	163
Property Funds/ Lower Borrowing	350	350	0
Capacity Fund Reserve	0	(115)	(115)
Stock Condition Survey	(720)	(180)	540
<b>Total</b>	<b>(2,453)</b>	<b>7,184</b>	<b>9,637</b>

### **Borough Council of Wellingborough**

5.20 The net budget for the Borough Council of Wellingborough for 2020/21 was £9.704m the draft outturn excluding S31 Grants for Business Rates (£4.340m) results in an underspend of £0.787m compared to the Budget. The main variances are shown in Table 7.

<b>Table 7 - Borough Council of Wellingborough 2020/21 Draft Outturn Summary</b>	
	<b>Variance £'000</b>
Main Variances	
Government Funding - COVID 19 (Table 2)	(1,340)
Collection Fund Adjustment	(699)
Business Rates - Tax Income Guarantee - Government Funding	(210)
Government Funding - New Burdens - Grants	(376)
Savings on Election due to the Elections being delayed by a Year	(129)
Council Tax - Tax Income Guarantee - Government Funding	(101)
Government Funding - Leisure	(90)
LCTS Admin Support Grant	(78)
Government Funding - Sales, Fees & Charges	(68)
Increase in Community Support Grants	107
Environmental & Health Protection - Increased Staffing Costs	112
Lower Investment Income owing to lower Interest Rates	146
Court Costs Reduced Income	218
Homelessness Pressures	264
Leisure - Support to Provider resulting from COVID	625
Environmental Services	633
Other Variations	199
<b>Total</b>	<b>(787)</b>

5.21 The budgeted contribution from reserves was £0.187m, the actual movement to reserves is £4.938m. This resulted in a movement of £5.127m. The main movement in reserves results from Section 31 Grants for Business Rates (£4.340m) as set out in 5.14 and a movement of £0.976m on the General Fund Reserve. The change in reserves between Budget and Outturn are summarised in Table 8. Full details of the Councils reserves are shown at Appendix B.

<b>Table 8 - Borough Council of Wellingborough Movement in Reserves</b>	<b>Budgeted £'000</b>	<b>Outturn £'000</b>	<b>Variance £'000</b>
Organisation Property	0	42	42
Homelessness	0	105	105
Property Service Charges	0	(47)	(47)
Members Allowances Cost	0	7	7
Voluntary Sector Reserve	0	30	30
Misc's Revenue Grants Reserve	0	52	52
Business Rates Reserve	0	(4,340)	(4,340)
General Fund Reserve	189	(787)	(976)
<b>Total</b>	<b>189</b>	<b>(4,938)</b>	<b>(5,127)</b>

## **6. Implications (including financial implications)**

### **Resources and Financial**

6.1 The resource and financial implications from both Kettering Borough Council and the Borough Council of Wellingborough on North Northants Council are set out in this report.

## **Legal**

6.2 None.

## **Risk**

6.3 The impact from the former sovereign council's outturn on the deliverability of the 2021-22 Revenue Budget is monitored by Budget Managers any variances or emerging pressures will be identified during the year then mitigating actions will be sought and management interventions undertaken.

6.4 Details of pressures, risks and mitigating actions implemented will be provided as part of the finance monitoring reports as the year progresses.

## **Consultation**

6.5 None.

## **Climate Impact**

6.6 None.

## **Community Impact**

6.7 No distinct community impacts have been identified as a result of the proposals included in this report.

## **7. Issues and Choices**

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7.1 None – this is an information report.

## **8. Background Papers**

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8.1 The former sovereign councils monitoring reports and budget setting reports provide background papers.