

Overview & Scrutiny PDSQs 26.07.2021

Questions	Response																
Item 6.11 2020-21 Council Budget Monitoring Report – Provisional Outturn																	
1. Can we have a summary of interest earned in 2020/21 by category, as we only see total average income return of 0.89% number on p7 of Appendix A i.e. lending to other local authority earned x%, overnight deposits y%	<p>Money Market Funds (MMFs): 0.14%</p> <p>Bank notice account: 0.25%</p> <p>Local Authorities: 0.37%</p> <p>Cash plus and short bond funds: 0.52%</p> <p>Strategic pooled funds: 3.38%</p>																
2. Inflation loss - can we have a calculation of the net effect of inflation on ALL reserves p7 of Appendix A?	<p>As at 31 March 2021, the Consumer Prices Index (CPI) was 0.7% compared to the 2020-21 average income return of 0.89%. The notional extra income above inflation at 31/3/21 (CPI and portfolio fund levels change throughout the year) is £521k (0.19% x £274m portfolio fund balance at 31/3/21).</p>																
3. Balance sheet presented to the Audit Committee on Thursday has Internal Borrowings of £342 million, Useable Reserves £578 million + Working Capital £37 million - how do these numbers reconcile to the reserves in section 5 & 6 of Appendix A? how useable are our useable reserves or how liquid are they?	<p>The below table provides a breakdown of the 2020-21 provisional outturn usable reserves figure of £578m as part of the balance sheet presented to Audit Committee;</p> <table border="1"> <thead> <tr> <th>2020-21 Provisional outturn usable reserves</th><th>£m</th></tr> </thead> <tbody> <tr> <td>General Fund</td><td>20</td></tr> <tr> <td>Housing Revenue Account</td><td>52</td></tr> <tr> <td>Earmarked reserves</td><td>173</td></tr> <tr> <td>Schools reserves</td><td>35</td></tr> <tr> <td>Capital Receipts Reserve</td><td>139</td></tr> <tr> <td>Capital Grants Unapplied</td><td>159</td></tr> <tr> <td>Total</td><td>578</td></tr> </tbody> </table> <p>The usable reserves referenced within the 2020-21 provisional outturn reserves in section 5 and 6 of 'Appendix A – 2020-21 Provisional</p>	2020-21 Provisional outturn usable reserves	£m	General Fund	20	Housing Revenue Account	52	Earmarked reserves	173	Schools reserves	35	Capital Receipts Reserve	139	Capital Grants Unapplied	159	Total	578
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	<p>Outturn Budget Monitoring Report' relate to the General Fund (£20.0m), Earmarked reserves (£173.0m) and Housing Revenue Account reserves (£52.3m). Also contained in section 6, the Dedicated School Grant (DSG) balance deficit of (£11.6m) would have previously been presented within usable reserves. However, from 2020-21 the Government has issued a new statutory adjustment that takes DSG deficits out of usable reserves and requires these balances to be held in unusable reserves. Usable reserves are highly liquid.</p>
<p>4. What is Internal Borrowing and how do we calculate the interest earned and inflation that we see on section 7 of Appendix A?</p>	<p>Capital expenditure is financed through a variety of sources, receipts from the sale of capital assets, capital grants, external contributions such as S106 or Community Infrastructure Levy (CIL), from reserves or from revenue budget contributions. Any capital expenditure that is not financed by available capital resources must be financed by borrowing. The council can temporarily utilise other resources (i.e. cash balances) in lieu of using external borrowing to fund capital expenditure. This is referred to as internal borrowing. Whilst internal borrowing is a useful treasury management facility to minimise debt financing costs, it can be seen to merely defer the timing of external borrowing rather than obviating the need.</p> <p>The interest earned figure is calculated on an accruals basis and therefore consists of interest income received during 2020-21 (which relates to the 2020-21 financial year) and accrued income for interest earned in 2020-21 which is owing to the Council at year end. The Consumer Prices Index (CPI) is calculated by the Office of National Statistics.</p>