

South Lakeland District Council
Overview and Scrutiny Committee 22 June 2020
Cabinet 24 June 2020
Council 30 June 2020
Revenue and Capital Outturn 2019/20

Portfolio:	Cllr Andrew Jarvis, Finance and Resources Portfolio Holder
Report from:	Helen Smith – Finance Lead Specialist (Section 151 Officer)
Report Author:	Helen Smith – Finance Lead Specialist (Section 151 Officer)
Wards:	All wards
Forward Plan:	Budget and Policy Framework Decision included in the Forward Plan as published on 26 May 2020

1.0 Expected Outcome

- 1.1 To note the Council's financial performance for 2019/20 and to approve movements to and from reserves and the carry forward of budgets to 2020/21.

2.0 Recommendation

- 2.1 **It is recommended that Overview and Scrutiny note the outturn figures.**

- 2.2 **It is recommended that Cabinet:-**

- (1) **note the outturn figures and variance explanations set out in the report and appendices;**
- (2) **approve the virement relating to the Reopening High Streets Safely grant set out in paragraph 3.9 and Appendix 1d; and**
- (3) **request Council approve the contributions to and from reserves detailed in Appendix 1a.**

- 2.3 **It is recommended that Council:-**

- (1) **approve the contributions to and from reserves detailed in Appendix 1a; and**
- (2) **approve the working budgets for 2020/21 set out in Appendix 1d.**

3.0 Background and Proposals

General Fund Revenue Expenditure and Outturn

- 3.1 **Appendix 1a** shows the final overall General Fund outturn against budget for 2019/20 and **Appendix 1b** shows service expenditure and income variances against budget. Explanations are included in **Appendix 1b** generally where variances are over £10k.

The overall net General Fund had a net overspend of £89k for 2019/20 once the £740k of target savings from Customer Connect were met. This includes a number

of additional costs relating to covid-19 in March 2020, the largest of which was a reduction of £92k in car park income. Without the impact of covid-19 there would have been a small underspend, as projected as part of the 2019/20 Q3 revenue monitoring.

This represents a variance of 0.3% based on a gross expenditure budget of £33.5m

- 3.2 **Table 1** shows the majority of the variance relates to running costs, mainly supplies and services and contracted services. The variance on supplies and services relates to a number of budgets across a variety of services, as shown in **Appendix 1b**. The largest variances are analysed in paragraphs 3.3 and 3.4 below.

Table 1: Summary of service variances by type of expenditure

	2019/20 Working Budget £000	2019/20 Actual £000	2019/20 Variance £000
Employees (including Customer Connect savings)	15,513	15,423	(90)
Running Costs (net of housing benefits subsidy)	12,987	11,883	(1,104)
Capital	5,043	5,043	0
Gross Expenditure	33,543	32,349	(1,194)
Income (excluding housing benefits subsidy)	(14,513)	(14,048)	465
Net Service Variances	19,030	18,301	(729)
Non-Service Net Expenditure (see table 3 for details)	(19,030)	(18,212)	818
Net Overspend transferred from General Reserve	0	89	89

- 3.3 The largest single element of expenditure for the Council relates to employee costs, mainly salaries but also pension contributions and the cost of agency and contract staff. There was an overall underspend on employees of £90k after taking into account the Customer Connect savings target of £740k and the vacancy allowances (which is based on 4% of salary costs).

Table 2: Summary of employee budgets and variance

	2019/20 £000
Gross employee budgets	16,818
Less vacancy allowance	(565)
Less Customer Connect savings target	(740)
Employee working budget	15,513
Actual employee expenditure	15,423
Underspend on employees – before carry-forward	(90)

This is a particular achievement in a year when the Council has implemented the Customer Connect restructure and has had the impact of a national pay restructuring. Overall the savings target of £740k from Customer Connect has been virtually met with savings of £735k identified as part of budget monitoring. The employee expenditure includes expenditure of £1,239k relating to agency and contract staff: in the majority of cases this offsets salary savings where recruitment was delayed until after the Customer Connect structure was agreed or where recruitment was unsuccessful during the year. The major exception is within streetcare services where contract and agency staff were mainly required to cover staff sickness. There is a carry-forward requested of £242.6k relating to underspends in the Customer Connect implementation team.

3.4 Other major variances after carry-forwards included:

- a. Savings relating to the Council's insurance costs following a re-tender exercise of £188k while the level of cover was slightly increased.
- b. Cost of Collection on Council Tax and NNDR: net overspend of £66k, mainly due to a reduction in income from charging costs. This is mainly due to delayed recovery action following conversion to new software and the absence of a key member of staff. Overall the Council was due to collect £43m of NNDR and £81m of Council tax during 2019/20.
- c. Rent Allowances: £166k net overspend due to write off of older debts and a reduction in Government grant for administration costs.
- d. Local Plan: net underspend of £62k, mainly due to lower than budgeted use of consultants as a result of re-profiling of activity related to the refresh of the local plan.
- e. Caravan Site: £83k net overspend, due to lower than budgeted income. This is mainly due to the delayed completion of the extension of the caravan site and the timing of the expiry of the management contract and retender exercise.
- f. Car Parking: £97k overall net overspend, due to lower than expected income. This includes a projected loss of £92k in March due to Covid-19.
- g. The overall cost of the homelessness was in-line with budget with additional homelessness prevention grant and additional net costs relating to the running of Town View Fields hostel.
- h. Kerbside recycling: £81k overall net overspend excluding employee costs, due to a combination of reduced income from sale of recycling materials due to low demand and price. In addition there is an overspend of £206k on employees, including additional contract and agency staff of £133k and to £72k where the vacancy target could not be met. Both the vacancy target and the estimated income from sale of recyclates have been reduced for 2020/21.

3.5 The General Fund working balance includes a number of transactions made to reflect statutory accounting practices. Contributions to and from reserves and corporate interest payments and receipts are shown in **Appendix 1a**. The net impact of these will be a net increase in the contribution to General Fund working balance of £89k. Major variances included:

- a. The Council retains a share of income from business rates (properly known as National Non-Domestic Rates or NNDR). The amount retained has increased, mainly due to a reduction in the provision for appeals and changes in Small Business Rate Relief and how this is funded by Government. The Council joined a Cumbria Business Rates pool from 1 April 2014 which aimed to reduce NNDR levy paid to the Government under the new process. The actual saving due to the Council as a result of the pool for 2019/20 was £1.1m.
- b. Slightly higher than budgeted contributions to capital programme, detailed in **Appendix 1a**, this is mainly due to timing of capital expenditure originally budgeted in 2018/19.
- c. There have been a number of changes to the budgeted transfers to and from reserves. These are detailed in **Appendix 1a** and mainly relate to differences in timing between the recognition of income and expenditure between years.

- d. Higher than budgeted income from interest due to fluctuations in market rates as a result of changing market expectations on interest rates and a stepped maturity profile for deposits.

3.6 The movement on the General Fund working balance is shown in the following table:

Table 3: Summary General Fund variances

Description	Variance	
	£000	£000
Carry forward requests	(1,206)	
Other service variances	477	
		(729)
Decreased net interest payable		(66)
Decreased Minimum Revenue Provision		(33)
Accounting for Collection Fund		(46)
Support to capital programme		73
Additional income from Non-Domestic Rates after contribution to pool		(580)
Net adjustments to reserves relating to carry forwards		1,206
Other net increases in contributions to reserves		264
Net Overspend transferred from General Reserve		89

3.7 The Council, on 28 February 2014 approved the General Fund working balance should be set at £1.5m and that any surplus above this level should be transferred to the General Reserve. Accordingly the net overspend after all other transfers to reserves, totalling £89k, has been transferred to the GF working balance from the General Reserve.

3.8 Revenue carry forwards were approved at Cabinet on 20 May 2020 subject to the actual expenditure being in accordance with the projected underspend.

As a result of the net overspend, the carry forward requests have been reviewed and reduce where the request does not relate to grants received in advance, where the expenditure is funded from reserve or where the Council is contributing to a partner's costs.

The requested carry forward relating to Customer Connect has increased from £293,200 to £875,900. This has no impact on the overall bottom line of the Council as this is offset by a reduction in the use of the Customer Connect reserve.

Appendix 1c summarises the recommended revenue carry forward requests.

3.9 The Government has allocated the Council £92,936 of European Regional Development Fund (ERDF) grant funding for the Reopening High Streets Safely Fund. The monies are to be spent between 1 June 2020 and 30 March 2021. Cabinet are requested to approve a virement to create expenditure and income budgets of £92,936 for the receipt and spending of this grant.

3.10 Appendix 1d show the budgets for 2020/21 including all the budget amendments reported to Cabinet on 20 May 2020 which relate to the additional income and expenditure relating to Covid-19, the new virement set out above and also including the carry-forwards detailed in **Appendix 1c**.

Capital Expenditure

3.11 **Appendix 2** shows the approved Capital Programme and expenditure for 2019/20. There was an underspend of £3,167k with re-profiling of expenditure of £3,208k approved by Cabinet on 20 May 2020.

The majority of re-profiling relates to schemes where the Council is working with other partners in the delivery of projects and where the Council was waiting for actions by the other parties before the project could progress. Details are included in **Appendix 2**.

Table 4: Capital Expenditure 2019/20	£000
Actual Expenditure	4,074
Revised Capital Programme	7,241
Net underspend before carry forwards	<u>(3,167)</u>
Approved re-profiling	<u>3,208</u>
Variance after re-profiling	<u>41</u>

- 3.12 The capital programme will be updated in July 2020 as part of the preparation of the Medium Term Financial Plan to reflect this reprofiling of budgets and other required reprofiling of spend to reflect slippage due to covid-19 and re-prioritisation of schemes.

Reserves

- 3.13 **Appendix 1a** shows the detailed movements on reserves and the comparisons with budgeted movements for 2019/20. The main changes in the movements relate to timing adjustments and the charging of customer connect costs to the Customer Connect reserve.

- 3.14 The Council's Reserve Policy, which sets out the desired level of reserves, both overall and for each reserve, is reviewed annually as part of the Medium Term Financial Plan which will be reported to Cabinet and Council in July 2020.

4.0 Consultation

- 4.1 The report presents historic data in relation to out-turn for 2019/20. Budget holders and Members have been presented with monitoring information throughout the year. Budget and Portfolio Holders have been consulted with respect to variances and carry forward requests.

5.0 Alternative Options

- 5.1 No alternative options are proposed. Not approving the proposed capital programme may challenge service delivery during 2019/20 and beyond.

6.0 Links to Council Priorities

- 6.1 This report forms a key part of the financial governance arrangements that support all Council priorities.

7.0 Implications

Financial, Resources and Procurement

- 7.1 As detailed in the report

Human Resources

- 7.2 This report has no direct human resource implications.

Legal

- 7.3 This report has no direct legal implications.

Health, Social, Economic and Environmental

- 7.4 Have you completed a Health, Social, Economic and Environmental Impact Assessment? No

- 7.5 If you have not completed an Impact Assessment, please explain your reasons: this is a report of past actions and has no health, social, economic and environmental implications,

Equality and Diversity

- 7.6 Have you completed an Equality Impact Analysis? No
- 7.7 If you have not completed an Impact Assessment, please explain your reasons: this is a report of past actions and has no equality and diversity implications.

Risk

Risk	Consequence	Controls required
Out-turn position not disseminated to Members and Officers.	Financial position and performance not embedded into wider organisational strategies	Reporting of out-turn to clarify performance during 2019/20 and usable reserves position to support ongoing activity.

Contact Officers

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Appendices Attached to this Report

Appendix No.	Name of Appendix
1a	General Fund Expenditure and Income Variances 2019/20 summary
1b	General Fund Expenditure and Income Variances 2019/20 by service
1c	Revenue Carry Forward requests 2019/20
1d	General Fund budgets 2020/21 including covid-19 changes and carry-forwards
2	Capital Expenditure 2019/20

Background Documents Available

Name of Background document	Where it is available
2019/20 budget book	
Quarter 3 budget monitoring	
2019/20 Revenue and Capital Carry forward report	

Tracking Information

Signed off by	Date sent	Date Signed off
Section 151 Officer	10/06/2020	10/06/2020
Monitoring Officer	10/06/2020	11/06/2020
CMT	10/06/2020	

Circulated to	Date sent
Lead Specialist	10/06/2020
Human Resources Lead Specialist	N/A
Communications Team	N/A
Leader	10/06/2020

Circulated to	Date sent
Committee Chairman	N/A
Portfolio Holder	10/06/2020
Ward Councillor(s)	N/A
Committee	22/06/2020
Executive (Cabinet)	24/06/2020
Council	30/06/2020