

South Lakeland District Council
Overview and Scrutiny Committee
Friday 9 July 2021
Revenue and Capital Outturn 2020/21

Portfolio:	Finance and Assets Portfolio Holder
Report from:	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 25 May 2021.

1.0 Expected Outcome

- 1.1 To note the Council's financial performance for 2020/21 and to approve movements to and from reserves and the carry forward of budgets to 2021/22. As a result of additional Government grants to support Covid-19 related costs, lower than expected Covid costs flowing through in Q4, and careful budget management the overall overspend for 2020/21 including the impact of Covid-19 is £48k. This is lower than expected and will reduce budget pressures in 2021/22 and subsequent years for rebuilding the General Reserve balance.

2.0 Recommendation

- 2.1 It is recommended that Overview and Scrutiny Committee note the outturn figures and variance explanations set out in the report and appendices.**

3.0 Background and Proposals

- 3.1 The Council's budgets for the financial year 1 April 2020 to 31 March 2021 were approved by Council in February 2020. At this time there was no expectation that there would be anything unusual about the financial year. Covid-19 has had a massive impact on the finances of the Council with over £134m of additional support from Government to the Council and South Lakeland area. Additional budget of £2.0m for Covid-19 costs was approved by Cabinet and Council in June 2020, funded by use of General Reserve. In February 2021, when the latest Covid-19 projections were reported alongside the budgets for 2021/21, the expected net cost of Covid-19 was reduced to £1.3m. The final net cost of Covid-19 in 2020/21 is now estimated as £259k, mainly due to additional grants and contributions received.

General Fund Revenue Expenditure and Outturn

- 3.2 **Appendix 1a** shows the final overall General Fund outturn against budget for 2020/21 and **Appendix 1b** shows service expenditure and income variances against budget. Explanations are included in **Appendix 1b** where variances are over £10k and have been split between variances relating to Covid-19 and variances relating to business as usual (BAU). **Appendix 1c** shows income and expenditure relating to Covid-19.

The overall net General Fund had a net overspend of £48k for 2020/21 including Covid-19. This is considerably lower than the projected overspend, mainly due to the late receipt of Government grants. A number of announcements were made after budgets were last reviewed in February with the latest announcement, of £280k of administration grant, on 12th May.

- 3.3 **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 additional payments relating to Covid-19 grants which are offset by additional grants, as shown in **Appendix 1b** and **Appendix 1c**.

Table 1: Summary of service variances by type of expenditure

	2020/21 Working Budget	2020/21 Actual	2020/21 Variance
	£000	£000	£000
Employees	15,324	15,633	309
Running Costs	107,847	140,007	32,160
Capital	4,607	4,603	-4
Gross Expenditure	127,778	160,243	32,465
Income	-109,124	-144,710	-35,586
Net Service Variances	18,654	15,533	-3,121
Non-Service Net Expenditure (see table 3 for details)	-16,629	-15,485	1,144
Net Overspend transferred from General Reserve	2,025	48	-1,977

- 3.4 Excluding the exceptional grant schemes relating to Covid-19 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. Additional employee costs were incurred on agency and temporary staff to ensure continuity of services while staff were redeployed to Covid-19 related tasks. £331k of employee costs were reimbursed through Covid-19 related grants and contributions from partners, the largest single item of which related to staff assisting with Test and Trace and compliance activities.

Table 2: Summary of employee budgets and variance

	2020/21 £000
Gross employee budgets excluding Covid	14,948
Additional Covid-related employee budgets	376
Employee working budget	15,324
Actual employee expenditure	15,633
Overspend on employees before adjustments	309
Employee costs relating to Covid-19 offset by grants	-311
Carry-forward of training budgets	105
Overspend on employees after adjustments	102

- 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 £48k. 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 although there are some very large variations mainly due to additional retail, hospitality and leisure relief, how this is funded by Government and timing of when the Council is required to account for this income and expenditure. 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 2020/21 was £1.1m.
- b. Slightly lower than budgeted contributions to capital programme, detailed in **Appendix 1a**, this is mainly due to timing of capital expenditure originally budgeted in 2020/21.
- 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 despite very low interest rates due to Covid-19 related delays in capital and other spending.

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	-556	
Other service variances	<u>-2,565</u>	
		-3,121
Decreased net interest payable		-116
Adjustments relating to capital grants		47
Increased Minimum Revenue Provision		22
Support to capital programme		-3
Additional income from Non-Domestic Rates after contribution to pool		-11,580
less transfer to NNDR surplus reserve for timing differences		11,701
Accounting for Collection Fund and Council Tax		-49
Additional grant		-335
Net adjustments to reserves relating to carry forwards		556
Covid-19 use of reserves not used		-2,027
Other net increases in contributions to reserves		<u>4,856</u>
Net Overspend transferred from General Reserve		<u>-48</u>

- 3.6 The costs of Covid are shown in **Appendix 1c** and have changed considerably over the financial year, as summarised below:

Table 4: Covid summary

Summary	Approved Budget June 2020	MTFP July 2020	Feb 2021 Projection	Outturn
	£000	£000	£000	£000
Additional employee costs	135	180	534	320
Additional costs offset by grant	20	20	150	489
Other additional running costs	692	852	879	671
Interest adjustments	0	223	223	0
Reduced income	2,280	3,811	2,508	2,981
Total cost SLDC	3,127	5,086	4,294	4,461
Grants to SLDC	-1,101	-3,240	-3,031	-4,152
Net cost SLDC	2,027	1,846	1,263	309
Additional grants paid - business etc	78,623	79,167	104,282	126,815
Additional grants received - business etc	-78,623	-79,167	-104,282	-126,864
Net cost grants	0	0	0	-50
Total cost	2,027	1,846	1,263	259

As can be seen, the major cost to the Council related to lost income which has been offset by Sales, Fees and Charges grant from the Government which covered 75% of losses after a threshold of 5%. Additional costs offset by grant include the costs of works to Kendal Leisure Centre and additional temporary staff including Covid marshals.

- 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. As part of the audit of the 2019/20 accounts a minor error was spotted and adjusted which reduced the working balance by £26.2k from £1.5m to £1.47m. Accordingly the working balance has been increased back to £1.5m and the remaining net overspend after all other transfers to reserves, totalling £48k, has been transferred to the GF working balance from the General Reserve.
- 3.8 Revenue carry forwards have been requested of £556k and are detailed in **Appendix 1d**. As a result of the net overspend, the carry forward requests have been minimised.
- 3.9 Leisure Services: on 17 March 2021 Cabinet approved the Council received monies from the National Leisure Recovery Fund of £174,237 and to make payment of this money to its leisure services partner, GLL, for support from 1st December 2020 to 31st March 2021. An offer of a further £18,121 has been made to increase the grant to £192,358. It is requested that Cabinet approve receipt of this additional grant and approves payment of the additional grant to GLL.
- 3.10 The Council received £487,092 of Council Tax Hardship Grant from the Government to support residents, mainly through reducing council tax payable through the Council Tax Reduction Scheme by up to £300 per claimant, which amounted to £353k during 2020/21. The Government scheme also permitted the grant to be used to “assist those in need”. It is proposed that some of the remaining grant is used to fund payments totalling £58,393 made in 2020/21 made to organisations within South Lakeland helping vulnerable residents including CAB, CALC, Voluntary Action Cumbria and food banks. The unused grant remaining has been added to a new Council Tax hardship reserve to fund future requests for assistance.

Capital Expenditure

- 3.11 **Appendix 2** shows the approved Capital Programme and expenditure for 2020/21. There was an underspend of £2,475k, the majority relating to timing adjustments with requests to carry forwards budgets to 2021/22:

Table 5: Capital Expenditure 2020/21	£000
Actual Expenditure	5,737
Revised Capital Programme	8,212
Net underspend before carry forwards	(2,475)
Re-profiling of budget to 2021/22	2,133
Re-profiling of budget from 2021/22	(145)
Spend budgeted in revenue – planned maintenance	(47)
Kendal ERDF transferred out of SLDC capital to agency	523
Other variances	(11)

The re-profiling adjustments of budget from 2021/22 relate to schemes where carry forwards of budget had already been agreed but the actual spend in 2020/21 was higher than the budget left in 2020/21.

- 3.12 Significant carry-forwards are:

Table 6: Capital Carry Forwards	£000
KDE07 Coastal Communities Fund: linked to Grange Prom works	150
KGD21 Disabled Facility Grants: grants approved, awaiting completion of works by grant recipients	201
KCH01 Community Housing Fund: grants approved, awaiting completion of works by grant recipients	543
KAH14 Homeless Accommodation: planning permission refused, alternative proposals being prepared	115
KAH15 Next Steps Accommodation Programme: grants approved, awaiting completion of works by grant recipients	237
KLH07 SL House & KTH reconfiguration: works ongoing	262
KPY48 Parkside Road Kendal Car Park: reviewing Kendal parking study for impact of Covid	144
KMR35 Burton Heritage Grant Scheme: grants approved, awaiting completion of works by grant recipients	106
	1,758
Other carry forward requests	375
Total carry forward requests	2,133

- 3.13 The capital programme will be updated in July 2021 as part of the preparation of the Medium Term Financial Plan to reflect this reprofiling of budgets and associated funding.

Reserves

- 3.14 **Appendix 1a** shows the detailed movements on reserves and the comparisons with budgeted movements for 2020/21. The main changes in the movements relate to timing adjustments, particularly around Covid-19 grants.
- 3.15 From 1 May 2021 a minor change in officer reporting lines has occurred.....this will include transferring the officer responsibility for the Improving Financial Resilience reserve from the former Operational Lead (Specialist Services) to Operational Lead (People, Welfare and Income Maximisation).

- 3.16 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 2021.

Impact from April 2021 onwards

- 3.17 The refresh of the Medium Term Financial Plan in July 2021 will consider and update projections including:
- ongoing cost and demand pressures from the pandemic;
 - the reduced need to replenish reserves where Covid-19 costs were met from in-year savings elsewhere or additional external funding;
 - delivering delayed savings programmes;
 - dealing with any service demand growth due to the economic downturn such as demand for welfare and business support service; and
 - dealing with any further non-tax income losses due the continuation of the pandemic or the economic downturn.

4.0 Consultation

- 4.1 The report presents historic data in relation to out-turn for 2020/21. 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.
- 4.2 This report has been considered by Cabinet on 23rd June and will be reported to Council on 27th July 2021.

5.0 Alternative Options

- 5.1 No alternative options are proposed. Not approving the proposed carry forwards may challenge service delivery during 2021/22 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 2020/21 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 2020/21 summary
1b	General Fund Expenditure and Income Variances 2020/21 by service
1c	General Fund budgets relating to Covid-19
1d	Revenue Carry Forward requests 2020/21
2	Capital Expenditure 2020/21

Background Documents Available

Name of Background document	Where it is available
2020/21 Budget Book	https://www.southlakeland.gov.uk/media/7163/approved-budget-book-2020-21.pdf
Finance Update Q3 Council 23/02/2021	https://democracy.southlakeland.gov.uk/ieListDocuments.aspx?CId=120&Mid=5038&Ver=4
Finance Update Council 23/03/2021	https://democracy.southlakeland.gov.uk/ieListDocuments.aspx?CId=120&Mid=5039&Ver=4

Tracking Information

Signed off by	Date sent	Date Signed off
Legal Services	09/06/2021	10/06/2021
Section 151 Officer	Report author	N/A
Monitoring Officer	09/06/2021	10/06/2021
CMT	09/06/2021	11/06/2021 by email

Circulated to	Date sent
Lead Specialist	N/A
Human Resources Lead Specialist	N/A
Communications Team	N/A
Leader	N/A
Committee Chairman	N/A
Portfolio Holder	09/06/2021
Ward Councillor(s)	N/A
Committee	N/A

Circulated to	Date sent
Executive (Cabinet)	23/06/2021
Council	29/06/2021