

Report to: Cabinet
Date of Meeting: 30 September 2020
Public Document: Yes
Exemption: None
Review date for release None



Subject: Revenue and Capital Outturn Report 2019-2020

Purpose of report: During 2019/20 budget monitoring reports have informed members of budget variations and the anticipated year-end financial position. This report contains the final position for the year and compares this outturn position against the budgets set.

The report outlines the implications of these results on the Council's reserves and makes recommendations on any reserve transfers.

The Council's Unaudited Accounts were issued on 17th August 2020 and published on the Council's website, it is anticipated the Audited Accounts will be issued prior to the amended publishing date 30 November 2020.

Recommendation:

1. Cabinet consider and agree the outturn position for 2019/20 including the implications and proposals relating to the Balances and Reserves held by the Council.
2. To specially agree that £2m is transferred from the General Fund Balance to create a new Reserve (MTFP Risk Reserve) and the General Fund Balance is then retained at £4.395m as detailed in 2.7 of this report.

Reason for recommendation: To report the outturn position for the Council's approved budgets for the General Fund, Housing Revenue Account and Capital Expenditure. This financial position aligns to the Council's Statement of Accounts but the position in this report is presented in a style that accords to the budget setting and monitoring reports that members receive.

Members are asked to note the variations from the budgets identified within the report and consider the final position.

It is appropriate at this stage to reflect on the reserves and balances held by the Council and determine if these are the right reserves at the right levels going forward.

Officer: John Symes – Finance Manager, jsymes@eastdevon.gov.uk

Portfolio Holder: Portfolio Holder for Finance

Financial implications: Contained within the report

Legal implications: Any legal implications are identified in the report and no further comment is required.

Equalities impact: Low Impact

Climate change: Low Impact

Risk: Low Risk

Financial monitoring reports have kept members informed during the year of budget variations and the projected outturn position of the Council's finances. No areas of concern were raised with the Council maintaining its net spending within overall approved budget levels. All predetermined Balance and Reserve levels were maintained comfortably above the adopted minimum levels. This position has now proven correct in the final outturn position presented in this report.

The report also looks at the monies the Council holds in balances and reserves and considers these in the light of the Council's future financial position and future Government funding cuts. Consideration is given to the Council's financial track record, internal and external audit reports on financial controls and is reflective of occurrences from external factors which affect the Council's finances.

Links to background information:

Link to [Council Plan](#): Outstanding Council and Council Services

Report in full

1. Introduction

- 1.1 This report compares the outturn position (actual amount spent or income received for the year) against budgets set for the financial year 2019/20 for the General Fund, Housing Revenue Account (HRA) and the Capital Programme.
- 1.2 The report looks at the effect the outturn position has on the Council's balances and reserves and considers future policy for holding these sums.
- 1.3 The Council's Unaudited Accounts were issued on 17th August 2020 and are published on the Council's website [Final Accounts 2019/20](#) , it is anticipated the Audited Accounts will be issued late September/early October.

2. General Fund Position

- 2.1 The 2019/20 budget was set by Council with a balance of £0.236m to be met from the General Fund Balance to meet the cost of one off items of expenditure included in the budget. The final year end outturn position has resulted in an underspend of £2.718m against the net budget of £15.168m, the majority of this being attributable to additional business rate income.
- 2.2 There has been positive and negative variations against the budget set, the main areas being.

General Fund 2019/20 – main outturn variations against budget	Variation £000	Comment on Future budget implications
Employee savings mainly from vacant posts, the overall budget for employee costs is £14.258m.	(245)	No implication
Business Rates – gain attributable to being prudent on growth with uncertainty on timing of developments but large assessments were received along with maximising income work of Revenues and Benefits team.	(2,500)	Income will also be above 2020/21 budget as rating assessments base higher than expected when budget was set.
Devon Business Rate Pool Gain – Gain on pool not budgeted for as reliant on performance across Devon	(316)	No implication
Savings returned by Strata higher than budgeted.	(203)	No implication
Car Park income higher than projected – good weather generated high use.	(69)	No implication
Coast & Flood Prevention savings on contractors and support.	(37)	No implication
EDDC Elections – increase in Royal Mail pollsort postage service. Increases in electorate and increased payments to polling staff have added to increased cost.	63	No implication
Burial Income lower than predicted.	88	2020/21 budget has subsequently been reduced by £50k.
Housing Benefit net savings after subsidy. £70k variance against £26m expenditure budget is a minor variation in percentage terms but results in a significant sum.	(70)	No implication
Saving obtained in administration costs in Revenues & Benefits service – Council Tax, Housing Benefit, Council Tax Support, Business Rates, Fraud and Sundry Debtors	(232)	No implications
Public Conveniences overspend, in particular water charges. Total expenditure budget £473k. This will be monitored closely with any necessary action taken.	73	2020/21 budget subsequently increased by £36k.
Planning application fees lower than budgeted. Reductions in expenditure used to mitigate overall reduction.	363	2020/21 budget has subsequently been reduced by £205k.
Recycling & Refuse – costs over and above refuse collection contract as indices higher than budgeted (customer base passed 71,000).	70	Contractual sums paid to Suez increased in 2020/21 (+£313k).
Additional Homelessness Costs. Implications of new legislation including increased rent deposit bonds. Also, large increase in homelessness approaches (1126 compared to 871 in previous year) – a rise of 29%. This will be monitored closely.	55	2020/21 supplies & services budget increased by £82k to bring in new duties to prevent and relieve homelessness.

- 2.3 The main positive service area variations relate to staff vacancies and savings made on supplies and contractors along with income in areas such as car parking. Many areas of adverse variations have previously been identified and budgets have accordingly been adjusted, for example, the step change in the Recycling and Refuse due to contract conditions being hit.
- 2.4 A new reserve has been created in 2019/20 with £84,000 for Growth Point Funding received from MHCLG to fund initiatives in future years and is included within the statements.
- 2.5 The Council was granted 100% business rates pilot status for 2018/19, this has generated additional rating income of £3.1m to be retained by the Council. The bid to Government to obtain this status was on the basis that this additional income would be used to promote and protect economic development in the district. The Council to date have agreed to support two areas from this additional income; £0.6m additional share purchase in Exeter Science Park Company Limited (ESPL) and the purchase of £0.05m founder shares in South West Mutual Ltd (the setting up of South West Mutual Bank). The remaining surplus, this financial year, of £2.056m has been transferred to a reserve making it available for future members' consideration.
- 2.6 The overall General Fund Balance position at year end is given below, this shows the effect of the outturn variation of £2.718m.

General Fund Balance Position	£000
Opening Balance 1/4/2019	(3,938)
Agreed use of General Fund Balance in 2019/20	236
Outturn variation 2019/20	(2,718)
Closing Balance 31/3/2020	(6,395)

- 2.7 The General Fund Balance at £6.395m is £2.595m above the proposed adopted range which is between £3m and £3.8m. This represents 10% of our net budget equivalent to a two year operational period which gives £3m; to this is added £0.8m headroom to give £3.8m as a top of the range figure. This is the range we stipulate the General Fund Balance to be within before members need to take action; whether above or below the range. With the General Fund Balance being £2.595m above the adopted range (and £3.395m above the minimum sum required to be held) it is proposed that:

- **At this stage £2m is transferred to Medium Term Financial Plan Risk Reserve**

The Financial Strategy is presented on this Cabinet's Agenda, within the Strategy there is a significant shortfall outlined in the Council's Medium Term Financial Plan (MTFP) in the short to medium term resulting from possible changes in the Governments funding regimes namely Business Rate Retention and New Homes Bonus Grants. It is predicted that the Council will lose financial resources of £3.1m up to the period 2023/24, however the timing of this and final sum is uncertain. It is proposed in the Financial Strategy that the Council set aside a MTFP Risk Reserve from the surplus gained in the General Fund from the 2019/20 Outturn position to mitigate the sudden fall in income from these changes.

The reserve can be used to fund services, if needed, whilst the Council reshapes its budget to meet the available resources at a point when it can determine the amount of savings required rather than take significant actions which effect services and staff

when possibly they are not required to the extent or time predicted. Previous practice has been for Government to make final funding settlement announcements in November making it impossible for Councils to wait for these announcements before preparing detailed budget proposals for the following financial year. Having such a reserve would give a further year and budget setting round to consider changes sensibly. This does not negate the need to still plan and consider proposals but they will not have to be acted upon until needed and then given full member consideration.

- **Remaining sum £4.395m to be retained in the General Fund Balance being £0.595m over the adopted level (or £1.395m above minimum level).**

This is to be held to mitigate estimated overspends in 2020/21 resulting from Covid-19 as detailed in the Financial Monitoring Report contained on the Cabinet Agenda.

2.8 The year end position on the other main Balances/Reserves held for the General Fund are:

- **£1.371m Transformation Reserve.** This sum is set aside to assist the Council's transformation programme by meeting upfront costs necessarily incurred in order to produce savings/efficiencies in future years.
- **£0.911m Asset Maintenance Reserve.** Used to support the Council's General Fund Assets and planned maintenance backlog/essential work/asset failure (created from one off VAT refunds). This Reserve is currently used at a rate of around £0.100m to £0.200m annually. Details of spend are agreed by SMT (Strategic Management Team) and previously presented to the Asset Management Forum to ensure they do not conflict with asset strategy.
- **£0.639m Business Rates Volatility Fund.** Available to mitigate the volatility of business rate income should income fall below the expected budget and allows the Council to set a level in the budget with certainty in relation to an income source that can fluctuate.
- **£0.081m Local Authority Business Growth Incentive Scheme Reserve.** The purpose of this reserve is to promote and deliver economic development. A programme of spend and authority for spend has been approved by Council and is spent in consultation with Economy Portfolio Holder.
- **£2.506m Business Rates 100% Pilot Reserve.** Council gain from the inclusion within the 100% Business Rates Pilot Scheme.

Other Earmarked Reserves

There are other earmarked reserves for specific projects where funding or contributions have been made in advance of spend and monies are held at year end to fund this work in future years. Complete details are contained in the Accounts.

3 Housing Revenue Account (HRA)

- 3.1 The 2019/20 budget was set to achieve a surplus of £1.155m, the outturn position gives a surplus for the year of £0.959m; a variation of £0.196m, the main variations are given below.

HRA 2019/20 – Outturn variations against budget	Variation £000	Comment on Future budget implications
The variance on collected rent in year vs budget was again extremely close being only £70k or 0.39% below. The remainder and majority of the variation can be explained by lost rent due to voids which increased to £0.49m from £0.35m. This was primarily the result of disruption and increased lead times caused by the change in contract during the year.	171	No implication
An increase of £24k has been made to the bad provision, not budgeted for as this is a year end assessment.	24	No implication
Supervision & Management: saving of £10k overall, a minor overspend on Employee costs (£70k on £3.4m budget) was offset by savings made elsewhere.	(10)	No implication
Responsive repairs over budget by £1.1m. The Maintenance & Repairs contract moved to a price per property and price per void contract during the year. Although the change in contractor resulted in some additional unbudgeted costs during mobilisation, such as consultant support & redundancy costs for transferred workers (+£100k). The large majority of the overspend can be attributed to catch up costs during the three months prior to the July changeover.	1,105	The move to a price per property and price per void contract will result in a large reduction in unforeseeable costs, reduce invoicing timeliness issues and improve information exchange.
Programmed Maintenance, Major & Special Repairs spending was £1.489m below budget as the focus of the majority of officers shifted to the implementation of the new Repairs and Maintenance contract. The known overspend above from July was also a factor in reducing other expenditure towards the end of the year within these areas with £0.35m reserved at the year end for next years planned spend items with the remaining balance offsetting repairs and maintenance.	(1,139)	No implication
A £66k revenue contribution was made to capital expenditure during the year to cover the right to buy replacement homes spend.	66	No implication
Savings in Other Expenditure (£44k) were partially offset by a decrease in interest received apportioned from the General fund (£26k).	(18)	No implication

3.2 The updated position of the HRA Balance is given below.

HRA Balance	£000
Opening Balance 1/4/2019	(3,100)
Agreed surplus in 2019/20	(1,155)
Outturn variation 2019/20	196
Closing Balance 31/3/2020	(4,059)

- 3.3 Within the year £0.350m has been transferred to the Property Maintenance Reserve to undertake works which were budgeted in 2019/20 but will now be carried out in 2020/21. This transfer to reserves has been included in the outturn position.
- 3.4 The adopted minimum level for the HRA Balance is between £2.1m to £3.1m, based on £490 per property with headroom added of £1m. This leaves the HRA Balance at £0.959m above the adopted range.
- 3.5 The Council set an HRA surplus budget for 2019/20 including the refinancing of a £1.9m loan due for repayment at year end to use the surplus to meet other key housing spending plans. Refinancing was undertaken and an additional loan of £4.1m taken out taking advantage of low fixed rates and taking into consideration the request from the Housing Review Board to continue with the right to buy replacement program.
- 3.6 The year end position on other Balances/Reserves held for the HRA are:
- **£1.6m in the HRA Business Volatility Fund.** The HRA self-financing business plan relies on a number of assumptions outside the control of the Council, with significant debt repayment schedules this reserve was established to mitigate this risk giving time if necessary to reshape the HRA budget to accommodate any negative changes.
 - **New Housing Development Fund.** Used for house purchases to meet 70% of the cost where 30% comes from Right to Buy receipts, the £0.980m balance at the start of the year has been used up.
 - **£0.515m in the Planned Maintenance Reserve.** To be utilised for planned maintenance related items in the coming year that were put on hold due to the repairs and maintenance contract overspend.
 - **£3.0m in the Fire Risk Assessment Works & Lift Replacement Reserve.** In the prior financial year £3.55m was set aside for ongoing building works to blocks of flats based upon fire risk assessments and the replacement of the lift at the Poplar Mount block. The residual balance within this account is the so far unspent balance.
 - **General Capital Receipts** available for general HRA capital expenditure, all receipts have been allocated to spend within the year.
 - **£4.019m Ringfenced Right to Buy Capital Receipts** to be spent on Right to Buy replacements. If receipts are not spent within 3 years then they are required to be returned to Government together with an interest payment of 4% above base rate.

Capital Budget

- 4.1 The revised net capital budget (after grants and contributions) for 2019/20 was £16.041m, the outturn position is lower by £2.714m at £13.327m. The majority of this underspend is from scheme slippage which needs to be re-profiled into 2020/21 or later years.

Capital 2019/20 – Outturn variations against budget	Variation £000
Agreed loan to Beer Community Land Trust was not requested by year end	(1,150)
Strata Convergence IT Projects – slippage in programme	(378)
Relocation Project - Re-profiling of expenditure into 2020/21	(380)
Seaton Workshops – on hold subject to re-evaluation of project	(572)
Other Industrial Sites improvements – work slipped to 2020/21	(85)
Ocean Building expenditure	2,809
The Strand Exmouth – Remaining project still to be defined	(125)
Growth Point Projects slipped to 2020/21	(136)
Axe Wetlands Developments and Seaton Jurassic access from Wetlands - complex land ownerships issues	(212)
Delay in sports centre and swimming pool improvement schemes – revised dates agreed with LED.	(911)
Feniton Flood Alleviation Work – project delay through complex negotiations	(696)
Enterprise Zone – Park & Change	(1,355)
Beaches & Foreshores – Various reprofiling to 2020/21	(156)
Play Equipment / Playgrounds - reprofiling to 2020/21	(267)
Car Park works – reprofiling to 20/21	(192)
Gypsy and Traveller sites – location/s still to be identified	(500)
Energy saving/renewable initiatives (EDBC & Industrial Sites)	(152)
Beach Property improvements – scheme slippage	(109)
Magnolia Public Conveniences Improvements – scheme slippage	(200)
Expenditure funded through s106 agreements not in programme	433
HRA house purchase replacement scheme not included in original programme, separately agreed – funding through HRA resources	3,234
HRA Major Repairs – underspend	(484)

- 4.2 The capital funding position given below takes the gross capital position (before grants and contributions) and was funded as follows:

Capital Programme	£14.682m
<u>Funded by</u>	
Capital Receipts	-£12.534m

Government Grants and other contributions Applicable to be applied in the year	-£0.292m
HRA – Major Repairs Reserve	-£3.912m
New Homes Bonus Grant from revenue	-£2.324m
Monies from 100% business rate pilot	-£0.650m
Other direct revenue contributions	-£0.066m
Decrease in underlying need to borrow – cash position met from internal borrowing	£4.445m

- 4.3 To remind members a capital budget is agreed to complete a particular scheme/project (normally in the annual budgeting setting process). Profiling between years is undertaken to help understand yearly financial commitments and for members to understand the annual funding position. Capital scheme slippage will be re-profiled with advice from the project/budget manager but this will be within the total budget approved for the scheme by members.