

Revenue Outturn 2020/21

Report of the Finance Portfolio Holder

Recommended:

1. That the Council's Revenue outturn for 2020/21, as shown in Annexes 1 and 2 to the report, be noted.
2. That the reasons for the budget variances, as shown in paragraph 3, be noted.
3. That the items shown in paragraph 3.19, totalling £71,400, be approved for carry forward into the 2021/22 revenue budget.
4. That the transfers to reserves of £7.481M detailed in paragraph 3.18 be approved.
5. That the transfer of £694,000 from the Collection Fund Equalisation Reserve as detailed in paragraph 4.3 be approved.
6. That the Head of Finance and Revenues be authorised to make necessary adjustments through the Collection Fund Equalisation Reserve, should any additional variances be identified in finalising the Statement of Accounts for 2020/21.

SUMMARY:

- The Council's Revenue outturn for the year ended 31 March 2021 shows net General Fund expenditure of £12.232M (Annex 2).
- Following the completion of the revenue outturn work there is a deficit on the general fund of £694,000. Details of how this arose are discussed in more detail in paragraph 3 and how to cover this deficit is considered in paragraph 4.

1 Introduction

- 1.1 The General Fund covers all areas of the Council's revenue activities. This report summarises the total revenue expenditure for Services in 2020/21 which is summarised in Annex 1.
- 1.2 The summary in Annex 1 includes notional charges applied to the revenue account in respect of capital financing transactions and transfers to the pension reserve. Annex 2 shows the same information as Annex 1 with these charges stripped out. Throughout this report any comparisons between budget and actual expenditure will refer to the figures contained in Annex 2.
- 1.3 Where there have been significant variances from the original estimate to the final outturn figures, these are explained in paragraph 3.

1.4 The information in this report forms the basis of the Comprehensive Income and Expenditure Statement in the Council's Annual Statement of Accounts which is due to be audited in the coming months by Ernst & Young.

2 Background

2.1 The original revenue estimates for 2020/21 were approved by Council in February 2020. This report shows how the final figures compare to those approved in the original estimates and explains the reasons for significant variances.

2.2 The Council's Revenue outturn for 2020/21 shows a negative variance of £694,000 compared with the original estimate. This represents a 6% adverse variance on the Council's General Fund Requirements of £11.538M and details of the variance are explained in paragraph 3.

2.3 Annex 1 shows the full cost of Services which includes depreciation charges, charges to revenue for capital expenditure that does not generate new assets and notional adjustments in respect of the pension fund. Whilst it is important that these costs are known and included, they are also highly changeable and make comparisons with budgets very difficult.

2.4 Annex 2 strips out these charges to provide Councillors with a more understandable comparison of budget figures.

3 2020/21 Revenue Outturn

3.1 Annexes 1 and 2 show the revenue account outturn for 2020/21. They show a negative variance of £694,000 when compared with the original estimate.

3.2 The table below provides a summary of the main reasons for the variance with more detailed explanations in paragraphs 3.3 to 3.18:

	£'000
Net cost due to Covid-19 (see para. 3.3)	1,724
Employee costs (see para 3.4)	(379)
Savings on travel (see para. 3.5)	(92)
Reduction in property income (see para. 3.6)	58
Net additional income from Environmental Services (see para. 3.7)	(270)
Various supplies & services and premises savings (see para. 3.8)	(432)
Other loss of income (see para. 3.9)	217

Net additional income from the Chantry Centre (see para 3.10)	(263)
Government grants (see paragraph 3.11)	(720)
Unused contingency budget	(186)
Provision for bad debts (see paragraph 3.12)	155
Business rates (see paragraphs 3.13 – 3.17)	(6,564)
Transfers to Reserves (see paragraph 3.18)	7,481
Other miscellaneous savings	(35)
Total deficit	694

- 3.3 The breakdown of the net cost on the general fund due to Covid-19 of £1.724M is shown in the following table.

	£'000
Additional expenditure (contractual commitments; remote working infrastructure etc.)	1,701
Reduction in budgeted income (car parking; leisure facilities; planning fees; investment income etc.)	4,481
Total additional costs due to Covid-19	6,182
Government Grant received in four tranches	(1,571)
Sales, Fees & Charges compensation scheme	(2,165)
Coronavirus Job Retention Scheme	(251)
New Burdens Grants	(471)
Net cost due to Covid-19	1,724

- 3.4 The employee costs budget for 2020/21 included a vacancy management provision set at 4% of the gross salary budget equating to £607,000. The actual outturn for employee costs has exceeded the provision by £379,000. This is due to the usual recruitment challenges across the authority and the timing of vacancies being filled.

The vacancy management target has been increased to 4.5% in setting the Council's budget for 2021/22 to reduce the likelihood of similar variances in future years.

- 3.5 Employee and councillor mileage and other travel claims have been reduced by £92,000 due to the impact of Covid-19 and meetings being held remotely.
- 3.6 The net reduction on rental property income across the Council's property portfolio of £58,000 relates to anticipated rent increases in the year which didn't materialise due to market conditions and re-negotiations linked to Covid-19 and vacancies in the year amounting to £170,000, partially offset by rent increases and backdated rent of £112,000.
- 3.7 The net increase in income from Environmental Services is made up of £184,000 from the Garden Waste scheme, £38,000 from glass recycling, £42,000 from the management of dog bins and return of shopping trolleys, £63,000 from the sale of bins and £29,000 from grounds maintenance offset by an increase in transport costs of £65,000 and lower than anticipated income from the sale of dry mixed recycling of £21,000.
- 3.8 Supplies & services and premises costs across all services show savings of £432,000. The notable savings are mainly due to Covid-19 and employees working from home and reduced usage of premises:
- Office costs including external printing, photocopying, stationery, postage and landline charges combined show savings of £150,000.
 - Training costs are £78,000 below budget.
 - Tree works show savings of £58,000.
 - Cleaning costs are £42,000 below budget.
- 3.9 Other income from services was £217,000 below budget. The main areas affected were benefits overpayments recovery by £187,300, court fee income by £23,300 and cemeteries by £12,400. These were partially offset by additional land charges income of £6,100.
- 3.10 Net additional income from the Chantry Centre is £262,500. This is due mainly to lower than anticipated void costs for both service charge and business rates. As per the report to Council on 13 March 2019, it is recommended to transfer this additional income to the Chantry Centre Planned Maintenance Reserve.
- 3.11 Net unbudgeted government grants of £720,000 have been received in the year. This includes:
- Neighbourhood Planning Referendum grants of £60,000 were received in respect of two local referendums. After expenditure against this of £22,400 the net amount of £37,600 is recommended to be transferred to the Local Development Fund reserve to be used for future neighbourhood planning expenses.
 - The amount received for the Council Tax Annex Discount grant was £57,700 higher than budgeted.

- Grants relating to Brexit for £52,500 have been received. It is recommended to transfer these to a new Brexit reserve for use against any future costs resulting from Brexit.
- A number of ringfenced Covid grants were received in the year which have not been fully utilised by the year end. These are the Covid Outbreak Management Fund grant of which £67,100 remains from a grant of £126,200, and the Covid Clinically Extremely Vulnerable grant of which £143,500 remains from a grant of £185,000. It is recommended to transfer these to a new Covid grants reserve for use in 2021/22.
- The Council Tax Hardship Fund grant was £573,700 of which £448,800 was utilised on council tax bills during the year. The balance of £124,900 is unringfenced and is recommended to be transferred to the new Covid grants reserve.
- A number of grants were received from Central Government for discretionary schemes for businesses or individuals affected by the restrictions due to Covid-19 which have not been fully utilised by the end of the year. These were the Additional Restrictions Grant (£2,700 remaining from £3.644M), the Local Restrictions Support Grant (Open) (£158,100 remaining from £413,000), and the Track & Trace scheme for individuals asked to self-isolate (£67,500 remaining from £83,000). It is recommended to transfer these to the new Covid grants reserve.

3.12 An increase of £155,000 is required to ensure that the bad debt provision is at the required level at the end of the year.

3.13 Transactions through the General Fund in relation to business rates income are difficult to predict and extremely volatile. Since 2013/14, the Council has experienced business rate growth and is therefore required to pay an immediate NDR Surplus Levy to Government. In addition, the Council receives grants for small business rate and other reliefs, and is entitled to retain 100% of business rates relating to renewable energy schemes within the Borough. These transactions are managed through both the General Fund and the Collection Fund Equalisation Reserve.

3.14 Business rates income is extremely vulnerable to the level of appeals that may occur as a result of the 2017 revaluation exercise. In addition, the Government maintains the power to take away all of the accumulated growth in income generated since 2013 in a reset of the Business Rates Retention Scheme. The reset was planned for 2020/21 but has been put back to 2022/23 at the earliest due to the Covid-19 pandemic. The Council maintains the Collection Fund Equalisation Reserve to smooth the impact of these unknowns.

3.15 In 2020/21, the Council has continued to experience business rate growth and is still required to pay a surplus levy to Government.

- 3.16 To offset the impact of the Covid-19 related business rates reliefs (Retail, Hospitality and Leisure discount and Nursery discount) that have been given in the collection fund, the Government has given local authorities additional Section 31 grants in the year which are accounted for in the general fund. The Council has received an additional £7.361M in these grants. The resulting share of the deficit in the collection fund of £7.149M will not be accounted for in the general fund until 2021/22 and 2022/23.
- 3.17 The variances against budget are detailed in the table below and the balance of £6.564M is recommended to be transferred to the Collection Fund Equalisation reserve to offset the deficit that is required to be financed in 2021/22 and 2022/23.

	£'000
Additional section 31 grants received	(7,361)
Increase in provision for surplus levy	794
Reduction in NDR retained from renewable energy schemes	3
Net impact of business rates on General fund in 2020/21	(6,564)

- 3.18 The following transfers to reserves are recommended:

	£'000
Chantry Centre PMP reserve (see para 3.10)	263
Local Development Fund reserve (see para 3.11)	38
Brexit reserve (see para 3.11)	52
Covid grants reserve (see para 3.11)	564
Collection Fund Equalisation Reserve (see paras 3.13 – 3.17)	6,418
Total recommended transfer to reserves	7,481

- 3.19 Three items have been identified where a budget was included in the 2020/21 estimate but was not spent by the end of the year as per the table below. The total of £71,400 is recommended to be carried forward into 2021/22.

	£'000
Housing & Environmental Health – in respect of a contractor to backfill work that the environmental health team have not been able to cover due to Covid-19	20
Community & Leisure – Woodfair postponed due to Covid-19	6
Community & Leisure – various snagging works at Picket Twenty, Abbotswood and Picket Piece	45
Total to be carried forward to 2021/22	71

4 Transfer to / from Reserves

General Reserves

- 4.1 The recommended prudential minimum level for unallocated general reserves is £2.6M. This was increased from £2M at 31 March 2020 due to the uncertainty around the impact of the Covid-19 pandemic on the Council's finance and this balance remains unchanged at 31 March 2021.

Earmarked Reserves

- 4.2 The deficit on the General Fund is £694,000 for 2020/21.
- 4.3 A transfer from the Collection Fund Equalisation Reserve for £694,000 is recommended to cover this deficit.

5 Resource Implications

- 5.1 This report shows that the Council had a budget deficit in 2020/21 of £694,000. This amount will be funded by a transfer from the Collection Fund Equalisation Reserve.
- 5.2 Some of the variances that have been identified throughout this report have already been taken into account in setting the 2021/22 budget.

6 Risk Management

- 6.1 An evaluation of the risks associated with the matters in this report indicate that further risk assessment is not needed because the issues covered do not represent significant risks.

7 Equality Issues

- 7.1 An EQIA screening has been completed in accordance with the Council's EQIA methodology and no potential for unlawful discrimination and/or low level or minor negative impact have been identified, therefore a full EQIA has not been carried out.

8 Conclusion and reasons for recommendation

- 8.1 This report shows that actual net General Fund expenditure in 2020/21 was £694,000 more than the Original Estimate and explains the significant causes of this variance. The report recommends a transfer of the full amount from the Collection Fund Equalisation Reserve.

<u>Background Papers (Local Government Act 1972 Section 100D)</u>			
None			
<u>Confidentiality</u>			
It is considered that this report does not contain exempt information within the meaning of Schedule 12A of the Local Government Act 1972, as amended, and can be made public.			
No of Annexes:	2	File Ref:	N/A
(Portfolio: Finance) Councillor M Flood			
Officer:	Jenni Carter	Ext:	8236
Report to:	Cabinet	Date:	23 June 2021