



Report to:	Council	23 September 2021
Lead Cabinet Member:	John Williams - Lead Cabinet Member for Finance	
Lead Officer:	Peter Maddock - Head of Finance	

2020/21 Provisional General Fund Revenue and Capital Outturn

Executive Summary

1. The report reviews the General Fund Revenue and Capital outturn position for the financial year 2020/21 with Reserve balances as at 31 March 2021.
2. The report provides a statement of the year-end financial position and progress with approved capital investment projects.
3. Cabinet, at its meeting held on 06th September 2021, considered the General Fund Revenue and Capital Outturn for 2020/21 and recommended to Council to approve the agreed proposed budget carry forwards to 2021/22 as outlined in the recommendations.

Key Decision

4. No

Recommendations

5. It is recommended that Council consider the report and, if satisfied, to:
 - (a) Acknowledge the 2020/21 general fund revenue outturn position and the net underspend (after income from Taxation and Government Grants) in the year of £0.281 million and the explanations provided for the variances compared to the revised 2020/21 revenue budget;
 - (b) Acknowledge the consequent decrease in the General Fund as at 31 March 2021 of £1.994m to around £14.5m;
 - (c) In relation to the Capital Programme:
 - (i) Note the 2020/21 capital outturn of £43,252 million;
 - (ii) Approve the carry forwards of £2.081 million in relation to General Fund capital projects due mainly to slippage.
 - (iii) Approve additional lending of £5.237 million in 2021/22 to enable Ermine Street housing to meet its target of 500 property purchases.

Reasons for Recommendations

6. To advise the Council of the 2020/21 revenue and capital outturn position, the impact that this will have on the General Fund and to approve the carry forward of slippage within the 2020/21 capital programme. Also, to note that a full review of the Capital Programme including new bids will be carried out and presented to Cabinet at its meeting on 19th October 2021.

Details

2020/21 Revenue Budget – Outturn

7. This report sets out the 2020/21 Outturn position with a brief commentary on some of the variances. The Council's draft Statement of Accounts for 2020/21 are unlikely to be approved until next calendar year; and given that both 2020/21 and 2019/20 accounts are both unaudited it is quite possible the outturn may change and therefore the figures in this report need to be considered as 'provisional'.
8. The table below sets out the outturn position for each Directorate. The variance reported in column 5 is against the original approved budget (Column 2) but because of additional expenditure related to Covid and the inclusion of Pension adjustments the revised estimate is shown for comparative purposes (Column 4) The overall position when compared to the revised is an underspend of £296,000:

	Revised Net Budget £ million	Outturn £ million	Variance £ million	Variance %
Chief Executive & Chief Operating Officer	0.854	0.843	(0.011)	(1.3)
Head of Finance	4.345	3.196	(1.149)	(36.0)
Head of HR & Corporate Services	1.239	1.203	(0.036)	(3.0)
Head of Housing	2.111	1.928	(0.183)	(9.5)
Head of Shared Waste & Environment	8.416	9.804	1.388	14.2
Head of Transformation	2.371	2.023	(0.348)	(17.2)
Director of Planning	5.726	5.381	(0.345)	(6.4)
Operational Net Cost	25.062	24.378	(0.684)	2.8
City Deal and Drainage Levy	0.712	0.935	0.223	23.9
Investment Income & Expenditure	(4.214)	(4.147)	0.067	1.6
Appropriation to/(from) Earmarked Reserves	(0.550)	1.795	2.345	130.6
Accounting reversals and MRP	6.444	4.197	(2.247)	(53.5)
Non Operational Budgets	2.392	2.780	0.388	14.0
Total	27.454	27.158	(0.296)	(1.1)

The Operational Net Cost of the Council relates to the day to day spending/service areas of the Council. The outturn for Net Operational Cost is £24.378 million which is £0.684 million below the revised estimate. When the budget was revised adjustments relating to the net service cost of pensions and additional service related expenditure due to the pandemic were added in. The former is reversed out below the net cost of services line as they are an accounting adjustment and should not impact on the general fund balance or the Council Tax. The latter is funded by additional grant which is shown in the table at para 11. This is offset by an overspend of £0.388 million in relation to Non-Operational Budgets. The revised estimate and actual include a contribution to Capital of £5 million but this increase is somewhat masked by other accounting adjustments relating to Capital Financing charges, Pensions adjustments and Minimum Revenue Provision (MRP). The net position being an underspend of £0.296 million.

9. The key variances in operational areas are detailed below with a little commentary on each area:

Directorate	£ million	Reason for Variance
Chief Executive & Chief Operating Officer	(0.011)	Insignificant.
Head of Finance	(1.149)	Significant additional expenditure in revenues and benefits due to covid was factored into the revised budget. In the event not all was required in 2020/21 and is expected in 2021/22. This will be funded from the Covid Support grant as originally planned but a year later. The expected provision for doubtful debts was scaled back in the actual as some debts expected to turn bad did not do so. There is a positive variance showing in Housing Benefits due to additional grants received and improved levels of Overpayment recovery.
Head of HR & Corporate Services	(0.036)	There were savings on staffing costs in democratic services due to vacancies and electoral registration costs for postage and supplies were lower than expected.
Head of Housing	(0.183)	Some additional grant was received that wasn't expected and although additional homelessness costs were higher than originally expected due to the pandemic, they were slightly lower than that in the revised estimate.
Head of Shared Waste & Environment	1.388	The cost of the footway lighting project is charged here in its entirety (£1.534 million). Whilst this expenditure is of a capital nature the assets belong to parishes and cannot therefore be included on the Council's balance sheet hence have to be charged to revenue. The cost is met from earmarked reserves rather than the general fund. There were some savings on covid related costs where expenditure was a little below that predicted in the revised estimate.

Head of Transformation	(0.348)	Majority of this positive difference is driven by additional income of £0.269m received in Localism, further increased by a small drop in Community Chest grants paid and savings on services such as Advertising and Marketing.
Director of Planning	(0.345)	This variance has arisen from additional grants and higher than expected fee income received in the year. The Income forecast was revised down part way through the year due to expected losses as a result of the pandemic, but with the economic recovery this has exceeded expectations. This was partly offset by staff costs being overspent due to the work needed to generate the aforementioned additional income.
Non Operational Budgets	0.388	This is made up of two main variances. The contribution to reserves was higher due to unused covid grants being added for use in 2021/22 and less use of the renewables reserve due to the delays on the South Cambs Greening Project. Borrowing costs and MRP were both lower than expected. The former due to the continued low interest rates and the latter due to lower borrowing required than expected.

10. It is usual practice to submit any requests for rollover to 2021/22 as part of this report however there are none this time.

11. In addition to operation and non-operational income and expenditure above the following table shows the outcome for Council Tax, Business rates and the various other non-ringfenced grants received from Central Government.

	Revised Net Budget £ million	Outturn £ million	Variance £ million	Variance %
Total Expenditure (from above)	27.454	27.158	(0.296)	1.1
Government Grants	(2.898)	(2.898)	0	0
Council Tax	(9.562)	(9.562)	0	0
Business Rates Income	(9.479)	(8.937)	542	6.1
Business Rates Pool gain	(1.100)	(1.439)	(0.339)	(23.6)
Covid Support Grant	(1.922)	(1.922)	0	0
Business Rates – Collection Fund Surplus	(0.119)	(0.307)	(0.188)	(61.2)
Council Tax - Collection Fund Surplus	(0.099)	(0.099)	0	0
Income from Taxation and Government Grants	(25.179)	(25.164)	0.015	0
Appropriation (to)/from General Fund.	2.275	1.994	(0.281)	(14.1)

12. The Outturn position set out in the table above reflects the following:

- Business Rates income has been affected by numerous changes over the last few years with a significant number of new reliefs coming in. the pandemic has made this even worse with pandemic reliefs being granted and an income compensation scheme. The small business and retail reliefs introduced because of the pandemic were quite significant and has meant that any resulting negative affect on the collection fund is to be spread over three years. The actual income achieved is below that expected mainly due to the reliefs and compensation scheme introduced in 2020/21 which will also effect future years income.
- In 2020/2021 a business rates pool was set up involving South Cambs, East Cambs, Fenland, Peterborough, The County Council and Fire Authority. The purpose of this is to 'pool' all of the business rate tariffs payable (Districts and Peterborough) to and top ups receivable (County Council and Fire) from central government of the authorities involved and any business rates growth that has been achieved since the current business system was brought in. Each authority if remaining outside the pool would have had to pay half of the growth they achieved to Central Government. By setting up a pool this half can be retained within the county and shared between the pool members in line with the signed memorandum of understanding. South Cambridgeshire is the administering authority and our contribution to the pool was the most significant of all members due to the growth seen in the District. The pool gain was estimated at £1.1 million the actual was £1.439 million. A pool cannot function without the involvement of a top up authority namely the County Council.
- Grant of £1.922 million for additional expenditure pressures relating to the pandemic was received in four tranches during the year. This is shown as un-ringfenced as there were no restrictions attached to the use of this funding. The related expenditure is shown within the services to which it relates in line with proper accounting practice. Not all of this funding was used in 2020/21 and is therefore held in a reserve to finance expenditure in 2021/22.
- The surplus on the Business Rates Collection Fund (£0.307 million) was higher than originally expected and is related to interaction between the collection fund and the general fund and the requirement to spread any in year losses over three years.
- There were several grant schemes introduced during 2020/21 to help businesses through the pandemic. £24 million was paid out under the original scheme during the first lockdown for businesses on the business rates register. £1.183 million was also paid out to others in discretionary grant. There were further payments of £11.119 million during subsequent lockdowns under a number of different schemes. Not all the funding received was paid out in 2020/21 and a little over £5 million was carried forward and paid out in 2021/22. These figures have **not** been included in the tables as they would distort the figures somewhat as effectively the council was acting as an agent of Central Government and administering the use of government money rather than distributing its own money.
- The Council tax figure quoted remains unchanged as this was fixed when the budget was set in February 2020.

13. The original budget assumed a £1.451 million addition to the General Fund Balance and the revised a £2.275 million reduction. This was primarily due to the inclusion of a £5 million contribution to General Fund Capital Expenditure agreed in February 2021. The actual

position fell between the two figures and is a reduction of £1.994 million and an underspend of £0.281 million.

Reserves

14. The reserves are reviewed from time to time a full review occurred as part of the budget process for 2020/21 and some were amalgamated and others re-aligned however there needs to be a regular review process to ensure they are adequate and relevant to the priorities of the Council and the budget cycle is the best time for that to happen. As at 31st March 2021 the balance on General Fund earmarked reserves was over £37 million.
15. The major reserves the Council holds are detailed below with some commentary on each:-

New Homes Bonus (NHB) GCP Reserve

£4.330 million: This reserve was set up to receive a proportion of the NHB monies the authority receives from the Government. The amount set aside was 30% until August 2020 and 10% thereafter. It is not clear exactly when or if all amounts set aside will be dispersed to the partnership, but this will become clearer over the coming months.

Infrastructure and A14 upgrade Reserve

£4.800 million: The first call on this reserve occurred in 2020/21 and the first £200,000 contribution has been charged to that year. There will be a further charge in each of the next 24 years until this balance is exhausted.

Renewables Reserve

£4.981 million: Set up at the end of 2015/16 in order to fund an investment programme to build new sources of renewable energy. The funds are built up from amounts retained in respect of Renewable Energy Schemes as per NNDR3 returns and the pool gain from the business rates pool. The fund has increased by £242,000 on the previous year with Additions totalling £2 million and usage of £1.7 million the largest element being on the footway lighting project.

Property Investment Reserve

£3.748 million: The funds are available to meet any costs that do not fall within the responsibility of the tenant under tenant repairing leases such as improvements to environmental standards. An amount of £200,000 is added annually.

Transformation Reserve

£3.546 million: Set aside to meet one off costs associated with the Council's transformation programme. The programme will be running over the next two years or so and any unused balance once the programme is completed will be returned to the General Fund. During the year £357,000 of the reserve was used to meet expenditure against an expected usage of £584,000.

General Fund Capital Programme 2020/21 – Outturn

16. The outturn in relation to the 2020/21 Capital Programme identifies an expenditure underspend of £5.369 million and equivalent financing underspend. The budget for comparison purposes is the revised budget that was reported to Council as part of the 2020/21 budget papers:

	Revised Budget £ million	Outturn £ million	Variance £ million	C/Fwd
Housing Services	1.435	1.402	(0.033)	0
Health & Environmental Services	2.218	1.888	(0.330)	0.330
Corporate Services	0.749	0.427	(0.322)	0.322
Planning Services	0.015	0	(0.015)	0.015
Transformation	0.180	0.069	(0.111)	0.111
Advances to Housing Company	13.824	12.350	(1.474)	1.474
Investment Property	30.000	26.916	(3.084)	3.084
A14 Contribution	0.200	0.200	0	0
Expenditure	48.621	43.252	(5.369)	5.336
Capital Receipts	1.151	0.992	(0.159)	
Revenue (inc. Reserves & HRA)	7.929	7.278	(0.651)	
Contributions (inc. Section 106)	0.717	0.717	0	
Borrowing	38.824	34.265	(4.559)	
Funding	48.621	43.252	(5.369)	

17. Expenditure on Housing includes the Orchard Housing System, re-purchase of General Fund Sheltered Properties and Private Sector Housing Grants including Disabled Facilities grants (DFG's). With regard to the orchard system, expenditure was £12,000 below the budget. The implementation continued into 2021/22 so this underspend needs to be added to the existing allocation of £40,000 in 2021/22 to complete the project. Expenditure in relation to General Fund property purchases is difficult to predict, a budget of £525,000 was set but expenditure exceeded this at £561,000. The budget for Private Sector Housing Grants was reduced in the revised estimate and expenditure was a little below the revised estimate line with the revised budget. Overall in Housing there was a minor underspend of £33,000.
18. The Health and Environmental Services budget is provided in the main for vehicle replacements for the waste and street cleansing fleet. The underspend of £264,000 was primarily due to the street cleansing truck replacement and air quality monitoring equipment purchase not taking place as planned. This will now occur in 2021/22.
19. The Human Resources and Organisation budget includes ICT projects and Capital works at the Camborne offices. Overall budgets were underspent by £322,000. The largest underspend was on the greening project (£317,000). This is slippage and needs to be carried forward into 2021/22. The project has been significantly delayed from its original timeline mainly due to the pandemic.
20. It was expected that £13.824m would be advanced to Ermine Street Housing Ltd, the Council's wholly owned subsidiary. In the event £12.349m was actually advanced as

although some of the delays caused by the pandemic were recovered not all were. The Company is nearing its target of 500 property purchases but is going to need additional funding over and above the carry forward amount of £1.474m so a recommendation is included in the report to increase the allocation in 2021/22 to £10m an additional allocation of £5.237m.

21. The Investment Strategy was approved toward the end on 2018/19 but purchases did not start until 2019/20. The revised budget was set at £30m for the year and spend was £26.916m. Two properties were purchased, 296 Cambridge Science Park and the Vitrum building on St John's Innovation Park. There was also significant spend on 270 Science Park to prepare the building for letting during 2021/22. An amount of £3.084 million is requested for carry forward to 2021/22 however the programme does need to be re-assessed in light of the Governments response to the PWLB consultation which does not allow authorities to buy property primarily for yield if it wishes to access the PWLB borrowing facilities.
22. The other item relates to the A14 contribution which is as expected. This is treated as Revenue expenditure funded from capital as it does not result in the creation of a Council asset but the expenditure is of a capital nature.
23. All sources of funding, other than Section 106, were lower than expected due to the underspend on the capital programme. Though as regards Revenue the underspend related entirely to use of Earmarked Reserves. Section 106 usage was as expected as this had been set in stone at the time of the budget.

Options

24. Other options involve not agreeing some or all the carry forward amounts or the additional funding for the lighting scheme. This is not recommended as delays would be introduced and unfinished works would occur.

Implications

25. In the writing of this report, taking into account financial, legal, staffing, risk, equality and diversity, climate change, and any other key issues, the following implications have been considered:-

Financial

26. As detailed in the report. There are additional resources required to fund the further loans to Ermine Street though interest on lending the Council takes out to fund this will be at a lower rate than the interest income the council receives from Ermine Street.

Consultation responses

27. None.

Alignment with Council Priority Areas

Growing local businesses and economies

28. The report provides the 2020/21 outturn position on expenditure that it would not normally incur whilst providing extra support to local businesses during the lockdown period of the pandemic.

Housing that is truly affordable for everyone to live in

29. The Council provides the 2020/21 outturn position on the New Homes Bonus and Property Investment Reserves which supports the business plan of providing homes which are truly affordable.

Being green to our core

30. The 2020/221 outturn provides an update on a number of schemes which relate to the green to our core element of the Councils business plan.

A modern and caring Council

31. The report supports the Councils business plan by providing the position on the grant schemes which were introduced during 2020/21 to help businesses and residents through the pandemic.

Background Papers

- Budget Report – Report to Cabinet: 5 February 2020
- Budget Report to Council - Report to Council 20 February 2020
- Business Plan 2020 - 2025 – Report to Council: 20 February 2020
- Medium Term Financial Strategy – Report to Council 21 February 2020

Appendices

None

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