

**REPORT TO:** Cabinet 2<sup>nd</sup> September 2020  
**LEAD CABINET MEMBER:** John Williams Lead Cabinet Member for Finance  
**LEAD OFFICER:** Peter Maddock Head of Finance

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## **2019/2020 Provisional General Fund Revenue and Capital Outturn**

### **Executive Summary**

This is not a key decision [but it may be] as there are no resource implications directly arising from the report at this stage; the report provides a statement of the year-end financial position and progress with approved capital investment projects.

1. The report reviews the General Fund Revenue and Capital outturn position for the financial year 2019/2020 with Reserve balances as at 31 March 2020, and to agree proposed changes to the Capital Programme.
2. This is not a key decision [but it may be] as there are no resource implications directly arising from the report at this stage; the report provides a statement of the year-end financial position and progress with approved capital investment projects.

### **Recommendations**

3. That Cabinet is requested to consider the report and, if satisfied, to:
  - (a) Acknowledge the 2019/2020 general fund revenue outturn position and the net underspend (after income from Taxation and Government Grants) in the year of £4.665m and the explanations provided for the variances compared to the approved 2019/2020 revenue budget;
  - (b) Acknowledge the consequent increase in the General Fund as at 31 March 2020 of £4.665m to around £16.5m;
  - (c) Recommend to Council a General Fund Revenue Carry Forward in the sum of £30,000.
  - (d) In relation to the Capital Programme:
    - (i) Note the 2019/2020 capital budget outturn of £42,302 million;
    - (ii) Recommend to Council the carry forwards of £2.081 million in relation to General Fund capital projects due mainly to slippage.
    - (iii) Recommend to Council additional funding of £105,000 from earmarked reserves to meet the expected cost of the Lighting renewal programme.

- (iv) To note that a full review of the Capital Programme will be submitted to Cabinet at its October 2020 meeting to include re-phasing of the existing programme and new Capital bids for the next budget cycle.

## Reasons for Recommendations

4. To advise the Cabinet of the 2019/20 revenue and capital outturn position, the impact that this will have on the General Fund and to consider the carry forward of slippage within the 2019/20 capital programme. Also to note that a full review of the Capital Programme including new bids will be carried out and presented to this committee on 19<sup>th</sup> October 2020.

## Details

### 2019/2020 Revenue Budget – Outturn

- This report sets out the 2019/2020 Outturn position with a brief commentary on some of the variances. The Council's draft Statement of Accounts for 2019/20 are unlikely to be approved until the autumn; and given that both 2019/20 and 2018/19 accounts are both unaudited it is quite possible the outturn may change and therefore needs to be considered as 'provisional'.
- The budget was set based on the old directorate structure and therefore the reporting needs to be on the same structure.
- The table below sets out the outturn position for each Directorate:

	<b>Current Net Budget £ million</b>	<b>Outturn £ million</b>	<b>Variance £ million</b>	<b>%</b>
Housing Services	1.493	1.528	0.035	(2.3)
Health & Environmental Services	7.256	7.196	(0.060)	(0.8)
Corporate Services	6.277	6.865	0.588	9.4
Planning	5.238	4.951	(0.287)	(5.5)
Pension adjustments		1.956	1.956	
<b>Operational Net Cost</b>	<b>20.264</b>	<b>22.496</b>	<b>2.232</b>	<b>11.0</b>
City Deal and Drainage Levy	0.944	1.072	0.128	13.6
Investment Income & Expenditure	(2.004)	(2.586)	(0.582)	(29.0)
Appropriation to/(from) Earmarked Reserves	(0.340)	0.682	1.022	
Accounting reversals and MRP	(0.878)	(2.391)	(1.513)	(172.3)
<b>Non Operational Budgets</b>	<b>(2.278)</b>	<b>(3.223)</b>	<b>(0.945)</b>	<b>(41.5)</b>
<b>Total</b>	<b>17.986</b>	<b>19.273</b>	<b>1.287</b>	<b>7.2</b>

4. 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 £22.496 million which is £2.232 million above the original estimate however this includes adjustments related to the net service costs of pensions which are not included in the budget. These are 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. Once this has been excluded there is an overspend of £0.276 million. This is offset by an underspend of £0.945m in relation to Non-Operational Budgets. The net position being an overspend of £1.287m. A proportion of this relates to the increase in contributions to reserves particularly the late item agreed by Council for the Northstowe section 106 funding shortfall of £726,000. Some of the transfer to reserves relates to Business Rates income which features in the table in paragraph 7.
5. The key variances in operational areas are detailed below with a little commentary on each area:

Directorate	£m	Reason for Variance
Housing	0.035	A further allocation of Flexible Homelessness grant was received during the year. This has been transferred to the Earmarked reserve to aid Homelessness prevention activities for spending over the next 3 years. There was an overspend on bed and breakfast accommodation and a number of other small variances resulting in a marginal overspend. This overspend was funded from an additional transfer from reserves.
Health and Environmental Services	(0.060)	Being a large directorate covering a range of diverse services, the variance is made up of several under and overspends. The largest savings are realised in <b>Health and Wellbeing (£156k)</b> , <b>Renewable Energy (£79k)</b> and <b>Community Safety (£42k)</b> , These offset additional expenditure incurred on <b>Localism (£143k)</b> mainly due to Staffing costs and the allocation of internal support services and <b>General Environmental Health services (£85k)</b> which was mainly as a result of not recovering the targeted income level on commercial activities through the business hub.
Corporate Services	0.588	The recharge for corporate management and democratic services to the HRA was revised to better reflect actual work relating to the two accounts. There was also some additional agency staff costs and a redundancy payment that were not in the original budget.
Planning Shared Service	(0.287)	The underspend relates mainly to salary related costs in development management of around £200,000, some additional Planning Performance Agreement income of £52,000 and an underspend on enforcement legal costs.
Non Operational Budgets	(0.945)	This is made up of additional investment income and pension related accounting adjustments which is the biggest negative variation, offset by additional contributions to reserves and higher levies. The biggest positive variation is due to additional transfers to reserves primarily relating to Northstowe and Street Lighting

		and less removed from reserves relating to Shared Planning. Investment income was higher than expected due to commercial rent from 140 Science Park and Colmworth Business Park, not in the original budget, this was tempered by a bigger portion of interest earned being passed to the Housing Revenue Account.
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6. It is usual practice to submit any requests for rollover to 2020/21 as part of this report and the only one we have relates to the delayed start to the Gypsy and Traveller study in the sum of £30,000.
7. 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.

	<b>Current Net Budget £ million</b>	<b>Outturn £ million</b>	<b>Variance £ million</b>	<b>%</b>
<b>Total Expenditure (from above)</b>	<b>17.986</b>	<b>19.273</b>	<b>1.287</b>	<b>7.2</b>
Government Grants	(2.604)	(5.060)	(2.456)	(94.3)
Council Tax	(9.175)	(9.175)	0	0
Business Rates	(6.811)	(6.236)	0.575	(8.4)
Collection Fund Surplus	0	(3.467)	(3.467)	
<b>Income from Taxation and Government Grants</b>	<b>(18.590)</b>	<b>(23.938)</b>	<b>(5.348)</b>	<b>(38.3)</b>
<b>Appropriation (to)/from General Fund.</b>	<b>(0.604)</b>	<b>(4.665)</b>	<b>(4.061)</b>	<b>(672.3)</b>

8. The Outturn position set out in the table above reflects the following:
- That due to the constant changes to business rate reliefs since the introduction of 50% local retention the government is required to compensate local authorities for the loss of revenue as a result. In 2019/20 this was £2.422m more than expected.
  - That growth in business rates income in the district has been substantial since the setting of the baseline and 50% of that growth has to be paid over to central government (amounting to £3.118m), there was still additional income in 2019/20 but that will not affect the general fund until 2020/21.
  - The surplus on the Business Rates Collection Fund (3.467m) and surplus on Council Tax Collection Fund (£0.82m). It is normal practice to make provision for this surplus or deficit in setting the revenue budget but, for no known reason, there was no allowance made in the 2019/20 budget for the business rates surplus. This situation has been rectified in the 2020/21 budget.

- The Council tax figure quoted remains unchanged as this was fixed when the budget was set in February 2019.

9. The budget assumed a £0.604million addition to the General Fund Balance however as a result of the additional income particularly from Business Rates, £4.665m is expected to be added to the General Fund Balance.

### Reserves

10. The reserves have been reviewed as part of the budget process and some have been 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 31<sup>st</sup> March 2020 the balance on General Fund earmarked reserves was over £29m.

11. The major reserves the Council holds are detailed below with some commentary on each:-

New Homes Bonus (NHB) GCP Reserve - £2.997m: This reserve was set up to receive a proportion of the NHB monies the authority receives from the Government. 30% is currently set aside each year for costs of the Greater Cambridge Partnership. It is likely that longer term to maintain this commitment more will be paid out than received as it is expected the NHB will either be reduced significantly or phased out completely. During 2019/20 a contribution of £876,000 was due to the Partnership with the contribution inwards being £742,000.

Infrastructure and A14 upgrade Reserve - £5.000m: This reserve now holds the total requirement for the amount expected to be required and came from the remainder of the NHB funds after the allocation to GCP and GF. The funds to make this up to the £5m required came from the now defunct Business Rates Growth Reserve.

Renewables Reserve - £4.739m: 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. In 2019/20 £460,810 was received from Renewable Energy sources 100% of which is retained locally in order to be reinvested back in Renewable Energy projects. In 2019-20 £197,682 of the funds were utilised, including funding the green energy grants scheme. It is proposed to use some of the funds going forward at South Cambridgeshire Hall to improve energy efficiency and implement further green energy schemes.

Property Investment Reserve - £3.548m: This Reserve was set up during 2019/20 from the now defunct Business Rates Growth Reserve. 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.

Transformation Reserve - £3.903m: 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.

General Fund Capital Programme 2019/2020 – Outturn

12. The outturn in relation to the 2019/2020 Capital Programme identifies an expenditure underspend of £1.927 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:

	<b>Revised Budget £ million</b>	<b>Outturn £ million</b>	<b>Variance £ million</b>	<b>C/Fwd</b>
Housing Services	1.512	1.563	0.051	0
Health & Environmental Services	0.351	0.319	(0.032)	0.100
Corporate Services	1.221	0.853	(0.368)	0.372
Planning Services	0	0.031	0.031	0
Advances to Housing Company	13.500	12.991	(0.509)	0.509
Investment Property	26.500	25.400	(1.100)	1.100
CLIC Investment	1.145	1.145	0	0
<b>Expenditure</b>	<b>44.229</b>	<b>42.302</b>	<b>(1.927)</b>	<b>2.081</b>
Capital Receipts	1.116	1.309	0.193	
Revenue (inc. Reserves & HRA)	0.885	0.687	(0.198)	
Contributions (inc. Section 106)	1.017	0.770	(0.247)	
Borrowing (Internal)	41.211	39.536	(1.675)	
<b>Funding</b>	<b>44.229</b>	<b>42.302</b>	<b>(1.927)</b>	

13. Expenditure on Housing includes the re-purchase of General Fund sheltered Properties and Private Sector Housing Grants including Disabled Facilities grants (DFG's). With regard to the former the original budget was revised down but expenditure fell between the two figures so there was an overspend against the revised allocation. Consequently use of Capital receipts which fund this expenditure also fell between the two estimates. The latter was underspent by £229,000 relating to DFG's, the excess grant monies received will be held and used in 2020/21 to fund DFG expenditure.
14. The Health and Environmental Services budget is provided in the main for vehicle replacements for the waste and street cleansing fleet. This was overspent when compared to the revised budget mainly due to additional vehicle purchases. But this is funded from Earmarked Reserves which have significant funds set aside for this purpose. The proposed spend on Air Quality Monitoring equipment did not occur in 2019/20 as planned and approval is requested for this to be carried forward to 2020/21. The parish maintained street light scheme is now going ahead and in order for this to complete an additional sum of £105,000 is needed from Earmarked Reserves and a recommendation to that effect is included above.

15. The Corporate Support Services budget includes ICT projects and Capital works at the Camborne offices. Overall budgets were underspent by £368,000. There was a minor overspend on the Camborne offices with an underspend on ICT projects. It is proposed to carry forward the underspend of £372,000 on the various ICT projects pending a full review in the Autumn.
16. It was expected that £13.500m would be advanced to Ermine Street Housing Ltd, the Council's wholly owned subsidiary. In the event £12.991m was actually advanced as the number of properties acquired in the last quarter of 2019/20 was lower than expected. The loans count as Capital Expenditure as they are for a specific purpose so therefore the unspent allocation of £509,000 needs to be carry forward into 2020/21. The original budget for 2020/21 is £16.603m and with the carry forward will bring this to £17.112m, it is likely that some of this though will need to be rephased into 2021/22 when the Capital programme is updated in the Autumn.
17. 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 £26.500m for the year and spend was £25.400m. Three properties were purchased, 140 and 270 Cambridge Science Park and Colmworth Business Park in St Neots. It is requested that the underspend of £1.100m be carried forward into 2020/21 pending the capital programme update.
18. The Council has been providing loan finance for the creation of an Ice Rink in the sum of £2.4m. The rink was complete during the summer of 2019. Spending of £1.145m was made in 2019/20 which was in line with the Capital Programme and brings the total of advances with CLIC to the agreed £2.4m.
19. Use of Capital Receipts to fund the programme was slightly higher than expectations due to additional spend in Housing and Health and Environmental Services. Funding for DFG's from the Better Care Fund exceeded expenditure but this funding can be applied during future years. The expected call on reserves was less than anticipated again due to underspends. All borrowing in the year was from internal sources and due to slippage was lower than expected.

## Options

20. Other options involve not agreeing some or all of 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

21. 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**

22. As detailed in the report though there are no additional implications arising from the report.

## **Legal**

23. No significant implications.

## **Staffing**

24. No significant implications.

## **Risks/Opportunities**

25. No significant implications.

## **Equality and Diversity**

26. The actions recommended in the report neither advantage or disadvantage any particular group.

## **Climate Change**

27. No significant implications.

## **Consultation responses**

28. No consultations undertaken except with spending officers as part of the close down process.

## **Effect on Council Priority Areas**

29. The report details the General Fund Outturn and reports an increase in the General Fund balance some of which could be used to fund council priorities.

## **Background Papers**

Various working papers held in accountancy.



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