

East Herts Council Report

Executive

Audit & Governance Committee

Dates of Meetings:

7 July 2020

28 July 2020

Report by: Cllr Geoffrey Williamson, Deputy Leader & Executive Member for Financial Sustainability

Report title: General Fund Revenue & Capital Outturn 2019/20

Ward(s) affected: All

Summary

RECOMMENDATIONS FOR EXECUTIVE: to approve

(a) The transfer of the General Fund revenue outturn of £16k underspend to the General Reserve

(b) That capital budgets of £30.898m be carried forward to 2020/21 to fund ongoing capital schemes

1.0 Proposal(s)

- 1.1 To advise members on the General Fund Revenue Outturn for 2019/20 and provide explanations for significant variances against approved budget.
- 1.2 To advise members of the financing arrangements for the 2019/20 Capital Outturn.

2.0 Background

- 2.1 The 2019/20 budget was approved by Council on 5 March 2019.

- 2.2 In year budget monitoring and management actions have sought to deliver spending plans approved by the Council. Members have been kept updated throughout the year through quarterly budget monitoring reports where any significant variances have been reported.

3.0 Reason(s)

- 3.1 The final outturn for the year, detailed in this report is still subject to external audit. The final audited accounts will be presented to the Audit and Governance Committee on 22 September 2020.
- 3.2 An underspend of £16k is reported against the 2019/20 revenue budget. This is summarised in Table 1. It is recommended that this underspend is transferred to the Councils General Reserve.

Table 1: Summarised 2019/20 Outturn position

	2019/20 Original Budget	2019/20 Outturn	Variance
	£'000	£'000	£'000
Total Net Cost of Services	14,201	14,168	(33)
Corporate Budgets Total	972	773	(199)
Net Use of Reserves	558	3,289	2,731
Funding	(5,463)	(7,978)	(2,515)
Council Tax	(10,268)	(10,268)	-
Underspend	0	(16)	(16)
Contribution to general reserve	0	16	16

Net Cost of Services

- 3.3 An underspend of £33k against original budget is reported for the Net Cost of Services. This is in line with the forecast outturn reported as at the end of Quarter 3 2019/20.
- 3.4 Included in the net cost of services outturn is a net use of reserves of £754k. Appendix A contains a breakdown of the reserves affected.
- 3.5 All contributions from reserves have been approved in line with the Councils Constitution.

Corporate Budgets

- 3.6 Corporate budgets achieved additional income to that budgeted of £199k, as detailed in the table below.

Table 2: Corporate Budgets 2019/20

	2019/20 Budget	2019/20 Outturn	Variance
	£'000	£'000	£'000
NHB Grants to Town & Parish Councils	697	654	(43)
Interest Payments	669	662	(7)
Interest & Investment income	(1,090)	(1,239)	(149)
Pension Fund Deficit contribution	696	696	0
Corporate Budgets Total:	972	773	(199)

- 3.7 An underspend of £43k is shown against the New Homes Bonus grants to town and parish councils budget. This is due to East Herts not receiving as much grant funding from Central Government as initially expected, which impacts on the amounts distributed.

3.8 The 2019/20 investment outturn is £149k above budget, this is due to property fund investments exceeding anticipated performance. This surplus will be transferred to reserves and used to manage any future investment budget deficits.

Reserves

3.9 There has been a significant contribution to reserves in 2019/20, as shown in the table below and Appendix A:

Table 3: Contributions to and from Reserves 2019/20

	2019/20 Budget	2019/20 Outturn	Variance
	£'000	£'000	£'000
Contributions to Earmarked reserves	739	3,385	2,646
Contributions from Earmarked reserves	(85)	0	85
Use of General reserve	(96)	(96)	0
Use of Reserves:	558	3,289	2,731
2019/20 underspend to general reserve	0	16	16
Net Use of reserves	558	3,305	2,747

3.10 In 2019/20 £2.555m relating to business rates, as detailed in paragraphs 3.12 & 3.13, will be transferred to the collection fund reserve this will enable smoothing of potential future deficits

Funding

3.11 A breakdown of the Councils funding sources is shown in the table below; this shows a £2.5m surplus above budget.

Table 4: 2019/20 Funding

	2019/20 Budget	2019/20 Outturn	Variance
	£'000	£'000	£'000
NDR & S31	(2,675)	(4,499)	(1,824)
75% BRR pilot	0	(731)	(731)
(Surplus)/Deficit on Collection fund	0	(114)	(114)
Other General Grants	0	(17)	(17)
New Homes Bonus	(2,788)	(2,617)	171
Funding:	(5,463)	(7,978)	(2,515)

3.12 A major contributor to additional funding in 2019/20 is Non Domestic Rating (NDR) Section 31 income. This is due to timing differences between when the council sets its budget and statutory returns submitted to Central Government which determine the funding for the year. Section 31 grant is received from central government to compensate local government for mandatory business rate reliefs granted. There has also been growth in business rates income above amounts budgeted.

3.13 In 2019/20 East Herts was part of a 75% Business Rate Retention pilot with Hertfordshire County Council and the other Hertfordshire district and borough councils. The outcome from the pool was reliant on the performance of all the other members and as this could not be predicted with any confidence, it was prudent not to budget for any gain. This has resulted in a gain for East Herts of £731k, although this is a one-off as we

are not in the pool for 2020/21.

Capital Outturn

3.14 The progress of the capital programme has been reported to Executive throughout the year as part of the budget monitoring process.

3.15 Capital expenditure in 2019/20 was £10.76m, as detailed in table 5:

Table 5: 2019/20 capital outturn

	2019/20 Budget	2019/20 Outturn	Variance	Carry forward to 2020/21
	£'000	£'000	£'000	£'000
Strategic Finance & Property	31,213	4,578	(26,635)	26,417
Business & Technology Shared Service	798	546	(252)	362
Operations	6,806	3,391	(3,415)	3,416
Housing & Health	571	581	10	113
Planning	193	163	(30)	2
Communications, Strategy & Policy	253	52	(201)	201
Millstream Loans	1,838	1,451	(387)	387
Total:	41,672	10,762	(30,910)	30,898

3.16 An underspend of £30.91m is reported in 2019/20. This is largely due to schemes not commencing or progressing in line with initial expectations. The majority of this, £19.03m relates to the construction of the new Northgate End Car Park, which has commenced in 2020/21.

3.17 It is recommended that £30.898m of budgets be carried forward from 2019/20 to the 2020/21 capital programme. This relates to schemes that have either been re-timetabled to take place during 2020/21 or schemes which were started during 2019/20 but not complete as at 31st March 2020. Further details can be found in Appendix B.

3.18 The 2019/20 capital programme expenditure has been financed from the following sources:

Table 6: Capital Financing

	£'000
Capital Receipts & Reserves	3,481
Government Grants	58
Third Party Contributions	2,692
Internal Borrowing	4,531
TOTAL:	10,762

4.0 Options

4.1

5.0 Risks

5.1

6.0 Implications/Consultations

6.1

Community Safety

No

Data Protection

No

Equalities

No

Environmental Sustainability

No

Financial

Contained within the body of the report

Health and Safety

No

Human Resources

No

Human Rights

No

Legal

No

Specific Wards

No

7.0 Background papers, appendices and other relevant material

7.1 Appendix A – Use of Reserves 2019/20

7.2 Appendix B – 2019/20 Capital Outturn

Contact Member

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