

East Herts Council Report

Executive

Date of Meeting: 28 September 2021

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

Report title: General Fund Revenue & Capital Outturn 2020/21

Ward(s) affected: All

RECOMMENDATIONS FOR EXECUTIVE:

- (a) To approve the funding of the General Fund revenue outturn of £116k overspend from the general reserve**
- (b) To approve that the revenue budgets of £414k be carried forward from 2020/21 to 2021/22; and**
- (c) To approve that the capital budgets of £4.271m be carried forward to 2021/22 to fund ongoing capital schemes.**

1.0 Proposal(s)

- 1.1 To advise members on the General Fund Revenue Outturn for 2020/21 and provide explanations for significant variances against approved budget.
- 1.2 To advise members of the financing arrangements for the 2020/21 Capital Outturn.

2.0 Background

- 2.1 The 2020/21 budget was approved by Council on 29 January 2020, prior to the Covid-19 pandemic.
- 2.2 In year budget monitoring and management actions have sought to deliver the Councils plans. Members have been kept updated throughout the year through quarterly budget monitoring reports where any significant variances have been reported.

- 2.3 The Councils income and expenditure has been impacted by the Covid-19 Pandemic, as previously 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 later in the year following the external audit.
- 3.2 An overspend of £116k is reported against the 2020/21 revenue budget. This is summarised in Table 1. It is recommended that this overspend is funded from the Councils General Reserve.

Table 1: Summarised 2020/21 Outturn position

	2020/21 Original Budget	2020/21 Outturn	Variance
	£'000	£'000	£'000
Total Net Cost of Services	15,603	16,274	671
Corporate Budgets Total	588	432	(156)
Net Use of Reserves	732	12,387	11,655
Funding	(6,256)	(18,310)	(12,054)
Council Tax	(10,667)	(10,667)	-
Overspend	0	116	116
Contribution from general reserve	0	116	116

Net Cost of Services

- 3.3 Additional costs and reduced income as a consequence of the Covid-19 pandemic has resulted in an overspend of £672k against original budget for the Net Cost of Services.
- 3.4 Additional contractor costs, increased costs in respect of Charrington's House and unbudgeted expenditure in respect of planning appeals have put pressure on the 2020/21 budget and resulted in overspends.
- 3.5 Sales fees and charges compensation grant of £2.3m was claimed from central government in 2020/21 to compensate for income lost due to reductions in licencing and planning fees and closure of car parks and Hertford Theatre due to the pandemic. This income is

included in the net cost of services outturn. The grant scheme involved Councils absorbing 5% of their budgeted sales fees and charges and the government compensating for 75 pence in the pound there after, therefore there is an impact on the outturn of lost income not covered by the scheme.

- 3.6 £404k of IT projects scheduled to be completed in 2020/21 have were not completed before the 31st of March, therefore the unspent budget will be transferred to the general reserve and utilised to fund these projects in 2021/22.
- 3.7 Community grants of £10k allocated in 2020/21 were not distributed by 31st March 2021 following delays in the projects they were supporting. The unspent budget will be transferred to the general reserve and the grants funded from this in 2021/22.

Corporate Budgets

- 3.8 Corporate budgets achieved additional income to that budgeted of £156k, as detailed in the table below.

Table 2: Corporate Budgets 2020/21

	2020/21 Budget	2020/21 Outturn	Variance
	£'000	£'000	£'000
NHB Grants to Town & Parish Councils	708	704	(4)
Interest Payments	207	206	(1)
Interest & Investment income	(891)	(1,086)	(195)
Pension Fund Deficit contribution	715	715	0
Capital Salaries	(151)	(107)	44
Corporate Budgets Total:	588	432	(156)

3.9 The 2020/21 investment outturn is £195k 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

3.10 There has been a significant contribution to reserves in 2020/21, as shown in the table below and Appendix A:

Table 3: Contributions to and from Reserves 2020/21

	2019/20 Budget	2019/20 Outturn	Variance
	£'000	£'000	£'000
Contributions to Earmarked reserves	1,645	1,875	230
Contributions from Earmarked reserves	(817)	(414)	403
Use of General reserve	(96)	318	414
Contribution to Section 31 NNDR Reserve	0	10,608	10,608
Use of Reserves:	732	12,387	11,655
2020/21 underspend to general reserve	0	(116)	(116)
Net Use of reserves	732	12,271	11,539

3.11 Contributions to earmarked reserves includes an unbudgeted £195k of investment income transferred to the Interest Equalisation reserve.

3.12 Contributions from reserves were below budget by

£403k this is due to a change in the programming of works to be undertaken by the IT shared service to improve the IT infrastructure. These works will be carried out in 2021/22.

- 3.13 The general reserve includes a contribution to reserves of £414k that wasn't budgeted for. This is unspent revenue budget from 2020/21, this will be utilised in 2021/22 to fund the revenue budget carry forwards, as per paragraphs 3.6 and 3.7 above.
- 3.14 Due to the statutory accounting requirements for business rates £10.608m has been placed in a new reserve (Section 31 NNDR) this will be utilised in 2021/22 to 2023/24 to cover the spreading of the 2020/21 NNDR deficit and is not available to fund any other spending.

Funding

- 3.15 A breakdown of the Councils funding sources is shown in the table below; this shows a £12.1m surplus above budget.

Table 4: 2020/21 Funding

	2020/21 Budget	2020/21 Outturn	Variance
	£'000	£'000	£'000
NDR	(3,124)	(2,275)	849
Section 31	0	(10,608)	(10,608)
(Surplus)/Deficit on Collection fund	(300)	(785)	(485)
Other General Grants	0	(1,811)	(1,811)
New Homes Bonus	(2,832)	(2,832)	0
Funding:	(6,256)	(18,310)	(12,054)

- 3.16 A major contributor to additional funding in 2020/21 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 and the reliefs granted in year due to the Covid-19 pandemic. Section 31 grant is received from central government to compensate local government for mandatory business rate reliefs granted. This has been transferred to reserves in line with the business rates regulations and will be utilised in 2021/22.

- 3.17 East Herts received £1.8m local authority support grant to cover increased expenditure as a result of Covid-19.

Capital Outturn

- 3.18 The progress of the capital programme has been reported to Executive throughout the year as part of the budget monitoring process.
- 3.19 Capital expenditure in 2020/21 was £31.5m, as detailed in table 5:

Table 5: 2020/21 capital outturn

	2020/21 Budget	2020/21 Outturn	Variance	Carry forward to 2021/22
	£'000	£'000	£'000	£'000
Strategic Finance & Property	29,034	14,446	(14,588)	1,317
Business & Technology Shared Service	1,165	380	(785)	785
Operations	30,029	13,773	(16,257)	2,122
Housing & Health	354	182	(172)	47
Planning	23	39	17	0
Millstream Loans	4,010	2,705	(1,305)	0
Total:	64,614	31,525	(33,089)	4,271

- 3.20 An underspend of £33.089m is reported in 2020/21. This is largely due to schemes not commencing or progressing in line with initial expectations.
- 3.21 It is recommended that £4.271m of budgets be carried forward from 2020/21 to the 2021/22 capital programme. This relates to slippage of projects against the assumed spend profile at 31st March 2021 which was used to set the capital programme budgets for 2021/22 onwards. Further details can be found in Appendix B.
- 3.22 The 2020/21 capital programme expenditure has been financed from the following sources:

Table 6: Capital Financing

	£'000
Capital Receipts & Reserves	422
Government Grants	6,448
Internal Borrowing	24,655
TOTAL:	31,525

4.0 Options

- 4.1 The Executive can choose to reduce the General Fund balance by the deficit amount rather than using the General Reserve.
- 4.2 The Executive can choose not to carry forward capital budgets although this will cause budget shortfalls and overspends on major projects that span financial years. This is not recommended. The Executive can choose not to carry forward capital budgets and cancel those projects which have not started.

5.0 Risks

- 5.1 There is a risk that the external auditors will require the accounts to be adjusted after audit which may increase

the revenue deficit. There is, conversely an upside risk that the revenue deficit may decrease after the audit.

6.0 Implications/Consultations

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

Regular monitoring and forecasting of the budget and capital programme are required to ensure that the Council is managing its resources effectively and complies with section 28 of the Local Government Act 2003 and the Council's Financial Procedure Rules.

Specific Wards

No

7.0 Background papers, appendices and other relevant material

7.1 Appendix A – Use of Reserves 2020/21

7.2 Appendix B – 2020/21 Capital Outturn

Contact Member

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