

STRATEGY AND RESOURCES COMMITTEE

8 OCTOBER 2020

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Report Title	GENERAL FUND OUTTURN REPORT 2019/20			
Purpose of Report	To present to the Strategy and Resources Committee the final outturn position against the General Fund revenue budgets for 2019/20			
Decision(s)	<p>The Committee RESOLVES to:</p> <ul style="list-style-type: none"> a) note the General Fund Revenue Outturn position for 2019/20, as shown in Table 1. b) note the Housing Revenue Account outturn position for 2019/20, as shown in Table 4 c) to note the transfers to and from earmarked reserves for the year, as detailed in Sections 5 and 8 and Appendix E d) to note the Capital Programme outturn position for 2019/20, as shown in Table 10 e) approve slippage of the Capital Programme budget into 2020/21, as shown in Table 10 and Appendix H 			
Consultation and Feedback	Budget holders have been consulted about the budget issues in their service areas. The feedback has been incorporated into the report to explain difference between budgets and actual income and expenditure.			
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Options	None			
Background Papers	None			
Appendices	<p>Appendix A – Strategy and Resources Committee Revenue Detail</p> <p>Appendix B – Community Services and Licensing Committee Revenue Detail</p> <p>Appendix C – Housing Committee (General Fund) Revenue Detail</p> <p>Appendix D – Environment Committee Revenue Detail</p> <p>Appendix E – Earmarked Reserve Detail</p> <p>Appendix F – Housing Revenue Account Revenue Detail</p> <p>Appendix G – Capital Outturn Detail</p> <p>Appendix H – Capital Budget 2020/21</p> <p>Appendix I – Capital Financing</p>			
Implications (further details at the end of the report)	Financial	Legal	Equality	Environmental
	Yes	Yes	No	No

1. Background

- 1.1 This report sets out the final outturn position for the 2019/20 financial year and considers changes to balances and reserves.
- 1.2 This report is to provide members with a more detailed view of the performance against the General Fund revenue budget, Housing Revenue Account Revenue Budget and Capital Programmes for 2019/20.
- 1.3 **Due to the volume of information contained in the report, it would be helpful where members have questions on matters of detail that they could be referred to the report author or the appropriate service manager before the meeting.**

2. Summary

- 2.1 The **General Fund** has an **underspend of £0.973m**, as set out in Section 3. £0.542m of this underspend relates to the gain from being part of the Gloucestershire Business Rates Pool. This has been allocated to a number of reserves for future use, including a new Covid-19 Recovery Reserve. A full breakdown of the allocation can be found in Section 4.
- 2.2 The **Housing Revenue Account (HRA)** has a net **underspend of £0.994m**, as set out in Section 7. This predominantly relates to additional income over budget. This balance will transfer to HRA general reserves.
- 2.3 There is total **Capital expenditure of £12.888m**, giving net underspend of £2.158m. It is proposed that £1.551m is carried forward and added to the 2020/21 Capital Programme budget.
- 2.4 Although only significantly affecting the very end of the financial year, Covid-19 has already had a major impact. The financial cost during 2019/20 is estimated at £0.100m across the General Fund (£0.080m loss of income and £0.020m additional cost). It has also materially impacted on the delivery of the capital programme in 2019/20, particularly within the HRA.
- 2.5 This impact is expected to be substantial within 2020/21, with the cost of response and recovery during the pandemic, as well as lost service income across both the General Fund and HRA. Recovery of Council Tax and Business Rates will also likely be affected, reducing the funding available to support services in future years. The timing of some capital programmes will need to be reviewed in line with deliverability under new operating guidance.
- 2.6 The financial impact will be closely monitored.

3. General Fund Revenue Outturn 2019/20

- 3.1 The revised General Fund Service Revenue budget for 2019/20, as approved by Council in February 2020 was £15.358m. The final outturn position for the year is £15.498m, with additional net transfers from earmarked reserves of £0.542m. This gives a net revenue underspend of £0.436m.
- 3.2 There is also additional funding income of £0.537m, predominantly due to the Gloucestershire Business Rates Pool, giving a total **underspend of £0.973m**.
- 3.3 This is a strong outturn position, allowing an additional £0.973m to be added to reserves, increasing the financial resilience of the Council.

3.4 Table 1 shows a breakdown of the outturn position, by Committee.

Table 1 – General Fund Outturn Summary

	2019/20 Original Budget (£'000)	2019/20 Revised Budget (£'000)	2019/20 Actual (£'000)	2019/20 Reserve Transfers (£'000)	2019/20 Outturn Variance (£'000)
GENERAL FUND					
Community Services and Licensing	3,334	3,154	2,945	41	(168)
Environment	5,425	5,696	5,085	412	(200)
Housing General Fund	538	710	559	167	16
Strategy and Resources	6,480	7,358	8,476	(1,196)	(78)
SSC Income from HRA	(1,285)	(1,560)	(1,567)		(7)
Net Revenue Expenditure	14,492	15,358	15,498	(576)	(436)
Funding from Govt Grants/Council Tax	(15,068)	(15,168)	(15,740)	35	(537)
Transfers to/(from) Earmarked Reserves	576	(189)	(731)	542	(0)
Total General Fund	0	0	(973)	0	(973)

3.5 The underspend of (£973k) for the year is made up of items relating to the Service Committees as well as specific additional income sources and cost savings. This is after a net transfer of £542k from earmarked reserves (including from the capital reserve which is used to finance the capital programme). It should be noted that these are predominantly one-off variances and are not expected to continue into 2020/21, with the exception of Covid-19 related costs and loss of income.

3.6 A summarised table of the significant variances is shown below.

Table 2 – Summary of Significant In-Year Variances

	Variance (under)/ overspend £k
Service Committees	
Salary savings across services	(340)
The Pulse	124
Ubico	(196)
Development Control income	163
Building Control	(167)
Recycling, Food Waste and Garden Waste income	(244)
Covid-19 - additional cost (Ebley Mill and Ubico)	20
Covid-19 - loss of income (car parking, The Pulse, Museum in the Park and fees and charges)	80
Other variances across services (net)	21
Total Service Committee	(539)
Central Costs and Income	
Business Rates Pool	(542)
Bad Debt Provision	325
Investment Income	(44)
Minimum Revenue Provision	(89)
Unused savings (Work Force Plan pension)	(77)
Other small central savings	(7)
Total Central Costs/Income	(434)
Total Underspend	(973)

3.7 Further detail on the year end variances can be found, by Committee, in the appendices.

4. Allocation of General Fund Underspend

4.1 The significant underspend allows funding to be put in reserves to cover future costs.

4.2 The Section 151 Officer has allocated the funding as set out below.

Table 3 – allocation of General Fund underspend

Reserve	Allocation to Reserve £k
Covid-19 Recovery Reserve	442
Community Response Grants	50
Climate Change Reserve	75
Investment Risk Reserve	210
Repairs and Replacement Reserve	50
Business Rates Safety Net	146
Total Allocation	973

4.3 Details of these reserves:

4.4 Covid-19 Recovery Reserve - £442k

This new reserve will be held for the allocation of funding towards recovery workstreams. This is funded from the additional business rates pool income over and above the anticipated level of £100k in the base budget.

4.5 Community Response Grants - £50k

The decision was made to make a fund of £100k available for grant payments to organisations providing assistance to vulnerable residents as a result of Covid-19. These grants are funded equally by Gloucestershire County Council Stroud District Council. Although the original officer decision anticipated the District share being funded from the Business Rates Pilot Reserve, the strong outturn position allows an amount of £50k to be put aside from the 2019/20 underspend to cover the Stroud District Council share of the grants. This will be held in the Covid-19 Recovery Reserve.

4.6 Climate Change Reserve - £75k

Council have approved the capital cost of water source heat pumps being installed at Ebley Mill and Brimscombe Mill. The ongoing cost associated with these is £15k per year. This funding would support those costs for the first five years of operation.

4.7 Investment Risk Reserve - £210k

The value of our new higher risk investments had fallen at year end, although there has been some recovery recently. These funds do not impact on the General Fund until 2023 however an increase in the Investment Risk Reserve will prudently maintain a reserve to reflect the fall in value.

4.8 Repairs and Maintenance Reserve - £50k

As part of buying the new fleet of electric vehicles it was stated that it is important to put aside sums to pay for their eventual replacement. £50k is to be transferred to the reserve for that purpose.

4.9 Business Rates Safety Net - £146k

As part of the MTFP we maintain a safety net reserve to protect the Council from fluctuations in the level of Business Rates funding. This has primarily been used to mitigate against changes in the way the scheme operates but also protects us from falls in actual income. With the outlook for the economy so uncertain it seems appropriate to transfer the balance of £146k into this reserve.

5. General Fund Earmarked Reserve Movements

5.1 The following section sets out the impact of the outturn on the earmarked reserves held by the Council. These are held for specific purposes and are in addition to the General Fund balance. The normal operation of Council business includes movements on earmarked reserves including spending existing reserves or placing new funding aside for use in future years.

5.2 General Fund earmarked reserves have increased from £17.951m at 1 April 2019 to £18.193m at 31 March 2020. The in year movement of £0.242m is made up of budgeted transfers to or from reserves (including those approved during the year), transfers included in the year end position, the planned use of the capital reserve to finance the capital programme, and the allocation of the General Fund underspend to reserves for future use. A summary of these movements is included in the below table.

Table 4 – Movements to/(from) earmarked reserves during 2019/20

Reserve	Budgeted Transfers £k	Capital Financing £k	Year End Transfers £k	Underspend Allocation £k	Total Reserve Movements £k
Capital Reserve		(1,160)			(1,160)
Carry Forwards	(423)		420		(3)
Local Plan Reserve			(19)		(19)
Climate Change Reserve				75	75
Business Rates Safety Net	400			146	546
Building Control Shared Service Reserve			(102)		(102)
Neighbourhood Planning Grant Reserve	(36)		3		(33)
MTFP Equalisation Reserve	176		0		176
CIL (Community Infrastructure Levy) Reserve			347		347
Brexit Reserve			35		35
Street Cleaning Reserve			(8)		(8)
Business Rates Pilot Reserve	(307)				(307)
Repairs & Replacements Reserve			(58)	50	(8)
Investment Risk Reserve				210	210
Covid- 19 Recovery Reserve				492	492
Total	(189)	(1,160)	618	973	242

5.3 A full breakdown of the earmarked reserves can be found in Appendix E.

5.4 Included within the earmarked reserves is the Carry Forward Reserve, used where services need to transfer external funding or budget for specific projects from one year to the next. The reversals from 2018/19 and amounts carried forward from 2019/20 are shown in the table below. The net movement represents the £3k included in the net reserves transfers.

Table 5 – Movement on Carry Forward Reserve

Service Area	Detail	2018/19 Carry Forwards (£'000)	2019/20 Carry Forwards (£'000)
Community Safety	External funding for work with young people	(12)	15
Youth Services	External funding and 19/20 underspends	(5)	19
Public Spaces	External funding for park improvements	(19)	19
Cultural Services - Community Health & Wellbeing	Funding linked to Health and Equalities projects	(36)	20
Carbon Management		(6)	0
Health & Wellbeing	Land drainage, Joint Flood Aleviation partnership, Rural Suds and Glos Better Business for All partnership	(170)	176
Housing Strategy	Community Housing Fund and Custom Build grant funding	(170)	167
Human Resources	Apprentice funding	(5)	4
Total		(423)	419

6. General Fund General Reserves

- 6.1 The General Fund balance has been maintained with no change at £2.169 million.
- 6.2 There are no budgeted transfers to or from General Fund unearmarked balances in 2020/21.

7. Housing Revenue Account

- 7.1 The HRA is a self financing account for the Council's landlord function, which must be budgeted to break even (net of transfers to/from HRA reserves).
- 7.2 The revenue outturn position of the HRA shows a **net underspend of £0.994m** (4.4% of gross expenditure budget). This underspend will be transferred to HRA General Reserves, along with a budgeted transfer of £0.050m.
- 7.3 A summary of the HRA position follows in Table 6.

Table 6 – Summary of HRA Outturn Position

Housing Committee	2019/20 Original Budget (£'000)	2019/20 Revised Budget (£'000)	2019/20 Amount (£'000)	2019/20 Reserve Transfers (£'000)	2019/20 Outturn Variance (£'000)
Total Income	(22,325)	(22,325)	(23,111)	0	(786)
Total Expenditure	9,948	10,061	10,049	(52)	(63)
Support Service Charges from the GF	1,560	1,560	1,567	0	7
Total Other Costs and Income	12,501	12,501	12,188	168	(145)
Total Expenditure/Income	123	236	(874)	116	(994)
Transfers to/from HRA Earmarked reserves	(226)	(286)	(170)	(116)	0
Transfers to/from General Reserves	103	50	50	0	0
Total Housing Revenue Account	0	0	(994)	0	(994)

- 7.4 The outturn variance of (£994k) includes transfers to and from earmarked reserves. Further detail can be found on these transfers in Section 8 and Appendix E.

7.5 Below is a summary of the key variances within the HRA outturn position.

Table 7 – Summary of HRA key variances

Area	Variance (under)/overspend £k
Rental Income and Charges	(856)
Provision for bad debt	69
Salary underspends	(246)
Repairs and Maintenance	182
Investment Income	(152)
Other variances (net)	8
Total Underspend	(994)

7.6 Further detail on the HRA outturn position and variances can be found in Appendix F.

8. Housing Revenue Account Earmarked Reserves

8.1 These are held for specific purposes and are in addition to the HRA general reserves. The normal operation of Council business includes movements on earmarked reserves including spending existing reserves or placing new funding aside for use in future years.

8.2 HRA earmarked reserves have decreased from £4.094m at 1 April 2019 to £3.365m at 31 March 2020. The in year movement of -£0.170m is made up of budgeted transfers to Sheltered Modernisation fund, planned use of the Sheltered Modernisation fund and the use of a carry forward from 2018/19 and shown in the below table.

Table 8 – Movements to/(from) HRA earmarked reserves during 2019/20

Reserve	Budgeted Transfers £k	Year End Transfers (incl Capital Financing) £k	Underspend Allocation £k	Total Reserve Movements £k
Sheltered Modernisation	(226)	116		(110)
Carry Forwards	(60)			(60)
Total	(286)	116	0	(170)

8.3 The year end transfers are due a variation to the use of the Sheltered Modernisation fund compared to budget. This means that less was used than was budgeted and the difference remains in the reserve to use in the future.

8.4 The carry forward reserve was held for Fire Risk Assessments, and was transferred in year to the repairs and maintenance budget.

8.5 A full breakdown of earmarked reserves can be found in appendix E.

9. Housing Revenue Account General Reserves

- 9.1 The opening balance of HRA general reserves at 1 April 2019 was £3,386k. The base budget included a transfer of £103k to reserves, but this was reduced to £50k in April 2019.
- 9.2 The revenue underspend of £994k increases the total transfer to HRA general reserves to £1,044k, giving a balance of £4,430k at 31 March 2020.

Table 9 – HRA General Reserves

	2019/20 £k	2020/21 £k
Opening balance	3,386	4,430
Budgeted transfer to/(from) general reserves – Council Feb 2020	50	181
Revenue underspend 2019/20	994	
Closing balance	4,430	4,611

- 9.3 It should be noted that the budgeted transfer to HRA general reserves in 2020/21 will be revised during the year as budgets will need to be realigned in light of the Covid-19 pandemic.

10. Capital Programme

- 10.1 The 2019/20 Capital Programme of £18.769m was approved by Council in January 2019. This has been revised to a total of £15.046m during the year.
- 10.2 The revised General Fund capital programme is £5.036m, against which there is spend of £4.719m, an underspend of (£317k).
- 10.3 The full capital outturn position is included in Table 10, below, and the funding schedule of the capital programme can be found in Appendix I.
- 10.4 The ICT Investment plan is fully underway, with spend of £749k in 2019/20. This has included the replacement of citrix terminals with laptops which greatly supported a very quick move to home working in response to Covid-19. Improvements have also been made to the storage network and servers, with further improvements planned for 2020/21.
- 10.5 The additional expenditure within Housing General Fund predominately relates to additional grant payments to a Housing Association (funded from a central government grant) and additional projects being funded from the Gloucestershire County Council funded Better Care Fund. These are all fully funded projects and therefore the additional spend does not represent an overspend that will affect the overall financial position.
- 10.6 There are also some areas of slippage in the capital programme, including the externally funded Warm Homes project, Brimscombe Port and the Canal regeneration. Vehicle acquisition on the Multi Service Contract has also been delayed due to procurement specification. It is proposed that the remaining funding from 2019/20 be carried forward in 2020/21 to continue to fund these capital programmes. The total slippage request is £950k.
- 10.7 The revised HRA capital programme totals £10.010m, with spend of £8.169m, an underspend of (£1.841m).

- 10.8 There is a total underspend of £1,252k across Major Works on dwellings and other capital spend. The capital programmes were affected by the lockdown due to Covid-19, and the IT budget has slipped into 2020/21. There is also additional spend on the new depot at Littlecombe. The 2020/21 Major Works programme will need to be completely rewritten due to Covid-19 and it is therefore suggested that no budget is slipped into 2020/21 at this time.
- 10.9 The New Build programme is £421k underspend in total. There is a £224k underspend on the new Independent Living units at Tanners Piece, a property has been purchased for £143k, and there is some slippage on the development schemes has been increased due to Covid-19.
- 10.10 The Sheltered Modernisation programme has capital underspends of £168k, but the overall programme remains largely on target, with some slippage due to Covid-19.

Table 10 – Capital Summary

Capital Scheme	Latest Budget (£'000)	Outturn (£'000)	Variation (£'000)	Carry forward (£'000)
Environment				
Canal 1A	0	76	76	0
Canal 1B (Development)	1,068	683	(385)	385
Market Town Centres	113	63	(50)	50
MSC - Vehicles	684	574	(110)	110
Stroud District Cycling & Walking	100	96	(4)	4
Total Environment	1,965	1,492	(473)	549
Housing General Fund				
Affordable Housing - Support to Registered Providers	39	473	434	39
Better Care Funded Projects	0	163	163	0
CCG Health through Warmth Grants	200	173	(27)	27
Disabled Facilities Grants	330	263	(67)	0
Healthy Home Loans	0	11	11	0
Park Homes Project	76	86	10	0
Warm Homes Fund	853	670	(183)	183
Total Housing General Fund	1,498	1,839	341	249
Strategy and Resources				
Avon Mutual	50	50	0	0
Brimmscombe Port Redevelopment	242	99	(143)	143
Ebley Mill Works	98	109	11	0
Electric Vehicles	257	245	(12)	12
ICT Investment Plan	746	749	3	(3)
Littlecombe Business Units, Dursley	54	40	(14)	0
MSCP Resurfacing	120	91	(29)	0
Subscription Rooms	6	5	(1)	0
Total Strategy and Resources	1,573	1,388	(185)	152
Total General Fund	5,036	4,719	(317)	950
Housing Revenue Account				
Major Works	7,756	6,504	(1,252)	175
New Homes	1,640	1,219	(421)	258
Sheltered Housing Modernisation	614	446	(168)	168
Total Housing Revenue Account	10,010	8,169	(1,841)	601
Total Capital Expenditure	15,046	12,888	(2,158)	1,551

11. IMPLICATIONS

11.1 Financial Implications

The whole report is financial in nature, reporting the General Fund and Housing Revenue Account revenue and capital position for 2019/20.

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11.2 Legal Implications

There are no legal implications arising from the recommendations in this report.

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11.3 Equality Implications

There are not any specific changes to service delivery proposed within this decision.

11.4 Environmental Implications

There are no direct environmental implications arising from this report.