

Bath & North East Somerset Council

MEETING	Cabinet	
MEETING DATE:	22 July 2020	EXECUTIVE FORWARD PLAN REFERENCE:
		E 3163
TITLE:	Revenue & Capital Outturn 2019/20	
WARD:	All	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Appendix 1: Detailed Revenue Budget Outturn Appendices 2(i) & 2(ii): Proposed Revenue Virements & Revised Revenue Cash Limits 2019/20 Appendix 3: Detailed Capital Variance & Rephasing Requests 2019/20 Appendices 4(i) & 4(ii): Capital Virements & Capital Programme by Portfolio 2019/20		

1 THE ISSUE

- 1.1 The report presents the revenue and capital outturn for 2019/20, highlighting a net revenue under budget position of £0.12m after allowing for proposed carry forwards. This represents an improved position when compared with the last report, based on monitoring for the year to December 2019, which forecast an on-budget position after using £0.61m from the Financial Planning & Smoothing Reserve. The improved position resulted from continued mitigation of pressures through Directors cost reduction and income generation plans.
- 1.2 The report refers to requests to carry forward specific revenue budget items to 2020/21 and to write-off revenue over budgets where recovery in future years would have an adverse impact on continuing service delivery. It is proposed that the net under budget position is transferred to the Revenue Budget Contingency Reserve.
- 1.3 The report also refers to requests to re-phase specific capital budget items to 2020/21 and to remove net capital underspends.

2 RECOMMENDATION

The Cabinet is asked to;

- 2.1 Note the revenue budget outturn under budget position of £0.12m for 2019/20, after allowing for carry forwards.
- 2.2 Approve the revenue carry forward proposals listed in the tables in paragraph 3.5.
- 2.3 Approve that all over budgets are written-off as an exception to the Budget Management Rules for 2019/20.
- 2.4 Approve the transfer of the net underspend of £0.12m to the Revenue Budget Contingency Reserve.
- 2.5 Note the revenue virements for 2019/20 reported for information in Appendix 2(i)
- 2.6 Note the reserve positions and the use of flexible capital receipts shown in paragraphs 3.16-3.18;
- 2.7 Note the outturn position of the 2019/20 capital programme in paragraph 3.24, and the funding outlined in paragraph 3.26;
- 2.8 Approve the capital rephasing and write-off of net underspends as listed in Appendix 3. This reflects the outturn spend position on projects against final budgets as detailed in Appendix 4(ii).

3 THE REPORT

- 3.1 This report provides information about the Council's financial performance against its revenue and capital budgets in 2019/20.

Revenue Budgets

The report identifies that, after allowing for carry forwards, the Council was under budget by £0.12m. Early impact of the Covid 19 restrictions and government lockdown measures have been fully reflected in the 2019/20 revenue outturn. The table below shows the overall position by portfolio:

Portfolio	Revised Budget £'m	Outturn £'m	Variance Over / (Under) £'m
Leader	(0.36)	0.07	0.43
Resources	1.33	0.06	(1.27)
Adult Services	61.95	61.56	(0.40)
Children's Services	28.15	30.40	2.25

Portfolio	Revised Budget £'m	Outturn £'m	Variance Over / (Under) £'m
Transport Services	(0.02)	(0.22)	(0.20)
Housing, Planning & Economic Development	3.29	2.69	(0.60)
Community Services	(2.72)	(3.48)	(0.76)
Total	107.84	107.49	(0.35)
Carry Forwards Requests			0.23
Total (incl Carry Forwards)			(0.12)

Note1: Some of the figures in this table are affected by rounding.

3.2 The main areas of over/under budget and change against the April to December outturn forecast position are as follows:

Leader (£0.43m over budget, £0.11m adverse movement)

The over budget position is due to revisions to the Aequus company business plan projections which have resulted in the timing of the dividend payment to the Council being reprofiled into 2020/21, causing a pressure of £0.26m and delays in achieving destination management savings targets amounting to £0.17m.

Resources (£1.27m under budget, £0.72m favourable movement)

The under-budget position has resulted mainly due to underspends on capital financing corporate budgets of £2.8m due to re-profiling the delivery of capital schemes such as the Waste Relocation strategy into future years. In addition, the Council has had the benefit of lower borrowing rates, both factors have contributed to a reduction in the revenue budget required to repay capital borrowing costs. Other favourable variances arose from contract management savings in ICT of £0.2m, Housing Benefits £0.2m due to the improved controls on claimant eligibility resulting in a reduction in overpayments, as well as vacancy management savings from across other services. These are partially offset by adverse variances of £1.5m as a result of the phased implementation of schemes within the Improving How We Work and Contract Management savings programmes, as well as a shortfall in budgeted income of £0.8m within the Commercial Estate due to a slowing down of retail income and challenges in new acquisitions to generate additional income. This pressure has been incorporated into the 2020/21 budget.

Adult Services (£0.40m under budget, £0.40m favourable movement)

Adverse variances in commissioned purchasing budgets due to increased mental health placement costs £0.6m and increased demand for high cost learning disability placements £0.5m were more than offset by underspends in placement costs in Physical Disability £0.2m, and contribution income collection from Community Resource Centres nursing placements £0.3m. Timings of schemes under the Better Care Fund resulted in further underspends £0.5m being realised in year together with lower than anticipated spend on services within the collective safeguarding teams £0.3m.

Children's Services (£2.25m over budget, £0.35m adverse movement)

Key placement budgets were overspent by £1.6m as a result of increases in support packages to keep children safe and for complex packages for the children with highest need. The portfolio was further over-budget by £0.6m relating to respite and care packages for disabled children, reflecting a national and regional trend for numbers of children coming into care. Staffing overspends on Special Educational Needs and Disability (SEND) were offset by staffing underspends in Integrated Commissioning and Safeguarding.

Climate Emergency & Neighbourhoods (£0.20m over budget, £0.20m adverse movement)

The adverse outturn position mainly relates to repair work at Ashmead depot and the purchase of food bins for the roll out of food waste collections in Bath city centre.

Transport Services (£0.20m under budget, £0.08m favourable movement)

Increased traffic management income at the same time as reduced costs within Highways £0.2m and one-off debt recovery and staffing vacancies within Parking £0.3m accounted for the under-budget services. These were partially offset by a reduction in parking income £0.1m and emerging costs within Emergency Planning £0.2m, both relating to the start of the Covid-19 outbreak – leaving the portfolio with a small under budget position.

Housing, Planning & Economic Development (£0.60m under budget, £0.39m favourable movement)

All four services within the portfolio (Housing, Regeneration, Planning, Business and Skills) ended the year in an under budget position, with salary savings and over-achieved income being the core reasons.

Community Services (£0.76m under budget, £0.03m favourable movement)

Heritage's most profitable year to date contributed £0.8m to the under-budget position, which was offset slightly by a reduction in cremation and burial income. The favourable outturn position for Heritage Services was impacted by the early closure of the service due to the Covid-19 outbreak, however most of the impact of this will be felt in 2020/21.

3.3 Further detail of outturn budget variances is attached at Appendix 1.

3.4 Further analysis of the Covid 19 impact on the 2020/21 budget has been reviewed and mitigation measures have been developed through the 2020/21 financial recovery plan as reported to Cabinet on 2nd July. As set out in that report, income pressures, most prominently affecting the Roman Baths, Parking & Commercial Estate, and expenditure pressures, including those on Adult Social Care, arising due to the pandemic will be closely monitored during 2020/21.

Carry Forward Requests

3.5 The following carry forward requests have been made for approval:

Request and Reason for Request	£
<p>Strategy & Performance – Community Empowerment Fund</p> <p>This is a three-year programme which commenced midway through financial year 2019/20. Wards have until 2021 to claim £2,000 per ward. Many have not claimed their share yet so carry forward into 2020/21 is requested.</p>	93,000
<p>Business & Skills – Skills Projects</p> <p>To fund a range of business and skills interventions delivered in partnership with Visit Bath. Examples of these would include specialist customer service training, specialist marketing and social media courses, targeted business growth/resilience workshops, and HR/recruitment training. This will support career development for low paid, low skilled roles in the leisure, catering, tourism and retail sector, which provide a large volume of employment for local residents. As a consequence it would also help attract new members to Visit Bath, increasing their membership base and in turn increasing long term sustainability.</p>	34,772
<p>Development Management - Planning Policy - Strategic and Local plan making after Joint Spatial Plan (JSP) withdrawal</p> <p>Carry Forward requested to resource delayed Planning Policy work, primarily due to issues surrounding the West of England Joint Spatial Plan, which still needs to be progressed during 2020/21.</p>	93,136
<p>Human Resources – Apprenticeship Training Income</p> <p>Carry forward required to fund “End Point Assessments” (EPAs) on the new apprenticeship programmes. Only now are apprentices in the new scheme coming to this point as most apprenticeships take two years to reach completion, in the old scheme apprentices did not have EPAs.</p>	8,500
Total	229,408

3.6 It is proposed that the net under budget position of £0.12m, after allowing for carry forwards, is transferred to the Revenue Budget Contingency Reserve.

3.7 It is recommended that all over budgets are written off as an exception to the Budget Management Scheme Rules to retain budget stability in 2020/21.

Delivery of Savings

3.8 The 2019/20 approved budget included the requirement for the delivery of £8.9m of savings. The final outturn position included achievement of £6.8m or 76% of the savings target compared to 80% delivered in 2018/19. Savings items that are no longer deliverable in 2019/20 have been reviewed alongside other recurring budget pressures and have been incorporated into the financial planning assumptions for the 2020/21 budget. All 2020/21 savings are now being reviewed as part of the Council's 2020/21 Covid 19 financial recovery plan.

Schools

3.9 The Overall Dedicated Schools Grant for 2019/20 was £140.74m, however of this sum £93.68m was returned to the DFE to be allocated to academies, £15.64m was allocated to schools through funding formula, with the remaining £31.42m retained by the LA to support Special Educational Needs, central expenditure and Early Years.

3.10 The centrally held elements of the Dedicated Schools Grant (DSG) were over budget by £1.25m, mainly due to increased cost of placements for children with SEND which is funded from the high needs block within the Dedicated Schools Grant. During the year, the government consulted on the funding of SEND placements and has confirmed that these costs are required to be funded from the DSG. Where this results in an overspend, this is to be carried forward for recovery against future DSG funding. Therefore, the Council cannot fund this pressure from its own non DSG funding (unless permission is given by the Secretary of State to disregard the requirement to fund from the DSG). Year end budgets have been adjusted to reflect the transfer of the £1.25m overspend into a negative earmarked reserve for recovery against future DSG funding in line with accounting guidance.

3.11 Following this clarification on the treatment of SEND pressures, the £2.35m Council contingency budget, held in 2019/20 for covering these pressures should it not be able to contain them within DSG resources, has been released and transferred to the Revenue Budget Contingency reserve. The transfer will provide one-off resource to contribute towards the mitigation actions required in respect of the 2020/21 Covid 19 Financial Recovery Plan.

3.12 Schools balances increased by £197k to £585k at the year-end. This increase is partly due to schools with deficits converting to academies and taking their deficit out of the LA schools balances. These balances are closely monitored by Schools Forum which has adopted an excessive balances policy in line with continued DFE best practise guidance. All schools with balances deemed to be excessive are challenged to explain their position. Most large balances are retained as part of plans for capital projects in schools.

Public Health

3.13 The Public Health budget is currently ringfenced. The year-end outturn was a £0.567m over budget position mainly due to activity driven expenditure from commissioned services. This has been funded from the Public Health Grant balances held in reserve to leave £0.041m remaining as at the 31st March 2020. Budgets have been adjusted to reflect the transfer from reserves.

Reserves and Flexible Capital Receipts

3.14 The year-end position of earmarked reserves, taking into account the 2019/20 outturn, are shown in the table below.

Council's Earmarked Reserves	£'m
<i>Corporate Earmarked Reserves</i>	
Insurance Fund	1.795
Capital Financing Reserve	8.335
Revenue Budget Contingency	5.478
Transformation Investment Reserve	1.319
Business Rates Reserve	3.568
City Deal Smoothing Reserve	1.490
Restructuring & Severance Reserve	2.184
Financial Planning and Smoothing Reserve	6.285
Invest to Save Reserve	0.699
Public Health Grant Reserve	0.041
Community Empowerment Fund	0.324
Revenue Grants Unapplied (<i>Includes COVID19 Support Grant Tranche No.1</i>)	5.649
Revenue Funding of Capital Reserve	0.506
Other	0.602
<i>Sub Total</i>	38.274
Schools Balances	0.585
Dedicated Schools Grant Reserve	(1.250)
Service Specific Reserves	2.769
General Service Reserves	4.422
<i>Total Earmarked Reserves</i>	44.801
Reserve balances excludes any 2020/21 transfers agreed as part of the 2020/21 Budget Report	

Note: Some of the figures in this table are affected by rounding.

3.15 The year-end position of uncommitted non-earmarked reserves was £12.3m in line with the risk assessed requirements of a range of £11.9m to £13.1m.

Flexible Use of Capital Receipts

3.16 Council approved a revised Efficiency Strategy in February 2020 as part of the 2020/21 budget. This enables the authority to utilise capital receipts for once-off spend such as severance costs that result in the delivery of ongoing savings. Flexible capital receipts of £1.26m were utilised in 2019/20 taking the total used to £7.84m and it is estimated that this spend will contribute to the release of ongoing revenue savings of £13.15m by 2020/21. Further details of spend and savings are shown in the following tables.

Category	Spend			
	2017/18 £m	2018/19 £m	2019/20 £m	Total £m
Restructuring & Severance Costs	3.124	3.045	0.955	7.123
Procurement, Commissioning and other service redesign	0.000	0.408	0.306	0.714
Total	3.124	3.453	1.261	7.837

Category	Cumulative Savings			
	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Restructuring & Severance Costs	0.102	2.658	5.547	6.015
Procurement, Commissioning and other service redesign	0.000	3.425	6.127	7.133
Total	0.102	6.083	11.675	13.148

Council Tax, Business Rates and Collection Fund

3.17 The final outturn position on the Council Tax Collection Fund was a surplus of £1.168m for the Council's share, this represents a 1.2% variance against target income. The increase in Council Tax surplus is mainly due to an increase in the number of chargeable dwellings compared to forecast. For 2019/20, the tax base included an adjustment of £9.2m for the estimated costs of the Local Council Tax Support Scheme and the outturn position was slightly higher at £9.3m.

3.18 The collection rate for Council Tax was 98.14% (98.22% 2018/19).

3.19 The year-end position for the Council's share of Business Rate income relating to 2019/20 is £0.165m higher than estimated, which benefits the Collection Fund. The overall Collection Fund position, including the positive element relating to the 2018/19 outturn, is a surplus of £1.199m. The main factors producing the favourable in year position on Business Rates are new chargeable properties and lower than forecast empty property and retail reliefs, partially offset by higher than forecast small business and charitable reliefs. The Council holds a Business Rates Reserve to ensure that the General Fund is not adversely impacted in any

one year. Following outturn transfers, the balance of the Business Rate Reserve was £3.1m as at the 31st March 2020. The collection rate for Non Domestic Rates was 98.06% (98.61% 2018/19).

3.20 The following table shows the overall estimated position, for which provision was made in the 2020/21 Budget Report, and the actual outturn position for the Council share of the Collection Fund for 2019/20. These figures exclude preceptor and central government shares:-

	Estimated Surplus/ (Deficit) £'m	Actual Surplus/ (Deficit) £'m	Difference £'m
Council Tax	0.707	1.168	0.461
Business Rates	1.517	1.199	(0.318)
Total	2.224	2.367	0.143

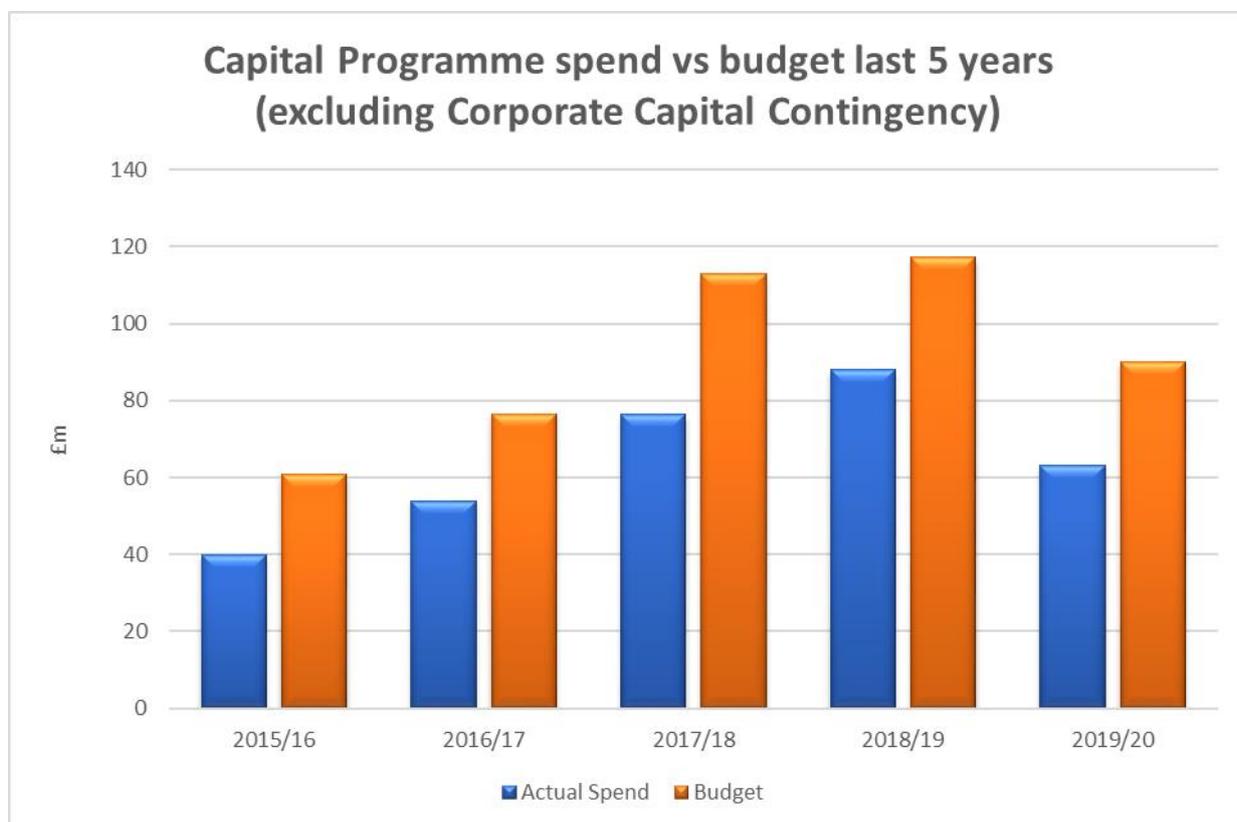
3.21 At an overall level, the outturn position on the Collection Fund improved by £0.143m over the estimated position and this difference will be taken into consideration when estimated the closing 2020/21 Collection Fund position as part of the 2021/22 Budget process.

Capital Programme

3.22 The capital spend in 2019/20 was £63.091m (75%) against a budget of £90.164m giving a variance of £27.073m, primarily reflecting the delivery time to complete projects moving into future financial periods.

Portfolio Summary	2019/2020 Outturn Position			
	Capital Budget £'m	Outturn £'m	Variance £'m	Rephasing to 2020/21 Requested £'m
Resources & Deputy Leader	20.764	11.950	(8.814)	8.658
Adult Services	0.293	0.295	0.002	(0.002)
Children's Services	12.523	8.563	(3.960)	3.954
Climate Emergency & Neighbourhood Services	6.325	3.838	(2.487)	2.487
Transport Services	11.025	8.607	(2.418)	2.418
Housing, Planning & Economic Development	28.614	21.474	(7.140)	6.741
Community Services	10.620	8.364	(2.256)	2.130
TOTAL	90.164	63.091	(27.073)	26.386

3.23 Of this variance, £26.386m is requested for carry forward to 2020/21 to cover re-phased costs of capital projects. The detailed outturn position and re-phasing of each individual project is attached at Appendix 3. The delivery of the capital spend compared to budget over the last five years is shown in the following graph:



3.24 The funding of the capital programme for 2019/20 is as follows:-

	£'m
Total Capital Spending:	63.091
Funded by:	
Capital Receipts	1.680
Capital Grants	24.904
3 rd Party Receipts (inc S106 & CIL)	5.363
Revenue	0.024
Prudential Borrowing (Implied Need)	31.120
Total	63.091

3.25 The Council's provisional Capital Financing Requirement (CFR) as at 31st March 2020 is £323.7 million. This represents the Council's requirement to borrow to finance capital expenditure and demonstrates that total borrowing of £232.4 million remains well below this requirement as at 31st March 2020. This illustrates the extent to which the Council is currently cash-flowing capital projects in line with the Treasury Management Strategy to minimise borrowing costs.

4 STATUTORY CONSIDERATIONS

4.1 The annual Medium Term Financial Strategy and planning process allocates resources across services with alignment of these resources towards the Council's corporate priorities. This report monitors how the Council has performed against the budget and Capital Programme set in February 2019.

5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

5.1 These are contained throughout the report and appendices.

6 RISK MANAGEMENT

6.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.

6.2 The substance of this report is part of the Council's risk management process. The key risks in the Council's budget were assessed by each Corporate Director, with these risks re-assessed on a monthly basis as part of the budget monitoring process.

7 CLIMATE CHANGE

7.1 This is an information only report about the Council's financial performance against budgets set for 2019/20, it therefore does not include any decisions that have a direct impact on Climate Change.

8 OTHER OPTIONS CONSIDERED

8.1 The option to carry forward over budgeted spend could be considered which would mean that services would have to make up any deficits in 2020/21 with a considerable impact on service delivery especially in light of the financial recovery measures already required in 2020/21 in respect of mitigating the financial impacts of Covid 19.

9 CONSULTATION

9.1 Consultation has been carried out with the Cabinet Member for Resources, Corporate Directors/Directors, Section 151 Finance Officer, Chief Executive and Monitoring Officer.

9.2 The provisional outturn position has been discussed at Senior Leadership Team and Corporate Management Team in May.

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Background papers	2019/20 Budget Monitoring reports to the Cabinet; Revenue and Capital Budget Setting reports, Budget Management Scheme
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