Budget Management 2019/20

Cabinet **Date: 1st July 2020**

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Wards:	All
Parishes Affected:	All

1. Purpose and Reasons

1.1 This report presents the provisional revenue position for 2019/20, subject to audit by Grant Thornton, the Council's external auditors.

1.2 The effective management of financial resources through robust financial management processes underpins the Council's ability to achieve its plans and priorities.

1.3 Responsible budget management helps ensure that the Council consistently makes the best use of all available resources as well as providing focus for the Council's improvement programmes.

2. Recommendations

Cabinet is recommended to:

2.1 Note the 2019/20 revenue out-turn for each service area set out in Table 1 and Appendix 1;

2.2 Note that the underspend on the General Fund of £613k has resulted in an increase in the General Reserve to £7.2m and ask the Chief Executive to thank all staff for helping achieve this;

2.3 Note the flexible use of capital receipts in 2019/20, as set out in Appendix 2;

2.4 Note the update on the impact of COVID-19.

3. Detail

2019/20 General Fund Out-turn

3.1 The Council achieved an underspend of £613k for the financial year ending 31st March 2020 which has resulted in an increase in the Council's general reserves to £7.2m.

Further information on the subject of this report can be obtained from Mick Bowden on Direct Dial No. 07392 109917 or Email mbowden@swindon.gov.uk

3.2 The significant changes since the last report to Cabinet are:

3.2.1 Additional income of £461k from the corporate property estate, primarily related to a late receipt of covenant release income. This mitigated additional costs on property repairs and maintenance of £133k;

3.2.2 Net change from business rates grants and levy resulted in an improvement of £303k;

3.2.3 The balance of the budget risk contingency of £287k;

3.2.4 Improvement in the outturn on the benefits subsidy compared to forecast £100k;

3.2.5 Staff vacancies within Digital Services and Corporate Programmes improved the previously forecast position by £244k;

3.2.6 Slippage on the SEND team recruitment resulted in a lower cost than previously forecast by £131k;

3.2.7 Children Services vacancies have resulted in costs lower than previously forecast of £309k. In addition, reductions in anticipated spend on equipment and other operational budgets has reduced the overspend by a further £183k;

3.2.8 Increased costs of highways operations and parking services totalling £110k, in part due to the impact of the pandemic;

3.2.9 Contribution to the insurance reserve £388k.

3.2.10 Finally, the overall net improvement meant that £115k has been transferred to the cashflowing reserve.

3.3 The budget and out-turn by Department is set out in Table 1 below.

Table 1 – General Fund Out-turn By Department

Department	Budget 2019/20	Actual Out-turn	Actual Variance	Movement since last report
	£'000	£'000	£'000	£'000
Adult Services	61,105	61,631	526	114
Children Services	42,760	43,198	438	(735)
Communities and Housing	25,580	27,128	1,548	649
Economy	1,240	1,137	(103)	(25)
Resources	11,812	8,790	(3,022)	(964)
Total General Fund	**142,497**	**141,884**	**(613)**	**(961)**

Housing Revenue Account (HRA)

3.4 The final position on the HRA was an underspend of £1.4m, an improvement of £1.1m since the last report to Cabinet. As a result, the HRA's general reserve has increased to £11.7m.

3.5 The principal reasons for this improvement were:

3.5.1 The impact of Universal Credit has not been as high as assumed in the budget; therefore, the provision for bad debts was reduced by £379k. In arriving at this position, the assessment of the collection of outstanding debts included consideration of the potential impact on income recovery following the COVID pandemic. The reduction in the provision for bad debts combined with lower levels of debt write offs during the year, has improved the position by £764k;

3.5.2 Discretionary Housing Payments were underspent by £160k;

3.5.3 Vacancy savings and underspends across Supervision, Administrative and Tenancy Management operational budgets totalled £368k.

3.5.4 Additional costs on repairs to address pressures on void properties and repairs backlogs resulted in a pressure of £123k.

3.6 A net surplus on service charges during the year of £209k has been transferred to the earmarked revenue reserve bringing the balance to £1.5m at March 2020.

Dedicated Schools Grant (DSG)

3.7 The final position for the DSG was a deficit of £2m, an increase of £0.2m since the last report.

3.8 The main reason for this change is an increase in pressure relating to High Needs of £235k.

3.9 The £2m deficit has been transferred to the DSG reserve resulting in a final deficit position on the reserve of £1.7m. Schools Forum will meet in July and at this meeting, proposals for the deficit recovery plan will be considered.

3.10 The final total of the Dedicated Schools Grant income received (DSG) for 2019/20 was £76.463m, compared to the budget of £79.858m.

3.11 The DSG final total is lower than budget due to the retention of funding by the Education and Skills Funding Agency (ESFA) following a number of in year academy conversions. Following conversion, budget share payments are paid directly by the ESFA for the remainder of the year and the DSG is adjusted accordingly.

Flexible Use of Capital Receipts

3.12 In March 2016, the Government issued statutory guidance on the flexible use of capital receipts. This enables councils to finance certain revenue expenditure from capital receipts. The key criterion to use when deciding whether expenditure can be funded using the capital rececipts flexibility is that it is forecast to generate on-going savings

3.13 The February meeting of the Cabinet endorsed the Council's existing approach to use the capital receipts flexibility to meet expenditure related to the delivery of future long term savings, with specific reference to:

3.13.1 Costs of delivering projects within the Council's improvement programme,

3.13.2 Reorganisation and restructuring costs that deliver financial savings, and

3.13.3 Transitional investment that delivers long/term financial benefits by reducing future service costs.

3.14 In accordance with this approach the following items of expenditure in 2019/20 have been funded from capital receipts:

3.14.1 Restructuring costs relating to headcount reduction;

3.14.2 Modernisation of Customer Services;

3.14.3 Project capacity.

3.15 In summary, the one-off costs of these items amounted to £0.7m and are anticipated to deliver ongoing annual savings of £0.9m. Additional expenditure of £1m has been invested in project capacity necessary to support the work to enable the savings to be realised which, for 2019-20 was £21.6m in total with a further £11.3m planned for 2020-21. Further details are set out in Appendix 2.

3.16 The 2020/21 budget report approved a continuation of the existing approach to use the capital receipts flexibility and the cashflowing reserve in recognition of requirement to fund expenditure related to the delivery of savings in support of future year's budgets (Council Minute 80 (1), 2019/20 refers).

3.17 The specific areas of investment are:

3.17.1 Costs of delivering projects within the Council's improvement programme;

3.17.2 Reorganisation and restructuring costs that deliver financial savings;

3.17.3 Transitional investment that delivers long-term financial benefits by reducing future service costs.

<u>COVID-19 Impact</u>

3.18 The 2019-20 final out-turn includes the impact of COVID-19, most notably income from car parking, parking enforcement, Steam Museum, Lydiard House Hotel and Enterprise Works. In addition, the assumptions relating to the collection of outstanding debts have been revised to recognise that debt recovery may be more challenging due to the economic impact of the pandemic.

3.19 On 15th May a return was submitted to the Ministry of Housing, Communities and Local Government providing an estimate on the financial impact of COVID up to 31st July 2020.

3.20 Although the picture remains uncertain, the main points of the return are an estimate of total pressures to 31st July 2020 of £25m, which exceeds the emergency funding that has been received to date of £11.2m. The pressures consist of:

3.20.1 General Fund cost pressures of £12m, of which Adult Social Care is £8m;

3.20.2 Income shortfall of £13m, of which around two-thirds relates to potential reductions in business rates and council tax receipts.

3.21 It should be noted that:

3.21.1 Further cost pressures and income losses after July would add to the funding gap;

3.21.2 Under current arrangements, the business rate and council tax losses this financial year would be a charge to the revenue budget for 2021/22.

3.22 A further update on emerging issues since the time of drafting this report will be provided at the Cabinet meeting.

4. Alternative Options

4.1 None as this report is for information only.

5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

5.1 In 2019/20, the general fund achieved an underspend of £613k. This has resulted in an increase in the general fund reserve to £7.2m.

5.2 The final position on the DSG is an overspend of £2m. This has been transferred to the DSG reserve resulting in a deficit position of £1.8m. Schools Forum will meet in July and at this meeting, proposals for the deficit recovery plan will be considered.

5.3 The final position on the HRA is an underspend of 1.4m. This has been transferred to the HRA's general reserve increasing the balance to £11.7m.

Legal and Human Rights Implications

5.4 All legal and human rights considerations have been taken fully into account in compiling this report. It is considered that the recommendations of this report are compatible with Convention rights.

All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

5.5 There are no such direct implications.

Diversity Impact Assessment

5.6 A Diversity Impact Assessment (DIA) has not been done as this report is reporting performance in the last financial year and does not make any recommendations to reprioritise the future funding of services.

Risk Management

5.7 None other than those highlighted in the body of the report. Individual schemes will have individual Risk Assessments and DIAs.

6. Consultees

6.1 The Corporate Director of Finance and Assets (Section 151 Officer) and Chief Legal Officer (Monitoring Officer) are consulted in respect of all reports.

7. Background Papers

7.1 None

8. Appendices

8.1 Appendix 1 – Actual Out-turn by Department 2019/20

8.2 Appendix 2 – Flexible Use of Capital Receipts 2019/20

9. Key Decision/Decision in Cabinet Work Programme

9.1 This is not a key decision and is included in the Cabinet Work Programme for June 2020.

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