

**Provisional Revenue, Capital and Treasury Management
Outturn 2019/20
15 September 2020**

Chief Finance Officer

PURPOSE OF REPORT			
This report provides summary information regarding the provisional outturn for 2019/20, including treasury management. It also sets out information regarding the carry forward of capital slippage and other matters for Members' consideration.			
Key Decision	<input type="checkbox"/>	Non-Key Decision	<input type="checkbox"/>
		Officer Referral	X
Date of notice of forthcoming key decision	N/A		
This report is public.			

RECOMMENDATIONS OF COUNCILLOR WHITEHEAD:

- (1) That the provisional outturn for 2019/20 be endorsed, including the transfers to and from Reserves and Balances actioned by the Chief Finance Officer as set out in 5.1 and Appendix 5.
- (2) That Cabinet approve the treatment of year end overspends and endorse the do-nothing approach in-light of the current pandemic situation.
- (3) That the requests for capital slippage and the adjustments to reflect accelerated capital spending on projects as set out at Appendix 8 be endorsed, with the Capital Programme being updated accordingly.
- (4) That the Annual Treasury Management report and Prudential Indicators as set out at Appendix 2 be noted and referred on to Council for information.

1. INTRODUCTION

- 1.1. All local authorities have a legal duty to produce annual Statement of Accounts. For 2019/20 the requirements and timeline for the approval of a Local Authority's Statement of Accounts have changed. In accordance with the amended Regulations, the draft Accounts must now be published on the Council's website and submitted for audit by 31 August 2020 rather than 31 May 2020 and the timeline for the conclusion of the audit is now 30 November 2020 rather than 31 July 2020.
- 1.2. It is pleasing to report that the statutory deadline of 31 August 2020 was met, and the Statement of Accounts was completed and signed off prior to that date by the Chief Finance Officer. The audit of accounts by Deloitte is not yet underway and for information the draft Statement itself is freely available on the Council's website.

- 1.3. The report details an overspend of £668K for the financial year 2019/20. This overspend incorporates significant charges made in the year to account for future uncertainties associated with the COVID pandemic including £1.4M additional charge to the business rates appeals provision and £155K towards bad debt provision. These are sensible and prudent adjustments which will protect the Council's financial position against future inevitable impacts from the COVID pandemic.
- 1.4. Section 5 details several transfers amounting to £2.6M into earmarked reserves resulting in a higher than budgeted reserves balance at the year end.
- 1.5. Usable Reserves, often used of the key measure for local government financial health have changed only slightly from £20.66m in 2018/19 to £20.50m in 2019/20, a reduction of just over £100K.
- 1.6. Taken together, the Council remains in a reasonably strong financial position and crucially has made some provision in 2019/20 for anticipated future financial shocks arising from the ongoing COVID pandemic.

2. PROVISIONAL REVENUE OUTTURN: SUMMARY

- 2.1 A summary of the revenue outturn position for the main service accounts of the Authority is set out below.

General Fund Revenue Outturn

	2019/20			Remove Reserve Funded Variances	Variance from Working Budget	Appendix 1 Note
	Original Budget	Working Budget	Actual			
Expenditure:	£000	£000	£000	£000	£000	
Central Services	270	575	615	(3)	43	
Communities & Environment	9,733	10,027	9,503	(431)	(93)	1
Economic Growth & Regeneration	6,223	6,383	6,323	(152)	92	2
Corporate Services	4,845	4,821	6,042	(77)	1,298	3
Other Corporate Income & Expenditure Items	(5,134)	(5,869)	(5,878)	663	(672)	4
NET REVENUE EXPENDITURE	15,937	15,937	16,605	-	668	

- 2.2 After allowing for various year-end adjustments, there has been a net overspend of £668K against the Original Budget for 2019/20 which has been transferred from the General Fund unallocated reserve
- 2.3 The overspending represents 4.2% of the Council's net revenue budget (*2018/19 comparative: £647K underspend, 4.0% of budget*) or 7.1% of the council tax requirement. If compared with the Council's gross budget, however, which is in the region of £100M+, the level of net overspending is less than 1%.
- 2.4 Information circulated to Members regarding the quarter 3 monitoring position indicated a General Fund projected net overspend of £320K.
- 2.5 Details of the significant variances and a detailed explanation of the major differences between provisional outturn and the quarter 3 monitoring position is provided at **Appendix 1**.

3. TREASURY MANAGEMENT

3.1 We are required by statute to report our annual treasury management performance. This report is attached at **Appendix 2** and sets out the performance of treasury operations for 2019/20. The Council's treasury operations are conducted in accordance with its annual Treasury Management Strategy, which was approved by Council 27 February 2019. This document identifies the investment and borrowing policies of the Council specifying various criteria for investment counterparties, maximum duration and the amount of investments together with the framework for any future borrowing.

3.2 Investments

3.2.1 In 2019/20 the Council had a comparatively low risk appetite towards investments. The average daily amount invested increased slightly to £36.829M (£34.62M 2018/19) with short term investments on 31 March 2020 (all held in the balance sheet as cash and cash equivalents) totalling £40.000M (£16.000M 2018/19). The overall return on investments was £0.273M at an average interest rate of 0.74% (£0.211M and 0.61% 2018/19).

3.3 Borrowing

3.3.1 The Council undertook a limited amount of short term borrowing in 2019/20 to facilitate prepayments of the Governments Small Business Fund Grant scheme ahead of the receipt of funding. Two loans totalling £15M were undertaken 24 March 2020, these were fully repaid April 2020 incurring a total interest charge of approximately £8K.

3.3.2 Total long-term debt at 31 March 2020 amounted to £61.08M (£63.239M 2018/19) all of which relates to PWLB borrowing. A further £1.04M is included within short term liabilities as payment falls due within 12 months.

4 HOUSING REVENUE ACCOUNT (HRA)

4.1 A summary of the HRA provisional outturn is included at **Appendix 3**. Discounting any notional and presentational variances, the main items of interest are as follows:

	£000
Salary savings from staff turnover and vacant posts	54
Repairs & Maintenance costs	43
Reassessment of contribution to the Bad Debt Provision	75
Increased Rental Income from tenants	114
Reduced use of Reserves	(216)
Net reduction in Capital funded from Revenue	937
Other minor variances	12
	<hr/> 1,019

4.2 Carrying on from previous good work, the empty property re-let time saw further improvement with an average of 23.8 days across a total of 323 re-lets, equating to void rent loss of 0.96%. This translates to additional income of £81K in 2019/20.

4.3 At outturn the HRA's financial standing still remains sound. As at 31 March its Balances stood at £10.578M, this being £339K higher than budgeted. A summary of all its Balances & Reserves is included at **Appendix 4**.

5 USABLE RESERVES AND BALANCES

- 5.1 The General Fund net overspending of £668K has been transferred from Balances. This means that as at 31 March 2020 General Fund Balances amounted to £5.045M, and the overall level of Usable Revenue Reserves £20.503M (2018/19 £20.660M). Summary details of these movement are provided in the table below. Further details of this work and analysis of the Council's Reserves is provided at **Appendix 5**.

	£000	£000
Estimated Balance at 31.3.20		18,560
Add:		
Transfer to BRR	1,460	
Budgeted earmarked reserves allocations not used in 2019/20	836	
Revenue Grants Unapplied:		
- Covid Support Grant not yet utilised	81	
- Brexit Support Grants not yet utilised	156	
- Community Housing fund additional grants received	79	
		2,612
Less:		
General Fund Overspend	(669)	(669)
Balance at 31.3.20		20,503

6 CARRY FORWARD OF UNDERSPENDINGS AND OVERSPENDINGS

- 6.1 Under the financial strategy, provisions exists to adjust budgets between years by carrying forward under or over spendings. These arrangements help to:
- provide some flexibility in delivering the Council's stated objectives
 - remove the incentive to spend up budgets unnecessarily by year end, and
 - promote good financial management.
- 6.2 With regard to the carry forward of revenue underspends, and given the overall outturn position, there are no requests for Cabinet to consider.
- 6.3 With regard to overspendings, arrangements require that
- any overspending on any expenditure budget, or shortfall on any income budget, under the control of a Director (or their nominated representative) will be automatically carried forward to the following year as part of the closure of accounts process except where the relevant Director and the S151 Officer agree that it does not make operational sense to do so, or where the overspending is trifling in value.
 - The S151 Officer will report to Cabinet on overspendings and their treatment as part of year-end reporting. Such reporting will also include the reasons for any overspends occurring and details of any actions taken to prevent the situation recurring.

Given the current pandemic situation it is proposed not to carry forward any overspends made within the 2019/20 accounts.

7 CAPITAL OUTTURN

7.1 **Appendix 6** includes a provisional capital expenditure and financing statement for the year, which is summarised in the following tables:

Capital Expenditure

Service	A	B	C	D	E
	2019/20 Gross Budget £000	2019/20 Expenditure £000	Variance £000	(Slippage)/ Accelerated Expenditure £000	Final Over/(Under) spend £000
			(B-A)		(C-D)
Communities & Environment	2,717	2,713	(4)	(4)	-
Economic Growth & Regeneration	20,043	9,050	(10,993)	(1,026)	(9,967)
Corporate Services	197	294	97	97	-
Development Pool	19	24	5	5	-
Total General Fund Programme	22,976	12,081	(10,895)	(928)	(9,967)
Housing Revenue Account	4,841	4,086	(755)	(240)	(515)
Total Council Capital Programn	27,817	16,167	(11,650)	(1,168)	(10,482)

Capital Financing

Service	Grants & Contributions £000	Earmarked Reserves £000	Major Repairs Reserve £000	Capital Receipts £000	Unsupported Borrowing £000	Total £000
Communities & Environment	2,367	246	-	11	89	2,713
Economic Growth & Regeneration	2,811	4	-	-	6,235	9,050
Corporate Services	-	166	-	-	128	294
Development Pool	-	-	-	-	24	24
Total General Fund Programme	5,178	416		11	6,476	12,081
Housing Revenue Account	41	208	3,126	711	-	4,086
Total Council Capital Programme	5,219	624		722	6,476	16,167

7.2 Capital Slippage

7.2.1 Details of individual slippage requests from services have been received, a schedule of which is attached at **Appendix 7**. In considering these, Cabinet is asked to note that many of the associated capital schemes are already underway and expenditure may already have been incurred in this year – the actual carry forward of slippage can be a formality.

8 DETAILS OF CONSULTATION

8.1 As reflected above, the statutory arrangements regarding the public's rights in relation to the accounts provide for a fixed 30 working day period, which commenced on 1st September for this year.

9 OPTIONS AND OPTIONS ANALYSIS

- 9.1 The Council has a legal requirement to ensure that its expenditure is fully funded and to produce accounts in accordance with proper accounting practice. In addition, the Prudential Indicators are a statutory requirement linked to the budgetary framework. For these aspects, therefore, there are no alternative options for Cabinet to consider. Members are being asked to endorse certain actions taken by the Chief Finance Officer, and Cabinet should consider whether it has sufficient information to do so or whether it requires any further justification.
- 9.2 The report requests Cabinet to consider a number of revenue overspending, capital slippage and other budget adjustment matters. The framework for considering these is set out in the report but basically Cabinet may:
- Endorse any number of the items / requests, in full or part.
 - Refuse various requests and if commitments have already been incurred, require alternative funding options to be identified. Cabinet should note, however, that this may impact on other areas of service delivery.
 - Request further information regarding them, if appropriate.

10 OFFICER PREFERRED OPTION AND JUSTIFICATION

- 10.1 The Officer preferred options are as set out in the recommendations, on the assumption that Members continue to support their previously approved spending plans.

11 CONCLUSION

- 11.1 Despite the financial challenges faced by the Council and the associated reductions in Government funding, the financial standing of the Council remains relatively healthy as at 31 March 2020. Officers are undertaking several pieces of work to understanding the areas of significant variance and where appropriate undertake corrective action going forward. This will lead to further improvements to the Council's budget setting and financial monitoring processes.

RELATIONSHIP TO POLICY FRAMEWORK

The Outturn and Statement of Accounts report on all the financial resources generated and/or used by the Council in providing services or undertaking other activities under the Policy Framework.

CONCLUSION OF IMPACT ASSESSMENT

(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing)

None directly identifiable, due to the high level nature of this report.

LEGAL IMPLICATIONS

There are no legal implications directly arising.

FINANCIAL IMPLICATIONS

As set out in the report

OTHER RESOURCE IMPLICATIONS

Human Resources / Information Services / Property / Open Spaces:

References and any related implications are contained within the report and related appendices.

SECTION 151 OFFICER'S COMMENTS

The report has been written by the Section 151 Officer.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments

BACKGROUND PAPERS

None.

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