

CABINET

Provisional Revenue, Capital and Treasury Management Outturn 2020/21 14 September 2021

Chief Finance Officer

PURPOSE OF REPORT			
This report provides summary information regarding the provisional outturn for 2020/21, 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	<input checked="" type="checkbox"/>
Date of notice of forthcoming key decision	N/A		
This report is public.			

RECOMMENDATIONS OF COUNCILLOR WHITEHEAD:

- (1) That the provisional outturn for 2020/21 be endorsed, including the transfers to and from Reserves and Balances actioned by the Chief Finance Officer as set out in 6.1 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 Appendices 6 and 7 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. BACKGROUND

- 1.1. All local authorities have a legal duty to produce an annual Statement of Accounts. For 2020/21 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 30 July 2021 rather than 31 August and the timeline for the conclusion of the audit is now 31st September 2021 rather than 30 November.
- 1.2. It is pleasing to report that the statutory deadline of 31 July 2021 was met, and the Statement of Accounts was completed and signed off prior to that date by the Chief Finance Officer. Deloitte have not yet commenced the audit of accounts, however, the draft Statements are available on the Council's website via the following link [Statement of Accounts - Lancaster City Council](#)

- 1.3. This report provides Cabinet with an update on the provisional outturn, including Treasury Management, and seeks endorsement for certain matters. The Council's financial performance is integral to its service performance overall, which is included elsewhere on this agenda, and Members are advised to consider this report in that context.

2. COVID-19 GOVERNMENT GRANTS & SUPPORT FOR THE LOCAL ECONOMY

- 2.1 The Council received a wide range of grants from Central Government in 2020/21 to support the overall response to the COVID-19 pandemic.
- 2.2 The grants were administered by the Council in line with the guidance received from Central Government. In unusual circumstances, the Council received an allocation and the grant in advance to assist with cash flow. It then had to be determined whether the Council were administering the grant acting as either an agent or as principal.
- 2.3 In acting as agent the Council was essentially acting as an intermediary between the recipient and the Government Department and had no control of the level of grant payable; whereas in acting as principal, it was able to use its own discretion when allocating the amount of grant payable.
- 2.4 The following table gives a high-level summary of specific grant funding received showing in each instance whether the Council acted as either principal or as agent in distributing the monies. Further detail on specific grant funding is given at **Annex A to Appendix 1**:

	Council Acting as Agent	Council Acting as Principal	Total Grant Allocation	Unspent Grant as at 31 March 2021
Grants	£000	£000	£000	£000
Small Business Grants/Retail, Leisure and Hospitality Grant Fund	30,820	-	30,820	-
Local Authority Discretionary Grant Fund	-	1,684	1,684	-
Local Restrictions Support Grant	21,865	5,375	27,240	9,800
Contain Outbreak Management Fund	-	1,684	1,684	1,684
Council Tax Hardship Fund	-	1,425	1,425	414
COVID Winter Grant Scheme	-	14	14	14
Local Authority Compliance & Enforcement Grant	-	77	77	27
Local Authority Emergency Assistance Grant	-	179	179	-
Reopening the High Street Safely Grant	-	70	70	-
Support for Clinically Extremely Vulnerable Individuals	-	422	422	422
Test and Trace Support Payments	-	422	422	214
	52,685	11,352	64,037	12,575

- 2.5 All remaining unspent funds as at 31st March 2021 are included in the Council's balance sheet within Short Term Creditors, or held in Reserve with the funds available to be utilised within 2021/22.
- 2.6 In addition to the business grant funding and COVID specific grants, the Council also received non-ringfenced general grants to support its COVID response. These were:

- General grant allocation of £2.399M alongside unspent monies of £0.081M from 2019/20 totalling £2.480M. The Council applied £1.975M of these allocations to expenditure in 2020/21 and have carried forward the remaining £0.505M in reserves to support the ongoing requirement within 2021/22;
- Compensation for the loss of Sales, Fees and Charges income of £4.197M;
- Local Tax Income Guarantee grant of £0.291M;
- New Burdens funding of £0.503M to support the introduction of business grants payment arrangements, the management of Council Tax and Business rate reliefs and the administration of the Test and Trace Support Payments scheme.

With the exception of the £0.505M unspent general Covid response grant, the grants set out in paragraph 2.6 have been used to support expenditure in year and thus impact the final net financial position of the Council.

3. PROVISIONAL REVENUE OUTTURN: SUMMARY

3.1 General Fund Revenue Outturn

The General Fund accounts for income and expenditure associated with the day to day running of all the services that the Council provides, except for council housing. On 26 February 2020 Council approved a General Fund Revenue Budget for 2020/21 of £17.903M (£15.937M 2019/20). However, in order to reflect best estimates of the impact of COVID-19 on the Council's finances this was revised 16 December 2020 to £23.148M.

3.2 The table below provides details of the General Fund revenue income and expenditure for 2020/21 and shows variances for each service area. The format includes the removal of various accounting entries such as internal recharging, notional items such as pension adjustments, capital charges and the removal of various COVID grants initially charged to Service.

	2020/21		Actual	Remove Covid-19 Related Variances	Remove Reserve Funded Variances	Variance from Revised Budget	Note
	Original Budget	Revised Budget					
Expenditure:	£000	£000	£000	£000	£000	£000	
Central Services	1,108	1,131	1,156	2	(3)	(26)	
Communities & Environment	8,068	9,548	13,387	4,287	(627)	(179)	1
Economic Growth & Regeneration	5,373	7,615	5,836	262	(1,514)	527	2
Corporate Services	7,867	8,823	8,404	1,188	(1,429)	178	3
Other Corporate Income & Expenditure Items	(4,513)	(3,969)	(6,330)	(5,739)	3,573	195	4
Contribution to General Fund Balance			695			(695)	
NET REVENUE EXPENDITURE	17,903	23,148	23,148	-	-	-	

3.3 After allowing for various year-end adjustments, there has been a net underspend of £0.695M against the Revised Budget for 2020/21 which has been transferred to the General Fund unallocated reserve. The underspending represents 3% of the Council's net revenue budget (2019/20 comparative: £0.688 overspend, 4.2% of budget) or 7.2% of the Council Tax requirement.

3.4 Details of the significant variances and a detailed explanations of the major differences between provisional outturn and the revised budgeted position is provided at **Appendix 1**.

3. TREASURY MANAGEMENT

- 4.1 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 2020/21. The Council's treasury operations are conducted in accordance with its annual Treasury Management Strategy, which was approved by Council on 26 February 2020. 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.

Investments

- 4.2 In 2020/21 the Council retained its comparatively low risk appetite towards investments. The average daily amount invested increased slightly to £38.541M (£36.829M 2019/20) with short term investments on 31 March 2021 (all held in the balance sheet as cash and cash equivalents) totalling £22.0M (£40.1M 2019/20). The overall return on investments was £0.061M at an average interest rate of 0.12% (£0.273M and 0.74% 2019/20).

Borrowing

- 4.3 The Council did not undertake any short-term borrowing in 2020/21. Total long-term debt at 31 March 2021 amounted to £60.04M (£61.08M 2019/20) all of which relates to PWLB borrowing. A further £1.04M is included within short term liabilities as payment falls due within 12 months.
- 4.4 In determining its Council Tax charges Councils must make a specific provision for the financing of capital expenditure known as Minimum Revenue Provision (MRP). The outstanding amount for which MRP has to be made is known as the Capital Financing Requirement (CFR). At 31 March 2021 the Councils CFR was £94.95M (£86.70M 2019/20) an increase of £8.25M. The amount of MRP charged in 2020/21 totalled £2.801M (£2.640M 2019/20) with accompanying interest charges £2.916M (£2.951M 2019/20).

5. HOUSING REVENUE ACCOUNT (HRA)

- 5.1 At the end of the financial year, the Council owns 3,660 homes generating rental income of over £13.601M. The Local Government & Housing Act 1989 requires that this income and associated expenditure is held in a ring-fenced account, the Housing Revenue Account (HRA).
- 5.2 The net overspend on the HRA was £0.048M resulting in a net surplus for 2020/21 of £0.428M (£0.623M 2019/20), which has been transferred into the HRA unallocated reserve.

	£000
Repairs & Maintenance costs	354
Net pension adjustment re IAS19	233
Reduced use of Reserves	(218)
Net increase in Capital funded from Revenue	(388)
Other minor variances	(29)
	<u>(48)</u>

- 5.3 A summary of the HRA provisional outturn is included at **Appendix 3**. Discounting any notional and presentational variances.
- 5.4 As at 31 March 2021 the HRA's unallocated reserve balance stands at £3.287M (£2.859M 2019/20) which is £2.787M above the £0.500M minimum recommended level. Expenditure within the HRA is supported by a 30 year business plan and the Council is planning significant

investment over a number of years to improve its social housing stock. A summary of all its Balances & Reserves is included at **Appendix 4**.

6. GENERAL FUND USABLE RESERVES AND BALANCES

- 6.1 The General Fund net underspending of £0.695M has been transferred into Balances. This means that as at 31 March 2021 General Fund Balances amounted to £7.808M (2019/20 £5.361M). This is £4.208M above the current minimum recommended level of reserves £3.500M. However, as part of the 2021/22 budget process the Council forecast a draw on reserves of £2.267M in order to balance its revenue budget and continues to face a number of significant budgetary pressures in the forthcoming years.
- 6.2 The overall level of General Fund Earmarked Revenue Reserves has increased to £33.445M (2019/20 £20.681M) however, this includes £7.891M of Central Government COVID -19 grants held in reserves for distribution in 2021/22. Summary details of these movement are provided in **Appendix 5**.

7. CARRY FORWARD OF UNDERSPENDINGS AND OVERSPENDINGS

- 7.1 Under the financial strategy, provisions exist to adjust budgets between years by carrying forward under or over-spending. 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.
- 7.2 With regard to the carry forward of revenue underspends, and given the overall outturn position, there are no requests for Cabinet to consider.
- 7.3 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.
- 7.4 Given the current pandemic situation it is proposed not to carry forward any overspends occurring within 2020/21.

8. CAPITAL OUTTURN

- 8.1 In 2020/21 the Council spent £22.068M in total on capital schemes (£11.259M 2019/20). Total spend on the General Fund was £19.025M against a budget £20.078M, with the HRA spending being £3.042M against a budget of £3.543M.
- 8.2 Prior to the publication of the changes to PWLB future lending terms in November 2020, the Council acquired an investment property for £8.878M. Following the announcement of the changes, the purchase of investment properties ceased.

- 8.3 A provisional capital expenditure and financing statement for the year is included at **Appendix 6**, which is summarised in the following tables:

Capital Expenditure

Service	A	B	C	D	E
	2020/21 Gross Budget	2020/21 Expenditure	Variance	(Slippage)/ Accelerated Expenditure	Final Over/(Under) spend
	£000	£000	£000	£000	£000
			(B-A)		(C-D)
Communities & Environment	3,835	3,706	(129)	(65)	(64)
Economic Growth & Regeneration	15,647	15,121	(526)	(190)	(336)
Corporate Services	298	198	(100)	(100)	-
Development Pool	298	-	(298)	(298)	-
Total General Fund Programme	20,078	19,025	(1,053)	(653)	(400)
Housing Revenue Account	3,543	3,042	(501)	(413)	(88)
Total Council Capital Programme	23,621	22,067	(1,554)	(1,066)	(488)

Capital Financing

Service	Major					Total £000
	Grants & Contributions	Earmarked Reserves	Repairs Reserve	Capital Receipts	Unsupported Borrowing	
	£000	£000	£000	£000	£000	
Communities & Environment	1,492	242		13	1,959	3,706
Economic Growth & Regeneration	6,199				8,922	15,121
Corporate Services		25			173	198
Development Pool	-	-	-	-	-	-
Total General Fund Programme	7,691	267		13	11,054	19,025
Housing Revenue Account		2	127	2,913	-	3,042
Total Council Capital Programme	7,693	394		13	11,054	22,067

Capital Slippage

- 8.4 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.

9. DETAILS OF CONSULTATION

- 9.1 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 2nd August for this year.

10. OPTIONS AND OPTIONS ANALYSIS

- 10.1 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.
- 10.2 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.

11. OFFICER PREFERRED OPTION AND JUSTIFICATION

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

12 CONCLUSION

- 12.1 Although the Council's financial position appears relatively healthy with a surplus against the revised budget and an overall increase in the level of reserves held, the Council's Medium Term Financial Strategy suggests a structural budget gap in 2022/23 onwards of approximately £2.183M raising to £4.668M.
- 12.2 Work has commenced to support opportunities to address the underlying structural deficit, by:
- Increasing and diversifying income
 - Improving productivity and securing efficiencies via new ways of working (e.g., Outcomes Based Resourcing)
 - Developing alternative ways to achieve priority outcomes (e.g., partnership)
- 12.3 However, if these are not successful and the deficit is not closed, then balances will be required to make up the difference.

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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