

GENERAL FUND REVENUE BUDGET OUTTURN 2020/21

SUMMARY:

This report sets out the General Fund Revenue budget outturn position for 2020/21.

RECOMMENDATIONS:

CABINET is recommended to

- (i) note the General Fund Revenue budget outturn position for 2020/21
- (ii) To note the position on Business Rates outlined in paragraphs 4.8 to 4.11 and to note the opportunity to review the accounting treatment as set out in paragraph 4.12. Financial implications of any change in treatment will be reported to Cabinet in the regular financial reports.
- (iii) approve the budget carry forward requests from 2020/21 to 2021/22 (as set out in Table 3)
- (iv) approve the transfers to earmarked reserves outlined in the report (as set out in Table 6)

1 INTRODUCTION

- 1.1 This report provides members with the updated General Fund revenue outturn position for the 2020/21 financial year. Members received regular updates on the financial impact on the Council through the budget monitoring reports to Cabinet. The final budget monitoring report for 2020/21 was considered by Cabinet at their meeting on 20 April 2021.
- 1.2 The outturn position set out in this report may still be subject following completion of the audit of the financial statements. Therefore, members should treat the draft outturn position included in this report as draft at this stage.
- 1.3 Given the timing of this report, a detailed analysis of the outturn position has not been included. The report focuses on the material variations across the General Fund revenue budget with consideration of the impact on the Council's financial position in future years.

- 1.4 Due to the volume of information contained in the report, it would be helpful where members have questions on matters of detail if they could be referred to the report author or the appropriate Head of Service before the meeting.

2. 2020/21 GENERAL FUND REVENUE BUDGET OUTTURN

- 2.1 The revised General Fund Revenue budget for 2020/21 was approved by Council at their meeting in February 2021 of £13.261m

Table 1: General Fund Revenue Budget Reconciliation

General Fund Revenue Budget	(£'000)
Original Budget, Council Feb 2020	11,290
Add: Additional Reserve Transfers	347
Add: Carry Forwards from 2019/20	547
Funded from Reserves	(547)
Add: Supplementary Estimates	16
Add: Revised Estimate changes	1,608
Final Budget 2020/21	13,261

- 2.2 The draft outturn forecast report to Cabinet in July 2021 anticipated the budget remained on target with a projected positive variation of £0.193m although considerable uncertainty remained on a number of key areas including business rates and earmarked reserve transfers.
- 2.3 The final outturn position takes into account significant non-service expenditure and income – primarily the discretionary Business Rates Grants schemes and Council Tax Hardship Fund that the Council administered during the year.
- 2.4 The Council has also had to account for the changes made to Business Rates with significant additional reliefs provided to Retail, Leisure and Hospitality sectors. The Council has been compensated for these additional reliefs through Section 31 Grant but the accounting treatment for these differs. As such, the table below shows several cash inflows and outflows but also recognises the timing difference around the accounting treatment for business rates income and the compensation received through Section 31 Grant.
- 2.5 The outturn position shows that a net deficit of £1.293m on the General Fund has arisen during the year and is financed by the Stability and Resilience Reserve.

Table 2: General Fund Revenue Budget Outturn

	2020/21 Original Budget (£'000)	2020/21 Latest Budget (£'000)	2020/21 Outturn (£'000)	2020/21 Variation (£'000)
General Fund Revenue Budget				
Corporate Services	5,289	5,470	5,047	(423)
Customer Experience & Improvement	19	88	9	(79)
Major Projects & Property	(4,928)	(4,473)	(4,174)	299
Operational Services	7,847	10,768	10,026	(742)
Planning & Economy	2,548	2,470	2,234	(237)
ICE Programme	496	556	585	29
SUBTOTAL	11,272	14,880	13,726	(1,154)
Less: Reversal of Accounting entries	(2,519)	(2,954)	(2,633)	320
Net Service Revenue Expenditure	8,753	11,926	11,092	(834)
Corporate Income & Expenditure	3,227	2,243	2,264	21
Covid-19 Business Rates Grants	0	0	(108)	(108)
Movement in Reserves	746	(463)	227	690
Savings Plan	(1,436)	(446)	0	446
Net General Fund Revenue Budget	11,290	13,260	13,475	215
Funded by:				
Council Tax	6,705	6,705	6,705	0
Net Business Rates/s31 Compensation	3,767	3,767	2,596	(1,171)
New Homes Bonus	1,169	1,169	1,169	0
Covid-19 Emergency Funding	0	1,478	1,392	(86)
Covid-19 Income Loss	0	684	1,009	325
New Burdens/Other Funding	0	0	245	245
Prior Year Collection Fund Surplus/(Deficit)	(3)	(270)	(270)	0
TOTAL Funding	11,637	13,533	12,845	(688)
Core (Surplus) or Deficit	(347)	(273)	630	903
Proposed Carry Forwards to 2021/22			390	390
Core (Surplus) or Deficit (after c/f)		(273)	1,020	1,293
Balanced by:				
General Fund Balance				0
Stability & Resilience Reserve				(1,293)
Final Core Surplus or Deficit				0

Note: Table contains roundings

2.6 A number of budgets have been requested to be carried forward from 2020/21 to 2021/22. These will need to be considered alongside the final outturn position and carry forward requests need to be balanced against the wider financial position of the Council.

Table 3: Carry Forwards

Portfolio	Carry Forward	Amount (£'000)
MPP	Belle Vue repairs and Maint	50
MPP	Frimley 4 Business Park – Repairs & Maintenance	20
MPP	Rushmoor Properties – Responsive Repairs & Maintenance	50
P&E	Aerospace Heritage Study - Exp	5
P&E	Aldershot Town Centre Transition Budget	51
CE&I	Community and Ward grants awarded to 55 community groups	45
OPS	CCYV Fees (Consultancy and Maintenance)	18
P&E	Economic Promotions Budget	14
MPP	Games Hub	11
P&E	Economic Development: Gulfstream grant	100
CS	Corporate Training Budget	8
OPS	Rushmoor Indoor Bowls Feasibility Study	10
ICE	ICE Programme	9
		390

Table 4: Reserve Movement Summary

	Balance as at 31/03/2020 (£'000)	Transfers Out 2020/21 (£'000)	Transfers In 2020/21 (£'000)	Balance as at 31/03/2021 (£'000)
Earmarked Reserve				
COVID BRR Earmarked Reserve	-	-	10,812	10,812
Stability and Resilience Reserve	5,870	(1,293)	-	4,577
Commercial Reserve	2,000	(250)	-	1,750
Treasury Earmarked Reserve	-	(180)	580	400
Pension Reserve	-	-	669	669
Covid-19/Recovery Grant reserve	-	-	393	393
All Other Earmarked Reserves (excluding SANG/s106)	4,536	(1,597)	1,547	4,486
Commuted Sums/Amenity Areas	4,443	(480)	10	3,973
TAG Environmental Fund	110	(14)	-	96
Total of all Earmarked General Fund Reserves	16,959	(3,814)	14,011	27,156

2.7 Table 6 in Section 5 of the report sets out in detail all the reserve movements and the balance at the end of the financial year.

Key Service variations narrative received (to be finalised)

Corporate Services

- £175k underspend on External Audit fees – this is a timing difference around the agreement of additional fees in relation to the 2018/19 audit. A significant accrual was made in 2018/19 over and above the resultant additional fee. Budget for 2020/21 was increased as a result of the accrual but not required in full.
- £96k Grants to Voluntary Organisations (carry forward requested) and is Covid response related
- £105k income received to support Test and Trace (carry forward requested)

Customer Experience and Improvement

- £115k additional staffing cost across IT service including additional temporary staff and £17k recruitment advertising costs (more narrative available)

Major Projects and Property

- £121k of budgeted income not received was transferred to an earmarked reserve in accordance with the Cabinet decision in April 2021.
- Transfer of £250k from Commercial Property Reserve to mitigate lower rental income received in-year to mitigate against payment plans that have been agreed not being adhered to.
- Significant underspend on Property R&M due to delay in projects commencing following change in the PWLB Lending Terms in November 2020. £100k of budget carry forward has been requested with an additional transfer of £150k to earmarked reserves to provide some headroom across Property and Regeneration projects.

Operational Services

- Significant reduction in income streams for Car Parks and On-Street Parking over the course of the financial year. Budgets were revised downwards to reflect the impact from Covid-19 with income loss claims made under MHCLG's Sales, Fees & Charges scheme. The outturn variation on Car Parks was a net income shortfall of £73k with the net income shortfall for On-Street Parking of £63k transferred to the CPE Account held on the balance sheet as an earmarked reserve.
- Crematorium and Cemeteries outturn position not as positive as had been assumed when budgets were revised. There was a reduced level of both cremations and burials which has resulted in an income shortfall against the revised budget, although income was broadly in-line with the original budget.

The net income shortfall for the Crematorium was £155k (after transfer of the CAMEO Levy) and Cemeteries £31k

Planning and Economy

- £150k underspend on Economic Development (carry forward requested): Due to the pandemic work planned on economic impacts of airport and the Aerospace Heritage Project were delayed. Gulfstream were later moving to Farnborough and then unable to implement the planned large-scale training activities due to the pandemic leading to the carry forwards. The underspend arose primarily from the time it took to recruit the new members of the economic development team which was being created and an internal transfer which has not been actioned in year for reasons relating to changes in property usage.
- £80k additional income variation on Planning (Development Management Fees): As the economy recovered 3 substantial applications for two sites on Wellesley and the Sound Stages at FIA were received. The former had been expected in 2021/22 and the latter could not have been anticipated. These meant that income was considerably higher than expected allowing for the Pandemic.
- £50k Town Centre Management underspend (carry forward requested): The Town Centre was significantly impacted by the Pandemic which prevented or slowed a number of activities. In particular the events programme while adapted to deliver what was possible was very substantially reduced. This has resulted in a both an underspend and a substantial carry forward for work commissioned in 2020/21 but which will be completed and paid for in 2021/22 including the Cultural Compact. This was offset by the Government providing funding to support the Town Centre which supported a substantial number of recovery activities undertaken in year which otherwise the Council would have had to fund. So activity to support the Town centre was substantial and delivered as far as feasibility and constraints permitted

2.7 The table below shows the breakdown on the Corporate Income and Expenditure. Variations on the Council's Treasury Management activities are covered in Section 3 of this report.

Table 5: Non-Service Budget Summary

	2020/21 Original Budget (£'000)	2020/21 Latest Budget (£'000)	2020/21 Outturn Forecast (£'000)	2020/21 Variation (£'000)
Corporate Income & Expenditure				
Minimum Revenue Provision (MRP)	2,180	2,180	1,844	(335)
Interest Receivable	(1,600)	(1,090)	(1,071)	19
Interest Payable	1,370	785	870	85
Other CI&E	342	342	595	253
Additional Items/Growth	935	26	26	0
TOTAL CI&E	3,227	2,243	2,264	21

2.8 Other Corporate Income and Expenditure – Bad Debt Provision required of £442k, restatement of FIL income from prior year (£235k), Revenue receipts from surrender of a lease in Victoria Aldershot (£122k).

3. TREASURY MANAGEMENT

3.1 As previously reported to members, Treasury management income was adversely impacted in 2020/21 reflecting the uncertainty in global financial markets. As outlined in the Treasury Management Strategy, the Council invests its surplus balances generating an income return of over £1m per annum. The Strategy sets out that the Council aims to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

3.2 The Council has two broad classes of investments – Money Markey Funds (where balances are held for short periods until required) and Pooled Funds.

3.3 Despite the market volatility as a result of Covid-19, the Council treasury management investments performed in-line with the revised budget expectations with £1.071m of investment income against the budgeted £1.090m. Performance in the current year may still be impacted by Covid-19 and the wider global economy.

3.4 Interest payable on external borrowing that supports the capital programme, was above the revised budget of £0.785m, with additional costs of borrowing giving rise to a £85k adverse variation. This was due to a higher level of

borrowing in the year than assumed when the revised budget was set (impact of the timing of Union Street capital expenditure and Voyager House).

- 3.5 When taken together, the net variation on the Council's Investment and Borrowing activity was a net overspend of £104k.
- 3.6 The level of MRP required in the year was £335k below the budgeted level as a result of lower capital expenditure in 2020/21.

4. GOVERNMENT FUNDING, COUNCIL TAX AND BUSINESS RATES

- 4.1 The Government provided £4.6bn of emergency funding in four tranches to Local Government recognising the cost and income pressures facing Councils. The first tranche of funding (£1.6bn) was announced on 19 March 2020, with the second tranche (£1.594bn) announced on 18 April 2020, the third tranche (£0.494bn) announced on 02 July 2020, and the fourth tranche was announced in late October 2020. Rushmoor received £1.434m of funding (of which £1.392m was received in 2020/21).
- 4.2 In addition to the Emergency funding, the government reimbursed Councils for lost income. Where losses are more than 5% of a Council's planned income from sales, fees and charges, the Government will cover 75% of these losses.
- 4.3 The Government have confirmed payments to Rushmoor under this scheme of £0.456m (for the period April to July), £0.215m (for the period August to December), and £0.337m (for the period December 2020 to March 2021).
- 4.4 A number of Council services that were reliant on income from sales or fee income were adversely impacted by the restrictions in place during the coronavirus pandemic. The Council reviewed opportunities for staff to be redeployed to areas that were supporting the Council's frontline services to the community. Whilst the Council was able to redeploy a number of staff over the course of the year, the Council did make use of the Government's furlough scheme with £101k of funding received in 2020/21.
- 4.5 The Government provided funding to support individuals who struggled to meet council tax payments due to fluctuations in household incomes. Through the Covid-19 Hardship Fund allocation (£0.542m), the Council provided additional support to recipients of working age local council tax support by way of a credit to their council tax account. The unspent balance of £0.108m has been

transferred to an earmarked reserve in-line with year end guidance from CIPFA and MHCLG. This will be available to support Council Tax Support cases in 2021/22.

- 4.6 The Council Tax collection rate to the end of year was 96.8%, with the equivalent figure from 2019/20 being 97.8%. The collection rate improved significantly during the second half of the year as the Revenues team worked proactively with council taxpayers to ensure payments were reprofiled and affordable.
- 4.7 The impact of reduced collection rates is dealt with through the Collection Fund. If the level of Council Tax collected in the year is lower than budgeted, this gives rise to a deficit on the collection fund and will impact on the following year's budget. Any deficit is shared between Rushmoor and the precepting authorities (Hampshire County Council, Police and Crime Commissioner for Hampshire, and Hampshire Fire and Rescue Authority). An estimate of the deficit was included in the 2021/22 budget and MTFs approved by Council in February 2021.
- 4.8 The position on Business Rates is far more complex given changes that were made to reliefs and the way in which the Council is compensated for these reliefs through Section 31 Grants.
- 4.9 Additional business rates reliefs were announced by the Government in the Budget in March 2020, which were extended in response to Covid-19. The Retail and Hospitality and Leisure reliefs awarded to local businesses total £23.525m, with the Government fully funding the reduction in business rates income through section 31 grant. It has been more difficult to predict the likely impact on business rates income over the medium-term due to the relief changes, with the collection rate to the end of year being 95.8% (97.4% in 2019/20). The level of business rates forecast for 2020/21 already assumed a reduction in the business rates base in part due to the regeneration of Aldershot and Farnborough town centres.
- 4.10 The end of year position on business rates clearly illustrates the complexity and scale of the impact from Covid. When the level of business rates income was estimated in January 2020 (in the NNDR1 Return) it was assumed that around £49.985m of business rates income would be collected, with around £3.767m of this retained locally under the Business Rates Retention Scheme.

- 4.11 The outturn position on business rates (in the NNDR3 return) showed that £25.824m of business rates income had been collected. Whilst the Council received Section 31 Grant to compensate for the reduced level of income (£11.3m), the accounting treatment for the different elements of business rates income means that the Council must account for a significant deficit on the business rates collection fund of £26.027m. Whilst 50% of this deficit is shared with Central Government, Rushmoor's share is in excess of £10m. This deficit is transferred to an earmarked reserve in accordance with proper accounting practice and guidance from CIPFA to fund Rushmoor's share of the deficit which will need to be budgeted for over the next 3 years.
- 4.12 It is likely that it will take some time for the impact from Covid on business rates income to unwind. At the time of writing this report, the relevant accounting treatment has been applied to ensure the General Fund revenue budget is protected in the current year. Further work will be undertaken over the coming weeks to work through the implications on the Council's MTFs.

5. EARMARKED RESERVES

- 5.1 As highlighted in Section 2 of the report, the outturn position includes significant transfers to and from earmarked reserves. A number of these relate to funding received for Business Rates and other Covid Grants or support and reflect the accounting treatment as advised by CIPFA.
- 5.2 All transfers to and from earmarked reserves are shown in the Table below for completeness and agree with those reported in the unaudited 2020/21 Statement of Accounts. The level of earmarked reserves at the end of the financial year stands at £27.156m – an increase of £10.197m since 2019/20. However, a significant part of the increase is due to the transfer of £10.812m in recognition of the deficit on the Business Rates collection fund.

Table 6: Earmarked Reserves

Earmarked Reserve	Balance as at 31/03/2020 (£'000)	Transfers Out 2020/21 (£'000)	Transfers In 2020/21 (£'000)	Balance as at 31/03/2021 (£'000)
COVID BRR Earmarked Reserve	-	-	10,812	10,812
Stability and Resilience Reserve	5,870	(1,293)	-	4,577
Commuted Sums/Amenity Areas	4,443	(480)	10	3,973
Commercial Reserve	2,000	(250)	-	1,750
Pension Reserve	-	-	669	669
Flexible Housing Grant	510	(128)	252	634
Mercury Abatement	617	(251)	42	408
Treasury Earmarked Reserve	-	(180)	580	400
Affordable Housing Reserve	400	-	-	400
Budget Carry Forwards	301	(301)	390	390
Regeneration Reserve	450	(93)	-	357
Civil Parking Enforcement Surplus	345	(71)	7	281
Insurance Reserve	253	-	-	253
A331 Air Quality Project	256	(10)	-	246
Climate Emergency Reserve	-	(11)	250	239
Other Grants (Individually below £45k)	211	(48)	62	225
Workforce Reserve	200	-	-	200
Service Improvement Fund	129	-	-	129
Commercial Property Reserve	-	-	121	121
Feasibility for Victoria Road	-	-	110	110
COVID C/Tax Hardship Earmarked Reserve	-	-	108	108
Cyber Security Reserve	-	-	100	100
TAG Environmental Fund	110	(14)	-	96
Deprivation Reserve	-	(6)	100	94
COVID19 Test & Trace Reserve	-	-	89	89
Local Election Reserve	-	-	87	87
Control Outbreak Management Fund Reserve	-	-	85	85
Custom Build Reserve	75	-	-	75
Cohesion/Migration Impact/Gurkha Settlement	70	(4)	-	66
Emergency Assistance Grant	-	-	64	64
Cultural Recovery Earmarked Reserve	-	-	47	47
Land Charges	45	-	-	45
Ward Reserve	-	-	26	26
ICE Programme	297	(297)	-	-
Due Diligence Reserve	250	(250)	-	-
Planning Delivery Fund	127	(127)	-	-
Planning Service Improvement	-	-	-	-
Total of all Earmarked General Fund Reserves	16,959	(3,814)	14,011	27,156
Excluding SANG & BRR	12,516	(3,334)	3,189	12,371

5.3 Reserves held to mitigate risks and in-year fluctuations have been deployed during the year to mitigate the impact from Covid on the Council's revenue budget:

- £1.293m from the Stability and Resilience Reserve
- £250k from the Commercial Reserve
- £180k from the Treasury Reserve

- £250k from the Regeneration Due Diligence Reserve
- 5.4 Funding received for specific Covid support and recovery activities are proposed to be transferred to the following earmarked reserves to satisfy grant funding conditions and to enable further support activities in 2021/22
- £108k Council Tax Hardship Funding
 - £89k Covid-19 Test and Trace
 - £85k Control Outbreak Management Fund
 - £64k Emergency Assistance Grant
 - £47k Cultural Recovery Fund
- 5.5 Other reserve movements are shown in the table above and include those agreed as part of the General Fund revenue budget for 2020/21 and timing difference between funding being received and applied against eligible expenditure.

6 IMPACT OF OUTTURN POSITION ON 2021/22 AND SUBSEQUENT YEARS

- 6.1 The overall impact of the outturn position on the Council's finances can be categorised as follows:
- 6.2 General Fund deficit of £1.293m means that the Stability and Resilience Reserve has been deployed to a much greater extent than forecast. When the current version of the MTFs was approved by Council in February 2021, the latest forecasts for 2020/21 indicated that the reserve would have a closing balance of £5.563m on 31/03/2021 reducing to £4.550m by 31/03/2022.
- 6.3 The balance held on the reserve is £4.577m although the closing balance at the end of the 2020/21 financial year is £0.986m lower than previously forecast. Whilst this level is adequate for the current financial year, members will recall that the funding gap forecast over the MTFs period was significant. In the absence of further savings and cost reductions being identified in the February 2021 MTFs, the Stability and Resilience reserve was forecast to be depleted during 2023/24.
- 6.4 The Council will need to consider the level of the Stability and Resilience reserve as part of the budget setting process for 2022/23 and determine whether the current level is adequate to mitigate risks and the funding gap identified.

- 6.5 As stated in the MTFS report, the Council was developing a revised approach to its Savings Programme that sought to address the funding gap identified in the MTFS. The programme has progressed during the first half of 2021/22 with a revised process for how savings are identified, evaluated and approved, with clearer reporting and monitoring and governance arrangements. A number of cost reduction and efficiency proposals are being reviewed and will need to be agreed and implemented to mitigate the funding gap over the new MTFS period
- 6.6 As set out in this report, a number of reserve balances have been utilised to support expenditure of reduced levels of income in the General Fund. These reserves will also need to be reviewed as part of the budget setting process to ensure they remain adequate and support the Council's priorities.
- 6.7 Finally, the impact on the Council core funding streams needs to be considered over the new MTFS period. Council Tax and Business Rates revenue was lower in 2020/21 with a level of uncertainty remaining for future years. Whilst the Government has provided some support to Council's through Section 31 Grants and the ability to spread collection fund deficits over a 3-year period, the longer-term impact on both the Council Tax and Business Rates rating lists should be reviewed over the coming months. Income from fees and charges will also need to be reviewed. The current assumptions in the MTFS is for income from fees and charges to return to pre-pandemic levels from 2022/23. It is likely there will be differential impacts across fees and charges and will need further consideration as part of the budget setting process.

7. RISKS AND UNCERTAINTIES

- 7.1 The most significant financial risk facing the Council is the impact of Covid-19 on the Council's 2021/22 budget and Medium-Term Financial Strategy. Risk remains around the draft outturn position being based on incomplete financial information.

8. LEGAL IMPLICATIONS

- 8.1 No additional legal implications arise from this report.

9. FINANCE AND RESOURCE IMPLICATIONS

- 9.1 The finance and resource implications from the 2020/21 outturn have led to an increased use of the Stability and Resilience Reserve. The immediate impact of this is considered within Section 6 of this report.
- 9.2 Any additional financial implications will be addressed through normal Council procedures and processes. The Budget Strategy report to Cabinet in October 2021 and will set out any further resource implications.
- 9.3 The Council will also need to carefully consider the financial impact of spending decisions and ensure that any unnecessary expenditure is avoided where possible given the funding gap identified in the MTFS and the utilisation of the Stability and Resilience Reserve in particular.

10. CONCLUSIONS

- 10.1 The figures contained within this report are provisional and subject to revision following external audit's review of the Council's financial statements. Members will be updated on the final outturn position should there be any material change.
- 10.2 Section 6 of the report outlines the impact of the outturn position over the medium-term, with Section 5 of the report outlining the position on earmarked reserves.
- 10.3 There will always be variances against budgets due to the Council adapting its priorities to manage inevitable changes in demand pressures and having a flexible approach to changing circumstances. The degree of variation on service revenue expenditure will be considered in the final outturn report and should be reviewed as part of the budget setting process to ensure that budgets are set against realistic expectations of affordability, delivery and performance.
- 10.4 Over the MTFS period, declines in Council Tax and Business Rates income may put additional pressure on the Council's financial position. The achievement of the Savings Plan is integral to the MTFS forecast and will need to be reviewed in terms of savings profile and whether the savings can be delivered in the current economic climate. It is likely that further savings will be required over the MTFS period in order to balance the budget.

BACKGROUND DOCUMENTS:

None

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