

**CABINET  
08 JULY 2021**

**COUNCILLOR PAUL TAYLOR  
CORPORATE SERVICES PORTFOLIO HOLDER  
REPORT NO. FIN2111**

**KEY DECISION: YES/NO**

## **2020/21 REVENUE AND CAPITAL BUDGET OUTTURN - UPDATE**

### **SUMMARY:**

This report sets out the draft outturn position for 2020/21, based on actual income and expenditure recorded on the Council's financial system (17 June 2021) and broad assumptions around the final entries required to complete the outturn process.

### **RECOMMENDATIONS:**

CABINET is recommended to note the draft revenue and capital outturn position as detailed in the report., noting these are subject to change.

## **1 INTRODUCTION**

- 1.1 Covid-19 is having a widespread impact on local authority budgets nationally and has been particularly significant for district and borough councils with a significant loss of income from services being a particular pressure.
- 1.2 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. The Revenue Budget Monitoring Report 2020/21 (FIN2108) provided an updated forecast for the General Fund with an adverse variation of £0.287m (2.17% of the Net Revenue budget) forecast which represented a slight worsening in the financial position when compared to the Latest Budget..
- 1.3 This report provides members with an update on Revenue and Capital Outturn for the 2020/21 financial year.
- 1.4 The draft outturn position set out in this report is subject to change as not all accounting entries have been completed and further checks and a review to be undertaken in the coming few weeks. The report highlights to members areas of the General Fund revenue and capital budgets that are potentially subject to greater change as the outturn is finalised. Therefore, members should treat the draft outturn position included in this report as indicative.

- 1.5 This report does not provide a detailed review of the material variations against service budgets. This analysis will be included in the final outturn report once completed.
- 1.6 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 before the meeting.

## **2 IMPACT OF OUTTURN POSITION ON 2021/22**

- 2.1 Council approved the revenue budget for 2021/22 at their meeting on 25 February 2021. The Council was able to set a balanced budget for the current financial year utilising the Stability and Resilience Reserve to support the Council's priorities and recovery from the impact of Covid-19.
- 2.2 The Council must ensure that the revenue budget remains balanced over the course of the financial year, and it is advised that any beneficial impact from the 2020/21 outturn position is set aside in earmarked reserves to mitigate against potential budget pressures in 2021/22 and to provide one-off funding to support the Council's priorities around Regeneration. The Council will need to ensure that revenue and capital spending plans are affordable and deliverable over the medium-term.
- 2.3 As set out in the Revenue Budget, Capital Programme and Council Tax Level report to Cabinet on 16 February 2021 (FIN2106) the Council has developed a revised approach to its addressing the Funding Gap identified in the Medium Term Financial Strategy (MTFS). The Cost Reduction and Efficiencies Programme (CREP) has put in place a revised process for how savings are identified, evaluated and approved, with clearer reporting and monitoring and governance arrangements. The outcomes from CREP are being reviewed by the Project Team and officers and will be considered over the coming weeks. Subject to member approval, savings will be implemented to cover the new MTFS period.
- 2.4 Members will recall that the Government provided further Covid funding in 2021/22 as part of the Local Government Finance Settlement. The understanding is that this support is time limited with the income loss from Sales, Fees and Charges scheme only covering Q1 income pressures.

Therefore, some risk remains around the Council's income budgets over the coming months should the financial impact from Covid-19 continue.

### 3. 2020/21 REVENUE BUDGET – DRAFT OUTTURN

3.1 The draft outturn position for the Revenue budget is set out in Table 1 below. This is based on a snapshot of actual expenditure and income as shown on the Council's financial system on 17 June 2021, with broad assumptions made in relation to budgets subject to further review and accounting entries. In particular, the following areas are subject to greater fluctuation between the draft and final outturn reports and may have a material impact.

- Business Rates Retention income
- Housing Benefit income and expenditure
- Commercial Property income
- Asset valuations
- Treatment of On-Street Car Parking deficit (to be agreed with Hampshire County Council)
- Earmarked Reserves and Carry Forwards

**Table 1: General Fund Revenue Budget Draft Outturn (subject to change)**

	2020/21 Original Budget (£'000)	2020/21 Latest Budget (£'000)	2020/21 Draft Outturn (£'000)	2020/21 Draft Outturn Variation (£'000)
<b>General Fund Budget</b>				
Net Service Revenue Expenditure	8,753	11,926	11,568	(358)
Corporate Items	2,537	1,334	1,115	(219)
<b>Net General Fund Revenue Budget</b>	<b>11,290</b>	<b>13,260</b>	<b>12,683</b>	<b>(577)</b>
Funded by:				
Council Tax	6,705	6,705	6,705	0
Business Rates	3,767	3,767	3,767	0
New Homes Bonus	1,169	1,169	1,169	0
Covid-19 Emergency Funding	0	1,478	1,478	0
Covid-19 Income Loss	0	684	1,005	321
Other Funding	(3)	(270)	(175)	95
<b>TOTAL Funding</b>	<b>11,637</b>	<b>13,533</b>	<b>13,949</b>	<b>416</b>
<b>Core (Surplus) or Deficit</b>	<b>(347)</b>	<b>(273)</b>	<b>(1,266)</b>	<b>(993)</b>
Less: Carry Forwards			800	800
<b>Core (Surplus) or Deficit - after c/f</b>	<b>(347)</b>	<b>(273)</b>	<b>(466)</b>	<b>(193)</b>

- 3.2 The draft outturn forecast for the General Fund is a net positive variation of £0.993m before carry forwards (£0.193m if all carry forward requests are agreed) which represents an improvement in the financial position when compared to the Latest Budget. However, there remains some risk that the outturn position will change as not all budget positions have been finalised, specifically with uncertainty over the level of retained business rates income given the impact of reliefs and Covid.
- 3.3 The level of Government Funding for Covid-19 expenditure and income pressures has increased from £2.349m reported in April 2021 to £2.483m. The additional funding has helped to mitigate some of the financial pressures on the Council. However, the overall position on the General Fund remains positive given the impact from Covid-19, as shown in Table 1.
- 3.4 It is worth noting that 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 1 shows the impact on the Council's finances if all requests were agreed.

#### **4. 2020/21 CAPITAL PROGRAMME – DRAFT OUTTURN**

- 4.1 As reported to members in February and April, the Council's Capital Programme was revised as a result of changes to the PWLB lending rules and revised expenditure profiles for the major Regeneration schemes in Aldershot and Farnborough..
- 4.2 The draft outturn on the Capital Programme is broadly in-line with that reported to members in April 2021. As shown in the table below, the draft outturn on the Capital Programme is £21.479m, with slippage of £2.256m. This compares to £23.811m and slippage of £0.680m as reported in April.

**Table 2: Capital Programme Draft Outturn (subject to change)**

Portfolio	2020/21 Original Budget (£'000)	2020/21 Latest Budget (£'000)	2020/21 Draft Outturn (£'000)	2020/21 Draft Outturn Variance (£'000)	Slippage to 2021/22 (£'000)
Corporate and Democratic Services	0	86	3	(83)	83
Customer Experience and Improvement	125	38	38	0	0
Major Projects and Property	49,367	21,131	19,802	(1,329)	217
Operational Services	2,689	3,376	1,481	(1,895)	1,878
Planning and Economy	0	0	0	0	0
ICE Programme	45	233	155	(78)	78
<b>TOTAL Capital Programme</b>	<b>52,226</b>	<b>24,864</b>	<b>21,479</b>	<b>(3,385)</b>	<b>2,256</b>

- 4.3 The table below provides an overview of the significant change across each portfolio in capital expenditure for the year against the previous forecast.

**Table 3: Capital Programme Variations – Movement since April 2021**

Portfolio	Previous Forecast	2020/21 Draft Outturn (£'000)	Movement (£'000)
Corporate and Democratic Services	0	3	3
Customer Experience and Improvement	38	38	0
Major Projects and Property	20,991	19,802	(1,189)
Operational Services	2,596	1,481	(1,115)
Planning and Economy	0	0	0
ICE Programme	186	155	(31)
<b>TOTAL Capital Programme</b>	<b>23,811</b>	<b>21,479</b>	<b>(2,332)</b>

- 4.4 As with the revenue budget draft outturn, the table above is subject to change, although it is considered there is less risk of change.

## 5. RISKS AND UNCERTAINTIES

- 5.1 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.

## **6. LEGAL IMPLICATIONS**

6.1 No additional legal implications arise from this report.

## **7. FINANCE AND RESOURCE IMPLICATIONS**

7.1 The finance and resource implications from the 2020/21 outturn will be considered once the final outturn position is known and will be subject to a separate report to Cabinet in due course.

7.2 Any additional financial implications will be addressed through normal Council procedures and processes. The 2020/21 final outturn reports to Cabinet will set out any further resource implications.

7.3 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.

## **8. CONCLUSIONS**

8.1 The figures contained within this report are provisional and subject to change as the outturn process has not concluded. Further change may arise 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.

8.2 A more detailed examination of the Council's financial position will be considered alongside the final outturn and will update members on the prospects for 2021/22.

8.3 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.

**BACKGROUND DOCUMENTS:**

None

**CONTACT DETAILS:**

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