

Key Decision Required:	Yes	In the Forward Plan:	Yes
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CORPORATE FINANCE AND GOVERNANCE PORTFOLIO HOLDER

14 JULY 2020

REPORT OF THE CHIEF EXECUTIVE

A.1 FINANCIAL OUTTURN 2019/20

(Report prepared by Richard Barrett and the Accountancy Team)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To provide an overview of the financial outturn for the year 2019/20 and to seek approval of associated financial decisions related to the end of year accounting processes.

EXECUTIVE SUMMARY

Similarly to earlier years of the financial forecast cycle and set against the context of an on-going and challenging financial environment, strong, effective and proactive financial management continues to have a major effect on the outturn position.

The outturn position for 2019/20 is largely unaffected by the COVID 19 crisis given the timing of when its impact was starting to be felt, which was right at the end of the financial year.

Following the completion of the comprehensive end of year processes, the financial outturn position for 2019/20 has been prepared across the various areas of the budget with a summary of the position set out below.

Summary by Key Areas of the Budget

Key Area	Outturn Position
General Fund	
General Fund Revenue - Overall favourable variance after allowing for the carry forwards requested by services	(£0.862m)
Capital Programme – Overall small adverse variance after allowing for the carry forwards requested by services	(£0.059m)
Housing Revenue Account	
Net Surplus for the year contributed to HRA General Balances (over and above the budgeted contribution)	(£0.242m)

General Fund Reserves (excluding requested carry forwards)	
<p>Earmarked Reserves –</p> <p>Reduced use of reserves compared to budget</p> <p>Additional Contributions to reserves compared to the budget (<i>excluding carry forwards</i>)</p> <p><i>There was no change in the level of the Uncommitted Reserve which remains at £4.000m</i></p>	<p style="text-align: right;">nil</p> <p style="text-align: right;">nil</p>

Reserves

The Council's overall reserves at 31 March 2020 total **£32.892m**. However **£28.892m** is in respect of earmarked reserves which relate to future years commitments (including the 2019/20 carryforwards requested by services). The total earmarked reserves also include the balance on the Forecast Risk Fund of **£3.253m**, which is in-line with the amount required to support the long term financial sustainability plan. Earmarked reserves are predominantly for previously identified priorities of the council.

The balance of **£4.000m** is the level of uncommitted reserves which includes a working balance requirement of **£1.600m**. This level of uncommitted reserves matches that previously approved.

On-going Review of Budgets

As set out last year, the imperative to find savings and reduce the net budget has meant that all services continue to reduce spending and identify efficiencies wherever possible. This continuing approach has had a direct impact on the year end position for 2019/20. A more comprehensive review of the budgets will be undertaken as part of the Financial Strategy process for 2021/22 to identify where further net budget adjustments need to be made in light of this latest position.

RECOMMENDATION(S)

That the Corporate Finance and Governance Portfolio Holder:

- (a) notes the financial outturn position for 2019/20 as set out in this report and appendices;**
- (b) approves the financing of General Fund capital expenditure for 2019/20 as detailed in Appendix D;**
- (c) approves the movement in uncommitted and earmarked General Fund reserves for 2019/20 set out in Appendix E;**
- (d) approves the qualifying carryforwards totalling £17.914m (£9.518m Revenue and £8.396m Capital) as set out in Appendix K;**
- (d) agrees that all other carryforwards totalling £0.658m requested by services be**

transferred to the relevant earmarked reserve pending consideration by Cabinet at its July 2020 meeting;

(e) that subject to the above, approves that the overall General Fund Outturn Variance for the year of £0.862m be transferred to the Revenue Commitments reserve until Cabinet formally considers the allocation of this funding at its July 2020 meeting;

(f) in respect of the HRA, approves the movement on HRA balances for 2019/20 including any commitments set out within Appendices H and/or I along with recharges to the HRA from the General fund of £2.808m for the year and the financing of the HRA capital expenditure set out in Appendix I; and

(g) delegation be given to the Council's S151 Officer, in consultation with the Corporate Finance and Governance Portfolio Holder, to adjust the outturn position for 2019/20 along with any corresponding adjustment to earmarked reserves as a direct result of any recommendations made by the Council's External Auditor during the course of their audit activities relating to the Council's 2019/20 accounts.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

Careful planning to ensure financial stability underpins the Council's capacity to deliver against its priorities. Both the capital and revenue budgets of the authority are prepared and monitored with the aim of supporting key objectives. The outturn position reflects this process and supports the successful financial planning process.

FINANCE, OTHER RESOURCES AND RISK

Finance and other resources

The main financial implications for each section of the Council's accounts are as set out in this report.

Risk

There are no direct risks associated with the outturn position although the ability to fund future financial forecasts is recognised as a strategic risk to support the achievement of financial resilience of the Council in both the short and long term.

LEGAL

The Council is legally required to calculate a Council Tax requirement each financial year. Within this framework is the requirement to monitor and report accordingly on the financial position of the authority against this requirement.

The outturn position set out in this report and the actions proposed are within the Council's powers and reflect the statutory requirements and responsibilities of the Council in the preparation of its accounts.

The approval of the outturn position each year is delegated to the Corporate Finance and Governance Portfolio Holder. Any further decisions that may be required following the outturn process, such as allocating money brought forward from the prior year will be reported to Cabinet at a subsequent meeting. In effect the approval of the outturn delegated to the Corporate Finance and Governance Portfolio Holder will primarily only place available funding that needs further allocation in reserves until such time as a formal / separate decision is presented to Cabinet.

OTHER IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.

Although there are no direct equality and diversity issues, the overall Financial Strategy and budget process aims to recognise any such issues where appropriate within the Council's wider Financial Framework.

PART 3 – SUPPORTING INFORMATION

BACKGROUND

The Financial Outturn for 2019/20 forms the basis of the information included in the Council's Statement of Accounts which will be published 'Subject to Audit' by the end of August 2020. The external audit of the Statement of Accounts is required by legislation to be completed by the end of November 2020. These dates, which are nationally set with Government approval, are significantly later than in previous years to take account of the impact of COVID 19.

Details around specific items such as Revenue, Capital, Reserves and Carry Forwards are set out in the following separate sections of the report along with the Appendices.

GENERAL FUND REVENUE OUTTURN 2019/20 – A DETAILED ANALYSIS

The following table sets out a summary of the outturn position after taking into account the carry forwards / commitments requested by services discussed further on in this report. A more detailed Portfolio and Departmental analysis is set out within the appendices.

Overall Summary of General Fund Revenue Account Outturn 2019/20

	Budget	Outturn	Variance
	£m	£m	£m
Total Net Outturn Position <i>(after requested carry forwards and reserves adjustments)</i>	13.577	12.575	(1.002)
Financing			
Business Rates	4.490	4.349	0.141
Revenue Support Grant	0.422	0.422	0
Council Tax (including Collection Fund)	8.665	8.666	(0.001)
Total	13.577	13.437	0.140
Total Variance for 2019/20 <i>(Contributed to Reserves within Corporate Services)</i>	0	(0.862)	(0.862)

A number of issues emerging earlier in the year were addressed via the quarterly financial performance reports and are therefore reflected in the budget rather than being presented as a variance at the end of the year. In addition, a number of the variances that have remained at the

end of the year have already been highlighted via the in-year financial performance reports.

Appendix C sets out the detailed outturn position by department with the net variance shown in column (e) of that appendix. The net variance has been further analysed by direct costs and indirect costs and is set out in columns (f) and (g) of the same appendix. In most cases the indirect costs are significantly more than the budget, which is primarily due to technical accounting adjustments such as those relating to pension current costs. However, these are reversed out within Corporate Services with no overall net impact on the budget.

A departmental headline outturn summary is set out in **Appendix A** which highlights the key variances within each department.

As mentioned in the executive summary above, the outturn position will be subject to a comprehensive review to identify areas of the budget that can be adjusted to support the Council's long term financial sustainability plan going into 2021/22.

In-line with the delegation to the Finance and Corporate Resources Portfolio Holder, the overall favourable variance for the year of **£0.862m** has been transferred to the Revenue Commitments Reserve. A report is planned to be presented to Cabinet in on 24 July 2020 where options for allocating this funding will be considered.

During the external audit of the Council's Accounts over the coming months, adjustments or amendments may be recommended by the Council's External Auditor. Although subject to the actual adjustments that may be recommended by the Auditor, they may have a direct impact on the overall outturn position for the year rather than be just presentational changes. They would then be included in the Statement of Accounts that would be presented to the Audit Committee later in the year for approval. To enable the right level of flexibility in responding to any changes recommended by the External Auditor, a delegation is included in the recommendations above to enable the Council's S151 officer, in consultation with the Corporate Finance and Governance Portfolio Holder, to make the necessary adjustments to the 2019/20 outturn position.

GENERAL FUND CAPITAL OUTTURN POSITION FOR 2019/20

Full details of the outturn position for each scheme together with the total carry forwards requested are set out in **Appendix D**. However a summary is set out in the following table:

	Budget 2019/20	Outturn 2019/20	C/Fwd	Remaining Variance
	£m	£m	£m	£m
GF Capital Expenditure	13.657	5.202	8.396	(0.059)

Financing the Capital Programme

A summary of the proposed financing of the capital expenditure in 2019/20 is set out in the following table, with a more detailed analysis being provided in **Appendix D** to this report:

	Budget 2019/20 £m	Outturn 2019/20 £m	To Fund C/fwds £m	Variance £m
External Contributions	0.067	0.023	0.043	(0.001)

S106	0.015	0.007	0.008	0
Government Grants	7.157	3.217	3.940	0
Capital Receipts	0.907	0.028	0.825	(0.054)
Revenue Contributions	0.486	0.342	0.144	0
Use of Earmarked Reserves	5.025	1.586	3.435	(0.004)
Total	13.657	5.202	8.396	(0.059)

There were no significant variances at the end of the year after taking into account carry forward requests. One scheme has not been able to be progressed and it has therefore been removed from the capital programme with the corresponding underspend reflected in the position set out in the table above.

GENERAL FUND REVENUE AND CAPITAL CARRY FORWARDS INTO 2019/20

It is recognised that due to the size, nature and lead-in times of some schemes, expenditure can span financial years with some schemes not completed by the 31 March in any one year. Therefore commitments for goods and services are likely to remain outstanding at the 31 March, examples of which include uncompleted work that the Council has a contractual obligation against or the project is either currently underway or will be started shortly with payment dates or trigger points within the process yet to be reached, finalised and paid.

All carry forwards requested by services have been reflected in the year end position and are shown in **Appendices C and D**. These broadly follow the principles applied in previous years such as:

- There is a 'contractual commitment';
- There is a related long term project which is expected to span a number of financial years;
- There is non-recurring item for which no budget provision exists in the following year;

In addition to the qualifying carry forwards under the above criteria, there have been a number of requests to carry money forward to support initiatives and projects that although not strictly complying with the above criteria, it could be advantageous for them to be agreed as they support the delivery of the long term financial sustainability plan or meet costs which could otherwise become future pressures on the budget.

The total amount of money that is subject to a request to carry it forward into 2020/21 is as follows:

Area of the Budget	Qualifying Items	All other Items	Total Carry Forwards Requested
General Fund Revenue – General	£9.518m	£0.658m	£10.176m
General Fund Capital Schemes	£8.396m	n/a	£8.396m
TOTAL	£17.914m	£0.658m	£18.572m

To ensure that schemes that are currently underway are not subject to delays or adverse financial / non-financial issues, the Finance and Corporate Resources Portfolio Holder is being asked to agree all qualifying carryforwards as part of this report which is reflected in the recommendations. A full list of these qualifying items which total **£17.914m** is set out in **Appendix K**.

As was the case last year, all other carry forwards totalling **£0.658m** remain subject to review with the associated amounts being transferred to the revenue commitments reserves pending further review and agreement by Cabinet on 24 July 2020. The amounts requested are included within the figures set out in the appendices. Any carry forwards not subsequently approved by Cabinet will be added to the general outturn variance for the year.

GENERAL FUND RESERVES OUTTURN POSITION FOR 2019/20

Earmarked reserves are shown in more detail in **Appendix E** and include the adjustments set out elsewhere in this report.

The change in the budgeted net use of earmarked reserves of **£14.781m** takes into account the proposed level of revenue and capital carry forward requests. The change in reserves also includes the overall outturn variance of **£0.862m** which has been transferred to the Revenue Commitments Reserve in the interim period before its allocation is considered by Cabinet at its July 2020 meeting.

The overall level of reserves at the end of 2019/20 is **£32.892m**, made up of **£15.216m** for commitment reserves, **£13.676m** for other earmarked reserves and **£4.000m** for uncommitted reserves.

It should be noted however, that transfers to earmarked reserves are not an increase in the Council's longer-term unallocated general resources as it relates to future years commitments.

The Financial Strategy has continued to aim to maintain the Uncommitted Reserve, including the minimum working balance of **£1.600m**, at **£4.000m**. At 31 March 2020 the uncommitted reserve stands at **£4.000m** so it remains in line with this requirement.

INCOME COLLECTION PERFORMANCE AND INCOME FROM S106 AGREEMENTS

The position against council tax, business rates, housing rents and general debt is set out in **Appendix F**. There are no significant issues to highlight with performance broadly remaining consistent with that reported at the end of the previous year.

In respect of business rates, the amounts collected during the year were in excess of the amounts budgeted for. In accordance with the associated regulations, this surplus of **£0.383m** will remain within the Business Rates Collection Fund which will be available to support the position in 2020/21.

In respect of Council Tax, there was a small deficit of **£0.004m** on the Collection Fund at the end of 2020/21.

Details around the use of income from S106 agreements is set out in **Appendix G**. There are no significant issues to highlight and no money was returned to developers during the year.

A REVIEW OF THE HRA OUTTURN POSITION FOR 2019/20

The Housing Revenue Account (HRA) reflects a statutory obligation to account separately for

the income and expenditure arising from the Council's landlord functions.

A summary of the Council's Housing Revenue Account for 2019/20 is set out in the table below with a more detailed analysis provided in **Appendix H** to this report.

	Budget 2019/20	Outturn 2019/20	Variance
	£m	£m	£m
Expenditure	6.601	7.172	0.571
Income	(13.437)	(13.659)	(0.222)
Indirect Income / Expenditure	9.726	8.306	(1.420)
Net Use of HRA Reserves	(2.890)	(1.819)	1.071
Total HRA General Balance as at 31 March 2020			5.270

*Net use of HRA Reserves includes a contribution of the overall surplus for the year of **£0.242m** to HRA General Balances*

Housing Revenue Account Overview

The outturn position shows that it was possible to make a contribution to general balances of **£0.242m**, being the overall surplus on the HRA at the end of 2019/20. Further details are set out in **Appendix H**.

Overall, income was higher than budgeted for the year. In terms of expenditure, the most significant variance for the year appears within the premises related expenditure line in **Appendix H**. This was primarily due to responding to the challenging situation, where at relatively short notice the Council had to utilise in-house resources following the demise of the external housing repairs contractor. Therefore costs incurred in 2019/20 would have included mobilisation costs as well as the costs of 'growing' capacity to provide the necessary continuity of the repairs service to Council tenants. It is also fair to say that the in-house team have faced a steep learning curve in terms of not only the significant mobilisation effort, but to also start to develop new ways of working at the scale now required. The in-house team will continue to operate within a mixed economy which will see their work supported / complimented by external contractors as they continue to develop the necessary skill sets and experience required to look after over 3,000 council houses. The position will be monitored over 2020/21 with updates provided to Members as part of the quarterly financial performance reports.

General Fund recharges to the HRA totalled **£2.808m**, an increase of **£0.431m** against the budget for the year, which partly reflects the change in the housing repairs work now being brought back in-house as discussed above. Agreement to this level of recharge forms part of the recommendations set out earlier on in this report.

HRA Capital Programme

A summary of the Council's HRA Capital Programme for 2019/20 is set out in the table below with a more detailed analysis provided in **Appendix I** to this report.

	Budget 2019/20	Outturn 2019/20	C/Fwd	Remaining Variance
	£m	£m	£m	£m
HRA Capital Expenditure	7.602	5.370	2.151	(0.081)

Financing the HRA Capital Programme

A summary of the proposed financing of the capital expenditure in 2019/20 is set out in the following table, with a more detailed analysis being provided in **Appendix I** to this report:

	Budget 2019/20 £m	Outturn 2019/20 £m	To Fund C/fwds £m	Variance £m
Major Repairs Reserve	3.754	3.652	0.020	(0.082)
Revenue funding from the HRA	2.890	1.197	1.694	0.001
Capital Receipts	0.461	0.368	0.093	0
S106	0.380	0.086	0.294	0
External Contributions	0.117	0.067	0.050	0
HRA Total	7.602	5.370	2.151	(0.081)

The overall variance of **£0.081m** is largely due to the timing and programme of works which will continue in 2020/21 and beyond supported by the Major Repairs Reserve within a wider stock condition / refurbishment programme.

The budget for the new build / starter homes in Jaywick Sands has been adjusted as part of the outturn process to reflect the on-going costs of this development. As discussed previously, this development is based on a proof of concept approach to support the longer term private sector confidence and associated future regeneration within Jaywick Sands. To date the estimated resale value remains in excess of the overall costs to ensure that the overall project remains financially positive.

HRA Balances and Reserves

The overall level of HRA General Balances has increased to **£5.270m**. Full details of HRA reserves are set out in **Appendix J**, which reflect the adjustments discussed above.

BACKGROUND PAPERS FOR THE DECISION

None

APPENDICES

Appendix A (1 - 4)	Key Outturn Variances by Department 2019/20
Appendix B	GF - Portfolio / Department Outturn Summary 2019/20
Appendix C	GF – Revenue Departmental / Directorate Outturn 2019/20
Appendix D	GF - Capital Outturn 2019/20
Appendix E	GF - Reserves
Appendix F	Collection Performance – Council Tax, Business Rates, Housing Rents and General Debts

Appendix G	Income from S106 Agreements
Appendix H	HRA – Revenue Outturn 2019/20
Appendix I	HRA – Capital Outturn 2019/20
Appendix J	HRA – Reserves
Appendix K	Qualifying General Fund Carry Forwards

(The variance figures set out in these appendices that are presented in brackets represent either a net underspend position or additional income received)