

Report to Council

**Agenda
Item:
17. (i)**

Meeting Date: 7 January 2020
Portfolio: Finance, Governance and Resources
Key Decision: No
Within Policy and Budget Framework YES
Public / Private Public

Title: REVENUE BUDGET OVERVIEW & MONITORING REPORT:
APRIL TO SEPTEMBER 2019 – VIREMENT APPROVAL
Report of: CORPORATE DIRECTOR OF FINANCE AND RESOURCES
Report Number: RD 45/19

Purpose / Summary: This report provides details of a request for approval of a non-recurring virement within the Council's overall revenue budget following consideration of the April to September 2019 Revenue Budget Overview and Monitoring Report (RD33/19) by Executive at its meeting on 18 November.

Recommendations:

Council is asked to:

- (i) Approve a non-recurring virement of £734,100 from Business Rates Retention as a contribution towards Transformation Savings for 2019/20.

Tracking

Executive:	18 November 2019 (RD33/19)
Scrutiny:	3 December 2019 (RD33/19)
Council:	7 January 2020

1. BACKGROUND INFORMATION AND OPTIONS

- 1.1 This report provides details of a request for approval of a non-recurring virement within the Council's overall revenue budget following consideration of the April to September 2019 Revenue Budget Overview and Monitoring Report (RD33/19) by Executive at its meeting on 18 November.

2. VIREMENT APPROVAL REQUEST

- 2.1 Based upon current projections, the Council is expecting to benefit from Business Rate growth from being part of the Cumbria Business Rates Pool. The position for quarter 2 2019/20 is estimated to be £1,032,452 greater than the budgeted figure; however, this is still subject to variability from pooling contributions and the performance of the other partners in the Cumbria Pool. There is also variability in the amount of reliefs that are granted during the year that are subject to Section 31 Grant reimbursement. A clearer picture of the projections for retained rating income will be known further into the year.
- 2.2 It is proposed that any over achievement of retained rating income should be vired on a non-recurring basis to offset the outstanding savings required for 2019/20 (£734,100).
- 2.3 The recurring savings target forms part of the 2020/21 budget process and a revised savings requirement has been calculated of a reduction to £0million in 2020/21; £1million in 2021/22 increasing to £1.850million in 2023/24. A savings strategy will be prepared to ensure that these savings can be achieved.

3. RISKS

- 3.1 The ongoing impact of issues identified will be monitored carefully in budget monitoring reports and appropriate action taken.

4. CONSULTATION

- 4.1 Consultation to date.
Portfolio Holders, SMT and Business and Transformation Scrutiny Panel have considered the issues raised in this report.

5. CONCLUSION AND REASONS FOR RECOMMENDATIONS

- 5.1 Council is asked to:
- (i) Approve a non-recurring virement of £734,100 from Business Rates Retention as a contribution towards Transformation Savings for 2019/20.

6. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

- 6.1 The Council's revenue budget is set in accordance with the priorities of the Carlisle Plan and the position for the second quarter of 2019/20 shows the delivery of these priorities within budget.

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**Appendices
attached to report:** None

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:

- None

CORPORATE IMPLICATIONS:

LEGAL – The Council has a fiduciary duty to manage its finances properly and the proper reporting of the budget monitoring is part of this process.

FINANCE – Financial implications are contained within the main body of the report.

EQUALITY – This report raises no explicit issues relating to the public sector Equality Duty.

INFORMATION GOVERNANCE – There are no information governance implications.

EXCERPT FROM THE MINUTES OF THE EXECUTIVE HELD ON 18 NOVEMBER 2019

**EX.111/19 REVENUE BUDGET OVERVIEW AND MONITORING REPORT: APRIL
TO SEPTEMBER 2019**
(Non Key Decision)

Portfolio Finance, Governance and Resources

Relevant Scrutiny Panel Business and Transformation

Subject Matter

The Deputy Leader submitted the Revenue Budget Overview and Monitoring Report (RD.33/19) for the period April to September 2019. Outlined within the report were the overall budget position, the monitoring and control of expenditure against budget allocations and the exercise of virement. Details of the balance sheet management issues and action taken by the Corporate Director of Finance and Resources to write-off bad debts were also provided.

Set out at paragraph 2.2 was the updated Budget figure for 2019/20 of £15,226,900 together with the summarised budgetary position as at September 2019; the main variances were as summarised at paragraph 2.4. The table at paragraph 2.7 showed the position as at September 2019 of savings achieved against the transformation savings targets to date.

Also identified at paragraph 2.8 were the anticipated benefits from Business Rate Growth from being part of the Cumbria Business Rates Pool, together with the proposal that any over achievement of retained rating income should be vired to offset the outstanding savings required for 2019/20 (£734,100).

The Council's financial position, which was affected by a number of external factors which had a financial impact during the course of the year and ultimately at the year end, would continue to be closely monitored and reported more fully in a future monitoring report. It would be important to maintain a prudent approach so as to ensure a sustainable budget position for future years to avoid any significant variance at the year end.

Information on the main variances in the Directorates' Budgets and the forecast outturn position for 2019/20 was provided.

On the issue of balance sheet management, there may be a significant impact on the cash flow of the Council if outstanding debts were not received. Any debts deemed to be irrecoverable were written off against a bad debt provision set up specifically for that

purpose. Other significant debts related to Council Tax, NNDR and Housing Benefit overpayments.

The Council's VAT partial exemption calculation for the period ending September 2018 had been calculated and, at 2.66%, was well below the 5% limit set by HMRC. However, that would increase as expenditure was incurred on the capital programme especially on VAT exempt activities i.e. Civic Centre reinstatement. The Deputy Leader concluded by moving the report, which was seconded by the Leader.

Summary of options rejected none

DECISION

That the Executive:

1. Noted the budgetary performance position of the Council to September 2019;
2. Noted the action by the Corporate Director of Finance and Resources to write off bad debts as detailed in paragraph 6 of Report RD.33/19;
3. Noted the release of reserves as set out in the table at paragraph 2.2, and noted the virements approved as detailed in Appendix A to the report.
4. Made recommendations to Council to approve a virement of £734,100 from Business Rates Retention as a contribution towards Transformation Savings.

Reasons for Decision

To show that the Executive had been informed of the Council's actual financial position compared with the budgeted position, and to bring to their attention any areas of concern

EXCERPT FROM THE MINUTES OF THE BUSINESS AND TRANSFORMATION SCRUTINY PANEL HELD ON 3 DECEMBER 2019

BTSP.87/19 REVENUE BUDGET OVERVIEW AND MONITORING REPORT – APRIL TO SEPTEMBER 2019

The Corporate Director of Finance and Resources presented the Revenue Budget Overview and Monitoring Report (RD.33/19) for the period April to September 2019.

Outlined within the report were the overall budget position, the monitoring and control of expenditure against budget allocations and the exercise of virement. Details of the balance sheet management issues and action taken by the Corporate Director of Finance and Resources to write-off bad debts were also provided.

The Corporate Director of Finance and Resources drew the panel's attention to section 2.8 of the report which detailed the expected benefit from Business Rate growth from being part of the Cumbria Business Rates Pool together with a proposal that any over achievement of retained rating income should be vired to offset the outstanding savings required for 2019/20 (£734,100)

The Executive had considered the matter on the 18 November 2019 (EX.111/19 refers) and resolved:

"That the Executive:

1. Noted the budgetary performance position of the Council to September 2019;
2. Noted the action by the Corporate Director of Finance and Resources to write off bad debts as detailed in paragraph 6 of Report RD.33/19;
3. Noted the release of reserves as set out in the table at paragraph 2.2, and noted the virements approved as detailed in Appendix A to the report.;
4. Made recommendations to Council to approve a virement of £734, 100 from Business Rates retention as a contribution towards Transformation Savings."

In considering the report Members raised the following comments and questions:

- A Member was concerned that Business Rates Retention income was being used to contribute to a shortfall in Transformation Savings and the money may not always be there to support shortfalls.

The Corporate Director of Finance and Resources reminded the Panel that Central Government was moving away from grants to support local government and towards Business Rate Retention to fund authorities.

- Were the bad debt write offs higher than usual?

The Corporate Director of Finance and Resources confirmed that the bad debt writes offs were higher than usual due to a large business going to CVA.

- There was concern regarding the outstanding savings targets and Members asked for further clarification of the figures.

The Corporate Director of Finance and Resources responded that the savings target which had been built into the MTFP had identified savings, some of which had not been achieved.. The underachievement of savings could be due to an over ambitious target or the target may not have been as robust as it could have been and work had now been undertaken to achieve the savings on a non recurring basis.

- A Member asked for further insight into the Chancerygate contract and the Corporate Director of Finance and Resources agreed to provide a written response.

RESOLVED – That the Panel received the overall budgetary position for the period April to September 2019 (RD.33/19).