

Report to Council

**Agenda
Item:

15(ii)**

Meeting Date: 14th July 2020
 Portfolio: Finance, Governance and Resources
 Key Decision: Yes: Recorded in the Notice Ref: KD.05/20
 Within Policy and Budget Framework YES
 Public / Private Public

Title: PROVISIONAL GENERAL FUND REVENUE OUTTURN 2019/20
 – CARRY FORWARDS
 Report of: CORPORATE DIRECTOR OF FINANCE AND RESOURCES
 Report Number: RD 13/20

Purpose / Summary: This report summarises the 2019/20 provisional outturn for the General Fund Revenue budgets and requests for the carry forward of budgets. The provisional outturn position was considered by the Executive on 22 June and will be available for the Business and Transformation Scrutiny Panel if required.

Recommendations:

Council is asked to:

- (i) Approve the carry forward requests totalling £811,000 to be incurred in 2020/21 and the release of £811,000 in 2020/21 from the General Fund Reserve as set out in the report and Appendix 1;
- (ii) Approve the creation of new reserves and transfers into and from the new and existing reserves of £1,425,837, in addition to the transfer to the building control reserve of £60,247, as detailed in paragraphs 3.2, 3.3 and 3.4 and Appendix 2 of the report; and
- (iii) Approve the creation of new provisions and transfers into the new provisions of £84,600 as detailed in paragraph 3.2 and Appendix 2 of the report.

Tracking

Executive:	22 June 2020 (RD01/20)
Scrutiny:	BTSP 23 July 2020 (RD01/20 – if required)
Audit Committee:	30 July 2020 (RD01/20 - for information only)
Council:	14 July 2020

1. BACKGROUND

1.1 This report provides details of the 2019/20 provisional outturn for the General Fund Revenue budgets and the proposed carry forward requests into 2020/21 as set out in the Council's Provisional General Fund Outturn considered by the Executive (22 June 2020).

1.2 The provisional outturn position is summarised below:

Directorate / Appendix	Original Budget £	Net Updated Budget £	Net Spend to Date £	Variance £	Carry Forwards £	Reserves/ Provisions £	Adjusted Variance £
Community Services	8,523,900	9,742,800	9,817,903	75,103	55,300	126,474	256,877
Corporate Support	3,081,500	1,502,500	1,331,312	(171,188)	0	0	(171,188)
Economic Development	977,600	1,649,900	1,256,185	(393,715)	65,000	631,505	302,790
Finance & Resources	3,331,200	1,618,000	956,938	(661,062)	12,700	24,100	(624,262)
Governance & Regulatory Services	536,600	1,126,700	821,514	(305,186)	110,300	532,358	337,472
Corporate Management	(2,095,700)	(156,600)	(586,882)	(430,282)	23,700	196,000	(210,582)
Exceptional Items	0	500,000	(4,202)	(504,202)	544,000	0	39,798
Service Expenditure	14,355,100	15,983,300	13,592,768	(2,390,532)	811,000	1,510,437	(69,095)
Transformation & Base Budget Savings	(734,100)	0	0	0	0	0	0
Service Expenditure	13,621,000	15,983,300	13,592,768	(2,390,532)	811,000	1,510,437	(69,095)
Parish Precepts	637,600	637,600	637,627	27	0	0	27
Total	14,258,600	16,620,900	14,230,395	(2,390,505)	811,000	1,510,437	(69,068)
<u>Transfers to/(from) Reserves</u>							
Transformation Reserve	(152,100)	(152,100)	(152,100)	0	0	0	0
Welfare Reform Reserve	(200,000)	(200,000)	(200,000)	0	0	0	0
Asset Investment Reserve	(47,600)	(47,600)	(47,643)	(43)	0	0	(43)
Revenues and Benefits Reserve	(338,400)	(338,400)	(338,385)	15	0	0	15
Building Control Reserve	0	(44,600)	(44,600)	0	0	0	0
Cremator Replacement Reserve	0	117,400	117,441	41	0	0	41
Carry Forward Reserve	47,600	14,900	14,943	43	0	0	43
Revenue Grants Reserve	0	(354,600)	(354,665)	(65)	0	0	(65)
General Fund Reserve	(558,600)	(1,465,300)	1,400,619	2,865,919	(811,000)	(1,510,437)	544,482
Planning Services Reserve	0	46,300	46,300	0	0	0	0
GLL Reserve	0	(273,000)	(272,820)	180	0	0	180
Flood Reserve	0	(159,600)	(159,600)	0	0	0	0
City Centre Reserve	0	(4,600)	(4,600)	0	0	0	0
Economic Investment Reserve	0	(6,100)	(6,100)	0	0	0	0
Promoting Carlisle Reserve	0	(10,000)	(10,000)	0	0	0	0
Total Transfer to/(from) Reserves	(1,249,100)	(2,877,300)	(11,210)	2,866,090	(811,000)	(1,510,437)	544,653
Financed by:							
Precept from Collection Fund	(7,870,700)	(7,870,700)	(7,870,724)	(24)	0	0	(24)
Business Rate Retention	(5,138,800)	(5,872,900)	(6,348,461)	(475,561)	0	0	(475,561)
Total Grants	(13,009,500)	(13,743,600)	(14,219,185)	(475,585)	0	0	(475,585)
Total	(14,258,600)	(16,620,900)	(14,230,395)	2,390,505	(811,000)	(1,510,437)	69,068

2. CARRY FORWARD REQUESTS

2.1 In accordance with the Council's Constitution, any net underspending/savings on service estimates under the control of the Director may be carried forward. This is to facilitate the achievement of more strategic five-year budgeting which requires greater flexibility of budgets between years as set out in the Medium-Term Financial Plan. Approval of carry forwards is subject to the following as contained in the Council's Constitution:

- *the authorisation of the Corporate Director of Finance and Resources where the request relates to a specific committed item of expenditure where, due to external or other factors, the Director has been unable to spend the approved budget by 31 March. The use of the resource will be restricted to the purpose for which the estimate was originally intended. The carry forward will only be approved by the Corporate Director of Finance and Resources if the expenditure is within both the Directorate's and the Authority's budget as approved for that year. Any carry forward which would result in an over-spend for the Authority will require authorisation by the Council.*
- *any overspending on service estimates in total on budgets under the control of the Director must be carried forward to the following year and will constitute the first call on service budgets in the following year, unless the Council determines otherwise by way of a supplementary estimate. The Corporate Director of Finance and Resources will report the extent of overspending carried forward to the Executive, Business and Transformation Scrutiny Panel and to the Council.*

This delegated power applies only in so far as the carry forwards do not take the Council into an overspend position.

2.2 Details of the carry forward requests, which itemise committed expenditure, are contained within **Appendix 1**.

2.3 The Executive at its meeting on 22 June, approved the carry forward requests totalling £811,000, for recommendation to Council, funded from the General Fund Reserve.

3. IMPACT ON RESERVES

3.1 The level of Council reserves was approved by Council in February. As a result of the outturn position, and if all of the carry forward requests and transfers to/from earmarked reserves are approved, the revised reserves position would be as follows:

	31/03/2020	31/03/2021	31/03/2022	31/03/2023	31/03/2024	31/03/2025
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Prudent Level of Reserves	(3,100)	(3,100)	(3,100)	(3,100)	(3,100)	(3,100)
Council Resolution General Fund Reserve	(3,681)	(3,225)	(2,974)	(3,035)	(3,156)	(3,336)
Funding released for Covid-19	500	500	500	500	500	500
Revised Level of Reserves	(3,181)	(2,725)	(2,474)	(2,535)	(2,656)	(2,836)
Underspend position to be added to Reserves	(2,391)					
Additional Funding from Business Rates	(475)					
Allocated to support the Capital Programme		238				
Transfer (from)/to earmarked reserves & provisions: ⁽¹⁾						
- see paragraph 3.3	1,510					
- see paragraph 3.5	60					
Committed Carry Forwards	0	811	0	0	0	0
Revised Reserves Balance	(4,477)	(2,972)	(2,721)	(2,782)	(2,903)	(3,083)

Note 1: Transfers to/(from) earmarked reserves subject to approval

The Council's policy on reserves is that wherever possible reserves should not be used to fund recurring expenditure, nor dip below minimum recommended levels; however, in situations where this does occur, this should be made explicit and steps take to replenish reserves and to address the situation in future years.

- 3.2 The Council budgeted for additional income of £2,484,000 from business rates growth and pooling over and above the baseline figure set by the Government, and the provisional outturn shows that an additional £475,000 in excess of this has been achieved in 2019/20 (subject to the completion of the NNDR3 return and final confirmation of any pooling gains). This surplus would normally be an additional contribution to General Fund Reserves; however, £237,600 of this additional funding from business rates will be reallocated and used as a contribution to support the capital programme in 2020/21.

Members should note that the information contained in this report is provisional and subject to the formal audit process; therefore, any significant changes required following the approval of the 2019/20 accounts will, if necessary, be reported to a future Executive meeting.

- 3.3 Details of transfers into and from new/existing reserves and provisions requested as part of the outturn process are contained within **Appendix 2** and are summarised below.

	Net Approval Requested £
Waverley Viaduct Reserve (new)	30,000
Apprentice Infrastructure	24,100
Flood Reserve	94,000
Carry Forward Reserve	126,900
Revenue Grants Reserve	1,150,837
Total Additional Transfers to Reserves	1,425,837
Working Directive Provision (new)	62,000
Civil Penalties Provision (new)	22,600
Total Additional Transfers to Provisions	84,600
Total Additional Transfers	1,510,437

3.4 The creation of the Waverley Viaduct Reserve is to hold allocated budgets for the development of the Waverley Viaduct.

3.5 In accordance with statutory requirements any surplus generated by the Building Control function is required to be held as an identified earmarked reserve and can only be utilised for Building Control. In 2019/20 the required amount to be transferred to the Building Control Reserve is £60,247. This is in addition to £44,600 released during 2019/20 to fund eligible costs.

4. RISKS

4.1 Risks to future years' budget and development of ongoing impact of issues identified will be monitored carefully in budget monitoring reports and appropriate action taken.

5. CONSULTATION

5.1 Consultation to date.
Portfolio Holders and SMT have considered the issues raised in this report.

6. CONCLUSION AND REASONS FOR RECOMMENDATIONS

6.1 Council is asked to:

- (i) Approve the carry forward requests totalling £811,000 to be incurred in 2020/21 and the release of £811,000 in 2020/21 from the General Fund Reserve as set out in the report and Appendix 1;
- (ii) Approve the creation of new reserves and transfers into and from the new and existing reserves of £1,425,837, in addition to the transfer to the building

- control reserve of £60,247, as detailed in paragraphs 3.2, 3.3 and 3.4 and Appendix 2 of the report; and
- (iii) Approve the creation of new provisions and transfers into the new provisions of £84,600 as detailed in paragraph 3.2 and Appendix 2 of the report.

7. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

- 7.1 The Council's budget is set in accordance with the priorities of the Carlisle Plan and the 2019/20 outturn shows the delivery of these priorities within budget.

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Appendices attached to report:

- 1. Carry Forward Requests**
- 2. Reserve/Provision Requests**

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 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 outturn figures is part of this process. Approval of full Council is required for the use of revenue reserves to fund expenditure commitments as set out in the report.

PROPERTY SERVICES – Property asset implications are contained within the main body of the report.

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.

Appendix 1 – Carry Forward Requests

Directorate/Section	Description	Requests into 2020/21 £
<u>Corporate Support</u>		0
<u>Finance and Resources</u>		
Human Resources	Funding for the remaining period of a fixed term post.	12,700
		12,700
<u>Corporate Management</u>		
Direct Revenue Financing	<p>Budgets allocated to fund capital programme where expenditure has slipped into 2020/21 and resources are required to be carried forward.</p> <ul style="list-style-type: none"> • £7,200 relates to Bitts Park pre demolition work; • £14,700 relates to Bitts Park demolition; and • £1,800 relates to the provision of play area equipment. 	23,700
		23,700
<u>Community Services</u>		
Policy & Communications	Funding for the remaining period of a fixed term Apprentice post.	3,800
Healthy Cities	To fund committed works to remove former 'Urban Adventure' High Ropes Course at Bitts Park which have been delayed due to the flooding which took place in February 2020.	10,600
Neighbourhood Services	Funding for the remaining period of 3 fixed term Apprentice posts (1 within the Technical Team and 2 within Garage Services).	36,400
Small Scale Community Projects	Due to unforeseen events in 2019/20 some projects have slipped into 2020/21	4,500
		55,300
<u>Economic Development</u>		
Community Infrastructure Levy (CIL)	Required to honour existing commitments to undertake district wide CIL viability assessments as well as the viability assessments of the Stage 2 Masterplan options and preferred option.	12,400
Hadrian's Wall Heritage Site	This budget has been identified as the City Council's contribution to the preparation of the Outline Business Case (OBC) for the Hadrian's Wall Project that forms part of the wider Destination Programme that is being progressed and funded through the Borderlands Inclusive Growth Deal.	15,000
Borderlands	To undertake a masterplanning and capacity study for the Caldew Riverside site in relation to the Borderlands Citadels and Station Gateway Project.	9,700
St Cuthberts Garden Village	Required to honour existing commitments related to the St Cuthbert's Garden Village Project.	27,900
		65,000

Directorate/Section	Description	Requests into 2020/21 £
<u>Governance and Regulatory Services</u>		
Homelessness Prevention Funding	To support prevention duties and activities; carry out homelessness activities in line with the principles of the Homeless Reduction Act.	64,900
Asset Disposal	Funding for the continuation of fixed term posts to enable the Asset Disposal programme to proceed as planned.	45,400
		110,300
<u>Exceptional Items</u>		
CoronaVirus Actions	The Corporate Director of Finance and Resources approved the release of an initial £500,000 from General Fund Reserves to fund any expenditure in relation to the Coronavirus pandemic which is outwith the current budgetary provisions. This is combined with government funding received in 2019/20.	544,000
		544,000
Total General Fund Carry Forward Requests		811,000

Appendix 2 – Reserve requests

Reserve/Provision	Purpose	Management of the Reserve	Approval to Release Funds	2020/21 In to Reserve/ Provision £	Total £
NEW Waverley Viaduct	A reserve to earmark funds towards the development of the Waverley Viaduct.	Management of the Reserve rests with the Corporate Director of Governance and Regulatory Services	Approval to release funds from the reserve only be given by the Corporate Director of Governance and Regulatory Services.	30,000	30,000
EXISTING Apprentice Infrastructure	A reserve for the committed balances from the annual Apprentice Infrastructure budget that will be required in future years of the employment contracts.	Management of the Reserve rests with the Corporate Director of Finance and Resources	Approval to release funds from the reserve only be given by the Chief Finance Officer in consultation with the relevant Chief Officer.	24,100	24,100
Flood Reserve	A reserve to contribute towards flood recovery costs that are not recoverable from insurers	Management of the Reserve rests with the Corporate Director of Finance and Resources	Approval to release funds from the reserve only be given by an Officer Decision Notice by the Corporate Director of Finance and Resources.	94,000	94,000
Carry Forward Reserve	<p>A reserve to hold carry forward budgets. Any expenditure in relation to a carry forward listed will if possible be funded from base budgets but can be called from this reserve if the section is likely to be in an overspend position at year end.</p> <p>Emergency Planning: Multi Agency Food Plan Environmental Support: Environmental clean up and enforcement England Originals: proposed match funding to grant application submitted to Discover England Fund Town Twinning: events take place every 2 years</p>	Management of the Reserve rests with the Corporate Director of Finance and Resources	Approval to release funds from the reserve only be given by the Corporate Director of Finance and Resources and/or The Chief Executive.	<p>5,400</p> <p>24,100</p> <p>7,900</p> <p>6,000</p>	126,900

Reserve/Provision	Purpose	Management of the Reserve	Approval to Release Funds	2020/21 In to Reserve/ Provision £	Total £
Revenue Grants Reserve	Building & Facilities: Planned and Reactive Maintenance A reserve to hold revenue grant funds received by the Council which have not yet been utilised.	Management of the Reserve rests with the Corporate Director of Finance and Resources	Approval to release funds from the reserve only be given by the Corporate Director of Finance and Resources in consultation with the relevant Chief Officer.	83,500	1,150,837
Community Services	Health and Wellbeing: Grazing Land Management			44,700	
Community Services	Partnerships: Your Place funding for Place Co-ordinator			52,274	
Governance & Regulatory Services	Regulatory Services: Warm Homes Fund			3,698	
Governance & Regulatory Services	Regulatory Services: Community Neighbours			24,258	
Governance & Regulatory Services	Regulatory Services: Gas Safe 2019/20			1,969	
Governance & Regulatory Services	Homeless Prevention and Accomodation: Rough Sleeping Initiative			68,314	
Governance & Regulatory Services	Homeless Prevention and Accomodation: Rapid Rehousing Pathway			108,382	
Governance & Regulatory Services	Homeless Prevention and Accomodation: Flexible Homelessness Support Grant			87,225	
Governance & Regulatory Services	Homeless Prevention and Accomodation: Homeless Reduction Act New Burdens Grant			21,580	
Governance & Regulatory Services	Homeless Prevention and Accomodation: Housing Related Support			104,832	
Economic Development	Investment & Policy: St Cuthberts Garden Village			340,650	
Economic Development	Investment & Policy: Self/Custom Build 2019/20 Burden Funding			15,000	
Economic Development	Investment & Policy: Brownfield Register and PIP Burden Funding			2,446	

Reserve/Provision	Purpose	Management of the Reserve	Approval to Release Funds	2020/21 In to Reserve/ Provision £	Total £
Economic Development	Regeneration: Future High Street Fund			67,313	
Economic Development	Regeneration: Town Deals grant			172,848	
Economic Development	Regeneration: Hadrian's Wall Partnership Grant Year 1			25,348	
Corporate Management	Corporate Management: EU Exit preparations			10,000	
	TOTAL RESERVE REQUESTS			1,425,837	1,425,837
<u>NEW PROVISIONS</u>					
Working Directive Provision	To establish a provision in relation to costs associated with approved Working Directives			62,000	62,000
Civil Penalties Provision	To establish a provision in relation to costs to be funded from Civil Penalties income as per the Housing and Planning Act 2016			22,600	22,600
	TOTAL PROVISION REQUESTS			84,600	84,600
	TOTAL REQUESTS FOR RESERVES & PROVISIONS			1,510,437	1,510,437

EXCERPT FROM THE MINUTES OF THE EXECUTIVE HELD ON 22 JUNE 2020

EX.54/20 **PROVISIONAL GENERAL FUND REVENUE OUTTURN 2019/20
(Key Decision – KD.05/20)

(In accordance with Paragraph 15(i) of the Overview and Scrutiny Procedure Rules, The Mayor had agreed that call-in procedures should not be applied to this item)

Portfolio Finance, Governance and Resources

Relevant Scrutiny Panel Business and Transformation

Subject Matter

The Deputy Leader submitted report RD.01/20 summarising the 2019/20 provisional outturn for the General Fund revenue budget and giving reasons for variances. The outturn position would result in returning £485,000 to General Fund reserves (as set out in paragraph 5.3).

Requests had been made to carry forward committed expenditure of £811,000, net transfers to/from reserves and provisions of £1,510,437 and transfer to the building control reserve of £60,247 which, if approved, would result in an overall net underspend position of £69,095 on Council Services; however it was estimated that additional funding from Business Rates income of £475,000 would be realised subject to the completion of the NNDR3 return and confirmation of any pooling gains.

The Deputy Leader considered that the above demonstrated the good work undertaken by the Finance Team and Officers within the Council.

Following completion of the NNDR3 return and final confirmation of the Business Rates Pooling, £237,600 of the additional funding from business rates would be used to support the capital programme and would not be returned to general fund reserves. That would be confirmed as part of the report to Council in July 2020.

Information on the Council's bad debt provision and balance sheet; and the impact of COVID-19 was also provided at Sections 6, 7 and 8 of the report.

The information contained within the report was provisional, subject to the formal audit process. The Draft Statement of Accounts for 2019/20 would be presented to the Audit Committee on 30 July 2020, with final approval of the audited accounts on 27 October 2020.

In conclusion, the Deputy Leader moved the recommendations, which were duly seconded by the Leader.

Summary of options rejected that the creation of new reserves and transfers, and new provisions and transfers should not be approved for recommendation to Council

DECISION

That the Executive:

- (i) Note the net underspend of £2,390,532 for Council Services as at 31 March 2020;
- (ii) Note the committed expenditure totalling £811,000, to be incurred in 2020/21 which had been approved by the Corporate Director of Finance and Resources under delegated powers, and the release of £811,000 from the General Fund Reserve in 2020/21 as detailed in Appendix D1 of the report for recommendation to Council;
- (iii) Approve the creation of new reserves and transfers into and from the new and existing reserves of £1,425,837, in addition to the transfer to the building control reserve of £60,247 as detailed in paragraphs 5.1 and 5.2 and Appendix D2 of the report for recommendation to Council;
- (iv) Approve the creation of new provisions and transfers into the new provisions of £84,600 as detailed in paragraph 5.1 and Appendix D2 of the report for recommendation to Council.

Reasons for Decision

To receive the Report on the Provisional General Fund Revenue Outturn and make recommendations to the City Council