

# Report to Council

Agenda  
Item:

**14(i)**

Meeting Date: 3 November 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 JUNE 2020 – VIREMENT APPROVAL  
Report of: CORPORATE DIRECTOR OF FINANCE AND RESOURCES  
Report Number: RD 38/20

**Purpose / Summary:** This report provides details of a request for approval of non-recurring virements within the Council's overall revenue budget following consideration of the April to June 2020 Revenue Budget Overview and Monitoring Report (RD20/20) by Executive at its meeting on 17 August.

## Recommendations:

Council is asked to:

- (i) Approve non-recurring virements totalling £640,000 to fund the Leisure Contract variation in 2020/21.

## Tracking

Executive:	<b>17 August 2020 (RD20/20)</b>
Scrutiny:	<b>3 September 2020 (RD20/20)</b>
Council:	<b>3 November 2020</b>

## **1. BACKGROUND INFORMATION AND OPTIONS**

- 1.1 This report provides details of a request for approval of non-recurring virements within the Council's overall revenue budget following consideration of the April to June 2020 Revenue Budget Overview and Monitoring Report (RD20/20) by Executive at its meeting on 17 August.

## **2. VIREMENT APPROVAL REQUEST**

- 2.1 GLL have revised their trading position and updated the amount of subsidy payable by the Council under agreed contract variation terms considered as part of the approval to proceed with the Sands Centre Development project in June 2019; and as a result the Council is required to pay an additional sum to GLL in 2020/21.

- 2.2 The budget required for the variation in 2020/21 is £640,000 and it is proposed that the funding should be vired from the following savings achieved against base budgets.

- |                                     |          |
|-------------------------------------|----------|
| • Savings on borrowing interest     | £469,300 |
| • Increased salary turnover savings | £170,700 |

## **3. RISKS**

- 3.1 Contract monitoring is undertaken and any issues identified will be reported in future 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 non-recurring virements totalling £640,000 to fund the Leisure Contract variation in 2020/21.

## **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 first quarter of 2020/21 shows the delivery of these priorities within budget.

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**Appendices**                      **None**  
**attached to report:**

**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, including the application of the virement procedure, is part of this process.

**PROPERTY SERVICES** – There are no Property asset implications.

**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.

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## **EXCERPT FROM THE MINUTES OF THE EXECUTIVE HELD ON 17 AUGUST 2020**

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**EX.96/20**      **REVENUE BUDGET OVERVIEW AND MONITORING REPORT – APRIL TO JUNE 2020**  
(Non Key Decision)

**Portfolio**      Finance, Governance and Resources

**Relevant Scrutiny Panel**      Business and Transformation

### **Subject Matter**

The Deputy Leader submitted report RD.20/20, the purpose of which was to provide an overview of the Council's overall budgetary position for the period April to June 2020 for revenue schemes only, together with details of the impact of COVID-19 on the revenue budget. The budgetary position as at June 2020 showed an updated Budget totalling £17,427,800.

The Deputy Leader highlighted, in particular, some of the significant service expenditure and income variances identified at paragraph 2.4.

Section 3 recorded that the Council's financial position was affected by a number of external factors which would have a financial impact during the course of the year and ultimately at the year-end. The Council's financial position would continue to be closely monitored and the likely year end position would be reported more fully in a future monitoring report. It would be important to maintain a prudent approach so as to ensure a sustainable position for future years and to avoid any significant variance at the year end.

In conclusion, the Deputy Leader moved the recommendations set out in the report, which were seconded by the Leader.

**Summary of options rejected**      None

### **DECISION**

That the Executive:

1.      Noted the budgetary performance position of the Council to June 2020;
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.20/20;
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.

4. Make recommendations to Council to approve virements of £640,000 as detailed in paragraph 2.4 to fund the Leisure Contract variation

### **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

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## **EXCERPT FROM THE MINUTES OF THE BUSINESS AND TRANSFORMATION SCRUTINY PANEL HELD ON 3 SEPTEMBER 2020**

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### **BTSP.47/20      REVENUE BUDGET OVERVIEW AND MONITORING REPORT APRIL TO JUNE 2020**

The Corporate Director of Finance and Resources submitted report RD.20/20 (amended) which provided an overview of the Council's overall budgetary position for the period April to June 2020 for revenue schemes only, together with details of the impact of COVID-19 on the revenue budget. The budgetary position as at June 2020 showed an updated annual Budget totalling £17,427,800 with an underspend of £535,478 at the end of June. The report also included details of balance sheet management issues, bad debts written off in the period and progress against budget savings.

The Executive had considered the report at their meeting on 17 August 2020 (EX.96/20 refers) and decided:

“That the Executive:

1. Noted the budgetary performance position of the Council to June 2020;
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.20/20;
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.
4. Make recommendations to Council to approve virements of £640,000 as detailed in paragraph 2.4 to fund the Leisure Contract variation.”

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

- The Panel expressed their gratitude towards the Corporate Director of Finance and Resources and the finance team for their continued work on the Council budget during a particularly difficult and busy time.
- A Member asked for clarity regarding the co-payment mechanism for irrecoverable Sales, Fees and Charges income.

The Corporate Director of Finance and Resources explained that the City Council had submitted a monthly return to MHCLG which showed the Council's additional expense incurred and shortfalls in income. The Government would cover 75% of losses over 5% with the Council covering the remaining 25%. Work had started to consider the variance to the set budget and budget managers had been asked to confirm the shortfall to income and the reasons for any shortfalls.

- There was concern that the impact on business rate collection would not be fully known until the furlough scheme ended and therefore the impact on the budget would not be known until 2021/22. Had there been any indication that the Government would continue to recompense the Council into the next financial year?

The Corporate Director of Finance and Resources reminded the Panel that government had announced that any deficit on the Collection Fund (i.e Council tax and Business Rates) could be recovered over a three year period and would be considered as part of the 2021/22 budget process. As previously reported the Council had undertaken a 'soft reminder' process, the impact of that on collection rates was not yet known and detailed guidance had not yet been received from government. She added that it was key that the situation was closely monitored and reported to MHCLG each month.

- Did the Sales, Fees and Charges Government scheme support a deficit in Council Tax and Business Rate income?

The Corporate Director of Finance and Resources clarified that the scheme did not cover Council Tax, Business Rates or commercial rent shortfall. The main risk of the shortfall was the impact on the Council's cash flow, she reminded the Panel that part of the Council Tax and Business Rate income went to Cumbria County Council and the Police and Crime Commissioner. Usual practice saw year end deficit recovered from the main preceptors in the following year, however, government had given the Council three years to recover the debt. She added that a separate exercise to look at commercial income would be undertaken but it was hoped any shortfall could be met from the £1.3m received from government.

- A Member asked for an update on the impact of Covid 19 to GLLs finances and the support the Council could provide.

The Corporate Director of Finance and Resources assured the Panel that the Council had ongoing discussions with GLL regarding their financial position. The Council could not receive any direct emergency funding to support GLL because it was an outsourced service, however, the Council had followed government guidance and adopted an 'open book' approach to support GLL financially due to the impact of Covid-19.

- A Member asked for clarity with regard to the uninsured and reinstatement costs overspend.

The Corporate Director of Finance and Resources responded that the Council had a full and comprehensive insurance policy, however, some areas such as bare land was deemed uninsurable.

- How was the Council preparing to meet the £1m savings target and had work on the commercialisation strategy moved forward?

The Corporate Director of Finance and Resources explained that work on the savings strategy had begun and the commercialisation strategy would feed into it. Work would be carried out with the LGA to investigate the options open to the Council to become more commercial and to define the meaning of becoming more commercial.

- It was suggested that the Panel establish a Task and Finish Group to support the production of a commercialisation strategy.
- The report showed a shortfall in income for homeless accommodation as a direct result of Covid-19, why was there a shortfall when government funds had been released to support homelessness and rough sleepers?

The Corporate Director of Finance and Resources clarified that the income shortfall was the impact on the Council's revenue budget, the funding from the Government had not yet been amalgamated in the budget. She agreed to ask the Homeless Prevention and Accommodation Manager for more information for the Panel.

- How would the inflation savings be met?

The Corporate Director of Finance and Resources reported that, in the long term, the inflation savings would be considered as part of the £1m savings, however, there was scope in the revenue budget for a virement to bridge the shortfall in 2020/21.

- How did the Government's Hardship Scheme fit into the Council's budget?

The Corporate Director of Finance and Resources reported that the Council had received £989,736 from the £500m Hardship Fund. The Government had asked Councils to provide £150 to working age recipients of the Council Tax Reduction Scheme (CTRS), however, the City Council's scheme provided £300 to reduce council tax liability as close to 0 as possible. The remainder of the Fund would be used for the Council's own Local Hardship Scheme which would provide support to households which were not eligible for CTRS but were experiencing hardship, and this support would be provided on a case by case basis.

- Were there any areas of income shortfall that the Government would not support or provide funding for?

The Corporate Director of Finance and Resources reiterated that the main risk to the budget was Council Tax and NNDR receipts, the only support given for those areas had been the extension to the debt recovery period. One area that the Council really needed to be mindful of was the impact on commercial income and shortfalls on the budget.

RESOLVED – 1) That the Panel had scrutinised the overall budgetary position for the period April to June 2020 as set out in the Revenue Budget Overview and Monitoring report (RD.20/20 (amended)).

2) That the Homeless Prevention and Accommodation Manager provide the Panel with a written response giving further details on the income shortfall for homeless accommodation due to Covid-19.

3) That a Task and Finish Group be established to support the development of the Commercialisation Strategy and the invitation to join the Task Group be circulated to all Members.