

HARBOROUGH DISTRICT COUNCIL

REPORT TO THE CABINET MEETING OF 17<sup>th</sup> AUGUST 2020

PUBLIC REPORT: Yes

EXEMPT REPORT: No

<b>Report Title</b>	Provisional Financial Outturn 2019/20					
<b>KEY DECISION</b>	Yes					
<b>Report Author</b>	Carolyn Bland					
<b>Purpose of Report</b>	<ul style="list-style-type: none"> <li>To review the Revenue and Capital Provisional Outturn for 2019/20 and associated explanations for variances.</li> <li>To consider and approve carry-forwards of revenue and capital budget provision into 2020/21.</li> </ul>					
<b>Reason for Decision</b>	<ul style="list-style-type: none"> <li>The Council was originally required to produce its draft statement of accounts by the end of May 2020. Due to COVID-19 an extension until 31<sup>st</sup> August 2020 was granted to all local authorities. The outturn report details the Council's financial performance for the 2019/20 financial year. The request to transfer resources between financial years requires Cabinet Approval.</li> </ul>					
<b>Portfolio (holder)</b>	Councillor James Hallam; Finance					
<b>Corporate Priorities</b>	<table border="1"> <tr> <td colspan="2">YOUR COUNCIL: innovative, proactive and efficient</td> </tr> <tr> <td>CO 10</td> <td>Deliver Financial Sustainability for the future</td> </tr> </table>		YOUR COUNCIL: innovative, proactive and efficient		CO 10	Deliver Financial Sustainability for the future
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<b>Financial Implications</b>	<ul style="list-style-type: none"> <li>The Outturn report summarises all the financial resources of the Council. These are also detailed in the draft statement of accounts. The report and recommendations formalise transfer of resources between financial years and approval of earmarked reserves</li> </ul>					
<b>Risk Management Implications</b>	<ul style="list-style-type: none"> <li>If the requested revenue and capital carry forwards (<b>Appendix B</b> and <b>F</b> respectively) are not approved there are contractual commitments that would have to be funded from within the approved 2020/21 budget; this would then reduce available resources to meet 2020/21 corporate priorities.</li> </ul>					
<b>Environmental Implications</b>	<ul style="list-style-type: none"> <li>None</li> </ul>					
<b>Legal Implications</b>	<ul style="list-style-type: none"> <li>The financial accounts for 2019/20 were signed off "as authorised for issue", by the Council's S151 Officer on the 17th July 2020. The Council's External Auditor, Mazars is required to now audit the accounts and to report back to the Council by the end of November</li> </ul>					

## REPORT 2

	(previously July but extension granted due to COVID-19). There will be an Audit & Standards committee on 15 <sup>th</sup> October 2020 in which Mazars will report on progress so far, but due to a delay with Mazars Pension actuary the Statement of Accounts won't be approved until November at, a date yet to be arranged, further Audit & Standards committee.
<b>Equality Implications</b>	None
<b>Data Protection Implications</b>	None
<b>Consultation</b>	Consultation has been undertaken with Portfolio Holder..
<b>Options</b>	<ul style="list-style-type: none"> <li>The Statement of Accounts and Outturn report are a formal record of the financial transactions of the Council in 2019/20. The approval of carry-forward requests is subject to approval by the Cabinet.</li> </ul>
<b>Background Papers</b>	None
<b>Recommendation</b>	<p><b>2.1 To note the provisional revenue outturn for 2019/20 as shown on Appendix A.</b></p> <p><b>2.2 To approve Revenue carry forwards in Appendix B totalling £398k into 2020/21.</b></p> <p><b>2.3 To note the key variances detailed in Appendix C and explanation of variances (over £25K) in Appendix D.1. Also variances are shown by subjective level on Appendix D.2</b></p> <p><b>2.4 To note the revenue reserves detailed in Appendix E</b></p> <p><b>2.5 To note the provisional capital outturn as shown on Appendix F.</b></p> <p><b>2.6 To approve the carry-forward of capital approvals and funding in the Capital programme totalling £2.393m listed in Appendix F to 2020/21.</b></p> <p><b>2.7 To note the significant acquisitions and disposals during 2019/20.</b></p>

### 1. Introduction

- 1.1 The Council annually sets its budget in the February proceeding the financial year. Financial Performance is then reported on a quarterly basis to the Cabinet.

This report details the provisional outturn for 2019/20 and should be read alongside the draft Statement of Accounts-

- 1.2 As part of the year end accounts process there is an option for Cabinet to approve carry-forwards of Revenue and Capital funds to 2020/21 to support delivery of Council priorities. If not approved, there will be a required call on the General Fund or Capital Financing Sources in 2020/21 over and above the budget for 2020/21 approved in February 2020.
- 1.3 The figures detailed within this report are subject to audit and approval of the Statement of Accounts by the Audit & Standards Committee in November 2020, date yet to be agreed-

## 2. Key Facts

- 2.1 The Council approved the Revenue and Capital Budget for 2019/20 in February 2019. Updates are reported to Cabinet in the quarterly monitoring reports. The updated budget is described as the Revised Budget and is used to monitor in-year variances and the final outturn position.
- 2.2 Revenue and Capital monitoring has been reported to Cabinet and scrutinised by the Performance Scrutiny Panel during 2019/20. A number of transfers to Reserves for the Revenue Budget and slippage of Capital expenditure and funding were agreed in the quarterly monitoring report.
- 2.3 The Council continues to deliver it's priorities detailed within the Capital Plan and Corporate Delivery Plan within the available resources, delivering an in-year surplus and further improving the financial health of the Council to respond to future funding challenges and investment in priorities within the District.
- 2.4 The financial outturn for the Revenue Budget is detailed at **Appendix A** with further details of spend and variances at cost centre level detailed in **Appendix C** and **D**. During the year a number of budgets were identified where the spend will now take place in 2020/21 rather than 2019/20 as originally intended. These are detailed in **Appendix B** and are subject to Cabinet approval. Within the Statement of Accounts issued for Audit on the 17<sup>th</sup> July 2020 these are shown in the 31 March 2020 General Fund Balance. Approval of the carry-forward requests totalling £398k would therefore be a commitment against this fund and reduce the unallocated General Fund Balance to support the Medium Term Financial Strategy.
- 2.5 The provisional financial outturn for the Capital Budget is detailed at **Appendix F**. This also details capital slippage of £2.393m through profiling of spend and financing into future years, which is subject to Cabinet approval.

2.6 *Portfolio Budgets*

2.7 The majority of spend is managed through allocation of budgets to Portfolio Holders. These budgets are monitored on a monthly basis by Budget Holders and reported quarterly to Cabinet and Scrutiny. Explanations of variances over £25k are provided in these reports.

2.8 The following variances were reported on Net Direct Costs of Services

	Quarter 3	Quarter 4	Variance	
	£000	£000	£000	Explanation
<b>Portfolios Net Surplus</b>	<b>(522)</b>	<b>(479)</b>	<b>43</b>	Various small movements from Qtr 3
Carry-Forward Requests	0	398	398	Carry forward requests are only prepared at Qtr 4. The detail is shown in Appendix B, the 2 largest carry forwards are £127k (Major Projects) & £50k Market Harborough Feasibility study
<b>Residual surplus</b>	<b>(522)</b>	<b>(81)</b>	<b>441</b>	

2.9 The residual **surplus of £81k** represents a **surplus of 0.6%** on the Revised Budget of £12.825m. This demonstrates tight management of budgets throughout the year. The majority of the movement from Quarter 3 to Quarter 4 is accounted for by the carry-forward requests (**Appendix B**) which are subject to Cabinet approval on this report.

2.10 Key savings and income generation at a subjective level that demonstrate robust financial management during the year are detailed in the table below:

	£000's	Explanation
Housing benefit	(40)	Decrease in bad debt provision
Income: Fees and Charges above target	48	The majority of service areas exceeded their stretched income targets set for 2019/20 however offset by increase in bad debt provision for specific invoice (£168k) and reduction in interest income (£110k) – previously noted in Qtr 3
Employees	83	Some vacant post savings but offset by agency costs and early retirement capital costs (£94k)
Supplies and Services	(349)	Savings from various budgets, although majority of this forms part of carry forward of £398k shown in Appendix B
Third Party payments	(110)	Savings on Revs and Bens partnership and other various savings
Other Net variances	(111)	Cumulative items of less than £25k
<b>Portfolios Net Surplus 2019/20</b>	<b>(479)</b>	

Further details are shown in Appendix D-2.

- 2.11 Variances of more than £25k are reported to Cabinet. These have been reported during the year with the final outturn variances being reported in **Appendix D**. In addition, the final outturn split by cost centre is detailed in **Appendix C**.
- 2.12 The Provisional Outturn reflects the Councils continued success in not only delivering in year savings and efficiencies agreed in the Budget but also delivering an-year surplus from income generation and robust financial management to support the future MTFS against a backdrop of austerity.

#### *2.12 Cost of Borrowing and Interest Payments*

- 2.13 The Council continued in 2019/20 its policy of using investments to negate the need for more expensive borrowing – this has been the case since 2008. As a result there are savings of £265k against the provision in the budget for Interest Payable of £340k. This was forecast during the year and reported to Cabinet on 9<sup>th</sup> March 2020.

*2.14 Reserves*

2.15 The 2019/20 budget assumed the use of General Fund Balances and Earmarked Reserves to help balance the Revenue Budget.

2.16 The 2019/20 Budget assumed contributions to/from earmarked reserves. These have been actioned during the year and are detailed in **Appendix E**.  
The variance between Budget and Actual contributions is detailed below:

	<b>£'000</b>
<b>Estimated Balance 31 March 2020 as at budget setting 20/21</b>	(12,163)
Portfolios net surplus per Quarter 4 Outturn	(479)
Additional variance to net surplus from estimation at budget setting	(174)
Reduced reserves contribution to Harborough Grow on Centre	(104)
Additional Grants and contributions from third parties, 3 biggest examples are shown below *	(79)
Additional Renewable Energy from Business rates	(25)
Amounts carried forward in grants reserve	(228)
<b>Actual Balance 31 March 2020</b>	<b>(13,252)</b>

2.17 The Revenue Reserve Movements are summarised in the below table:

	Earmarked Reserves		General Fund	Total
	Earmarked Reserves	General Reserve Fund		
	£000	£000	£000	£000
<b>Opening Balance</b>	<b>5,869</b>	<b>935</b>	<b>6,723</b>	<b>13,527</b>
Contributions to Reserves	1,623	268	2,515	4,406
Contributions from Reserves	(3,478)	(1,203)	0	(4,681)
<b>Sub Total</b>	<b>(1,855)</b>	<b>(935)</b>	<b>2,515</b>	<b>(275)</b>
<b>Closing Balance</b>	<b>4,014</b>	<b>-</b>	<b>9,238</b>	<b>13,252</b>

2.18 Retention of earmarked reserves for designated purposes and General Fund Balances are an integral part of the Council's financial management arrangements. These assist the Council in ensuring financial viability and securing resilience that will help the Council meet future changes in funding, cost pressures and challenges.

*2.19 Capital Budget*

	£'000
Initial Capital Programme - approved February 2019	17,620
Additional Slippage from 2018/19 - approved 1st July 2019	886
New In-Year Allocations	2,893
Approved Slippage to 2020/21 - approved 2nd December 2019	(9,785)
Final Plan	11,614
Capital Expenditure	9,023
Variance to Plan	(2,591)
Additional Slippage Requested	2,393
Final Outturn Variance	(198)

2.20 The Council approved an initial capital programme in February 2019 of £17.620m. On the 1st July 2019 the Executive approved capital carry-forwards of £886k. During the year additional approvals of £2.893m were approved alongside previously reported slippage of £9.785 m into 2020/21, noted on the

Cabinet report on 2<sup>nd</sup> December 2019, details shown in Appendix F. This takes the 2019/20 Final Capital plan to £11.614m.

2.21 The Capital Expenditure in the year was £9.023 m resulting in a variance of £2.591 m During Quarter 4 further slippage of expenditure and funding of £2.393k was identified and subject to Cabinet approval in this report will be re-profiled into 2020/21. Taking into account the anticipated slippage into 2020/21 the underspend in 2019/20 was £198k with the key variance being £154k being in respect of Harborough Innovation Centre details.

2.22 The Capital Programme was funded from a mixture of borrowing (£3.390m); External Grants (£0.452m), S106 Grants (£3.129m ) and other funding sources.

2.23 The Council has £1.010 million of Capital Commitments as at 31st March, split over a variety of schemes

2.24

<b>Capital Commitments as at 31st March 2020</b>	
	£000
Lifeline Digitisation	42
Structural and Refurbishment works	19
S106 Schemes - Market Harborough	470
S106 Schemes - Lutterworth	288
S106 Schemes - Great Glen	65
S106 Schemes - Kibworth	92
S106 Schemes - Scraptoft	20
S106 Schemes - South Kilworth	8
S106 Schemes - Fleckney	4
S106 Schemes - Gilmorton	3
	1,010

**Significant acquisitions and disposals**

2.25 In 2019 councillors approved a scheme to purchase a brownfield site on St. Mary’s road, in Market Harborough, that came with planning permission for residential development. Prior to completion the assets team carried out surveys and due diligence of the proposed development which identified several issues which made the scheme financially unviable. This was reported back to senior officers and an informal briefing was sent to cabinet members in February 2020. Following on from this we formally withdrew from the scheme.



2.26 *Background Papers*

Statement of Accounts 2019/20

Council's Financial records

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Previous report(s): Cabinet, 2nd September 2019, 2nd December 2019, 9<sup>th</sup> March 2020, Budget Monitoring Reports

**Appendices**

- A Revenue Outturn**
- B Carry Forwards**
- C Cost Centre Analysis**
- D Variances**
- E Reserves**
- F Capital**