

NORTH LINCOLNSHIRE COUNCIL

CABINET

Financial Outturn 2019/20 Report

1. OBJECT AND KEY POINTS IN THIS REPORT

1.1. To inform Cabinet of the Council's financial performance in 2019/20.
With regard to its:-

1.1.1. Revenue investment plan of £143.2m, 1.1% spend above budget.

1.1.2. Capital investment plan of £39.5m, 81.4% delivery against plan.

1.1.3. Collection Fund £1.2m in-year deficit, £2.2m cumulative surplus

1.1.4. £2.7m use of council reserves

1.2. To update Cabinet on the impact of the outturn on future financial years.

1.3. To update Cabinet on the changes to the annual Accounts process.

2. BACKGROUND INFORMATION

2.1 The Council set a revenue and capital budget for 2019/20 in February 2019. During the year the council has managed its spending within a statutory framework and within cash limits.

2.2 The council set a total revenue investment for delivery of its functions and strategic priorities of £143.2m. The table in Appendix 1 provides a summary of the actual use of funding against the planned use in 2019/20.

2.3 The council set a capital investment limit for 2019/20 of £39.5m. The table in Appendix 2 provides a summary of the capital investment achieved in 2019/20.

2.4 The Council operates a Collection fund to account for liability and collection of council tax and business rates. The outturn position on the Collection Fund was an in-year deficit but overall a cumulative surplus of £2.2m which will be applied in future financial years. There was also additional business rates income on Renewable Energy Sites and Enterprise Zones over and above the level assumed in the budget. Appendix 3 provides a summary of the Collection Fund position.

2.5 The use of some reserves were required to balance the 2019/20 budget but the overall reserves position shows an increase, which is due the government allocating COVID 19 grants at the end of March in anticipation of costs incurred in early 2020/21. Appendix 4 provides the reserves account in detail.

2.6 By law the annual accounts have to be published in draft by the end of May each year and a final audited version published by the end of July. The Government have recognised the extraordinary circumstances of the COVID 19 pandemic and has for 2019/20 only amended this timetable.

3. OPTIONS FOR CONSIDERATION

3.1 This report provides an overview of the council's outturn for 2019/20. Cabinet is asked to note the following information.

3.1.1 The council set a revenue investment budget of £143.2m. The total net operating cost was £144.7m, representing 1.1% more than estimated.

3.1.2 The council's Capital Investment budget of £39.5m for 2019/20. The final cost of projects was £32.2m representing an in year delivery rate of 81.4%.

3.1.3 The council's collection fund had an in-year deficit of £1.2m but had brought forward a £3.4m from 2018/19 so carried forward a surplus of £2.2m for use in 2020/21.

3.1.4 The council utilised £2.7m of reserves in 2019/20, contributing to the cost of services, but after setting aside COVID 19 funding received in advance and some schools funding its reserves closing balance increased by £7.0m.

3.1.5 The council's accounts would normally have had to be published in draft by the end of May 2020 and final audited accounts by the end of July 2020. However due to the COVID 19 pandemic the Government has made one-off changes to the legislation, relaxing these deadlines to draft accounts by end of August and audited accounts published by end of November 2020.

4. ANALYSIS OF OPTIONS

4.1 The issues in the revenue budget remain largely the same as reported throughout the year, with significant pressures in needs led budgets. In addition savings initiatives assumed in the budget did not fully achieve the target saving during in 2019/20 although these are anticipated to be fully achieved over the next financial year. Income targets have been reviewed and reset over the past couple of years, with focus on ensuring full cost recovery for traded services and an increase in commercial yield on investment portfolio. This has been a challenge during the year and has contributed to the overall net cost being more than estimated. Plans are in place to continue this activity for 2020/21, although it is recognised that income levels will be impacted on by the COVID pandemic.

4.2 Two major areas of savings partially offset these pressures. The first of these were savings on staff costs. These savings came from a combination of active vacancy management where it was possible to re-prioritise resources in the short term and the holding of vacancies pending the establishment reviews being concluded as part of council redesign and transformation. Additionally the cost of capital was £1.1m lower than anticipated due to a combination of short term borrowing and an adjustment to the Minimum Revenue Provision.

4.3 At quarter 3 a service overspend of £5.7m was anticipated. By year-end active budget management had reduced this overspend to £4.8m.

- 4.4 The council's investment in capital in 2019/20 was £32.2m. That was 81.4% of the budget. The majority (£7.6m) of the in-year underspend will be re-phased to later in the plan period.
- 4.5 In financing the 2019/20 capital programme £1.7m less capital receipts were used than had been budgeted. This means that the councils underlying need to borrow has increased but sufficient capital receipts have been retained to finance the planned use of the Government's Capital Receipts Flexibility (CRF) scheme in 20/21, including the element re-phased from 19/20, even if the property market is depressed due to the Covid 19 Pandemic. Sufficient capital receipts have been retained to allow some additional spending on revenue savings initiatives in 20/21 and 21/22 if required.
- 4.6 The Collection Fund, which holds balances for Council tax and Business Rates, had an in-year deficit of £1.2m. Combined with a brought forward surplus of £3.4m a balance £2.2m was carried forward to 2020/21. In addition business rates on Renewable Energy plants and Enterprise Zones, which the council retains, brought in £3.4m more than anticipated. Due to the regulations on how these surpluses can be recognised in the accounts £3.4m of additional funding will be available in 2020/21 but £1.3m less funding will be available in 2021/22, than is included in the medium term financial plan. This will be considered as part of strategic review of the assumptions in the medium term financial planning for 2021 and beyond.
- 4.7 The Council used £2.7m of reserves to balance the 2019/20 budget however overall reserves increased by £7.0m due to the receipt of £8.9m of COVID 19 Grant funding in advance and the set-aside of £0.8m of schools funding. The remainder of the COVID 19 Grant is set aside to contribute the financial implications of the COVID 19 pandemic during 2020/21.
- 4.8 This report has to be seen in the context of the unprecedented impact of the COVID 19 pandemic. The early impact of the virus was felt late in 2019/20 but the majority of the financial impact will fall in 2020/21 with some ongoing impact into future years. The long term impact cannot currently be estimated but Government has provided local government with emergency funding of £3.2bn, North Lincolnshire's share being £9.7m to offset the loss of income and increased expenditure the council is experiencing. The Local Government have made representation for a further allocation of funding to be made available later in the year, but this has not been confirmed.
- 4.9 In total government have distributed £4.15bn to local government to support councils in meeting the costs of the activities they have been asked to deliver and mitigate against the financial impact of the pandemic. For North Lincolnshire in addition to the £9.7m above, includes £37m to make grants to small businesses; £2.5m to support the Care Home Sector with infection control measures; £0.15m to support the reopening of High Streets. Allocations for the Local Outbreak arrangements yet to be confirmed.
- 4.10 The full impact of COVID 19 and the Council's response to fulfilling its public health responsibilities will not be known for some time but the 2019/20 outturn provides a firm financial base and adequate level of resilience to withstand a certain level of financial shock as a result of COVID 19. Monitoring systems have been enhanced to enable a full understanding and analysis of the impact on the in-year budget and the future funding assumptions. The position will be updated and reported to Cabinet in July.

4.11 The Council aims to present a draft set of accounts to the Audit Committee in July 2020, which is earlier than the revised statutory timeframe, but allows work to commence with the Audits where they are able.

5. FINANCIAL AND OTHER RESOURCE IMPLICATIONS (e.g. LEGAL, HR, PROPERTY, IT, COMMUNICATIONS etc.)

5.1 The only financial implications are those set out in this report.

6. OTHER RELEVANT IMPLICATIONS (e.g. CRIME AND DISORDER, EQUALITIES, COUNCIL PLAN, ENVIRONMENTAL, RISK etc.)

6.1 Not applicable.

7. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

7.1 Not applicable.

8. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

8.1 Not applicable.

9. RECOMMENDATIONS

9.1 Cabinet is asked to:

- a. Note the final revenue investment of the council for 2019/20
- b. Note the final capital investment of the council for 2019/20
- c. Note the position on the Collection Fund for 2019/20
- d. Note the council's reserves position for 2019/20
- e. Note the changes to the accounts timetable for 2019/20

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Background Papers used in the preparation of this report

Statutory Guidance on the Flexible Use of Capital Receipts (updated)
Local Government Act 2003 Sections 16(2)(B) and 20: Treatment Of Costs As Capital Expenditure

Appendix 1

Revenue Outturn

	Budget	2019/20 Actual	Variance
Investment in Service Functions	119,356	124,132	4,776
Central & Technical Functions	23,798	20,533	-3,265
Revenue Investment	143,154	144,665	1,511
Funding & Reserves	-143,154	-144,665	-1,511

Appendix 2

Capital Outturn

Capital Spend	Budget	Actual	2019/20		Remaining Variance
			Variance	Re- phasing	
Keeping People Safe And Well	450	410	-40	41	1
Enabling Communities To Flourish	7,444	5,788	-1,656	1,670	14
Growing The Economy	26,006	22,670	-3,336	3,568	232
Running the Business	5,613	3,284	-2,329	2,334	5
Total Investment	39,513	32,152	-7,361	7,613	252
Capital Financing	Budget	Actual	Variance	Re- phasing	Remaining Variance
Revenue Financing	161	181	20	0	20
Capital Receipts*	3,051	980	-2,071	337	-1,734
Grants	19,663	16,393	-3,270	2,818	-452
Borrowing	16,638	14,598	-2,040	4,458	2,418
Total Financing	39,513	32,152	-7,361	7,613	252

Appendix 3

Collection Fund

	Surplus(-) /Deficit	Assumed in 20/21 Budget	To be applied in 20/21	To be applied in 21/22
Council Tax	-79	-972		893
Business Rates 19/20 deficit	1,284	851		433
Business Rates 18/19 surplus	-3,414	-3,414		
Collection Fund Surplus(-)/Deficit	-2,209	-3,535	0	1,326
Renewable Energy Business Rates	-2,242		-2,242	
Enterprise Zone Business Rates	-1,159		-1,159	
Council 100% retained amounts	-3,401	0	-3,401	0
	-5,610	-3,535	-3,401	1,326

Appendix 4

Reserves

	Balance 2018/19	Movement 2019/20	Balance 2019/20
General Reserve			
General Fund Balance	-6,858	-300	-7,158
Earmarked Reserves			
Risk & Transformation Reserve	-16,565	606	-15,959
Grants EMR	-4,954	1,037	-3,917
Public Health Grant Reserve	-1,412	200	-1,212
Other Reserves	-1,432	504	-928
Scunthorpe Special Exp. EMR	-228	15	-213
PLANNING IMPROVEMENTS	-205	146	-59
Insurance Reserve	-284	284	0
LEGAL - NLC ELECTIONS EMR	-240	240	0
Earmarked Reserves Total	-25,320	3,032	-22,288
Council Reserves	-32,178	2,732	-29,446
Covid 19 Funding	0	-8,880	-8,880
Total Council Reserves	<u>-32,178</u>	<u>-6,148</u>	<u>-38,326</u>
Schools Reserves			
Dedicated Schools Grant EMR	-1,488	-581	-2,069
Schools Balances	-2,939	-257	-3,196
Schools Reserves	-4,427	-838	-5,265
Total All Reserves	<u>-36,605</u>	<u>-6,986</u>	<u>-43,591</u>