

ARUN DISTRICT COUNCIL

REPORT TO AND DECISION OF CORPORATE POLICY AND PERFORMANCE COMMITTEE ON 1 SEPTEMBER 2021

SUBJECT: Revenue and Capital Outturn Expenditure 2020/21

REPORT AUTHOR: Carolin Martlew, Interim Group Head of Corporate Support and s151 Officer

DATE: July 2021

EXTN: 37568

PORTFOLIO AREA: Corporate Support

EXECUTIVE SUMMARY:

The attached report provides a summary of revenue and capital outturn expenditure for 2020/21 and compares this expenditure with the approved budget.

RECOMMENDATIONS:

Committee is recommended to:

- (i) Consider the attached outturn report in Appendix 1;
- (ii) Note the revenue and capital outturn expenditure for 2020/21, subject to audit;
- (iii) Approve the carry forward of £1m Housing Capital spending from 2020/21 to 2021/22 as outlined at paragraph 4.5;
- (iv) Approve the level of balances and unused S.106 sums at 31 March 2021, noting the reasons explained for the increase in reserve balances;
- (v) Note the additional £0.833m contribution to the Funding Resilience Reserve;
- (vi) Note the transfer of £0.961m to Business Rates Reserve; and
- (vii) Note the transfer of £0.538m to the COVID Contingency Reserve.

1. BACKGROUND:

The 2020/21 budget was considered by the Overview Select Committee on 28 January and Cabinet on 10 February 2020 before being formally approved by Full Council on 19 February 2020.

The budget took account of the Council's Medium-Term Financial Strategy and Housing Revenue Account business plan. The provisional Local Government Finance settlement issued by the Ministry of Housing, Communities and Local Government (MHCLG) in December 2019 was also taken into consideration.

This report shows a comparison between the actual expenditure and income for 2020/21 and the budget approved by Full Council, plus supplementary estimates and virements approved during the year.

Progress against the budget was closely monitored during the year and monitoring statements were considered by Cabinet at regular intervals. Unforeseen requirements were reported to Cabinet members or Cabinet. Where no funding source could be identified, approval for supplementary estimates were sought from Full Council. During the year a number of expenditure items were identified as corporate underspend (due to sound management) which was utilised as a source for virement to minimise the number of supplementary estimates during the year. 2020/21 has been an exceptional year due to the impact of the ongoing COVID19 pandemic, with significant under and over spending against the budget, combined with large amounts of central government support. Early in the pandemic, the Council identified approx. £1m of savings in the 2020/21 budget. These were used to support the Council's response to the pandemic.

It is important to note that the statutory deadlines for the preparation of the Accounts (Accounts and Audit Regulations 2020) have been changed for 2020/21, similar to 2019/20 due to the ongoing impact of Covid-19.

The statutory deadline for the approval of the Accounts has been moved to 30 September 2021 (previously 31 July; amended to 30 November 2020). The draft Accounts, subject to audit were published on the Council's website on 23 July 2021. The External Auditor has advised that the year end audit cannot be provided until November 2021. The Group Head of Corporate Support and S151 Officer has expressed the Council's concerns regarding this delay. Assurance has been received that the Auditors have accepted responsibility for the delay and no criticism of the Council will be made. It is expected that the Council's Statement of Accounts for 2020/21 will be submitted to the Audit and Governance Committee in December 2021 or January 2022. The draft (unaudited) Statement of Accounts and Annual Governance Statement are available on the Council's website using the link: [Financial Information](#).

2. PROPOSAL(S):

Corporate Policy and Performance Committee is requested to consider the attached report which contains details of the revenue and capital outturn expenditure and specific reserve transactions for 2020/21; and the level of balances and unused S.106 sums at 31 March 2021.

3. OPTIONS: n/a

4. CONSULTATION:

Has consultation been undertaken with:	YES	NO
Relevant Town/Parish Council		✓
Relevant District Ward Councillors		✓
Other groups/persons (please specify)		✓

5. ARE THERE ANY IMPLICATIONS IN RELATION TO THE FOLLOWING COUNCIL POLICIES: (Explain in more detail at 6 below)	YES	NO
Financial	✓	
Legal		✓
Human Rights/Equality Impact Assessment		✓

Community Safety including Section 17 of Crime & Disorder Act		✓
Sustainability		✓
Asset Management/Property/Land		✓
Technology		✓
Other (please explain)		✓

6. IMPLICATIONS:

The report provides a comparison between the actual income and expenditure for 2020/21 and the budget approved for the year.

7. REASON FOR THE DECISION:

To ensure that Members are fully aware of the Council's outturn for 2020/21; and the level of reserves at 31 March 2021, which will be available for use in future years.

8. BACKGROUND PAPERS:

Budget 2020/21 and Draft Statement of Accounts 2020/21 Financial Information

ARUN DISTRICT COUNCIL REVENUE AND CAPITAL OUTTURN REPORT 2020/21 – Corporate Policy and Performance Committee 1 September 2021

1. Introduction

- 1.1 This report sets out the Capital, Housing Revenue and General Fund Revenue outturn performance against budget for 2020/21. The report compares actual expenditure and income with the budget originally approved by Council on 19 February 2020 plus supplementary estimates and virements approved during the year.
- 1.2 The report comprises of:
- General Fund Revenue Summary (Appendix A);
 - Housing Revenue Account (Appendix B);
 - Capital and Asset Management Statement (Appendix C);
 - Capital Receipts (Appendix D);
 - Earmarked Reserves Statement (Appendix E); and
 - S.106 Summary.

2. General Fund Summary (Appendix A)

- 2.1 The General Fund outturn summary is included at Appendix A. The original budget for 2020/21 anticipated a reduction in the level of General Fund Reserve of £617k. During the year seven supplementary estimates totalling £1,053k were approved:
- Three to provide Covid-19 assistance for the Leisure Contract, £406k (15/07/2020), £192k (26/11/2020) and £178k (13/01/2021);
 - Two for Planning Appeals £40k (16/09/2020) and £33k (17/03/2021);
 - One for HMO Licensing work £20k (25/01/2021); and
 - One for Sunken Gardens £184k (13/01/2021).
- These changes resulted in a total approved budgeted draw down from General Fund Reserves of £1.670m.

- 2.2 The change in the planned original budget General Fund Reserve movement due to supplementary estimates is shown in the table below:

	£'000	£'000
Original Budget		617
Assistance for Leisure Contract (1)	406	
Assistance for Leisure Contract (2)	192	
Assistance for Leisure Contract (3)	178	
Planning Appeal	40	
Planning Appeal	33	
HMO Licensing Work	20	
Sunken Gardens	184	
Total approved General Fund Movement 2020/21		1,053
Total approved Budget 2020/21		1,670

Although supplementary estimates relating to the Leisure Contract of £776k were approved in the year, only £356k was required. Further detail is given in paragraph 2.11 below.

The outturn General Fund Reserve movement compared to original and current budget is summarised in the table below:

General Fund Movement 2020/21	Original Budget £'000	Outturn 2020/21 £'000	
Net Budget Requirement			
Cost of Service	17,742	20,507	
Contribution to/(from) earmarked reserves	(1,454)	13,394	*
Other Corporate Costs	9,949	5,606	
Net Budget Requirement	26,237	39,507	
Financed by:			
Retained Business Rates	(3,669)	(2,683)	
Section 31 Grants	(2,359)	(12,172)	*
New Homes Bonus	(2,295)	(2,295)	
Other non-ringfenced Grants	(713)	(5,772)	*
Council Tax	(16,584)	(16,585)	
Total Financing	(25,620)	(39,507)	
Taken from / Added to Balances	617	0	
General Fund Balance 1 April 2020	6,459	7,076	

Note *: the change of £14.8m in contribution to earmarked reserves is largely explained by the increase in Section 31 grants and other non-ringfenced grants. Details of earmarked reserve balances are shown at Appendix E.

- 2.3 The General Fund variations against original budget are summarised in Appendix A. It should be noted that some of the variations against the original budget are due to accounting requirements (e.g. IAS19 pension adjustments) and the way the original budget is presented (Contingency budget). During the year contingency and miscellaneous budget items are vired to service areas; capital schemes; and contributions to earmarked reserves (if required for future years). Alternatively, if unrequired they are made available as part of identified savings (corporate underspend) that can be vired to fund unforeseen expenditure in order to minimise the use of supplementary estimates during the year.

2.4 The variations +/- £200k against original budget are summarised in the table and notes below:

	£'000
Expected Use of Reserves 2020/21	617
Favourable Variations	
Homelessness funding (Nightly paid accommodation Establishment)	(850)
Over-achieved Income (fees and charges)	(494)
COVID-19 Support Grants	(206)
Use of Reserves not required in 2020/21	(2,944)
Other Variations Net	(617)
Total Favourable Variations	<u>(5,378)</u>
Adverse Variations	
Leisure Centres (management fees)	236
Council Tax Collection	204
Rent Rebates and Rent Allowance	352
Homelessness Expenditure (Nightly paid accommodation)	1,004
Under-achieved Income (fees and charges)	373
Business rate losses reserve	260
Transfer to Covid Contingency Reserve	538
Transfer to Funding Resilience Reserve	833
Transfer to Business Rates Reserves	961
Total Adverse Variations	<u>4,761</u>
Change in General Fund Balance 2020/21	0

2.5 It is worth noting that the improved variation against budget was due in no small part to robust financial management. Members and officers received regular monitoring reports which highlighted the Council's financial position including the predicted underspend against current budget. The supplementary estimates approved by Full Council during the year were required for good governance as they draw Members' attention to significant additional expenditure in addition to the approved budget. The favourable outturn effectively meant that additional expenditure could be financed from underspends and savings identified during the year. It is important to note that some of the savings (e.g. establishment) are not known until the end of the year and cannot therefore be used to fund additional expenditure during the year.

2.6 When lockdown measures were introduced, Councils were instructed to minimise the number of people without accommodation. The gross extra spending incurred of £1.004m is shown above, which was partly offset by central government funding of £850k.

2.7 The Establishment favourable variation is largely due to an underspend in salaries during 2020/21, partly offset by the Corporate Vacancy allowance.

- 2.8 The Council experienced both over and under achievement of expected income from fees and charges during 2020/21. As these were in some cases, significant amounts, they are shown in total in the above analysis. Over-achieved income in 2020/21 was largely from Development Control (£175k) due to significant increase in workload; the remainder was derived from Building Control fees.
- 2.9 The £2.944m of COVID 19 support shown as a favourable variance represents that part of central government support not used to offset additional spending/lost income in 2020/21. This partly arose due to the Council utilising its own resources and cutting back on spending. The Council recognises that the effects of the pandemic will continue in 2021/22 and transferred a total of £2.332m to earmarked reserves, shown in the adverse variations. These comprised:

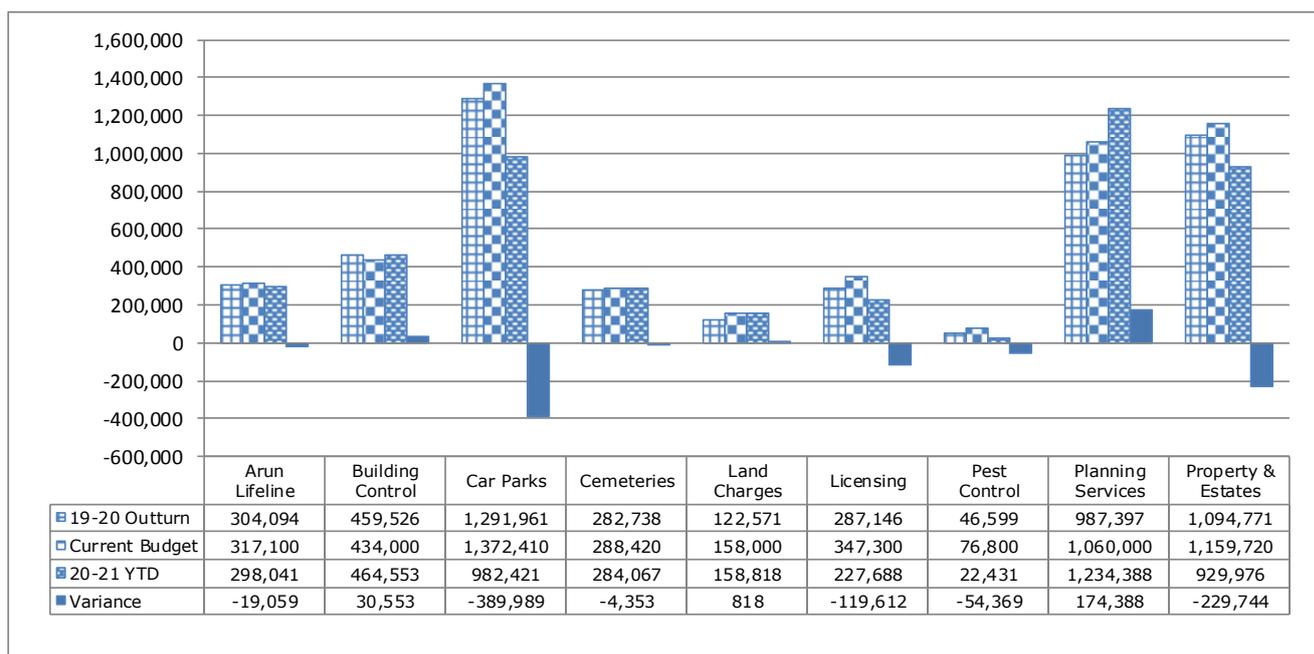
	£'000
Transfer to Covid Contingency Reserve	538
Transfer to Funding Resilience Reserve	833
Transfer to Business Rates Reserves	961
Total	2,332

- 2.10 The transfer to the Funding Resilience Reserve will allow the Council 2 years to resolve issues with the base budget. The Business Rates Reserve was set aside to counteract the extreme volatility in the BRRS, mostly arising from backdated rating appeals. The COVID contingency reserve will allow the Council to reduce any financial issues arising from the pandemic in 2021/22.
- 2.11 The Council's leisure provider was severely affected by the pandemic with the centres forced to close by the government on three separate occasions. The Council was awarded £332k from the National Leisure Recovery Fund. Of this, £138k was applied to fund expenditure in the fourth quarter of 2020/21, with the balance available for 2021/22. The variation against budget of £356k relates to the Council supporting the leisure provider against its losses (applying the £776k of supplementary estimates). £572k was recovered through the government's income compensation scheme. The remaining balance of the leisure management fee was deferred until the end of the current contract and is included as long term debtors in the Statement of Accounts for 2020/21.
- 2.12 No recovery proceedings in court were undertaken during 2020/21 resulting in a loss of income of £204k. The adverse variation in Rent Rebates and Housing Benefit has arisen for a similar reason as no court proceedings were undertaken in respect of overpayments' recovery.
- 2.13 Areas of income under-achievement in 2020/21 are sundry property rentals (£230k), car parking income (£390k), licensing (£119k), pest control (£55k) and others (£23k). £444k of government support was used to reduce the loss to £373k. It should be noted that sundry property rentals were excluded from the sales, fees and charges compensation scheme. However, rental income mostly held up well with the main issue being from the Bognor Regis Arcade which had a £160k shortfall in income compared to budget.

2.14 As a result of ratepayer relief granted, £9.086m of income due to the Council was lost during 2020/21. Government grant of £8.826m was received which reduced the shortfall in the year to £260k.

2.15 The £267k remaining favourable variation is the sum of other favourable and adverse variations in the year which were less than £200k.

2.16 The graph below analyses £611k adverse outturn income variation by source and value. Income levels were expected to decline against projected as the covid-19 pandemic had resulted in a complete lock down of the Country at 1 April 2020. However, a gradual return of most income streams did occur, although not to the levels previously budgeted for.



2.17 Members can obtain further information on the 2020/21 outturn from the Group Head of Corporate Support & S151 Officer.

2.18 Members are asked to approve the General Fund balance of £7.076m (£7.076m previous year) and Earmarked General Fund Reserves of £29.162m (£15.768m previous year) appendix E at 31 March 2021.

3 Housing Revenue Account (HRA) (Appendix B)

- 3.1 Taken together the HRA and Major Repairs Reserve showed a deficit of £113k for the year, compared with a budgeted deficit of £1.726m. The HRA balance at 31 March 2021 was £6.489m, with a further £2.346m held in the Major Repairs Reserve. These balances are expected to significantly reduce over the early years of the HRA Business Plan as a result of the programme of new dwellings and additional expenditure on the housing stock. The budget for 2021/22 is a £1.967m deficit.
- 3.2 Members are asked to approve the HRA balance at 31 March 2021 of £6.489m, and Major Repairs Reserve balance of £2.346m.

4. Capital and Asset Management (Appendix C)

- 4.1 The Council's budget for 2020/21 included several projects which although included in the Capital budget for project management and monitoring purposes cannot, under current accounting regulations, actually be charged to the capital accounts. Expenditure on these projects is transferred from capital to revenue at the end of the financial year and is included in the relevant cabinet portfolio or support service. The result of this transfer is an increase in service expenditure and a corresponding reduction in the amount of capital expenditure financed from revenue (there is accordingly no effect on the Council's total net expenditure). As the Council has changed its governance from the cabinet model to committees, it is suggested that in future budget cycles projects which are not capital are budgeted for in revenue. This will be commenced from the 2022/23 budget process.
- 4.2 A budget of £17.564m for capital and special revenue projects was approved by the Council for 2020/21. In addition, £16.187m was carried forward from 2019/20 to complete approved projects and additional budget of £2.272m approved during the year, giving a current budget of £36.023m. Actual expenditure for the year amounted to £9.402m (£7.7m previous year) on capital schemes and £1.333m (£2.1m previous year) on special revenue projects. As stated in paragraph 4.1 above, the practice of showing special revenue projects as capital will be reviewed during the 2022/23 budget cycle.
- 4.3 The Council's General Fund capital programme is limited by the resources available. The majority of the larger one-off schemes are delivered in partnership in order to maximise external funding and to minimise the risk to the Council.
- 4.4 The delivery of the capital programme was significantly affected in 2019/20 and 2020/21 by the COVID19 pandemic. The delays will continue in to 2021/22 and it is expected that as restrictions are eased and the economy reopened, that work can re-commence and delayed schemes and projects are delivered.

- 4.5 On Housing Capital, a number of projects have been delayed due to the pandemic, some of these have now been tendered (e.g. roofing), whilst others are ready to go out to tender (e.g. kitchen & bathrooms). The £1m capital underspend in 2020/21 is therefore required to be carried forward to 2021/22 to allow the programme of works to catch up and be delivered, otherwise it will continue to run behind which will impact future budgets. In addition, there is also pressure to increase the rate at which works are completed that are required by the regulator, for example fire compliance. Members are therefore requested to approve the carry forward of £1m for Housing Capital Projects to 2021/22.
- 4.6 The Council recognises the need to maintain a clear view on the affordability of the above priorities, and the financial model which supports the Business Plan will be regularly updated in the light of changing circumstances.
- 4.7 Appendix C shows, for comparison purposes, all Capital, Asset management and other projects expenditure for the year, including sums transferred to revenue at the end of the year.

5 Capital Receipts (Appendix D)

- 5.1 The capital receipts statement in appendix D shows total capital receipts of £1.933m as at 31 March 2021 (£2.815m previous year). £0.549m of this figure relates to retained right-to-buy receipts ("1 for 1" receipts) which can only be spent on the provision of new social housing, failing which they must be returned to the Government. One of the approved priorities of the Council's Housing Revenue Account Business Plan is a significant new development programme and the implementation and phasing of this programme will be a key factor in determining whether or not the Council spends its unused receipts within the required time scale.

6 Earmarked Reserves (Appendix E)

- 6.1 The earmarked reserves statement 2020/21 in appendix E shows the amounts set aside from the General Fund in earmarked reserves for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2020/21. These reserves were reviewed regularly during 2020/21 to ensure that they are being drawn down as appropriate or returned to General Fund reserve. Earmarked reserves balances increased significantly during 2020/21 mainly due to timing differences in COVID19 government support receipts and the Council being able to apply it correctly. This process ensured the funding would be available for its intended cause after the financial year end. Members are asked to approve the level of earmarked reserves of £29.162m (£15.768m previous year) which included the following s31 grants at 31 March 2021 to aid the Council in its response to the pandemic:

Grant/Reserve	£'000
Business Rates COVID19 Spread	10,048
Council Tax COVID19 Spread	105
COVID19 Contingency Reserve	538
COVID19 Council Tax Hardship Fund	210
Other grants	265
Total	11,166

7. Section 106 Receipts

- 7.1 Section 106 agreements, also known as planning obligations, are agreements between developers and Arun District Council (as the local planning authority) that are negotiated as part of a condition of planning consent. The Town and Country Planning Act 1990 enables Arun to negotiate contributions towards a range of infrastructure and services, such as community facilities, public open space, transport improvements and/or affordable housing.
- 7.2 The Council held £9.122m in section 106 developer contributions at 31 March 2021 (£8.544m previous year). Members and officers were updated on S.106 sums at regular intervals during 2020/21 as part of the budget monitoring process.

General Fund Revenue Budget and Outturn 2020/21 Summary

	Original Budget £'000	Actual £'000	Variance £'000
Cost of service			
Community Wellbeing	(708)	(241)	467
Corporate Support Direct	130	169	39
Economy	120	(40)	(160)
Neighbourhood Services	4,725	5,293	568
Planning	(760)	(1,036)	(276)
Residential Services	939	2,397	1,458
Technical Services	(1,429)	(1,360)	69
Support Services	2,120	2,160	40
Establishment	13,340	13,868	528
Rates	551	564	13
Insurance	181	193	12
Recharges	(1,466)	(1,460)	6
Total Cost of Service	17,743	20,507	2,764
Corporate Costs			
Parish Precepts	4,832	4,832	0
Other precepts and levies	208	208	0
Interest and investment income	(551)	(635)	(84)
Contingencies / miscellaneous	1,589	0	(1,589)
Contribution to / (from) earmarked reserves	(1,454)	13,394	14,848
Capital expenditure financed from revenue	2,728	0	(2,728)
Pension deficit contributions	1,143	1,201	58
Total corporate costs	8,495	19,000	10,505
Total net budget requirement	26,238	39,507	13,269
Financed by:			
Revenue Support Grant	0	0	0
Retained Business Rates	(6,028)	(14,855)	(8,827)
New Homes Bonus	(2,295)	(2,295)	0
Other non-ringfenced grants	(713)	(5,772)	(5,059)
Council Tax income	(16,445)	(16,445)	0
Collection Fund deficit / (surplus)	(140)	(140)	0
Total external finance	(25,621)	(39,507)	(13,886)
Transfer (to) / from General Fund Reserve	617	0	(617)

Housing Revenue Account Summary 2020/21

	Original Budget £'000	Actual £'000	Variance £'000
Expenditure			
Supervision & Management	5,473	5,203	(270)
Repairs & Maintenance	3,893	4,525	632
Financing of capital expenditure	4,095	1,860	(2,235)
Net Loan charges	4,964	5,002	38
Total Expenditure	18,425	16,590	(1,835)
Income			
Rents (dwellings, garages, hostels, other property)	(16,059)	(15,982)	77
Charges for services and facilities	(640)	(501)	139
Interest on Balance (net)	(1)	7	8
Total Income	(16,700)	(16,476)	224
HRA Surplus/Deficit	1,725	114	(1,611)
HRA Reserves – Balance brought forward	(8,947)	(8,947)	0
Budget changes in year	(698)		698
HRA Reserve – Balance carried forward	(7,920)	(8,833)	(913)

Capital, Asset Management and other projects Summary 2020/21

<i>Portfolio</i>	<i>Original Budget</i>	<i>Current Budget</i>	<i>Outturn</i>
	£,000	£,000	£,000
Community Wellbeing			
Littlehampton Wave	0	212	100
Total	0	212	100
Corporate Support			
Arun Improvement Programme	0	281	32
Information Technology	580	934	27
Financial Management System	0	80	48
Total	580	1,295	107
Economy			
Littlehampton Public Realm	200	3,035	117
Total	200	3,035	117
Neighbourhoods			
Keystone Centre	0	250	0
Place St. Maur Bognor Regis	0	1,807	31
Sunken Gardens	0	500	0
Play Areas	100	361	161
Total	100	2,918	192
Residential Services			
Housing Improvements & Repairs	3,995	2,995	1,967
Housing IT	0	402	39
Stock Development	9,341	19,744	4,677
Registered Social Landlords	0	300	300
Total	13,336	23,441	6,983
Technical Services			
Asset Management	1,848	3,622	1,525
Improvement & Discretionary Grants	1,500	1,500	1,711
Total	3,348	5,122	3,236
Summary			
GENERAL FUND	4,228	12,882	4,052
HOUSING REVENUE ACCOUNT	13,336	23,141	6,683
Total	17,564	36,023	10,735

Capital Receipts 2020/21

	£,000
Balance at 1 April 2020	2,815
Receipts during year (net of pooling)	707
Financing of capital expenditure	(1,589)
Balance at 31 March 2021*	1,933

* Figure includes £0.549m of “1 for 1” receipts which can only be used for the acquisition or building of new social housing.

Earmarked Reserve Balances 2020/21

	Balance at 31 March 2020 £'000	Net Transfers 2020/21 £'000	Balance at 31 March 2021 £'000
Delayed capital & special projects	2,358	2,565	4,923
Enhanced asset management and other schemes	1,390	(1,340)	50
Unallocated capital schemes	686	(686)	0
Community Wellbeing	418	111	529
Leisure Provision	0	120	120
Littlehampton Wave	212	(99)	113
COVID 19 Grant	0	94	94
Corporate Support	632	(239)	393
Funding Resilience Reserve	5,826	833	6,659
Business Rates COVID19 Spread	0	10,048	10,048
Council Tax COVID19 Spread	0	105	105
COVID19 Contingency Reserve	0	538	538
Council Advice and Monitoring	26	10	36
Economy	179	346	525
Neighbourhood Services	667	(58)	609
Place St Maur	237	338	575
Planning	285	36	321
Planning LDF	243	(95)	148
Residential Services	0	49	49
Northgate Project Revenues and Benefits	17	(17)	0
COVID19 Council Tax Hardship Fund	0	210	210
Community Housing Fund	552	(5)	547
Flex Homelessness Grant	352	0	352
NB-Homelessness Reduction	151	(20)	131
Private Sector Rented Accommodation	25	(25)	0
Technical Services	407	268	675
Community Flood Fund	601	(12)	589
Asset Management	504	148	652
COVID19 Grants	0	171	171
Total Earmarked Reserves	15,768	13,394	29,162