

TO: THE EXECUTIVE
DATE: 14 JULY 2020

REVENUE EXPENDITURE OUTTURN 2019/20
Director: Resources

1 PURPOSE OF REPORT

- 1.1 The Council, at its meeting on 27 February 2019, approved a revenue budget for 2019/20 of £74.969m. This report informs Members of the outturn expenditure position, subject to audit, for the financial year 2019/20 highlighting that the Council is within budget for the twenty-second successive year and under spent by -£0.646m. The Council therefore withdrew £1.968m from General Reserves rather than the budgeted £2.614m.
- 1.2 Due to the Coronavirus (Covid-19) Pandemic the statutory deadline for the signing of the Draft Financial Statements by the Director: Resources has been extended to the 31 August 2020 and the audited version now needs to be approved by the Council or a specific committee by 30 November. At the time of writing the draft statements have not yet been completed.
- 1.3 The report sets out a positive picture of the Council's finances until the end of March 2020. While this provides a strong financial platform for future years, it is important to note that Bracknell Forest in common with all councils is currently facing unprecedented financial pressures due to the wide-ranging impacts of the Pandemic, which currently exceed by a significant sum the approved 2020/21 budget including the additional Government funding that has been received.

2 RECOMMENDATIONS

That the Executive:

- 2.1 **Note the outturn expenditure for 2019/20, subject to audit, of £74.323m, which represents an under spend of -£0.646m compared with the approved budget.**
- 2.2 **Approve the budget carry forwards of £0.054m (see paragraph 5.7 and Annexe C).**
- 2.3 **Recommends that Council note the Treasury Management performance in 2019/20 as set out in Annexe B.**
- 2.4 **Approve the earmarked reserves as set out in Annexe D.**
- 2.5 **Approve the virements relating to the 2019/20 budget between £0.050m and £0.100m and recommend those that are over £0.100m for approval by Council (see Annexe E).**

3 REASONS FOR RECOMMENDATIONS

- 3.1 The recommendations are intended to inform the Executive of financial performance against budget in the 2019/20 financial year.

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 The report sets out the Council's actual financial performance in 2018/19 and the consideration of options is not therefore appropriate.

5 SUPPORTING INFORMATION

General Fund Revenue Expenditure 2018/19

- 5.1 The Council approved a revenue budget of £74.969m for 2019/20. In addition a number of transfers to and from S106 and earmarked reserves have been made during the course of the year. These are shown in Table 1 below and explanations for the use of the reserves are set out in the following paragraphs.

Table 1: Transfers From Earmarked Reserves and S106

Directorate	Carry Forwards from 2018/19	Bus Contract (S106)	Other S106	Structural Changes	All Other Earmarked Reserves	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Central	41	202	484	259	1,509	2,495
Delivery	10	0	0	153	-16	147
People	50	0	0	121	4,527	4,698
Non departmental budgets	-101	-202	-484	-533	-6,020	-7,340
Total	0	0	0	0	0	0

Carry Forwards from 2018/19

In accordance with the Council's constitution, budget under spends can be carried forward to the following year in exceptional circumstances.

Bus Contract from S106

The Wykery Copse bus contract was negotiated during the course of the year with the funding to be provided from S106 resources.

Other S106

Revenue funding for staff and a vehicle involved in the production, co-ordination and monitoring of the Suitable Alternative Natural Green Spaces (SANGS) plans and the maintenance and management of SANGS areas have also been provided from S106 resources, as have transformation savings relating to Special Protection Areas.

Structural Changes

One off costs associated with restructuring and salary protections payments were met from the Structural Changes Reserve during the year.

Other Earmarked Reserves

Carry forwards to 2020/21 of -£0.054m are included within this figure and are covered in more detail in paragraph 5.7. A number of other budget adjustments were made during the year to reflect transfers to or from reserves, the most significant being transfers to the Revenue Grants Unapplied Reserve (-£1.921m), and transfers from the Schools Reserves (£3.354m) and the Transformation Reserve (£1.844m).

Provisional Outturn Position

- 5.2 Table 2 analyses by directorate the outturn compared with the original budget. These figures inevitably remain subject to change, pending external audit. However, no significant impact on the overall underspend is anticipated.

Table 2 – Projected Outturn Expenditure

Directorate	Original Approved Budget	Carry Forwards & Virements	Current Approved Budget	Outturn	Variance
	£'000	£'000	£'000	£'000	£'000
Central	9,416	10,938	20,354	20,034	-320
Delivery	24,125	-11,226	12,899	12,466	-433
People	69,958	1,219	71,177	74,156	2,979
Non Departmental Budgets	-32,625	3,221	-29,404	-33,526	-4,122
Transfers to/from Earmarked Reserves	4,095	-4,152	-57	1,193	1,250
Total	74,969	0	74,969	74,323	-646

- 5.3 The current approved budget takes into account virements actioned during the course of the year. The most significant being:

- Those included in paragraph 5.1 and Table 1
- The transfer of Highways Services, The Look Out and Revenue Services from Delivery to Central.
- Reallocation of budgets to departments for non cash items to reflect actual costs (-£5.5m), namely:
 - changes to capital charges (-£0.7m) and
 - pension adjustments (-£4.8m).
- Adjustments relating to the accounting for the waste PFI (-£0.7m) and The Avenue Car Park finance lease (-£1.1m).
- Allocations from the Contingency Fund (£2.5m).

These reallocations have no overall effect on the amount raised from tax payers as they are reversed out within the Non Departmental Budgets line.

- 5.4 Explanations for significant variances by service are set out in Annexe A. The most significant variances are highlighted below:

Central

- Within Planning, Development Control income was less than budgeted (£0.296m) and additional legal costs and external consultancy costs were incurred (£0.104m). Planning Policy underspent (-£0.063m) but this was partly offset by an overspend on the Local Development Framework (£0.055m).
- Passenger numbers were below budgeted levels resulting in an under spend on Concessionary Fares (-£0.126m).
- Additional income for Suitable Alternative Natural Greenspaces (SANGS) capacity (-£0.196m) and from monitoring of street works (-£0.108m), street naming and

numbering (-£0.044m), the research and supply of Highway information (-£0.024m), Tree Services (-£0.060m) and from hay cutting (-£0.046m).

- Within Urban Traffic Management and Control there has been a reduction in the contract costs for Intelligent Transport Systems (-£0.037m) and cost of the Joint Arrangement (-£0.024m).
- The residents survey will now take place in 2020/21 (-£0.040m).

Delivery

- An overspend on Industrial and Commercial Properties, primarily due to the delay in the sale of two vacant buildings and the write off of uncollectible income (£0.260m), partly offset by underspends in Construction and Maintenance (-£0.076m), Office Accommodation (-£0.064m) and other property related budgets (-£0.053m).
- Underspends within Customer Services, in particular on licences (-£0.062m), and Registration of Electors/Elections (-£0.080m).
- An overspend in the Operations Unit primarily from increased Home to School Transport costs and other taxi charges (£0.327m).
- The finalisation of costs for Easthampstead Park Conference Centre resulted in an underspend, primarily from refunds (-£0.047m).
- An underspend within Legal Services primarily from additional fee income (-£0.083m).
- An underachievement of income at the Cemetery and Crematorium (£0.198m).
- An underspend in ICT relating to maintenance costs, equipment, photocopying and consultants' fees (-£0.180m).
- Within Waste Management, underspends on waste disposal (-£0.375m) and additional income from the brown bin service (-£0.058m) partly offset by additional contract costs on Waste Collection (£0.161m).
- An underspend on Car Parks resulting from additional income (-£0.147m) and a reduction in running costs (-£0.189m).
- An overspend on the leisure contract due to additional running costs and loss of income (£0.096m).

People

- Within Children's Social Care there were additional costs because of an increase in the number of children being looked after, where 129 high cost care packages were required compared to 119 provided for in the budget. Care and accommodation costs exceeded the budget (£0.209m following an allocation of £2.525m from the Contingency Fund) as did employee costs (£0.243m). The increase in court cases also contributed to additional Special Guardianship Orders (£0.141m). Additional specialist legal support costs were also incurred (£0.195m).
- An overspend on externally provided adult social care, primarily due to an increase in the number of learning disability clients and the withdrawal of Continuing Health Care funding (£1.158m). Staff vacancies were the main reason for underspends in the operational teams (-£0.163m) and at Waymead care home both staff vacancies and additional income resulted in an underspend (-£0.152m). These were partly offset by additional expenditure on Community Equipment due to an increase in charges and usage (£0.158m).
- An overspend on externally provided social care primarily due to an increase in the number of clients requiring support with memory & cognition (£1.197m).
- An under-achievement of income and additional costs within Forestcare (£0.108m).
- An underspend on Early Help and Communities due to savings identified on staffing (-£0.139m) and supplies and services (-£0.047m) and additional income (-£0.054m).

Non-Departmental / Council Wide

- A significant under spend on interest budgets (-£2.530m). Additional income from CIL and the Business Rates pilot together with a lower than normal level of capital spending has significantly reduced the level of borrowing required by the Council. The Interest base budget also did not reflect the level of interest being generated from the loan to Downshire Homes Limited or the discount offered by the Berkshire Pension fund for pre-funding the annual pension contributions.
- Internally funded capital expenditure was financed from internal borrowing to spread the cost impact on revenue. The capital expenditure charged to the General Fund budget was therefore not required (-£0.463m). Higher than forecast capital receipts in 2018/19 and significant capital carry forwards into 2019/20 helped to create an under spend against the Minimum Revenue Provision (-£0.584m).
- An under spend on Council Wide budgets primarily relating to the full year impact of purchasing commercial properties in 2018/19 (-£0.428m).
- The element of the Covid-19 LA Support grant used to meet the additional costs of Covid-19 in 2019/20 is recorded in Council Wide budgets (-£0.103m). The costs are reflected in the other Directorates' variance analysis.
- An under-recovery of Business Rates income was met from a transfer from the Future Funding Reserve.

Earmarked Reserves

- Transfers into the Transformation (£0.700m), Structural Changes (£1.400m), Schools Support (£0.160m) and School Masterplans and Feasibility Studies (£0.250m) Reserves, partly funded by the closure of the Community Capacity Reserve (-£1.260m). The overall impact is to reduce the under spend by £1.250m.

- 5.5 A full analysis of the 2019/20 variances, identifying those already built into the 2020/21 base budget, one-off items and those of an ongoing nature will be undertaken to inform the evolving 2021/22 budget proposals.

Treasury Management

- 5.6 Annexe B contains a detailed analysis of the Council's treasury management performance during 2019/20. An annual report is required to comply with the Prudential Code for Capital Finance as performance in this area can have a significant impact on the Council's overall financial position and balances. The report will subsequently be presented to Council as required.

Budget Carry Forwards

- 5.7 In accordance with the Council's Constitution, some unspent budget provision is permitted to be carried forward to the following year in exceptional circumstances. This would include where expenditure was budgeted for and planned in a particular year, but due to unforeseen circumstances has had to be deferred to the following year. Table 3 summarises the carry forwards by directorate and a detailed breakdown is included in Annexe C. The Executive is asked to approve the carry forward reported.

Table 3 – Budget Carry Forwards

Directorate (Details in Annexe C)	Carry Forwards
	£'000
Central	54
Total	54

Balances (General Reserves)

- 5.8 As the actual outturn for 2019/20 was an under spend of -£0.646m, the Council withdrew £1.968m from General Reserves rather than the budgeted £2.614m. The General Reserves balance at 31st March 2020 was £7.091m. Of this, £0.379m will be used to finance the 2020/21 budget, leaving £6.712m available. The minimum prudent level recommended by the s151 officer has for many years been £4m, broadly equivalent to 5% of the Council's net budget. This level needs to have regard to a view of general financial risks, meaning that careful consideration needs to be given to the situation all councils are facing in the current financial year.
- 5.9 A detailed review of all existing reserves and provisions has been undertaken as part of the accounts closedown process. The proposed changes to reserves and balances are included in Annexe D.

Virement requests

- 5.10 Financial Regulations require formal approval by the Executive of any virement between £0.050m and £0.100m and of virements between departments of any amount. Full Council approval is required for virements over £0.100m. A number of virements have been made since the February Executive meeting which require the approval of the Executive. These have been previously reported to the Corporate Management Team which recommends them for approval. They have been included in the Quarterly Service Reports. Details of the virements are set out in Annexe E.

6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERSBorough Solicitor

- 6.1 There is nothing to add to the report.

Director: Resources

- 6.2 The financial implications of this report are included in the supporting information.

Equalities Impact Assessment

- 6.3 None.

Strategic Risk Management Issues

- 6.4 The Council needs to maintain reserves to aid cash flow and to protect itself from fluctuations in actual expenditure and income. The review of reserves undertaken by the Borough Treasurer ensures that the Council has adequate and appropriate earmarked reserves to manage future risks.

7 CONSULTATION

Not applicable.

Background Papers

None.

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