

**NON EXEMPT**

## **HAVANT BOROUGH COUNCIL**

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**CABINET**

**3<sup>rd</sup> June 2020**

### **2019/20 PROVISIONAL REVENUE AND CAPITAL OUTTURN**

**Lydia Morrison, Chief Finance Officer and Director of Corporate Services**

#### **FOR INFORMATION**

**Portfolio: Portfolio Holder for Finance  
Cllr Leah Turner**

**Key Decision: No**

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#### **1.0 Purpose of Report**

**1.1** This report provides summary information regarding the provisional outturn for 2019/20.

#### **2.0 Recommendation**

**2.1** That Cabinet:

1. Notes the provisional outturn for 2019/20.
2. Notes the proposed transfers to and from Reserves to be actioned by the Chief Finance Officer.

#### **3.0 Executive Summary**

**3.1** All authorities have a legal duty to produce annual accounts, in support of openness and accountability.

**3.2** As a result of the global pandemic and subsequent pressures put on Local Authorities the statutory deadline of 31 May for the draft Statement of Accounts has been changed by central Government and the first draft of the statutory accounts must now be approved by 31<sup>st</sup> August with the final audited accounts published by 30<sup>th</sup> November (previously 31<sup>st</sup> July). Work is progressing and officers are aiming to pass the draft accounts to the external auditors as soon as they are ready.

- 3.3 Despite the challenges posed and a new team being in place, a provisional revenue and capital outturn have been produced. It should be noted that following is only a provisional position at present as the team work on finalising the figures:
- The delay in accounts date from central Government has meant that NNDR3 submission is not due until 31<sup>st</sup> July and therefore figures on the section 31 grant and Levy in respect of the business rates retention cannot be finalised yet and are subject to change.
  - A final check is still being conducted on the figures below and as such this is only a provisional outturn position although the net services position should not change significantly.
- 3.4 This report provides Cabinet with an update on the provisional outturn. and seeks endorsement on certain matters.

### ***Provisional Revenue Outturn Summary***

- 3.5 A summary of the revenue outturn position for the financial year 2019/20 is set out in the following table.

	<b>Final Budget £'000</b>	<b>Outturn £'000</b>	<b>Variation £'000</b>
Net Cost of Services	15,110	14,015	<b>(1,095)</b>
Business Rates, Council Tax and Grants	<b>(14,936)</b>	<b>(15,531)</b>	<b>(595)</b>
<b>Net (Surplus) / Deficit</b>	<b>174</b>	<b>(1,516)</b>	<b>(1,690)</b>

- 3.6 After allowing for various year-end adjustments, there has been a net service underspend of £1.095M against the overall Budget for 2019/20 and a summary statement is included at *Appendix A*. The underspending represents 7.25% of the Council's net service revenue budget.
- 3.7 Variance analysis is provided at *Appendix B*. There are some significant adverse variances which will need to be addressed going forward, to ensure they do not continue. In light of Covid the bad debt provision has been increased which has impacted on Customer Services and this will be continually reviewed to consider the appropriate level required.
- 3.8 The main variances are highlighted in table below:

Variations	£'000
<b>One off</b>	
Meridian - surplus to be transferred to reserves	(127)
Credit of Capita milestones not now achievable as a result of exiting parts of the contract	(537)
Horizon Leisure payment	(950)
<b>Total</b>	<b>(1,614)</b>

- 3.9 Budget shortfalls within services have been largely offset by additional income within Strategic Commissioning with respect to Horizon Leisure, additional property income, additional CIL administration income and additional grants received with respect to Homelessness.
- 3.10 Overall, once funding is taken into account, the outturn position is positive, which is encouraging given the significant financial uncertainty posed by Covid-19 and challenges ahead. The current financial strategy is still based on taking proactive management decisions to save money and maximise income. However, where income targets are set it is essential they are met. More targeted monitoring of income budgets will be needed with more proactive management actions taken where it is found to be under performing.
- 3.11 The results of the outturn will feed into the forthcoming review of the Medium Term Financial Strategy (MTFS) and mid-year budget review, which in turn will lead into the 2021/22 budget setting process.

### ***Reserves and Balances***

- 3.12 The Council's reserves have been reviewed. A full statement is attached at *Appendix C* and the main transfers regarding are highlighted specifically below:
- General Fund Balance – £3.903M transferred from the General Fund into earmarked reserves in particular the majority into a Financial Management Reserve, reflecting the need to ensure the Council is in a position to manage the challenges posed by Covid-19. The transfer from the General Fund leaves a balance of £3.5M in the General Fund which is a prudent amount to manage the Council finances in short term.

- Earmarked Reserve – Movements and drawdown from reserves include the following:
  - General Fund - Earmarked: movement in from previous Legal Reserve of £0.385M and drawdown in relation to previous year's approved carry forwards £0.797M and £0.007M in year transfer.
  - Capital Reserve: – movement into Financial Management Reserve £0.013M to consolidate reserves
  - Financial Management Reserve: movement in from the General Fund Balance as discussed above of £3.581M and additional savings as a result of Capita milestone payments not required as a result of exit from the contract £0.537M. £0.013M from the Capital Reserve to consolidate reserves.
  - Externally Funded Reserve: £0.565M contributions consisting of Flexible Homelessness Support and provision for Front Lawn future obligations of £0.047M
  - Regeneration Reserve: £0.129M income from Meridian to be ringfenced for future regeneration and £0.302M Leigh Park regeneration funding previously held in General Fund Balance.
  - Leisure Reserve: £0.950M from Horizon Leisure Trust to be held for future leisure provision
  - Service Support Reserve: £0.094M with respect to CIL Planning administration income and £0.020M Apex funding to cover projects in Leigh Park area.

3.13 The transfers have already been reflected in General Fund summary position outline earlier, hence Cabinet is asked to endorse them.

3.14 After allowing for these transfers, the Earmarked Reserve Balance at 31 March 2020 amounts to £7.711M. The General Fund Balance amounts to £3.5M.

### ***Carry Forwards of Underspending and Overspending***

3.15 Inevitably each year services have underspends due to the timing of works or commitments not completing before the year end.

3.16 The Chief Finance Officer has reviewed the various carry forward requests from services and due to the financial challenge posed by Covid19 has not approved any carry forward requests for 2019/20.

### ***Capital Outturn***

3.17 *Appendix D* includes a provisional capital expenditure and financing statement for the year, which is summarised in the following table:

**Havant Borough Council**  
Capital Programme Summary

	2019/20 Revised Budget Feb 20 £ (000)	2019/20 Provisional Outturn £ (000)	2019/20 Variance £ (000)
Housing	1,628	714	(914)
Operational Land and Buildings	0	6,158	5,787
IT Equipment	214	109	(105)
<b>Total Capital Programme</b>	<b>1,842</b>	<b>6,981</b>	<b>4,768</b>

	2019/20 Revised Budget Feb 20 £ (000)	2019/20 Provisional Outturn £ (000)	2019/20 Variance £ (000)
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**Funded By:**

REFCUS (Revenue funded as Capital under Statute)	0	714	714
External Grants & Contributions	1,628	1,413	(215)
Use of Specific Reserves	214	109	(105)
Use of Capital Receipts	0	353	353
Borrowing Requirement	0	4,392	4,392
<b>Total Funding</b>	<b>1,842</b>	<b>6,981</b>	<b>5,139</b>

3.18 During the year the purchase of the Meridian Centre and various Coastal scheme projects reflected the Capital spend within Operational Land and Buildings.

**Performance Against Corporate Strategy**

3.19 *Appendix E* provides an overview of the Council's performance for the year against the key priorities within the Corporate Strategy and which forms the basis of the Narrative Summary for the draft Statement of Accounts.

**4.0 Additional Budgetary Implications**

4.1 None.

**5.0 Background and relationship to the Corporate Strategy and Directorate Business Plan**

5.1 This report provides Members with an update on the Council's performance against the Corporate Strategy.

5.2 Reporting of the outturn and completion of the Statement of Accounts forms part of the Directorate Business Plan.

**6.0 Options considered and reasons for the recommendation**

6.1 None.

## **7.0 Resource Implications**

7.1 Financial Implications – as set out in the body of the report.

7.2 Human Resources Implications – none.

## **8.0 Legal Implications**

8.1 None.

## **9.0 Risks**

9.1 The outturn has yet to be finalised and audited and until that process is completed the outturn is still provisional. Any material changes impacting on the outturn will be reported to Members following the completion of the audit.

## **10 Consultation**

10.1 None.

## **11 Communication**

11.1 None.

Appendices:

Appendix A – Provisional Summary Revenue Outturn  
Appendix B – Variance Analysis  
Appendix C – Reserves and Balances  
Appendix D – Provisional Capital Outturn  
Appendix E – Performance Against Corporate Strategy

Background Papers: None.

Agreed and signed off by:

Monitoring Officer: 26.05.20

S151 Officer: 26.05.20

Director: 26.05.20

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