

CABINET

DATE OF MEETING: 3 SEPTEMBER 2020

TITLE OF REPORT: 2019/20 OUTTURN POSITION

Report of: Head of Corporate Services & Section 151 Officer

Cabinet member: Councillor James Radley, Deputy Leader and Finance

1 PURPOSE OF REPORT

- 1.1 This report contains details of the final position on the Council's net expenditure for 2019/20.
- 1.2 The Council's Overview and Scrutiny Committee reviewed this report and made requests for additional explanations. These are provided in Appendix 1 to this report.

2 OFFICER RECOMMENDATIONS

- 2.1 That Cabinet note the 2019/20 outturn position, including the underspend of £847K after transfers and accounting adjustments for the General Fund Revenue Account.
- 2.2 Further, that Cabinet endorses the approach that the £847K be used to increase the General Fund Reserve.
- 2.3 That Cabinet approves the carry forward of the unspent revenue budgets as detailed in paragraph 6.

3 TIMETABLE

- 3.1 The draft Statement of Accounts has been produced by the accountancy team at Mendip District Council. The deadline for publication of the draft statements is the 31st August 2020. Hart District Council are planning on publishing their statements week commencing 24th August 2020.
- 3.2 The Audit Committee is due to receive the audited Statement of Accounts together with the Annual Governance Report for signing and approval at its meeting in November 2020.

4 PROVISIONAL REVENUE POSITION

- 4.1 When the Council set its budget for 2019/20, it anticipated that the result would be a balanced budget; In the event the total underspend on services after adjustments and transfers is £847k.

- 4.2 The following table shows the revenue position for all service areas at the end of March 2020 after carry-forwards and before accounting adjustments required to prepare the Statement of Accounts.

Service Area	Original Budget £'000	Period11 Forecasted Expenditure	Year End Actuals	Performance against Budget	Performance against Forecast
Corporate Services	4,747	4,621	4,625	(122)	4
Community Services	2,148	2,170	1,776	(372)	394
Place Services	1,655	1,940	1,955	300	15
Environment and Technical Services	3,709	3,704	2,452	(1,257)	(1,252)
Other operating expenditure and Financing and Investment Income, Adjustments and Transfers	3,246	3,246	3,850	604	626
Totals	15,505	15,681	14,658	(847)	176

4.3 Corporate Services

Whilst Corporate Services does not have a significant variance against original budget or forecast the total number does include some variances of note. Within total actual expenditure are four key elements of note, amongst other smaller variances:

- Significant underspend of £847K against budget on garden communities due to delay in project.
- Additional costs of £484K compare with budget incurred in the novation of the Accountancy, HR, and Payroll contracts.
- Additional costs of £93K relating to the purchase of the Pavilion, this project was not planned when the budget was set.
- Additional costs of £62K relating to Covid-19 which is made up software, IT equipment and mobile telephones.

4.4 Community Services

The underspend against budget is due to two additional grants received, one of £287K for Social Inclusion and £123K of additional S106. contributions for affordable housing

4.5 Place Services

The reduction in service expenditure of £300K is made up of a reduction of planning income of £265K and many very small underspends and overspends.

4.6 Environmental and Technical Services

Much of the underspend in this area was due to additional income received from the waste contract of £665K and a further £142K saved on the waste contract by round changes.

4.7 Other Operating Expenditure and Financing and Investment Income

This balance is made up of depreciation charges, pension provision requirements and other accounting adjustments required as year-end adjustments.

5 CAPITAL POSITION

- 5.1 Total capital spending in 2019/20 was £9,283k, an overspend of £5,532K against the approved budget of £6,995k. The following table summarises the position by service area. The table overleaf provides the expenditure by service area:

	Approved Budget	Actual Expenditure	Variation
	£000	£000	£000
Corporate Services	497	7,406	6,909
Community	530	1,256	726
Place	0	40	40
Environment and Technical	2,724	581	(2,143)
Total capital programme	3,751	9,283	5,532

- 5.2 The key variances in the table above are provided below by service area:

5.2.1 Corporate Services

The significant variation is due to the deposit paid on the commercial development at Edenbrook and the purchase of the Pavilion offices in Southampton.

5.2.2 Community Services

The variation in expenditure is due to overperformance on the delivery of Disabled Facilities grant. This was expected and was funded by previous year's carry forward creating an earmarked reserve.

5.2.3 Place Services

During the year, an opportunity was provided to purchase the MFDs (multi-functional devices for scanning, photocopying, and printing) rather than leasing. A value for money decision demonstrated it was better value to purchase.

5.2.4 Environment and Technical Services

There is a significant underspend of £2.1m in this service area. Most of this underspend is made up of four key projects:

- Bramshott Country Park underspent by £1,044K due to delays in delivery caused by adverse weather.
- A budget of £220K was provided for waste vehicles which was not spent in year.
- There were delays in delivering the Edenbrook Skate and Bike Part which had a £220K budget allocated to it.

- Budgets were set aside to deliver £268K of works which will now be delivered as part of the Green corridor project so were not delivered in year.

6 REVENUE BUDGET CARRY FORWARDS

- 6.1 Officers have requested that several unspent budgets in 2019/20 are carried forward to the current year to allow them to complete planned expenditure programmes. The amounts requested to be carried forward are detailed below and have been included in the draft statement of accounts provided to the external auditors. The Head of Corporate Services is happy that these are justified slippages.

Type of Expenditure	Amount £'000	Reason
Rural Payments Agency grant funding	28	Funding arrived very late in year and adverse weather prevented expenditure.
Underspend across budgets	7	To contribute to an electric vehicle for the Dog Warden
S106 and SANG criteria	2,048	S106 Developer Contributions
Central Government Funding	547	Earmarked Grant Funding arriving late in year.
Roundabout Sponsorship	47	Additional income
Council Chamber – upgrade of AV equipment to allow streaming	50	Unspent funds
Unspent requirement to deliver overflow at Fleet pond	369	Unspent funds approved by Cabinet July 18

7 GENERAL FUND RESERVE

- 7.1 The General Fund Reserve at 31 March 2019 was £5,537K. This is a modest balance and necessary because there is still much uncertainty around future financial settlements from the Government. The General Fund Reserve is further supported by earmarked reserves of approximately £16m at year end. These reserves have been put in place to enable further financial protection and stability and to fund key projects such as our SANGs, provide protections against reductions in business rates income and provide the IT infrastructure and digital transformation for the Council.

- 7.2 A summary of the estimated movement on the Hart General Fund Balance is:

	£000
Balance at 1 April 2019	5,537
Underspend on service budgets transferred to general reserve after accounting adjustments	847
Balance at 31 March 2020	6,380

The above table reflects the opening balance at 1 April 2019, the underspend in year which has been transferred to General Fund in 2019-20; and the closing General Fund balance for 2019-20.

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BACKGROUND PAPERS

APPENDIX 1 – Capital Budget Monitoring

Appendix One

The purpose of this Appendix is to address a number of the queries raised as the Overview and Scrutiny Committee meeting held on the 18th August

Capital Budget Monitoring

The detailed Capital Budget monitoring table has been provided below:

Description	Budget 2019/20	Year End Position 2019/20		Notes
	Original Budget	Actuals	Variance	
IT Upgrade	497,170	0	-497,170	No spend has occurred as yet. It has been deferred into the 2020/2021 financial year.
Investment Property (Edenbrook Apartments)	0	755,368	755,368	Executive Decision and has since been reported to Council.
Frogmore Leisure Centre Investment	0	367,537	367,537	Executive Decision taken by Joint Chief Executives and S151 to improve and develop
The Pavilion, Southampton	0	6,283,095	6,283,095	Purchased was made by Executive Decision and has since been reported to Council.
Capital Corporate Services	497,170	7,406,000	6,908,830	
Disabled Facilities Grant (DFG) - Mandatory	500,000	926,673	426,673	Needs based expenditure - overspend this year but is funded from reserve underspend in prior years.
Private Sector Renewal	30,000	5,154	-24,846	Needs based and requests for assistance has been reduced in 2019/2020.
Grants for Affordable Housing	0	325,000	325,000	Council decision – funding granted by Council to Vivid to purchase a bungalow for disabled adaptation.
Capital Community Services	530,000	1,256,827	726,827	
Dog Warden Van	0	0	0	£13k initially allocated but insufficient to purchase new van. Top up funding to be arranged to allow for purchase in future financial years.
Printers/ Photocopiers	0	39,440	39,440	Did not have an original budget but it was decided by S151 and Joint Chief Executives that this was a good idea to purchase as less costly than current leasing arrangement – net saving l.
Regulatory Services (now renamed Place services)	0	39,440	39,440	
Odiham Common	6,000	0	-6,000	£6k of work carried forward into later financial years due to timing of the work and adverse weather conditions meant that the work could not occur.

Fleet Pond Visitor Enhancement	106,000	0	-106,000	£106k of work deferred as it will form part of the green corridor project.
HW Cent Common Enhancements	17,000	0	-17,000	£17k of work carried forward into later financial years due to timing to do the work and adverse weather conditions meant that the work could not occur.
Bramshot Farm	1,312,750	269,025	-1,043,725	£1,044k of work delayed into future financial years due to timing and adverse weather conditions.
Phoenix Green, Hartley Wintney	21,500	7,180	-14,320	£14k of work to carry forward into future financial years. Only the work that is to be done in year will be shown in the budget and not the whole budget as is in this financial year.
Mill Corner, North Warnborough	35,030	6,510	-28,520	£29k of work to carry forward into future financial years. Only the work that is to be done in year will be shown in the budget and not the whole budget as is in this financial year.
Church Road Car Park Improvements	0	13,892	13,892	£14k of additional works carried over from the prior year for extension of electric charging bays and BT alterations to their plant in the car park and finally the last valuation fees and safety audit.
Kingsway Flood Alleviation Scheme	109,500	34,502	-74,998	£69k of work to carry forward into future financial years. Only the work that is to be done in year will be shown in the budget and not the whole budget as is in this financial year.
CCTV Upgrade	34,000	0	-34,000	£34k of work to carry forward into future financial years as project to renew/ add cameras was put on hold pending review.
S106 Leisure Parish	6,780	31,410	24,630	Spend is dependent upon Parish needs and available funds. £25k of additional spend in this year.
Fleet Pond Nat Reserve	12,000	0	-12,000	£12k of work deferred as it will form part of the green corridor project.
Fleet Pond Access Track	140,320	0	-140,320	£140k of work deferred as it will form part of the green corridor project.
Hazeley Heath Grazing Project	80,000	2,250	-77,750	£77k of work to carry forward into future financial years due to delay awaiting DEFRA decision about approved fencing types.
Hazeley Hth, Dilly Ln Notice Boards	15,000	6,365	-8,635	£9k of work to carry forward into 2020/2021 to finalise the work.
Hazeley Hth Access Improvement	77,000	23,626	-53,374	£53k of work to carry forward into future financial years. Work delayed by available time to do the work and adverse weather conditions.
Hartley Wintney Central Common Access Improve	80,000	0	-80,000	£80k of work to carry forward into future financial years. Work delayed due to adverse weather.
Hartley Wintney QEII Fields	35,000	31,612	-3,388	£3k of work to carry forward into future financial years to finalise the project.
Edenbrook Country Park Play Tree	30,000	0	-30,000	£30k of work to carry forward into future financial years due to late adoption of the site.
Edenbrook Country Park History Walk	20,000	0	-20,000	£20k of work to carry forward into future financial years due to late adoption of the site.
Service Vehicles	0	5,673	5,673	£6k additional spend from an under accrual from last financial year.

Edenbrook Country Park - Skate/Bike Park	220,000	0	-220,000	£220k of work to carry forward into future financial years due to late adoption of the site.
Edenbrook Country Park - Teen Health	65,000	0	-65,000	£65k of work to carry forward into future financial years due to late adoption of the site.
Edenbrook Country Park - Visitor Improvements	73,000	0	-73,000	£86k of work to carry forward into future financial years due to late adoption of the site.
Fleet Pond Fencing	35,000	16,310	-18,690	£19k of work to carry forward into future financial years. Work was done in 2019/2020 but quality is unsatisfactory and so may need to be re-done. The work will be re-done or rectified in 2020/2021 (no further cost to the Council).
S106 NEHTS Parish	3,000	7,564	4,564	Executive Decision. Funding used to aid crossing at Ancells Farm with HCC. £5k above budget.
Refuse Vehicle Purchase	183,000	80,537	-102,463	£102k underspent this year but this may be spent in future financial years.
Replacement CEO handheld units	7,700	7,694	-6	Decision to purchase the new handheld was made during the 2019/2020 financial year when old units no longer functioned. This was approved by council. These were funded from savings in both HAPKOF and HAPKON revenue budgets.
Fleet Pond Green Grid Engineering	0	37,695	37,695	Work began towards the end of the 2019/2020 financial year. There is more work to do in future financial years and will be funded by M3 LEP grant and £500k S106 contributions from Hartland Park.
Capital Environmental and Technical Services	2,724,580	581,847	2,142,733	
	3,531,750	9,284,115	5,532,365	

At the Overview and Scrutiny Committee meeting specific reference was made to the underspends on Bramshot Farm and Fleet Pond. The Countryside Manager has confirmed that some works on Fleet Pond were delayed in order to take advantage of the Green Corridor engineering work funding by M3LEP and that these are now in progress. With respect of Bramshot Farm, the original capital budget was highly ambitious for the year and the works that did not take place in 2019/20 have been moved forwards into future years. This is noted for future budgeting purposes and in 2021/22 capital budgets will be based on deliverability at the Council.

Revenue Monitoring Net Service Expenditure Reconciliation

Since the budget was agreed by Council in Feb 2019, there has been a restructure of services within the Council. Officers have therefore prepared some additional information below both to reconcile to the original budget set and to also provide details of the variances.

The report itself reports variances after all of the year-end adjustments and recharges have been done. Examples of this are internal recharges and applications of credit notes.

The below table does look different from the expenditure after all of the year-end adjustments reversed out but the purpose of it is to provide the main variances which are not later reversed out. However this has been designed to inform Members of the key variances

in year which are then not adjusted out through accountancy recharges like for example the large waste income number is then adjusted out as year-end credit note when preparing the accounts.

	Budget	Actual	Variance
Corporate Services	4,899	4,652	-247
Community Services	990	528	-462
Place	1,610	1,543	-67
Technical and Environmental Maintenance	2,327	2,256	-71
	9,826	8,979	-847

The key variances on a net expenditure level are detailed below. Please note this will be different from the information in the report due to accounting adjustments, gross expenditure, recharges and transfers.

Charges to exit Capita services	484
New Settlement - Expenditure removed from budget	-856
Additional revenue Investment in Frogmore	129
Domestic Abuse Grant - Additional income	-462
Waste Contract - round changes and other savings	-200
SANGS revenue costs which couldn't be capitalised	130

I have also provided an explanation of the line in the main report titled Other operating expenditure and Financing and Investment Income, Adjustments and Transfers so that Members can understand what is included within that line.

Other Operating Expenditure - This is where we enter the accounting profit or loss on disposals of the Authority's Fixed Assets.

Financing and Investment Income – This is our investment income which in 19/20 was approximately £420K. This was above budget (£220K) but as detailed in our Treasury Management Strategy remains at much lower levels than enjoyed a number of years ago.

Adjustments and Transfers – These adjustments relate to cost of depreciation and adjustments required to comply with the pensions accounting standard and internal recharges. There are also adjustments here made for late accruals, credit notes and carry forwards.