

## CABINET

15 June 2021

### REVENUE AND CAPITAL OUTTURN REPORT

#### Report of the Strategic Director for Resources

Strategic Aim:	All	
Key Decision: Yes	Forward Plan Reference: FP/100521	
Exempt Information	No	
Cabinet Member(s) Responsible:	Cllr K Payne, Portfolio Holder for Finance, Governance and Performance	
Contact Officer(s):	Saverio Della Rocca, Strategic Director for Resources (s.151 Officer)	01572 758159 sdrocca@rutland.gov.uk
	Andrew Merry, Finance Manager	01572 758152 amerry@rutland.gov.uk
Ward Councillors	N/A	

#### DECISION RECOMMENDATIONS

That Cabinet:

- a) Notes the provisional outturn (subject to audit and finalisation of business rates figures) on the revenue budget and updated capital programme
- b) Approves budget carry forwards of £596k as per para 3.5.3 (b)
- c) Approves transfers to reserves of £631k as per para 3.5.3 (b)
- d) Approves of £408k funding to cover new service pressures as per Appendix E2
- e) Recommends to Council approval of 21/22 budget adjustments for new grant income of £1.567m and planned expenditure of £1.458m as per Appendix E1.
- f) Recommends to Council the setting up of one new reserve for donations received as detailed in section 3.5.3.
- g) Notes potential future pressures highlighted in Appendix G
- h) Notes changes to the capital programme as per Section 4 and Appendix F

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| <p>i) Notes the revised MTFP in Appendix I (which assumes that Cabinet/Council will approve decisions recommended in this report and the Budget Savings report 64/2021)</p> <p>j) Notes that view of the Council's s151 Officer that the positive outturn position does not change the financial challenge facing the Council and that action is needed quickly to reduce reliance on reserves</p> |
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## **1 PURPOSE OF THE REPORT**

1.1 To inform Cabinet and all Members of the:

- provisional revenue and capital outturn for 20/21 including the impact of COVID-19 on the Council's finances;
- latest position on the 21/22 budget;
- latest Medium Term Financial Plan position including the financial gap.

1.2 In advising Members of the latest position, the report also seeks approval for various funding transfers and budget adjustments that fall within their remit as per the Council's Financial Procedure Rules (FPRs).

## **2 OVERALL POSITION AND KEY MESSAGES**

### *Outturn*

2.1 2020/21 has been a year like no other. In normal times, assessing financial performance against a budget is a good barometer of financial management. During a year hit significantly by the pandemic, it feels less effective as starting point budgets feel less reliable with underlying assumptions subject to greater volatility.

2.2 When the Council approved its budget in February 20/21, it did not anticipate the onset of the Covid-19 pandemic and the impact it would have on the work of the Council during the year. At budget setting time, the Council knew it had a financial gap and a key priority for the year was to develop plans to close the gap alongside developing other key priorities and business as usual. The Pandemic not only changed the focus of Council work but had a significant impact on finances, the work of the Finance team and that of budget managers.

2.3 The Council has faced enormous costs during the pandemic, ranging from providing additional support to Care providers and other key suppliers, significant income losses as services have been largely closed and providing support to individuals through food supplies, self-isolation compensation and family support. Alongside Covid pressures, there have been service pressures due to the adverse winter weather, increases in legal costs through SEN cases and additional grounds maintenance work. The Council has managed to cover the additional costs of c£4.7m through additional grants received, the remainder of which will be retained to keep services going into next year as the pandemic continues.

- 2.4 Organisationally, the redeployment of staff and diversion of activity has reduced business as usual capacity, slowing down delivery of some projects and halting some permanent recruitment in light of the need for saving but also as teams pause to consider what might be right for the future. This change of focus alongside the closure of Catmose and other Council services, at the same time as a move towards a virtual offer in other areas have produced welcome savings. One of the biggest positive budget impacts comes from the reduction in demand for key services totalling over £1m. The Council considers this a one off, rather than an ongoing saving it can “bank” now with unmet need in the community very likely to emerge post pandemic.
- 2.5 The upshot of the above issues, means that through additional Government support, favourable trends and prudent management, the Council has come out of the year in a positive financial position and is projecting a provisional underspend of c£2.245m (c£408k of this will be needed to fund ongoing pressures not in the 21/22 budget next year).
- 2.6 Whilst this is a positive picture, there is the issue of what it means in the context of our medium-term financial future. At 21/22 budget setting, the Council explained that the risk environment within which it was working was changing with the level of risk and uncertainty increasing. With future funding unclear, Government reforms still pending and the impact of the pandemic on services unknown, the Council’s position remains challenging.
- 2.7 The positive outturn position increases reserves and gives us additional funding to help during 21/22 which could allow the Council to continue to meet the financial gap through use of reserves for longer. As reported at budget setting, this is poor practice and cannot continue indefinitely but given the work required to close the gap any additional time is welcome.
- 2.8 The outturn itself does not directly impact the medium-term financial position since:
- The vast majority of the underspend this year does not arise from business as usual service activity – if it did then the Council might be able to reduce future budget accordingly but this is not the case. Where this is the case then savings have been either included in the 21/22 budget already or are included in the Budget Savings report to be considered at July Council;
  - The underspend does not alter the view that service budgets continue to come under pressure and are vulnerable to additional demand e.g. social care, homelessness, legal, Special Educational Needs;
  - The size of the projected financial gap (£2.7m) does not change because of the underspend – only permanent funding changes or change in the service offer leading to budget reductions will do this.

#### *Future Outlook*

- 2.9 The MTFP in Appendix I brings together the positive outturn with the latest budget position for 21/22. It assumes that Council and Cabinet will take decisions as recommended including proposed savings, transfers and new pressures.

- 2.10 The MTFP shows that the 21/22 position is improved with a projected deficit although much of this is because the Council has proposed better use of earmarked reserves rather than big reductions in spending.
- 2.11 The outlook remains serious. Great uncertainty still looms large over the financial position as exemplified by the list of pressures and uncertainties highlighted in Appendix G. The two important points to note are that:
- The projected deficit for 22/23 is £2.3m compared to £2.9m at budget setting;
  - The Council will run out of General Fund reserves by 26/27 (compared to 24/25 at budget setting).
- 2.12 The Council has identified future savings projects but the initial diagnosis is that delivering significant savings will be challenging. The approach to closing the gap will have to be reconsidered alongside the Future Rutland Conversation and the development of a new Corporate Plan.
- 2.13 The remainder of this report shares the detail of the outturn and other important updates.

### 3 2020/21 REVENUE OUTTURN

#### 3.1 Background

3.1.1 This section sets out the Council's outturn position. It includes:

- A summary of the revenue outturn for 20/21 (3.2)
- A summary of the position by Directorate (3.3)
- A summary of the use of Covid-19 grants (3.4)
- Details of ring fenced and un-ringfenced amounts unspent to be carried forward for future use (3.5)
- An explanation of how the outturn links to the statutory accounts (3.6)

#### 3.2 Overall position against budget

3.2.1 The last budget presented as part of the Q3 Financial Management Report (27/2021) has been amended with changes detailed in Appendix A. The outturn position is shown below.

	<b>Revised Budget</b>	<b>Q3 Forecast Outturn</b>	<b>Q4 Outturn</b>	<b>Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
People	19,139	19,058	18,347	(792)
Places	13,430	14,540	13,677	247
Resources	7,471	7,471	7,295	(176)
<b>Directorate Totals</b>	<b>40,040</b>	<b>41,069</b>	<b>39,319</b>	<b>(721)</b>
COVID Costs	4,988	2,118	1,824	(3,164)

	<b>Revised Budget</b>	<b>Q3 Forecast</b>	<b>Q4</b>	<b>Variance</b>
	<b>£000</b>	<b>Outturn</b>	<b>Outturn</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
COVID Grants	(4,988)	(4,223)	(4,988)	0
Pay Inflation	98	0	0	(98)
Needs Management	130	0	0	(130)
<b>Net Cost of Services</b>	<b>40,268</b>	<b>38,964</b>	<b>36,155</b>	<b>(4,113)</b>
Depreciation	(2,344)	(2,344)	(2,344)	0
Capital Financing	1,647	1,647	1,647	0
Interest Receivable	(300)	(254)	(256)	44
<b>Net Operating Expenditure</b>	<b>39,271</b>	<b>38,013</b>	<b>35,202</b>	<b>(4,069)</b>
Financing	(38,619)	(38,660)	(38,952)	(333)
Transfers to/(from) reserves	(716)	(385)	1,518	2,234
Revenue Contribution to Capital	77	44	0	(77)
<b>(Surplus)/Deficit</b>	<b>13</b>	<b>(988)</b>	<b>(2,232)</b>	<b>(2,245)</b>
<b>General Fund 1 April 20</b>	<b>(9,276)</b>	<b>(9,276)</b>	<b>(9,276)</b>	
<b>General Fund 31 March 21</b>	<b>(9,263)</b>	<b>(10,264)</b>	<b>(11,508)</b>	

Figures shown in brackets denotes income/surplus position

- 3.2.2 The Council are showing a surplus position of £2.245m. This can be explained by an underspend on the Covid cost centre of £3.1m (£2.5m of costs are charged outside of the Cost Centre and the note below explains the full position against Covid funding) and a net underspend of £949k on Net Cost of Services (excluding the Covid Cost Centre). This gives a total underspend of just under £4.1m which is offset by transfers to reserves of £2.2m for funds to be used in future years - budget carry forward requests of £596k for ongoing projects (e.g. waste, leisure) and Ring Fenced Reserve transfers of £1.32m (specific Covid grants - £641k, Better Care Fund - £527k, Public Health - £156k) plus c£210k transferred to the repairs reserve to cover growing compliance/condition works across the Councils Property Estate. This gives a net position of £1.9m and additional BCF grant from the CCG received at the end of the year gives a position of £2.2m surplus.
- 3.2.3 The Directorate position of £721k underspend does not paint the full picture of what is happening within service budgets. Across the Council there are significant underspends of £3.66m made up:
- Staffing underspends (from vacancies) of £978k – some of them are required for savings specified in the 21/22 approved budget and others have been put forward as new savings in the May Cabinet report. Other vacancies relate to areas which will be subject to review as part of future budget work. In some areas, the Council has brought in temporary staff as noted in the overspends below to avoid bringing in permanent staff. Some key areas where vacancies have been are Business Support £138k, HR £66k, Revenues £45k, Contract & Procurement £67k, Early Intervention (Universal & Partnership) £66k, Places Directorate Management £102k, Economic Development £52k.

- b) Project underspends (£519k) where projects are ongoing and the full allocation of funds has not yet been spent e.g. Procurement Projects (£130k), Local Plan (£210k), Customer Services Improvements (£150k) and Early Years Training (£27k)
- c) Underspends against ring fenced funding – Better Care Fund £168k where there have been delays on some projects and demand led Public Health spending, £157k.
- d) One off budget underspends across a range of areas, some of which are Covid related - £695k. Property Services £157k for saving on utilities/repairs on building that have been closed, Tarmac overheads of £152k as the capital budget has picked up the bulk of overhead costs, Insurance services £17k as more recharges have been made to commercial properties, cemetery income £31k with more plots being sold, Public rights of way of £53k as more costs have been capitalised major works, Health & Safety of £33k as we have moved to in house provision, Library savings of £22k with closure saving running cost and delays in delivering Highways works £44k. In some of the above cases e.g. health and safety and public rights of way, the 2021/22 budget has been adjusted or savings proposal included in this report. Where underspends denote a new trend, then Council can look to rebase budgets in the future.
- e) Additional grants received of £73k. £47k Individual Election Reform and £26k Homelessness.
- f) Reduced need for demand led budgets £1.073m - Adult Social Care £788k where individuals have been at home and relying more on families/other network reducing the need to access care, Early Help of £150k where the Council has maintained a virtual offer but closed some of its buildings e.g. Jules House, Concessionary Travel £115k with individuals travelling less due to lockdown and Pool Cars - £20k. In all of the above cases, it is too early to say whether under spends reflect a permanent change in need.

3.2.4 The underspends are offset by additional costs of £2.7m relating to:

- g) Additional Covid-19 expenditure £2.043m including some temporary staff £379k, IT equipment £127k, fee income losses £926k (£460k Parking, £171k Highways, £84k Registrars, £75k Day Opportunities, Court Income £36k), extra audit costs for remote audit of £35k, £170k of support for SLL following closure of leisure facilities through the pandemic and additional costs relating to the reopening of the household waste recycling centre £115k.
- h) Non-Covid related costs of £664k relating to Legal Services £107k as casework including SEN continues to increase, UCC Start Up costs £27k (Funded from Reserve), an increase in tonnage of waste collected and recycled £169k, Agency Staff £89k to cover some of vacancies highlighted above, Grounds Maintenance £139k for additional verge cuts and some other items (costs which have now been built into the 20/21 budget) and Winter Maintenance £32k following the significant rainfall in and around Christmas.

3.2.5 The position has changed from that reported at Quarter 3 at directorate level by £1.750m of which a movement of £731k is being requested to transfer to reserves. Whilst movements in forecast are normal between quarters, the level of this

movement is unusual but indicative of the many difficulties experienced in forecasting during the pandemic. The pandemic has not only impacted budgets directly (e.g. income budgets) but also indirectly as Officer time was diverted to responding to the pandemic, business as usual activity including projects and recruitment slowed down resulting in less spend.

3.2.6 The table below shows some of the key movements, the assumptions made by managers and whether they have held true.

Area	Comment	Amount
ASC Demand	Council expected demand to return in the final quarter but with the lockdown, additional deaths and people being house bound and reliant on family and other networks, this demand did not materialise.	£300k
Children's social care	Expected demand did not materialise in the final quarter including one complex case	£120k
Elections	Individual Electoral registration grant received which was not expected.	£47k
Business Support	Vacancies within the last quarter £8k, further reduction in printing, postage and stationery £31k. Staff were asked to reduce usage and this has been achieved.	£39k
St Georges (ROPE)	Council was anticipating legal fees which were shown as a pressure at Q3 as the Council were awaiting confirmation on Garden Community Funding. Delays in the local plan/HIF, resulted in no legal fees, the Garden Communities Funding has now been confirmed and forms part of the budget changes for 21/22.	£40k
Commercial Properties	<p>The rental levels stayed consistent, but the expectation was that the Council would have more void units as government support relaxed but it continued past Christmas with even more grants. The Council have also charged a rental for the Testing Centre to use a Unit we thought would be void. We did not know this when the Q3 report was written.</p> <p>Lower than expected utilities, repairs etc as less businesses were on site as they were not operating due to Government Restrictions.</p> <p>Provision for bad debts was reviewed at the year end and resulted in returning c£100k from the provision. The main reason for this return was in 2019/20 the Council anticipated higher voids and debts as a result of the Pandemic; this assumption proved pessimistic and the actual position significantly better. Continuation of business grants could be a factor here.</p>	£156k

<b>Area</b>	<b>Comment</b>	<b>Amount</b>
Highways Works	The Councils main contractor had staffing issues which caused delays in works being completed	£23k
Safety Partnership	LCC notified RCC early in the financial year that additional contributions would be needed to compensate income in relation to the Safety Partnership. Subsequently LCC have been able to include the losses as part of the Sales, Fees and Charges losses claim thereby reducing contribution required from RCC. Good news but would have been nice to be told sooner.	£50k
Transport	Transport relating to Demand Led Services (Adults, SEN, Children Social Care) all reduced, matching the fall in demand for core services.	£34k
Tarmac Overheads	In the final quarter, Tarmac confirmed the split of overheads on works with a greater proportion charged to Capital giving a Revenue saving.	£56k
Planning Income	A higher number of planning applications than expected received in the final quarter.	£94k
<b>Total</b>		<b>£959k</b>

3.2.7 The table above only includes movements between Q3 and Q4 which impact the surplus achieved. There were other grants and income received in Q4 which were not anticipated but as these grants, where unspent, have been transferred to reserves to be spent in future years they do not impact the overall position. For example, the CCG contributed an additional £300k to the BCF during Q4. This is shown as an “underspend” at Q4 but a transfer to earmarked reserves of the same value means it is cost neutral.

### **3.3 Directorate position**

3.3.1 The Directorate forecasts are detailed in Appendix B. Over and underspends have been split, where possible, according to whether they are COVID-19 related. Where there are other risks that are causing overspends outside of COVID-19, these are discussed in Appendix G.

### **3.4 Use of COVID funding**

3.4.1 The Total amount COVID grants received is £4.988m of which general COVID grants make up £2.310m including £874k received in late 19/20, of which £848k was unused as at 31st March and transferred to an Earmarked Reserve. This reserve will be drawn down in 2021/22 as per Budget Report (17/2021). On top of the general funding, there has been specific funding for various initiatives. A full breakdown is given in Appendix D.

3.4.2 Costs associated with COVID-19 are shown in a separate cost centres but some are also shown in Directorate budgets. Appendix C gives more information on the covid position including grants and expenditure coded directly to directorates. The overall



position shows that the grants from Government are sufficient to cover all 20/21 costs. There will also be £641k transferred to reserves to help meet future costs associated with the pandemic. A summary of the Covid position on the Outturn figures is shown in the table below.

	£000	Notes
<b>Additional costs</b>		
Directorates	1,049	Costs charged against Directorate service budgets as explained above. This does not include £228k of expenditure funded by grants posted direct to directorates
Lost Income	926	Lost income from Council services during the pandemic compensated for by grant
Additional Staffing Costs	434	Additional Staffing Costs to assist the Council in responding to the Pandemic
Sub total	2,476	
Covid cost centre (see <b>Appendix E</b> )	1,826	Covid specific expenditure including ring-fenced grants (e.g. infection control fund) charged directly to specific projects
Lost Investment Income	44	Reduced investment income due to interest rate movements
Sub total	1,871	
<b>Total costs</b>	<b>4,347</b>	
Grants	4,988	Includes anticipated grant income for lost income This does not include £228k of grants posted direct to directorates
<b>Total 20/21 net impact</b>	<b>(641)</b>	
<b>Unused Grant to Reserve</b>	<b>641</b>	The unused grant will be carried forward to use in 21/22
<b>Impact on Surplus/Deficit</b>	<b>0</b>	

### 3.5 Transfers to/from Reserves

3.5.1 The transfer to/from outturn reserves figures, represent various issues:

- The outturn on planned transfers agreed in the 20/21 budget. Where there are figures in the budget column, the table shows the actual position.
- New transfers to/from reserves requested by Officers. Within the outturn position, Officers have provisionally made decisions about transferring general funds to reserves that now require approval.

3.5.2 Ring fenced funds can be transferred automatically as per the Financial Procedure Rules.

Reserve	Commentary	Budget	Outturn	Approval required
<b>NB: numbers in brackets represents transfers from reserves.</b>		<b>£000</b>	<b>£000</b>	
Budget Carry Forwards	Approved budget Carry Forwards from 2019/20 (approved by Cabinet in Report 84/2020)	(285)	(285)	
Invest to Save – return of investment (Green Waste)	Repayment of year 1 investment for implementing Green Waste Charging	27	27	
S106 – Bus Route Contribution	Drawdown of s106 for the running of the Oakham Hopper Service.	(35)	(35)	
Highways (Drainage Works)	Deliver additional drainage remediation works.	(30)	(30)	
Invest to Save (Procurement Projects)	Investment in procurement projects (Waste, Highways and Leisure)	(153)	(153)	
NNDR	Use of NNDR reserve to smooth the impact of Business Rates income.	(139)	(139)	
Budget C/Fwd to 21/22*	Budget carry forward requests to deliver projects already underway in 20/21 (see 3.5.2 for more detail).		596	Yes
SEN Provision start up contribution	Draw down part of Contribution of £200k agreed in report (71/2019)		(27)	N/A
Covid Grants*	Un-ringfenced Covid support grant not spent in year to be used to meet any Covid expenditure demand in 21/22. The total transfer is £640k with the non-ringfenced contribution below.		397	Yes
Repairs Reserve	There are a number of compliance / condition works that the Councils Property Estate requires to ensure that it remains safe for people to access. The Property Team are currently working on establishing the extent of the works required. The underspend on Property Services and Commercial Properties is proposed to be transferred to the repairs reserve and drawn down as the programme evolves.		214	Yes

Reserve	Commentary	Budget	Outturn	Approval required
<b>NB: numbers in brackets represents transfers from reserves.</b>		<b>£000</b>	<b>£000</b>	
	The high-level timeline for this is progress update August, ahead of Q2 Finance Report and full identified position included within the Q3 Finance Report.			
RALS	The Government changed the policy regarding the Adult Education Budget in March 2021. The change requires that if providers of further education do not deliver 90% of their budgeted provision then the difference would be reclaimed by the DfE. Clearly with the pandemic and the government restrictions in place, the Council has not delivered the 90% threshold. This contribution to the reserve would cover the clawback for RCC.		20	Yes
<b>Total Non Ring Fenced Grants</b>		<b>(615)</b>	<b>585</b>	
Public Health	Under delivery of projects due to the pandemic	(101)	156	N/A
Better Care Fund	Includes £227k underspend against the BCF grant due to under delivery of project due to the pandemic plus £300k additional contribution from the CCG		527	N/A
Culture Contributions	The Culture Budgets have received various small contributions to support the specific programmes within the County see 3.5.3 for details		6	
Covid Grants	A number of ring-fenced grants e.g. Infection Control have been received and will need to be transferred to reserve to meet the new expenditure		244	N/A
<b>Total Ring Fenced Grants</b>		<b>(101)</b>	<b>933</b>	
<b>Total Reserves</b>		<b>(716)</b>	<b>1,518</b>	

### 3.5.3 Within the above table there are two elements that require approval

- a) Set up a new Ring-Fenced Leisure & Culture Reserve (£6k) to facilitate holding ring-fenced grant and contributions received: Local Sports Alliance (£1k), Local Cinema Fund (£3k) and Military Commemorations (£2k). The ceiling on this will be limited to the value of the grant/contribution received.
- b) Approve the transfer to reserves of the following:

<b>Reserve</b>	<b>Commentary</b>	<b>Amount £000</b>
<b>Budget Carry Forward</b>		
Customer Service Improvements (CSI)	Council previously agreed £200k to support CSI. This funding is still unspent and will be used to support the move to Digital First and other CSI.	150
Local Plan Production	A budget of £280k in 20/21 was agreed for the Local Plan. The carry forward will facilitate the completion of the Local Plan Inspection.	210
Procurement Projects	Council previously agreed budgets to support key service procurements. The remaining budgets will continue to be used on these projects. (Waste £49k, Highways £50k and Leisure £33k)	132
Early Years Training	To support early year providers and deliver training cancelled in 20/21	27
Revenue Contribution to Capital Outturn (RCCO)	Two projects with agreed RCCO were not completed in year and the funding will be needed in 21/22 when the projects will complete (OEP £44k - works to unit 2 & 4) and IT (server hardware) £33k)	77
<b>Total Budget Carry Forward Requests</b>		<b>596</b>
<b><u>Other Request</u></b>		
Covid Grants	Carry forward un-ringfenced funds to meet any future costs associated with the Councils pandemic response	397
Repairs Reserve	Required to meet the Compliance/Condition works across the Councils Property Estate	214
RALS	Required to cover any potential clawback of grant income	20
<b>Total Other Requests</b>		<b>631</b>
<b>Total Transfers requiring Approval</b>		<b>1,227</b>

3.5.4 A full list of earmarked reserves as at the 31<sup>st</sup> March is shown in Appendix F.

### **3.6 Year End Management Accounts and Statutory Accounts**

3.6.1 There are various technical adjustments that are required for the statutory accounts. In the statutory accounts, a full reconciliation of the management accounts will be provided. Key adjustments include:

- Collection Fund – Both Council Tax and Business Rates are administered through Collection Funds. These Collection Funds require different accounting treatment to normal income streams within the Councils outturn position. The Council will receive its Budgeted Income from the Collection Fund regardless of whether the Collection Fund has collected the income required. The accounting treatment and timing creates a surplus/deficit in one year which is offset in future years.
- Pensions – There are two elements to pensions
  - i) The Amount the Council pay over to the Pension Fund based on actual staffing levels this element was £3.2m and is included within the outturn report.
  - ii) The Movement on the Pension Liability. This represents that value the Council would owe if the Council ceased today. The Councils deficit on the pension fund has grown by £19.4m resulting in a total liability of £59.4m. The main reason for the change is due to performance in investments as a result of the pandemic. Every Council has a pension liability and the movement in the pension liability is consistent across the sector. The Council will not have met this liability in the short term. The Council has built a 1% increase in contribution rates to the pension fund, this is still considered appropriate based on the information we have to date. This movement is included within the accounts and not within the outturn position.
- Schools – The Council has to consolidate maintained schools, of which the Council has three, into its Statement of Accounts. The net impact of this consolidation is £171k.
- The Council has also had to facilitate the payment of business grants as a result of the pandemic. The business grants paid are fully funded by Government but will not be included within the accounts or the outturn report. The Council has paid out £18.5m of grants to support businesses within Rutland. There are strict rules around the technical accounting for these grants. Some of the grants will stay in the accounts and some will be removed. The accounts will include the full details.

3.6.2 The adjustments between the management accounts and Statement of Accounts will be subject to audit by Grant Thornton, the Council's external auditors.

## 4 CAPITAL OUTTURN

4.1 The Council spent £6.508m on the capital programme in 2020/21. The following table sets out the position against the capital programme as at 31<sup>st</sup> March 2021. A full list of approved schemes is shown in Appendix F.

	<b>Total Project Budget</b>	<b>Prior Years Outturn</b>	<b>Outturn 20/21</b>	<b>Future Year Outturn</b>	<b>Total Outturn</b>	<b>Total Project Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Capital Projects: On Hold</b>						
Commercialisation	10,000	0	0	0	0	(10,000)
Asset Management	513	342	0	0	342	(171)
Strategic Aims and Priorities	543	343	0	0	343	(200)

<b>Total: On Hold</b>	<b>11,056</b>	<b>685</b>	<b>0</b>	<b>0</b>	<b>686</b>	<b>(10,371)</b>
<b>Capital Projects: Not Started</b>						
Asset Management	1,969	0	0	1,969	1,969	0
Strategic Aims and Priorities	1,024	0	0	1,024	1,024	0
<b>Total: Not Started</b>	<b>2,993</b>	<b>0</b>	<b>0</b>	<b>2,993</b>	<b>2,993</b>	<b>0</b>
<b>Capital Projects: In Progress</b>						
Commercialisation	110	66	0	44	110	0
Asset Management	5,978	40	169	5,769	5,978	0
Strategic Aims and Priorities	6,356	2,760	2,010	1,586	6,356	0
<b>Total: In Progress</b>	<b>12,444</b>	<b>2,866</b>	<b>2,179</b>	<b>7,399</b>	<b>12,444</b>	<b>0</b>
<b>Capital Projects: Completed</b>						
Commercialisation	160	0	165	0	165	5
Asset Management	3,388	241	3,020	0	3,261	(127)
Strategic Aims and Priorities	3,631	2,524	1,144	0	3,668	37
<b>Total: Completed</b>	<b>7,179</b>	<b>2,765</b>	<b>4,329</b>	<b>0</b>	<b>7,094</b>	<b>(85)</b>
<b>Total</b>	<b>33,672</b>	<b>6,316</b>	<b>6,508</b>	<b>10,391</b>	<b>23,216</b>	<b>(10,457)</b>

Figures shown in brackets denotes surplus position

- 4.2 Projects on Hold - £11m of capital projects are currently on hold, so far £685k of works have been completed on these projects. Details of these schemes can be found in Appendix F. £10m of this relates to a decision made by Council a few years ago to set aside funds to invest in revenue generating assets subject to the necessary due diligence. Opportunities have been limited and that is likely to be the case in the current environment where “bricks and mortar” retail/other business is under threat. This is not a key area of focus at the moment.
- 4.3 Projects not started - £2.9m of new capital projects have not started as at 31st March 2021, the majority of these projects (£2.7m) were planned to start in 2021/22, Details of these schemes can be found in Appendix F.
- 4.4 Projects in Progress - £13.2m relate to long term projects that have spanned more than one financial year and are not yet completed. The key project is the £5.2m Catmose School expansion which has only recently been approved. The Oakham Castle project £2.4m and the Digital Rutland LFFN project £2.2m are almost completed, Budget Managers are working towards closing down the schemes early 2020/21.
- 4.5 Projects Completed - £6.2m relates to the outturn position of projects completed in 2020/21. This has resulted in a project variance of £85k underspend. The main projects making up this underspend are:
- Highways £109k underspend which will be reinvested in further highways works and will be re-allocated in 2021/22 (Cabinet paper 15<sup>th</sup> June, Council 5<sup>th</sup> July)
  - 9 Buckingham Road Project was for the extension of a council owned property to accommodate a family containing three generations of adults. The project was funded by Section 106 affordable Housing and was underspent by £47k.

- Some of the original budget for the Digital Rutland Phase 3 Project was reallocated to the Digital Rutland LFFN Project (Cabinet approved 14<sup>th</sup> October 2019 Report 159/2019). Phase 3 was finalised in 2020/21 with a £85k overspend. The overspend was funded from the BT Gainshare investment Account. The gainshare is triggered when the take-up of BT internet packages exceed the assumed target. The current balance on the gainshare account is £137k which will continue to change with take up until 31<sup>st</sup> March 2022. The final balance from gainshare will be shared between RCC and Central Government (DCMS).

4.6 The capital expenditure incurred in the year has been financed as follows:

	<b>Outturn 2020/21</b>
	<b>£000</b>
<b>Financed by:</b>	
Grants & Contributions	6,093
Capital Receipts	179
Developers Contributions	214
Prudential Borrowing	22
<b>Total Financing</b>	<b>6,508</b>

4.7 The funding for Schofield Road Culvert Works was changed at outturn from S106 to highways Capital Grants, approved by the Chief Finance Officer as per the Financial Procedure Rules. No Suitable S106 agreements was available to cover these works.

4.8 The approved capital programme was £29.369m as per the 2020/21 Quarter 3 Budget Monitoring Report (Report No: 27/2021). The net change to the capital programme is £4.503m, therefore giving a revised capital programme of £33.872m

	<b>Project</b>	<b>Amount £000</b>	<b>Amount £000</b>
<b>Approved Capital Programme (Q3 Report 27/2021)</b>			<b>29,369</b>
<b>New Capital Programme – Approved Since Q3</b>			
Strategic Aims and Priorities	North Luffenham Recycling Centre (Delegation)	5	
Strategic Aims and Priorities	North Luffenham Community Centre Refurbishment (Delegation)	26	
Asset Management Requirements	Integrated Transport Capital Programme (Report No 25/2021)	900	
Asset Management Requirements	Schools - Catmose Expansion (Report 35/2021)	5,500	
Asset Management Requirements	Highways Capital Programme (Report 39/2021)	1,000	
Strategic Aims and Priorities	IT Hardware 2020/21 (Delegation)	33	
Strategic Aims and Priorities	SEND (Ring Fenced Funding)	500	

	Project	Amount £000	Amount £000
<b>Total New Capital Programme – Approved Since Q3</b>			<b>7,964</b>
<b>Closed Capital Projects</b>			
Asset Management Requirements	Schools - increased school places	(2,967)	
Asset Management Requirements	Integrated Transport - replaced with new capital programme	(639)	
Asset Management Requirements	Salix Loan - Final instalment	(105)	
Commercialisation	Invest to save – the project will be replaced when a specific project is identified.	(200)	
<b>Total Cancelled Capital Projects</b>			<b>(3,911)</b>
<b>Approved at Budget Setting (Report 34/2021)</b>			
Strategic Aims and Priorities	Devolved Formula Capital (2021/22) – Ring fenced	12	
Strategic Aims and Priorities	Disabled Facilities Grant (2021/22) – Ring fenced	238	
<b>Total Approved at Budget Setting</b>			<b>250</b>
<b>Total Adjustments to Capital Programme</b>			<b>4,503</b>
<b>Revised Capital Programme 2020/21</b>			<b>33,672</b>

4.9 As at 31st March 2021 the approved capital programme was £33.872m. The table below reflects the changes in the capital programme from any year end movements. The capital programme from 1st April 2021 will be £26.694m.

	Project	Amount £000	Amount £000
<b>Approved Capital Programme (as at 31<sup>st</sup> March 2021)</b>			<b>33,672</b>
<b>Completed Capital Budget: Year end 2020/21</b>			
Commercialisation	Various (See Appendix F for further details)	(160)	
Asset Management Requirements	Various (See Appendix F for further details)	(3,388)	
Strategic Aims and Priorities	Various (See Appendix F for further details)	(3,631)	
<b>Total Completed Capital Budget: Year end 2020/21</b>			<b>(7,179)</b>
<b>Revised Capital Programme 2021/22</b>			<b>26,494</b>



## 5 SCHOOLS FUNDING

5.1 Schools are funded from ring fenced grants, the most notable of which is the Dedicated Schools Grant (DSG). This funding cannot be used for any other Council function, and essentially schools operate within their own fund with any under or over expenditure being taken forward into future years.

5.2 The table below shows the forecasted outturn on the DSG.

	<b>Schools £000</b>	<b>High Needs £000</b>	<b>Early Years £000</b>	<b>Central Schools £000</b>	<b>Total £000</b>
<b>Surplus/(Deficit) Carry Forwards from 2019/20</b>	<b>19</b>	<b>(458)</b>	<b>135</b>	<b>37</b>	<b>(267)</b>
DSG Allocations	25,261	4,224	1,833	166	<b>31,484</b>
Transfer between blocks	(126)	126	0	0	<b>0</b>
Academy Recoupment	(23,288)	(234)	0	0	<b>(23,522)</b>
<b>Expenditure in Year</b>	<b>(1,847)</b>	<b>(4,235)</b>	<b>(1,850)</b>	<b>(153)</b>	<b>(8,085)</b>
<b>Under/(Over) spends in 2020/21</b>	<b>0</b>	<b>(119)</b>	<b>(17)</b>	<b>13</b>	<b>(123)</b>
<b>Surplus/(Deficit) Carried Forward to 2021/22</b>	<b>19</b>	<b>(577)</b>	<b>118</b>	<b>50</b>	<b>(390)</b>
<b>Percentage of DSG</b>	<b>0.06%</b>	<b>1.83%</b>	<b>0.38%</b>	<b>0.16%</b>	

Figures shown in brackets denotes expenditure/deficit position

5.3 As reported consistently, the main area for concern is around the High Needs element of the DSG. At Q3 there were 252 Education, Health and Care plans, this is a 10% increase on the beginning of the financial year. The recovery plan is currently being updated in line with the projects progress and considering the impact of Covid-19. The surplus of £19k on the Schools Block is being allocated to schools via the 2021/22 funding process.

5.4 The Final Funding for the Early Year block is unknown at present as the funding will be based on January 2020 Census (9/12) and January 2021 (3/12). With the census being completed at the start of the lockdown period numbers are difficult to predict, with the final allocation announced July. The Council have been liaising with settings regularly to ensure settings record all children correctly on the census.

5.5 New regulations were introduced by the DfE in 21/22 that requires any maintained school who set a deficit budget, to submit a recovery plan alongside the Budget Intention of the school. The Council has received 2 notifications of deficits from maintained schools. The Council is working with the schools to meet this requirement.

## 6 BUDGET 21/22

6.1 Since the budget was approved, various updates are now required to:

- reflect new grants received;

- carry forward agreed underspends as per para 3.5;
- update the budget for known pressures and unavoidable commitments;
- Process the savings identified as part of the Budget Review.

6.2 Appendix D shows a summary of budget changes with the detailed list of budget changes where approval is sought in Appendix E.

6.3 Whilst the budget has been updated for known pressures, there are also a range of risks which are being monitored which could have a budget impact. These are included in Appendix G.

## **7 MEDIUM TERM FINANCIAL PLAN (MTFP) UPDATE**

7.1 The Council has updated its MTFP to reflection the adjustments in section 6, the revised MTFP is shown in Appendix I.

## **8 CONSULTATION**

8.1 Formal consultation is not required for any decisions being sought in this report. Internal consultation has been undertaken with all officers regarding the outturn position and future pressures.

## **9 ALTERNATIVE OPTIONS**

9.1 Cabinet are requested to make decisions about whether unspent budgets should be carried forward to 2021/22. In many cases, these related to ongoing projects and it should be noted that officers may have already committed such budgets (i.e. work may have been started but not finished) or plan to do so for service delivery in 2021/22. Cabinet can choose to approve the carry forwards or could still request that budget managers assess whether such expenditure can be absorbed within existing budgets or savings made elsewhere. Where this is not possible, there may be budget pressures later in the year.

9.2 Members are also being asked to make additional contributions to earmarked reserves. Members could choose to retain all funds in the General Fund Reserve rather than to prop up earmarked reserves. The former is not the preferred option for the reason that the establishment of earmarked reserves recognises that funds are likely to be needed for a specific cause. Retaining such funds in a General Reserve could give the impression that the Council's financial health is better than what is actually the case.

9.3 Members are also asked to approve a series of new pressures for 21/22. Members could choose to ask budget managers to assess whether such expenditure can be absorbed within existing budgets or savings made elsewhere. As Members will be aware, Officers have only put forward pressures where these cannot be managed. Senior Management Team have also considered every staffing request whether that is to cover maternity leave or replace like for like.

## **10 FINANCIAL IMPLICATIONS**

- 10.1 The report highlights the impact on the MTFP on the Outturn for 20/21 and future years. The MTFP in Appendix I sets out the position should all decisions be approved.

## **11 LEGAL AND GOVERNANCE CONSIDERATIONS**

- 11.1 There are no legal implications arising from this report.
- 11.2 The recommendations include requests for approvals to carry forward budgets, transfer funds to reserves, amend the budget for new pressures and new grants and establish a new reserve for donations. All the above recommendations are made in accordance with the Council's Financial Procedure Rules.

## **12 EQUALITY IMPACT ASSESSMENT**

- 12.1 An Equality Impact Assessment (EqIA) has not been completed because there are no service, policy or organisational changes being proposed.

## **13 DATA PROTECTION IMPLICATIONS**

- 13.1 A data protection impact assessment has not been completed as there are no data protection implications.

## **14 COMMUNITY SAFETY IMPLICATIONS**

- 14.1 There are no community safety implications.

## **15 HEALTH AND WELLBEING IMPLICATIONS**

- 15.1 There are no health and wellbeing implications.

## **16 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS**

- 16.1 The report updates Cabinet and all members of the outturn for 20/21 including the impact of COVID-19 on the Council's finances and the Medium Term Financial Plan. The report also asks Members to approve budget carry forwards and transfers to/from reserves and new pressures for the 21/22 budget. **The Council still needs to address the funding gap as highlighted in the summary from the s151 officer.**

## **17 BACKGROUND PAPERS**

- 17.1 None.

## **18 APPENDICES**

Appendix A: Approved Budget 20/21 changes

Appendix B: Directorate outturn

Appendix C: COVID position

Appendix D: Budget 21/22 updates

Appendix E: Budget changes 21/22

Appendix F: Capital Programme

Appendix G: Pressures and uncertainty

Appendix H: Earmarked Reserves

Appendix I: Medium Term Financial Position

A Large Print or Braille Version of this Report is available upon request – Contact 01572 722577.