

**Name of meeting:** Cabinet  
**Date:** 2 June 2020  
**Title of report:** Financial outturn 2019/20 – early closedown review

**Purpose of the Report**

To consider proposals to review earmarked reserves as part of current 2019-20 final accounts process

Key decision – is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	Yes
Key decision - is it in the <a href="#">Council's Forward Plan (key decisions and private reports)</a> ?	Key decision - Yes
The Decision - Is it eligible for “call in” by <a href="#">Scrutiny</a> ?	Yes
Date signed off by Strategic Director & name	Rachel Spencer Henshall - 21 May 2020
Is it also signed off by the Service Director for Finance	Eamonn Croston – 20 May 2020
Is it also signed off by the Service Director – Legal, Governance & Commissioning ?	Julie Muscroft – 21 May 2020
Cabinet member portfolio - Corporate	Give name of Portfolio Holders Cllr Graham Turner

**Electoral wards affected:** None  
**Ward Councillors consulted:** None

**Public or private:** Public  
**Have you considered GDPR?** Yes, not applicable

## 1. Summary

- 1.1 The Council's 2020-23 budget plans, approved at Budget Council on 12 February 2020, incorporated a number of actions as part of the Council's refreshed reserves strategy. This included the Chief Finance Officer (Service Director–Finance) recommendation that existing financial resilience reserves be maintained at £37.1m at the start of 2020-21.
- 1.2 The rationale for the above reflected continued uncertainty on the post 2020 national funding landscape for Councils, further uncertainty at UK's intended negotiated withdrawal from the EU, whilst at the same time the Council is facing continuing and significant challenges and service pressures over the medium term. It also took into consideration a range of risks recorded in the Council's updated corporate risk register, which was appended to the annual budget report. Since this time there has been heightened uncertainty caused by the ongoing COVID-19 pandemic and the resulting financial effects on the Council.
- 1.3 The 2020-23 annual budget report noted that there would be a further assessment of reserves requirements as part of the 2019-20 final accounts process. In line with Council Financial Procedure Rules, the Chief Finance Officer is required to report on any new reserves requirements to Cabinet.
- 1.4 The recent 'COVID-19 impact on Council finances' report to Cabinet on 21 May 2020 highlighted a forecast cost impact of between £34m and £65m over the short term (up to 12 months). The link to this report is set out below :  
  
[COVID-19 Impact upon Council Finances report \(Item 7\)](#)
- 1.5 Government has committed to compensating Councils and has allocated £3.2 billion COVID-19 funding to date to the local government sector nationally. The Council's share is £24.3m; of which £12.2m was received in 2019/20, on 27 March, and the balance of £12.1m in 2020/21. The impact of the funding allocations to date would adjust the overall cost impact on the Council to between £9.7m and £40.7m.
- 1.6 As part of the 2019/20 final accounts process or early closedown review, Council officers have considered early measures to release further revenue resources to earmarked general fund revenue reserves in light of the heightened corporate risk assessment from the financial impact of COVID-19; not just through 2020/21, but also the longer-term structural impact on the Council Medium Term Financial Strategy.
- 1.7 The first proposal is to increase existing financial resilience reserves by up to £6.5m through a year-end review of capitalization opportunities and funding sources, within allowable accounting rules and existing Council policies where appropriate.

- 1.8 The second proposal is to set aside a specific reserve to support the costs of the Council's COVID-19 response in 2020-21.
- 1.9 Contributions to this reserve will be met from the transfer of the un-ringfenced government grant to support Covid-19 costs of £12.2m, received by the Council on 27<sup>th</sup> March 2020. The amount transferred will be adjusted for any COVID-19 related expenditure incurred in the period up to 31 March 2020, which will be identified as part of the 2019-20 final accounts process.

## **2. Information required to take a decision**

- 2.1 Revenue budget plans for 2020/21, including indicative plans for following 2 years, were approved at Budget Council on 12 February 2020. The financial impact of COVID-19 across the Council's activities could not have been anticipated at the time the budget plans were approved for the 2020/21 financial year.
- 2.2 Council officers have implemented processes to capture COVID-19 related costs across the totality of Council activity. In addition, Government has requested monthly returns on the financial impact of COVID-19, starting from April 2020, to help inform Government intelligence on the scale of financial impact on Councils. The financial impact on Council finances is also significant across a range of Council income streams, with national lockdown measures having a material short-term impact on fees and charges across Council service activity.
- 2.3 There are also emerging pressures on council tax and business rates income. Any in-year deficit or surplus on council tax income and business rates income is carried forward into the following financial year through the Collection Fund. This means there is a timing delay when the financial impact of COVID-19 on the Collection Fund would hit Council finances in 2021/22.
- 2.4 Current very indicative high level forecasts estimate a cost impact of between £34m and £65m over the short term resultant from the impacts set out in paras 2.2 and 2.3 above; adjusted to between £9m and £34m net of the Council's share of Government funding of £24.3m to date.
- 2.5 COVID-19 financial impacts will continue to be reviewed in light of further emerging local, regional and national intelligence through 2020/21, as part of overall in-year financial monitoring reported in the corporate member arena through established annual Council planning cycle and governance processes.
- 2.6 The 2019/20 year-end review of capital spend and funding has identified the potential release of a further £6.5m revenue resources. This includes £1.2m revenue rollover originally planned to fund capital public realm works, now to be funded from borrowing. A further £5.3m relates to the capitalisation of revenue costs within allowable accounting rules, including use of the Council's existing flexible receipts policy to capitalise transformation costs which can be funded from

in-year capital receipts. The above can be accommodated within existing overall budgeted resources.

- 2.7 It is proposed that the £6.5m revenue resources released. will be transferred at 2019/20 year end into to existing financial resilience reserves.
- 2.8 The proposal to roll forward the £12.2m COVID-19 Government grant funding into a specific reserve, net of any funding requirement to support any 2019/20 COVID-29 related costs, is purely a timing issue. The funding was released early by Government on 27 March and technically has to be accounted for in 2019/20 financial year.
- 2.9 However, as the funding largely relates to emerging COVID-19 costs through 2020/21, the appropriate accounting mechanism for rolling forward the balance of funding requirement is through a specific reserve. It is anticipated that the reserve will be wholly applied in 2020/21 to help offset significant and unbudgeted COVID-19 cost pressures in-year.

### **3. Implications for the Council**

- 3.1 Working with People  
N/A
- 3.2 Working with Partners  
N/A
- 3.3 Place Based Working  
N/A
- 3.4 Climate Change and Air Quality  
N/A
- 3.5 Improving outcomes for children  
N/A
- 3.6 Other (e.g. Legal/Financial or Human Resources)
  - 3.6.1 The approved 2020-23 budget plans re-affirmed the Council's reserves strategy, and the Council's refreshed approach to budget risk and general fund revenue reserves; directed at strengthening organisational flexibility and financial resilience over the medium to longer term. The measures set out in this report reflect additional, early measures through the 2019/20 final accounts process to strengthen the Council's financial resilience in light of the emerging COVID-19 impact on Council finances.
  - 3.6.2 The finalised 2019/20 revenue and capital outturn position and detailed report will be presented to Cabinet and Council in due course and will incorporate the proposals set out in this report.

### **4. Consultees and their opinions**

The proposals set out in this report have been discussed at Executive Team.

## **5. Next steps**

Subject to member approval, the recommendations in this report will be incorporated into the 2019-20 final accounts process, and subsequently reported on as part of the 2019-20 Financial Outturn report to Cabinet and full Council later in the summer.

## **6. Cabinet portfolio holder recommendation**

The Cabinet portfolio holder supports the recommendations in this report.

## **7. Officer recommendations and reasons**

7.1 Cabinet are asked to support the following Chief Finance Officer recommendations:

- i) to approve the COVID-19 Grant Reserve;
- ii) to note the capitalisation measures to release £6.5m revenue resources as part of the early closedown review 2019/20; and
- iii) to approve the subsequent transfer of the £6.5m released revenue resources to earmarked financial resilience reserves

## **8. Contact Officer**

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## **9. Background Papers and History of Decisions**

COVID-19 impact on Council finances Report to Cabinet; 21 May 2020  
Council Budget Strategy Update Report 2020-23  
Annual budget report 2020-23 to Budget Council; 13 February 2020

## **10. Service Director responsible**

Eamonn Croston, Service Director - Finance  
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