

# Agenda Item



COUNCIL: 21 July 2021

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**Report of: Head of Finance, Procurement and Commercial Services**

**Relevant Portfolio Holder: Councillor Adam Yates**

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**SUBJECT: GRA Revenue Outturn Position 2020-21**

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Wards affected: Borough wide

## **1.0 PURPOSE OF REPORT**

1.1 To provide a summary of the revenue outturn position on the General Revenue Account (GRA) for the 2020/21 financial year, noting movements in the Council's reserves and balances and to agree the transfer of the underspend, the setting up of a COVID fund in reserves and the transfer of the business rates s31 grant.

## **2.0 RECOMMENDATIONS**

2.1 That the revenue outturn position be noted and that the proposed transfers to reserves are approved.

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## **3.0 BACKGROUND**

3.1 When the GRA budget was set in February 2020 for 2020-21 financial year it was already facing significant financial pressures that were going to be

addressed over the medium term, primarily via the agreed SORP Council report of July 2019.

- 3.2 Prior to the commencement of the financial year the pandemic broke and has significantly affected the operations of the Council over the course of the period both operationally and financially.
- 3.3 A significant part of the SORP savings was to come from organisational reshaping and staff reductions and this has been successfully implemented, the staff budget being reduced by c £950k. The remaining savings of £900k were from a range of income generating initiatives and this has been delayed and detrimentally affected as a result of addressing the immediate needs that arose from the pandemic. A report detailing the budget gap and alternate savings that are now required to meet the shortfall are presented elsewhere on the agenda.

#### **4.0 COVID FINANCIAL EFFECTS**

- 4.1 As a result of the pandemic the financial effects on the Council have been significant and these issues have been reported to members on a regular basis throughout the year. The Government reacted to the emergency by providing Councils with financial support that evolved over the course of the year.
- 4.2 Government provided general financial support to Councils during the year via grant funding, for which we received some £1.75m. This money provided support for food banks, supporting the homeless, social distancing measures and others. This resource was to assist with the current and future years implications.
- 4.3 Also the Government recognised during the course of the year that Councils were being affected significantly by income losses and reacted positively by introducing a mechanism of income reclaim via a Sales, Fees and Charges procedure. The Government reimbursed Council's a proportion of the income lost and by this route the Council has managed to reclaim a significant sum totalling £902k.
- 4.4 The Council also had to meet requirements with regards to processing a range of business grants over the course of the year that became more complex to administer. As a result, this has had an implication on operations as staff have been redeployed to meet this need. The Council has received business grants in the region of £39.7m to process for our local businesses and this effort will continue in to 2021-22.
- 4.5 A sum of £954k was received for local council tax support whereby eligible residents received £150 council tax discount, around 95% of this grant has been used for this purpose.
- 4.6 Over the year Council tax and business rates recovery have been placed on hold and the consequence is that outstanding debts are now increasing

substantially. This situation will be very important to manage effectively as any losses in these two areas will affect income streams to the Council over the forthcoming period.

Members will be aware that the retail, hospitality and leisure sector received a 100% rates holiday for 2020-21 and this equated to an assistance of around £10.2m across the borough. Central government reimbursed the Council for this loss via the issuing of a s31 grant which, as a result of the way the collection fund operates will be utilised in future years. Associated with this there has been a transfer to reserves of £6.2m of the monies received from central government to account for the consequence of that loss in 2021-22.

4.7 During the second half of the financial year the Council received funding from the Department of Health to address the on-going implications of COVID. This was to assist with addressing implications associated with containing the virus and addressing the implications of lockdown measures. The amount received was £1.257m and was titled Contain Outbreak Management Fund. The operational response to this has been documented, quantified and shared with the Lancashire Director of Public Health. It has resulted in funds being utilised by the Council for the year being in the region of £750k. The remaining funds are being carried forward in to 2021-22 to be utilised to support operational measures during the course of the year.

4.8 As can be seen from the above the financial picture was fast moving and evolved over the course of the year. However, the approach taken has been to document accurately the responses made for each of the areas so that it facilitates and maximises the utilisation of the various funding streams. This enabled our local residents to receive assistance, our local businesses to be provided with the maximum support available, the safety of residents and employees to be addressed and for the Council finances to be supported to the optimum level.

## **5.0 GRA SUMMARY OVERVIEW**

5.1 The Council approved a net GRA budget for 2020-21 of £13.430m. The outturn is a favourable variance of £270k, this equates to 2.01% of the net revenue budget. The summary of all the service areas is detailed within the appendix.

5.2 This result is an excellent financial performance by the Council and its employees especially considering the substantial strain that the organisation has been subjected to over the course of the year.

5.3 It is proposed that the under spend is returned to reserves and balances. Also, as mentioned above, the Council received a range of support funding during the course of the year. With regards to the general COVID assistance of £1.75m, para 4.2, some £0.5m remains unallocated and it is proposed that this sum is returned to an earmarked reserve for utilisation against future COVID pressures over the course of the next period.

## **6.0 OTHER FINANCIAL MATTERS**

- 6.1 It has been previously reported to Council in December 2020 the progress made against the SORP savings targets.
- 6.2 The overall approach to the savings were largely staff reshaping and reductions and income generating initiatives. The staff restructuring has taken place and successfully realised savings in the region of £950k, as planned.
- 6.3 A summary of the income generating initiatives are as follows:
- Business rates £200k
  - Treasury management, an increased target of £326k
  - Commercial property, to build a property portfolio of up to £30m to generate surpluses of £370k.
- 6.4 The first two items above were built into the budget for 2020-21 whilst the third was planned to be introduced at a future date.
- 6.5 Performance against the business rates and treasury management targets has been severely affected by the financial climate. Bank rates have been reduced to 0.1% which has affected investment returns and business rates growth has been challenging. The financial affect has been that treasury management has seen at shortfall in the target of some £130k and the business rates target has not progressed and requires review in order to take forward.
- 6.6 The strategic asset purchasing committee has been made aware of the issues mentioned in para 5.5 and that Committee and Council will be made aware of progress on matters as they arise.

## **BUDGET 2021-22**

- 6.7 Council will be aware that when the budget was set for 2021-22 that some £1.217m was planned to be utilised from reserves to balance the budget. However, as part of that budget setting £300k of capital resources was set aside to accommodate any transformational revenue costs that could be capitalised by utilisation of a government regulation. This would positively result in a reduction in the reserves utilisation dependant upon how much was actually identified
- 6.8 It is now known that a leisure budget issue of £586k, in relation to Serco support for 21-22 will be reduced due to extra funding being provided by sport England, this being in the region of £235k, of which £66k was allocated to 2020-21 and the remainder, £169k, to 2021-22.
- 6.9 Furthermore, it is detailed within a separate report on the agenda a list of savings items and a revised medium-term financial forecast. If approved, this

will result in in-year savings during 21-22 which will also mitigate the planned utilisation of reserves to balance the budget.

6.10 As can be seen the financial picture is very fluid however Officers are working hard to identify and implement savings in order to establish a balanced position going forward and minimise the utilisation of reserves in 21-22 and over the medium term.

## **7.0 SUSTAINABILITY IMPLICATIONS**

7.1 It is a legal requirement for the Council to set and operate within a balanced budget. The sustainability of the Council in the long run allows it to provide services that the public require.

## **8.0 RISK ASSESSMENT**

8.1 The financial situation has been largely affected by the level of Government funding that has been provided to respond to the pandemic hence it has been subject to variation over the course of the year. In addition, the economic climate that is likely to prevail post COVID will be difficult and this may have a knock on consequence to commercial income generating areas of the Council. Further uncertainties around items such as the Government reducing New Homes Bonus and the outcome of the fair funding review will also affect the financial picture over the medium term.

## **9.0 HEALTH AND WELLBEING IMPLICATIONS**

9.1 There are no health and wellbeing implications arising from this report

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### **Background Documents**

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this Report.

### **Equality Impact Assessment**

The majority of the budget issues set out in this report have been the subject of previous reports to committees and consequently an Equality Impact Assessment has already been prepared for them where relevant.

### **Appendices**

A Overall Financial Position 2020-21

## SUMMARY FINANCIAL ANALYSIS - 2020/21

	Net Budget £000's	Var from Budget £'000s	Var from Budget %
Corporate & Customer Services	3,198	-560	-17.51
Environmental Services	6,997	257	-3.65
Finance, Procurement & Property Services	270	-166	-61.48
Housing & Regulatory	1,779	-22	-1.24
Growth & Development	1,217	97	7.97
Wellbeing & Leisure	2,965	16	0.54
Other Budget Items	-2,996	108	See Note
<b>SUB TOTAL</b>	<b>13,430</b>	<b>-270</b>	
<b>Summary Underspend</b>		<b>-270</b>	

Council tax and NNDR shortfall in collections will detrimentally affect the future financial position.

Corporate and customer services has a large under spend which is primarily as a result of staff vacancies, for which the budget target is represented in 'other budget items.' Also a large proportion of costs has been reflected within COVID funding streams.

