

Report to Cabinet

10 June 2021

By Richard Landeryou (Cabinet Member for Finance and Assets)

DECISION REQUIRED

Not Exempt



Using the Transformation Fund in 2021/22

Executive Summary

The Council produced a £4.55m operational overspend in 2020/21, caused by the severe impact of Covid-19 reducing income and increasing expenditure. Budgets of £4,500 were carried over to 2021/22.

One-off grants from Government compensated the Council for some of the loss of income and non-ringfenced 'expenditure' grants totalling £4.7m, subject to actual receipt of the final third of the income loss grant submitted claim of £1m that has been accrued for. The Council's non-operational income from Council tax and these grants meant that a surplus of £0.98m was generated in 2020/21 overall. This compares to the original planned objective of setting a £0.83m surplus when the budget was set for 2020/21.

The Council's income in a Covid-19 inspired recession is unlikely to be as high as previously estimated and costs continue to rise. Inevitably therefore, balancing the budgets over the medium term relies on implementing a range of actions to help deliver efficiency measures, as well as other income generation. This requires further investment in a number of smaller transformational projects.

£389k remains unspent in the transformation reserve at 31 March 2021 which will help transform the Council in the future. The report recommends that is topped up by £111k effectively funded from the 2020/21 overall budget surplus, giving a total transformation fund reserve of £0.5m in 2021/22.

Recommendations

That the Cabinet is recommended to:

- i) Approve the transfer of £111k from the General Fund reserve to the earmarked transformation reserve.
- ii) Delegate to the Chief Executive, in consultation with the Leader and Cabinet Member for Finance and Assets, the authority to use the transformation fund as appropriate.

Reasons for recommendations

- i) To top up of the earmarked transformation reserve for projects that will help transform the Council in the future; being effectively funded from the 2020/21 budget surplus.

Background papers: 2021/22 budget and MTFS papers from 28 January 2021 Cabinet meeting and 10 February 2021 Council meeting.

Wards affected: All

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Background Information

1 Introduction and background

- 1.1 The transformation earmarked reserve was set up in 2016/17 to help fund business transformation within the Council. Cabinet transferred £0.5m from the 2015/16 budget surplus and has topped up the fund each year since.
- 1.2 The following amounts have been spent on transformation through the reserve since 2016/17, unlocking opportunities to enable future savings:
 - £387k in 2016/17
 - £518k in 2017/18
 - £239k in 2018/19
 - £123k in 2019/20
 - £111k in 2020/21
- 1.3 £389k remains unspent in the reserve at 31 March 2021 and will be made available in 2021/22.

2 Relevant Council policy

- 2.1 The Council continues to provide the quality, value for money services that people need throughout the 2020s. Continue to manage our finances prudently and identify and deliver business transformation to balance our budgets as funding from central government reduces.

3 Details

- 3.1 The Council holds a number of earmarked reserves and spends them on the purpose for which they were earmarked. Where the Council receives grants and contributions in year, but does not spend them, Cabinet may transfer the unused portion to earmarked reserves for use in future years. The Council can also choose to move funds from the general fund reserve to earmarked reserves to cover future costs.
- 3.2 The Council's income in a Covid-19 inspired recession is unlikely to be as high as previously estimated and costs continue to rise. Inevitably therefore, balancing the budgets over the medium term relies on implementing a range of actions to help deliver efficiency measures, as well as other income generation. This requires further investment in transformational projects.
- 3.3 Projects to facilitate transformation include areas such as ICT to help unlock further digital change to deliver a restructuring of products and services, changing the way we operate to better serve our customers and preventing re-keying of data. The Council is also growing our own staff through development, learning and coaching to encourage cultural change within the organisation.
- 3.4 This report proposes Cabinet move £111k from the General Fund reserve balance to top up the earmarked transformation reserve to £0.5m for this purpose in 2021/22. This will help transform the Council in the future. The schemes upon which this earmarked transformation reserve will be spent will be authorised by the Chief Executive in consultation with the Leader and then follow normal financial authorisation and budget process procedures. The Appendix contains a snapshot of the transformation fund at 31 March 2021 with anticipated estimated future expenditure.

4 Next steps

- 4.1 Once approved, the Chief Executive in consultation with the Leader will consider the appropriate schemes and authorise expenditure from the transformation fund against these schemes as appropriate.

5 Views of the Policy Development Advisory Group and outcome of consultations

- 5.1 The Finance and Assets Policy Development Advisory Group discussed this proposal on 10 May 2021. Their comments are incorporated in the report.

6 Other courses of action considered but rejected

- 6.1 Not spending up to £0.5m would save the Council up to £0.5m in one year's expenditure. But it would not unlock savings for future years.
- 6.2 The £111k of surplus from 2020/21 would otherwise go into the general reserve and used to fund any deficit that would occur if transformation does not take place at the required rate. This would not be sustainable.

7 Resource consequences

- 7.1 The transformation fund will help the delivery of efficiencies and income which will help towards balancing the budget over the medium term.

8 Legal consequences

- 8.1 There are no legal consequences of this scheme.

9 Risk assessment

- 9.1 Corporate Risk CRR01: Failure to achieve the required level of savings and income in the Medium Term Financial Strategy.

10 Other considerations

- 10.1 There are no consequences of the actions proposed in respect of Crime & Disorder; Human Rights; Equality & Diversity and Sustainability.

Appendix – The Transformation Fund Reserve

Actual spend in 2020/21 and indicative areas of spend in 2021/22:

Appendix E - transformation fund at 31 March 2021					
2019/20		2020/21		2021/22*	
355,905	balance brought forward	377,345	balance brought forward	389,336	balance brought forward
144,095	In year additon	122,655	In year addition	110,664	In year addition
500,000		500,000		500,000	
-49,000	Digitalisation of Microfiche Planning documents	-20,808	Review of district community facilities	-4,000	Technical kit in Parkside meeting rooms
-2,900	Agile training - Sept 2019	-36,240	Backfill for the digitalisation project	-83,000	Backfill for the digitalisation project
-3,800	Lottery start up	-6,580	Implementation tech costs for the digitalisation project	-50,000	Licence and implementation tech costs for the PRS digitalisation project.
-17,790	HR system continued	-9,000	Carbon reduction project consultant within local plan	-8,000	Carbon audit of a Council building to enable future grant funding
		-31,438	Organisational carbon reduction consultant for council plan		
-4,900	Implementation of new Community link database	-6,599	Carbon audit of a Council building to enable future grant funding		
-24,150	Affordable Housing continued start up				
-10,890	Growing our own staff continued				
-9,225	Museum index system				
-122,655	Total expenditure in year	-110,664	Total expenditure in year	-145,000	<i>indicative spend in year</i>
377,345	Balance to be carried forward	389,336	Balance to be carried forward	355,000	balance
					* 2021/22 costs are indicative estimates only.
					Appropriate additional items may be added as required via SLT approval