

FORM 2

NOTICE OF DECISION OF CABINET MEMBER

Pursuant Section 15(4) of the Local Government Act 2000, as amended by section 63 of the Local Government and Public Involvement in Health Act 2007, the senior executive member may discharge any of the functions that are the responsibility of the Cabinet or may arrange for them to be discharged by another member of the Cabinet or Officer. On 1st December 2010, the Council adopted the Strong Leader Model for Corporate Governance 2011 as required under Part 3 of The Local Government and Public Involvement in Health Act 2007 (The 2007 Act).

In accordance with the authority delegated to me, I have made the following decision:

Subject	Decision	Reason for decision	Date for Decision to be taken
Provisional outturn position in relation to the Final Accounts for 2019-20	To note that as set out in the attached report: 2.1 The most welcome news that a total saving of £1.065m has been achieved for 2019-20. This is made up of a saving on Services of £412k plus additional Business Rates funding of £603k together with £50k Covid-19 support funding. This been achieved by prudent budget management, particularly in relation to the Community Well-Being and Environment Directorate. This saving will be used to increase General Reserves and is most welcome given the financial pressures of the current Covid-19 pandemic.	To enable the 2019-20 Final Accounts closedown process to proceed in a timely fashion, to help towards an efficient external audit of the Statement of Accounts. To report the position of reserves taking into account savings on Outturn to inform the response to the financial impact of the Covid-19 pandemic.	9 th June 2020

FORM 2

	<p>2.3 That, in addition to the savings above, the Business Rate Risk Reserve has been increased by £300k out of the retained surplus for the year.</p> <p>2.4 That, to reflect the changed accounting approach for Business Rate Appeals, a new Earmarked Reserve has been created to mitigate the risk of future appeals of £1.574m. The detail in relation to this new Risk Reserve is set out in 4.2.2</p>		
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I confirm that the appropriate statutory officer consultation has taken place with regard to this decision.

Dated: 9th June 2020



Signed:

Councillor: Graham Ballinger, Leader of the Council

WYRE FOREST DISTRICT COUNCIL

STRONG LEADER CABINET REPORT

8th June 2020

REPORT ON THE PROVISIONAL FINAL ACCOUNTS OUTTURN 2019-20

OPEN ITEM	
Cabinet Member	Councillor G. Ballinger Leader of the Council and Cabinet Member for Strategy and Finance
DIRECTOR:	Corporate Director: Resources
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APPENDIX 1	Appendix 1 - Explanation of Major Variations on Revised 2019-20 Budget

1. PURPOSE OF REPORT

- 1.1 To receive the provisional outturn position in relation to the Final Accounts for 2019-20.

2. RECOMMENDATIONS

The Leader is asked to **NOTE** as detailed in Appendix 1: -

- 2.1 The most welcome news that a total saving of £1.065m has been achieved for 2019-20. This is made up of a saving on Services of £412k plus additional Business Rates funding of £603k together with £50k Covid-19 support funding. This been achieved by prudent budget management, particularly in relation to the Community Well-Being and Environment Directorate. This saving will be used to increase General Reserves and is most welcome given the financial pressures of the current Covid-19 pandemic.
- 2.3 That, in addition to the savings above, the Business Rate Risk Reserve has been increased by £300k out of the retained surplus for the year.
- 2.4 That, to reflect the changed accounting approach for Business Rate Appeals, a new Earmarked Reserve has been created to mitigate the risk of future appeals of £1.574m. The detail in relation to this new Risk Reserve is set out in 4.2.2

BACKGROUND

- 3.1 The Accounts and Audit Regulations 2015 have been incorporated into the Council's Financial Regulations. These regulations required that the Council's Statement of

Accounts be produced and approved by the Chief Financial Officer on or before 31st May, 2020. For this Council the Corporate Director: Resources is the Chief Financial Officer

- 3.2 However, to take into consideration the increasing impact of COVID-19 the Ministry of Housing Communities and Local Government (MHCLG) has decided that the publication date for final, audited accounts will move from 31st July to 30th November 2020 for all local authority bodies. Also, to give local authorities more flexibility, the requirement for the public inspection period to include the first 10 working days of June has been removed. Instead local authorities must commence the public inspection period on or before the first working day of September 2020.

Regulations implementing these measures were laid on 7th April 2020 and came into force on 30th April 2020. <http://www.legislation.gov.uk/ukxi/2020/404/contents/made>

- 3.3 To reflect this, the May 2020 Audit Committee has been cancelled. A new meeting is proposed for the 9th September 2020 for Members of the Audit Committee to receive the External Audit Findings Report and approve the audited Statement of Accounts. Due to the additional risk and uncertainty going forwards this year the external auditors have indicated they will be undertaking more work on the Going Concern statement to ensure it is sufficiently transparent regarding ongoing financial sustainability.
- 3.4 On 22nd July 2020 the Audit Committee will be considering the Accounting Policies, fundamental to the Statement of Accounts and the Outturn Report based on extracts from the Pre-Audit Statement of Accounts that will be endorsed by the Corporate Director: Resources. A full copy of the Pre-Audit Statement of Accounts will be made available on the Council's Intranet for Members' perusal on or shortly after the July Audit Committee date.
- 3.5 The Statement is then subject to audit. Whilst the Council's external auditor, Grant Thornton, has until 30th November 2020 to complete the audit, the target start date for the audit is the 29th June 2020. The intention is for the accounts to be formally published by 31st October 2020.
- 3.6 Should it be necessary for Grant Thornton to agree technical changes with the Chief Financial Officer while the accounts are subject to audit, these will be made under delegated powers. All Members of the Council will be provided with an electronic copy of the completed audited Statement.
- 3.7 The Council's Accounts will be made available for public inspection as required by the new regulations, for a period of 30 days starting on or before the first working day of September 2020. Therefore, it is the intention to commence this public inspection on 29th June 2020 to run until 7th August 2020. The current legal requirements no longer include an appointed day when external auditors must be available for questions or queries. If any local government elector for the area has any questions on the Accounts for the external auditor an appointment should be made in advance, in writing.
- 3.8 The provisional revenue outturn position has identified savings of £1.065m. This includes a £300k increase to Business Rates Risk Reserve taking the total to £1.624m, as set out in paragraph 4.2.1, along with the creation of a new Business Rate Appeals Ear Marked Reserve of £1.574m to reflect a change in the accounting

practice adopted by the Pool. The saving of £1.065m has been used to increase General Reserves. This is subject to audit. In-year increases to the separate Innovation Fund and General Risk Earmarked Reserves may be considered as more information becomes known about the current pandemic and to what degree the Savings Plans can be progressed and resultant “spend to save” funding requirements can be assessed. Appendix1 summarises major variations from the Revised Budget for Members’ information.

4. KEY ISSUES

4.1 The most significant issue facing the Council remains its financial position, and it has been significantly exacerbated by the Covid-19 pandemic. The current medium term financial strategy, approved by February 2020 Council, provided a balanced approach for the next three years; this was of course before the impact of Covid-19 was known. There was a planned use of reserves in 2019-20 of £18.6k. Based on the approved MTFs, the overall funding gap increases to around £1.7m from 2022-23. Taking into account the forecast impact of ongoing changes to the funding regime, it means that by 2022-23 transfers from reserves are required of around £835k. Further work on the Wyre Forest Forward Savings Strategy will continue to be actively progressed to close this gap and ensure the future financial sustainability of the Council, once the resource- intensive pandemic eases. More certainty around the scale of future financial savings will be known following the finalisation of government funding to meet the impact of the pandemic. In the meantime, the Funding Reform has been further delayed to 2022-23.

4.2 Business Rates – Provisional Outturn for 2019-20

4.2.1 This has been the seventh year of the Business Rates Retention Scheme. For 2019-20 this Council was in a Pan-Worcestershire 75% Business Rates Pilot which has proven to be highly successful. The terms of reference for the larger Pool allowed Worcestershire County Council to retain extra retained growth for adult social care/children’s services, whilst protecting the district councils by a “no detriment clause”. The WFDC share of the Pool retained levy for 2019-20 is £5.803m (including the impact of the revised approach to Business Rates Appeals as detailed in 4.2.2 below). The Council has exceeded its revised budget estimate of £3.396m including its estimated share of retained growth of £600k over baseline. Along with a National Levy Redistribution from MHCLG of £10k, this has facilitated a release to General Reserves of £603k, the creation of an earmarked reserve of £1.574m for future impact of 2017 list appeals (detailed below) and an additional £300k top-up towards the Business Rates Equalisation Risk Reserve to mitigate the significant inherent risk of the Funding Reform, now planned for implementation from 2022-23. The Business Rates Equalisation Risk Reserve at 31st March 2020 is £1.624m, which is proportionate to potential risks and is in line with risk reserves held by neighbouring Worcestershire districts. The reserve will be kept under review and released into General Reserves in due course if it is not required.

4.2.2 The Pool Treasurers in consultation with specialist advisors LG Futures undertook a review of the accounting approach to Provision for Appeals held within the Pool as part of the close-down process. There has been a lack of information coming through from the Valuation Office Agency due in part to administration backlogs but also caused by the revised Check Challenge Appeal process, whereby upfront evidence is required before submission of an Appeal. This has resulted in a lack of evidence to continue to justify the high level of Appeal Provisions for the 2017 list held within the

Pool and led to the decision that these should be held locally in each Council's General Fund Accounts as an earmarked reserve, at a level deemed appropriate by each pool member. This change in approach increased the Business Rate Pool surplus which has been used to create new Earmarked Reserves in the accounts of each Pool Member; the new EMR for this Council is £1.574m. This is an important accounting technicality based on reference to the accounting code and will be given due consideration by External Audit.

4.3 The 2019-20 financial year is the second year of the accounting standard relating to the treatment of revenue (income) from contracts with customers (IFRS15). This standard requires the income from service contracts to be recognised as the performance obligation is satisfied. Whilst this had a significant impact on planning fee income and the revenue from the green waste collection service last year, the impact has now been smoothed so is minimal.

4.4 Included within Appendix 1 is the identification of the significant variances against the Revised Budget for 2019-20. These variances include:

i) Positive pay variance of £132k.

Reductions have been made in expenditure across the authority but most notably in the Community Well-being and Environment directorate where recruitment has taken longer than anticipated for operational posts. The savings include pay reductions plus savings in pension costs.

ii) Provision for bad debts – increase in provision for bad debts £164k (Corporate and Property £146k and Housing Benefit £18k).

Customer accounts have been reviewed and the decreases that have been possible in recent years have been reversed due to the economic impact of Covid-19 on residents and businesses. The accelerated transfer of housing benefit claimants onto universal credit, an indirect consequence of the pandemic, has reduced the likelihood of full and timely recovery.

iii) Over Payment Recovery – adverse variance of £98k

The introduction of Universal Credit has made the recovery of overpayments very difficult to forecast. The approved budget was based on the experience in 2018-19 but recovery has fallen below these levels in the current year.

iv) Community Well-being and Environment – favourable variance of £220k (£381k including pay variances and admin)

There are a number of favourable variances across the directorate including a net saving (£45k) from the garage account due to a reduction in reactive repairs resulting from the fleet replacement programme (£81k). Details of all major variances are set out in Appendix 1.

v) Economic Prosperity and Place – positive variance of £59k (£113k including pay and admin variances)

There are a number of favourable and adverse variances across the directorate including additional income from property rentals (£25k) and a business rates refund from the former Golf Centre (£32k). These positive variances were offset by a shortfall in income from land charges. Details of all major variances are set out in Appendix 1.

- vi) Additional External Interest income/lower interest paid on loans of £70k
This additional interest on investments has resulted from slightly longer durations and robust treasury management of funds together with lower interest rates paid on external borrowing compared to budget assumptions.

- 4.5 The Innovation Fund set up in 2011/12 for one-off implementation costs to support the Wyre Forest Forward programme has been extremely successful in delivering the change programme. The unspent and uncommitted balance is £393k at the year-end. This is before the budgeted addition of £100k in 2020-21 from the Community Well-Being and Environment restructure savings.
- 4.6 It should also be noted that, the Working Balance was increased to £1.2m last year to reflect the significant financial risks faced by this Council as a result of the planned fundamental changes to the Government Funding Regime in 2022-23 and beyond. Consideration to increasing this reserve will be made as part of the next budget process once the impact of Covid-19 can be more fully assessed. In the meantime, the outturn saving has been used to increase General Reserves to help buffer the pandemic impact.

5. FINANCIAL IMPLICATIONS

- 5.1 The positive variance of £412k on net Service expenditure, along with additional net Business Rates income of £603k and a Covid-19 Grant from MHCLG of £50k compared to the Revised Budget, results in a contribution to General Reserves of £1.046m rather than the £18.6k planned use of reserves. The resultant reserves will be reconsidered in accordance with the Council's Finance Strategy, as part of the budget process for 2021-22 onwards. The saving is greater than reported at Quarter 3 budget monitoring due to a number of events and decisions in the last quarter coupled with year-end transactions. A new reserve of £1.574m was also created out of the Business Rates surplus for this year, to reflect the change in approach to Business Rate Appeals.
- 5.2 These remain ever increasingly challenging times for the Council given the current pandemic and albeit further delayed changes to the landscape of the Government's funding regime that will continue to emerge post Covid-19. The provisional saving on outturn is welcomed and has been utilised to earmark funds to meet potential business rate liabilities, create resilience and also to increase General Balances compared to forecast, to mitigate the potential future impact of funding volatility.
- 5.3 Total general reserves available for the 2021/24 Financial Strategy should now stand at circa £4.834m compared to the previous forecast of £3.769m.
- 5.4 The provisional outturn will continue to be validated as part of the Final Accounts process.

6. LEGAL AND POLICY IMPLICATIONS

6.1 None.

7. RISK MANAGEMENT

7.1 The principal risk to the Council is non-achievement of the revised statutory deadline, in respect of production and approval of the Statement of Accounts before 30th November 2020, and qualification of the Accounts by the Council's External Auditors. Officers continue to work in close liaison with Grant Thornton to response to queries or additional evidence requests to mitigate the risk of not meeting the deadline.

8. EQUALITY IMPACT ASSESSMENT

8.1 This is a financial report and there is no requirement to undertake an Equality Impact Assessment.

9. CONCLUSION

9.1 This report details the provisional outturn position as at 31st March 2020 and provides information on the creation of further significant earmarked reserves.

10. CONSULTEES

10.1 CLT/Cabinet

10.2 Grant Thornton – External Auditors

11. BACKGROUND PAPERS

11.1 Accounts and Audit Regulations 2015
Financial Strategy 2020/23

11.2 Regulations implementing measures to allow more time for the accounts closure were laid on 7th April and came into force on 30th April 2020:
<http://www.legislation.gov.uk/uksi/2020/404/contents/made>

PROVISIONAL OUTTURN
MAJOR VARIATIONS BETWEEN REVISED BUDGET
AND ACTUAL NET EXPENDITURE FOR 2019/20

Total Revised Budget 2019/20	£ 11,554,530
	11,554,530
LESS:	
Actual Net Expenditure - pre-audit - still subject to validation	11,142,033
	(412,497)
SAVINGS COMPARED TO 2019/20 REVISED BUDGET	
Increase in Funding from Business Rates/other Govt funding	(652,376)
OVERALL SAVING COMPARED TO REVISED BUDGET	(1,064,873)

Description of Estimated Major Variances	Extra Costs/ Reduced Income £	Savings/ Additional Income £
<u>Chief Executive and Solicitor to the Council</u>		
1. Member allowances scheme	0	(13,639)
<u>Resources</u>		
1. Increase in bad debt provision for Corporate and Property debts	146,000	
2. Housing Benefit - increase in bad debt provision and downturn in recovery of overpayments	116,400	
3. MHCLG rant funding (Brexit and Transparency)		(36,900)
4. Increased income from Court Costs recovered - Council Tax and Business Rates		(19,700)
5. Bank Charges - merchant acquirer services		(18,200)
6. Aid to Parish Councils		(15,500)
7. Pensions - Unfunded Benefit saving due to demographics		(9,700)
<u>Community Well Being and Environment</u>		
1. Car Parking and enforcement income and operational savings, including procurement savings		(69,000)
2. Fleet savings - net position of reduced repairs and increased fuel costs		(45,000)
3. Trade waste - new customers and tipping charges below budget		(32,000)
4. Grounds maintenance - savings on direct materials and plant hire offset by shortfall in external works		(28,000)
5. National Assistance Act burials and Cemetery fees and charges		(17,000)
6. Parks and Green Spaces		(14,000)
<u>Economic Prosperity and Place</u>		
1. Land Charges - Reduced Income	23,830	
2. NNDR Refund - Former Golf Centre		(32,430)
3. Property rentals - increased income offset by increased reactive and planned maintenance		(25,130)
4. Homelessness and temporary accommodation (New Street)		(18,850)
5. Environmental health/Licensing		(11,780)
<u>Capital Account</u>		
1. Treasury Interest - additional external interest received (including unwinding Icelandic impairment)		(51,090)
2. Treasury Interest - Payable (capital programme slippage)		(18,950)
<u>Corporate Variations</u>		
1. Total Payroll related variances		(132,340)
2. Net Admin accounts		(10,300)
	286,200	(619,509)
Miscellaneous variances (less than £10k)		(79,188)
REDUCED NET EXPENDITURE ON YEAR 2019/20 - PROVISIONAL		(412,497)