Rossendale BOROUGH COUNCIL

ITEM NO. D1

Subject:	Financial Monitoring Report 2020/21 Draft Out-turn		**Status:**	For Publication		
Report to:	Cabinet		**Date:**	16th June 2021		
Report of:	Finance Manager		**Portfolio Holder:**	Portfolio Holder for Resources		
Key Decision:	☐	Forward Plan ☒	General Exception ☐		Special Urgency ☐	
Equality Impact Assessment:		Required:	No	Attached:	No	
Biodiversity Impact Assessment		Required:	No	Attached:	No	
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1. RECOMMENDATIONS

1.1. That Cabinet note the contents of the draft out-turn report.

1.2. That Cabinet approve the proposed movements to and from reserves as set out in Appendix 1.

2. PURPOSE OF REPORT

The purpose of the report is to update members on the draft out-turn for 2020/21, compared to the original budget set back in February 2020.

3. BACKGROUND

3.1 The impact of the Covid pandemic has meant that this years' budget monitoring has been very difficult to forecast, with each quarterly report showing significant variances. As the year progressed the council received various Covid support grants from several different sources, which added to the complexity for monitoring. A copy of the 2020/21 draft out-turn report as at the end of March 2021 is attached as Appendix 1.

3.2 During 2020/21 the council redeployed extensive resources towards activities relating to the Covid pandemic, whilst also providing business as close to usual as possible. This has resulted in increased costs along with reduced income for the council. Included in the grants mentioned above is Government funding to cover additional pressure on resources. Therefore, this report proposes utilising Covid grants to support these pressures.

3.3 Work is underway to prepare the statutory accounts and may result in minor adjustments to the final out-turn figures reported.

4. REVENUE

4.1 The council's 2020/21 draft revenue out-turn, prior to factoring in any Covid support, is an adverse variance of £315k against an original budget of £9,006k. This is primarily due to Covid related additional costs being incurred and lost or reduced income.

4.2 The council's original budget was based on a contribution of £686k from the Retained Business Rates Reserve to help fund the gap between income and expenditure. Utilisation of Covid grant support will reduce the call on the Business Rates Reserve to support the

Budget. The council received £1,536k in relevant Covid funding, the application of £987k will fund the adverse variance reported above, and reduce the Business Rates Reserve contribution down from £686k to £14k.

4.3 In line with standard practice a review of outstanding debts has been undertaken. This review has taken into consideration (i) the impact the Covid pandemic has had and is likely to have on all debt recovery and (ii) the Covid related increase in the number of housing benefit claims and overpayments. The outcome of the review has necessitated an increase to the bad debt provision which is detailed in Appendix 1.

4.4 In line with CIPFA advice the council holds an earmarked NNDR reserve (Retained Business Rates Reserve). The primary purpose of which is to smooth the peaks and troughs on the MTFS from having to account for when a surplus or deficit is recognised as per the NNDR legislation. As detailed above the budget anticipated a contribution from this reserve to fund the budget gap. The Covid funds received has enabled the council to reduce the call on this reserve. Details are included in the Appendix 1.

5. CAPITAL

5.1 The Usable Capital Receipts brought forward at the 1st April totalled £2,733k. The original capital programme for 2020/21 including prior year slippage was £7,099k. New projects during 2020/21 added £5,466k, including the repayment of the LEP grant for Spinning Point phase 2, the addition of Futures Park plot 1 and infrastructure, the Waste Transfer Station refurbishment at Henrietta Street depot, the Empty Homes Scheme renovation costs, Victoria Way storm damaged wall and the DFGs. This gives a revised capital programme of £10,162k.

5.2 The total in the Useable Capital Receipts Reserve at the end of 2020/21 is currently expected to be £3,350k. £367k of this is ring-fenced for housing schemes. £100k is ring-fenced for Whitworth projects and £236k is ring-fenced for Haslingden projects.

5.3 The capital financing proposals represent the most cost effective financing to the council and leave it with the greatest flexibility in respect of future years.

6. TREASURY

Due to the Covid pandemic the council's bank resources have seen some extraordinary movements during 2020/21, which were not anticipated when members approved the Treasury Management Strategy back in February 2020. This led to the council's TMPs being breached in the earlier part of the financial year. Details are included in Appendix 1.

7. COLLECTION FUND

7.1 Predictably collection rates for both Council Tax and Business Rates have ended 2020/21 lower than previous years. The Council Tax account is showing an overall deficit (after factoring in the Hardship Fund) for Rossendale. The doubtful debt contribution has been increased to £841k, due to the impact of Covid.

7.2 The Lancashire Business Rates Pool has now reverted to retaining 50% of business rates locally. This year decisions made in response to the pandemic have had an extraordinary effect on the Collection Fund. Due to the coronavirus pandemic the Government extended the 100% Business Rate Relief scheme to include retail, hospitality and leisure businesses. This has reduced the forecast NNDR income due considerably. However, the Government has issued additional s31 grants to cover this lost income. Whilst it was anticipated that Government would introduce legislation to allow these sums to be transferred to the Collection Fund, this has not proven to be the case. Instead, sums received by the council into its General Fund in 2020/21 will be set aside to fund the deficit emanating from the

Collection Fund shortfall in 2020/21, to be realised and made good in future years.

8. EARMARKED RESERVES

The total cash-backed earmarked reserves brought forward at 1st April 2020 were £7,490k. The proposed transfers to and from the earmarked reserves are detailed in Appendix 1. The Earmarked Reserves closing balance at the 31st March 2021 is now predicted to be £12,259k. Planned usage through the life of the MTFS, is projected to reduce this to £5,302k by March 2025.

9. RISKS

All the issues raised and the recommendations in this report involve risk considerations as follows:

- Financial monitoring of General Fund service departments focuses on the key risk areas of employee costs, income, implementation of agreed budget savings, emerging issues and opportunities and in particular service department net expenditure.
- Budget setting for future years is now treated as an integral part of financial monitoring during the current year and the impact of variances being reported here will be considered by officers when preparing the detailed 2022/23 budgets.
- The council must explore ways of bridging its forecast annual funding gap. Amongst other things this may include becoming more commercially aware, aiming to grow its resources alongside the challenges to its cost base.
- The implications of the Fair Funding review and the proposed new national scheme for the local retention of business rates have been postponed again until April 2022.

COMMENTS FROM STATUTORY OFFICERS:

10. SECTION 151 OFFICER

The financial implications are fully set out in Appendix 1.

11. MONITORING OFFICER

Unless specifically commented upon within the report, there are no specific implications for consideration.

12. POLICY IMPLICATIONS AND CONSULTATION CARRIED OUT

There are no specific implications for consideration. Staffing issues have been discussed with colleagues in the People & Policy team.

13. CONCLUSIONS

13.1 Robust monitoring of the General Fund and MTFS is essential to control risks expressed in section 4 above and the council continues to undertake this.

13.2 The 2020/21 budget originally estimated that reserves would be required to fund the gap between what the council spends and the income it receives to fund services. The Covid adjusted outturn position means the council will be able to reduce the contribution required from reserves. The council's overall financial position has improved due to the adjusted outturn position. However, the impact of Covid is still not completely known and remains a risk.

13.3 Despite a continued cost reduction programme, the on-going challenge remains for the council to continue its savings agenda in order to help realise its medium term saving and targets. Members, collectively, continue to face difficult choices in order to balance expenditure with available resources over the medium term. The council must remain focused on delivering further efficiencies.

13.4 It is uncertain how much Government funding the council will receive from April 2022 onwards. Until the Government publish the results of the Fair Funding Review and the proposed new business rates scheme, also the long term impact of Covid is known there is a significant risk to the MTFS.

Background Papers	
Document	**Place of Inspection**
Service monitoring statements.	Financial Services.
2021/22 Corporate Priorities, Budget, Council Tax and The Medium Term Financial Strategy.	RBC website - Full Council 24/02/2021