

FORM 1

NOTICE OF DELEGATION OF DECISION TO CABINET MEMBER BY STRONG LEADER

Section 15(4) of the Local Government Act 2000, 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).

I, Cllr Helen Dyke, as Strong Leader, delegate the decision to receive the Provisional Final Accounts Outturn for 2020-21 report, to the Cabinet Member detailed below:

Cabinet Member for Finance and Capital Portfolio, Councillor Mary Rayner

Dated: 19 July 2021

A handwritten signature in black ink that reads "H.E. Dyke". The signature is written in a cursive style with a large, looped 'D'.

Signed:

Leader of the Council

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 by the Leader, 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 2020-21	<p>To note that as set out in the attached report:</p> <p>2.1 The key aspects of the provisional Final Accounts Outturn for 2020-21 which are summarised as follows:</p> <p>The final position was much in-line with that projected in the MTFS with just a small increase of £14k to the planned withdrawal from reserves for 2020-21; total contribution from reserves £433k. This is made up of a saving on Services of £1,074k that reduces to £424k after contributions to essential earmarked reserves (EMRs), less a Business Rates deficit of £533k and addition Council Tax Income grant from the Government to help fund Council Tax losses (£95k). This has been</p>	<p>To enable the 2020-21 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 the draft outturn position.</p>	19 th July 2021

FORM 2

	achieved by prudent budget management, across all Directorates. The contributions to EMRs are for the Innovation Fund of £150k and a £500k Risk Reserve for the Future High Streets Fund.		
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I confirm that the appropriate statutory officer consultation has taken place with regard to this decision.

Dated: 19 July 2021



Signed:

Councillor: Mary Rayner, Cabinet Member for Finance and Capital Portfolio

WYRE FOREST DISTRICT COUNCIL

STRONG LEADER CABINET REPORT

19th July 2021

REPORT ON THE PROVISIONAL FINAL ACCOUNTS OUTTURN 2020-21

OPEN ITEM	
Cabinet Member	Councillor Mary Rayner Cabinet Member for Finance and Capital Portfolio
DIRECTOR:	Corporate Director: Resources
CONTACT OFFICER:	Tracey Southall Ext. 2100 tracey.southall@wyreforestdc.gov.uk Helen Ogram Ext 2907 Helen.ogram@wyreforestdc.gov.uk Lisa Hutchinson Ext 2120 Lisa.hutchinson@wyreforestdc.gov.uk
APPENDIX 1	Appendix 1 - Explanation of Major Variations on Revised 2020-21 Budget

1. PURPOSE OF REPORT

- 1.1 To receive the provisional outturn position in relation to the Final Accounts for 2020-21.

2. RECOMMENDATIONS

The Cabinet is asked to **NOTE: -**

- 2.1 The key aspects of the provisional Final Accounts Outturn for 2020-21 detailed in this report which are summarised as follows:

The final position was much in-line with that projected in the MTFs with just a small increase of £14k to the planned withdrawal from reserves for 2020-21; total contribution from reserves £433k. This is made up of a saving on Services of £1,074k that reduces to £424k after contributions to essential earmarked reserves (EMRs), less a Business Rates deficit of £533k and addition Council Tax Income grant from the Government to help fund Council Tax losses (£95k). This has been achieved by prudent budget management, across all Directorates. The contributions to EMRs are for the Innovation Fund of £150k and a £500k Risk Reserve for the Future High Streets Fund.

- 2.2 That, the pre-audit Statement of Accounts for 2020-21 was endorsed by the Corporate Director: Resources on the 16th July 2021 and shared with Grant Thornton for the commencement of the external audit on the 19th July 2021.
- 2.3 That, there will be a meeting on the 27th September 2021 for Members of the Audit Committee to receive the External Audit Findings Report and approve the audited Statement of Accounts.

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 recommendations from the Redmond Review independent report into the effectiveness of external audit and transparency of financial reporting in local authorities and also the ongoing COVID-19 roadmap to recovery, 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 September for both the 2020-21 and 2021-22 accounts. Local authorities must now commence the public inspection period on or before the first working day of August 2021. This is earlier than the 30th November deadline for the 2019-20 accounts closure, delayed due to the impact of the pandemic.

Regulations implementing these measures were laid on 9th March 2021 and came into force on 31st March 2021

<https://www.legislation.gov.uk/ukxi/2021/263/regulation/2/made>

- 3.3 To reflect this, there will be an Audit Committee on the 28th July to receive the pre-audit Statement of Accounts and one on the 27th September 2021 for Members of the Audit Committee to receive the External Audit Findings Report and approve the audited Statement of Accounts. As previously reported the external auditors have indicated they will be taking a different approach to their work this year, in accordance with revised auditor standards and application guidance. In particular there will be more emphasis on risks of significant Value for Money weaknesses.
- 3.4 The May Audit Committee considered the Accounting Policies, fundamental to the Statement of Accounts. This report summarises the Outturn position based on extracts from the Pre-Audit Statement of Accounts that has been endorsed by the Corporate Director: Resources. A full copy of the Pre-Audit Statement of Accounts was made available on the Council's Intranet for Members' perusal on the 19th July 2021 when they were also shared with the Grant Thornton external audit team, ready for the formal start of the audit on the 19th July 2021.
- 3.5 The Statement is now subject to audit. Whilst the Council's external auditor, Grant Thornton, has until 30th September 2021 to complete the audit, the start date for the audit of the 19th July 2021 was achieved and the process is currently in progress. The intention is for the accounts to be formally published by 30th September 2021.
- 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 August 2021. Therefore, it is the intention to commence this public inspection on 20th

July 2021 to run until 31st August 2021. 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 net savings of £424k after a £150k increase to the Innovation Fund EMR, along with the creation of a new Future High Streets Fund Ear Marked Reserve of £500k to mitigate the risk attached to this major capital scheme. This saving is offset by the Business Rates deficit of £533k with the resulting overall budget deficit being reduced to £14k after the receipt of additional Covid support tax income grant (£95k). The balance of £14k will be met from a small increase in use of Reserves this year. This is subject to audit. Appendix 1 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 further exacerbated by the Covid-19 pandemic. The current medium-term financial strategy, approved by March 2021 Council, provided a balanced approach for the next three years: taking into account the forecast impact of Covid-19. There was a planned use of reserves in 2020-21 of £420k which taking into account the net outturn position has increased to £433k. Based on the approved MTFs, the overall funding gap increases to around £2.7m from 2023-24. Taking into account the forecast impact of ongoing changes to the funding regime, it means that by 2023-24 transfers from reserves are required of around £673k. Further work on the Wyre Forest Forward Savings Strategy continues to be actively progressed to close this gap and ensure the future financial sustainability of the Council, once the recovery from the resource intensive pandemic advances. 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 Government's Funding Reform has been further delayed to 2022-23 at the earliest.

4.2 Business Rates – Provisional Outturn for 2020-21

- 4.2.1 This has been the eighth year of the Business Rates Retention Scheme. For 2020-21 this Council was in a Pan-Worcestershire 50% Business Rates Pool which has proven to be successful for the Pool overall but less so compared to MTFs forecasts, for this Council. The Council has not met its revised budget estimate of £3.691m including its estimated share of retained growth of £850k over baseline. This is due to the impact of Covid, the lack of clarity and changing guidance over Covid related Collection Fund loss grants for business rates (Tax Income Guarantee (TIG) compensation) along with an unexpected deficit of one Pool Member reducing overall retained income across the Pool. The overall business rates deficit for this Council is £533k when compared to MTFs forecasts. No change has been made to the Business Rates Equalisation/Regeneration Reserve that was increased last year and this still stands at £3.198m. This reserve 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 government granted extended business rates relief to retail, hospitality, and leisure businesses during 2020-21 and compensated councils for the loss of income with Section 31 grant. The reliefs reduce the Council's business rates income and the deficit created is shown in the Collection Fund Adjustment Account (CFAA) (see note 25 in

the statement of accounts), while the compensating Section 31 grant income must be shown in the Council's General Fund. In 2021-22 a charge of £7.407m is expected to be transferred from the CFAA to the General Fund. The grant income has been transferred to an earmarked reserve to compensate for the timing difference caused by the technical accounting requirements. The earmarked reserve will be drawn down to offset the deficit charged in 2021-22; these resources are not available funds.

4.3 Net Service Expenditure Variances 2020-21

4.3.1 The following tables details the draft outturn position and variances against the Revised budget approved by Council on 1st March 2021.

DIRECTORATE	Original Budget	Revised Budget	Draft Outturn	Variance Revised to Outturn
	£000	£000	£000	£000
Community and Environmental Services	4,422	6,593	6,070	(523)
Resources	3,690	3,626	3,487	(139)
Economic Prosperity and Place	1,591	2,462	1,935	(527)
Chief Executive and Solicitor to the Council	1,374	1,907	1,810	(97)
Capital Account	387	(108)	109	217
COVID Support grants		(2,715)	(2,720)	(5)
Transfer final account savings to EMRs			650	650
TOTALS	11,464	11,765	11,341	(424)

4.3.2 Included within Appendix 1 is the identification of the significant variances against the Revised Budget for 2020-21. The service variances include:

- i) Provision for bad debts – a lower increase in provision for bad debts than projected has resulting in a saving of £183k (Corporate and Property £146k and Housing Benefit £18k).
A significant increase in the bad debt provision was forecast and included in the Revised Budget taking into account the likely impact of the Covid pandemic. This has been reviewed as part of the final accounts process and reduced based on actual payments received and payment plans in place.
- ii) Resources – favourable variance of £139k before transfers to corporate reserves – this includes a pensions fund discount (£66k) and the Provision for bad debts detailed in i) above.
- iii) Community and Environment – favourable variance of £523k. There are a number of favourable variances across the directorate including a net increase in income (£72k) from car parking when compared to reduced revised estimates due to the impact of the pandemic being less severe than projected in the final quarter of the financial year. There was also a reduction in spending on Parks and Open Spaces due to a reduced programme of work during the height of the pandemic (£60k). The variance includes a reduction in the transfer to the capital account for depreciation (£97k).

- iv) Economic Prosperity and Place (EPP) – positive variance of £527k before creation of reserves. There are a number of favourable variances across the directorate including additional income from planning, land charges and building control (£178k) and a funding contribution from Worcestershire County Council towards the costs of homelessness (£80k). The variance includes a reduction in the transfer to the capital account for depreciation (£140k).
- v) These positive Service variances were used in part, to fund a new EMR for the Future High Streets Fund and also for the replenishment of the EMR for the Innovation Fund of £150k.

Details of all major variances are set out in Appendix 1.

- 4.5 The Innovation Fund 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 £543k at the year-end.
- 4.6 It should also be noted that, the Working Balance was increased to £1.2m in 2018-19 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 will be given to increase this reserve as part of the next budget process once the ongoing impact of Covid-19 can be more fully assessed.

5. FINANCIAL IMPLICATIONS

- 5.1 The positive variance of £1,074k on net Service expenditure and additional Council Tax Income grant (£95k), has buffered the Business Rates Deficit of £533k and also funded contributions to two key risk reserves. The planned use of reserves has increased marginally from £420k to £433k. The resultant reserves will be reconsidered in accordance with the Council's Finance Strategy, as part of the budget process for 2022-23 onwards. The Service Expenditure 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. Due to the retrospective accounting for Business Rates and the exceptional level of Business Rate reliefs and Section 31 grants this year there is also an extra EMR at year end of £7.407m which will be applied in 2021-22; these resources are not available funds, they are due to the legislation that governs Collection Fund accounting and the temporary balance that will be drawn down to offset the deficit in 2021-22.
- 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 service saving on outturn is welcomed and has been utilised to buffer the Business Rates Deficit, earmark funds to mitigate future risk and bolster resilience to mitigate the potential impact of funding volatility over the next MTFS.
- 5.3 Total general reserves available for the 2022-25 Financial Strategy should now stand at circa £4.4m compared to the previous forecast of £4.414m. The total General and earmarked useable reserves have increased from £14.785m in 2019-20 to £26.282m as at the end of 2020-21. However, excluding the exceptional technical accounting adjustment for business rates (£7.407m), the Covid support grants carried

forward to meet liabilities in 2021-22 (£3.214m) and the increase in external funding balances (£0.298m) the increase for 2020-21 is £0.578m.

- 5.4 The provisional outturn is subject to validation as part of the Final Accounts external audit 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 September 2021, 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 2021 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 2021-24
- 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:
The Accounts and Audit (Amendment) Regulations 2021
<https://www.legislation.gov.uk/ukxi/2021/263/regulation/2/made>
- 11.3 The Redmond Review: <https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-independent-Review>

BUDGETARY CONTROL REPORT
MAJOR REVENUE VARIATIONS 2020-21 DRAFT REVENUE OUTTURN

Total Revised Budget 2020-21 - Net Expenditure on Services	14,479,370
Less: Covid Support grants - Local Authority Support (tranches 2,3 and 4)	(1,603,970)
Covid Support grant - Co-funding Fees and charges loss (Budget)	(1,110,560)
	11,764,840
 Actual Net Expenditure - pre audit, subject to validation	 11,340,460
Reduced Expenditure on Services	(424,380)

Description of Estimated Major Variances	Extra Costs/ Reduced Income £	Savings/ Additional Income £
<u>Economic Prosperity and Place</u>		
1. Improved income position - Land Charges, Street Naming, Planning & Building Control		(177,600)
2. Homelessness Service - including WCC contribution		(81,650)
3. Private sector housing (HMOs)		(13,070)
4. Property (net)	11,760	
<u>Community and Environmental Services</u>		
1. Car Parks - improved net position, Q4 loss not as great as projection		(71,800)
2. Parks and Green spaces impact of Covid 19 on programme of works		(60,120)
3. Trade, Garden and Domestic waste		(46,110)
4. Fleet maintenance, parts and fuel		(43,790)
5. Landscaping Service		(34,800)
6. Civil and Environmental enforcement		(32,010)
7. grounds maintenance Direct materials		(28,550)
8. Cemetery including National Assistance Act burials		(21,490)
9. Bulky waste and cleansing contracts		(21,420)
10. Arboricultural Services	28,750	
11. Driver Training (net after secondment)	8,820	
<u>Resources</u>		
1. Bad debt provision (lower provision than projected in January)		(183,000)
2. Pension discount		(66,450)
3. Revenues miscellaneous including family annexes grant		(35,330)
4. ICT - cost of homeworking support and equipment	49,670	
5. ICT - telephone recharges to staff	9,500	
<u>Chief Executive and Solicitor to the Council</u>		
1. Human Resources and Organisational Development		(22,120)
2. Electoral Register		(34,860)
3. Member Allowances		(21,190)
4. Elections		(12,230)
<u>Capital Account</u>		
1. Reduced call on reserves to meet debt charges		(41,000)
2. Icelandic investments		(28,000)
<u>Corporate Variations</u>		
1. Other pay variances		(54,560)
2. Recognition payment (Covid acknowledgement £125)		
3. 75% Fees and Charges Guarantee Grant - final claim exceeded estimate	50,160	(5,370)
	158,660	(1,136,520)
Other small variance		(96,520)
Transfer final account savings to Earmarked reserves (Innovation Fund £150k, Contingency for Future High Street Fund programme £500k)	650,000	
Reduction on Revised Budget (based on Draft Outturn - subject to audit)		(424,380)
Reduction in net income from Business Rates	437,963	
Net saving against budget after transfers to Earmarked Reserves (EMRs)		13,583

Note that the variances reported above exclude variances between directorates and the capital account arising from internal recharges. The reported figures at table 4.3.1 in the covering report are inclusive of these variances.