Cabinet

Excerpt of the Minutes of the meeting held on Thursday 12 August 2021 in the Town Hall, Royal Leamington Spa at 6.00 pm.

Present: Councillors Day (Leader), Bartlett, Cooke, Grainger, Hales, Matecki and Rhead.

Also Present: Councillors: B Gifford (Liberal Democrat Group Observer), Nicholls (Labour Group Observer), Milton (Chair of Overview & Scrutiny Committee) and Nicholls (Chair of Finance & Audit Scrutiny Committee).

29. **Declarations of Interest**

There were no declarations of interest in relation to the Part 1 Items.

Part 1
(Items upon which a decision by the Council was required)

32. **Q1 Budget Report**

Following our consultations and on advice of the Chief Executive, the report was withdrawn from the agenda. The urgent aspect on the Housing Revenue Account would be dealt with using emergency powers, given time constraints.

A revised report would be circulated for our consideration in September, which would be accompanied by a separate report on proposals for Green Waste Charges

33. **Final Accounts 2020/21**

The Cabinet considered a report from Finance. The 2020/21 Accounts were in the process of being finalised, with the draft Statement of Accounts published on the Council's website on 16 July (ahead of the 2020/21 statutory deadline of 1 August). External Audit was then due to commence its Audit from 19 July, alongside which the period for public inspection and review would run. Subject to the outcome of the Audit, it was intended that the Finance and Audit Scrutiny Committee would formally approve the Audited Statement of Accounts on the 22 September 2021.

The report provided a summary on the draft 2020/21 outturn with the appendices to the report, with the draft Statement of Accounts (available on the website) providing a detailed analysis.

The Cabinet was asked to note the financial position for 2020/21 as detailed in the report, and the decisions made under delegated authority.
The final outturn positions upon closure of the Accounts were as follows.

	Latest Budget £'000's	Actual £'000's	Variation £'000's
General Fund	9,599	9,358	-241
HRA	-2,565	-4,359	-1,794
Capital Programme	78,645	44,760	-33,885

The outturn for the General Fund Revenue Services for 2020/21 presented a favourable variation of £0.241m. Should there be any change to the variation as a result of the ongoing External Audit, Members would be updated accordingly.

The significant General Fund variations were as follows.

Description	Variation £'000's	Favourable / Adverse
Employee Costs	-119	F
Benefits	-25	F
Corporate R&M	-41	F
Car Parking Income	364	A
Investment interest income	-123	F
Bereavement Services	-160	F
Building Control Income	-67	F
Planning Fee Income	98	A
Postponed PCC Elections May 2020	19	A
Legal Fees	-67	F
Waste Collection Income	-187	F
Member Allowances Pay Award	16	A
Catering Contract	38	A
Court Fee Income	29	A

An analysis by Portfolio was shown at Appendix A to the report. IAS19 adjustments and capital charging had been excluded from the variations below as these were reversed out of the Net Expenditure position.

Net Business Rates Retained Income to the General Fund was £10.771m above the revised Budget. This apparently favourable variance was due to the way that Government had compensated Councils through S31 grants for administering its Covid-19 support programmes, primarily in the form of Business Rates Reliefs and Business Grants. This additional income had been allocated to the Business Rate Retention Reserve (BRRVR), so temporarily increasing the Council's level of reserves.

This was a technical anomaly, and primarily a timing issue, as these grant payments were not anticipated when NNDR1 (the return submitted to Central Government in January 2020) set business rates shares for 2020-21 and were instead paid to the General Fund later in the year as the Government developed its pandemic response. The reliefs therefore sat in Earmarked Reserves at year end.

This might give a false impression of some authorities' financial health, masking the very serious financial challenges that many District's including WDC were facing. It was important that this position was not misunderstood as the extra funding from the BRRVR would be needed to balance the Business Rates Account for 2021/22.

Investment Interest was higher than that budgeted. Delays in various programmed expenditure as discussed within the report, meant that there had been more balances to invest which had led to this favourable variation rather than it being due to higher interest rates. The Annual Treasury Management Report had been presented to Finance and Audit Scrutiny Committee alongside the Final Accounts 2020/21 report on 11 August and provided more information on the 2020/21 performance. The Table below summarised the HRA and GF position.

	Latest Budget £'000's	**Actual £'000's**	**Variation £'000's**
General Fund	-447	-570	-123 F
HRA	-155	-225	70 F
Total Interest	**-602**	**-795**	**-193 F**

Employee costs were underspent by £119k in 2020/21. The key driver of this was staffing vacancies totalling £300k across a number of services, in particular Assets, Benefits & Customer Services, Development Services and Housing Services. Vacancies had been offset with additional staffing costs (overtime, agency staffing) where necessary, at a cost of £198k.

The Planned preventative maintenance (PPM) corporate repairs programme was funded through a combination of revenue and reserve funding from the Corporate Assets Reserve, in that order. In 2020/21, £188k had been drawn down from the Corporate Assets Reserve due to expenditure in year of £601k. Expenditure was significantly lower in year on the PPM programme than was originally set in as part of the Budget Setting Report in February 2020 (Where £1.1m of works had been agreed, supported by a £659k draw down from the Corporate Assets Reserve). The key driver of the reduction in expenditure in year were delays caused by Covid-19. As part of the Budget Setting for 2021/22, a number of these delayed works had been carried forward.

The Corporate R&M budget was underspent in 2020/21 by £41k due to a reduction in the number of works being completed as a result of disruption caused by Covid-19. It was expected that there would be a catch-up of works in 2021/22 as restrictions lifted, with access being improved and the use of some of the Corporate Assets increasing.

Bereavement Services had seen demand for its services increase as a result of the pandemic. In particular, there had been an increased demand for services at the Crematorium, with an increase in income over forecast of £160k.

Housing benefits presented an adverse net variance of £25k, driven by a reduction in the subsidy on benefit overpayments.

There had been a reduction in Court Fee income during 2020/21, as only one court session was held due to lockdowns. There were typically at least five sessions held in a year.

Rental income from Jephson Gardens Restaurant had not been received, resulting in an adverse variance of £38k.

Planning Fee Income budgets were reduced during the year as part of the Revised Budget Setting Process, to reflect the forecast impact of Covid-19. However, even with the reduction of £320,000, the forecast proved to be too optimistic, with income being a further £98k under budget. This was a combination of both planning fee income, and pre-application advice. Applications had been delayed, particularly in the first half of the year when restrictions in place were at their most severe, and applicants were taking a cautious approach.

On the other hand, Building Control income budgets were also reduced to reflect the anticipated impact of the pandemic on building works. This had been nowhere near as severe as expected and income had significantly exceeded the reduced budget by £67k.

Car parking income had seen an adverse variance of £364k, driven by the decline of use during January-March as a result of the third lockdown.

As a result of people in the District spending more time at home, due to lockdown restrictions and people moving to remote working, the demand for waste collection services had increased. Collections had increased, and with that, recycling credit income. There had also been an increased demand for replacement bins. Income received as part of waste collection services had been £187k above budget.

The postponed PCC Elections in May 2020 resulted in WDC being liable for the costs relating to venue hire at Stoneleigh Park, at £19k.

Within the budget setting process, budget was not provided for the Members' pay award that was received (in line with Officers), totalling £16k.
The Latest Budget for the HRA allocated £2.565m to be appropriated to the HRA Capital Investment Reserve. The actual outturn for 2020/21 resulted in £4.359m being transferred, an increase of £1.794m. This was summarised in Appendix B to the report.

HRA employee costs had been underspent by £690k in 2020/21. This had been driven by vacancies across a number of services including Business Development, Housing Strategy, and William Wallsgrove House. Agency staffing and overtime had been used in some instances where absolutely necessary for service delivery. IAS 19 pension contributions had also reduced as a result of the vacancies within the HRA.

Delays to repairs and maintenance work due to issues with access and contractor availability as a result of Covid-19 had resulted in an adverse variation of £1.135m. Major and cyclical repairs had been affected by this, in particular some of the ongoing fire prevention works. A new Fire Safety Works manager had been appointed to ensure all works were completed in the new financial year but the requirement on this budget was expected to reduce in the year as most of the works now fell under a bigger capital scheme established for 2021/22.

The Depreciation charged on HRA assets, in particular properties, was below forecast expectations for the year, resulting in a favourable variance of £186k. The charge was driven by property valuations provided for by our contracted Actuary. This was charged as an expense to the HRA as per statutory guidelines, with the value being transferred to the Major Repairs Reserve (MRR). The MRR was ring-fenced to be used to fund capital improvements through the Housing Investment Programme or could be used to repay debt.

There had been a favourable variation on the Bad Debt Provision of £37k. Tenant Arrears had increased as a result of the impact of Covid-19 and due to the national phased implementation of Universal Credit in place of Housing Benefit to applicable HRA Tenants. However, due to national policy changes, such as the temporary increase to Universal Credit introduced last year and extensions to the furlough scheme, arrears had been lower than initially forecast. This, though, would be an area where continual reviews would take place going into the new year as restrictions eased and some of the support policies began to be phased out.

Council tax charged while properties were vacant had increased in 2020/21, resulting in an adverse variance of £54k. Delays in being able to carry out property inspections, and then carry out and complete any subsequent repairs before being rented out again due to Covid-19 had resulted in the increased charge to the HRA.

There had been a favourable variance on Investment Interest of £70k, which was discussed and shown in the General Fund. Delays to Housing purchases and construction projects had helped offset reductions in interest. It had resulted in the HRA retaining higher than forecast reserve balances, which were invested to generate interest.

Officers would be monitoring these budgets in 2021/22 and reviewing the budgets where necessary to ensure appropriate resource allocation going forward.

Capital Expenditure showed a favourable variance against the latest budget of £33.885m. This was comprised of the Housing Investment Programme and Other Services. The table below summarised Budget and Expenditure by Fund, with further details within Appendix D to the report.

	Latest 2020/21 £'000	Actual 2020/21 £'000	Variance 2020/21 £'000
Housing Investment Programme	62,365	34,482	-27,883
Other Services	16,280	10,278	-6,002
Total Capital	**78,645**	**44,760**	**-33,885**

The key drivers of the variations were:

Slippage due to delays in delivering agreed programmed works and projects commencing late. The Budget to be carried forward to 2021/22 for these specific planned works totalled £27.011m on the Housing Investment Programme, and £6.042m for Other Services. Whilst this showed as a variation in the table above and in the appendices to the report, it was not an underspend or saving. In particular, a number of the delays had been as a direct result of Covid-19, with reduced access to sites and housing for contractors and developers. On the Housing Investment Programme, there had also been planning issues causing delays to the commencement of one of the large housing projects. These were currently being reviewed with the scheme being revised as necessary.

Appendix D to the report provided a comprehensive breakdown of the variations and their drivers, and the level of budget to either be returned to reserves or slipped to 2021/22.

In November 2016 (Budget Review Report), Members approved that any surplus or deficit on the General Fund balance was to be appropriated to or from the General Fund Balance. Under this agreed delegation, £0.241m. had been allocated.

Similarly, it was agreed for the Housing Revenue Account that the balance be automatically appropriated to/from the HRA Capital Investment Reserve. £1.794m had been transferred in 2020/21.

As part of the Final Accounts process, requests had been approved under delegated authority by the Head of Finance for Revenue Earmarked Reserves. These were for previously agreed projects where it had not been possible to complete as budgeted within 2020/21 and would therefore need to carry forward budget to 2021/22.

These totalled £1.416m for the General Fund and £0.650m for the HRA and were outlined in detail in Appendix C to the report. Requests were considered against budget outturn within the specific projects and services, with requests approved only where there was sufficient budget available.

Members noted this was a considerable sum. Key Earmarked approvals for the General Fund included ongoing work relating to the new waste contract, the Commonwealth Games and the continuation of grant payments from the Community Economic Recovery Fund (CERF) in 2021/22. For the HRA the main approval was to support the rolling programme of external decorating of assets.

It was recommended that the Cabinet should note the position on Revenue slippage. As in previous years, expenditure against these Budgets would be regularly monitored and reported to the Cabinet as part of the Budget Review Process.

In terms of alternative options, the report was a statement of fact however, how the outcomes might be treated could be dealt with in a variety of ways, mainly the alternatives were to not allow any, or only allow some of the earmarked reserve requests to be approved.

The Finance & Audit Scrutiny Committee supported the recommendations in the report.

Councillor Hales thanked the Strategic Finance Manager and the Head of Finance Services for the amount of time and effort in producing the report. He also thanked Group Leaders and Councillors because although it had been a challenging 12-18 months, where cross-party work had been crucial. There were a number of challenges ahead, notably business rates and car parking, and regarding the Chesterton Gardens appeal there had been a mitigation put into the accounts. If it had not been for the work of the Cabinet and Group Leaders, the costs could have been in excess of £300,000, so he wished to place on record his thanks to the Cabinet and Group Leaders. He then proposed the report as laid out.

Recommended to Council that

(1) the final revenue outturn positions of the General Fund (GF) and the Housing Revenue Account (HRA), being £0.241m and £1.794m favourable respectively, be noted;

(2) the Capital Programme shows a variation of £33.885m under budget and the level of slippage carried forward to 2021/22 as set out in Appendix D to the report, be noted;

(3) the allocations of the revenue surpluses which have been appropriated to the General Fund Balance Reserve and HRA Capital Investment Reserve under delegated authority, be noted; and

(4) the final position for Revenue Slippage, be noted and the Earmarked Reserve (EMR) requests of £1.416m General Fund and £0.650m HRA (Appendix C to the report), be approved, with the requests having been approved under delegated authority by the Head of Finance in conjunction with the Finance Portfolio Holder.

(The Portfolio Holder for this item was Councillor Hales)
Forward Plan Reference 1,187

(The meeting ended at 6.55pm)

CHAIRMAN
23 September 2021