

Report To: Cabinet

Date of Meeting: 2 November 2020

Report Title: Final Accounts 2019/2020

Report By: Peter Grace
Chief Finance Officer

Key Decision: Y

Classification: Open

Purpose of Report

This report sets out the draft final accounts position for 2019/20. These are subject to completion of the external audit.

Recommendation(s)

1. Cabinet review the revenue and capital outturn positions for 2019/20.
 2. That the 2019-20 outturn position, along with the revised estimates for 2020/21 be taken into account when preparing the 2021/22 budget.
 3. Cabinet review the achievement of Priority Income and Efficiency Review (PIER) savings for 2019/20.
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Reasons for Recommendations

Compliance with statutory requirements and good practice. The Council is accountable for the use of public money and continuously seeks to improve Value for Money.

The outturn position informs the budget setting process. Where there are under or overspends the reasons behind these are investigated with a view to reallocating resources to meet priorities.

The 2016/17 Audit Completion Report from the council's external auditors (BDO at the time) recommended that management report on the achievement of PIER savings following their implementation.

Introduction

1. This report provides members with the draft outturn results for the General Fund and Capital Programme for 2019/20. The financial accounts are subject to change until the external auditors have completed their audit report.
2. Variances are shown in (brackets) if they are favourable and without if they are adverse.
3. The Accounts & Audit Regulations 2015 require the Chief Finance Officer (Section 151 officer) to certify the Statement of Accounts by the 31st May each year and publish them by 31st July (following Audit). However, given the Covid-19 outbreak and subsequent impact that this had on the public sector, a one-off change to legislation allowed for a later publishing date of 31st August 2020 – which was achieved. Publishing of the accounts, following audit, to be by the 30 November 2020.
4. The Council's external auditors (Grant Thornton) were due to commence their audit in July 2020, but due to Covid-19 and workloads, have not at the time of writing (13 October 2020) been able to commence auditing the accounts. The audited Statement of Accounts were due to be considered by the Audit Committee at a revised meeting on 10 November 2020– along with details of the auditor's findings and any material amendments made to the accounts. This date is clearly not achievable, and a revised timetable will need to be established.

General Fund Position - Revenue

5. The final outturn position for the 2019/20 financial year is a deficit of £1.598m compared to the revised budget deficit of £1.798m – an improvement of £200,000. Please note this is still subject to confirmation of the carry forward requests and transfers to / from reserves. A summary of the provisional outturn for the year is shown in Appendix A, albeit there are several queries outstanding.
6. The significant service budget variations are shown in Appendix B. Those over or under budget by £50,000 or more are narrated. Please note that the depreciation and capital charges, International Financial Reporting Standard adjustments, and notional aspects of the Minimum Revenue Provision (MRP) are excluded from this analysis – as they do not affect Council Tax.
7. In addition to the budget variations on services as shown in Appendix B there were underspends/ increased income in the year in respect of provision for the repayment of MRP, net interest and investment income, business rates and grants – as highlighted in the appendices.

Council Tax

8. The balance on the Collection Fund at 31 March 2020 was £3.26m, of which the Council's share was £343,000. Surpluses and deficits are generally recovered/paid out in the following year i.e. 2020/21 – as determined in the 2020/21 budget setting process.

National Non-Domestic Rates (NNDR)

9. The rateable value of business premises at 31 March 2020 was £62,553,968 compared to £62,294,534 at 31 March 2019. This change reflects the movements on the 2010 and 2017 rating lists and annual indexation.

10. Excluding multiple appeals there were still 76 appeals outstanding relating to the 2010 list, with a total rateable value of £10.1m, and many date back to the start of this list. There are a number of multiple appeals for the same property, making an accurate estimate of the liability very difficult. There is very little information on appeals against the 2017 list, so a standard percentage reduction in income has been estimated.
11. The net collectable sum for the year was £21,123,057; this is £70,227 less than original forecast (NNDR1) of £21,052,830 This partially reflects additional reliefs imposed by the Government, for which the Council is compensated by Section 31 grants. The NNDR element of the Collection Fund has a surplus balance of £306,000 (the Council's share of the £766,000 overall surplus). As with Council Tax, projected surpluses are included in the 2020/21 budget setting process.

Reserves

12. Appendix E details the reserves position. The balance on these reserves at 31st March 2020 is £17.61m compared with £18.48m at 31st March 2019.
13. The Council has set aside reserves for a number of purposes, including provision for the renewal and repair of equipment, repair and maintenance of buildings, carry forwards and the financing of capital expenditure. It should be noted that some reserves such as the Disabled Facility Grant Reserve (£2.1m), or licensing reserves cannot be used for any other purpose. There are also carry forwards of some £977,000 – often in respect of grant funding received in respect of future years.
14. The Council agreed at its budget meeting in February 2019 that the minimum level of unencumbered General and Capital reserves should be £6m – given the risks and liabilities that the Council faces. The Council's General reserve balance being some £7.3m at 31 March 2020 (unaudited).

Underspends on reserve funded items during 2019/20 e.g. repairs and renewal monies will be re-profiled into 2020/21.

Capital Programme and Resources

15. The Council spent £12.1m on capital projects during 2019-20 which was some £6.4m less than the revised budget estimate. The main variation being in respect of Commercial Property Regeneration/Development (311-323 Bexhill Rd - £5.4m). This was projected to complete at the end of March 2020 but has completed in 2020/21.

Capital receipts, reserves, grants and borrowing have been used to finance the £12.1m of expenditure and a breakdown can be found in Appendix D.

Provisions for Credit Liabilities (Minimum Revenue Provision – MRP)

16. From 1 April 2007 the Government introduced new regulations concerned with the treatment of MRP (Minimum Revenue Provision – a sum calculated to repay capital debt). This places a general duty on the Council to make prudent provision for the re-payment of capital debt. The option chosen by the Council has given rise to a charge to revenue in 2019/20 of £1,176,000; this figure includes the principal repayments actually made as part of the annuity loan repayments (principal and interest).

Financial Strategy

17. Maintaining the Council's financial standing remains challenging in the current circumstances. The recently produced Medium Term Financial Strategy highlights that there is, not unexpectedly, a much higher projected deficit for 2020/21 –having increased to £2.7m from some £1.2m identified in February 2020 when the budget was set – pre Covid-19.
18. Given the major reductions in future funding, the Council needs to continue to take important and potentially difficult decisions. This will include identifying significant efficiencies and service reductions, invest to save opportunities and to generate more income - where possible in order to balance the budget in the future.
19. It is standard practice to analyse previous year variations when determining the forthcoming budget. The 2019/20 outturn position, along with the revised estimates for 2020/21, will be taken into account when preparing the 2021/22 detailed revenue estimates.
20. A number of significant one-off items have been identified and transferred to the Council's reserves – particularly unspent grant monies such as those from Disabled Facility Grant. The level of reserves, as well as the identification of future funding expectations, and potential spending pressures will be considered as part of the budget.
21. Further work is being undertaken through the Priority Income and Efficiency Review process to identify the future ongoing savings, above and beyond those already included in the 2020/21 budget.

Review of PIER savings

22. In the 2016/17 Audit Completion Report from BDO the then external auditors observed that PIER savings are planned in detail within the council's annual budget process reports and savings identified are removed from the budgets once approved by Cabinet. They commented that there is opportunity to enhance reporting to Cabinet further by stating actual savings achieved compared to the original estimate.
23. It was recommended that management include the actual savings achieved against each PIER scheme following their implementation when reporting the outturn variance. This recommendation was accepted by the Council and Appendix F details the achievement of the savings in 2019/20.
24. The original 2019/20 budget identified net PIER savings of £1,248,000 (Appendix K (ii)). The savings that were not made within the year were those in respect of the Herring Fair – some £24,716 being incurred. These figures exclude the impact of redundancy costs which were themselves significantly lower than expected. The variance represents some 2% of the targeted savings. It should be noted that the actual outturn for the year was some £200,000 better than expected – the deficit at £1.598m was an improvement on the deficit of £1.798m forecast. Appendix F only considers the PIER savings and growth and does not look at other savings generated within the year e.g. ICT manager post (£44k) or identify any non-related overspends. The additional savings expected from the Income Generation Strategy (£148,000 in 2019/20) have not been reviewed as part of this report.

Timetable of Next Steps

25. Please include a list of key actions and the scheduled dates for these:

Action	Key milestone	Due date (provisional)	Responsible
Budget 2021/22	Setting the 2021/22 Budget	Budget Cabinet -8 February 2021 Budget Council – 24 February 2021	Chief Finance Officer
Final Accounts	External Audit to Audit the Accounts. Audit Committee to agree the Final Accounts for 2019/20. A separate Audit Committee meeting may be necessary given the delays in the audit of the accounts.	30 November 2020	Chief Finance Officer

Wards Affected

(All Wards);

Policy Implications

Reading Ease Score:

Have you used relevant project tools?: Y/N

Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness	N
Crime and Fear of Crime (Section 17)	N
Risk Management	N
Environmental Issues & Climate Change	N
Economic/Financial Implications	Y
Human Rights Act	N
Organisational Consequences	N
Local People's Views	N
Anti-Poverty	N
Legal	N
Climate Change	N

Additional Information

Appendix A - Final Accounts Summary 2019/20

Appendix B - Major Variations
Appendix C - Capital Programme Expenditure (total) 2019/20
Appendix D - Capital Programme Financing 2019/20
Appendix E - Statement of Reserves
Appendix F - PIER Savings achievement for 2019/20

Officer to Contact

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