Rossendale
BOROUGH COUNCIL

ITEM NO. D1

Subject:	Financial Monitoring Report Q3 & Q4 2021/22 (Indicative Outturn)	**Status:**	For Publication		
Report to:	Cabinet	**Date:**	19th July 2022		
Report of:	Finance Manager	**Portfolio Holder:**	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. RECOMMENDATION(S)

1.1 That Cabinet note the contents of the Q3 and Q4 2021/22 financial monitoring reports.

2. EXECUTIVE SUMMARY

- This report provides an indicative estimate of the Council's General Fund Revenue outturn, Collection Fund performance and Capital outturn for the year ended 31 March 2022.
- At 31 March 2022, the Council has reported an adverse variance of £210.2k against an approved net budget for the year of £8,902k. This is an improvement of £302.2k from the forecast reported at Q3 (£512.5k) and will require a contribution form the Response and Recovery Reserve to balance the budget.
- Positive movement in Q4 is largely down to the conclusion of the exercise to assess the eligibility of financing core staffing costs from Covid related administration funding. This has made a positive contribution of c£200k to the outturn forecast at Q3.
- At the time of this report work continues on the more technical aspects of the Council's Collection Fund Account (Council Tax and Business Rates), particularly with regard to the Council's share of Section31 Grant due as compensation for 'lost' income owing to the mandated reliefs introduced by Central Government after setting of the Budget. As per original plans, the Council's share of Section31 Grant, once confirmed, will be transferred to the Local Business Rates Retention Reserve.
- Reserves remain at historically high levels at the Balance Sheet date being earmarked in most cases to meet specific expenditure. An example being the Local Business Rates Retention Reserve as noted above, to fund future anticipated deficits on the Collection Fund Account.
- The original budget estimate for 2021/22 included £184k of efficiency targets. Most were met either in full or in part.
- The approved Capital Programme for 2021/22 was agreed in the sum of £9,852k, including prior year slippage brought forward of £3,765k. The indicative Capital outturn for the year is £5,598k. Slippage requirements into 2022/23, including the associated funding sources, total £3,971k. The main variation on the Capital Programme was in respect of Empty Homes expenditure. No budget slippage is anticipated for this scheme into 2022/23. At the time of this report, the most effective method of financing the Capital outturn is being reviewed.

3. BACKGROUND

3.1 The 2021/22 MTFS set a balanced Budget for the year based on the assumptions made at that time. The Covid pandemic has continued to impact on the economy and result in unplanned expenditure for the Council, including lost revenues.

4. DETAILS

REVENUE

4.1 This is the final monitoring report of the year 2021/22 and is considered to be the indicative outturn.

4.2 The forecast position is an adverse variance of £210.2k when compared to an original budget of £8,902k. It is proposed that this adverse variance will be met from the response and recovery reserve.

4.3 The most notable variances at Q4 are shown below and broadly replicate those themes reported at Q3. Significant exceptions relate to the utilisation of Covid related grant funding to meet budgeted staff costs where eligible, and financial benefits to the Council's General Fund upon early draft closure of the Council's Collection Fund Account:

- £69k favourable – employee savings contribution above the efficiency target for the year. This includes use of eligible Covid funding to meet Council core staff costs.
- £59k adverse – being an improvement on forecast court cost income estimated throughout the year at £100k against a budget of £300k.
- £80k favourable – upon early draft closure of the Council's Collection Fund Account and assessment of adequate cover for 'bad debts', a sum of £80k can be released to the Council's General Fund to support the budget.
- £101k adverse – Deferred repayment of loans granted to the Rossendale Leisure Trust agreed by Council in February 2021.
- £88k adverse – The highest recorded fuel costs since 2013 having an impact on the cost of the operational fleet vehicles.
- £58k adverse - At Q4, an adverse variance of £58k is estimated for Local Plan costs, arising from the requirements of the Planning Inspectorate.
- £189k adverse – being the reversal of the Minimum Revenue Provision (MRP) 'saving' estimated at Q3. These sums have now been set aside as a contribution to the Finance Reserve to support the revenue budget in future years as delayed capital expenditure commitments fall due. This movement represents a 'swing' from Q3 but has no adverse variation to the year-end outturn position.

4.4 Full details and explanations are included in appendix 1.

CAPITAL

4.5 The Usable Capital Receipts brought forward at the 1st April totalled £2,233k.

4.6 The value of the budgeted capital scheme expenditure for 2021/22 was £6,239k to which £3,765k slippage was added. New schemes added to the programme in year include: Whitworth Wild Play (£16k), Futures Park improvement works (£44k), infrastructure works for the installation of Electric Vehicle charging points (£101k) and improvement works to the running track at Marl Pits (£250k). In addition, improvement works to Henrietta St Depot have been undertaken (£22k) and the indicative grant for DFGs (£1,000k) has been firmed up at £1,160k. Where appropriate, originally approved schemes were re-profiled over the life of the medium term Capital Programme to align to the timing of likely expenditure. The estimated in year expenditure was £9,852k with an indicative outturn of £5,598k.

4.7 Anticipated slippage into 2022/23 is estimated at £3,971k.

4.8 The total in the Useable Capital Receipts Reserve at the end of 2021/22 is £650k. This recognises the most effective form of financing capital expenditure incurred. It remains noted that capital resources are earmarked for Whitworth projects (£100k) and Haslingden projects (£236k).

4.9 The most effective method of funding the Councils' Capital outturn is currently being determined.

TREASURY

4.10 The council's bank resources continue to be higher than normal due to the level of Covid related Government grants received and held over from 2020/21, including significant sums not yet returned to Government as part of the agreed reconciliation conditions. With the uncertainty around income and Covid-19 response requirements, and depressed interest rate levels on offer from approved counterparties despite recent increases in Bank Rate, Council officers have retained funds in instant access/liquid accounts.

4.11 Details are included in Appendix 1.

COLLECTION FUND

4.12 Council Tax collection statistics have not yet returned to pre-pandemic levels. Whilst Business Rates collection performance appears to have returned to pre-pandemic levels, the reliefs awarded are masking the true position. Work continues to assess the final surplus/deficit positions on Council Tax and Business Rates Accounts respectively.

4.13 The Government extended the 100% Business Rate Relief scheme to include retail, hospitality and leisure businesses into 2021/22, albeit on modified terms and with this level of relief reduced down to 66% of liability with effect from July 21. The Government has issued additional Section31 grants to cover this lost income. A similar scheme is set to operate in 2022/23, for which the Council will again receive compensation through S31 grant.

EARMARKED RESERVES

4.11 The total cash-backed earmarked reserves brought forward at 1st April 2021 were £12,717k. The Earmarked Reserves closing balance at the 31 March 2022 are £14,254k, however do not include any additional share of Section31 Grant in respect of the Expanded Retail Relief scheme. These figures will be assessed on final closure of the Collection Fund.

4.12 Earmarked Reserve balances also include compensation received in 2020/21 required to fund future years' deficits on the Collection Fund owing to the pandemic. Amounts are to be released over the next three years to ease the cashflow burden, as agreed by changes to legislation ('spreading the deficit'). Estimated usage through the life of the MTFS, is projected to reduce this to £9,887k by March 2026.

5 RISK

All the issues raised and the recommendation(s) in this report involve risk considerations as set out below:

- Financial monitoring of General Fund service departments focuses on the key risk areas of employee costs, income, implementation of agreed budget savings, emerging issues (eg inflationary pressures and rising living costs) 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 2023/24 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 2023. An alternative mechanism for redistributing funding to authorities most in need may therefore need to be determined. The implications for this Council remain unknown.

- The Government announced a three-year Spending Review alongside the autumn budget on 27 October, the first multi-year funding settlement since 2018. However, the final Local Government Finance Settlement announced on 7 February 2022, confirmed a single year settlement for 2022/23 only. This continues to impact on the certainty around future financial planning arrangements.

6 CONCLUSIONS

6.1 Robust monitoring of the General Fund and MTFS is essential to control risks expressed in section 5 above and the Council continues to undertake this.

6.2 The Council's overall financial position improved due to the 2020/21 adjusted outturn position, most notably due to the increase in reserves. However, these temporary balances are earmarked for specific purposes, not least, the ongoing impact of Covid, which is still not completely known and remains a risk.

6.3 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. However, the increase in energy costs, vehicle fuel costs, the rising inflation rate which is affecting contract costs and the impending pay award, which is expected to be above the estimate included within the MTFS, is making this more difficult.

6.4 The Final Local Government Finance settlement was announced on 7 February 2022 and is a single year settlement for 2022/23 only. The settlement included the continuation of the Lower Tier Services grant and New Homes Bonus in to 2022/23 and the introduction of a new one off Service grant for 2022/23. Over the coming months the Department for Levelling

Up, Housing and Communities is carrying out a review of council funding to ensure funding allocations for councils are based on an up-to-date assessment of their needs and resources, with a view to implementing the revised funding scheme from 2023/24 onwards. It is not yet known what impact the review will have on the Council's funding levels, however this poses a significant risk to the MTFS. The Government has recently stated that the financial settlement due be announced in the Autumn of 2023 will be a two year settlement for 2023/24 and 2024/25.

7 FINANCE

The financial implications are fully set out in Appendix 1.

8 LEGAL

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

9 POLICY AND EQUALITIES IMPLICATIONS

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

10 REASON FOR DECISION

10.1 Cabinet are recommended to note the Q3 monitoring report (Appendix 2) and the draft outturn position at Q4 (Appendix 1).

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