

REPORT OF: CHIEF FINANCE OFFICER

TO: POLICY AND RESOURCES COMMITTEE

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PROVISIONAL REVENUE OUTTURN 2019/20

PURPOSE OF REPORT

1. This report is provided to inform Policy and Resources Committee of the provisional outturn position on the Council's General Fund Revenue Budget for 2019/20.

RECOMMENDATIONS

2. The Policy and Resources Committee is recommended to:-
 - a) note the outturn on the Council's Revenue Budget for 2019/20 acknowledging the position is provisional at this time pending completion of the audit of the accounts for the year;
 - b) approve the proposals for budget slippage from 2019/20 to 2020/21, for those items exceeding £15,000 (as shown at [Appendix B](#)).

REASONS FOR RECOMMENDATION

3. To inform the Policy and Resources Committee of the Council's outturn position on revenue budgets for 2019/20.

ISSUE

Provisional Outturn 2019/20

4. In setting the original budget for 2019/20, the Council planned to use £1.082m from the Budget Support Reserve to support the revenue budget. As a result of decisions taken by Council in year to review budgets as part of the budget setting process for 2020/21, and any supplementary estimates since then, this was subsequently revised to a net contribution from the reserve of £0.944m. This is summarised below in table 1:

Table 1: Budgeted movements on the Budget Support Reserve 2019/20

Budget Support Reserve (BSR) 2019/20	To	From	Total/Net
	£'000	£'000	£'000
Approved budgeted contribution <i>from</i> the BSR to support the original 2019/20 revenue budget.		(1,082)	(1,082)
Adjusted for:			
(a) Barnoldswick Town Square funding contribution as per Policy and Resources – June 2019		(50)	(50)
(b) Effect of in year underspend reported when approving the Revised Budget for 2019/20 – agreed by the Policy and Resources Committee in January 2020	175		175
(c) Supplementary estimate to fund installation of High Ropes at Whitehough – Policy and Resources Committee – October 2019		(5)	(5)
(d) Release of small elements of funding for service specific expenditure.		(11)	(11)
(e) Contribution of additional fee income identified corporately to fund required Elections resource into 2020/21 (unsuccessful recruitment attempts in 2019/20)	29		29
Closing budgeted contribution from the BSR	204	(1,148)	(944)

5. On the basis of the provisional outturn figures, and taking into account proposed slippage and contributions to and from reserves, a net contribution of £424k is expected to be made from the Budget Support Reserve in 2019/20 in line with the budgeted position as shown in Table 2 below:

Table 2: Provisional Outturn 2019/20 (after budget slippage)

	Approved Budget (Post Slippage)	Provisional Actual	Variance
	£000	£000	£000
Net Cost of Services	14,817	14,364	(453)
Corporate Income and Expenditure	(2,518)	(2,585)	(67)
Sub-total of Net Revenue Expenditure	12,299	11,779	(542)
Less: Cont to/(from) Reserves	309	309	-
Funding (Council Tax / NNDR / Govt Grant)	(11,664)	(11,664)	-
Cont. to / (from) Budget Support Reserve	(944)	(424)	(520)

Source: Appendix C

6. The Policy and Resources Committee should note that the position shown in Table 2 above is *after* taking account of proposed budget slippage required to provide funding for future/ongoing commitments. More detail on this is provided below.

Provisional Outturn 2019/20 (Before budget slippage)

7. Table 3 below provides a summary of the provisional outturn position for the year whilst a more detailed analysis is provided at [Appendix A](#). This position is *before* budget slippage has been taken into account.

Table 3: Provisional Outturn Position 2019/20 (Before slippage)

	Approved Budget (Pre - Slippage)	Provisional Actual	Variance
	£000	£000	£000
Net Cost of Services	14,957	14,364	(593)
Corporate Income and Expenditure	(2,518)	(2,585)	(67)
Sub-total of Net Revenue Expenditure	12,439	11,779	(660)
Cont to/(from) Reserves	169	169	-
Funding (Council Tax / NNDR / Govt Grant)	(11,664)	(11,664)	-
Cont. to / (from) Budget Support Reserve	(944)	(284)	(660)

Source: Appendix A

8. As the table indicates, the provisional outturn position shows an underspend of £660k when compared to the Approved Budget. This primarily comprises an underspend on the Net Cost of Services of £593k and an underspend on Corporate Income and Expenditure of £67k. The outturn position shown in Table 3 above includes unspent budgets of £140k which it is proposed to carry forward to 2020/21 (referred to as 'slippage'). Approval of slippage requests for items not exceeding £15,000 is delegated to the Chief Executive in consultation with the Chief Finance Officer. Amounts above £15,000 require approval by the Policy and Resources Committee, of which there are two items:

	£
• Funding carried forward to sustain the post of Empty Homes Officer for an additional year	50,000
• Carry forward of income achieved on Trade Waste activity to invest in new Skips for hire	<u>20,000</u>
Total	70,000

Net Cost of Services

9. As Table 3 shows, the outturn position on the Net Cost of Services is an underspend of £660k. Included in the variances referred to above are underspends on certain budgets where Service/Budget Managers have requested that the unspent budget is carried forward to be used in 2020/21. Details of these 'budget slippage' requests amounting to £140k are provided at [Appendix B](#). Of these, £70k has been approved under the officer delegation referred to above. Policy and Resources Committee is requested to consider and approve the balance of £70k. If the balance of slippage proposals is agreed, the effect will be to reduce the underspend of £660k reported in the table above at the Net Revenue Expenditure line as shown below:

Table 4: Impact of Slippage on Net Cost of Services

	Variance (Pre - Slippage)	Slippage	Variance (Post - Slippage)
	£000	£000	£000
Directorate	(9)	9	0
Financial Services (including Liberata services)	(84)	20	(64)
Democratic & Legal Services	(11)	0	(11)
Planning, Ec Dev and Reg Services	(258)	7	(251)
Environmental Services	(66)	54	(12)
Housing, Health & Engineering	(165)	50	(115)
Net Cost of Services	(593)	140	(453)
Corporate Income and Expenditure	(67)	0	(67)
Net Revenue Expenditure	(660)	140	(520)

Source: Appendix B, C and D

10. An analysis of the variances on the cost centres within each Service is provided at [Appendix C](#) and [Appendix D](#) whilst [Appendix E](#) provides a summary, by service, of those variances that are +/-£10,000 or more.

Corporate Income and Expenditure

11. Corporate Income and Expenditure relates to those areas of spend and income that are not specific to the delivery of services. Overall, there is a net underspend of £67k in this area when compared to the approved budget. The main variances are:-
- £12k of costs identified from Area Committee Capital budgets deemed to be revenue under generally accepted accounting practices. Councillors are reminded that no revenue budget provision exists for Area Committee – note blurb on AC reports.
 - Reduced costs relating to external interest payable. This is due to a delay in external borrowing activity and where borrowing has taken place, at interest rates below those assumed when setting the budget;
 - additional investment income of £46k being the net effect of higher than forecast cash balances (mainly due to slippage on the capital programme) and achieving a higher rate of return than assumed at the time of revising the budget forecast;
 - additional Section 31 grant income. The grant compensates the Council for specific business rate reliefs awarded during the year (e.g. small business rate relief). Grant for the year is now estimated at £16k more than budgeted reflecting the actual level of reliefs awarded in the year;
 - an improved position relative to budget estimate for contributions payable as part of the Business Rates 'pooling' arrangement. The Council had over-estimated its closing position at the end of 2018/19 and this variation reflects a correction to recognise total contributions payable over the two periods.

Business Rates 2019/20 Outturn

12. Pendle Borough Council took part in the 75% Business Rate Retention scheme pilot for the 2019/20 financial year. Under this scheme income from business rates is shared 25:75 between central and local government. Pendle acts as the billing authority and is responsible for collecting business rates. The income is shared in the following prescribed proportions:

Central Government	25%
Pendle Borough Council	56%
Lancashire County Council	17.5%
Lancashire Fire Authority	1.5%

13. The rates retention scheme operates on a fixed cycle with the following key milestones each year:
14. January – completion of return to Government setting out an initial estimate of income for the next financial year with an updated estimate of the likely outturn for the current year (known as the NNDR1 form);
15. May – completion of return to Government setting out the actual income for the preceding financial year (known as the NNDR3 form). This deadline has been extended to the end of July 2020 in response to the COVID-19 outbreak.
16. The Council's budgeted income from business rates each year is derived from the NNDR1 form. For 2019/20 the Council's share of income was £9.630m based on 56% of £17.197m. From this, the Council has to deduct its tariff payment to Government for the year of £5.125m. The Council also had additional income from its share of the estimated surplus on the business rates part of the Collection Fund from the previous year of £0.400m – hence the budgeted net income from business rates for 2019/20 was £4.905m (i.e. £9.630m less £5.125m plus £0.400m).
17. The significance of the above is that once these amounts have been set in the NNDR1 form they are fixed for that year. Regardless of actual performance in the year the net amount credited to the Council's revenue account will be that declared on the NNDR1 form. This is a statutory requirement under which any variations in actual income from that estimated get reflected in budgets for the following year or the following year +1.
18. Based on the NNDR 3 form the actual business rates income for 2019/20 was £19.676m an increase of £2.479m on that estimated on the NNDR1 form. In addition to this there was a residual surplus from 2018/19 of £7k. As a result of these movements the closing position as at 31st March 2020 in respect of business rates is a net surplus of £2.486m of which Pendle's share is £1.391m.
19. Whilst the position outlined above on business rates is an encouraging one there is still much uncertainty attached to projections of future income levels from business rates. This results from a combination of the 2017 Revaluation with the risk of significant appeals by businesses against their rateable value and planned reforms of the business rates system nationally. The COVID-19 outbreak and subsequent national lockdown has added even more uncertainty over the sustainability of local businesses which in turn creates additional uncertainty for future business rates income. This has implications for the Council's participation in the Lancashire Business Rates Pool as outlined below

20. Under the Pool governance arrangements for Lancashire each member bears its own risk. There is no safety net protection provided by Government and individual pool members are protected from each other's losses within the pool. The upside to pool membership is that there is no levy payable to Government and hence each member retains its share of rates income in full save for 10% which is payable to the County Council under the pooling arrangement.
21. For 2019/20 because Pendle Borough Council and the other Lancashire Business Rates Pool members were part of the 75% Business Rates Retentions Scheme pilot the 10% contribution to Lancashire County Council was suspended. Instead each authority agreed to contribute a fixed amount to a County-wide Fund. Pendle's contribution was £80,040.

Reserves

22. As part of the initial budget setting process and as the year progressed, Councillors agreed to use certain reserves in support of the Council's expenditure. These and other movements in reserves are shown on the Summary Revenue Account provided at [Appendix D](#).
23. The intention, as with last year, is to review all reserve balances to establish the scope to transfer resources in to the Budget Strategy Reserve to support medium-term financial planning, particularly in response to, and recovery from, the Coronavirus outbreak. A report appears elsewhere on the agenda.
24. The provisional revenue outturn for 2019/20 includes creation of three new earmarked reserves as below:

COVID19 Support Reserve

The Council received the sum of £70k in late March 2020 as part of Central Government's first tranche of the current £3.2bn funding package for local government. Given the timing of receipt, this has been placed in an earmarked reserve, for release in 2020/21 to supplement the second tranche of funding now received (c£909k).

Councillors will also be aware of the resolution to supplement this reserve by £1.5m following the June meeting of the Policy and Resources Committee, and now being able to firm up the revenue outturn position.

The express purpose of this reserve is to meet the net financial cost of COVID19 on the Council; it is not intended to be used to fund any measures to support the recovery effort.

Future High Streets Fund

Sums received as part of the Future High Streets Fund (£138k) have been separately identified in an earmarked reserve as part of the 2019/20 outturn position.

Towns Fund Reserve

Similar to the High Streets Fund above, sums of £162k have been separately earmarked on closure of the 2019/20 accounts for release in future years.

25. In setting the original budget for 2019/20 the Council planned to use £1.082m from this reserve. As set out in Table 1 above the updated position resulted in a budgeted contribution from the reserve of £944k, being a net reduction in the sum of £138k. The provisional outturn as now reported, adjusted for slippage, would require a net contribution from the Budget Strategy Reserve of £424k.

Statement of Accounts 2019/20

26. The information presented in this report represents the Council's management accounts and shows performance against agreed budgets. Work has recently been commenced on the Council's draft Statement of Accounts for the year which contains the Council's formal financial accounting statements. The Statement of Accounts contains, in essence, the same financial information presented in this report but in a format prescribed by the Chartered Institute of Public Finance and Accountancy (CIPFA).
27. As a result of the Coronavirus outbreak, MHCLG have revised the publication date for the draft accounts to 31st August 2020 (out from 31st May 2020) with an audited publication date of 30th November 2020 (out from 31st July 2020). A notice advising of the delay in publishing the draft accounts for 2019/20 has been published on our website.
28. In accordance with the Council's Constitution, the draft accounts for 2019/20 will be reported to the Accounts and Audit Committee. This Committee date is to be confirmed.

IMPLICATIONS

Policy

29. There are no policy implications arising directly from this report.

Financial

30. The financial implications are as given in the report.

Legal

31. Changes have been made to the Accounts and Audit Regulations 2015. The Accounts and Audit (Coronavirus) Amendments Regulations 2020 (SI 2020/404) extend the statutory audit deadline for 2019/20 for all local authorities,

Risk Management

32. There are no direct risk management implications arising directly from the contents of this report.

Health and Safety

33. There are no health and safety implications arising directly from this report.

Climate Change

34. There are no sustainability implications arising directly from this report.

Community Safety

35. There are no community safety issues arising directly from this report.

Equality and Diversity

36. There are no equality and diversity issues arising from the contents of this report.

APPENDICES

Appendix A – Provisional Outturn on the General Fund 2019/20 (**before** slippage)

Appendix B – Slippage Proposals 2019/20

Appendix C – Detailed Analysis of Variances by Cost Centre 2019/20

Appendix D – Provisional Outturn on the General Fund 2019/20 (**after** slippage)

Appendix E – Variance +/- £10k by Service Area

LIST OF BACKGROUND PAPERS

Working Papers for the Final Accounts 2019/20 held in Financial Services.