



WEST OXFORDSHIRE
DISTRICT COUNCIL

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Name and date of Committee	Cabinet: Wednesday 21 July 2021
Report Number	Agenda Item No. 6
Subject	Financial Performance Report 2020/21 Year End
Wards affected	All
Accountable member	Cllr Suzi Coul Cabinet Member for Finance Email: Suzi.Coul@westoxon.gov.uk
Accountable officer	Elizabeth Griffiths, Chief Finance Officer and Deputy Chief Executive Tel: (01993) 861188 Email: Elizabeth.Griffith@westoxon.gov.uk
Summary/Purpose	This report provides details of the Council's financial performance at the end of 2020/21, the key movements to reserves and the capital budget for 21/22 including any unspent funds rolled over from 20/21.
Annexes	Annex A – Revenue Outturn Annex B – Capital Programme
Recommendations	(a) That the 2020/21 end of year financial performance be noted. That Cabinet recommends that Council: (b) Approve the carry forward of Capital Budget of £3.657m as detailed in Annex B (c) Approve the transfers to Earmarked Reserves as detailed in section 4
Corporate priorities	Council approved its Council Plan 2020-24 in January 2020. The Plan sets out a Council vision that is “to support West Oxfordshire to be fit for the future through action across a set of priority themes: <ol style="list-style-type: none">1. Climate Action2. Healthy Towns and Villages3. A Vibrant District Economy4. Strong Local Communities5. Meeting the Housing Needs of our Changing Population6. Modern Council Services and Sustainable Finance
Key Decision	Yes
Exempt	No

I. BACKGROUND

The circumstances of the 2020/21 financial year applied an unprecedented pressure on Council finances in terms of our ability to generate and collect income. We took early action on this with a reforecast that revised our financial expectations and predicted an almost £2m shortfall against original budget. This has thankfully been covered completely by the in year budget savings we made and the additional Government grants received. The recommendation of this report is that the excess in grant funding is moved to reserves since the impact of Covid is still very much evident in the Council's financial performance and, while we have increased bad debt provisions and are negotiating an expected date for a return to normality in our leisure income, these issues will still affect our ability to cover our costs for some considerable time to come.

As forecast, the biggest impacts on our budget were the loss of management fee income from leisure and the reduction in income from our commercial properties. There was an unanticipated saving on the Ubico budget where the impact of the pandemic (socially distanced working practices and lower oil prices) actually resulted in savings. Some repair costs however are merely timing differences and are expected to be incurred as part of 2021/22's expenditure.

Our year end position has been hugely affected by additional government grants like the Section 31 grant which compensates the beneficiaries of retained business rates income for the reliefs that the government gave to rates payers last year. This is discussed in more detail below but in summary, although it has a distorting effect on our closing position, these are additional monies paid to us in the last financial year which will have to be repaid in the current one (21/22) so will need to be put into reserves in order to satisfy that debt.

Although not shown in the I&E result, £2.2m of undistributed grants (Contain Outbreak Management Fund – “COMF” and Additional Restrictions Grant – “ARG”) have already been moved to reserves as they were paid to us by Govt in 2020/21 but will be distributed in 2021/22. At the time of writing this report, the ARG funding has all been paid to local businesses.

The Revenue Outturn for all Council services at 31st March 2021 is shown in Annex A.

There are a number of budget variances identified in the report across a range of service areas, commentary for the most significant of these is set out below. These figures are subject to External Audit review, however, the figures are not expected to change materially from what is being reported.

2. FINANCIAL REPORTING – Q4 REVENUE

Q4 Revenue budget outturn and variances vs original budget and reforecast	Revenue Outturn position			Revised Forecast	
	Budget	Actual Exp	Variance (under) / over spend	Q1 Forecast	Variance (under) / over spend
	£	£	£	£	£
Service Area					
Democratic and Committee Services	1,026,500	911,281	(115,219)	868,100	43,181
Environmental & Regulatory Services	436,860	608,508	171,648	607,619	889
Environmental Services	6,871,692	6,721,211	(150,481)	7,185,700	(464,489)
Finance, Human Resources & Procurement	849,997	872,861	22,864	836,297	36,564
ICT, Change & Customer Services	1,706,546	1,706,331	(215)	1,759,246	(52,915)
Land, Legal & Property	852,219	832,273	(19,946)	907,744	(75,471)
Leisure & Communities	848,110	1,902,391	1,054,281	1,956,035	(53,644)
Planning & Strategic Housing	602,602	461,148	(141,454)	611,602	(150,454)
Revenues & Housing Support	1,263,304	1,249,231	(14,073)	1,133,904	115,327
Investment Property and Retained Services	1,527,500	1,990,540	463,040	1,930,027	60,513
COVID	0	161,985	161,985	0	161,985
Total cost of services	15,985,330	17,417,760	1,432,430	17,796,274	(378,514)
Plus:					
Investment income receipts	(677,500)	(794,457)	(116,957)	(615,700)	(178,757)
Cost of services before financing:	15,307,830	16,623,303	1,315,473	17,180,574	(557,271)
General Grant	(15,307,830)	(24,390,664)	(9,082,834)	(16,186,456)	(8,204,208)
COVID LA Support Grant		(1,364,970)	(1,364,970)		(1,364,970)
COVID Sales, Fees & Charges, Compensation Grant	0	(1,184,209)	(1,184,209)	(994,118)	(190,091)
Total Funding	(15,307,830)	(26,939,843)	(11,632,013)	(17,180,574)	(9,759,269)
Contribution to / (From) General Fund	0	(10,316,540)	(10,316,540)	0	(10,316,540)
Transfer to Council Priorities Fund					397,787
Publica Resourcing Reserve					1,500,000
Covid Impact Reserve					1,000,000
New Burdens Funding					170,000
Project Contingency Reserve					150,000
Business Rates Deficit Reserve					7,050,000
Transfer to General Reserve					48,753
					<u>10,316,540</u>

2.1. Development Management

Throughout the year there has been significant volatility in Development Control Application income and although the out turn position is an £80,000 overachievement of the income budget this was down to one major application being received in July for £164,000. Average monthly income excluding the major application ranged from £40,000-£105,000 against a profiled monthly budget of £92,000, meaning that the general trend is an under achievement against budget.

2.2. Leisure Contract

The loss of the management fee income from the Leisure Centres in 2020/21 had the most significant impact on the Council's budget by far at £1.1m. This was partially offset by the Sales, Fees and Charges compensation of £750,000.

2.3. Environmental Services – Ubico Contract

An employee cost saving of £179,000 was achieved by having fewer agency staff overall and a small reduction of total staff across Garden Waste, Recycling and Street Cleansing. Ongoing employee savings of £110,000 have been incorporated into the 2021/22 contract sum and a further £40,000 of potential savings have been identified.

A fuel cost saving of £103,000 was the result of a significant pandemic related drop in global oil prices rather than a smaller volume of fuel being consumed and is therefore treated as a one off saving as oil prices are expected to climb steadily in 2021/22. A £52,000 saving in tyre costs has been rolled forward and incorporated into the 2021/22 budget along with an £81,000 saving in vehicle contract and repair costs as these are timing differences due to repairs and maintenance being delayed.

2.4. Publica

The 2020/21 contract sum, which was agreed with Publica prior to the start of the year, was £9,101,362 (excluding the cost of the Service Modernisation Programme). At the end of the year Publica reported an overall underspend of £46,792 against its contract sums with the Council. These savings have been allocated across the Council Services.

2.5. Investment Property

Our commercial property income was reduced in 20/21 due to a long term empty unit at Talisman, uncollectable subrents for both Woolgate and Marriotts Walk and tenant rent arrears of c£700,000

2.6. Bad Debt

A thorough review of outstanding debt as at 31st March resulted in an increase of £497,832 in our bad debt provision to recognise the risk of uncollectable debt. £318,282 related to Investment Property, £87,138 to Trade Waste and £84,540 Sundry Debtors. The commercial rent income is under close review and management by the Property Team and we have recruited an interim credit controller to recover other outstanding debt who is due to start in early August.

2.7. Council Tax Collection

The income from Liability Orders related to the non payment of Council Tax has underachieved compared to budget by £110,000 due to the Magistrates' Courts being closed for the first half of the year. It is anticipated that some of this income will be recovered in 21/22.

2.8. Housing Benefits & Subsidy

Throughout the year there has been a sustained increase in the use of temporary emergency accommodation for people who were rough sleeping or in danger of rough sleeping required by the Government's "Everyone In" policy. Necessary Covid precautions meant that our Council owned hostel accommodation could only operate at 50% capacity leaving us reliant on hotel and Bed & Breakfast accommodation to fulfil our statutory duties. The use of emergency accommodation adversely impacts our budget as we are only able to reclaim a maximum of £85 per week per client against an average cost of £220.

The purchase and preparation of The Old Court in Witney to provide 16 units of accommodation will almost eradicate our need to use Hotels and Bed & Breakfasts and we will be able to claim 100% Housing Benefit subsidy.

2.9. Investment Income

After a sharp drop in both the global Corporate Bond and Equity markets at the outset of the Covid pandemic and the lowering of the Bank of England base rate to 0.1%, investment income was expected to fall short of budget but an increase in Market confidence later in the year recovered much of the losses on the capital value of our Pooled funds incurred early in the year and additional loans to both Cottsway and Southill Solar brought in additional interest, all of which saw us better the original budget by £117k.

2.10. Covid

The impact of the Covid pandemic on 20/21 is undisputed but the significant impact of Covid will continue throughout 21/22. Multiple Covid recovery workstreams have been put in place to boost the local economy by supporting businesses in their re-opening and encouraging people back onto the High Street.

3. FUNDING

3.1. Retained Business Rates and Pooling

The accounting arrangements for Business Rates are complex and statute requires recognition of items charged in one financial year to be resolved in the following year i.e. the deficit arising in 2020/21 (the shortfall in collectable rates vs expected due to the Govt's reliefs) will be repaid to the Collection Fund in 2021/22. This deficit has therefore been budgeted for in 2021/22 and is funded by the exceptional S31 grant received in 2020/21. The deficit is £7.05m and will be held in earmarked reserves until repayment.

In the 20/21 budget Retained Business Rates income accounted for 29% of funding for Council services but our ability to collect it was severely impacted by the Covid pandemic. In March 2020 the Government announced that eligible retail businesses would be given 100% relief from Business Rates for 2020/21 and as a result the amount of Business Rate income we collected this year fell to £21,295,647 against an original budget of £39,172,351.

As the Billing Authority we collect 100% of the '*payable*' income but distribute 50% of the '*budgeted*' income (regardless of whether the actual cash collected has reduced significantly due to Govt reliefs) to Central Government & 10% to the County Council on a monthly basis.

This resulted in an enormous pressure on Billing Authorities' cashflow, which the Government recognised and accordingly gave monthly compensation payments to the Council for income that had been lost due to the extension of Retail Relief.

The table below shows the calculation of the budgeted / expected Business Rate income for the Council vs the Actual. The figure of £4.5m in the budgeted column is the figure you would recognise from the 2020/21 budget and MTFS.

The top row of the table shows how Retail Relief reduced collectable Business Rates from £39m to £21m.

The bottom row of the table shows the deficit repayable next year.

	Budget 2020/21 £m	Actual 2020/21 £m	
Total Business Rate Income	39.172	21.296	Expected vs Collectable
WODC Business Rates Income (40%)	15.877	8.518	WODC receive 40%. 50% goes to Govt with 10% going to County
Less Tariff	-12.035	-12.035	
NDR Surplus Payable from the Collection Fund	0.248	0.248	Fixed at Budget Setting
S31 Grant	2.031	2.031	Grant received to compensate for lost business rates income due to Central Gov policy
Business Rates Income	6.121	-1.238	
Less Levy	-1.615	-1.055	
Net Business Rates	4.506	-2.293	Business Rates deficit repayable in 2021/22
Exceptional S31 Grant	0	6.831	Grant received to compensate for lost business rates income due to Extended Retail Discount given to businesses closed during lockdown
Tax Income Guarantee	0	0.219	Compensation from Central Gov for 75% of Business Rate income losses compared to budget
Movements to reserves	0	-7.050	To fund the Collection Fund deficit repayable in 21/22

The Council has benefitted from being part of the Oxfordshire 50% Pool in 20/21. An estimated gain of £445,269 was recognised in the 2020/21 outturn (actual figure yet to be confirmed). This allows us to put additional funds in the Council Priorities Earmarked Reserve which was previously overcommitted.

Changes to the Business Rate Retention Scheme were due to be implemented by Central Government in 20/21 but were delayed due to the impact on businesses of the pandemic. These changes are now expected in 2022/23 and a significant reduction in funding from Retained Business Rates has been reflected in the Council's Medium Term Financial Strategy, which will be updated as further advice is received from the Government.

4. TRANSFERS TO EARMARKED RESERVES

The table below shows the proposed movements to earmarked reserves, most of which have been discussed already in this report.

The proposed funding for additional Publica resourcing recognises the Council's concern that some service areas may require additional resource. WODC initiated discussions with Publica to strengthen service delivery in a number of depts and in response have received a proposal for additional resource in areas such as Planning, Comms, S106 administration and Project Management. These funds would allow us to move forward with these additional posts as permanent members of staff. This reserve would remove any impact of that on the MTFS for at least 5 years, allowing other financial recovery initiatives such as the investment strategy time to be realised. This reserve does not give Publica any increase in discretionary spend but funds the contract variance created by these Council requested posts.

After the proposed movements to earmarked reserves, the final outturn position will be £48,753 which will move to General Reserves.

	Transfers To/(From) Earmarked Reserves	
Reserve	£	
Business Rates Deficit Reserve	7,050,000	Exceptional S3I grant to fund Business Rates deficit - to be repaid in accounting terms to the Collection Fund in 21/22 and in cash terms to the Govt.
Council Priorities	397,787	Additional funding to the Council Priorities Fund which was over committed
Covid Recovery	1,000,000	Balance of LA Support Grant at 31st March unused in 20/21 to be carried forward to provide against ongoing Covid impact on Council finances
Publica Resourcing	1,500,000	To fund currently identified WODC requested growth to deliver Council Priorities in the medium term. Protects the current MTFS
New Burdens	170,000	Balance of Covid 19 New Burdens Funding, covers the cost of additional Covid related tasks such as grant administration and post payment assurance.
Project Contingency	150,000	To assist the delivery of projects related to the Council Plan and Services
Total other proposed transfers to reserves	10,267,787	

5. GRANTS DISTRIBUTED

5.1. The Council distributed an exceptional amount of grants in 2020/21. The table below shows the grants received and the residual amounts remaining to be distributed in 2021/22. Along with the COMF, the unspent ARG funding was moved to earmarked reserves, in line with guidance, ahead of the outturn position being finalised. While the current grant schemes have closed, more ARG funding is expected and the post assurance work which has already started is likely to be lengthy.

5.2.

Grant Funding as at 31st March	Council as Agent £	Council as Principal £
Small Business Grants Fund/Retail, Leisure, Hospitality	(26,785,000)	0
Local Authority Discretionary Fund	0	(1,286,708)
Local Restrictions Closed	(2,798,136)	0
Local Restrictions Closed Addendum 5th Jan-15th Feb	(3,042,738)	0
Local Restrictions Closed Addendum 16th Feb-31st March	(3,187,630)	0
Closed Business Lockdown One Off Payment	(6,084,000)	0
Christmas Support Payments Wet Led Pubs	(76,800)	0
Local Restrictions Open	0	(584,555)
ARG	0	(3,195,708)
	<u>(41,974,304)</u>	<u>(5,066,971)</u>
Distributed as at 31st March 2021	<u>36,266,938</u>	<u>3,304,204</u>
Balance	(5,707,366)	(1,762,767)

6. FINANCIAL REPORTING - CAPITAL

6.1. The capital programme approved by Council as part of the budget for 2020/21 including slippage from 2019/20 of £15,610,329 and new schemes of £2,486,157 totalled £20,608,286. At the year end £13,376,937 had been spent against this budget.

6.2. The majority of the expenditure was two loans to Cottsway Housing Association of £1,532,500 to support the Blenheim Court Growth Deal scheme and £5,914,401 to support the provision of Affordable Housing in the District. In addition the Council loaned £2,000,000 to Southill Solar in line with the Council's stated priority to take action locally on Climate Change.

A full breakdown of the schemes for the year and expenditure at 31st March is attached at Annex B.