

Revenue Outturn 2021/22

Report of the Finance and Resources Portfolio Holder

Recommended:

1. That the Council's Revenue outturn for 2021/22, as shown in Annexes 1 and 2 to the report, be noted.
2. That the reasons for the budget variances, as shown in paragraph 3 of the report, be noted.
3. That the transfers to reserves of £3.373M detailed in paragraph 3.15 of the report be approved.
4. That the items shown in paragraph 3.18 of the report, totalling £23,100, be approved for carry forward into the 2022/23 revenue budget.
5. That the transfers to reserves as detailed in paragraph 4 of the report be approved.
6. That the Head of Finance and Revenues be authorised to make necessary adjustments through the Regeneration Reserve, should any additional variances be identified in finalising the Statement of Accounts for 2021/22.

Summary:

- The Council's Revenue outturn for the year ended 31 March 2022 shows net General Fund expenditure of £4.251M (Annex 2).
- Following the completion of the revenue outturn work there is a surplus on the general fund of £1.637M. Details of how this arose are discussed in more detail in paragraph 3. The utilisation of this variance is considered in paragraph 4.

1 Introduction

- 1.1 The General Fund covers all areas of the Council's revenue activities. This report summarises the total revenue expenditure for Services in 2021/22 which is summarised in Annex 1.
- 1.2 The summary in Annex 1 includes notional charges applied to the revenue account in respect of capital financing transactions and transfers to the pension reserve. Annex 2 shows the same information as Annex 1 with these charges stripped out. Throughout this report any comparisons between budget and actual expenditure will refer to the figures contained in Annex 2.
- 1.3 Where there have been significant variances from the original estimate to the final outturn figures, these are explained in paragraph 3.

- 1.4 The information in this report forms the basis of the Comprehensive Income and Expenditure Statement in the Council's Annual Statement of Accounts which is due to be audited in the coming months by Ernst & Young.

2 Background

- 2.1 The original revenue estimates for 2021/22 were approved by Council in February 2021. This report shows how the final figures compare to those approved in the original estimates and explains the reasons for significant variances.
- 2.2 The Council's Revenue outturn for 2021/22 shows a favourable variance of £1.637M compared with the original estimate. The details of the variance are explained in paragraph 3.
- 2.3 Annex 1 shows the full cost of Services which includes depreciation charges, charges to revenue for capital expenditure that does not generate new assets and notional adjustments in respect of the pension fund. Whilst it is important that these costs are known and included, they are also highly changeable and make comparisons with budgets very difficult.
- 2.4 Annex 2 strips out these charges to provide Councillors with a more understandable comparison of budget figures.

3 2021/22 Revenue Outturn

- 3.1 Annexes 1 and 2 show the revenue account outturn for 2021/22. They show a positive variance of £1.637M when compared with the original estimate.
- 3.2 The table below provides a summary of the main reasons for the variance with more detailed explanations in paragraphs 3.3 to 3.17:

	£'000
Net impact of Covid-19 (see para. 3.3)	(392)
Employee costs (see para 3.4)	(547)
Additional income from services (see para 3.5)	(665)
Various supplies & services savings (see para. 3.6)	(112)
Additional investment income (see para. 3.7)	(206)
Net additional income from the Chantry Centre (see para 3.8)	(270)
Government grants (see para 3.9)	(709)
Business rates (see paragraphs 3.10 – 3.14)	(2,544)

Transfers to Reserves (see para 3.15)	3,373
Other miscellaneous variances	43
Reduce budgeted draw from reserves (see para 3.17)	392
Total surplus	1,637

- 3.3 The budget for 2021/22 included a number of assumptions around the impact of the Covid-19 pandemic on income and expenditure. The actual impact was £391,500 lower than anticipated as shown in the table below.

	£'000
Lower than anticipated additional expenditure (bad debt provision, bed & breakfast, election fees etc.)	(123)
Lower than anticipated reduction in income (The Lights, outdoor sports facilities, licencing, land charges, building control etc.)	(219)
Higher than anticipated grant from the Sales, Fees & Charges compensation scheme	(50)
Net impact due to Covid-19	(392)

- 3.4 The employee costs budget for 2021/22 included a vacancy management provision set at 4.5% of the gross salary budget equating to £709,000. The actual outturn for employee costs has exceeded the provision by £547,000. £380,000 of this is due to ongoing recruitment challenges across the authority and the timing of vacancies being filled, with a further £167,000 from a pension fund credit and some furlough income.
- 3.5 Additional income of £665,000 has been generated by services. The most notable of these are:
- Net additional income of £318,000 from Environmental Service. This includes £168,000 from additional garden waste subscriptions, £76,000 from the sale of recyclables (dry mixed recyclables and glass), £33,000 from sale of bins and £28,000 from grounds maintenance contracts.
 - Net additional rental income of £273,000 in Property & Asset Management, where rent reviews have generated more income than expected. This does include some one-off backdated income.
 - A one-off refund of £53,000 from the Ministry of Justice in respect of over-charged court fees.
- 3.6 Supplies & services across all services show savings of £112,000. This includes savings on training, consultancy and office expenses.

- 3.7 Investment income is £206,200 greater than budgeted. This is due to higher than forecast rates being achieved on fixed investments, increases in the base rate from December to March and interest receivable on a loan.
- 3.8 Net additional income from the Chantry Centre is £269,600. This is due mainly to lower than anticipated void costs for both service charge and business rates. As per the report to Council on 13th March 2019, it is recommended to transfer this additional income to the Chantry Centre Planned Maintenance Reserve.
- 3.9 Net unbudgeted government grants of £709,000 have been received in the year. This includes:
- The amount received for the Council Tax Annex Discount grant was £26,700 higher than budgeted.
 - New burdens funding of £128,400 was received to alleviate some of the costs of administering various Covid business grant schemes across the year. Any costs associated with these, such as staff or software expenses, are shown within the relevant services.
 - A number of ringfenced Covid grants were received in the year which have not been fully utilised by the year end. These are the Covid Outbreak Management Fund grant of which £85,400 remains from a grant of £137,600, and the Covid Clinically Extremely Vulnerable grant of which £29,100 remains from a grant of £30,000. It is recommended to transfer these to the Covid grants reserve.
 - Various unbudgeted housing grants totalling £719,900 were received in the year. The most notable of these are the Flexible Homelessness Support Grant at £371,700, the Rough Sleeping Initiative Grant at £177,200 and the Vulnerable Renters Grant at £77,900. After expenditure, the net amount of £284,300 is recommended to be transferred to the Housing reserve.
 - Eight other small grants were received from Central Government across the services. The total net amount on these after taking into account expenditure is £154,800. These will be transferred to reserves for future use under the delegated authority of the Head of Finance and Revenues and the Finance and Resources portfolio holder.
- 3.10 Transactions through the General Fund in relation to business rates income are difficult to predict and extremely volatile. Since 2013/14, the Council has experienced business rate growth and is therefore required to pay an immediate NDR Surplus Levy to Government. In addition, the Council receives grants for small business rate and other reliefs, and is entitled to retain 100% of business rates relating to renewable energy schemes within the Borough. These transactions are managed through both the General Fund and the Collection Fund Equalisation Reserve.

- 3.11 Business rates income is extremely vulnerable to the level of appeals that may occur as a result of the 2017 revaluation exercise. In addition, the Government maintains the power to take away all of the accumulated growth in income generated since 2013 in a reset of the Business Rates Retention Scheme. It is still uncertain when this reset will occur. The Council maintains the Collection Fund Equalisation Reserve to smooth the impact of these unknowns.
- 3.12 In 2021/22, the Council has continued to experience business rate growth and is still required to pay a surplus levy to Government.
- 3.13 To offset the impact of the Covid-19 related business rates reliefs (Retail, Hospitality and Leisure discount) that have been given in the collection fund, the Government has given local authorities additional Section 31 grants in the year which are accounted for in the general fund. The Council has received an additional £3.122M in these grants. The resulting share of the deficit in the collection fund of £2.977M will not be accounted for in the general fund until 2022/23 and 2023/24.
- 3.14 The variances against budget are detailed in the table below and the balance of £2.544M is recommended to be transferred to the Collection Fund Equalisation reserve to offset the deficit that is required to be financed in 2022/23 and 2023/24.

	£'000
Additional section 31 grants received	(3,122)
Increase in provision for surplus levy	374
Reduction in NDR retained from renewable energy schemes	204
Net impact of business rates on General fund in 2021/22	(2,544)

- 3.15 The following transfers to reserves are recommended:

	£'000
Chantry Centre PMP reserve (see para 3.8)	270
Housing reserve (see para 3.9)	284
Covid grants reserve (see para 3.9)	115
Other net transfers to reserves (see para 3.16)	160
Collection Fund Equalisation Reserve (see paras 3.10 – 3.14)	2,544
Total recommended transfer to reserves	3,373

- 3.16 Other net transfers to reserves totalling £160,000 are to be made under the delegated authority of the Head of Finance and Revenues and the Finance and Resources Portfolio Holder. This includes the small government grants as per paragraph 3.9.
- 3.17 The budget for 2021/22 included a draw from the Budget Equalisation Reserve of £142,000 to offset budget pressures from Covid-19, and a draw from the Investment Equalisation Reserve of £250,000 to offset the impact of lower interest rates on investment income. As the impact of both of these was lower than forecast, it is no longer necessary to draw from these reserves.
- 3.18 Two items have been identified where a budget was included in the 2021/22 estimate but was not spent by the end of the year as per the table below. The total of £23,100 is recommended to be carried forward into 2022/23.

	£'000
Housing & Environmental Health – relocation expenses	5
Community & Leisure – various snagging works at Picket Twenty	18
Total to be carried forward to 2022/23	23

4 Transfer to / from Reserves

General Reserves

- 4.1 The recommended prudential minimum level for unallocated general reserves is £2.6M. This balance remains unchanged at 31st March 2022.

Earmarked Reserves

- 4.2 The surplus on the General Fund is £1.637M for 2021/22.
- 4.3 There are a number of ways in which the Council could utilise this sum. It is recommended that the most appropriate use is to split it as detailed in the table below.

	£'000
Budget Equalisation Reserve (see para 4.4)	500
Environment Act Reserve (see para 4.5)	300
Capacity Building Reserve (see para 4.6)	150
Asset Management Reserve (see para 4.6)	150
Regeneration Reserve (see para 4.7)	537
Total to be transferred to reserves	1,637

- 4.4 The Budget Equalisation Reserve is used to mitigate against additional budget pressures. A top up of £500,000 is recommended and will be used as a contingency against higher than forecast inflationary pressures.
- 4.5 A new Environment Act reserve will be established to help ensure that funds are available to successfully implement the changes to waste that will be required under the Environment Act. A transfer of £300,000 is recommended.
- 4.6 Recent work undertaken by the IT service has identified a number of additional areas of work that may be required to be added to the Asset Management Plan or service budgets over the next two / three years. Transfers of £150,000 to the Asset Management Plan and £150,000 to the Capacity Building Reserve are recommended to accommodate these.
- 4.7 The Regeneration Reserve is forecast to have a balance at March 2023 of approximately £2M. A top up of £537,000 is recommended in order to support the development and implementation of masterplan projects in Andover and Romsey.

5 Resource Implications

- 5.1 This report shows that the Council had a budget surplus in 2021/22 of £1.637M. This amount will be transferred to reserves to be used in future years.
- 5.2 Some of the variances that have been identified throughout this report have already been taken into account in setting the 2022/23 budget, others will be considered as part of the Medium Term Financial Strategy for 2023/24 to determine if there are any ongoing savings or additional income that could help reduce the Council's budget gap.

6 Risk Management

- 6.1 An evaluation of the risks associated with the matters in this report indicate that further risk assessment is not needed because the issues covered do not represent significant risks.

7 Equality Issues

- 7.1 An EQIA screening has been completed in accordance with the Council's EQIA methodology and no potential for unlawful discrimination and/or low level or minor negative impact have been identified, therefore a full EQIA has not been carried out.

8 Conclusion and reasons for recommendation

- 8.1 This report shows that actual net General Fund expenditure in 2021/22 was £1.637M less than the Original Estimate and explains the significant causes of this variance. The report recommends transfers to the budget equalisation reserve to offset inflationary pressures, the Environment Act reserve to help fund the implications of the Environment Act, the capacity building reserve and the asset management plan reserve for future IT projects, and the regeneration reserve to support the development and implementation of the Andover and Romsey masterplans.

Background Papers (Local Government Act 1972 Section 100D)

None

Confidentiality

It is considered that this report does not contain exempt information within the meaning of Schedule 12A of the Local Government Act 1972, as amended, and can be made public.

No of Annexes:	2	File Ref:	N/A
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Report to:	Cabinet	Date:	22 June 2022
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