

# Revenue Outturn 2022/23

Report of the Finance and Resources Portfolio Holder

## Recommended:

1. That the Council's Revenue outturn for 2022/23, 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 in the report, be noted.
3. That the transfers to reserves of £1.576M, detailed in paragraph 3.16 in the report, be approved.
4. That the item detailed in paragraph 3.18 in the report, totalling £64,000, be approved for carry forward into the 2023/24 revenue budget.
5. That the transfers to reserves, as detailed in paragraph 4 in the report, be approved.
6. That the Head of Finance and Revenues be authorised to make necessary adjustments through the Budget Equalisation Reserve, should any additional variances be identified in finalising the Statement of Accounts for 2022/23.

## SUMMARY:

- The Council's Revenue outturn for the year ended 31 March 2023 shows net General Fund expenditure of £8.681M (Annex 2).
- Following the completion of the revenue outturn work there is a surplus on the general fund of £695,000. 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 2022/23 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 2022/23 were approved by Council in February 2022. This report shows how the final figures compare to those approved in the original estimates which have been adjusted for additional approvals throughout the year and explains the reasons for significant variances.
- 2.2 The Council's Revenue outturn for 2022/23 shows a favourable variance of £695,000 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 2022/23 Revenue Outturn

- 3.1 Annexes 1 and 2 show the revenue account outturn for 2022/23. They show a favourable variance of £695,000 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
Employee costs (see para 3.3)	423
Employee costs – pension fund credit (see para 3.3)	289
Net additional income from services (see para 3.4)	193
Various supplies & services savings (see para. 3.5)	148
Impact of inflation on fuel and utility costs (see para 3.6)	(378)
Additional investment income (see para. 3.7)	295
Net additional income from the Chantry Centre (see para 3.8)	119
Benefit overpayment recovery (see para 3.9)	(121)

Government grants (see para 3.10)	1,890
Business rates (see paragraphs 3.11 – 3.15)	(262)
Transfers to Reserves (see para 3.16)	(1,576)
Other miscellaneous variances	(75)
Reduce budgeted draw from reserves (see para 3.17)	(250)
<b>Total surplus</b>	<b>695</b>

- 3.3 The employee costs budget for 2022/23 included a vacancy management provision set at 4.5% of the gross salary budget equating to £724,000. The actual outturn for employee costs has exceeded the provision by £712,000. £423,000 of this is due to ongoing recruitment challenges across the authority and the timing of vacancies being filled, with a further £289,000 from a pension fund credit.
- 3.4 Net additional income of £193,000 has been generated by services. The most notable of these are:
- Net additional income of £469,000 from Environmental Service. This includes £100,000 from additional garden waste subscriptions, £336,000 from the sale of recyclables (dry mixed recyclables and glass) and £18,000 from grounds maintenance contracts.
  - Net additional rental income of £318,000 in Property & Asset Management where rent reviews have generated more income than expected.
  - These are offset in part by a reduction in planning fees and building control fees of £456,000 and a reduction in engineers' project consultancy income of £138,000.
- 3.5 Supplies & services across all services show savings of £148,000. This includes savings on training, consultancy and office expenses offset by increases in audit and legal fees.
- 3.6 The impact of the steep increases in inflation across the year have been felt most substantially in two areas:
- The diesel costs of running the fleet increased by £204,000 compared to budget.
  - Utility costs across the Council's properties increased by £174,000 compared to budget.
- 3.7 Investment income is £295,000 greater than budgeted. This is due to higher than forecast rates being achieved on fixed investments, the rapid increases in the base rate across the year and interest receivable on a loan.

- 3.8 Net additional income from the Chantry Centre is £119,000. This is due mainly to lower than anticipated void costs for both service charge and business rates. As per the report to Council on 13<sup>th</sup> March 2019, it is recommended to transfer this additional income to the Chantry Centre Planned Maintenance Reserve.
- 3.9 Identification and recovery of Benefits overpayments was £121,000 lower than estimated. This is due to the fall in caseload and workload as working age customers move from Housing Benefit to Universal Credit.
- 3.10 After accounting for associated expenditure, net unbudgeted government grants of £1.890M have been received in the year. This includes:
- The amount received for the Council Tax Annex Discount grant was £41,000 higher than budgeted.
  - Various new burdens funding grants totalling £165,000 more than budgeted were received to alleviate some of the costs of administering various cost of living grant schemes across the year. The net of these after deducting associated costs, such as additional staff or software expenses, is £88,000 which has contributed to the cost of redeploying existing resources.
  - Various unbudgeted housing grants totalling £388,000 were received in the year. The most notable of these are the Rough Sleeping Initiative Grant at £167,000, the winter top up to the Flexible Homelessness Support Grant at £60,000 and the Household Support Fund at £99,000. After expenditure, the net amount of £232,000 is recommended to be transferred to the Housing reserve.
  - £1.625M was received to support Ukrainian refugees who arrived in the borough during the year. After expenditure of £188,000, the net amount of £1.437M is recommended to be transferred to the Community Support reserve to cover future expenditure.
  - Four other small grants were received from Central Government across the services. The total net amount on these after taking into account expenditure is £92,000 of which £50,000 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.
- 3.11 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.

- 3.12 Business rates income is extremely vulnerable to the level of appeals that may occur as a result of the 2017 and 2023 revaluation exercises. 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. This reset is now not expected to happen until 2025/26 at the earliest. The Council maintains the Collection Fund Equalisation Reserve to smooth the impact of these unknowns.
- 3.13 In 2022/23, the Council has continued to experience business rate growth and is still required to pay a surplus levy to Government.
- 3.14 To offset the impact of the Covid-19 related business rates reliefs (Retail, Hospitality and Leisure discount and the Covid-19 Additional Relief Fund) that have been given in the collection fund again this year, the Government has given local authorities additional Section 31 grants in the year which are accounted for in the general fund. The impact of these reliefs was lower than budget and therefore, the Council has received less S31 grants.
- 3.15 The variances against budget are detailed in the table below and the balance of £262,000 is recommended to be drawn from the Collection Fund Equalisation reserve.

	£'000
Lower than budgeted section 31 grants received	(581)
Reduction in provision for surplus levy	324
Reduction in NDR retained from renewable energy schemes	(5)
<b>Net impact of business rates on General fund in 2022/23</b>	<b>(262)</b>

- 3.16 The following transfers to / (from) reserves are recommended:

	£'000
Chantry Centre PMP reserve (see para 3.8)	119
Housing reserve (see para 3.10)	232
Community support reserve – Ukraine (see para 3.10)	1,437
Other net transfers to reserves (see para 3.10)	50
Collection Fund Equalisation Reserve (see paras 3.11 – 3.15)	(262)
<b>Total recommended transfer to reserves</b>	<b>1,576</b>

- 3.17 The budget for 2022/23 included a draw from the Budget Equalisation Reserve of £250,000 to offset a pressure from a reduction in car parking income. Whilst car parking income remained close to the budgeted levels, other additional income has offset this pressure and it is no longer necessary to draw from this reserve.
- 3.18 One item has been identified where a budget was included in the 2022/23 estimate but was not spent by the end of the year for staffing costs in the IT service. The total of £64,000 is recommended to be carried forward into 2023/24 to fund interim posts.

## **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 31 March 2023.

### Earmarked Reserves

- 4.2 The surplus on the General Fund is £695,000 for 2022/23.

There are a number of ways in which the Council could utilise this sum. It is recommended that it is all transferred to the Budget Equalisation Reserve.

- 4.3 This reserve is used to mitigate against additional budget pressures. A top up of £695,000 is recommended and will be used as a contingency against higher than forecast inflationary pressures and as a contingency for the 2024/25 budget setting process.

## **5 Resource Implications**

- 5.1 This report shows that the Council had a budget surplus in 2022/23 of £695,000. 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 2023/24 budget, others will be considered as part of the Medium Term Financial Strategy for 2024/25 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 2022/23 was £695,000 less than the Original Estimate and explains the significant causes of this variance. The report recommends transfers to the regeneration reserve to support the corporate priorities of the development and implementation of the Andover and Romsey masterplans, and the budget equalisation reserve to offset inflationary pressures.

<u>Background Papers (Local Government Act 1972 Section 100D)</u>			
None			
<u>Confidentiality</u>			
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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