

Bolsover District Council

Meeting of the Audit and Corporate Overview Scrutiny Committee on 26 July 2022

Financial Outturn 2021/22

Report of the Assistant Director of Finance and Resources

Classification	This report is public
Report By	Assistant Director of Finance and Resources
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PURPOSE/SUMMARY OF REPORT

To inform Audit and Corporate Overview Scrutiny Committee of the outturn position of the Council for the 2021/22 financial year. This report was approved by Executive on 11 July 2022.

REPORT DETAILS

1. Background

- 1.1 The Council published its draft Statement of Accounts in respect of 2021/22 on 27 May 2022. The statutory deadline of 31 May was extended to 31 July this year to take into consideration the impact of Coronavirus and as a result of Sir Tony Redmond's independent review of local authority financial reporting and external audit. The draft Statement of Accounts 2021/22 is now subject to the independent audit from the Council's external auditors, Mazars.
- 1.2 Until the accounts have been agreed by our external auditors, there remains the possibility that they will be subject to amendment. It is expected that the external audit will be undertaken remotely beginning in June. The statutory date for the final audited accounts has been extended from 31 July to 30 November 2022 but both the finance team and Mazars will be aiming for sign off by 30 September.
- 1.3 International Financial Reporting Standards (IFRS) dictate that the main focus of the Statement of Accounts is on reporting to the public in a format which is directly comparable with every country that has adopted IFRS i.e. not just UK or even other local authorities. By contrast, the focus of this report is on providing management information to Members and other stakeholders to assist in the financial management of the Council.

1.4 The following sections of this report will consider the 2021/22 outturn position in respect of the General Fund, the Housing Revenue Account (HRA), the Capital Programme and the Treasury Management activities. Within the report, consideration is given to the level of balances at the year end and the impact which the closing position has upon the Council's budgets in respect of the current financial year.

2. Details of Proposal or Information

General Fund

2.1 The position in respect of the General Fund outturn is detailed in **Appendix 1** attached to this report. The appendix shows the Current Budget compared to the final Outturn position. The main variances against the current budget are shown in table 1 below with variances at service level shown in **Appendix 2**.

Table 1

	£000
ITC	(32)
Street Scene	(112)
Environmental Health	(91)
Homelessness	(52)
Pleasley Vale Mills	(58)
Planning Fee income	(52)
Salaries variances	(399)
Non-staff miscellaneous variances	(176)
Net cost of services	(972)
Debt Charges/Investment Interest	(143)
Additional general government grants	(37)
Total Outturn Variance	(1,152)
Changes to general fund balance since revised budget – until outturn	6
Contribution to Reserves – 2021/22 Outturn	(1,146)

Financial Reserves

Transfers from Earmarked Reserves

- 2.2 The use of earmarked reserves in 2021/22 was £4.250m. This reflects the expenditure incurred on projects at 31 March 2022 which have approval to use earmarked reserves. This also included £3.199m from the Covid-19 reserve to cover the S31 grants for business rates relating to the 2020/21 deficit on the collection fund. There are ongoing commitments for reserve expenditure in 2022/23 when the balance of this years' reserve funding (£0.134m) will be utilised.

Transfers to Reserves

- 2.3 At the end of the financial year it has been necessary to agree transfers into 2 reserves in preparation for future expenditure commitments, some from income received in 2021/22. Transfers to reserves total £6.034m which is £1.146m higher than originally forecast, reflecting the outturn shown in table 1.

These consist of:

- £0.446m contribution to the IT Reserve to fund future expenditure requirements.
 - £0.700m contribution to the Legal Costs Reserve in preparation to fund a large housing benefit case recently lost at a tribunal.
- 2.4 The Transformation Reserve has a balance at the end of the year of £5.321m. Commitments already made against this reserve for 2022/23 and future years amount to £4.8m leaving £0.521m uncommitted at the date of writing this report.
- 2.5 As already discussed there are ongoing commitments against the earmarked reserves which will continue in 2022/23 and future years. Should any of these reserves prove unnecessary in the future, they will be moved back into unallocated General Fund resources.

General Fund Balances

- 2.6 The General Fund Balances are considered to be at an acceptable level for a District Council rather than at a generous level. The General Fund balance has decreased to £2.101m in line with the MTFP. This needs to be considered against the background of ongoing changes to the level of Government funding together with the range of risks facing the Council. With only a limited level of General Fund reserves it is crucial that the Council continues to maintain robust budgetary control while securing its ongoing savings targets in order to safeguard both its reserves and its financial sustainability.
- 2.7 Given the current level of general balances, should either an over spend or an under achievement of income occur, then the Council would have a period of time in which to recover the situation. In a situation in which the Council were operating at a lower level of balances and an over spend or under achievement of income occurred which took balances to below minimum level then immediate 'crisis' remedial action would need to be considered. Such a response is not conducive to sound financial management but more importantly would have a significant

detrimental impact upon the Council's ability to deliver the planned and agreed level of services to local residents.

- 2.8 The main feature of the 2021/22 financial year is that the Council transferred £1.146m to Earmarked Reserves in preparation for future expenditure.
- 2.9 With regard to the underlying favourable variance on the General Fund in 2021/22 this will be reviewed as usual during the budget process for 2022/23 – 2026/27, from October onwards. The latest position for all years in the current MTFP is shown in Table 2.
- 2.10 It should be remembered that for all years from 2023/24 there is a transfer into the general fund from the NNDR Growth Protection Reserve to replace the losses caused by changes in Government funding. As a Council we made it our strategy to save extra income earned in years when we received more than we estimated, to be able to use it in future years when income was reduced.
- 2.11 These transfers are £0.004m into the reserve in 2022/23, then contributions from the reserve of £3.262m in 2023/24, £2.990m in 2024/25 and £1.802m for 2025/26. This reserve is not a sustainable source of income for the general fund. Included in the table for the first time this year is the Potential New Income line. As the name suggests this is potential new income from current projects and plans known about by the Council. Some of these we are working on ourselves and some are reliant on developers. At this stage none of this income is realised and is therefore not yet included in our budgets.

Table 2

	2022/23 Budget £000	2023/24 Budget £000	2024/25 Budget £000	2025/26 Budget £000
Budget Shortfall - MTFP Feb 2022	82	18	0	1,212
Pension costs to be funded by GF balance	(82)	(18)	0	0
Efficiencies identified to date (removed from budget)	(112)	(112)	(112)	(112)
Current Budget Shortfall/(Surplus)	(112)	(112)	(112)	1,100
Efficiencies Identified <u>not yet realised</u>	0	(110)	(220)	(330)
Potential New Income	(443)	(1,097)	(1,682)	(2,141)
Closing Budget Surplus	(555)	(1,319)	(2,014)	(1,371)

2.12 Covid-19 Pandemic

The following table shows the main sources of financial support the Council received from Government to support businesses, individuals and the Council's own additional cost pressures and losses in income due to the pandemic.

	Amount available to spend in 2021/22	Amount paid during 2021/22
Business support grant funding	£8.334m (including £3.995m b/f from 2020/21)	£5.510m
Test and trace support payments (for individuals)	£0.268m (including £0.097m b/f from 2020/21)	£0.202m
Emergency funding to cover our costs	£0.497m	£0.497m
Compensation for our income losses	£0.195m	n/a
Covid-19 Additional Relief Fund (CARF) for businesses	£0.595m	£0.595m

Housing Revenue Account (HRA)

- 2.13 The Housing Revenue Account is provided in Appendix 3 to this report.
- 2.14 The Housing Revenue Account position shows a number of variances during the year. The main expenditure under spends £0.181m, are in relation to vacancies within repairs and maintenance and wardens/central control. Slightly lower void levels than estimated meant an increase in dwelling rents income of £0.076m. The overall expenditure position is £0.221m below the current budget. The overall income position is £0.166m above the current budget. This gives a net cost of services under spend of £0.387m, adjusting to £0.190m under spend after interest.
- 2.15 The surplus has been used to fund a contribution of £0.234m to the HRA Vehicle, Plant and Equipment Reserve which is available to fund future expenditure requirements. Where the use of Reserves has not been fully applied in 2021/22 and there are ongoing commitments for these activities in 2022/23, the funding will be carried forward and utilised.
- 2.16 The level of HRA Balances has decreased to £2.077m in line with the MTFP. The HRA balances are considered appropriate with the level of financial risk facing the HRA. Maintenance of this balance is necessary as it will help ensure the financial and operational stability of the HRA which is essential if we are to maintain the level of services and quality of housing provided to our tenants over the life of the 30 year Business Plan.

Capital Investment Programme

- 2.17 Details of the capital expenditure incurred by the Council in 2021/22 on a scheme by scheme basis is provided in **Appendix 4**.

The Capital Programme may be summarised as follows:

	Current Programme £'000	Outturn £'000	Variance £'000
General Fund:			
GF Building Assets	819	440	(379)
GF ICT Schemes	255	146	(109)
Leisure Schemes	1,290	848	(442)
Disabled Facilities Grants	580	470	(110)
Joint Venture - Dragonfly	2,272	0	(2,272)
GF Vehicle Replacements	1,436	539	(897)
Other Capital Schemes	25	10	(15)
General Fund Total	6,677	2,453	(4,224)
HRA:			
HRA New Build Properties	7,509	6,262	(1,247)
HRA Vehicle Replacements	288	118	(170)
Public Sector Housing Schemes	6,894	6,061	(833)
HRA ICT Schemes	226	128	(98)
New Bolsover Scheme	1,479	524	(955)
HRA Total	16,396	13,093	(3,303)
Programme Total	23,073	15,546	(7,527)

General Fund Schemes

- 2.18 In relation to the General Fund element of the Capital Programme during 2021/22, £4.224m was not undertaken. The 3G Playing Pitch, Joint Venture and Vehicle replacements were the main variances.

HRA Schemes

- 2.19 Within the HRA the variances show that £3.303m of the total HRA programme has not been undertaken during the year. The New Build Properties, Public Sector Housing Schemes and New Bolsover Scheme were the main variances.
- 2.20 **Appendix 4** also details the proposed carry forward amounts to 2022/23. These requests relate to individual schemes that are still in progress, where there are outstanding commitments or where the scheme has been delayed. The carry forward amount is £6.488m with the impact on the 2022/23 capital programme detailed in the appendix. It should be noted that all these expenditure requirements will take forward a corresponding level of financial resources and thus have a neutral impact on the financial position in 2022/23.

Capital Financing

- 2.21 The Capital Programme was financed as follows:

	Current Programme	Outturn	Variance
	£000	£000	£000
General Fund:			
The Better Care Fund	(580)	(467)	(113)
Reserves	(5,444)	(1,808)	(3,636)
External Funding	(653)	(178)	(475)
Total General Fund	(6,677)	(2,453)	(4,224)
HRA:			
Major Repairs Reserve	(6,229)	(5,597)	(632)
Prudential Borrowing	(1,156)	(1,004)	(152)
HRA Reserves	(6,120)	(3,808)	(2,312)
Usable Capital Receipts	(671)	(605)	(66)
External Funding	(2,220)	(2,079)	(141)
Total HRA	(16,396)	(13,093)	(3,303)
Grand Total	(23,073)	(15,546)	(7,527)

General Fund Capital Financing

- 2.22 Officers have financed the General Fund Capital Programme from a combination of reserve contributions and external funding.

HRA Capital Financing

- 2.23 Officers have financed the HRA Capital Programme from a combination of capital receipts, reserve contributions, prudential borrowing and external funding. The Prudential Borrowing financing arrangements were agreed by Council as part of the Treasury Management Strategy at its meeting in February 2021.

Treasury Management

2.24 **Appendix 5** provides a brief report on the Treasury Management activity of the Council for 2021/22. In summary, the Council operated throughout 2021/22 within the Authorised and Operational Boundary limits approved in the Treasury Management Strategy as approved by the Council in February 2021.

2.25 The key points from the summary report are:

- The overall borrowing requirement of the Council (the Capital Financing Requirement) - £116.239m at 31 March 2022.
- The PWLB debt - £93.400m.
- Effective internal borrowing - £22.839m.
- £3.7m repayments of PWLB debt in year.
- No new PWLB borrowing was undertaken in 2021/22.
- PWLB interest paid in 2021/22 - £3.378m.
- Interest received on investments - £0.065m.

3. Reasons for Recommendation

3.1 General Fund

During the previous financial year the Council managed its budget effectively securing a favourable financial outturn. The Council was able to make contributions of £1.146m to reserves in preparation for future expenditure commitments. The Transformation Reserve, which is the Council's main general earmarked reserve, has £4.8m committed against it in 2022/23 and future years, so continued prudence is needed when committing against this reserve.

3.2 HRA

The Council was able to make a contribution of £0.234m to the HRA Vehicle, Plant and Equipment Reserve. The HRA continues to operate within the parameters set by the 30 Year Business Plan and the MTFP. Officers will be working to ensure that the Business Plan continues to reflect the impact of government legislation, and that the HRA remains sustainable over the 30 year period of the Business Plan.

3.3 Capital Programme

The Capital Programme saw good progress on approved schemes during the 2021/22 financial year. There are however, a number of schemes which are work in progress and this requires that the associated expenditure and funding be carried forward into the 2022/23 financial year.

3.4 Capital Financing

Capital expenditure during 2021/22 has been fully financed in line with the approved programme.

3.5 Treasury Management

The Council operated in line with its agreed Treasury Management Strategy during the 2021/22 financial year. This ensures that lending and borrowing arrangements were prudent and sustainable, minimising the risk of financial loss to the Council.

Effective management of these arrangements ensured that interest costs during the year were minimised in order to assist the Council's revenue position whilst interest receivable rose.

4 Alternative Options and Reasons for Rejection

- 4.1 The financial outturn report for 2021/22 is primarily a factual report which details the outcome of previously approved budgets therefore there are no alternative options that need to be considered.
- 4.2 The allocation of resources to earmarked reserve accounts has been undertaken in line with the Council's policy and service delivery framework and in the light of the risks and issues facing the Council over the period of the current MTFP. If these risks do not materialise or are settled at a lower cost than anticipated then the earmarked reserves will be reassessed and returned to balances where appropriate.

RECOMMENDATION(S)

1. That Members note the outturn position in respect of the 2021/22 financial year.
2. That Members note the transfers to earmarked reserves of £1.146m and £0.234m as outlined in detail in paragraphs 2.3 and 2.15 respectively.
3. That Members note the proposed carry forward of capital budgets detailed in Appendix 4 totalling £6.488m.

Approved by the Portfolio Holder - Cllr Clive Moesby, Executive Member for Finance

IMPLICATIONS:

Finance and Risk: Yes No

Details:

The financial implications are set out within the body of the report.

Members should note that the budgets against which we have monitored the 2021/22 outturn were those agreed within the Council's Medium Term Financial Plan (MTFP). The MTFP gave careful consideration to both the affordability of the budgets that were approved and to ensuring that the level of balances remained adequate for purposes of enabling sound financial management.

The issue of financial risk is covered throughout the report. The risk of not achieving a balanced budget, together with the risk that the Council's level of financial balances will be further eroded are currently key corporate risks identified on the Council's Strategic Risk Register.

On behalf of the Section 151 Officer

Legal (including Data Protection): Yes No

Details:

The Statement of Accounts is currently required to be prepared by 31 May and audited by the 31 July each year, although again this year the deadlines have been moved to 31 July and 30 November respectively, due to the ongoing external audit capacity issue. The Council has now completed the draft Statement of Accounts and they have been signed off by the Chief Financial Officer as at 27 May 2022 which secures compliance with the Council's obligations.

On behalf of the Solicitor to the Council

Staffing: Yes No

Details:

There are no human resource issues arising directly out of this report.

On behalf of the Head of Paid Service

DECISION INFORMATION

Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: Revenue - £75,000 <input type="checkbox"/> Capital - £150,000 <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i>	No
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	No

District Wards Significantly Affected	None
Consultation: Leader / Deputy Leader <input type="checkbox"/> Executive <input type="checkbox"/> SLT <input type="checkbox"/> Relevant Service Manager <input type="checkbox"/> Members <input type="checkbox"/> Public <input type="checkbox"/> Other <input type="checkbox"/>	Details: Portfolio Holder for Finance

Links to Council Ambition: Customers, Economy and Environment.

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DOCUMENT INFORMATION

Appendix No	Title
1	General Fund Summary – Outturn 2021/22
2	General Fund Detail – Outturn 2021/22
3	Housing Revenue Account – Outturn 2021/22
4	Capital Expenditure – Outturn 2021/22
5	Treasury Management – Outturn 2021/22

Background Papers

(These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Executive you must provide copies of the background papers).

None