

## CABINET

21 June 2022

<b>Title:</b> Draft Provisional Revenue and Capital Outturn for 2021-22	
<b>Report of the Cabinet Member for Finance, Growth and Core Services</b>	
<b>Open Report</b>	<b>For Decision</b>
<b>Wards Affected:</b> All	<b>Key Decision:</b> Yes
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<b>Accountable Director:</b> Philip Gregory, Director of Finance and Investment	
<b>Summary</b> <p>This report sets out the Council's draft financial position for 2021/22 after the end of the financial year.</p> <p>The Council's General Fund budget for 2021/22 is £168.6m. The final revenue expenditure outturn is £166.9m, resulting in a £1.7m underspend. Transfer to reserves and transfer from reserves both Net to zero. Details of the individual movements are contained within Appendix B.</p> <p>The draft outturn for the Housing Revenue Account is an underspend of £2.7m. This is the result of a change in the HRA recharging Policy to the General Fund.</p> <p>The Capital Programme adjusted budget for 2021-22 was £468.8m m and the final outturn is £360.4m. The slippage in schemes is partially attributable to COVID-19 and the capacity of partners to deliver in a timely way. The slippage will be carried forward and added to next year's capital programme.</p> <p>The final outturn for the Dedicated Schools Budget was an underspend of £1.946m. This will be transferred to the ringfenced DSG reserve. In addition, although several schools had to draw down against reserves several local maintained schools have increased their reserves.</p>	
<b>Recommendation(s)</b> <p>Cabinet is recommended to:</p> <ul style="list-style-type: none"><li>(i) Note the provisional revenue outturn for the General Fund for 2021/22, including individual service variances, as detailed in Appendix A to the report;</li><li>(ii) Note the provisional outturn for the Council's subsidiary companies BDTP and Be First, as detailed in Appendix A to the report;</li></ul>	

- (iii) Approve the transfers to and from reserves as set out in section 3 and Appendix B to the report;
- (iv) Note the provisional outturn for the Housing Revenue Account (HRA), as set out in Appendix C to the report position;
- (v) Note the provisional outturn for the Dedicated Schools Grant (DSG) and Schools, as set out in Appendix D to the report;
- (vi) Note the provisional outturn for the 2021/22 Capital Programme, as set out in section 6 and Appendices E and F to the report;
- (vii) Approve the carry forward of slippage of £34.861m General Fund, £49.032m Investment Strategy and £19.231m HRA capital budget into 2022/23 and the revised total Capital Programme of £644.936m for 2022/23, as detailed in Appendices E and F to the report; and
- (viii) Note the update on Transformation and Capital Receipts in section 7 of the report and approve the allocation of capital receipts of £5.5m from the sale of the Film Studio land to part-fund the transformation and ERP projects.

**Reason(s)**

As a matter of good financial practice, the Cabinet should be informed about the Council's financial risks, spending performance and budgetary position. This will assist in holding officers to account and inform further financial decisions and support the objective of achieving Value for Money as part of a Well Run Organisation.

**1. Background**

- 1.1 This report gives a summary of the Council's revenue and capital outturn position which will be used as the basis for the Statement of Accounts which will give a comprehensive overview of the Council's financial standing.
- 1.2 The Council implemented a new financial system in April 2022 which has caused some delay in the preparation of the accounts. The position presented in this paper may therefore be subject to further adjustments. Any significant changes will be reported to Cabinet in future reports.

**2. Overall Financial Position**

- 2.1 The 2021-22 budget was approved by Cabinet in February 2021. The net service expenditure budget is £166.9m including a planned transfer to reserves of £5.655m. This is budgeted to be funded from £157.7m of grants and taxes and £10.9m returns from our subsidiary companies.
- 2.2 During the year services were experiencing a range of financial pressures that led us to forecast an overspend. However, the position improved in the final quarter especially in Adult Social Care, Community Solutions and Central Expenses. This was the result of several factors but especially increased income from central government and the NHS.

- 2.3 The draft outturn position on Council services was total expenditure of £166.9m. This results in a net underspend of £1.7m. During the year we received £1.2m of government grant funding above budget - £0.6m compensation for Covid related income shortfalls and the rest additional new burdens fundings and grants.
- 2.4 However there was a shortfall on Company returns of £3.4m. Together with the other variances this results in a net overspend of £475k.
- 2.5 More details about the variances on individual services and the movement since period 10 forecasts are given in Appendix A.

### 3. Transfers to and From Reserves

- 3.1 The Council manages its financial affairs as one entity and does not allow individual services – except those formally set up as Trading Accounts – to carry forward over and underspends. However, it does allow transfers to and from reserves in the following circumstances.
- 3.2 Included within Appendix B is a detailed list of each Reserve Transfer for approval. The Transfer To and From Reserves will balance to zero within Appendix A as the reserve transactions are included within the Full Year Outturn column within the summary in Appendix A. For Transparency we have included a column Transfer To and Transfer From reserve to identify the reserve requests against each specific area.
- **Supporting our Investment and Acquisitions and Capital Strategies.** Additional income generated by Investment activities including interest income is carried forward to mitigate future risks and provide new funding for schemes.
  - **Carry Forward of Specific Grants.** Where grants have been received from government (or other bodies) for specific purposes that have not been achieved at year end the money is carried forward for use in future years.
  - **Specific Approved Projects** In a similar way if Cabinet/Assembly have approved funding for a specific project that has also not been completed then this money is carried forward to enable the objectives of the project to be realised.
  - **Risk Management.** We may transfer money to reserves to mitigate against known or anticipated future risks such as Insurance and Waste.
  - **Trading Accounts and Ringfenced Funds.** The Council maintains a Legal Trading Account and also some Education Services (Trewern, Music Service) have approval to operate as trading accounts and so can carry forward surpluses and deficits. Also where money is collected from residents and others for specific purposes (Parking, Private Landlord registration, Market traders) then additional income above the budget is taken to a reserve until plans can be designed for its use.
- 3.3 Appendix B sets out the requests for transfers to be made at the end of the 2021-22 financial year in line with these policies.

### 4. HRA

- 4.1 There is a net underspend on the HRA largely the result of underspending on the capital programme due to slippage. Further information is set out in Appendix C.

## **5. Schools and Dedicated Schools Grant**

- 5.1 The outturn on the Dedicated Schools Grant was an underspend of £1.946m – largely on Early Years and some reduced call on the Growth fund in the Schools block.
- 5.2 Overall Schools Locally Managed Balances also grew by £1.9m – although within that there were a number of individual schools that had to draw down from their reserves. However, there were other schools that added to their balances and some large deficits were reduced by management action.

## **6. Capital Programme**

- 6.1 The revised capital programme for 2021/22 was £468.8m, which includes adjustments for new investments schemes and budget realignment. The Transformation budget has been adjusted to reflect the actual spend and this will be funded by using capital receipts received during the year.
- 6.2 Year-end accruals have been reflected in the outturn figures and remaining budgets have been provisionally added as slippage / carry forward to a 2022/23 provisional capital budget. Preliminary analysis indicates the General Fund budget roll-forward will total £34.9m, HRA £19.2m and Investment and Acquisition Strategy (IAS) totalling £49.0m. Subject to Cabinet's approval, this will be reprofiled in the Q1 capital report in 2022-23.
- 6.3 The 2021/22 gross Capital Spend was £360.4m against a budget of £468.8m, an underspend of £108.3m (or 23.11%) with most of the spend in the IAS (£282.9m), Education, Youth and Childcare (£26.6m) and HRA (£24.0m). The main reason for the underspend is outlined under each respective department summary.
- 6.4 A number of IAS schemes have had budget increases agreed by Investment Panel and / or by Cabinet during the year.
- 6.5 Appendix E provides a summary of the budget, spend and slippage for each scheme with more information in Appendix F.

## **7. Transformation and Capital Receipts**

- 7.1 There were £9.2m of capital receipts received in the General Fund during 2021/22; the majority of which relates to the sale of the remaining tranche of film studio land, which was held by LEUK. For the General Fund capital receipts, £3.7m relates to the sale of Shared Ownership properties through Reside and this will be allocated to the various schemes to reduce the build costs incurred. For the film studio land, there were purchase costs of £3.7m that need to be repaid.
- 7.2 There were also £38.4m of net receipts relating to HRA properties, however these are set aside and spent in accordance with conditions set out in the right to buy pooling agreement and this will be available to fund developments which have affordable rent schemes. The receipts in year were as outlined in the table below:

<b>Capital Receipts Received 21/22</b>	<b>Receipts £000s</b>
Film Studio additional land sale	5,500.0
Shared Ownership -Reside sales- BMC	3,698.7
<b>Total General Fund Receipts</b>	<b>9,198.7</b>
<b>Right to Buy (RTB) receipts</b>	<b>38,315.1</b>
HRA shared ownership staircasing	617.3
lease extension	10.5
Repayment of RTB discount	158.9
Less: RTB admin costs	(652.7)
Less: 20/21 adjust -rent/utilities	(0.4)
Less: RTB pooling payments to MHCLG	0.0
<b>Total HRA Receipts</b>	<b>38,448.7</b>
<b>Total receipts</b>	<b>47,647.4</b>

- 7.3 In 2021/22, a total of £6.194m was spent on Transformation and on implementation of the new ERP. This expenditure is split into £4.2m that is capital in nature and a further £2.0m which is revenue in nature, but which is eligible for funding under the flexible use dispensation because it contributes to savings. It is therefore proposed to use the £5.5m of capital receipts to part fund these programmes with the balance being funded directly from revenue (funded by the BSR.)

<b>Transformation Spend</b>	<b>Total £000s</b>
Transformation prog. (revenue)	4,812
Core expenditure -Capital prog.	968
Dispersed working -Capital prog.	412
<b>Total expenditure to fund</b>	<b>6,194</b>
<b>Capital Receipts -Film Studio Land</b>	<b>(5,500)</b>
<b>Revenue Funding from BSR</b>	<b>693</b>

## 8. Legal Implications

Implications completed by: Dr Paul Feild, Senior Standards and Governance Lawyer

- 8.1 Local authorities are required by law to set a balanced budget for each financial year. During the year, there is an ongoing responsibility to monitor spending and ensure the finances continue to be sound. This does mean as a legal requirement there must be frequent reviews of spending and obligation trends so that timely intervention can be made ensuring the annual budgeting targets are met.
- 8.2 Nevertheless, the unique situation of Covid 19 presents the prospect of the need to purchase additional supplies and services with heavy competition for the same resources together with logistic challenges which is causing scarcity and rising costs. Still, value for money and the legal duties to achieve best value still apply. There is also the issue of the Councils existing suppliers and service providers also facing issues of pressure on supply chains and staffing matters of availability. As a result, these pressures will inevitably create extra costs which will have to be paid to ensure statutory services and care standards for the vulnerable are maintained. We

must continue careful tracking of these costs and the reasoning for procurement choices to facilitate grounds for seeking Covid 19 support funds.

## **9. Other Implications**

9.1 **Risk Management** – Regular monitoring and reporting of the Council's budget position is a key management action to reduce the financial risks of the organisation.

9.2 **Corporate Policy and Equality Impact** – regular monitoring is part of the Council's Well Run Organisation strategy and is a key contributor to the achievement of Value for Money.

### **Public Background Papers used in preparation of this report**

- The Council's MTFs and budget setting report, Assembly 3<sup>rd</sup> March 2021  
<https://modgov.lbbd.gov.uk/Internet/documents/s144013/Budget%20Framework%202021-22%20Report.pdf>

### **List of appendices:**

- Appendix A Revenue Outturn
- Appendix B Reserves Transfers
- Appendix C HRA
- Appendix D DSG
- Appendix E Capital Programme Summary
- Appendix F Capital Programme Detail