

Harborough District Council

Report to the Cabinet Meeting of 04 July 2022



Report Number:	1
Title:	2021/22 Financial Performance Report – Outturn Quarter 4 (Year ending 31 March 2022)
Status:	Public
Key Decision:	No
Report Author:	Carolyn Bland, Financial Services Manager
Portfolio Holder:	Cllr James Hallam, Finance
Appendices:	Appendix 1: Summary Revenue Budgets and Capital Programme for 2021/22 Budget and MTFs (2022/23 to 2024/25). Appendix 2: 2021/22 Revenue Forecast Outturn and Variance Analysis by Portfolio & Director Service Categorisation. Appendix 3: Commentary on 2021/22 Budget Variances Greater than £25,000, by Director Service Categorisation. Appendix 4: 2021/22 Capital Forecast Outturn and Variance Analysis. Appendix 5: Carry forwards

Executive Summary

This report sets out the financial position (outturn) for the year ending 31 March 2022, for revenue and capital. Revenue is showing an overspend of £7k, a variance of 0.1% to the approved budget. Capital is showing an underspend of £251k, a variance of 11% to the approved budget.

Recommendations

- **That Cabinet considers the financial performance report and comments on the Outturn (31st March 2022) as detailed within the report and associated appendices.**
- **The Cabinet approves the Revenue carry forwards in Appendix 5 totalling £286k into 2022/23.**
- **The Cabinet approves the Capital carry forwards (slippage) in Appendix 4, totalling £4.349m into 2022/23.**

Reasons for Recommendations

Good financial governance requires the Cabinet to consider and comment on the forecast financial outturn for 2021/22. Such commentary demonstrates to customers, partners, and stakeholders that the Council is actively considering the financial environment within which the Council is operating.

1. Purpose of Report

The Council approved the 2021/22 Budget and Medium-Term Financial Strategy (2022/23 to 2024/25) (MTFS); which included the Capital Programme in February 2021. After in-year adjustments for Budget Challenge 2025 (reported to Cabinet in September 2021), the Updated 2021/22 Budget and MTFS is summarised below.

2. Background

2.1 In respect of:

- the **Revenue budget**, the 2021/22 net service expenditure is £12.2m and after capital financing (£857k), the net expenditure for the delivery of services is £13.1m; over the MTFS period, this increases to £13.5m by 2024/25. This is summarised in **Table 1** below.

Approved Revenue Expenditure: Approved 2021/22 Budget & MTFS (2022/23 to 2024/25) + BC25 + other adjustments		Table 1				
		2021/22 Original £000	2021/22 Updated £000	2022/23 £000	2023/24 £000	2024/25 £000
Net Expenditure		13,098	13,212	13,023	13,036	13,500
Increase in service expenditure:	Minute No.					
- Leisure: Contractor Costs	26.04.21	0	10	120	327	0
- Leisure Contractor: Costs	10.11.21	0	0	100	0	0
Updated Net Expenditure		13,098	13,222	13,243	13,363	13,500
- additional use of Reserves		0	(10)	(220)	(327)	0
Updated Contributions to/(from) Reserves		742	581	(3,121)	(3,569)	(2,630)
Budget Requirement		13,840	13,803	10,122	9,794	10,870
Total Grants		(7,551)	(7,514)	(3,579)	(2,960)	(3,702)
Council Tax Requirement		6,289	6,289	6,543	6,834	7,168

* the increase in Net Expenditure between the 2021/22 Original and Updated budgets is due to adjustments related to 2020/21 approved carry-forwards and adjustments following the Budget Challenge 2025 programme.

- the **Capital Programme**, the 2021/22 programme totals £3.4m and is financed by £2.4m of external grants and capital receipts, £311k of direct revenue funding and £723k of unsupported borrowing (minimum revenue provision). Over the MTFS period the capital programme decreases to £1.1m.
- Reserves**, Council approved a net contribution to reserves of £742k; this was made-up of a contribution to reserves of £2.7m and a draw-down from reserves of £1.9m – the latter being the Councils “budget gap”.

3. Details

Revenue Headlines

- 3.1 The forecast outturn for the current financial year and the impact over the MTFS is summarised below.

3.2 **2021/22**; in respect of the Updated Net Expenditure budget of £13.2m, the outturn is showing a net overspend of £7k. A “financial” variance analysis based on both Portfolio and Director service categorisation, and an accompanying Reserve analysis is shown at **Appendix 2** and summarised in **Table 2** below. The reasons for variances greater than £25k is shown in **Appendix 3**. Once the budget carry forward requests of £286k (detailed in **Appendix 5**) are removed the overspend rises to £293k. Carry forwards are requested from underspent cost centres only.

Summary of 2021/22 Revenue Budget Variances, by Director Service Categorisation				Table 2
Service	Updated Budget £000	Forecast Outturn £000	Variance £000	Commentary
Chief Executive	210	224	14	
Deputy Chief Executive	1,508	1,308	(200)	Savings on Harborough Innovation Centre, Corporate Administration and Register of Electors
Governance	823	1,275	452	Reduced use of Car Parks plus cost of Monitoring Officer less savings on Members travel allowances and Staff training
Finance & Assets	2,633	3,104	471	Reduced income on the Symington Building, Quick Response Team and interest plus increased costs on migration to MS Office 365 and audit, less savings on Finance, Revenues & Benefits and Corporate Asset Management
Communities	5,663	5,433	(230)	Savings on Communications, Street Cleaning, Open Spaces, Homelessness and Housing
Planning	106	11	(95)	Savings on Strategic Growth Team and other smaller savings
Net Direct Cost of Services	10,943	11,355	412	
Finance & Assets: Capital Financing (*)	857	452	(405)	Reduction in Minimum Revenue Provision
Net Expenditure	11,800	11,807	7	
NB. * Finance & Assets are allocated to this item, but this item (Minimum Revenue Provision) is dependent on other services actioning the capital programme.				

3.3 It should be noted that the categorisation of services by Director is based on the structure used for setting the 2021/22 budget and does not reflect the current temporary structure in place due to vacancies in the Chief Executive and Director: Law & Governance positions.

3.4 **Pay Award** It should be noted that the pay award included in the Quarter 3 forecast was agreed at 1.75% for all NJC staff on SCP 2 and above (a 2.75% increase on SCP 1) back dated to 01 April 2021; an increase of 1.75% represented an additional cost in 2021/22 of £122k and was implemented in March 2022 and included in this outturn for 2021/22. Over the MTFs this increases the pay budget by £670k.

3.5 The Covid-19 outturn has not been reported in quarter 4 as wholly accounted for in previous quarters and there is no new information to report.

Reserves

- 3.6 Inevitably as the Council progresses through any year its use of reserves will flex depending on:
- the macro and micro economic climate that the Council finds itself, and
 - along with its need to meet its corporate priorities and statutory obligations.
- 3.7 As required by the Reserves Strategy, Cabinet is asked to note that through the active management of reserves that the General Fund (Unallocated) Reserve is maintained at 20%, the approved minimum level of reserves.
- 3.8 Reserves are being finalised in line with the Statement of Accounts deadlines. The expected position on the General Fund and Earmarked Reserves is £15.689m (31 March 2021 £17.971m). The main reasons for the reserve reduction is due to a combination of the net impacts of agreed reserve movements when the budget was set in February 2021 along with the considerable, and unbudgeted, s.31 grants that the Council received prior to the end of the 2020/21 that the government gave to all local authorities to compensate for the Covid 19 impact on Business Rates losses that would be recognised and released in 2021/22.

Capital Programme

- 3.9 The Capital Programme for **2021/22** totals £5.3m, of which £1.4m is in respect of new initiatives for 2021/22. The forecast outturn is showing a £251k underspend compared to this. A summary variance analysis is shown in **Table 4**, and a detailed analysis, with associated commentary, is shown in **Appendix 4**. There is also capital slippage of £4.349m to be approved.

Summary of 2021/22 Capital Budget Variance Greater than £25,000						Table 4
Service	Updated Budget £000	Outturn £000	Additional Slippage £000	Variance £000		Commentary
Capital Projects Approved in previous years (either commenced or to start)	3,980	1,857	(1,877)	(246)	-6%	Play area schemes slip to 22/23 due to ongoing Covid-19 impact. S106 schemes - allocations made but schemes not started.
New Capital Proposals	1,394	478	(916)	0	0%	Roman Way scheme - appointment of contractors in 2022/23. Delays in Lutterworth TC Heritage Action Zone.
Net Capital Programme	5,374	2,336	(2,792)	(246)	-5%	

Government Grants Awarded to the Councils Community

- 3.10 Members will recall that since the start of the pandemic the Council has been acting as agent for the Government and awarding a varied range of grants to both its business and residential community. From the 01 April 2021 the government still required the Council to deliver a number of grants; a summary analysis of grants paid this year is shown below in **Table 6**.

TYPE OF GRANT	Grants from 1/4/2021 PAYMENTS £	Grants from 1/4/2021 NO OF GRANTS No.
National Lockdown Grant & Closed Lockdown Payment .	244,513	29
National Lockdown Grant	234,187	89
Local Restrictions Support Grant	53,532	60
Additional Restrictions Grant - discretionary grant	1,769,003	766
Test and trace self isolation payments	106,000	212
Restart Grant	4,021,375	541
Omicron Hospitality Grant	643,370	190
TOTAL	7,071,980	1,887

4. Implications of Decisions

4.1. Corporate Priorities

The contents of this report are evidence of how the Council monitors issues that may affect the delivery of its Corporate Priorities.

4.2. Financial

This report gives the outturn position for the Council's 2021/22 revenue and capital budgets.

4.3. Legal

The Council is legally required to set and manage a balanced budget.

4.4. Policy

No policy issues arise directly from this report.

4.5. Environmental Implications including contributions to achieving a net zero carbon Council by 2030

No environmental issues arise directly from this report.

4.6. Risk Management

It is important to monitor the position against budget in order to ensure any issues can be addressed appropriately and in a timely manner.

4.7. Equalities Impact

No equalities issues arise directly from this report.

4.8. Data Protection

No data protection issues arise directly from this report.

5. Summary of Consultation and Outcome

Consultation has been undertaken with the Portfolio Holder.

6. Alternative Options Considered

Not applicable.

7. Background papers

None.