

# Harborough District Council

## Report to the Cabinet Meeting of 10th July 2023



<b>Title:</b>	<b>2022/23 Financial Performance Report – Outturn Quarter 4 (Year ending 31 March 2023)</b>
<b>Status:</b>	Public
<b>Key Decision:</b>	No
<b>Report Author:</b>	Carolyn Bland, Head of Financial Services
<b>Portfolio Holder:</b>	Cllr Mark Graves, Finance
<b>Appendices:</b>	<b>1:</b> Summary Revenue Budgets and Capital Programme for 2022/23 Budget and MTFs (2023/24 to 2026/27). <b>2:</b> 2022/23 Revenue Outturn and Variance Analysis by Portfolio & Director Service Categorisation. <b>3:</b> Commentary on 2022/23 Budget Variances Greater than £25,000, by Director Service Categorisation. <b>4:</b> General Fund Reserves <b>5:</b> Revenue Carry Forwards <b>6:</b> 2022/23 Capital Outturn and Variance Analysis

### Executive Summary

This report sets out the financial position (outturn) for the year ending 31 March 2023 for revenue and capital.

- Revenue is underspent by £4k, a variance of 0.03% to the approved budget.
- Capital is overspent by £59k.

### Recommendations

- **That Cabinet considers the financial performance report and comments on the Outturn (31<sup>st</sup> March 2023) as detailed within the report and associated appendices.**
- **The Cabinet approves the Revenue Carry Forwards detailed in Appendix 5 totalling £220k into 2023/24.**
- **The Cabinet approves the Capital Carry Forwards (slippage) detailed in Appendix 6 totalling £7,184k into 2023/24.**

### Reasons for Recommendations

Good financial governance requires the Cabinet to consider and comment on the financial outturn for 2022/23. 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

To update Cabinet in respect of the Quarter 4 outturn for 2022/23 for revenue, capital and reserves.

## 2. Background

The Council approved the 2022/23 Budget and Medium-Term Financial Strategy (2023/24 to 2026/27) (MTFS); which included the Capital Programme in February 2022. In respect of:

- 2.1 the **Revenue budget**, the 2022/23 net service expenditure was £11.1m and after capital financing (£506k), the net expenditure for the delivery of services was £11.6m; over the MTFS period, this increases to £13.6m. This is summarised in **Appendix 1**.
- 2.2 the **Capital Programme**, the 2022/23 programme totals £11.8m, of which £4.3m was brought forward from previous years and £7.5m was in respect of new initiatives for 2022/23 and is financed by £8.1m of external grants and capital receipts, £1.3m of direct revenue funding and £2.4m of unsupported borrowing (minimum revenue provision). Over the MTFS period the capital programme decreases to £860k.
- 2.3 **Reserves**, Council approved a net contribution to reserves of £1.4m.

## 3. Details

### Revenue Headlines

- 3.1 The outturn for the current financial year and the impact over the MTFS is summarised below.
- 3.2 **2022/23**; the original budget of £11.6m has been revised to include the revenue carry forwards from 2021/22 agreed by [Cabinet 04 July 2022](#) of £285k and £175k of grants carried forward through the grants reserve (following required accounting practice to carry forward grants). In respect of this updated net expenditure budget of £12.030m, the outturn is £12.026m, which represents a small underspend of the budget by £4k. A “financial” variance analysis based on both Portfolio and Director service categorisation is summarised in **Table 1** below. An accompanying Reserve analysis is shown at **Appendix 2** and the reasons for variances greater than £25k are shown in **Appendix 3**.

Summary of 2022/23 Revenue Budget Variances, by Director Service Categorisation				Table 1
Service	Updated Budget £000	Outturn £000	Variance £000	Commentary
Interim Chief Executive	2,329	2,212	(117)	Savings at the Innovation Centre less overspends in Legal and Market Hall
Interim Deputy Chief Executive (Finance, ICT & Assets)	2,585	2,435	(150)	Savings in Interest and Director post, less overspends in Finance, IT and the Symington Building and Target Operating Model savings not achieved
Communities	5,915	6,236	321	Overspends in Car Parking, Customer Services and Grounds Maintenance less underspends in Recycling
Planning	695	730	35	Overspends (under recovery of income) in Development Control less savings in Local Plan carried forward through reserves
<b>Net Direct Cost of Services</b>	<b>11,524</b>	<b>11,613</b>	<b>89</b>	
Finance & Assets: Capital Financing (*)	506	413	(93)	Capitalisation of IT salaries plus recalculation of MRP
<b>Net Expenditure</b>	<b>12,030</b>	<b>12,026</b>	<b>(4)</b>	
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 2022/23 budget, some responsibilities have changed, Legal and Corporate Services are now reporting to the Interim Deputy Chief Executive, and Economy & Business is reporting to the Director: Communities and Wellbeing.

### Underachievement of Savings

- 3.4 **Senior Management review** The review of the “target operating model” (the way the Council operates) was delayed because of the Council decision to investigate the sharing of senior management. Savings of £353k were identified in the budget but now only £49k could be achieved during 2022/23.
- 3.5 **Development Management** At the time the budget was being set the Council was exploring the potential to share services with another Leicestershire District Council which would have generated a saving of £94k; unfortunately, this proposition is no longer being taken forward, although alternatives are being investigated.

### Mitigations

- 3.6 The Council currently holds considerable capital receipts. In 2022/23 the council used revenue and capital receipts in financing its capital programme in place of internal borrowing. This saved the Council £68k due to reduced capital financing (minimum revenue provision). Currently it looks likely that capital receipts can be used for financing, in place of borrowing, for 2023/24.
- 3.7 As part of budget setting for 2023/24 (and subsequent years) and to mitigate the current in-year budget pressures additional ongoing savings were offered by Service Managers which reduced the overspend forecast earlier in the year. This was achieved by considering both savings and income generation opportunities. The forecast overspend at Quarter 3 of £578k has reduced mostly because of increased investment income due to increasing interest rates.

## Reserves

3.8 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.

3.9 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.

3.10 The position of the General Fund and Earmarked Reserves at 31 March 2023 is £10.890m (31 March 2022 £15.689m). The main reason for the reduction is the transfer back to revenue of s.31 grants that the Council received prior to the end of 2020/21 that the government gave to all local authorities to compensate for the impact of Covid-19 on Business Rates, to mitigate against losses that would be recognised in subsequent years.

## Capital Programme

3.11 The Capital Programme for **2022/23** totals £11.8m, of which £4.3m was brought forward from previous years and £7.5m is in respect of new initiatives for 2022/23. The outturn is an overspend of £59k and proposed slippage of £7,184k to future years. A summary variance analysis is shown in **Table 2**, and a detailed analysis, with associated commentary, is shown in **Appendix 6**.

Summary of 2022/23 Capital Budget Variance Greater than £25,000					Table 2
Service	Proposed Updated Budget	Outturn	Variance		Commentary
			£000	%	
Capital Projects	4,681	4,740	59	1%	£81k Housing support (Lightbulb) less £22k Corporate Buildings

## **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 2022/23 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.