

<b>Committee(s):</b> Policy, Resources & Economic Development Committee	<b>Date:</b> 13 July 2022
<b>Subject:</b> 2021/22 Financial Outturn	<b>Wards Affected:</b> All
<b>Report of:</b> Jacqueline Van Mellaerts, Corporate Director (Finance and Resources)	<b>Public</b>
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### Summary

This report gives a summary of the overall financial outturn position for the financial year 2021/22.

The key elements of the provisional outturn are:

#### General Fund

- 1) The outturn for the general fund is balanced position for 2021/22 compared to a budgeted surplus set at £240k
- 2) In March 2022 it was forecasted that the outturn position would be of a break-even position.
- 3) Working balances remain at £2.874 million this is still within the minimum level of reserves.
- 4) General Fund earmarked reserves have increased by £1.663 million to £12.446 million. Of which £5.196 million is committed for COVID-19 mitigation, £0.617 million is committed for specific future commitments, £2.362 million is committed for service level expenditure and £4.271 million is committed for future financial mitigation.

#### Housing Revenue Account

- 1) The outturn reflects a net underspend of £447k against the working budget of £434k.
- 2) The HRA working balance has increased significantly to £1.922 million as at the 31<sup>st</sup> March 2022
- 3) The HRA earmarked reserves remain have increased by £100k to £2.5 million

#### Capital

- 1) The capital outturn was £15.390 million compared to a reported revised budget of £33.306 million
- 2) Requested slippage of £17.532 million will be carried forward into 2022/23

## Treasury Management

- 1) The treasury activity and relevant prudential indicators for the year is listed in Appendix B.

The Draft Annual Financial Statements 2021/22 have been prepared and will be reported to Audit & Scrutiny Committee on 25<sup>th</sup> July 2022 to meet the Council's publication deadline by the end of July. The draft accounts are subject to an external audit process, which will later in the year. Until the audit is finalised the figures included within this report is a provisional outturn and could be subject to change. Any changes to the outturn will be reported back to this committee once the Annual Financial Statements 2021/22 have been audited.

## **Main Report**

### **Introduction and Background**

1. The provisional outturn forms part of the preparation of the Council's Statement of Accounts for 2021/22. The outturn is reported prior to the audit of the Council's Accounts by the Council's external auditors – Ernst & Young LLP.
2. The provisional outturn does not usually change because of the audit, however due to the ongoing impact of COVID-19 on the local economy as well as the current economic climate there is likely to be more challenges facing the Council's financial position. The Council must consider these impacts ensuring the Council can demonstrate it remains a going concern as an entity.
3. In line with the Local Government Act 2003, the relevant CIPFA codes of Practice and the Council's associated Treasury Management Policy and Practices, the outturn is presented to Members.

### **Issue, Options and Analysis of Options**

#### **General Fund and Housing Revenue Account (HRA)**

4. Appendix A summarises the outturn position for each of the Council's revenue funds, general fund and HRA. Page 12 of Appendix A details the variances per corporate priority. It compares it to working budget for 2021/22 to the outturn and then the outturn adjusted by the movement in reserves. The high-level summaries of the General Fund and HRA are tabled below.

### General Fund Outturn 2021/22

	2021/22 Budget £'000	2021/22 Outturn £'000	Variance
Total Cost of Services	8,571	9,148	577
Total Funding	(8,811)	(9,148)	(338)
Deficit/(Surplus)	(240)	0	240
Working Balance b fwd	2,874	2,874	0
<b>Working Balance C fwd</b>	<b>3,114</b>	<b>2,874</b>	<b>240</b>

### HRA Outturn 2021/22

	2021/22 Budget £'000	2021/22 Outturn £'000	Variance
Total Expenditure	10,371	10,544	174
Total Income	(13,245)	(13,461)	(216)
Non-Service Expenditure	2,440	2,475	35
Deficit/(Surplus)	(434)	(442)	(8)
Working Balance b fwd	1,480	1,480	0
<b>Working Balance C fwd</b>	<b>1,914</b>	<b>1,922</b>	<b>8</b>

5. To analyse the variances a subjective analysis per cost centre under each corporate strategy heading has been produced be found within Appendix A

6. In summary the £240k variance caused within the General fund was associated to the following:

#### Growing Our Economy

The adjusted variance was a pressure of £38k against a current budget of £1,088k. This is attributable to:

- External supplies and services costs under asset development were assumed to be funded by a contribution from earmark reserves. Instead, the costs have been offset against other savings within the budget.

- Small underspend on agency costs regarding LDP costs and planning enforcement.

### Protecting Our Environment

The adjusted variance was a pressure of £162k against a current budgeted income of £2,248k. This is attributable to:

- Parking Income has seen a significant decline associated with the impact of the COVID-19 pandemic. Income lost was £768k. The drawdown on earmarked reserve is to fund the consultancy support in developing the car park strategy.
- Additional pressures are from the increase in transport costs regarding fuel and vehicle repairs and maintenance on the Council's ageing fleet.
- Asset management has seen an increase in income associated to Childerditch rent reviews increasing generating additional returns. With savings made against premises costs.
- Building control have held a vacancy during the year to generate a saving to offset the decrease in income.
- CCTV underspend is due to vacancies within the structure.
- Cemeteries have seen an increase in income from fees and charges increases as well a saving on the establishment due to vacancies.
- Depot Management underspends are linked to vacancies held whilst revised management structures are trialled.
- Licensing has seen a pressure on income from the impact of the pandemic. With Taxi income falling along with other licenses.
- Street Services underspend is made up from vacancy savings with employee expenditure.
- The change is how the Council recycles has generated the Council additional income over the budgeted amount. The success of the scheme has reduced costs which have been utilised to support the additional staffing costs for the scheme as well as for the social distancing that was required during 2021/22.

### Developing Our Communities

The adjusted variance was a saving of £181k against a current budget of £995k. This is attributable to:

- Communities' health and leisure the costs of the Council operating the Brentwood Centre until SLM were awarded the contract are captured here. Some of the costs were offset by a grant from Sport England, as well as a contribution from earmark reserves.
- Golf Course underspend is mainly attributable to an increase in income from the increase and changes made to Fees and Charges.

### Delivering an Efficient & Effective Council

The adjusted variance was a saving of £3,844k against a current budget of £5,250k. This is attributable to:

- Expectation that income would be made from loaning to the joint venture to develop sites within the borough. Delay to the schemes have resulted in the savings target to materialising.
- Corporate Finance savings are linked long term vacancy held whilst the structure is looked at and revised, as well as not utilising contingency budget.
- Corporate Management overspend is attributable to the increase costs in brokerage fees and audit fees.
- Corporate Support underspend is due to a vacancy within the structure.
- Council Tax and NNDR overspend is delay to the One Source debt collection scheme due to the pandemic.
- Customer and Performance have held vacancies with the contact centre to determine options around the delivery of the service for the future, plus the recharge to the HRA has increased as more calls have been taking for tenants.
- Design & Print Services decrease in costs are due to less printing and photocopying now officers work hybrid.
- Digital Services & transformation recently implemented a new structure. Vacancies have been held in this structure that has generated a saving to offset pressures around contracted services for the cloud environment. However, these posts are now currently being advertised.
- Electoral Services underspend is due to a vacant post.
- Executive Board underspend is due to the vacant Strategic Director post remaining vacant for the year whilst the Council explored and developed the Rochford Partnership.
- Human resources underspend is due to underspend on the apprenticeship levy and the corporate training budget. Due to leavers during the year some fees have been repaid, these are to be earmarked to support future staff development. The contingency budget has not been drawn down on whilst the service is reviewed to determine the requirement and therefore the structure needed to deliver.
- Office Accommodation has seen a decrease in costs required on premises as well as additional income regarding commercial income for office space and rental income from the flats being fully occupied.

### Improving Housing

The adjusted variance was a pressure of £803k against an income budget of £649k. This is attributable to:

- The unrealised target of £759k for the housing delivery model that is no longer going ahead. This pressure has been offset by contributing less to earmark reserves.

## Net Non-Service Expenditure

Total pressure on net non-service expenditure is £822k. This is attributable to:

- Decrease in general bad debt provision. The decrease is due to reviewing debt and no longer making an additional provision for covid as assumption assume the debt levels now account for the covid impact.
- Interest payable is higher than budget, due to taking the opportunity to replace short term debt with long term PWLB debt when rates dropped below internal thresholds. Therefore, the additional pressure is the cost of carrying this debt earlier than planned.
- Interest on surplus cash has not achieved the budget forecast.
- Investment properties budget needs to be realigned with revised forecasts within the lease register.
- Underspends on the pension fund contribution and MRP provision are to be earmarked into an inflation and financing reserve to support the financial risk to the council regarding the current economic climate.

## Funding

Funding increased by £338k compared to a current budget of £8,811k. Much of this increase is associated to the extension of the covid income compensation grant into the first quarter of the budget year. The £254k was not built into the current budget and the additional income offsets some of the parking income loss the Council has incurred.

7. For the HRA the increased in the budgeted surplus of £8k was due to the following factors:
  - a) An increase in repairs & maintenance costs.
  - b) Utility charges are increasing, for 2021/22 this are associated with the cost of holding sites void that have been earmarked for development under the SHDP programme.
  - c) Due to the pandemic and being unable to chase arrears the rent arrears has increased, in turn, this has resulted in a larger provision of bad debt being provided against the arrears balance.
  - d) Garage Income is less than budget this is for sites that are now void as they are earmarked to be developed.
  - e) Pension costs are higher and this budget needs aligning going forward.

- f) The HRA has contributed less revenue to its capital program. This has allowed the HRA working balance to rejuvenate.

### Collection Fund

- 8. The Collection Fund is a statutory account relating to the administration of Council Tax and Business Rates. The account is administered by Brentwood as “billing authority” on behalf of relevant precepting authorities, including the Borough, and, in the case of Business Rates, also the central government. The account records all income due in respect of Council Tax and Business Rates. The precepts due to the participating bodies are debited to the account. Any balance remaining on the account following these transactions is normally shared proportionately between the precepting bodies in the following financial years. For deficits arising in 2021/22, the Government permits these to be phased over the following two years.
- 9. For 2021/22 the financial position of the Collection Fund is as follows:
  - a) Business Rates. There is a deficit of £14,393k, of which the Council's share is £5,757k. The deficit is mainly due to the business rate reliefs awarded by the Government to businesses to support them during the pandemic. The government compensated the Council directly for the loss of income due to these reliefs. This leaves a deficit of £1,110k, which will be debited to the General Fund in a phased approach over the next three financial years. £610k of this amount will be debited in 2021/22, but this will be partly offset by £512k grant from the Government to compensate the Council for loss of tax income in 2020/21.

The Council is member of the Essex Business Rates Pool. The Council's business rates income for 2020/21 was below the level at which a levy was payable.

- b) Council Tax. There is a surplus of £708k, of which the Council's share is £82k. The Council gave reliefs to Council Tax Payers totalling £319k, which were funded through Council Tax Hardship Grant from the Government.

## Earmarked Reserves

10. Within Appendix A, it sets out the drawdown to and from earmarked reserves in detail. In summary the following movement on earmarked reserves is as follows:

	<b>Opening Balance</b>	<b>Contribution To/(From)</b>	<b>Closing Balance</b>
Mitigation	1,944	2,327	4,271
Service	1,738	624	2,362
Specific	1,059	(442)	617
COVID-19	6,042	(846)	5,196
<b>Total</b>	<b>10,783</b>	<b>1,663</b>	<b>12,446</b>

11. The detail regarding earmarked reserves is within Appendix A. The new earmarked reserves to be created are as follows:

<b>Reserve Name</b>	<b>Type</b>	<b>Amount £'000</b>
Inflation & Financing Mitigation	Mitigation	810
Rochford Partnership	Service	300
Staff Achievement & Recognition	Service	3
Other Licences	Service	3
HR Corporate Training	Service	18
HR Apprenticeship Incentive Training	Service	8
ARG Grant	COVID	24
New Burdens re Post Assurance Reconciliation	COVID	131



<b>Total</b>		<b>1,297</b>
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### Capital and Investment Strategy

12. Enclosed within Appendix B is the capital and investment report. Capital projects approved as part of the 2021/22 budget cycle are tabled and compared to the projects working budget.

13. In summary the capital outturn is as follows:

	<b>2021/22 Budget £'000</b>	<b>2021/22 Outturn £'000</b>	<b>Variance</b>
Total General Fund Capital Programme	17,193	9,114	(8,079)
Total HRA Capital Programme	16,113	6,276	(9,837)
<b>Total Capital Programme</b>	<b>33,306</b>	<b>15,930</b>	<b>(17,916)</b>
Total General Fund Capital Funding	17,193	9,114	(8,079)
Total HRA Capital Funding	16,113	6,276	(9,837)
<b>Total Capital Funding</b>	<b>33,306</b>	<b>15,390</b>	<b>(17,916)</b>

14. For 2021/22 there has been external factors that have delayed delivery of certain capital projects. The ongoing impacts of the pandemic are still affecting the market, enhanced with the war in Ukraine and leaving the EU. These external factors have affected contractors to resource and deliver, the price of materials meaning some projects become unviable financially, and sourcing materials and parts delaying the delivery of purchased items, all impact the end customer.

15. As part of the strategy, slippage for certain projects have been requested by services and reviewed by the section 151 officer. The total amount of slippage requested is £17.532 million and does not exceed what has previously been approved for specific projects by Ordinary Council. The reason for the requirement of slippage is detailed within the appendix B.

16. Finally, Appendix B also includes a review of the Council's treasury Management activities during the year. Alongside this is an update on Council's prudential indicators for the year.

## **Consultation**

17. The Outturn has been presented to the senior leadership team, the leader, deputy leader and the Chairs of Committees.

## **References to Corporate Plan**

18. The outturn underpins the ability to be able to deliver the aspirations outlined within the Corporate Strategy by managing our finances and contracts robustly to ensure best value for money and deliver services meets the needs of our residents.

## **Implications**

### **Financial Implications**

**Name/Title: Jacqueline Van Mellaerts, Corporate Director (Finance & Resources)**

**Tel/Email: 01277 312500/jacqueline.vanmellaerts@brentwood.gov.uk**

19. Financial implications have been included within the main body of the report and appendices.

### **Legal Implications**

**Name & Title: Amanda Julian, Corporate Director (Law & Governance) and Monitoring Officer**

**Tel & Email: 01277 312500/amanda.julian@brentwood.gov.uk**

20. The Council is obliged under Section 151 of the Local Government Act 1972 to make proper arrangements for the management of its financial affairs.

### **Economic Implications**

**Name/Title: Phil Drane, Corporate Director (Planning and Economy)**

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21. Growing our economy is a corporate priority. Everything the council does contributes to or impacts the borough's economy in some way, either directly or indirectly. It is important that the council maintains a budget that considers such implications. In this case, it is important to regularly monitor and publish the final overall financial outturn position.

**Other Implications**

Risk Management – Managing the Council's finances

**Background Papers**

Medium Term Financial Strategy 2021/22

**Appendices to this report**

Appendix A: General Fund Revenue Outturn 2021/22

Appendix B: Capital & Investment Strategy Outturn 2021/22