



COMMITTEE TITLE: Finance, Assets, Investments & Recovery Committee

DATE: 12/07/2023

REPORT TITLE:	2022/23 Financial Outturn
REPORT OF:	Tim Willis, Interim Director - Resources

REPORT SUMMARY

This report gives a summary of the overall financial outturn position for the financial year 2022/23.

The key elements of the provisional outturn are:

General Fund

- 1) The outturn for the general fund is a balanced position for 2022/23 compared to a budgeted deficit set at £121k.
- 2) In March 2023 it was forecasted that the outturn position would be of a break-even position.
- 3) Working balances remain at £2.874 million which is still within the minimum level of reserves.
- 4) Overall, General Fund earmarked reserves have decreased by £3.354 million to £9,447 million. However, this is due to the planned use of covid reserves.

Reserves at 31 March 2023 are:

- a. Mitigation reserves balance - £6.182 million
- b. Service reserves balance - £1,932 million
- c. Specific reserves balance – £960k
- d. Covid reserves balance – £373k

Housing Revenue Account

- 1) The outturn reflects a net underspend of £390k against the working surplus budget of £147k.
- 2) The HRA working balance has increased significantly to £2.311 million as at the 31st March 2022.
- 3) The HRA earmarked reserves remain at £2.5 million.

Capital

- 1) The capital outturn was £14.443 million compared to a reported revised budget of £58.952 million.

The Draft Annual Financial Statements 2022/23 have been prepared and will be reported to Audit & Scrutiny Committee on 11th July 2023 and to Finance, Assets, Investments and Recovery Committee on 12th July 2023. The draft accounts are still subject to an external audit process. Until the audit is finalised the figures included within this report are provisional and could be subject to change. Any changes to the outturn will be reported back to this committee once the Annual Financial Statements 2022/23 have been audited.

RECOMMENDATIONS

The recommendation is for the report to be noted.

SUPPORTING INFORMATION

1.0 REASONS FOR RECOMMENDATIONS

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

2.0 OTHER OPTIONS CONSIDERED

N/A

3.0 BACKGROUND INFORMATION

Main Report

Introduction and Background

1. The provisional outturn forms part of the preparation of the Council's Statement of Accounts for 2022/23. The outturn is reported prior to the audit of the Council's Accounts by the Council's external auditors – Ernst & Young LLP.
2. 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)

3. 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 subjective then on page 13 per corporate priority. It compares the working budget for 2022/23 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 2022/23

	2022/23 Budget £'000	2022/23 Outturn £'000	Variance
Total Cost of Services	9,768	9,779	11
Total Funding	(9,646)	(9,779)	(133)
Deficit/(Surplus)	122	0	(122)
Working Balance b fwd	2,874	2,874	0
Working Balance C fwd	2,752	2,874	(122)

HRA Outturn 2022/23

	2022/23 Budget £'000	2022/23 Outturn £'000	Variance
Total Expenditure	11,478	11,136	(342)
Total Income	(13,663)	(13,809)	(146)
Non-Service Expenditure	2,037	2,283	246
Deficit/(Surplus)	(148)	(390)	(242)
Working Balance b fwd	1,921	1,921	0
Working Balance C fwd	2,069	2,311	(242)

4. To analyse the variances a subjective analysis per cost centre under each corporate strategy heading has been produced in Appendix A.
5. In summary the £122k variance on the General fund was related to the following:

Growing Our Economy

The adjusted variance was a saving of £322k against a current budget of £1,157k. This was attributable to:

- Planning overspend & Enforcement had a planned drawdown of their service specific reserve to cover their out of budget expenditure.
- Underspend in planning policy for external contracted services post local plan adoption.

Protecting Our Environment

The adjusted variance was a saving of £673k against a current budget of (£2,008k). This was attributable to:

- Parking overachieved on its budgeted income.
- Asset management has seen an increase in income associated with Childerditch rent reviews, generating additional returns.
- The change in how the Council recycles continues to generate savings.
- There was also a significant underspend on salaries in Licensing, Environment Health & Building Control.
- There were large overspends on utility bills & fuel, due to rapid rise in inflation on those items. However, the impact of the above savings was far greater than cost these increases.

Developing Our Communities

The adjusted variance was a saving of £80k against a current budget of £1,160k. This was attributable to:

- There were large overspends on utility bills & fuel, due to rapid rise in inflation on those items.
- These costs were offset by additional grant income, increased income from fees and greater profit share for Brentwood Centre and KGPF than budgeted.

Delivering an Efficient & Effective Council

The adjusted variance was a pressure of £302k against a current budget of £5,456k. This was attributable to:

- Reduction in rental income for the Town Hall flats. This was due to SAIL paying a historic service charge to Sanderson Weatherall.
- There were also severance payments due to the restructuring of One Team tiers 1 to 3.

Improving Housing

The adjusted variance was a saving of £75k against a current budget of £183k. This was attributable to:

- Rental income was more than budgeted.
- There were underspends for contracted services and premises related expenditure.

Net Non-Service Expenditure

Total pressure on net non-service expenditure is £858k. This was attributable to:

- Increased income for interest receivable, the council gained £327k more than budgeted. This was due to high interest rates and carrying high levels of cash due to holding of COVID Grants.
- Investment properties budget needs to be realigned with revised forecasts within the lease register.
- Payments to the pension fund were £102k less than budgeted.
- 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.
- There was a contribution into appropriations as a result of overachieving the vacancy factor and the income target for strategic properties.

Funding

Funding increased by £132k compared to a current budget of £9,646k. This was attributable to receiving funding for new burdens grants that were not budgeted for during budget setting. These new burdens grants were for Business Rate Relief and Council Tax Rebates final assessments.

HRA

The HRA had a budget surplus of £243k. This was attributable to:

- An underspend on repairs and maintenance.
- Underspends in supervision and management due to contracted services and a reduction in the HRA support recharge.
- There was an increase in rental income and a reduction in interest payable.
- There were increases in bad debt provision.

Collection fund

6. 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 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.

7. For 2022/23 the financial position of the Collection Fund is as follows:

- a. Business rates. There is a surplus of £1,123k, of which the Council's share is £449k. The surplus is mainly due to the take up of retail, hospitality & leisure reliefs being lower than was anticipated when the 2022/23 budget was set. The Council's share of the surplus will be credited to the General Fund in 2023/24 when it will offset a clawback of grant funding resulting from the reduced level of reliefs.
- b. Council Tax. There is a surplus of £2,061k, of which the Council's share is £234k.

Earmarked Reserves

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

	Opening Balance £'000	Contribution To/(From) £'000	Closing Balance £'000
Mitigation	4,296	1,911	6,207
Service	2,362	(430)	1,932
Specific	617	343	960
COVID-19	5,410	(5,037)	373
Total	12,685	(3,213)	9,472

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

Reserve Name	Type	Amount £'000
New corporate priorities	Specific	250
Domestic Abuse funding	Specific	69
CEV funding	Specific	27
Total		346

Capital and Investment Strategy

10. Enclosed within Appendix B is the capital and investment report. Capital projects approved as part of the 2022/23 budget cycle are tabled and compared to the project's working budget.

11. In summary the capital outturn is as follows:

	2022/23 Budget £'000	2022/23 Outturn £'000	Variance
Total General Fund Capital Programme	34,312	2,842	(31,470)
Total HRA Capital Programme	24,640	11,601	(13,039)
Total Capital Programme	58,952	14,443	(44,509)
Total General Fund Capital Funding	34,312	2,842	(31,470)
Total HRA Capital Funding	24,640	11,601	(13,039)
Total Capital Funding	58,952	14,443	(44,509)

12. For 2022/23, like 2021/22, there have been external factors that have delayed delivery of certain capital projects. The ongoing impacts of the pandemic are still affecting the market, exacerbated by the Ukraine war 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 impacting the end customer.

13. Due to the large amount of slippage in 2022/23, the section 151 made the decision to propose to minimise any slippage and instead rebase the 2023/24 and future capital programmes. This was reflected in the Budget report to Council in March 2023. This should increase the likelihood that services will fully utilise the capital programme set for 2023/24, which stands at £58,340k.

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

References to corporate plan

15. 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.

4.0 FINANCIAL IMPLICATIONS

Name & Title: Tim Willis, Director – Resources & Section 151 Officer

Tel & Email: 01277 312500 / tim.willis@brentwood.rochford.gov.uk

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

5.0 LEGAL IMPLICATIONS

Name & Title: Claire Mayhew, Acting Joint Director – People & Governance & Monitoring Officer

Tel & Email 01277 312500 / Claire.mayhew@brentwood.rochford.gov.uk

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

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

- The outturn report is just for informational purposes and therefore there are no resource implications have been included within the main body of the report and appendices.

7.0 RELEVANT RISKS

- Relevant risks have been included within the main body of the report and appendices.

8.0 ENGAGEMENT/CONSULTATION

- The Outturn has been presented to the corporate leadership team, the leader and the Chairs of Committees.

9.0 EQUALITY IMPLICATIONS

Name & Title: Kim Anderson, Corporate Manager – Communities, Leisure and Health

Tel & Email 01277 312500 kim.anderson@brentwood.gov.uk

The Public Sector Equality Duty applies to the Council when it makes decisions. The duty requires us to have regard to the need to:

- a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act. In summary, the Act makes discrimination etc. on the grounds of a protected characteristic unlawful
- b) Advance equality of opportunity between people who share a protected characteristic and those who do not.
- c) Foster good relations between people who share a protected characteristic and those who do not, including tackling prejudice and promoting understanding.

The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership, race, religion or belief, gender, and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).

The proposals in this report will not have a disproportionate adverse impact on anybody with a protected characteristic.

10.0 ECONOMIC AND CLIMATE IMPLICATIONS

Name & Title: Phil Drane, Director – Place

Tel & Email 01277 312500 / phil.drane@brentwood.rochford.gov.uk

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.

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APPENDICES

- Appendix A – Revenue 2022-23 Outturn (GF & HRA)
- Appendix B – Capital 2022-23 outturn

BACKGROUND PAPERS

- Medium Term Financial Strategy 2022/23

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
<ul style="list-style-type: none">• PRED: 2021/22 Outturn	13/07/2022
<ul style="list-style-type: none">• PRED: 2020/21 Outturn	30/06/2021
<ul style="list-style-type: none">• PRED: 2019/20 Outturn	09/11/2020