

Hambleton District Council

Report To: Cabinet
Date: 5 July 2022
Subject: **2021/22 Revenue Outturn**
Portfolio Holder: Economic Development and Finance
Councillor P R Wilkinson
Wards Affected: All Wards

1.0 Purpose and Background

- 1.1 The purpose of this report is to inform Members of the revenue outturn position for the year 2021/22.
- 1.2 The outturn for 2021/22 Capital Programme and Treasury Management position is contained in a separate report on this Cabinet agenda.

2.0 Outturn 2021/22

- 2.1 The Council set its budget on 9 February 2021 for 2021/22 at £10,351,080 in line with the approved Financial Strategy 2021/22 to 2024/25. The approved budget in accordance with the Council portfolio themes is detailed below:

| | £ |
|--------------------------------|--------------------------|
| Economy & Planning | 1,364,930 |
| Environment | 4,314,520 |
| Finance & Commercial | 1,110,970 |
| Law & Governance | 1,278,680 |
| Leisure & Communities | 2,152,650 |
| Drainage Board levies | 129,330 |
| Net Revenue Expenditure | <u>10,351,080</u> |

- 2.2 Members have received quarterly revenue monitoring reports throughout the year identifying over and underspends and the reasons for such. Quarter 3 was reported to Cabinet on 8th February 2022 and identified that as at 31st December 2021 the Council had underspent by £797,800. £275,000 of this was specific to 2021/22 pay award that had not yet been settled. The major reasons for the other variations were vacant posts, interest savings and some windfall income on recycling. Members allocated the remaining £522,800 to Local Government Reorganisation reserve.
- 2.3 The impact of loss of income due to Covid 19 and the recovery from lockdown was aggregated together and not reported in separate variances in the budgetary monitoring reports. At Quarter 3 it was reported that the estimated costs to the Council were £1,115,590 and will be funded by the £1,500,000 that has been allocated in Reserves. The final position is that £1,046,760 has been allocated from reserves to cover the loss of income.

2.4 The overall revenue outturn position for 2021/22 is shown in Table 1 below.

Table 1 Revenue Outturn 2021/22

| | Original Budget | Revised Budget | Outturn | Variance |
|--|------------------------|-----------------------|---------------------|------------------|
| Monitored Revenue Budget | 10,351,080 | 10,351,080 | 9,776,337 | (574,743) |
| Loss of income Covid | - | - | 1,046,760 | 1,046,760 |
| | 10,351,080 | 10,351,080 | 10,823,097 | 472,017 |
| <u>LESS FINANCING</u> | | | | |
| Council Tax | (4,270,613) | (4,270,613) | (4,270,613) | - |
| RSG | (91,472) | (91,472) | (91,472) | - |
| Business Rates | (3,084,237) | (3,084,237) | (3,280,003) | (195,766) |
| Other Grants | (2,602,169) | (2,602,169) | (2,875,014) | (272,845) |
| Contribution To/(From) Reserves | (302,589) | (302,589) | (305,995) | (3,406) |
| | (10,351,080) | (10,351,080) | (10,823,097) | (472,017) |
| Balance Budget | - | - | - | - |

2.5 The overall expenditure in the year against the budget is £9,776,337. This shows an underspend of £574,743 since quarter 3 report. A Local Government Reorganisation Reserve was created with the underspend of £522,800 to 31st December 2021. Therefore, the total underspend in the year on the monitored budget is £1,097,543. However, loss of income due to Covid-19 was monitored separately during the year. The final amount identified in 2021/22 was £1,046,760. This was always outside of the budget as £1.5m of reserves had been earmarked to meet this.

2.6 Additional new burdens funding and administration support funding of £272,845 was granted to the Council in 2021/22 over and above the planned amounts and additional Business Rates collection contribution of £195,766 in connection with renewable energy schemes. This £468,611 has been used to fund the net overspend.

2.7 Annex A identifies all variances over £5,000 in quarter 4. The key areas are drawn to Members' attention in the following section.

- a) Salary underspends of (£480,000)
- b) Further addition recycling income of (£153,000)
- c) Reduced interest payments as no debt was drawn down of (£80,000)
- d) Building Control income of (£54,000)
- e) Leisure premises savings due to closures (£52,000)
- f) Additional fuel costs in Environment due to the fuel crisis £55,000

2.8 A piece of work was undertaken during the closedown process to review the Councils bad debt provision in the light of the current economic crisis and the increasing aged profile of existing debt. The review shows that the current provision needs to be increased and £187,000 of these underspends has been allocated to that provision.

2.9 The original budget set in February 2021 identified that £302,589 would be used from reserves to balance the budget. In addition, £1.5m was identified to meet COVID loss of income. At outturn only £305,995 was drawn from reserves to balance the overall financial position for 2021/22. This additional £3,406 required from reserves is substantially less than the £1.5m identified to meet the potential loss of income due to Covid. No further action or funding is planned to address COVID. The 2022/23 budget identifies the level of income expected in the year.

3.0 Reserves and Balances

3.1 A change of policy on reserves was determined during the 2022/23 budget process. Effectively all earmarked reserves are to be disbanded and merged into the general reserve. Two exceptions were identified during the process; namely Local Government Reserve and a specific fund to meet the spending on Make a Difference grants (MAD) and Bounce Back grants approved in 2021/22.

3.2 The level of reserves and general fund balances for Council activity at 31st March 2021 is £13,534,503. During the year £837,128 was utilised to meet planned expenditure from those earmarked reserves. In addition, £600,115 was used to meet additional Covid 19 expenditure from the reserve created in 2020/21. In the year £522,800 of underspends was allocated to the Local Government Reserve and £305,995 was used to meet the net overspend in quarter 4 from accounting for the loss of income due to Covid. The summary position for reserves is shown in the table below.

Table 2 Council Revenue Reserves and Balances as at 31st March 2022

| Opening Balance @ 1st April 2021 | £ |
|--|---------------------------|
| General Fund | 2,000,000 |
| Earmarked Reserves | <u>11,534,503</u> |
| | 13,534,503 |
| Earmarked Reserves utilised for Service Delivery | (837,128) |
| Covid expenditure met by reserves | (600,115) |
| Reserves used to meet overspend | (305,995) |
| Creation of LGR Reserve in year at quarter 3 | 522,800 |
| Movement in Year | <u>(1,220,438)</u> |
| | 12,314,065 |
| Split between | |
| General Reserve | 11,051,265 |
| Local Government Reorganisation Reserve | 522,800 |
| One Off Fund | <u>740,000</u> |
| Closing Balance at 31st March 2022 | 12,314,065 |

4.0 Link to Council Priorities

4.1 The monitoring of the financial budget throughout the year and reporting the financial year end position assists in ensuring the Council's service requirements are met and contributes to the achievement of the priorities set out in the Council Plan. This report identifies the final position for 2021/22 and the level of resources for future years.

5.0 Risk Assessment

5.1 There are no major risks associated directly with this report. However, the large savings in 2021/22 are mostly attributable to salary savings achieved from vacant posts. These vacancies are increasing, and the Council faces challenges to recruit. This in turn is bringing challenges to service delivery for Hambleton in 2022/23 and potentially for the new North Yorkshire Authority from April 2023.

6.0 Financial Implications

6.1 The financial implications are dealt with in the body of the report.

7.0 Legal Implications

7.1 It is a legal requirement under s25 of the Local Government Act 2003 to set a balance budget and monitor the financial position throughout the year. This report provides Members with the outturn position which form the basis of production of the final accounts for the financial year 2021/22. These need to be produced and published by 30 September 2022.

8.0 Equality and Diversity Issues

8.1 Equality and Diversity Issues have been considered however there are no issues associated with this report.

9.0 Recommendations

9.1 That Cabinet approves and recommends to Council that:-

- a) the final outturn position described in the report be noted;
- b) the transfer of £305,995 from reserves to meet the overspend in the year be approved; and
- c) the level of reserves at 31 March 2022 and those identified to support 2022/23 expenditure in line with the budget be noted.

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Background papers: None
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