

# CABINET

## Provisional Revenue, Capital and Treasury Management Outturn 2021/22 13 September 2022

### Chief Finance Officer

PURPOSE OF REPORT			
This report provides summary information regarding the provisional outturn for 2021/22, including treasury management. It also sets out information regarding the carry forward of capital slippage and other matters for Members' consideration.			
Key Decision	<input type="checkbox"/>	Non-Key Decision	<input type="checkbox"/>
		Officer Referral	<input checked="" type="checkbox"/>
Date of notice of forthcoming key decision	N/A		
This report is public.			

#### RECOMMENDATIONS OF COUNCILLOR WHITEHEAD:

- (1) That the provisional outturn for 2021/22 be endorsed, including the transfers to and from Reserves and Balances actioned by the Chief Finance Officer as set out in 6.1 and Appendix 5.
- (2) That Cabinet approve the treatment of year end overspends and endorse the do-nothing approach in-light of the current situation.
- (3) That the requests for capital slippage and the adjustments to reflect accelerated capital spending on projects as set out at Appendices 6 and 7 be endorsed, with the Capital Programme being updated accordingly.
- (4) That the Annual Treasury Management report and Prudential Indicators as set out at Appendix 2 be noted and referred on to Council for information.

#### 1. BACKGROUND

- 1.1. All local authorities have a legal duty to produce an annual Statement of Accounts. For 2021/22 the requirements and timeline for the approval of a Local Authority's Statement of Accounts were unchanged from 2020/21. In accordance with the regulations, the draft Accounts must be published on the Council's website and submitted for audit by 31 July 2022 and the timeline for the conclusion of the audit is 30 November 2022.
- 1.2. It is pleasing to report that the statutory deadline of 31 July 2022 was met, and the Statement of Accounts was completed and signed off prior to that date by the Chief Finance Officer. Deloitte have not yet commenced the audit of accounts, however, the draft Statements are available on the Council's website via the following link [Statement of Accounts - Lancaster City Council](#)

- 1.3. This report provides Cabinet with an update on the provisional outturn, including Treasury Management, and seeks endorsement for certain matters. The Council's financial performance is integral to its service performance overall, which is included elsewhere on this agenda, and Members are advised to consider this report in that context.

## **2. COVID-19 GOVERNMENT GRANTS & SUPPORT FOR THE LOCAL ECONOMY**

- 2.1 The Council continued to receive a wide range of grants from Central Government in 2021/22 to support the overall response to the COVID-19 pandemic.
- 2.2 The grants were administered by the Council in line with the guidance received from Central Government. In unusual circumstances, the Council received an allocation and the grant in advance to assist with cash flow. It then had to be determined whether the Council were administering the grant acting as either an agent or as principal.
- 2.3 In acting as agent the Council was essentially acting as an intermediary between the recipient and the Government Department and had no control of the level of grant payable; whereas in acting as principal, it was able to use its own discretion when allocating the amount of grant payable.
- 2.4 A high-level summary of specific grant funding received showing in each instance whether the Council acted as either principal or as agent in distributing the monies alongside further details is given at **Annex A to Appendix 1**:
- 2.5 All remaining unspent funds as at 31<sup>st</sup> March 2022 are included in the Council's balance sheet within Short Term Creditors or held in Reserve with the funds available to be utilised within 2022/23.
- 2.6 In addition to the business grant funding and COVID specific grants, the Council also received non-ringfenced general grants to support its COVID response. These were:
- General grant allocation of £0.852M alongside unspent monies of £0.505M from previous years totalling £1.357M. The Council applied £0.863M of these allocations to expenditure in 2021/22 with the remaining £0.494M being held in reserve prior to being utilised to support the future net financial position of the Council;
  - Compensation for the loss of Sales, Fees and Charges income of £0.731M;

With the exception of the £0.494M unspent general Covid response grant, the grants set out in paragraph 2.6 have been used to support expenditure in year and thus impact the final net financial position of the Council.

## **3. PROVISIONAL REVENUE OUTTURN: SUMMARY**

### **3.1 General Fund Revenue Outturn**

The General Fund accounts for income and expenditure associated with the day to day running of all the services that the Council provides, with the exception of council housing. On 24 February 2021 Council approved a General Fund Revenue Budget for 2021/22 of £17.774M (£17.903M 2020/21) which included a budgeted contribution of £2.267M from the General Fund unallocated reserve which was required to produce a balanced budget.

- 3.2 The table below provides details of the General Fund revenue income and expenditure for 2021/22 and shows variances for each service area. The format includes the removal of various accounting entries such as internal recharging, notional items such as pension

adjustments, capital charges and the removal of various COVID grants initially charged to Service.

	2021/22			Remove Covid-19 Related Variances £000	Remove Reserve Funded Variances £000	Variance from Working Budget £000
	Original Budget £000	Working Budget £000	Actual £000			
<b>Expenditure:</b>						
Central Services	1,342	1,342	1,140	-	(159)	43
Communities and Environment	9,576	9,701	9,966	1,087	(522)	300
Corporate Services	6,479	7,573	5,851	33	(1,122)	633
Economic Growth and Regeneration	7,824	9,241	6,743	171	(2,533)	136
Other Corporate Income & Expenditure Items	(5,180)	(7,736)	(4,150)	(1,291)	4,336	(541)
Contribution from General Fund Balance	(2,267)	(2,347)	(1,776)	-	-	(571)
<b>NET REVENUE EXPENDITURE</b>	<b>17,774</b>	<b>17,774</b>	<b>17,774</b>	<b>-</b>	<b>-</b>	<b>-</b>

- 3.3 After allowing for various year-end adjustments, there has been a net underspend of £0.571M against the Working Budget for 2021/22 which has resulted in a reduced amount needing to be transferred from the General Fund unallocated reserve. The underspending represents 3.2% of the Council's net revenue budget (2020/21 comparative: £0.695M underspend, 3.0% of budget) or 5.8% of the Council Tax requirement.
- 3.4 Details of the significant variances and a detailed explanations of the major differences between provisional outturn and the revised budgeted position is provided at **Appendix 1**.

#### 4. TREASURY MANAGEMENT

- 4.1 We are required by statute to report our annual treasury management performance. This report is attached at **Appendix 2** and sets out the performance of treasury operations for 2021/22. The Council's treasury operations are conducted in accordance with its annual Treasury Management Strategy, which was approved by Council on 24 February 2021. This document identifies the investment and borrowing policies of the Council specifying various criteria for investment counterparties, maximum duration and the amount of investments together with the framework for any future borrowing.

##### Investments

- 4.2 In 2021/22 the Council retained its comparatively low risk appetite towards investments. The average daily amount invested increased to £45.004M (£38.541M 2020/21) with short term investments on 31 March 2022 (all held in the balance sheet as cash and cash equivalents) totalling £42.7M (£22.0M 20/21). The overall return on investments was £0.033M at an average interest rate of 0.07% (£0.061M and 0.12% 2020/21).

##### Borrowing

- 4.3 The Council did not undertake any short-term borrowing in 2021/22. Total long-term debt at 31 March 2022 amounted to £59.01M (£60.04M 2020/21) all of which relates to PWLB borrowing. A further £1.04M is included within short term liabilities as payment falls due within 12 months.
- 4.4 In determining its Council Tax charges Councils must make a specific provision for the financing of capital expenditure known as Minimum Revenue Provision (MRP). The outstanding amount for which MRP has to be made is known as the Capital Financing Requirement (CFR). At 31 March 2022 the Councils CFR was £95.24M (£94.95M 2020/21) an increase of £0.29M. The amount of MRP charged in 2021/22 totalled £3.206M (£2.810M 2020/21) with accompanying interest charges £2.882M (£2.916M 2020/21).

## 5. HOUSING REVENUE ACCOUNT (HRA)

- 5.1 At the end of the financial year, the Council owns 3,644 homes generating rental income of £13.8M. The Local Government & Housing Act 1989 requires that this income and associated expenditure is held in a ring-fenced account, the Housing Revenue Account (HRA).
- 5.2 As part of the 2021/22 General Fund budget setting process, the Council approved the use of £1.023M (revised to £0.854M in year) of unallocated reserves in order to deliver its strategic priorities and stated outcomes within a balanced budget. The outturn position was favourable resulting in a reduction of £0.118M being required from the reserve.

	<b>£000</b>
Repairs & Maintenance costs	15
Rent Income from Dwellings	(154)
Net pension adjustment re IAS19	230
Reduced use of Reserves	(519)
Net increase in Capital funded from Revenue	508
Other minor variances	38
	<hr/> <b>118</b> <hr/>

- 5.3 A summary of the HRA provisional outturn is included at **Appendix 3**. Discounting any notional and presentational variances.
- 5.4 As at 31 March 2022 the HRA's unallocated reserve balance stands at £2.552M (£3.287M 2020/21) which is £2.052M above the £0.500M minimum recommended level. Expenditure within the HRA is supported by a 30 year business plan and the Council is planning significant investment over a number of years to improve its social housing stock. A summary of all its Balances & Reserves is included at **Appendix 4**.

## 6. GENERAL FUND USABLE REVENUE RESERVES AND BALANCES

- 6.1 As discussed in Section 3, the General Fund called on the use of its general unallocated reserve to provide a balanced budget. The amount required was £1.776M. This means that as at 31 March 2022 General Fund Balances amounted to £6.032M (2020/21 £7.808M). This is £2.532M above the current minimum recommended level of reserves £3.500M. However, as part of the 2022/23 budget process, a forecasted contribution to reserves of £0.034M in order to balance its revenue budget was made but it should be highlighted that the estimates were prepared and approved before the current energy price and cost of living crisis which is discussed elsewhere on this agenda as part of the 'Delivering our Ambitions Q1' report.
- 6.2 The overall level of General Fund Usable Reserves has reduced to £28.886M (2020/21 £33.445M) however, it should be noted that £7.891M of Central Government COVID -19 grants were held in reserves for distribution in 2021/22. Summary details of these movement are provided in **Appendix 5**.

## 7. CARRY FORWARD OF UNDERSPENDINGS AND OVERSPENDINGS

- 7.1 Under the financial strategy, provisions exist to adjust budgets between years by carrying forward under or over-spending. These arrangements help to:
- provide some flexibility in delivering the Council's stated objectives
  - remove the incentive to spend up budgets unnecessarily by year end, and
  - promote good financial management.

- 7.2 With regard to the carry forward of revenue underspends, and given the overall outturn position, there are no requests for Cabinet to consider.
- 7.3 With regard to overspendings, arrangements require that
- any overspending on any expenditure budget, or shortfall on any income budget, under the control of a Director (or their nominated representative) will be automatically carried forward to the following year as part of the closure of accounts process except where the relevant Director and the S151 Officer agree that it does not make operational sense to do so, or where the overspending is trifling in value.
  - The S151 Officer will report to Cabinet on overspendings and their treatment as part of year-end reporting. Such reporting will also include the reasons for any overspends occurring and details of any actions taken to prevent the situation recurring.
- 7.4 Given the current financial climate and future challenges facing the Council it is proposed not to carry forward any overspends occurring within 2021/22.

## 8. CAPITAL OUTTURN

- 8.1 In 2021/22 the Council spent £14.982M in total on capital schemes (£22.068M 2020/21). Total spend on the General Fund was £11.224M against a budget £17.256M, with the HRA spending being £3.758M against a budget of £5.626M.
- 8.2 A provisional capital expenditure and financing statement for the year is included at **Appendix 6**, which is summarised in the following tables:

### Capital Expenditure

Service	A	B	C	D	E
	2021/22 Gross Budget £000	2021/22 Expenditure £000	Variance £000	(Slippage)/ Accelerated Expenditure £000	Final Over/(Under) spend £000
			(B-A)		(C-D)
Communities & Environment	12,137	7,033	(5,104)	(5,010)	(94)
Economic Growth & Regeneration	4,974	4,084	(890)	(893)	3
Corporate Services	145	107	(38)	(48)	10
<b>Total General Fund Programme</b>	<b>17,256</b>	<b>11,224</b>	<b>(6,032)</b>	<b>(5,951)</b>	<b>(81)</b>
Housing Revenue Account	5,626	3,758	(1,868)	(469)	(1,399)
<b>Total Council Capital Programme</b>	<b>22,882</b>	<b>14,982</b>	<b>(7,900)</b>	<b>(6,420)</b>	<b>(1,480)</b>

## Capital Financing

Service	Grants & Contributions £000	Earmarked Reserves £000	Major	Capital Receipts £000	Unsupported Borrowing £000	Total £000
			Repairs Reserve £000			
Communities & Environment	6,646	141		58	188	7,033
Economic Growth & Regeneration	824	-			3,260	4,084
Corporate Services	-	60			47	107
<b>Total General Fund Programme</b>	<b>7,470</b>	<b>201</b>		<b>58</b>	<b>3,495</b>	<b>11,224</b>
Housing Revenue Account	24	278	3,456	-	-	3,758
<b>Total Council Capital Programme</b>	<b>7,494</b>	<b>479</b>		<b>58</b>	<b>3,495</b>	<b>14,982</b>

### Capital Slippage

- 8.4 Details of individual slippage requests from services have been received, a schedule of which is attached at **Appendix 7**. In considering these, Cabinet is asked to note that many of the associated capital schemes are already underway and expenditure may already have been incurred in this year – the actual carry forward of slippage can be a formality.

## 9. DETAILS OF CONSULTATION

- 9.1 As reflected above, the statutory arrangements regarding the public's rights in relation to the accounts provide for a fixed 30 working day period, which commenced on 2<sup>nd</sup> August for this year.

## 10. OPTIONS AND OPTIONS ANALYSIS

- 10.1 The Council has a legal requirement to ensure that its expenditure is fully funded and to produce accounts in accordance with proper accounting practice. In addition, the Prudential Indicators are a statutory requirement linked to the budgetary framework. For these aspects, therefore, there are no alternative options for Cabinet to consider. Members are being asked to endorse certain actions taken by the Chief Finance Officer, and Cabinet should consider whether it has sufficient information to do so or whether it requires any further justification.
- 10.2 The report requests Cabinet to consider a number of revenue overspending, capital slippage and other budget adjustment matters. The framework for considering these is set out in the report but basically Cabinet may:
- Endorse any number of the items / requests, in full or part.
  - Refuse various requests and if commitments have already been incurred, require alternative funding options to be identified. Cabinet should note, however, that this may impact on other areas of service delivery.
  - Request further information regarding them, if appropriate.

## 11. OFFICER PREFERRED OPTION AND JUSTIFICATION

- 11.1 The Officer preferred options are as set out in the recommendations, on the assumption that Members continue to support their previously approved spending plans.

## 12 CONCLUSION

- 12.1 Although the Council's financial position appears relatively healthy with a surplus against the revised budget and an overall increase in the level of reserves held, the Council's Medium Term Financial Strategy suggests a structural budget gap in 2022/23 onwards of approximately £2.183M rising to £4.668M.
- 12.2 Work has commenced to support opportunities to address the underlying structural deficit, by:
- Increasing and diversifying income
  - Improving productivity and securing efficiencies via new ways of working (e.g., Outcomes Based Resourcing)
  - Developing alternative ways to achieve priority outcomes (e.g., partnership)
- 12.3 However, if these are not successful and the deficit is not closed, then balances will be required to make up the difference.

<b>RELATIONSHIP TO POLICY FRAMEWORK</b>
The Outturn and Statement of Accounts report on all the financial resources generated and/or used by the Council in providing services or undertaking other activities under the Policy Framework.
<b>CONCLUSION OF IMPACT ASSESSMENT (including Health &amp; Safety, Equality &amp; Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing)</b>
None directly identifiable, due to the high level nature of this report.
<b>LEGAL IMPLICATIONS</b>
There are no legal implications directly arising.

**FINANCIAL IMPLICATIONS**

As set out in the report

**OTHER RESOURCE IMPLICATIONS****Human Resources / Information Services / Property / Open Spaces:**

References and any related implications are contained within the report and related appendices.

**SECTION 151 OFFICER'S COMMENTS**

The report has been written by the Section 151 Officer.

**MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no further comments

**BACKGROUND PAPERS**

None.

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