

Financial Performance

General Fund

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). The net underspend on the General Fund was £0.571M allowing for all budgeted contributions to/from reserves, which has been transferred to the General Fund unallocated reserve.

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

| | 2021/22 | | | Remove Covid-19 Related Variances | Remove Reserve Funded Variances | Variance from Working Budget | Note |
|--|-----------------|----------------|---------------|-----------------------------------|---------------------------------|------------------------------|------|
| | Original Budget | Working Budget | Actual | | | | |
| | £000 | £000 | £000 | £000 | £000 | £000 | |
| Expenditure: | | | | | | | |
| Central Services | 1,342 | 1,342 | 1,140 | - | (159) | 43 | |
| Communities and Environment | 9,576 | 9,701 | 9,966 | 1,087 | (522) | 300 | 1 |
| Corporate Services | 6,479 | 7,573 | 5,851 | 33 | (1,122) | 633 | 2 |
| Economic Growth and Regeneration | 7,824 | 9,241 | 6,743 | 171 | (2,533) | 136 | 3 |
| Other Corporate Income & Expenditure Items | (5,180) | (7,736) | (4,150) | (1,291) | 4,336 | (541) | 4 |
| Contribution from General Fund Balance | (2,267) | (2,347) | (1,776) | - | - | (571) | 5 |
| NET REVENUE EXPENDITURE | 17,774 | 17,774 | 17,774 | - | - | - | |

A core element of the Council's budget is salary driven. During the year, top-up pension payments were made to the Lancashire County Pension Fund following a review of the base data in which the Council entered into a 3 year prepayment arrangement. The variances relating to salaries are summarised in the table below.

| Service/Section | SALARIES VARIANCE (EXCL. SUPERANN) | SUPERANN VARIANCE | AGENCY VARIANCE | OTHER | VARIANCE |
|--|------------------------------------|-------------------|-----------------|--------------|--------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Central Services | 16 | (25) | - | - | (9) |
| Communities and Environment | 398 | (359) | (282) | 79 | (164) |
| Corporate Services | 441 | (52) | (10) | - | 379 |
| Economic Growth & Regeneration | 743 | (127) | (254) | (243) | 119 |
| Staff Turnover Target | (481) | - | - | - | (481) |
| TOTAL VARIANCE FAVOURABLE / (ADVERSE) | 1,117 | (563) | (546) | (164) | (156) |

For clarity, the staff turnover target is usually included within Corporate Services but has been separated out for illustrative purposes. Overall, salaries performed well with the exception of the pension top-up which was unforeseen resulting in an overall salary related overspend for 2021/22 is £0.156M.

Further explanations to variances including salaries are detailed as follows.

Note 1 Communities & Environment

Salt Ayre Leisure Centre Income (£470K increase)

The forecasted income targets were reduced during the pandemic. The recovery surpassed all expectations in particular areas such as swimming and the café. Budget levels have since been returned to pre-pandemic times.

Non-Realisation of Feed in Tariff Credits (£130K shortfall)

As part of a previous budget setting process, an anticipated credit amount was included in the budget for the sale of electricity to the grid as part of a solar farm project at Salt Ayre. Whilst the project took place and was completed during 2021/22, the basis for charging had changed resulting in the budgetary shortfall highlighted.

Car Parking (£565K increase)

The forecasted income targets were reduced during the pandemic. Car parking income net of increased transaction costs has far exceeded the pre-pandemic expectancy level of 65% and the addition of Castle Car Park has resulted in substantial additional income. Budget levels have since been returned to pre-pandemic times.

Transport Related Costs (£351K overspend)

Increased transport costs due to vehicle R&M and associated hire costs arising from delayed delivery of new fleet plus increased fuel costs (delays to electric-RCV's and roll-out of route optimisation plus unforeseen inflationary increases).

Note 2 Corporate Services

Removal of Staff Turnover Target (£481K removal)

The Council sets an annual target for staff turnover during the year which offsets the net financial position of the Council. The budget is included within Corporate Services but all services are responsible for working towards achieving this.

Interest Payments (£403K underspend)

Due to changes to the Capital Programme the amount set aside in relation to borrowing for new schemes was not required in 2021/22.

Revenues & Benefits (£283K underspend)

Due to the pandemic, delays in court action resulted in reduced income levels due to the non-recovery of legal and court costs recovered (£184K). The government provided additional grants during the year, namely Local Council Tax Support Schemes grant £243K and Housing Benefit grant £150K. The Shared Service performed well financially during the year and Council benefitted from a £122K rebate at the end of the year.

Note 3 Economic Growth & Regeneration

Energy Costs (£130K overspend)

Energy costs across Municipal Buildings increased during the year resulting in a year end overspend. It is expected that this will create substantial further pressures in 2022/23 due to the rising cost of energy and will be subject to close scrutiny throughout the year.

Planning Fees (£177K increase)

The forecasted income targets were reduced during the pandemic. However, there has been a general upturn in the market for both residential and larger fee earning applications resulting in increased levels of income returning to pre-pandemic levels.

Note 4 Other Items

Sales, Fees & Charges Compensation (£276K credit)

As part of the pandemic the government introduced a scheme which allowed Councils to reclaim a portion of their in-year income losses relating to sales fees and charges. The scheme was extended to 30th June 2021 and additional losses were assessed against pre-pandemic income levels.

Interest Payments (£264K underspend)

The delays and removal of schemes within the Capital Programme resulted in unrequired borrowing during the year. This was addressed as part of the 2022/23 budget setting process where the Capital Programme was subject to review and schemes were slipped/removed as appropriate.

Note 5 Contribution from General Fund Balance (£571K reduction)

Balances are a fundamental component in protecting the Council's financial standing, as well as being an important element in helping to address the Council's financial challenges and establishing a sustainable budget, through their appropriate use. As part of the 2021/22 General Fund budget setting process, the Council approved the use of £2.267M (revised to £2.347M in year) of unallocated reserves in order to deliver its strategic priorities and stated outcomes within a balanced budget. The General Fund outturn position was favourable resulting in a reduction of £571K being required from the reserve. At 31 March 2022, the General Fund's unallocated reserve balance stands at £6.032M which is £2.532M above the minimum recommended level.

Housing Revenue Account

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). Full details of the HRA are included within these accounts.

| | £000 |
|---|------------------------|
| 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/> 118 <hr/> |

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 £118K being required from the reserve. At 31 March 2022, the HRA's unallocated reserve balance stands at £2.552M which is £2.052M above the 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.