

This Report will be made public on 28 June 2023

Report Number **C/23/08**

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**To:** Cabinet  
**Date:** 12 July 2023  
**Status:** Non-Key Decision  
**Head of Service:** Lydia Morrison – Director Corporate Services  
**Cabinet Member:** Councillor Tim Prater, Deputy Leader and Cabinet Member for Finance and Governance.

**SUBJECT: GENERAL FUND REVENUE 2022/23 PROVISIONAL OUTTURN**

**SUMMARY:** This report summarises the 2022/23 provisional outturn position (subject to external audit) for the General Fund revenue expenditure compared to the approved budget for the council.

**REASONS FOR RECOMMENDATIONS:**

Cabinet is asked to agree the recommendations set out below because Cabinet needs to be informed of the council's General Fund revenue 2022/23 final outturn position.

**RECOMMENDATIONS:**

1. To receive and note Report C/23/08.
2. To approve the carry forward of £1,253k unspent 2022/23 budgets to be allocated to the Carry Forward ear marked reserve.
3. To note that the provisional underspend of £993k will be transferred to overall General Fund working balances.

## **1. INTRODUCTION**

- 1.1 This report sets out the General Fund provisional financial position at year end (subject to audit) and compares it against the latest approved budget.
- 1.2 The Chief Accountant and the Finance Team have now completed sufficient ledger closing entries to inform Cabinet of the draft provisional outturn for GF revenue for income and expenditure for 2022/23. There may be further adjustments to this as the accounts and external audit process is concluded, but these are not expected to be material or significantly change.
- 1.3 The council's Statement of Accounts (SoA) for 2022/23 is currently in production to reflect this financial data and the results of the final revenue outturn. It is anticipated that the draft SoA will be ready at the end of July and will be presented to a future meeting of the Audit & Governance Committee. The external audit of the SoA will commence later in the year as will be announced by the external auditor at the next Audit and Governance meeting on 20 July 2023.
- 1.4 In terms of financial reporting, the draft SoA presents the final GF outturn position in a different format as the accounts have to be prepared in a specific format to comply with International Financial Reporting Standards (IFRS), which is a set of accounting standards introduced in 2001 to ensure consistency of financial reporting globally for most organisations.
- 1.5 For the purposes of this report, the GF provisional revenue outturn is presented in an expanded level of detail that represents the management structure of the council, it also is presented in the same improved format that was utilised for the Quarter three (Q3) budget monitoring reported to Cabinet on 25 January 2023.

## **2. GENERAL FUND PROVISIONAL OUTTURN – year 2022/23**

- 2.1 The final GF outturn is shown in Table 1 below. It shows a net deficit for the year of £5.204m against the latest approved budgeted deficit of £6.196m. In overall terms this represents a favourable underspend variance of £0.993m compared to the latest approved 2022/23 budget.
- 2.2 It is important to note that this underspend position is net of any budget carry forward proposals (explained later in this report) and is after any previously agreed transfers to fund capital expenditure from revenue, together with the application of any approved reserves in-year to fund items including Covid reliefs previously awarded by the Government to businesses impacted by the pandemic. Relevant transfers have also been made to fund project expenditure from reserves such as Climate Change and High Street innovation fund. The GF provisional outturn also includes the application of any budget carry forwards brought forward from financial year 2021/22. Finally the GF provisional outturn includes all necessary accounting adjustments for accruals, prepayments, transfer payments and the set-aside of any amounts needed for provisions such as bad debts, plus the costs of

borrowing, treasury management income and any grants received from central government or other public sector bodies.

- 2.3 A summary statement for the GF provisional outturn is provided below at Table 1 and the paragraphs that follow explain the various sections of the budget table and the reasons (variances) for the overall underspend. Paragraph 2.16 of the report also provides a detailed breakdown of the council's reserves and balances year-end position.

**Table 1**

**GENERAL FUND NET REVENUE EXPENDITURE**

**Provisional Outturn report**

	A	B	B-C	
General Fund Net Cost of Services	Latest Approved Budget	Provisional Outturn	Variance	Q3 Variance reported Jan 23
	£000	£000	£000	£000
<b>A) Service Team Budgets</b>				
Finance, Strategy & Corporate Services	7,763	7,454	(309)	19
Human Resources	627	669	42	81
Governance & Law	2,642	2,751	109	112
Leadership Support	771	957	186	190
Place	6,340	5,544	(796)	(155)
Economic Development	1,089	977	(112)	6
Planning	152	289	137	110
Operations	2,114	2,014	(100)	(160)
Housing	3,266	2,738	(528)	(301)
<b>A) Total for Service Department Teams</b>	<b>24,762</b>	<b>23,392</b>	<b>(1,371)</b>	<b>(98)</b>
<b>B) Technical and Funding Budgets</b>				
Unallocated Net Employee Costs	(195)	-	195	195
Internal Drainage Board Levies	493	506	13	13
Interest Payable and Similar Charges	801	586	(215)	(155)
Interest and Investment Income	(1,320)	(1,351)	(31)	105
New Homes Bonus Grant	(745)	(745)	-	-
Other Non-Service Related Government Grants	(1,858)	(3,386)	(1,528)	(771)
Town and Parish Council Precepts	2,659	2,659	-	-
Minimum Revenue Provision	1,667	1,747	80	-
Capital Expenditure Financed from Revenue	2,363	905	(1,458)	(1,059)
<b>B) Total for Technical &amp; Funding Budgets</b>	<b>3,865</b>	<b>921</b>	<b>(2,944)</b>	<b>(1,672)</b>
C) Net Transfer to/from(-) Earmarked Reserves	(6,023)	(2,916)	3,107	1,889
<b>D) TOTAL NET EXPENDITURE DEMAND (A+B-C)</b>	<b>22,604</b>	<b>21,397</b>	<b>(1,208)</b>	<b>119</b>
<b>E) Collection Fund (Council Tax and Business Rates)</b>				
Business Rates - from the Collection Fund	(2,816)	(2,041)	775	(382)
Council Tax - demand the Collection Fund	(13,592)	(14,152)	(560)	(304)
<b>E) Total for Collection Fund Demand</b>	<b>(16,408)</b>	<b>(16,193)</b>	<b>215</b>	<b>(686)</b>
<b>TOTAL GENERAL FUND BUDGET NET (D - E)</b>	<b>6,196</b>	<b>5,204</b>	<b>(993)</b>	<b>(567)</b>

- 2.4 In preparing the table above, it should be noted that the Finance Team have used the improved reporting format that was adopted for Q3 budget monitoring which is in-line with the requirements of the Service Code of Practice (SERCOP) which is a reporting requirement of the Chartered Institute of Public Finance and Accountancy (CIPFA). The improvement in financial reporting is part of an on-going drive by the S151 Officer to ensure

that financial information is transparent and easy to understand by recipients. The following paragraphs explain the various sections of Table 1 above.

- 2.5 In short, all direct Service or Team spending is shown in Section A of the Table. This covers the specific budgets used to fund services at the Council and includes budgets/costs for employees, transport, supplies and services, contracts, benefits, homelessness, and income from direct grants and fees and charges.
- 2.6 This is followed by a Section B in the table, called Technical and Funding Budgets which covers items of a more corporate funding nature such as capital financing costs, investment income, Minimum Revenue Provision (MRP), levies, precepts and any other technical budget adjustments. These budgets/costs are kept separate for accounting and service classification reasons under the SERCOP.
- 2.7 Finally the three sections C and D and E of the Table identify :-
- Section C – identifies what is funded specifically from (or contributes to) reserves during the year it is important to note that some approved reserves have been applied in 2022/23 to fund service costs or technical items, i.e. New Homes Bonus. The use of these reserves is normally approved by Full Council as part of the Council Tax and budget setting process at the beginning of the financial year in February. Also, certain types of grant income or underspends are transferred to reserves in-year if they are required to be carried forward to the next financial year.
  - Section D – identifies what is to be funded from the Collection Fund, i.e. the Council Tax requirement approved annually by Council and the Business Rates income yield, both of these elements used to fund the overall General Fund Budget net expenditure demand which is show on line D) in the Table 1 above.
  - Section E – identifies the actual Collection Fund income amounts received for Business Rates income and Council Tax collection.
- 2.8 In considering the results in the Table above, the following paragraphs provide a high-level narrative to explain the reasons for the movements between the approved budget and the GF Outturn. Please note that there is also a detailed breakdown of all variances over £40k – attached as Appendix A.
- 2.9 In terms of Section A - Service Department / Teams – the overall spend against budget for the year has resulted in an underspend of £1.371m. The main factors for this are underspends that have arisen from the receipt of additional grant and/or income received in the final quarter of the year. Typically, some elements of grants / income always arrive in the latter part of the financial year and whilst this funding is welcomed, it can make budget monitoring difficult for all councils to predict between Q3 and Q4. Furthermore, the final position for actual income and expenditure is often affected by seasonal variations or different uptake levels which are only quantified once the final quarter period is closed. Finally, the year end

position always has to be adjusted for any accruals, prepayments, receipts in advance and transfer payments (such as council tax, housing benefit and rent allowances) and naturally these can impact upon the final position.

- 2.10 Many of the expenditure underspends have arisen due to planned management action to reduce spending in the year. As previously reported to Cabinet, the Chief Executive and the Corporate Leadership Team Directors asked all Budget Managers in December 2022 to rationalise spending where-ever possible for the remainder of the 2022/23 financial year and be prudent in the use of resources on discretionary items, but without compromising front line services to residents.
- 2.11 The key to this exercise was to adopt a “marginal gains approach”, i.e. small savings identified by every Manager (say for example on a supplies and service budget such as printing and stationery, holding a vacancy or suspending a subscription) will add up to a larger saving if all budget managers work together to achieve the same aim. Other areas such as income have also been reviewed and there has been a sharper focus on rationalising technical budgets that cover grants income, business rates income and capital financing costs.
- 2.12 Whilst the overall underspend reported in Section A of £1.371m is considered significant, it should be noted that this underspend represents just 5.5% of the overall total service department budget for the council in 2022/23 of £24.7m. In this context, the underspend can be viewed as reasonable (prudent) and not excessive and has not directly affected the quality of service provision to residents.
- 2.13 A more detailed breakdown of all the variances (£40k plus) that make up this £1.371m underspend is provided for information at Appendix A.
- 2.14 In terms of Section B – Technical and Funding Budgets – the overall outturn position has resulted in an underspend of £2.944m which is an increase of £1.27m from the Q3 position. This is attributable to three key variances. Firstly the council received £757k of additional Section 31 (S31) grant in 2022/23 to compensate the council for the final reliefs for small businesses following the Covid-19 crisis. It should be noted that this S31 is used to offset any deficits in the collection fund and a compensating deficit is shown in Section E of Table 1 above. Secondly, there has been a reduction of £1.458m to reflect the decrease in capital expenditure funded from Revenue due to slippage in the capital programme from the reprofiling of capital expenditure from 2022/23. The variations for this are shown separately on this Cabinet agenda in the Capital Outturn report for GF. Finally there is an underspend of £215k for Interest Payable as the council has managed to reduce its borrowing costs in 2023/23 by using short term borrowing at competitive rates plus the overall amount of borrowing required has been less due to the slippage in the capital programme.
- 2.15 It should be noted that any slippage in the capital programme will usually (subject to approval) roll forward to the next financial year and the Capital Outturn GF report (also on this agenda) identifies capital slippage that may have to be carried forward.

2.16 In terms of Section C – Net transfer from/to reserves, the reserves Table 2 below highlights the projected draws and latest balances of reserves that will be available at the end of the 2022/23 financial year.

**Table 2 – Summary of General Fund Reserves and Balances 2022/23**

Reserve	Balance at 1/4/2022 £'000	Projection £'000	Balance at 31/3/2023 £'000	Notes
<b>Earmarked</b>				
Business Rates	2,662	(904)	1,758	To support the Business Rate Retention scheme
Leisure Reserve	447	50	497	Leisure improvements - £250k ringfenced - maintenance
Carry Forwards	1,356	942	2,298	Previous years unused Budget carried forward
VET Reserve	287	(10)	277	Vehicle, equipment & technology replacement
Maintenance of Graves	12	0	12	Amounts in perpetuity for grave costs
New Homes Bonus (NHB)	1,997	(1,589)	408	Residual amount of remaining NHB
Corporate Initiatives	960	27	987	To support corporate plan and initiatives
IFRS Reserve	5	0	5	Accounting code changes support
Economic Development	1,985	(61)	1,924	Regeneration of District - capital and match funding required
Community Led Housing	310	(57)	253	Community Housing and affordable - ringfenced
Lydd Airport	9	0	9	Support costs ay Lydd Airport
Homelessness Prevention	958	(33)	925	Flexibly fund homelessness
High Street Regeneration	1,575	(342)	1,233	Regeneration in High Street areas - LU2
Climate Change	4,880	(224)	4,656	Achieve Carbon net zero by 2030-capital and revenue funding
Covid Recovery	3,526	(715)	2,811	Collection fund deficit 22/23 & 21/22
<b>Total Earmarked Reserves</b>	<b>20,969</b>	<b>(2,916)</b>	<b>18,053</b>	

<b>Total General Fund Reserve</b>	<b>6,008</b>	<b>0*</b>	<b>4,222</b>	*Note - requires 2022/23 addition to be added once determined and also note £1.786m allocated to 2023/24 Budget
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2.17 In summary, £2.916m of net reserves were utilised in 2022/23. Many of these draws on reserves were approved as part of the Budget process for 2022/23 examples being the use of New Homes Bonus and VET reserve. There were also draws made on reserves in the year to cover the costs of Covid-19 recovery, climate change and for regeneration purposes. There have been some reductions in the used of reserves applied to fund capital schemes. Finally there has been an increase in some reserves for amounts that are required to be carried forward to next financial year 2023/24. Paragraph 2.19 below outlines the carry forward requirements.

2.18 In terms of overall reserve levels, the combined earmarked reserves and the general fund reserves now stand at £22.27m which is higher than the forecast balance of £20.627m that was reported at Q3. It should also be noted that the overall revenue underspend of £993k in Table will be added to the general fund reserve if Cabinet agrees the recommendations in this report, which will increase the general fund reserve to £5.215m.

2.18 In terms of Section E of Table 1 – for Collection Fund – there are two variances. Firstly the business rate income is showing an overspend of £775k but this is compensated for by a similar amount of £757k of S31 Grant income which has been explained in paragraph 2.14 above. It should be noted that any S31 Grant has to be accounted for within the general fund and cannot be transferred to the collection fund due to regulation, hence the net neutral

position overall. Secondly the Council Tax income has increased by £560k (an underspend) as a result of higher levels of collection (above 97% for overall Council Tax collection) which is an excellent collection rate.

### **Budget carry forwards to 2023/24**

- 2.19 Each financial year the council receives a number of grants government and some of these are ring-fenced, which means they can only be spent on a specific activity. They are effectively revenue grants and fortunately can be carried forward to future financial years if they remain unspent at year end. The council carries forward these amounts of unspent money as a reserve to be released in the following year.
- 2.20 As part of the provisional outturn process, provisional carry forwards of £1,253m have been approved by the Section 151 Officer as budgeted revenue expenditure relating to 2022/23 that be carried forward to 2023/24. Recommendation 2 of this report seeks confirmation of this position, and Appendix 2 outlines the proposed carry forwards by service area. The majority of these carry forwards relate to grant funding related but there are some other committed items of budget that are included in the list of carry forward which also qualify for budget carry forward.

### **3. RISK MANAGEMENT ISSUES**

- 3.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
Significant amendments having to be made to the financial results following audit.	Medium	Low	The formal accounts will be prepared in accordance with professional standards and best accounting practice.

### **4. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS**

#### **4.1 Legal Officer's Comments (AK)**

There are no legal implications arising directly out of this report.

#### **4.2 Finance Officer's Comments (LK)**

This report has been prepared by Financial Services. There are therefore no further comments to add. The final outturn position will be reflected in the final Statement of Accounts for the council which audited by the council's external auditor later this year. Any changes from the provisional outturn numbers detailed in this report will be reflected in the final audited statement of accounts that will be approved by the Audit and Governance Committee.

#### **4.3 Diversities and Equalities Implications (HR)**

The report does not cover a new service/policy or a revision of an existing service/policy and therefore does not require an Equity Impact Assessment.

**4.4 Communication Officer's Comments (KA)**

There are no significant communications implications arising directly out of this report.

**4.5 Climate Change Implications (AT)**

There are no climate change implications arising directly from this report. It updates Cabinet on this position following decisions taken at Cabinet and Full Council. Climate change implications of the various projects referenced in the report will be assessed as part of the development and implementation phases of those projects through the appropriate decision-making process.

**5. CONTACT OFFICERS AND BACKGROUND DOCUMENTS**

Councillors with any questions arising out of this report should contact the following officer prior to the meeting:

*Leanne Knight, Finance Specialist*

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The following background documents have been relied upon in the preparation of this report:

Budget outturn and projection working papers.

**Appendices:**

Appendix 1 – List of revenue outturn variations above £40k

Appendix 1 – List of proposed budget carry forwards