



East Lindsey

DISTRICT COUNCIL

REPORT TO:	Executive Board
DATE:	6 th July 2022
SUBJECT:	General Fund Revenue and Capital Outturn 2021/22
KEY DECISION:	N/A
PORTFOLIO HOLDER:	<i>Councillor Fry</i>
REPORT AUTHOR:	Deborah Proctor (Strategic Finance Manager PSPS) and Peter Davy (Deputy Chief Finance Officer (Client) PSPS)
WARD(S) AFFECTED:	N/A
EXEMPT REPORT?	No

SUMMARY

This report sets out the provisional outturn position for East Lindsey District Council for 2021/22 subject to final audit and provides information on the implications for the Council's balances and reserves including the capital position for the year.

RECOMMENDATIONS

That the Executive Board:

- 1 Notes the provisional year end position, variations to the 2021/22 approved budget and resulting effect on the Council's balances and reserves as shown in Appendix A - Table 1.
- 2 Recommends to Council that the provisional revenue surplus (currently estimated to be £867,723) be transferred to the Transformation Reserve to fund future projects which will help realise future revenue savings, efficiencies and service improvements.

- 3 That delegated authority be given to the Deputy Chief Executive (Corporate Development) in consultation with the Portfolio Holder for Finance to use this amount for 'Invest to Save' projects and to cover any budget pressures which may arise during 2022/23.
- 4 Recommends to Council to transfer £4,866,072 to the Business Rates Volatility Reserve to fund the 2022/23 budget, this being the excess Section 31 grant allocated to the Council in 2021/22 but to be utilised in 2022/23.
- 5 Recommends to Council to return £1,000,000 to the Investments Volatility Reserve which was the amount withdrawn to cover fluctuations in Property fund asset valuations during the pandemic.
- 6 Approves the return of £193,941 to the Business Rates Volatility Reserve which was the amount used to cover fluctuations in Property Fund asset valuations during the pandemic.
- 7 Notes and approves the use of reserves in Appendix A - Table 3.
- 8 Notes the capital position shown in Appendix A - Table 4 and agrees the changes required to the Capital Programme for 2022/23 as detailed in Appendix A - Table 5.
- 9 Recommends to Council the carry forward of Capital Budget of £18.62m as detailed in Appendix A - Table 7.

REASONS FOR RECOMMENDATIONS

To ensure the Council's provisional financial position for 2021/22 is considered and related decisions approved. It is important that the Executive are aware of the financial position of the General Fund to ensure that they can make informed decisions that are affordable and financially sustainable for the Council.

OTHER OPTIONS CONSIDERED

To not approve the reserve movements outlined.

REPORT

BACKGROUND

Since the start of the pandemic the Council has seen various impacts on its finances, increased expenditure in the short term dealing with the response to the situation, including the dispersal of significant government grants to businesses/individuals and longer-term effects on its income, finances generally and a significant impact on commercial activities. The Council has also been extremely successful in bidding for additional funding in a variety of service areas which are reflected in the outturn position for 2021/22 particularly the capital programme.

It has also been a significant year for the Council with the transition taking place, within the financial year, from the Strategic Alliance to the S&ELCP (South and East Lincolnshire Councils Partnership) which is also a feature of this year's outturn.

Quarter 3 to Quarter 4

Throughout the year, quarterly monitoring reports are completed forecasting the expected year end out-turn against the budgets. This report provides a summary on the provisional full year outturn at 31st March 2022, in the Appendix, for the following areas:

- The General Fund Revenue Budget,
- The General Fund Reserves Position,
- The Capital Outturn for 2021/22, and
- High level Treasury Management Performance for the year.

Members will recall that in the report to the Executive at Quarter 3 a full release of the covid Loss of Income Contingency took place of £589,000, offsetting losses in income across a variety of headings. Covid grant of £974,000 was also received in year which has significantly assisted the revenue account. It should be noted that if these one-off funds had not been available the position at the year end would have been £1.563m worse off. At that time, the forecast surplus as a result of the application of this support was £189,000. Also received in 2021/22 was Covid income grant of £608,000 in respect of the first three months of the year where the Council was able to claim for loss of income.

The changes since then, which due to the uncertainty of this period could have been a worsening or an improvement in a variety of areas, have been overall a further improvement although some service areas also saw reductions in income:

- Improvement in investment income from that expected due to rate rises;
- Overachievement of car parking income from that anticipated;
- Reductions in income – Building Control;
- Salary savings due to vacancies in certain areas;
- The impact of year end adjustments – reduction in bad debt provision for overpayments
- Efficiencies due to acceleration of digitalisation - Elections

In total, these further adjustments total £868K and as stated above the overall favourable position is mainly due to the receipt and use of one-off grants and reserves to smooth covid impacts.

Considering the pressures anticipated ahead in 2022/23 and onwards, it is proposed (at recommendation 2) and 3) to use these resources to fund future transformation initiatives throughout the Council. This will assist in making investment in services to assist them in making changes in a post-pandemic landscape and to fund 'Invest to Save' initiatives which will ultimately realise savings. This will help to meet the Council's savings targets and to ensure it has more resilience to deal with the further budgetary challenges we are already facing. Delegated authority is also requested to enable use of this reserve during the year by the Deputy Chief Executive (Corporate Development) in consultation with the finance portfolio holder, this will also include support for budget pressures in 2022/23.

Other services areas have access to specific reserves to assist in developing new opportunities, the transformation reserve has reduced over time and needs further funds to assist the Council looking ahead.

In the attached **Appendix A**, specific detail is provided in respect of the following areas:

General Fund Provisional Outturn

The forecast outturn position by Assistant Director is detailed at **Table 1** together with an analysis of service variations. Net spend by Assistant Directors for 2021/22 was reported to be £13,061K which is £819K below the budgeted figure. The variances are explained in **Table 1**.

Reserves

General Fund Specific Reserves have seen a reduction in balances of £6.021m. Further specific details are set out in **Appendix A – Table 3** with associated narrative and members are requested to note and approve the use of reserves detailed in that section.

The General Fund Reserve Balance remains at £1.822m.

As previously featured in the 2020/21 outturn, government grant is received and applied in different financial years and as a result it is proposed at recommendation 4 to transfer £4,866,072 to the Business Rates Volatility Reserve in order to fund the 2022/23 revenue budget. This is a section 31 grant in order to fund discounts to Non-Domestic rates bills to businesses. Due to the way the income is accounted for in the Collection Fund the loss of income will impact on the Council's revenue budget in 2022/23 and therefore the monies received in 2021/22 are required to fund this shortfall.

Capital – General Fund

The total revised General Fund Capital programme for 2021/22 is £30.409m, detailed in in **Table 4 of Appendix A**.

The total budget carry forward due to slippage on the GF Capital Programme is £18.629m as detailed in **Table 7** which is recommended for approval. This is mainly due to the Hub and Towns Fund Projects which are now being reprofiled in line with latest expectations for spend.

Treasury Management

Section 2.4 provides details of the Council's Treasury Investments, investment income earned at the end of March 2022 was £1.201m.

The Council has external loans held with Public Works Loans Board totalling £20m. Interest costs on this external borrowing was £493K for 2021/22.

It is proposed at recommendations 5 and 6 to return funding to reserves which had been used to cover the fluctuations in property fund valuations during the pandemic. This was done in the form of a Voluntary Revenue Provision which set aside monies to provide for a potential decrease in asset values. As values have largely returned to pre-pandemic levels most of this provision can now be returned to the reserves from which these sums were originally withdrawn.

CONCLUSION

To ensure that the end of year position is scrutinised, year end transactions are approved and the budget underspend is set aside for future service initiatives.

FINANCIAL IMPLICATIONS

As contained in Appendix A

LEGAL IMPLICATIONS

None

CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS

None

EQUALITY AND SAFEGUARDING IMPLICATIONS

None

OTHER IMPLICATIONS

None

CONSULTATION

None

APPENDICES

Appendix A

BACKGROUND PAPERS

Background papers used in the production of this report are listed below: -

Document title	Where the document can be viewed
Q3 Performance Report	Executive Board 23rd March 2022 Agenda

REPORT APPROVAL

Report author:	Deborah Proctor, Strategic Finance Manager, PSPS and Peter Davy, Deputy Chief Finance Officer (Client), PSPS
Signed off by:	Samantha Knowles, Assistant Director Finance
Approved for publication:	Councillor Richard Fry Portfolio Holder for Finance