

POLICY & FINANCE COMMITTEE

27 JANUARY 2022

GENERAL FUND, HOUSING REVENUE ACCOUNT (HRA) AND CAPITAL PROJECTED OUTTURN REPORT TO 31 MARCH 2022 AS AT 30 NOVEMBER 2021

1.0 Purpose of Report

1.1 This report compares the Revised Budgets for the period ending 31 March 2022 with the Projected Outturn forecast for the period, based on meetings with Financial Services staff and the appropriate Business Manager. These are based on eight months' performance information on the Council's revenue and capital budgets, including:-

- General Fund (GF) Revenue
- Housing Revenue Account (HRA)
- Capital Programme

2.0 Background Information

2.1 The Council's Constitution states that the Section 151 Officer shall present to the Policy & Finance Committee, at least twice in each financial year, budgetary control statements showing performance against the approved estimates of revenue expenditure and income. The appropriate Chief Officer will report on any major variances from planned budget performance.

2.2 Where it appears that the amount included under any head of the approved budget is likely to be exceeded or the budgeted amount of income under any head is unlikely to be reached then Business Managers are required to find savings elsewhere in their budget. In circumstances where savings cannot be identified it will be necessary to consult with the Section 151 Officer and ultimately take a report to the Policy & Finance Committee.

3.0 Proposals

Overview of General Fund Revenue Projected Outturn for 2021/22

Current position (as at 30 November 2021): variances

3.1 *Table 1* shows a projected favourable variance against the revised budget of £0.720m on Service budgets, with an overall favourable variance of £0.453m that is forecast to be transferred to Usable reserves. This is based on meetings which took place with Business Managers by mid-December, therefore does not account for subsequent changes in expenditure/income. Further details of the variances projected against committee budgets are in **Appendix A**.

Table 1: General Fund revenue outturn for 2021/22 financial year as at 30 November 2021

	Original Budget £'m	Revised Budget £'m	Projected Outturn £'m	Variance £'m
Economic Development	1.880	2.411	1.997	(0.414)
Homes & Communities	2.023	1.999	1.748	(0.251)
Leisure & Environment	5.329	5.179	5.140	(0.039)
Policy & Finance	5.607	5.751	5.735	(0.016)
Net Cost of Services	14.839	15.340	14.620	(0.720)
Other Operating Expenditure	4.072	4.067	4.058	(0.009)
Finance & Investment Income/Expenditure	(0.375)	(0.375)	(0.143)	0.232
Taxation & Non-Specific Grant Income	(20.801)	(20.801)	(20.983)	(0.182)
Net Cost of Council Expenditure	(2.265)	(1.769)	(2.448)	(0.679)
Transfer to/(from) Usable Reserves	1.646	1.150	1.603	0.453
Transfer to/(from) Unusable Reserves	0.619	0.619	0.845	0.226
Transfer to/(from) General Reserves	0.000	0.000	0.000	0.000

- 3.2 A favourable variance of £0.720m is currently being projected on Service Budgets managed by Business Managers. This represents 4.7% of the total service budgets. This favourable variance of £0.720m includes a favourable variance of £0.353m on employee spend council-wide. Excluding employee spend, therefore, non-employee spend and income have favourable variances totalling £0.367m.
- 3.3 There have been significant issues in recruitment seen across the Council during this financial year. This has been felt across the Local Government sector, with similar issues being seen in a number of neighbouring authorities. As a result of this, the forecast for next financial years' vacancy savings target has increased from 3.5% to 4%.
- 3.4 The favourable variance of £0.353m on employee spend includes a budgeted saving of £0.541m for vacancies council-wide during the year which represents 3.5% of the overall salary budget. As it is not known which services will have vacant posts during the year, the whole of the £0.541m is currently budgeted for within the Policy and Finance committee's budget and shows as an unfavourable variance. Conversely, all of the savings from vacant posts show as favourable variances against their respective committees. Details of the services with variances due to vacant posts are in **Appendix A**.
- 3.5 The paragraphs above describe that 49% of the forecast variance (£0.720m) is derived from savings in vacancies. This therefore cannot be seen as an annual saving as the posts will be recruited to in due course. Additionally to this, income budgets for the current financial year were reduced during budget setting as budgets were built whilst within the lockdown in December and January 2020/2021. Many of these budgets were only reduced for the current year, hence within the MTFP the starting point for these budgets is already higher than the current year for 2022/23.
- 3.6 Non-Service expenditure is projected to have an unfavourable variance of £0.041m against the revised budget of £17.108m. The £0.232m unfavourable variance against Finance & Investment Income/Expenditure primarily relates to a reduction in forecast investment interest income. This is largely offset by a £0.182m favourable variance against Taxation &

Non-Specific Grant Income. This £0.182m primarily relates to income from the COVID-related Income Support Scheme grant for the period between April 2021 and June 2021, and new burdens administration grants for the delivery of the Restart and the Additional Restrictions COVID-19 Grant Schemes.

- 3.7 The variance of £0.226m on the transfer to unusable reserves represents an element of voluntary revenue provision (VRP). VRP is additional to the Minimum Revenue Provision (MRP) charge which councils statutorily make as provision for repayment of past capital debt. The council's VRP in 2021/22 will enable reductions to MRP charges in future years.
- 3.8 Chief Finance Officers across Nottinghamshire have been monitoring the Business Rates Pool over the year regarding the growth generated by the Pool. Growth generated compared with the Business Rates baseline is distributed back to authority's split by allocations to the County and District/Boroughs. This funding is not budgeted for as it is highly volatile. The latest forecast using NSDC Q3 information together with Q2 information from other authorities shows a forecast of £0.490m return funding for this Council. This has not been shown in the table above.
- 3.9 Each year, the government announces which reliefs that business rate payers will be eligible for, and how much grant it will compensate councils with for income councils can no longer directly receive from businesses (because of the aforementioned business rate reliefs). Prior to 2020/21, the council has typically received around £2m annually in compensation grant. In 2020/21, because of the Expanded Retail Discount, the council received more than £18m in compensation grant. In 2021/22, because of the Expanded Retail Discount, the council will receive more than budgeted for in compensation grant. Though the grant relates to the Collection Fund, accounting regulations require it to be paid into the General Fund. There will therefore be a large deficit in the council's Collection Fund at year-end, and, conversely, a large surplus in its General Fund which will need to be transferred to reserves to pay for the Collection Fund deficit. The Department for Levelling Up, Housing and Communities (DLUHC) have guidance for local authorities on the appropriate accounting arrangements.

Current position (as at 30 November 2021): revised budget compared to original budget

- 3.10 There has been a net transfer of £0.501m from reserves in 2021/22 as at 30 November 2021. Four of these transfers from reserves were each more than £0.050m in value. These total £0.417m:

Policy & Finance Committee approval	Transfer from Reserves Relates to	Amount (£)	Committee which received transfer
26/11/2020	Feasibility work on relocation of Cattle Market and Lorry Park and options for redevelopment of the site	200,000	Economic Development
01/04/2021	Newark Towns Fund specialist consultancy support regarding business cases for Town Investment Plan (TIP) priority projects	77,000	Economic Development
24/06/2021	Castle Gatehouse condition survey, design reviews and funding application	80,000	Economic Development

24/06/2021	Legal support for regeneration projects (such as Newark Towns Fund)	60,000	Policy & Finance
		417,000	

3.11 The other transfers (to) and from reserves, each less than £0.050m in value, total £0.084m:

Economic Development	Homes & Communities	Leisure & Environment	Policy & Finance	Total: Services
22,274	(21,654)	41,317	42,025	83,961

Current position (as at 30 November 2021) compared to previous position (as at 30 September 2021)

3.12 The previous budget monitoring report to this Committee projected a favourable variance against the revised budget of £0.540m on Service budgets. This report projects a favourable variance against the revised budget of £0.720m on Service budgets. *Table 2* summarises the changes in variance against committee budgets between the two reports. Further details of these changes by committee are in **Appendix B**.

Table 2: General Fund revenue outturn: changes in variance by committee between reports

	Variance £'m
Net Cost of Services variance: as at 30 September 2021 (25/11/2021 P&F report)	(0.540)
Economic Development	(0.062)
Homes & Communities	(0.092)
Leisure & Environment	0.085
Policy & Finance	(0.111)
Net Cost of Services variance: as at 30 November 2021 (27/01/2022 P&F report)	(0.720)

Overview of Projected Housing Revenue Account (HRA) Outturn for 2021/22

3.13 With reference to the 'Variance' column in *Table 3*, the HRA accounts show a projected favourable variance against the revised budget of £0.675m as follows:

Table 3: HRA revenue outturn for 2021/22 financial year as at 30 November 2021

	Original Budget £'m	Revised Budget £'m	Projected Outturn £'m	Variance £'m
Expenditure	17.239	17.514	16.651	(0.864)
Income	(25.058)	(25.048)	(24.859)	0.189
Net Cost of HRA Services	(7.819)	(7.533)	(8.208)	(0.675)
Other Operating Expenditure	0.033	0.033	(0.075)	(0.107)
Finance & Investment Income/Expenditure	3.770	3.770	3.770	0.000
Taxation & Non Specific Grant Income	0.000	0.000	0.000	0.000
(Surplus)/Deficit on HRA Services	(4.016)	(3.730)	(4.513)	(0.782)
Movements in Reserves				

Transfer to/(from) Usable Reserves	1.593	1.386	1.247	(0.139)
Transfer to/(from) Unusable Reserves	(6.837)	(6.837)	(6.611)	0.226
Transfer to Major Repairs Reserve	9.261	9.181	9.877	0.696
Total	0.000	0.000	0.000	0.000

3.14 The projected outturn for the year is a net transfer to reserves of £0.782m. The prudent level of reserve set on the HRA working balance is still £2m which would remain constant.

3.15 The main reasons for the projected favourable outturn variance of £0.782m are:

Services: a significant number of posts temporarily vacant	(0.334)
One-off insurance-related savings recognised in-year	(0.235)
Reduced rental income from The Broadleaves due to occupancy delays, partly offset by reduced expenditure	0.117
Other Operating Expenditure: additional capital-related income	(0.107)
Yorke Drive: delays in one-off regeneration-related expenditure	(0.057)
Community Centres: reduced expenditure on cleaning contract due to COVID-related closures	(0.030)
Other small variances	(0.136)
Total	(0.782)

Overview of Projected Capital Outturn 2021/22

3.16 The table below summarises the position for the Capital Programme to the end of November 2021 and is split between General Fund and Housing Revenue Account.

	Revised Approved Budget £'m	Revised budget updated for Approval £'m	Actual Spend to November 2021 £'m	Forecast Outturn £'m
General Fund	19.712	18.423	5.222	18.363
Housing Revenue Account	24.625	19.990	6.808	19.855
Total	44.337	38.413	12.030	38.218

3.17 Actual spend to date has been significantly lower than previous years as a proportion of the budget, mainly due to COVID-19 and the subsequent supply issues. However, much of the spend has started to catch up. As per below a large amount of budget is being profiled to next financial year, though this isn't only due to delays caused by COVID.

3.18 As projects are developed and spending commitments are made, budget requirements can change. It is a requirement that Policy & Finance Committee approve all variations to the Capital Programme. Following the meeting of 25 November 2021, the total approved budget was £44.337m including slippage from 2020/21. The additions and amendments that now require approval are detailed in **Appendix C** and summarised as follows:

Additions/Reductions	£1.279m
Reprofiles	£(7.203)m
Total	£(5.924)m

- 3.19 If these variations are approved, then the revised budget will be reduced to £38.413m. A more detailed breakdown at scheme level, including some comments on projects progress, can be found at **Appendices D** (Housing Revenue Account) **and E** (General Fund).

Capital Programme Resources

- 3.20 The Capital resources available to the Council are not static. Capital receipts are generated throughout the year, additional grants and contributions are paid to the Council, and borrowing may be increased to fund some projects.
- 3.21 In summary, the revised budget of £38.413m will be financed as follows, with every attempt to minimise the impact on the Council's revenue budget:

	General Fund £'m	Housing Revenue Account £'m	Total £'m
Borrowing	4.337	8.010	12.347
External Grants & Contributions	6.213	1.598	7.810
Capital Receipts	0.761	0.814	1.575
Community Infrastructure Levy	0.680	0.000	0.680
Revenue Contributions	6.432	9.568	16.001
Total	18.423	19.990	38.413

Capital Receipts

- 3.22 The Council has been successful in securing a number of capital receipts for both general fund and HRA in previous years, and continues to do so. The current level of capital receipts is detailed in the table below:

	General Fund £'m	HRA Receipts £'m	HRA 1-4-1 Receipts £'m	Total £'m
Balance at 1st April 2021	0.549	2.783	0.708	4.041
Received up to end of November 2021	0.713	0.276	0.876	1.865
Estimated receipts for remainder of the financial year	0.000	0.092	0.292	0.384
Approved for financing	0.761	2.476	0.000	3.237
Available Capital receipts balance at 31 March 2022	0.501	0.676	1.876	3.053
Estimated Receipts 2022/23 - 2024/25	3.143	1.130	2.372	6.645
Approved for Financing 2022/23 - 2024/25	3.077	1.984	2.044	7.105
Estimated Uncommitted Balance	0.567	(0.178)	2.204	2.592

- 3.23 The RTB receipts for Replacement Homes (known as 1-4-1 Receipts) are retained through a RTB agreement. The terms of Retention Agreements have been amended from 1 April 2021. Under the terms of the amended agreements, existing and future RTB receipts have to be

spent on new supply of affordable housing within five years of arising (rather than three), or have to be returned to the government with penalty interest payable. Amongst other changes, authorities are also now able to use RTB receipts to fund 40% of the cost of a replacement home, rather than 30%.

4.0 Financial Implications (FIN21-22/5047)

- 4.1 All of the financial implications are set out in the body of the report.
- 4.2 As per *Table 3* in paragraph 3.12, the HRA is currently projecting an additional transfer of £0.696m to the Major Repairs Reserve.
- 4.3 With regard to the General Fund revenue outturn, the favourable variance of £0.720m represents a variance of 4.7% of the overall General Fund budget.
- 4.4 With regard to capital, any savings on projects will be assessed and used to meet additional demands, or to fund the Council's Capital Programme in future years.

5.0 RECOMMENDATIONS that:

- (a) the General Fund projected favourable outturn variance of £0.453m to usable reserves be noted;**
- (b) the Housing Revenue Account projected favourable outturn variance of £0.696m to the Major Repairs Reserve be noted;**
- (c) the variations to the Capital Programme at Appendix C be approved; and**
- (d) the Capital Programme revised budget and financing of £38.413m be approved.**

Reason for Recommendations

To update Members with the forecast outturn position for the 2021/22 financial year.

Background Papers

General Fund Monitoring Reports to 30 November 2021
Capital Financing Monitoring Reports to 30 November 2021

For further information please contact: Nick Wilson, Business Manager - Financial Services on Ext. 5317; Mohammed Sarodia, Assistant Business Manager - Financial Services on Ext. 5537; or Mike Marriott, Accountant on Ext. 5327

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