



Report to: Cabinet Meeting – 12 July 2022

Portfolio Holder: Councillor David Lloyd, Portfolio Holder Strategy, Performance & Finance

Director Lead: Sanjiv Kohli – Deputy Chief Executive and Director - Resources

Lead Officer: Nick Wilson, Business Manager – Financial Services, Ext. 5317

Report Summary	
Type of Report	Open Report Non-Key Decision
Report Title	Provisional Financial Outturn Report to 31 March 2022
Purpose of Report	<p>To present to Members the provisional 2021/22 financial outturn position on the Council’s revenue and capital budgets, including:-</p> <ul style="list-style-type: none"> • General Fund Revenue • Housing Revenue Account • Capital Programme • Provisions and Impaired Estimates on Debtors • Usable Reserves • Collection Fund <p>This report provides Members with a summary of actual income and expenditure compared to the revised budget and how any surpluses/deficits have been allocated to/from reserves.</p>
Recommendations	<p>That the final outturn of revenue and capital spending for 2021/22 be approved;</p> <p>That the capital financing proposals as set out in paragraph 1.16 be approved;</p> <p>That the variations to the capital programme, as set out in paragraph 1.12 and Appendix E, be approved;</p> <p>That the net variations of £16.696m not spent in 2021/22 on the Capital Programme, be re-profiled and carried forward into 2022/23 as per appendices F and G;</p>

	<p>That the movement in Provisions and Impaired Estimates on Debtors be noted;</p> <p>That the creations of the new reserves, as outlined in paragraph 1.27, be approved; and</p> <p>That the individual contributions to, and withdrawals from, the revenue and capital Usable Reserves be approved.</p>
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1.0 **Background**

Overview of Provisional General Fund (GF) Revenue Outturn for 2021/22

- 1.1 The accounts show a favourable variance of £1.613m on service budgets, with a total favourable variance of £2.044m as follows:-

Table 1: General Fund Revenue Outturn for 2021/22 Financial Year as at 31 March 2022

	Budget £'m	Outturn £'m	Variance £'m
Economic Development Committee	4.093	3.492	(0.601)
Homes & Communities Committee	2.522	2.174	(0.348)
Leisure & Environment Committee	6.557	5.940	(0.617)
Policy & Finance Committee	8.422	8.375	(0.047)
Net Cost of Services	21.594	19.981	(1.613)
Other Operating Expenditure	4.974	4.973	(0.001)
Finance & Investment Income & Expenditure	(0.356)	(0.274)	0.082
Taxation & Non Specific Grant Inc	(25.079)	(25.591)	(0.512)
Net Cost of Council Expenditure	1.133	(0.911)	(2.044)
Transfer to/(from) Unusable Reserves	1.700	1.907	0.207
Transfer to/(from) Usable Reserves	(2.833)	(0.996)	1.837
Transfer to/(from) General Balance	0.000	0.000	0.000

- 1.2 The actual outturn for the year (the 'Outturn' column in the table above) is £0.000m, which keeps the balance at £1.500m at 31 March 2022. This is in accordance with the Medium Term Financial Plan approved on 8th March 2022.
- 1.3 The table above shows that the Net Cost of Council Expenditure out turned as a transfer to reserves totalling **£2.044m**. This is broken down as follows:-

Reason for variance	Value £'m
Reduced spend on employees (inclusive of 3.5% vacancy savings target)	(0.595)
Reduced recharges to Housing Revenue Account (HRA) and capital	0.373
Additional grant-related income, such as for the costs of furloughed employees and administering Housing Benefit services	(0.293)
One-off insurance-related saving and council tax recovery refund	(0.280)

Reduced premises-related spend	(0.166)
Net variance related to rent allowances and rent rebates	0.103
Additional car and lorry-parking income	(0.076)
Income from in-year occupation of alms houses properties not budgeted for	(0.073)
Other variances individually less than £0.050m	(0.606)
Favourable variances on services	(1.613)
Net variance on interest	0.080
Additional grant income, mainly through New Burdens (administration grant in relation to business grants)/Income Support Scheme (to support under recovery of Council income in Q1 21/22)	(0.277)
Net variance on Council Tax (£0.016m) and Business Rates (£0.218m) income	(0.234)
Net Cost of Council Expenditure variance	(2.044)

- 1.4 The level of favourable variance on Service Budgets managed by the Business Managers of £1.613m represents 7.46% of the total service budgets. Further details of the variances against committee budgets are in **Appendix A**.
- 1.5 The £0.218m of net additional business rates income includes £0.768m in unbudgeted growth from the Nottinghamshire business rates pool; £1.105m in additional government funding under section 31 of the *Local Government Act 2003* (relating to the power to pay grant) relating to the extended retail relief that was granted to business during 2021/22; and £1.655m contribution towards the funding of the Collection Fund deficit created at 2020/21 year-end. A proportion of the Collection Fund Budget reserve has been used to partly fund the deficit created at 2020/21 year-end which was charged during 2021/22. As per *Table 9*, there is currently £6.250m in the Collection Fund Budget reserve available for use in 2022/23 and/or 2023/24 when required.
- 1.6 The variance of £0.207m on unusable reserves in *Table 1* relates to voluntary revenue provision (VRP), 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.
- 1.7 The variance of £1.837m on usable reserves relates to £0.944m which had been forecasted as part of the 2021/22 budget monitoring report as at end of November 2021, and the £0.893m variance referred to in paragraph 1.8. The favourable variance of £0.944m forecasted in the previous budget monitoring report relates to £0.454m transfer to usable reserves (*Table 1*), and £0.490m in unbudgeted growth from the Nottinghamshire business rates pool (paragraph 1.8).

Final position (as at 31 March 2022) compared to previous position (as at 30 November 2021)

- 1.8 The previous budget monitoring report to Policy & Finance Committee projected a favourable variance against the revised budget of £0.720m on Service budgets. This report describes the actual favourable variance, against the revised budget, of £1.613m on Service budgets: an increase of £0.893m. *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

Net Cost of Services variance as at 30/11/2021 (27/01/2022 P&F report)	(0.720)
Economic Development	(0.187)
Homes & Communities	(0.096)
Leisure & Environment	(0.578)
Policy & Finance	(0.032)
Net Cost of Services variance as at 31/03/2022 (12/07/2022 Cabinet report)	(1.613)

Carry Forwards

- 1.9 Previous years have seen officers requesting carry forwards of underspends that relate to the timing of payments that have extended past the year-end date of 31st March in year. This year, the s151 Officer has approved £0.520m to be carried forward into 2022/23.
- 1.10 Any unspent conditional grants are dealt with separately, and are transferred to the balance sheet for either repayment or expenditure in the following year dependent upon its terms and conditions.

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

- 1.11 The financial outturn position to 31 March 2022 for the HRA before appropriations to reserves is a favourable variance of £1.154m. *Table 3* summarises these variances.

Table 3: HRA Revenue Outturn for 2021/22 Financial Year as at 31 March 2022

	Budget £'m	Outturn £'m	Variance £'m
Expenditure	23.113	21.846	(1.267)
Income	(25.170)	(24.868)	0.302
Net Cost of HRA Services	(2.057)	(3.022)	(0.965)
Other Operating Expenditure	0.261	(0.012)	(0.273)
Finance & Investment Income/Expenditure	4.170	4.254	0.084
Taxation & Non Specific Grant Income	(1.741)	(1.741)	0.000
(Surplus)/Deficit on HRA Services	0.633	(0.521)	(1.154)
Movements in Reserves			
Transfer to/(from) Usable Reserves	1.516	1.516	0.000
Transfer to/(from) Unusable Reserves	(11.920)	(11.921)	(0.001)
Transfer to Major Repairs Reserve	9.771	10.926	1.155
Total	0.000	0.000	0.000

- 1.12 Further details of the variances against HRA budgets are in **Appendix C**.
- 1.13 Further details of the changes in variance between this report and the previous report are in **Appendix D**.

Overview of Provisional Capital Outturn for 2021/22

- 1.14 Capital monies are spent on building or enhancing the Council's asset base. There are rules and regulations regarding what can be classed as capital expenditure and this spend must be financed separately from the day to day running costs of the Council.
- 1.15 Members approve all variations to the Capital Programme. At its meeting on 27th January 2022, Policy & Finance Committee approved the revised budget of £38.431m. Since that meeting, there have been changes made to the budget. These have increased the budget by £0.655m to £39.086m. Further details of these variations to the GF (£0.625m) and HRA (£0.030m) budgets are in **Appendix E**.
- 1.16 In addition to the variations totalling £0.655m in **Appendix E**, Cabinet approval is being sought for the allocation of £0.437m of S106 monies against Phase 4 Cluster 3 affordable housing project. It is proposed that this £0.437m will be funded by AG833(b) Land North of Cavendish Way, Clipstone affordable housing contribution. This does not change the overall budget, it is the use of this funding to finance the existing expenditure.
- 1.17 The accounts show lower levels of expenditure of £21.077m or 54% of the revised capital programme budget. As with all financial programmes, there will always be an element of slippage on capital schemes at the end of the financial year. 2021/22 has seen an increased amount of slippage against budget due to COVID-19, either directly because works were paused due to lockdowns or indirectly because supply of goods and services. It is proposed that the Cabinet approve the re-profiling of capital schemes totalling £16.696m (£10.001m GF and £6.695m HRA) as detailed in **Appendices F and G**. This is because the majority of the schemes are already committed. For clarity, where a scheme has been completed, any remaining budgets will not be carried forward.

Table 4: GF and HRA Capital Outturn for 2021/22 Financial Year as at 31 March 2022

Spend Type	Budget Approved as per P&F 27/01/2022 £'m	Revised Post P&F £'m	Outturn £'m	Variance £'m
GF	9.941	9.941	4.322	(5.618)
GF REFCUS*	8.500	9.126	4.736	(4.389)
GF Total	18.441	19.066	9.059	(10.008)
HRA	19.799	19.829	11.827	(8.002)
HRA REFCUS*	0.191	0.191	0.191	0.000
HRA Total	19.990	20.020	12.018	(8.002)
GF and HRA Total	38.431	39.086	21.077	(18.009)

*REFCUS relates to Revenue Expenditure funded from Capital under Statute i.e. expenditure on non-Council-owned assets e.g. disabled facilities grants.

- 1.18 The GF variance of £10.008m is comprised of £10.001m of carry forward requests, and favourable variances of £0.007m. Further details are in **Appendix G**.
- 1.19 The HRA variance of £8.002m is comprised of £6.695m of carry forward requests, and favourable variances of £1.307m. Further details are in **Appendix F**.
- 1.20 Capital spending in the year totalled £21.077m. The capital expenditure of £21.077m in 2021/22 has been funded by a combination of borrowing, external grants and contributions, receipts, major repairs reserve and revenue contributions. It is proposed that Cabinet approve the revised capital financing proposals as summarised in *Table 5*:

Table 5: Proposed 2021/22 GF and HRA Capital Outturn Financing

Source of Financing	GF Programme £'m	HRA Programme £'m	Total £'m
Borrowing	1.408	5.000	6.408
External Grants & Contributions	3.852	1.764	5.616
Capital Receipts	0.107	3.039	3.146
Revenue Contributions	3.692	2.215	5.907
Total Financing	9.059	12.018	21.077

Provisions for Future Liabilities

- 1.21 Provisions are made when an event has taken place that gives the Council an obligation that probably requires settlement, can be reasonably estimated, but where the timing of the payment is uncertain. Good practice requires that any movements in a Provision should be approved separately by Cabinet. The provisions in the table below relate to appeals against Rateable Values allocated against properties liable for National Non-Domestic Rates (NNDR). The amounts shown in the Statement of Accounts (and hence in the table below) relate to this Council's element for the provision for appeals. During the year £1.965m was charged against the provision in relation to settled claims and £1.230m was released from the provision of which 40% is applicable to NSDC (£0.786m charge and £0.491m released therefore £0.295m as the NSDC share). The provisions provided for in *Table 6* are the Council's 40% share, as follows:

Table 6: 2021/22 Movements in GF Provision – NNDR

General Fund Provision (NNDR) – Period of Settlement for Appeals	Balance B/Fwd 01/04/2021 £'m	Movement in Year £'m	Actual Balance 31/03/2022 £'m
Provision for Appeals – NNDR settled within 12 months	(0.230)	(0.221)	(0.009)
Provision for Appeals – NNDR settled after 12 months	(1.538)	(0.074)	(1.464)
Provision for Appeals – NNDR Total	(1.768)	(0.295)	(1.473)

1.22 The Council receive external advice (from Analyse Local) relating to the level of provision that should be held. The Advisors suggest that there is a risk of £0.023m which relates to the Rateable Value list which began in 2010. From the revaluation of the 2010 ratings list which occurred in 2017, there has been limited information relating to the levels of appeals due to the Governments new “Check, Challenge, Appeal” process. Analyse Local have used their knowledge and understanding from a national perspective to estimate the total liability for the 2017 list which amounts to £3.661m. This gives a total provision at Collection Fund level of £3.684m of which this Council recognises 40% (£1.473m) due to its share of the overall NNDR income.

Impaired Estimates on Debtors

1.23 Impaired Estimates on Debtors is an estimation of the amount that will remain uncollectable after a certain time period and may require write off in the future accounts of the Council. The calculation is based upon on the age and amounts of debt owed to the Council based on a hierarchical percentage i.e. the older the debt, the greater likelihood of non-collection. Good practice requires that movements in the Impaired Estimates on Debtors should be approved separately by Members. *Table 7* details these:

Table 7: 2021/22 Movements in GF and HRA Impaired Estimates on Debtors

Debtor Type	Balance B/Fwd 01/04/2021 £'m	Movement in Year £'m	Actual Balance 31/03/2022 £'m
GF - Sundry Debts	(0.411)	0.311	(0.100)
GF - Housing Benefit	(0.663)	(0.272)	(0.935)
GF - Council Tax Debts	(0.325)	(0.070)	(0.395)
GF - Business Rates Debts	(0.413)	(0.009)	(0.422)
GF – Impaired Estimates on Debtors	(1.812)	(0.040)	(1.852)
HRA - Sundry and Other Debts	(0.307)	0.277	(0.030)
HRA - Former Tenants	(0.233)	(0.020)	(0.253)
HRA - Current Tenants	(0.444)	0.047	(0.397)
HRA – Impaired Estimates on Debtors	(0.984)	(0.304)	(0.680)

Usable Capital Reserves

1.24 A Reserve is created for a specific future purpose or to cover contingencies. In accordance with the Code; these Usable Reserves must be separately identified between those that are retained for Capital purposes and those that are retained for Revenue purposes. Again, good practice dictates that any movements in existing reserves, or the creation of any new reserves, be approved by Members.

1.25 Capital reserves are used to fund spend incurred on the approved capital programme. *Table 8* details the position as at 31 March 2022:

Table 8: Capital Reserves used to Fund GF and HRA Capital Programmes as at 31 March 2022

Capital – Type of Reserve Used to Fund Capital Programme	Balance B/Fwd 01/04/2021 £'m	Cont'n in Year £'m	Use in Year £'m	Actual Balance 31/03/2022 £'m	Anticipated balance at 31/03/2026 £'m
Capital - GF					
Usable Capital Receipts	0.549	0.774	0.107	1.217	1.154
Capital Grants Unapplied	8.746	4.914	0.620	13.040	0.000
Capital – HRA					
Usable Capital Receipts – HRA	2.783	0.694	1.784	1.693	0.950
Usable Capital Receipts - RTB's	0.708	0.547	1.255	0.000	2.371
Capital Grants Unapplied	0.034	0.000	0.022	0.012	0.000
Major Repairs Reserve (MRR)	11.687	10.829	5.165	17.351	16.884
Capital - Total	24.508	17.758	8.953	33.313	21.359

Usable Revenue Reserves

1.26 Revenue reserves are used to fund anything that is not capital in nature, albeit can be applied to capital expenditure if necessary. They cover such areas as donations, external grants and contributions for future service provision, or specific sums of money held for a specific purpose. *Table 9* details the movement on earmarked General Fund and Housing Revenue Account revenue reserves:

Table 9: 2021/22 movement on GF and HRA revenue reserves

	Balance brought forward £	Used in year £	Added to in year £	Balance at 31 Mar 2022 £	Currently committed expenditure £
General Fund Reserves					
Statutory Ring Fenced Reserves					
Building Control Surplus	(57,343)	0	(18,087)	(75,430)	75,430
Museum Purchases Fund	(32,199)	0	(7,585)	(39,784)	39,784
Community Safety Fund	(141,214)	26,207	(26,730)	(141,737)	141,737
Homelessness Fund	(403,482)	554,539	(457,529)	(306,472)	306,472
Energy & Home Support Reserve	(103,171)	0	0	(103,171)	103,171

Revenue Grants Unapplied	(539,594)	198,832	(278,506)	(619,269)	619,269
Community Lottery Fund	0	0	(7,052)	(7,052)	7,052
Mansfield Crematorium	(149,948)	5,147	0	(144,801)	0
Statutory Ring Fenced Total	(1,426,951)	784,724	(795,489)	(1,437,716)	1,292,915
Earmarked for known pressures Reserves					
Investment Realisation Fund	(90,935)	0	0	(90,935)	0
Election Expenses Fund	(73,249)	31,936	(35,470)	(76,783)	76,783
Insurance Fund	(268,906)	8,572	0	(260,334)	0
Repairs And Renewals Fund	(2,234,925)	166,021	(331,840)	(2,400,744)	0
Training Provision	(158,792)	0	(31,700)	(190,492)	0
Restructuring And Pay	(153,058)	11,858	0	(141,200)	0
Court Costs	(58,959)	0	0	(58,959)	0
New Burdens Reserve	(25,774)	0	0	(25,774)	0
Planning Costs Fund	(201,140)	0	0	(201,140)	0
Fuel And Energy Reserve	(62,142)	0	0	(62,142)	0
Refuse Bin Purchase	(15,000)	0	0	(15,000)	0
Growth And Prosperity Fund	(127,366)	0	0	(127,366)	127,366
Emergency Planning Reserve	(42,651)	0	0	(42,651)	0
CSG/Enforcement Reserve	(84,210)	37,300	0	(46,910)	0
Management Carry Forwards	(663,672)	191,372	(520,224)	(992,524)	0
Flood Defence Reserve	(250,000)	0	0	(250,000)	0

NNDR Volatility Reserve	(793,348)	0	0	(793,348)	0
Community Initiative Fund	(195,452)	41,446	0	(154,006)	79,005
Asset Maintenance Fund	(500,000)	0	0	(500,000)	0
Capital Project Feasibility Fund	(400,816)	53,529	0	(347,287)	0
Community Engagement Fund	(286,104)	65,994	0	(220,110)	194,876
COVID Pressures	(200,000)	13,750	0	(186,250)	186,250
COVID Compliance Reserve	(281,411)	83,178	0	(198,233)	161,070
Theatre Centenary Legacy	0	7,256	(22,000)	(14,744)	14,744
Earmarked for known pressures Reserves Total	(7,167,909)	712,211	(941,234)	(7,396,933)	840,094
Budget Funding Reserves					
MTFP Reserve	(4,043,444)	35,000	(1,578,870)	(5,587,314)	5,587,314
Collection Fund Budget	(8,570,638)	2,320,902	0	(6,249,736)	6,249,736
Capital Financing Provision	(1,519,645)	1,587,192	(1,143,655)	(1,076,108)	1,076,108
General Reserves Total	(14,133,726)	3,943,094	(2,722,525)	(12,913,158)	12,913,158
General Reserves					
Change/Capital Fund	(13,113,015)	2,406,729	(2,390,724)	(13,097,010)	7,342,429
General Fund Balance B/Fwd	(1,500,000)	0	0	(1,500,000)	0
General Reserves Total	(14,613,015)	2,406,729	(2,390,724)	(14,597,010)	7,342,429
Total General Fund	(37,341,603)	7,846,759	(6,849,972)	(36,344,816)	22,388,596

Revenue – HRA					
Newark and Sherwood Homes (NSH) Transfer	(3,966,911)	0	0	(3,966,911)	0
Insurance Fund	(50,000)	0	0	(50,000)	0
Development & ICT Reserve	(281,000)	166,198	0	(114,802)	0
Staffing & Pay Reserve	(100,000)	0	0	(100,000)	0
Earmarked Reserve	(736,973)	101,570	(100,000)	(735,403)	0
HRA Future Rents Bad Debt	(325,878)	0	0	(325,878)	325,878
HRA - Working Balance	(2,000,000)	0	0	(2,000,000)	0
Total HRA	(7,460,762)	267,768	(100,000)	(7,292,994)	325,878

1.27 During the year two new General Fund reserves have been set up:

Reserve name	Balance as at 31 Mar 2022 £	Purpose
Community Lottery Fund	(7,052)	To use money raised through the Newark and Sherwood Community Lottery to support the local community
Theatre Centenary Legacy	(14,744)	To use money raised through the Newark Palace Theatre centenary celebrations to give grants to people doing eligible cultural courses

The Collection Fund 2021/22

1.28 The Collection Fund accounts for the income from the collection of Council Taxes and Business Rates, and the subsequent disbursement to local authority preceptors and central government.

1.29 The in-year decrease on the Council Tax account was £2.722m, which decreased the overall balance from a surplus of £4.128m at 1 April 2021 to a surplus of £1.406m at 31 March 2022. This was due to payments in-year to preceptors for the previous year's estimated Council Tax Collection Fund surplus as declared within the budget process during March 2021.

- 1.30 The Code prescribes that the Statement of Accounts only show the element of Council Tax that relates to Newark & Sherwood District Council. In this regard, the share of the Council Tax surplus of £1.406m that relates to Newark & Sherwood District Council as at 31 March 2022 is £0.171m. This balance can be released to the General Fund in future years in order to mitigate any shortfalls in funding.
- 1.31 The in-year increase on the Business Rates account was £2.983m, which decreased the overall balance from a deficit at 1 April 2021 to a deficit of £14.434m at 31 March 2022. The amount set aside in paragraph 1.5 will contribute to the council's 40% share of this deficit.
- 1.32 The Code prescribes that the Statement of Accounts only show the element of business rates that relates to Newark & Sherwood District Council. In this regard, the share of the business rates deficit that relates to Newark & Sherwood District Council as at 31 March 2022 is £5.774m. The Council declared an estimated deficit as at 31st March 2022 of £14.319m during January and hence £5.728m of the £5.774m has been included within the 2022/23 budget. The additional £0.046m will be released within the 2022/23 budget process.

Pensions

- 1.33 The details regarding the Council's share of the Nottinghamshire County Council Pension Fund are provided for Members consideration at **Appendix H**.
- 1.34 Barnett Waddingham are the Pension Fund's appointed Actuary and their report sets out the assumptions used to prepare the IAS19 pension figures reported in the Council's accounts. It is best practice to consider these assumptions prior to agreeing their use and inclusion in the Statement of Accounts for 2021/22. The Audit & Accounts Committee considered these at their meeting in April 2022.

2.0 Proposal/Options Considered and Reasons for Recommendation

- 2.1 To approve the Financial Outturn position for the Council for the 2021/22 financial year.

3.0 Implications

- 3.1 In writing this report and in putting forward recommendations officers have considered the following implications; Data Protection, Digital and Cyber Security, Equality and Diversity, Financial, Human Resources, Human Rights, Legal, Safeguarding and Sustainability, and where appropriate they have made reference to these implications and added suitable expert comment where appropriate.

Background Papers and Published Documents

Statement of Accounts files & working papers 2021/22

Capital Finance Account's 2021/22 files

Housing Revenue Account's 2021/22 files