



Report to: Cabinet Meeting - 20 December 2022

Portfolio Holder: Councillor David Lloyd, 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, Non-Key Decision
Report Title	Projected General Fund and Housing Revenue Account Revenue and Capital Outturn Report to 31 March 2023 as at 30 September 2022
Purpose of Report	<p>To update Members with the forecast outturn position for the 2022/23 financial year for the Council's General Fund and Housing Revenue Account revenue and capital budgets.</p> <p>To show performance against the approved estimates of revenue expenditure and income; report on major variances from planned budget performance; and report on variations to the Capital Programme for approval; all in accordance with the Council's Constitution.</p>
Recommendations	<p>That Cabinet:</p> <ul style="list-style-type: none"> (a) note the General Fund projected favourable outturn variance of £0.363m to usable reserves; (b) note the Housing Revenue Account projected unfavourable outturn variance of £0.390m to the Major Repairs Reserve; (c) approve the variations to the Capital Programme at Appendix E; and (d) approve the Capital Programme revised budget and financing of £67.565m.
Alternative Options Considered	Not applicable.

Reason for Recommendations	<p>To consider the forecast outturn position for the 2022/23 financial year for the Council's General Fund and Housing Revenue Account revenue and capital budgets.</p> <p>To show performance against the approved estimates of revenue expenditure and income; report on major variances from planned budget performance; and report on variations to the Capital Programme for approval; all in accordance with the Council's Constitution.</p>
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1.0 Background

Overview of General Fund Revenue Projected Outturn for 2022/23

Current position (as at 30 September 2022): variances

- 1.1 *Table 1* shows a projected unfavourable variance against the revised budget of £0.655m on Service budgets, with an overall favourable variance of £0.363m that is forecast to be transferred to Usable reserves. This is based on meetings which took place with Business Managers by late-October, therefore does not account for subsequent changes in expenditure/income. Further details of the variances projected against portfolio holder budgets are in **Appendix A**.

Table 1: General Fund revenue outturn for 2022/23 financial year as at 30 September 2022

	Original Budget £'m	Revised Budget £'m	Projected Outturn £'m	Variance £'m
Cleaner, Safer, Greener	4.537	4.251	4.229	(0.022)
Economic Development & Visitors	1.323	1.363	1.136	(0.227)
Homes & Health	1.396	1.689	1.441	(0.248)
Organisational Development & Governance	4.363	4.415	4.217	(0.198)
Strategy, Performance & Finance	2.769	3.673	5.023	1.350
Net Cost of Services	14.389	15.391	16.046	0.655
Other Operating Expenditure	4.253	4.237	4.237	0.000
Finance & Investment Income/Expenditure	(0.280)	(0.281)	(0.785)	(0.504)
Taxation & Non-Specific Grant Income	(19.901)	(20.501)	(20.954)	(0.453)
Net Cost of Council Expenditure	(1.539)	(1.154)	(1.456)	(0.302)
Transfer to/(from) Usable Reserves	0.915	0.530	0.893	0.363
Transfer to/(from) Unusable Reserves	0.624	0.624	0.563	(0.061)
Transfer to/(from) General Reserves	0.000	0.000	0.000	0.000

- 1.2 An unfavourable variance of £0.655m is currently being projected on service budgets managed by business managers. This represents 4.3% of the total service budgets. This unfavourable variance of £0.655m includes an unfavourable variance of £0.645m on employee spend council-wide. Excluding employee spend, therefore, non-employee spend and income have unfavourable variances totalling £0.020m.

- 1.3 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 vacancy savings target for 2023/24 has increased from 4% to 5%.
- 1.4 The unfavourable variance of £0.645m on employee spend includes a budgeted saving of £0.656m for vacancies council-wide during the year. This £0.656m represents 4% of the total budget for employee spend. As it is not known which services will have vacant posts during the year, the whole of the £0.656m is currently budgeted for within the Strategy, Performance & Finance portfolio holder's budget and shows as an unfavourable variance. Conversely, all the savings from vacant posts show as favourable variances against their respective portfolio holders. Details of the services with variances due to vacant posts are in **Appendix A**.
- 1.5 The unfavourable variance of £0.645m on employee spend also includes the total estimated additional cost of the forecast 2022/23 pay award. The 2022/23 budget approved by Full Council on 8 March 2022 budgeted for a 2022/23 pay award of 2%, in line with the 2021/22 pay award of 1.75% for most employees. The employers and unions have now agreed at £1,925 per pay point. This effect of this has been modelled into the figures above. The terms and conditions of most council employees are determined by the NJC. Officers in Financial Services will continue to closely monitor announcements regarding the 2022/23 pay award for employees and will factor these into subsequent budget monitoring forecast reports as appropriate. The impact of the changes will be allocated into services or the next budget monitoring report.
- 1.6 Non-Service expenditure is projected to have a favourable variance of £1.003m against the revised budget of £16.545m. These budgets primarily relate to income from council tax, national non-domestic rates (NNDR, or 'business rates') and investment interest. The favourable variance of £0.504m on Finance & Investment Income/Expenditure relates to increased investment interest income, based on higher than anticipated interest rates. £0.445m of the £0.500m favourable variance on Taxation & Non-Specific Grant Income relates to additional income from the Nottinghamshire Business Rates Pool, further details of which are in paragraph 1.7.
- 1.7 As the Council has received, for a number of years, return funding from the Nottinghamshire Business Rates Pool in relation to the local growth retained (split with Nottinghamshire County Council), £0.600m has been budgeted for as the additional funding to be generated in 2022/23. Chief Finance Officers at each of the Nottinghamshire districts and boroughs monitor growth generated by the Business Rates Pool. Based on projected outturn information received as at the end of Q2 from all Nottinghamshire districts and boroughs, the Council is currently projecting to receive £1.045m return funding from the pool for 2022/23.
- 1.8 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 and 2021/22, because of the Expanded Retail Discount, the council received more than budgeted for in compensation grant. In 2022/23, because of the Retail, Hospitality and Leisure Relief scheme, 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 September 2022): revised budget compared to original budget

- 1.9 There has been a net transfer of £1.002m from reserves in 2022/23 as at 30 September 2022. Two of these transfers from reserves were more than £0.050m in value. These total £0.312m:

Date approved by Cabinet, Committee or Portfolio Holder	Transfer from Reserves Relates to	Amount (£)	Portfolio Holder which received transfer
26/11/20	Feasibility work on development of Newark Gateway site (existing Cattle Market and Lorry Park sites)	187,140	Strategy, Performance & Finance
25/08/22	Consultancy costs regarding the delivery of major capital projects	125,000	Strategy, Performance & Finance

- 1.10 The other transfers (to) and from reserves total £0.690m. These largely relate to the Repairs and Renewals (R&R) and Management Carry Forwards reserves. The transfers between portfolio holders largely relate to the centralisation of premises-related budgets into the Strategy, Performance & Finance portfolio.

Portfolio Holder	Transfers (to) and from reserves	Transfers (to) and from portfolio holders	Total transfers
Cleaner, Safer, Greener	(968)	(285,340)	(286,308)
Economic Development & Visitors	266,337	(227,084)	39,252
Homes & Health	132,862	160,230	293,092
Organisational Development & Governance	189,919	(137,618)	52,301
Strategy, Performance & Finance	102,139	489,812	591,951
Total: Services	690,288	0	690,288

Current position (as at 30 September 2022) compared to previous position (as at 30 June 2022)

- 1.11 The previous budget monitoring report to Cabinet projected an unfavourable variance against the revised budget of £0.947m on Service budgets. This report projects an unfavourable variance against the revised budget of £0.655m on Service budgets. *Table 2* summarises the changes in variance against portfolio holder budgets between the two reports. Further details of these changes by portfolio holder are in **Appendix B**.

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

	Variance £'m
Net Cost of Services variance: as at 30 June 2022 (04/10/2022 Cabinet)	0.947
Cleaner, Safer, Greener	(0.165)
Economic Development & Visitors	0.272
Homes & Health	(0.217)
Organisational Development & Governance	(0.102)
Strategy, Performance & Finance	(0.080)
Net Cost of Services variance: as at 30 September 2022 (06/12/2022 Cabinet)	0.655

Overview of Projected Housing Revenue Account (HRA) Outturn for 2022/23

- 1.12 With reference to the 'Variance' column in *Table 3*, the HRA accounts show a projected unfavourable variance against the revised budget of £0.194m as follows:

Table 3: HRA revenue outturn for 2022/23 financial year as at 30 September 2022

	Original Budget £'m	Revised Budget £'m	Projected Outturn £'m	Variance £'m
Expenditure	17.884	17.878	17.911	0.033
Income	(26.531)	(26.466)	(26.305)	0.161
Net Cost of HRA Services	(8.647)	(8.588)	(8.393)	0.194
Other Operating Expenditure	0.027	0.027	0.020	(0.007)
Finance & Investment Income/Expenditure	3.904	3.904	4.100	0.196
Taxation & Non Specific Grant Income	0.000	0.000	0.000	0.000
(Surplus)/Deficit on HRA Services	(4.715)	(4.657)	(4.273)	0.383
Movements in Reserves				
Transfer to/(from) Usable Reserves	1.442	1.383	1.485	0.103
Transfer to/(from) Unusable Reserves	(6.778)	(6.778)	(7.263)	(0.485)
Transfer to Major Repairs Reserve	10.051	10.051	10.051	0.000
Total	0.000	0.000	0.000	0.000

- 1.13 The projected outturn for the year is a net transfer from Usable reserves of £0.103m. Should this materialise, a recommendation would be made to Cabinet as to which reserve this would need to be funded from.

- 1.14 The main reasons for the projected unfavourable outturn variance of £0.194m on the Net Cost of HRA Services are in **Appendix C**, and the main reasons for changes in variance between this report and the previous report are in **Appendix D**.

Overview of Projected Capital Outturn 2022/23

- 1.15 The table below summarises the position for the Capital Programme as at 30 September 2022 and is split between General Fund and Housing Revenue Account.

	Revised Approved Budget £'m	Revised budget updated for Approval £'m	Actual Spend to 30 September 2022 £'m	Forecast Outturn £'m
General Fund	53.787	42.915	6.368	42.915
Housing Revenue Account	36.207	24.650	5.502	24.650
Total	89.994	67.565	11.870	67.565

- 1.16 As projects are developed and spending commitments are made, budget requirements can change. It is a requirement that Cabinet approve all variations to the Capital Programme. Following the meeting of 20 September 2022, the total approved budget was 89.994m including slippage from 2021/22. The additions and amendments that now require approval are detailed in **Appendix E** and summarised as follows:

Additions/Reductions	£7.511m
Reprofiles	£(29.940)m
Total	£(22.429)m

- 1.17 If these variations are approved, then the revised budget will be reduced to £67.565m. A more detailed breakdown at scheme level, including some comments on projects progress, can be found at **Appendices F** (Housing Revenue Account) and **G** (General Fund).

Capital Programme Resources

- 1.18 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.

- 1.19 In summary, the revised budget of £67.109m 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	9.929	8.723	18.652
External Grants & Contributions	23.703	0.273	23.976
Capital Receipts	3.569	1.444	5.013

Community Infrastructure Levy	0.060	0.000	0.060
Revenue Contributions	5.654	14.210	19.864
Total	42.915	24.650	67.565

Capital Receipts

1.20 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 2022	1.217	1.693	0.000	2.910
Received up to end of September 2022	0.090	0.375	0.875	1.340
Estimated receipts for remainder of the financial year	2.350	0.239	0.558	3.147
Approved for financing	3.569	0.598	0.846	5.013
Available Capital receipts balance at 31 March 2023	0.088	1.709	0.587	2.384
Estimated Receipts 2023/24 - 2025/26	7.600	4.177	2.372	14.149
Approved for Financing 2023/24 - 2025/26	4.040	2.389	0.000	6.429
Estimated Uncommitted Balance	3.648	3.497	2.959	10.104

1.21 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%.

2.0 Proposal/Options Considered and Reasons for Recommendation

2.1 To consider the forecast outturn position for the 2022/23 financial year for the Council's General Fund and Housing Revenue Account revenue and capital budgets.

2.2 To: show performance against the approved estimates of revenue expenditure and income; report on major variances from planned budget performance; and report on variations to the Capital Programme for approval; all in accordance with the Council's Constitution.

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

General Fund and Housing Revenue Account Revenue Monitoring Reports to 30/09/2022
General Fund and Housing Revenue Account Capital Monitoring Reports to 30/09/2022