



Report to: Cabinet Meeting – 21 March 2023
 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, 01636 655317

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 31 December 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 the General Fund projected favourable outturn variance of £1.020m to usable reserves be noted;</p> <p>That the Housing Revenue Account projected unfavourable outturn variance of £0.446m to the Major Repairs Reserve be noted;</p> <p>That the variations to the Capital Programme at Appendix E be approved; and</p> <p>That the Capital Programme revised budget and financing of £60.393m be approved.</p>
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 31 December 2022): variances

- 1.1 *Table 1* shows a projected favourable variance against the revised budget of £0.577m on Service budgets, with an overall favourable variance of £1.020m that is forecast to be transferred to Usable reserves. This is based on meetings which took place with Business Managers by mid-January, 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 31 December 2022

	Original Budget £'m	Revised Budget £'m	Projected Outturn £'m	Variance £'m
Cleaner, Safer, Greener	4.389	4.495	4.382	(0.113)
Economic Development & Visitors	1.858	2.603	1.918	(0.684)
Homes & Health	1.316	1.687	1.522	(0.165)
Organisational Development & Governance	4.498	4.747	4.498	(0.249)
Strategy, Performance & Finance	2.328	2.841	3.475	0.634
Net Cost of Services	14.389	16.372	15.795	(0.577)
Other Operating Expenditure	4.253	4.237	4.238	0.001
Finance & Investment Income/Expenditure	(0.280)	(0.280)	(1.022)	(0.742)
Taxation & Non-Specific Grant Income	(19.901)	(20.501)	(20.871)	(0.370)
Net Cost of Council Expenditure	(1.539)	(0.172)	(1.860)	(1.688)
Use of in year variance to finance Pay Award	0	(0.729)	0	0.729
Transfer to/(from) Usable Reserves	0.915	0.277	1.297	1.020
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 A favourable variance of £0.577m is currently being projected on service budgets managed by business managers. This represents 3.52% of the total service budgets.

- 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 favourable variance of £0.577m includes £0.659m of vacancy savings target which represents that vacancies are broadly similar to the original provision in the budget. Details of the services with variances due to vacant posts are in **Appendix A**.
- 1.5 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 agreed an increase of £1,925 per pay point. This effect of this has been modelled into the figures above, and the relevant budget has been allocated to the individual service budgets to cover the additional costs. This budget is shown in the table at 1.1 above as £0.729m.
- 1.6 Non-Service expenditure is projected to have a favourable variance of £1.111m 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 £0.742m on Finance & Investment Income/Expenditure relates to increased investment interest income, based on higher than anticipated interest rates and higher investment balances. £0.358m of the £0.370m 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 below.
- 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 Q3 from all Nottinghamshire districts and boroughs, the Council is currently projecting to receive £0.958m return funding from the pool for 2022/23.

Current position (as at 31 December 2022): revised budget compared to original budget

- 1.8 There has been a net transfer of £1.983m from reserves in 2022/23 as at 31 December 2022. Two of these transfers from reserves were more than £0.050m in value. These total £1.129m:

Date approved by Cabinet, Committee or Portfolio Holder	Transfer from Reserves Relates to	Amount (£)	Portfolio Holder which received transfer
26/11/2020	Feasibility work on development of Newark Gateway site (existing Cattle Market and Lorry Park sites)	187,140	Strategy, Performance & Finance
25/08/2022	Consultancy costs regarding the delivery of major capital projects	125,000	Economic Development & Visitors
08/03/2022	Additional Contribution to the Community Grant Scheme	88,000	Strategy, Performance & Finance
20/12/2022	Pay Award increases	275,060	Cleaner, Safer, Greener
20/12/2022	Pay Award increases	144,710	Economic Growth & Visitors
20/12/2022	Pay Award increases	95,110	Health & Homes
20/12/2022	Pay Award increases	165,800	Organisational Development & Regeneration
20/12/2022	Pay Award increases	48,480	Strategy, Performance & Finance

1.9 The other transfers (to) and from reserves total £0.854m. 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	(18,936)	(149,715)	(168,651)
Economic Development & Visitors	402,390	73,031	475,421
Homes & Health	148,225	127,310	275,535
Organisational Development & Governance	202,895	(119,665)	83,230
Strategy, Performance & Finance	119,424	69,039	188,463
Total: Services	853,998	0	853,998

Current position (as at 31 December 2022) compared to previous position (as at 30 September 2022)

1.10 The previous budget monitoring report to Cabinet projected an unfavourable variance against the revised budget of £0.655m on Service budgets. This report projects an favourable variance against the revised budget of £0.577m 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 September 2022 (06/12/2022 Cabinet)	0.655
Cleaner, Safer, Greener	(0.086)
Economic Development & Visitors	(0.525)
Homes & Health	0.043
Organisational Development & Governance	(0.062)
Strategy, Performance & Finance	(0.602)
Net Cost of Services variance: as at 31 December 2022 (21/03/2023 Cabinet)	(0.577)

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

1.11 With reference to the 'Variance' column in *Table 3*, the HRA accounts show a projected unfavourable variance on the Net Cost of HRA Services against the revised budget of £0.196m as follows:

Table 3: HRA revenue outturn for 2022/23 financial year as at 31 December 2022

	Original Budget £'m	Revised Budget £'m	Projected Outturn £'m	Variance £'m
Expenditure	17.884	18.183	18.187	0.004
Income	(26.531)	(26.479)	(26.287)	0.192
Net Cost of HRA Services	(8.647)	(8.296)	(8.100)	0.196
Other Operating Expenditure	0.027	0.027	0.027	0.000
Finance & Investment Income/Expenditure	3.904	3.904	4.154	0.250
Taxation & Non Specific Grant Income	0.000	0.000	0.000	0.000
(Surplus)/Deficit on HRA Services	(4.716)	(4.364)	(3.918)	0.446
Movements in Reserves				
Transfer to/(from) Usable Reserves	1.443	1.296	1.296	0.000
Transfer to/(from) Unusable Reserves	(6.778)	(6.778)	(6.778)	0.000
Transfer to/(from) Major Repairs Reserve	10.051	9.847	9.401	(0.446)
Total	0.000	0.000	0.000	0.000

1.12 The overall projected outturn for the year is a reduced transfer to the Major Repairs Reserve of £0.446m to fund the projected deficit on HRA Services. The main reason

for this is £0.196m unfavourable variance on services, which is detailed at **Appendix C** and an unfavourable variance of £0.250m on Finance and Investment Income/Expenditure, which is due to the increases in interest rates on borrowing.

- 1.13 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

- 1.14 The table below summarises the position for the Capital Programme as at 31 December 2022 and is split between General Fund and Housing Revenue Account.

	Revised Approved Budget £'m	Revised budget updated for Approval £'m	Actual Spend to 31 December 2022 £'m	Forecast Outturn £'m
General Fund	42.915	41.358	10.893	41.358
Housing Revenue Account	24.650	19.035	7.667	19.035
Total	67.565	60.393	18.560	60.393

- 1.15 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 December 2022, the total approved budget was 67.565m including slippage from 2021/22. The additions and amendments that now require approval are detailed in **Appendix E** and summarised as follows:

Additions/Reductions	£(0.486)m
Reprofiles	£(6.686)m
Total	£(7.172)m

- 1.16 If these variations are approved, then the revised budget will be reduced to £60.393m. 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

- 1.17 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.
- 1.18 In summary, the revised budget of £60.393m 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	9.745	7.402	17.147
External Grants & Contributions	23.123	0.273	23.396
Capital Receipts	2.945	0.834	3.779
Community Infrastructure Levy	0.060	0.000	0.060
Revenue Contributions	5.485	10.526	16.011
Total	41.358	19.035	60.393

Capital Receipts

1.19 The Council has been successful in securing 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 December 2022	0.146	0.555	1.273	1.974
Estimated receipts for remainder of the financial year	2.350	0.239	0.558	3.147
Approved for financing	3.569	0.597	0.846	5.012
Available Capital receipts balance at 31 March 2023	0.144	1.890	0.985	3.019
Estimated Receipts 2023/24 - 2025/26	7.900	4.177	2.372	14.449
Approved for Financing 2023/24 - 2025/26	4.216	2.998	0.000	6.605
Estimated Uncommitted Balance	3.828	3.069	3.356	10.862

1.20 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 recommendation's 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, Housing Revenue Account Revenue and Capital Monitoring Report as at 30 September 2022 to Cabinet on 20 December 2022