

TEWKESBURY BOROUGH COUNCIL

Report to:	Executive Committee
Date of Meeting:	6 July 2022
Subject:	Financial Outturn 2021/22
Report of:	Head of Finance and Asset Management
Corporate Lead:	Head of Finance and Asset Management
Lead Member:	Lead Member for Finance and Asset Management
Number of Appendices:	Four

Executive Summary:

The report highlights the Council's financial performance for the previous year, setting out the General Fund and capital outturn positions. To support this, a detailed statement on both positive and negative variances against budget is included.

The formation of the Council's reserves for the forthcoming year requires the approval of Executive Committee.

The performance of the Treasury Management function is also included within the report as required by the Council's Treasury Management Policy.

The report outlines an underspend against budget of £4.2m and details the reasons for this position. Please note the majority of this underspend is due to one off ringfenced income that has not yet been spent.

Recommendation:

That the Executive Committee:

- 1. CONSIDERS the General Fund outturn for 2021/22, the financing of the capital programme and the annual treasury management report and performance.**
- 2. APPROVES the transfers to and from earmarked reserves.**

Reasons for Recommendation:

In line with the requirement to provide Members with regular information on the Council's finances and financial performance, a report on progress against budget is produced on a quarterly basis. This report on the outturn position for the Council offers more detail on the final financial position and compliments the existing reporting framework. Members are also required to approve the transfers to and from earmarked reserves and the carry forward of budgets.

The Council's Treasury Management Policy requires the Section 151 Officer to report to Members annually, by 30 September, on the treasury management activities and prudential indicators for the previous financial year.

<p>Resource Implications:</p> <p>As detailed within the report.</p>
<p>Legal Implications:</p> <p>Nothing specific arising from the report recommendations.</p>
<p>Risk Management Implications:</p> <p>A number of reserves have been set aside to deal directly with specific service risk or general financial risk to the Council.</p>
<p>Performance Management Follow-up:</p> <p>The performance of services against their set budget is monitored on an ongoing. In addition, performance is reported to Members on a quarterly basis.</p>
<p>Environmental Implications:</p> <p>None directly arising from the report.</p>

1.0 INTRODUCTION/BACKGROUND

- 1.1** This report sets out the final outturn position for the 2021/22 financial year. The main purpose of this report is to provide Members with an overview of the performance against the General Fund revenue budget for 2021/22 and explain significant variances.
- 1.2** The report also addresses the movement on reserves and requests Member approval for the creation of newly requested reserves or additions to existing reserves that fall outside of a previously approved sum.
- 1.3** In addition to the revenue budget outturn, this report also seeks to confirm the full year progress against the capital programme and the sources of finance used in delivering that programme and also to report the performance in 2021/22 of the treasury management function in line with the requirements of the code of practice.
- 1.4** All of the information within this report will be contained within the Council's Statement of Accounts which will be approved by the Audit and Governance Committee later in 2022 following the audit conducted by Grant Thornton.

2.0 GENERAL FUND REVENUE OUTTURN 2021/22

- 2.1** In March 2022, the quarter three outturn position was reported to Executive Committee. The report confirmed an estimated year end surplus of £3.6m.
- 2.2** The final General Fund revenue outturn position for the full year can now be reported as a £4.2m surplus.
- 2.3** The table below summarises the service performance which has generated the reported surplus. In addition, the table highlights the non-service related activity and other aspects of the overall budget to provide a whole view of the Council's general fund.

Table 1 – General Fund outturn summary

	Full Year Budget	Outturn Position	Savings / Deficit
	£	£	£
Employees	£10,891,171	£10,213,774	£677,397
Premises	£590,411	£600,487	-£10,076
Transport	£75,270	£40,756	£34,514
Supplies & Services	£2,131,448	£2,078,726	£52,722
Payments to Third Parties	£6,422,630	£6,703,252	-£280,622
Transfer Payments - Benefits Service	£123,252	£97,609	£25,643
Central Recharges	£29,929	£29,929	£0
COVID-19 COMF Funding	0	£280,964	-£280,964
COVID-19 Costs	£0	£499,591	-£499,591
COVID-19 Recovery	0	£26,805	-£26,805
Projects Funded Externally	£120,000	-£1,479,996	£1,599,996
Income	-£7,967,193	-£9,398,950	£1,431,757
Services Total	£12,416,918	£9,692,946	£2,723,972
Treasury activity	£135,000	£33,713	£101,287
Commercial activity	-£3,176,343	-£3,060,445	-£115,898
New Homes Bonus	-£2,508,861	-£2,508,861	£0
Business Rates	-£1,976,280	-£2,683,213	£706,933
Business Rates - Deficit from 2020/21	£4,649,150	£4,650,446	-£1,296
Council Tax Surplus	-£24,833	-£35,742	£10,909
COVID-19 Grants	£0	-£1,056,478	£1,056,478
Government funding	£1,073,493	£1,138,195	-£64,702
Net contribution from Reserves	-£3,766,607	-£3,549,687	-£216,920
Net Total	£6,821,637	£2,620,874	£4,200,763

- 2.4** The outturn position for direct services expenditure and income shows a surplus of £2.7m and is mainly attributable to the major items outlined below:
- Employee costs are £700,000 underspent, this is largely as a result of staff turnover and vacancies in a number of service groupings.
 - Payments to third parties includes:
 1. £138,000 on various planning appeals which was funded from the general fund. In addition to these, various provisions have been made this year for planning appeals that are currently being challenged, which amounts to £330,000. In addition, £140,000 of planning appeals was funded from reserves, therefore the total cost of planning appeals this year was £608,000.
 2. £215,000 saving in the MRF gate fee due to changing provider.
 3. £300,000 of gross costs, across various activities, are supported by external grant funding which is shown as part of the surplus on income.
 - COVID-19, including Contain Outbreak Management Funding (COMF), expenditure amounted to £807,000 and included:
 - Leisure centre costs totalled £148,000.
 - £281,000 was spent on contain outbreak management.
 - Additional staff costs across various departments. Some full-time staff were redeployed fully to the COVID response, for example, administering grant schemes. Therefore, agency staff were contracted to backfill the day jobs.
 - £47,000 of additional Ubico costs due to additional staff, vehicles, PPE and cleaning products in order to be COVID secure.
 - Projects funded externally contains the costs and income of the JCS, Garden Towns and Heritage Action Zone. The balances on these individual funds are moved to reserves at year-end. The surplus seen is additional funding received, particularly relating to transport modelling for the JCS.
 - The Council generated additional income of £1.4m. The majority of service areas exceeded their income budget, in particular Development Management, as planning fees were £434,000 greater than budget and they also received £277,000 of grants. The Council has received external grant funding for a range of activities including homelessness prevention, pathfinders planning application tracker and town centre recovery.
- 2.5** A full explanation of all variances exceeding £25,000 at a group subjective level is contained at Appendix A. The appendix also contains an explanation of the variance on the corporate codes with a more detailed explanation within Paragraphs 2.6 to 2.11.
- 2.6** The treasury outturn for 2021/22 is a £100,000 gain against budget. More detail on the performance of the treasury function is shown in section 5 of the report and Appendix D.
- 2.7** With regards to commercial activity, the Council has an investment property portfolio totalling £61.5m which produced a gross rental income of £3.06m, a yield of 5%. The gross rental income was slightly down against budget expectations, circa £116,000, as a result of the re-letting of units at Clevedon at lower market rents, a temporary vacancy as a result of a tenant exercising a break clause and an ongoing vacancy at an office unit in Hertford. The commercial property reserve has been utilised to cover the shortfall in income to the general fund.

2.8 Business rates contributed £1.3m to the outturn surplus however, due to the statutory collection fund rules, £913,000 has to be set aside as these are Section 31 grants that relate to the 2022/23 budgeted deficit. This has been moved to reserves in line with the 2022/23 budget papers and therefore the net impact on outturn is a £415,000 surplus against the budget. In addition, there is a gain from the Gloucestershire Business Rates Pool of £290,000.

In January 2022, The Valuation Office Agency (VOA) notified us that Virgin Media conducted a check on their £4m fibre optic network rates assessment which resulted in an offer to settle from the VOA. This resulted in a rateable value reduction as at 1 April 2017 to £2,970,000. The resulting refund due Virgin Media came in at around £2m.

2.9 Highlighted within the table is the sum of over £1m received in year to support the Council's position as a result of the covid pandemic. The Council received a fifth tranche of general covid support funding, totalling £424,927, in the first quarter and has also received significant new burdens funding for our work on administering business grants, compensation for losses on sales, fees and charges (SFC) as a result of covid for the first quarter of the year and a direct allocation of Contain Outbreak Management Funding (COMF).

2.10 Delivery of the budget in 2021/22 has required less use of reserves than envisaged at the time of setting the budget. As highlighted earlier in the report, a number of activities such as the delivery of in-cab technology, did not move forward in the financial year and have therefore not required the funding from reserves as originally planned. The allocation for these projects will remain within the Council's earmarked reserves for draw down once the projects commence.

2.11 The outturn report for 2021/22 highlights a significant financial surplus for the Council. Savings have been generated in the delivery of our core services which have been supplemented by increased service and corporate income. In addition to this, substantial external funding has been attracted for both covid related activity and for service/project specific activity. Overall, a £4.2m net underspend is recorded and goes forward to support the Council reserves as set out in the next section.

3.0 COUNCIL RESERVES

3.1 A breakdown of the reserves of the Council as at 31 March 2022 is shown in Appendix B. Also included is a breakdown of the previous year's reserves, under the same strategic headings, to inform Members about the movement on those reserves in the last two years.

3.2 Total revenue reserves of the Council stand at £29.55m as at the end of March 2022 and include earmarked reserves, planning obligations and the general fund working balance. Whilst £4.2m is transferred into reserves from the general fund surplus, there is an overall decrease in revenue reserves of £2.06m as a result of expenditure against existing earmarked reserves in year, particularly relating to covid, the use of the business rates reserve to meet the collection fund deficit in 2021/22 as a result of covid and a net reduction in planning obligation reserves.

3.3 The general fund surplus allows the Council to support a number of existing reserves as well as to create new specific reserves to meet some of the inflationary risks that are now arising. Increases to existing reserves include:

- Planned contributions to the commercial property reserve, investment reserve and vehicle replacement reserve.
- Increasing the MTFS reserve to support the future financial challenges that the Council faces.
- Increasing the working balance of the council in line with recommendations associated with the CIPFA resilience index.
- Adding in-cab project delivery to the waste management reserve.

New reserves have been set aside for the following:

- Inflation reserve – our budget for the current year was set on known costs as at quarter three in 2021/22. Inflation has risen dramatically since that point across a range of expenditure headings and could also affect expected income targets. To mitigate against that risk, a new reserve totalling £250,000 has been set aside.
- Pay award reserve – the current year budget included the assumption of a 2% pay award for 1 April 2022. Given current rates of inflation, the pay claim submitted by the Unions and the impact of the projected rates for the National Living Wage, a new reserve totalling £500,000 has been created.

3.4 Where external funding has been received for specific projects, this has been set aside in ring fenced reserves including transport modelling for the JCS, homeless reduction, digitisation of the planning service, health related projects and investigation of a development corporation for the Garden Town.

3.5 Outside of earmarked reserves and the working balance, the Council holds balances for the Horsford Trust, the Mayors Charity, planning obligations and business rates. With regards to the planning obligations reserve, there has been a net reduction in the reserve of £454,000 leaving a balance of £9.17m. The business rates reserve holds a balance of £1.18m received as s31 grant from Government to meet the deficit that will occur in the current year as a result of additional support that will be given to business in the current year.

3.6 Where significant movements in other reserves have occurred during the year, a note in Appendix B has been included, to explain the reason for the movement. Members are asked to approve the balances on the reserves for the new financial year.

4.0 CAPITAL PROGRAMME

4.1 The Council's planned capital programme for 2021/22 was £3.9m. The breakdown of the planned expenditure was land and buildings delivery (£2.4m), replacement vehicles and equipment (£0.9m), housing and business grants (£0.1m) and disabled facilities grants (£0.5m).

4.2 The actual delivery of the capital programme totalled £1.3m. This was £2.6m less than the budgeted amount.

4.3 An underspend of £2.1m was reported against Council land and buildings, which was due to delays with Ashchurch Bridge, mainly as a result of the High Court planning appeal. Actual expenditure of £276,000 includes £59,000 on the decarbonisation project, which is funded from a grant, £178,000 on Ashchurch Bridge and £39,000 on car parking payment machines.

- 4.4** A total of £383,000 was spent during the year on vehicles and equipment. This included the purchase of three new mowers, tractor, wood chipper and a mounted flail for our grounds maintenance operation, waste and recycling bins and the purchase of IT hardware.
- 4.5** The community grants programme shows an outturn position of £90,000 expenditure. These grants were distributed to Winchcombe skate park and Bishops Cleeve football club as well as other small community projects.
- 4.6** The Council's Disabled Facilities Grants (DFG) programme shows an overspend of £31,000. All expenditure is covered by capital grant funding from the Government which is administered by the County Council. Tewkesbury's allocation for the year was £500,000 and the total expenditure incurred was £531,209. This shortfall will be fully recovered.
- 4.7** As well as the grant income received for DFG's, capital receipts were received for Right-to-Buy sales on the housing stock previously owned by TBC and for the sale of the land in Northway and Bishops Cleeve.
- 4.8** The summarised capital programme is shown in Appendix C together with the sources of finance used. In summary, the Council expended £1.3m on capital projects in 2021/22 utilising £318,000 of capital reserves, £768,000 of capital grants and £194,000 from revenue. Following the allocation of capital receipts, the balance on capital reserves, both receipts and grants, has increased to £1.539m as at 31 March 2022.

5.0 TREASURY MANAGEMENT

- 5.1** Treasury Management in Local Government is governed by the CIPFA Code of Practice on Treasury Management in the Public Services. This Council has adopted the code and complies with its requirements, one of which is the receipt by Members of an Annual Review Report after the financial year end.
- 5.2** The detailed treasury report is attached at Appendix D. The report details the economic environment, local performance and a number of prudential indicators.
- 5.3** The prudential indicators have been monitored regularly and there were no deviations from these indicators arising during the year. The in-year performance of treasury investments resulted in an average return of 1.29% and total income of £429,218, which was £84,218 above budget. In addition, the Council had an in year gain from the capital growth of its pooled funds totalling £600,000.
- 5.4** Given the lack of available investment opportunities the Council temporarily invested in short-dated, liquid instruments such as call accounts and money market funds. Total short-term investments at 31 March 2021 was £10m increasing to £22m at the end of this financial year. The average income return, across all investments, has decreased from 1.5% to 1.29%.
- 5.5** The Council has adopted a balanced borrowing strategy between the financial benefit of short-term borrowing and the cost certainty over the long term. This has resulted in the total borrowing cost being kept to a minimum with actual cost totalling £462,932, £17,068 less than budget, and representing an average cost of 1.29%. At 31 March 2022 the Authority held £33.87m of loans, a decrease of £5.53m since 31 March 2021.

6.0 CONSULTATION

6.1 Budget holders have been consulted about the budget outturn for their service areas. The feedback has been incorporated in the report to explain differences between budgets and actual income and expenditure.

7.0 RELEVANT COUNCIL POLICIES/STRATEGIES

7.1 Treasury Management Strategy approved at Council on 22 June 2021 and the Medium-Term Financial Strategy approved at Council on 26 January 2021.

8.0 RELEVANT GOVERNMENT POLICIES

8.1 None.

9.0 RESOURCE IMPLICATIONS (Human/Property)

9.1 As detailed within the report and appendices.

10.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)

10.1 None.

11.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)

11.1 None.

12.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

12.1 Approval of Treasury Management Strategy 2021/22 – Council 22 June 2021.
Approval of Budget 2021/22 – Council 23 February 2021.

Background Papers: As per section 12.1.

Contact Officer: Head of Finance and Asset Management Tel: 01684 272005

Appendices: Appendix A – Revenue outturn by Group.
Appendix B – Earmarked reserves and carry forwards.
Appendix C – Capital Outturn 2021/22.
Appendix D – Annual Treasury Management report.