

# TEWKESBURY BOROUGH COUNCIL

<b>Report to:</b>	Overview and Scrutiny Committee
<b>Date of Meeting:</b>	11 July 2023
<b>Subject:</b>	Financial Outturn 2022/23
<b>Report of:</b>	Associate Director: Finance
<b>Head of Service/Director:</b>	Executive Director: Resources and S151
<b>Lead Member:</b>	Lead Member for Finance and Asset Management
<b>Number of Appendices:</b>	Three

## **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 report outlines an underspend against budget of £1,007k and details the reasons for this position.

## **Recommendation:**

**To CONSIDER the Financial Outturn 2022/23 report**

## **Financial Implications:**

As detailed within the report.

## **Legal Implications:**

The authority is required to set a balance budget having given regard to the advice of its Executive Director of Resources (Section 151 Officer). Section 25 of the 2003 Local Government Act requires the Section 151 Officer to comment on the robustness of the estimates and the adequacy of reserves.

## **Environmental and Sustainability Implications:**

None arising from this report.

## **Resource Implications (including impact on equalities):**

None associated with the report

## **Safeguarding Implications:**

None associated with the report.

**Impact on the Customer:**

None associated with the report.

**1.0 INTRODUCTION**

- 1.1** This report sets out the final outturn position for the 2022/23 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 2022/23 and explain significant variances. The report also addresses the movement on reserves.
- 1.2** 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.
- 1.3** 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 2023 following the audit conducted by Grant Thornton.

**2.0 GENERAL FUND REVENUE OUTTURN 2022/23**

- 2.1** In March 2023, the quarter three outturn position was reported to Executive Committee. The report confirmed an estimated year end surplus of £1.18m.
- 2.2** The final General Fund revenue outturn position for the full year can now be reported as a £1m surplus. The following table highlights the final outturn position for service provision, the net position on corporate income and expenditure and the resulting surplus.

	<b>Budget</b>	<b>Full Year Outturn</b>	<b>Full Year Variance</b>
<b><u>Services expenditure</u></b>			
Employees	£11,648,193	£11,258,850	£389,343
Premises	£613,798	£613,672	£126
Transport	£61,560	£47,867	£13,693
Supplies & Services	£2,217,742	£2,265,338	<b>-£47,596</b>
Payments to Third Parties	£6,526,985	£7,320,055	<b>-£793,070</b>
Transfer Payments - Benefits	£90,000	£195,166	<b>-£105,166</b>
Central Recharges	£29,929	<b>-£68,681</b>	£98,610
COMF Funding	£0	<b>-£7,455</b>	£7,455
COVID-19 Costs	£0	£1,587	<b>-£1,587</b>
Grants	£0	<b>-£169,363</b>	£169,363
Projects Funded Externally	£83,419	£171,814	<b>-£88,395</b>
Income	<b>-£8,147,607</b>	<b>-£9,269,461</b>	£1,121,854

<b>Services Sub Total</b>	<b>£13,124,019</b>	<b>£12,539,390</b>	<b>£764,629</b>
<b><u>Corporate expenditure</u></b>			
Treasury – Interest Received	-£439,000	-£932,561	£493,561
Treasury – Borrowing Costs	£467,000	£449,289	£17,711
Investment Properties	-£3,230,484	-£3,052,525	-£177,959
Corporate Savings Targets	-£100,000	£0	-£100,000
Core Government funding	-£1,511,086	-£1,518,000	£6,914
New Homes Bonus	-£1,633,094	-£1,633,094	£0
Business Rates	-£1,887,180	-£2,697,295	£810,115
Council Tax Surplus	-£98,009	-£97,974	-£35
Parish precept	£2,433,310	£2,433,311	-£1
Use of reserves & MRP	£119,430	£926,973	-£807,543
<b>Corporate Sub Total</b>	<b>-£5,879,113</b>	<b>-£6,121,876</b>	<b>£242,763</b>
Surplus / (deficit)			<b>£1,007,392</b>

#### Service Expenditure

**2.3** The outturn position for direct services expenditure and income shows a surplus of £765k and is mainly attributable to the major items outlined below:

- Employee costs are £389,343k underspent, this is largely, as a result of staff turnover and vacancies in a number of service groupings.
- Payments to third parties includes:
  1. £138k 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 £330k. In addition, £140k of planning appeals was funded from reserves, therefore the total cost of planning appeals this year was £608k.
  2. £233k saving in the MRF gate fee, this was due to a significant reduction in the gate fee between Q1-Q3, the fee reduced from £67 per tonne to £38 per tonne. In Q3 the fee rose to £56 per tonne and it continues to rise.
  3. £300k of gross costs, across various activities, are supported by external grant funding which is shown as part of the surplus on income.
- Housing benefit awarded was higher than expected; however, we have recovered less than anticipated. The recovery rate in year was 98%, rather than the 99% budgeted for. The budget was extremely ambitious and with new staff starting it meant the target was not quite achievable. The gave an overall adverse variance of £105k to budget.

- Projects funded externally contains the costs and income of the Joint Core Strategy, Garden Towns and Heritage Action Zone. The balances on these individual funds are transferred to or from reserves at year end. The deficit seen relate to the costs of the Garden Town. There was no additional funding received in year, therefore this balance has reduced the corresponding reserve.
  - The Council generated additional income of £1.1m. Development Management received planning fees £370k greater than budget and they also received £309k of grants. The Council received a £300k grant for modern planning software which is to be used in 2023/24. Licencing income was also above budget by £173k.
- 2.4** 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.
- 2.5** The treasury outturn for 2022/23 is a £511k gain against budget. More detail on the performance of the treasury function is shown in section 5 of the report and Appendix D.
- 2.6** With regards to commercial activity, the Council has an investment property portfolio totalling £59.9m which produced a gross rental income of £3.19m, a yield of 5%. The gross rental income was slightly down against budget expectations, circa £178k, as a result of unoccupied unit at The Chase and Tipton. All units are now fully tenanted. The commercial property reserve has been utilised to cover the shortfall in income to the general fund.
- 2.7** Business rates contributed £1m to the outturn surplus; however, due to the statutory collection fund rules, £584k has to be set aside where we overestimated the amount of s31 grant reliefs given to businesses. This has been moved to reserves. The net impact on outturn is a £448k surplus against the budget. In addition, there is a gain from the Gloucestershire Business Rates Pool of £380k.
- 2.8** Delivery of the budget in 2022/23 has required less use of reserves than envisaged at the time of setting the budget. A number of employee posts were to be funded through reserves; however, other staff savings in year meant we were able to offset the expense of these posts. As a result, these earmarked reserves can now be reallocated for other projects.
- 2.9** The outturn report for 2022/23 highlights a strong financial surplus for the Council. Savings have been generated in the delivery of our core services which have been supplemented by service and corporate income. In addition to this, external funding has been attracted for service and project specific activity. The overall net underspend of £1.18m 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 the 31 March 2023 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 £28.42m as at the end of March 2023 and include earmarked reserves, planning obligations and the general fund working balance. Whilst £1.18m is transferred into reserves from the general fund surplus, there is an overall decrease in revenue reserves of £127k as a result of expenditure against existing earmarked reserves in year. The business rates reserve has also been reduced as there is no longer a need to hold a deficit to pay the following year.

**3.3** The general fund surplus allows the Council to support a number of existing reserves, as well as create new specific reserves to meet immediate and planned needs. 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 open space and watercourse reserve to maintain land under the responsibility of the Council.
- Pay award reserve – Given current rates of inflation, the pay claim submitted by the Unions and the impact of the projected rates for the National Living Wage, the reserve has increased by £325k.

New reserves have been set aside for the following:

- Garden Town gateway review.
- Service and employee cessation reserve.
- Place Programme Reserve – to support the development of the place planning approach.
- Policy and Performance Support – to provide temporary capacity to develop the Council's approach to performance management and ensure the Council is responding to and planning for changes in government policy.
- Upgrade of the income management system.

**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, homelessness 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 increase in the reserve of £1.06m giving a balance of £10.23m. The business rates reserve holds a balance of £584k, which is s31 grant owed back to the Government next 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 2022/23 was £3.03m. The breakdown of the planned expenditure was land and buildings delivery (£1.6m), replacement vehicles and equipment (£0.6m) and disabled facilities grants (£0.8m).

**4.2** The actual delivery of the capital programme totalled £2.8m.

**4.3** Total expenditure of £1.58m was reported against council land and buildings. The Ashchurch Bridge project incurred more spend in 2022-23 than anticipated (the additional spend was scheduled for the following year) however it is all fully reclaimable via a grant from Homes England. Solar panels were installed to Public Offices building. The total cost of this was £650k. £225k of this was offset by a grant and the remainder was funded by revenue. This was not in the original capital programme.

- 4.4 A total of £443k was spent during the year on vehicles and equipment. This included the purchase of a road sweeper, waste and recycling bins and the purchase of IT hardware.
- 4.5 The community grants programme shows had no expenditure in year. The balance held is £23k.
- 4.6 The Council's Disabled Facilities Grants (DFG) programme shows an underspend of £51k. 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 £800k and the total expenditure incurred was £748,642. This shortfall will be carried forward.
- 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 the Council 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 £2.6m on capital projects in 2022/23 utilising £162k of capital reserves, £1.9m of capital grants and £587k from revenue. Following the allocation of capital receipts, the balance on capital reserves, both receipts and grants, has increased to £2.1m as at 31 March 2023.

## 5.0 CONSULTATION

- 5.1 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.

## 6.0 ASSOCIATED RISKS

- 6.1 A number of reserves have been set aside to deal directly with specific service risk or general financial risk to the Council.

## 7.0 MONITORING

- 7.1 The performance of services against their set budget is monitored on an ongoing basis. In addition, performance is reported to Members on a quarterly basis.

## 6.0 RELEVANT COUNCIL PLAN PRIORITIES/COUNCIL POLICIES/STRATEGIES

- 6.1 Treasury Management strategy approved at Council on 25<sup>th</sup> January 2022 and the Medium-Term Financial Strategy approved at Council in January 2023.

---

**Background Papers:** Approval of Budget 2022/23 – Council February 2022

**Contact Officer:** Associate Director: Finance

01684 272006 [Emma.Harley@tewkesbury.gov.uk](mailto:Emma.Harley@tewkesbury.gov.uk)

**Appendices:** Appendix A – Revenue outturn by group  
Appendix B – Earmarked reserves and carry forwards  
Appendix C – Capital Outturn 2022/23