

CABINET

DATE OF MEETING: 4 August 2022

TITLE OF REPORT: PROVISIONAL 2021/2022 REVENUE AND CAPITAL OUTTURN POSITION

Report of: Section 151 Officer

Cabinet Portfolio: Finance

Key Decision: No

Confidentiality: Non-Exempt

PURPOSE OF REPORT

1. This report presents the provisional revenue outturn for the year ended 31st March 2022 comparing it with the approved budget and providing explanations of any significant variances. Whilst year-end closing work continues, carry forward requests have now been finalised by service managers and Finance, and are presented here for review and approval by Cabinet.
2. The report also contains the provisional capital outturn for the year ended 31st March 2022
3. These provisional service outturn numbers will be scrutinised by Ernest and Young LLP, the external auditors and may be subject to normal accountancy changes.
4. This report has incorporated clarification to points raised at the Overview and Scrutiny committee on July 9th 2022.

RECOMMENDATION that Cabinet

- A. Notes the provisional revenue outturn position of an underspend of £57k (shown in Table 3).
- B. Notes the capital outturn position on 31st March 2022.
- C. Approves the unspent capital budget is carried forward into the Capital programme for 2022/2023.
- D. On the recommendation of Overview and Scrutiny committee, Cabinet approves the contributions to and from earmarked reserves detailed in Tables 6 and 7 are approved.

PROVISIONAL REVENUE POSITION

5. The Council set its 2021/22 balanced budget in February 2021. The pressures identified and incorporated into this budget included: increased costs from contract changes, a reduction in recycling credits from Hampshire County Council and decreased income caused by the pandemic.
6. Throughout the year Cabinet have been informed of any changes through quarterly reporting of our budgetary position. These reports have also been scrutinised by Overview & Scrutiny Committee
7. As part of this process forecasts have been closely monitored and when last reported to Cabinet in March 2022, there was an anticipated overspend of £488k before the anticipated drawdown of earmarked reserves. When the proposed, end of year drawdown from earmarked reserves is applied, this projection

reduced to £87k underspend. From the further analysis the provisional outturn is now £57K, a position which is broadly in line with the forecast provided in March 2022. See table below.

Table 1: Outturn Figures

	Q3 Position	Outturn Position
	£000	£000
Projected Outturn before Reserves	488	518
Earmarked Reserves	*(575)	*(575)
Outturn Position after Reserves	(87)	(57)

*Excluding S106 transfers to reserves as these are taken to reserves when received.

8. Due to the exceptional circumstances associated with Covid-19, compensation has been provided by the Government for lost sales, fees and charges income between April and June 2021. Approximately 75% of irrecoverable losses were recovered through this process. The Government has also provided a support grant to support services where required.
9. Table 2 details the final allocation of those grants received.

Table 2 Covid Compensation and Support Grant Allocation

Service Area	2021/22
	£'000
Corporate Services (Leisure)	73
Community Services (Hardship)	23
Technical and Environmental Services (On and Off Street parking)	101
Place Services (Licences)	47
Total	243

The provisional revenue outturn is shown in table 3.

Table 3 Provisional Revenue Outturn v Budget 2021/22

Controllable Costs by Service Area	Budget 2021/22	Prov. Outturn 2021/22	Reserves	Prov. Outturn v Budget 2021/22
	£'000	£'000	£'000	£'000
Corporate Services	3,686	3,909	(162)	61
Community Services	2,530	1,972	75	(483)
Technical and Environmental Services	3,660	1,758	1,912	11
Place Services	2,427	1,830	81	(516)
*Accounting Adjustments	(1,509)	1,268	(1,907)	870
Net Cost of Services	10,794	10,737	0	(57)

*Accounting adjustments are costs incurred and income received that are not service specific, this includes transactions that relate to capital assets, pensions transactions, movements in reserves and financial instruments.

- The significant variances in each service area are explained below and a more detailed view of the variances by cost centre are shown in Appendix 1. All the variances are inclusive of Covid compensation and the application of proposed reserves.

Corporate Services

- Leisure Services: Between March 2020 and April 2021 leisure centres were required to close in order to limit the spread of Covid-19. Unfortunately, membership and leisure visits have yet to return to pre-pandemic levels.
- This has had a negative impact on the levels of income usually received from our leisure provider. For the year 2021/22 this impact has been £1,060k less income in Leisure Services after the allocation of COVID compensation and after the proposed allocation of reserves. Cabinet has previously agreed that the anticipated shortfall in management fees can be met by earmarked reserves.
- For this year Basingstoke Waste Contract was under spent by £245k, this related to the over provision of prior year indexation costs. In addition, we were able to increase the income from glass recycling and our mixed recyclables. That, and a small saving of a staff member moving into Climate Change, led to a positive budget position of £136k saved in the Waste Client Team.

Community Services

14. In previous years the Council has been the administering authority for a Domestic Abuse Grant which covered several counties in the South of England, the budget was set on this basis. At the beginning of the year, the service was transferred to Hampshire County Council, which meant that the allocated budget was not required for this service. This resulted in a budget saving of £407k.
15. The Community Safety Service budget was originally set based on the then shared service with Basingstoke and Deane Council and Rushmoor Borough Council. However, since bringing the service back in-house, a saving of £85k has been made.

Technical and Environmental Services

16. As has been reported throughout the year, the pandemic impacted both off street and on street parking income: This has led to a reduction in anticipated income of £220k for Off-street income and £7k for on-street income.
17. There have been several staff vacancies in Environmental Services during the last twelve months, which have been difficult to recruit to, particularly in the parking and tree teams. This has led to a vacancy saving of £130k. This under spend is compensated by an overspend in staff costs in the Countryside team cost centres.
18. Additional income of £118k has been received in highways management from an increase in Traffic Management Orders.
19. Street Cleaning and Grounds maintenance exceeded its budget by £85k. The actual cost of providing this service is reconciled post year end, a rebate is expected which will align the costs with the budget.

Place Services

20. Outsourcing the Dog Warden service (an agreed Tier 2 saving) has saved £34k in controllable costs from the original 2021/22 budget set for this service.
21. The Business Support team is underspent by £90k which is mostly associated with staff vacancies during this period.
22. Due to the pandemic the number of Hackney carriage licence applications reduced resulting in a reduction in income of £31k. In addition, an invoice relating to the prior year was cancelled which further reduced income by £68k, this invoice had been incorrectly calculated (this related to a surplus of £78k which had been recorded in 2020/21).

Accounting Adjustments

23. Financing and investment income was £460k greater than original budget due to the purchase of Centenary House.

24. Movement in reserves was £1.4m greater than budget. This is primarily due to developer contributions which are moved into ear marked ring fenced reserves for future utilisation.

CAPITAL POSITION

25. Total capital spending in 2021/22 was £21.4m against a Budget of £29.4m, an underspend of £8.0m.
26. The following table summarises the outturn position by service area. Detailed information is shown in Appendix 2. It should be noted that this budget contained a provision for commercial investments of £16.3m, the investment during the year for Centenary House was £12.3m. Commercial investments will only be made when an opportunity meets the objectives in the commercialisation strategy.

Table 4 Provisional Capital Outturn v Budget 2021/22

Service Area	Approved Budget	Actual Expenditure	Variance
	£000	£000	£000
Corporate Services	23,811	19,024	(4,787)
Community Services	396	875	479
Technical and Environmental Services	5,198	1,526	(3,672)
Place Services	24	0	(24)
Total capital programme	29,429	21,425	(8,004)

27. Capital expenditure in 2021/22 has been funded as follows:

Table 5 Capital expenditure funding source 2021/22

Financed By:	£'000s
Useable Capital Receipts	2
Developers' Contributions	171
Disabled Facilities Grant	873
Local Enterprise Partnership Grant	900
Earmarked Reserves	373
Internal Borrowing (Centenary House)	12,306
PWB Borrowing	6,800
Total	21,425

REVENUE BUDGET CONTRIBUTIONS TO AND FROM EARMARKED RESERVES

28. To enable the continued delivery of key projects it is requested that several unspent budgets in 2021/22 are carried forward to the current year to allow completion of planned expenditure programmes.

The amounts requested to be carried forward are detailed below.

Table 6 Revenue budget contributions to earmarked reserves

Type of Expenditure	Amount	Reason
	£'000	
Transfers to Reserves		
Affordable Housing	253	S106 receipts received in 2021/22.
Bramshot SANGS	1,861	S106 receipts received in 2021/22
Roundabout Sponsorship	51	Sponsorship Income received in 2021/22 not utilised.
Solar Panels Civic Office	62	Carry forward from 2021/22
Building Control indexation	19	Carry forward from 2021/22
Cyber Security Grant	124	Grant received in 2021/22 to be used in 2022-23
Total transfers to reserves	2,371	

29. It is also requested that the following Earmarked Reserves are drawn down to support the Revenue Outturn in 2021/22. These Earmarked reserves have previously been agreed by Cabinet

Table 7 Revenue budget contributions from earmarked reserves

Initiative	Value £000	Reference/Reserve GF = General Fund, EMR = Earmarked Reserve
Commercialisation	60	The Swan £25k (EMR), Frogmore Day Centre £25k (Cabinet Jan 22 - Commercialisation), Regeneration £10k (EMR)
Leisure Centre COVID support	227	Cabinet decision – Oct 21 (Leisure Centre VAT reserve)
New Settlement	367	To close EMR
Here for Hart project	124	Cabinet decision – Nov 21 (not all agreed funds used in 2021/22) - multiple EMRs
New Housing IT system	54	Cabinet decision Apr 21 - Housing EMR – not all agreed funds used in 2021/22
Edenbrook SANG	54	From Edenbrook SANG reserves
Small SANGs	61	From Small SANG reserves
Bramshot Farm	27	From Bramshot SANG reserves
Total transfers from Reserves	974	

Net Movement	1,397	Increase in Earmarked Reserves
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30. In September 2021 Cabinet agreed to conclude all work on Shapley Heath. At the end of the 2021/22 financial year there was £367k in the Shapley Heath earmarked reserve. When a reserve is released, it returns to the General Fund where it can be considered for use, by Cabinet, on future initiatives.

GENERAL FUND RESERVE

31. The General Fund Reserve at 31 March 2021 was £6.9m. This is a balance held as security to withstand any unforeseen circumstances especially with uncertainty around financial settlements.

	£000
Balance at 01 April 2021	6,910
Underspend on service budgets transferred to reserves	57
Balance at 31 March 2022	6,967

TIMETABLE

32. The provisional Statement of Accounts is due to be published on the website on the 29th July 2022. Ernst and Young LLP will commence their audit in September 2022.
33. The outturn statement confirmed as a result of the external audit with final outturn anticipated to be confirmed at Cabinet on the 3rd November 2022 after any audit adjustments.
34. The Audit Committee is due to receive the audited Statement of Accounts together with the Annual Governance Report for signing and approval at its meeting on 23rd March 2023.

EQUALITIES

35. There are no impacts to equality from the recommendations of this paper

CLIMATE CHANGE IMPLICATIONS

36. There are no direct carbon/environmental impacts arising from the recommendations of this paper

CONCLUSION

37. The Covid Pandemic continued to impact the income that the Council was able to generate in 2021/22. Effective financial management in prior years had built reserves which are able to be drawn down, as an exception to support services.

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Appendices

- A. Projected Revenue Outturn by Cost Centre

- B. Projected Capital Outturn by Project
- C. Capital Carry Forward Requests