

<b>Key Decision Required:</b>	<b>Yes</b>	<b>In the Forward Plan:</b>	<b>Yes</b>
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## CABINET

**15 JULY 2022**

### REPORT OF THE CORPORATE FINANCE AND GOVERNANCE PORTFOLIO HOLDER

#### **A.6 FINANCIAL OUTTURN 2021/22**

(Report prepared by Richard Barrett and the Accountancy Team)

#### **PART 1 – KEY INFORMATION**

##### **PURPOSE OF THE REPORT**

To provide an overview of the financial outturn for the year 2021/22 and to seek approval of associated financial decisions related to the end of year accounting processes.

##### **EXECUTIVE SUMMARY**

###### **INTRODUCTION**

In previous years, the outturn position has been agreed by the Corporate Finance and Governance Portfolio Holder following which the allocation of the overall actual outturn figure for the year is considered at a subsequent meeting of Cabinet. However, given the on-going and favourable change to the timing of the Statement of Accounts, only a Cabinet report has been prepared this year, which covers all of the previous elements of the Portfolio Holder Report along with the allocation of the outturn position for the year, which remains a Cabinet function.

There has been a significant adverse impact on a number of budget areas in 2021/22 some of which would have been highlighted in the quarterly financial performance reports presented to Members earlier in the year, e.g. the operational difficulties at the Crematorium. However, a number of further adverse budget issues within Services only came to light as part of finalising the outturn position for the year. This has potential major consequences on the Council's financial position. Although the issues have been accommodated within the overall outturn position for the year, they have significantly reduced the available outturn variance at the end of 2021/22. This has an 'knock on' impact on the ability to respond to significant financial issues the Council faces in 2022/23 and beyond as set out later on in this report along with the ability to timely invest in its priorities and objectives going forward. A repeat of this situation must be avoided in 2022/23.

Given the severity of this situation, the Chief Executive has now established regular Budget, Performance and Delivery Review meetings with Senior Managers. Assurances around this issue were also considered by the Audit Committee who met on 30 June 2022.

As set out in the report considered by the Audit Committee, these regular Budget, Performance and Delivery Review meetings will consider the following key issues throughout the year:

- High level review of the in-year budget position for each Directorate / Department, which needs to aim to draw out any potential financial issues ahead of the associated impact on the budget e.g. potential overspends, underspends and / or other financial issues / pressures;
- following on from the point above, to promote and oversee any associated decision making / governance processes;
- to identify financial pressures that may impact on the Council's long term financial plan;
- to promote connections / linkages with the recently implemented Corporate

Investment Plan;

- to review the in-year performance against the Council's key aims and objectives and other key delivery targets;
- to identify and oversee any other key governance issues; and
- set against all of the above, keep under on-going review the level of resources / capacity to meet the various demands on the Council's departments and services.

Further updates will be presented to Members as part of the quarterly Financial Performance monitoring reports during 2022/23.

### **Outturn 2021/22**

Following the completion of the comprehensive end of year processes, the financial outturn position for 2021/22 has been prepared across the various areas of the budget with a summary of the position set out below.

#### **Summary by Key Areas of the Budget**

<b>Key Area</b>	<b>Outturn Position</b>
<b>General Fund</b>	
<b>General Fund Revenue</b> - Overall favourable variance after allowing for the carry forwards requested by services	<b>(£0.252m)</b>
<b>Capital Programme</b> – Overall adverse net variance after allowing for carry forwards requested by services.	<b>£0.148m</b>
<b>Housing Revenue Account</b>	
Net Deficit for the year met from calling money out of HRA General Balances (over and above the budgeted use of the reserve)	<b>£0.079m</b>
<b>General Fund Reserves (excluding requested carry forwards)</b>	
<b>Earmarked Reserves –</b>	
Reduced use of reserves compared to budget	<b>nil</b>
Additional Contributions to reserves compared to the budget ( <i>excluding carry forwards</i> )	<b>£0.337m</b>
<b><i>There was no change in the level of the Uncommitted Reserve which remains at £4.000m</i></b>	

## **Reserves**

The Council's overall general fund reserves total **£38.071m** at 31 March 2022. However, **£34.071m** is in respect of earmarked reserves, which relate to future years commitments (including the 2021/22 carry forwards requested by services). The total earmarked reserves also include the balance on the Forecast Risk Fund of **£3.205m**, which is in-line with the amount required to support the long term financial sustainability plan. Earmarked reserves are predominantly for previously identified priorities of the Council.

The balance of **£4.000m** is the level of uncommitted reserves, which includes a working balance requirement of **£1.600m**. This level of uncommitted reserves matches that previously approved.

It is important to highlight that in addition to the earmarked reserves figures highlighted above, there were also various COVID 19 funding streams received by the Council during the year, which will need to be carried forward into 2022/23 to meet any associated costs or to be repaid to the Government. **Appendix K (ii)**, provides a high level summary of the most up to date position against the various COVID 19 grant funding schemes. Further details are set out within the same appendix and further on in this report in respect of the proposed use of this funding as part of the outturn 2021/22 and in 2022/23.

In respect of the HRA, further details behind the variance set out in the table above are discussed in more detail further in this report along with a request to utilise **£0.050m** from HRA General Balances in **2022/23** to fund improvements to the Council's Housing Repairs and Maintenance System.

## **Financial Challenges 2022/23 and Beyond**

Global factors are continuing to have a major impact on the economy and in turn the financial position of the Council. A number of challenges lay ahead including local issues, some of which are likely to not only have an impact in 2022/23, but are also likely to continue into 2023/24 and beyond. Some examples of the financial pressures faced by the Council include:

- On-going impact from the closure of the Crematorium
- Utility / Fuel costs
- General Inflation
- Increases in the cost of delivering capital projects – key issues relating to supply chain / commodity price pressures. This may also have an impact on 'usual' operational costs of the Council.
- Increases in salary costs

Although there are likely to be additional financial pressures over and above the items listed, this relatively limited list of items could alone see additional costs in excess of **£2.000m** over current budgets. This could have a significant impact on not only day to day service delivery but also on the scale and speed that the Council can invest in its priorities.

It is important to highlight that our suppliers and contractors are also likely to experience similar cost pressures, which could have a 'knock on' impact on their ability to continue to fulfil contractual obligations. With this in mind, Departments are being asked to review their business continuity plans to ensure that they are robust and effective if faced with such events.

The Corporate Investment Plan was originally planned to be presented to Cabinet at the same meeting as this report. However, work is underway as part of informing the Financial Performance Report for the first quarter of 2022/23 and it is therefore felt prudent to have a clearer position on the potential financial impacts faced by the Council in light of the outturn position and emerging financial pressures before any further investment decisions can be

considered for funding from the Corporate Investment Reserve.

The Corporate Investment Plan will therefore be presented to the September 2022 meeting of Cabinet alongside the updated Financial Forecast and in-year position for 2022/23.

The 2022/23 financial forecast will be supported by a zero based approach to budget setting, which will be an even more important element of the budget setting process going forward and will also need to reflect the outturn position for 2021/22.

Following on from the discussions above, additional costs associated with the delivery of the new artificial pitch at Clacton Leisure Centre are already being anticipated. To provide the flexibility to respond to this issue whilst maintaining momentum behind the timely delivery of the project that is being undertaken in partnership with the Football Foundation, a delegation is included within the recommendations to enable the Portfolio Holder for Corporate Finance and Governance to explore with Officers how these additional costs could be met. An update will be provided as part of the Corporate Investment Plan report that will be presented to Cabinet in September.

As set out later on in this report, it is proposed to use **£0.900m** of funding received from our Local Health Partners to deliver a range of projects within Jaywck Sands in 2022/23.

In addition to the above, an additional exemption from procurement rules is included in the following recommendations to regularise the additional costs of the Octopus Ahoy Sculpture Trail in 2021. An original procurement exemption was agreed earlier in the year based on expected costs of **£0.100m**, with the proposed additional exemption decision now covering the final cost of **£0.133m**.

#### **Use of Outturn Variance for the Year**

Given the position highlighted above, it is proposed to allocate the overall favourable variance for the year of **£0.252m** to the existing contingency budget of **£0.322m**. This will therefore form part of the Council's financial planning going forward, with the next update being presented to Cabinet in September as mentioned above.

### **RECOMMENDATION(S)**

**That Cabinet:**

**(a) notes the financial outturn position for 2021/22 as set out in this report and appendices;**

**(b) approves the financing of General Fund capital expenditure for 2021/22 as detailed in Appendix D;**

**(c) approves the movement in uncommitted and earmarked General Fund reserves for 2021/22 set out in Appendix E;**

**(d) notes the requested carry forwards totalling £17.890m (£12.948m Revenue, COVID Funding £1.077m (net) and £3.865m Capital) as set out in Appendix K;**

**(e) subject to (d) above, delegates the approval of the carry forwards to the S151 Officer in consultation with the Portfolio Holder for Corporate Finance and Governance, with the outcome reported back to Cabinet in September;**

**(f) in respect of the HRA, approves the movement on HRA balances for 2021/22**

including any commitments set out within Appendices H and/or I along with recharges to the HRA from the General fund of £2.543m for the year and the financing of the HRA capital expenditure set out in Appendix I;

(g) that subject to (f) above, approves the use of £0.050m from HRA General Balances to meet the cost of additional improvements to the Council's Housing Repairs and Maintenance system in 2022/23;

(h) that subject to the above, notes the various COVID 19 grant funding amounts set out in Appendix K (ii) and approves the use of the funding as set out in the same Appendix and main body of this report;

(i) that subject to the above, approves the overall General Fund Outturn Variance for the year of £0.252m being transferred to the existing contingency budget for further consideration as part of the updated Financial Forecast and Q1 position for 2022/23 that will be presented to Cabinet in September;

(j) approves the use of £0.900m from the funding received from Local Health Partners to deliver the improvements set out later on in this report, along with a delegation to the Director for Operations and Delivery to implement the associated schemes and projects in consultation with the Portfolio Holder for Housing;

(k) approves an additional exemption from procurement rules to regularise the additional cost of £0.033m to deliver the Octopus Ahoy sculpture trail in 2021/22; and

(l) agrees to a delegation to the Council's S151 Officer, in consultation with the Corporate Finance and Governance Portfolio Holder, to adjust the outturn position for 2021/22 along with any corresponding adjustment to earmarked reserves as a direct result of any recommendations made by the Council's External Auditor during the course of their audit activities relating to the Council's 2021/22 accounts.

## **PART 2 – IMPLICATIONS OF THE DECISION**

### **DELIVERING PRIORITIES**

Careful planning to ensure financial stability underpins the Council's capacity to deliver against its priorities. Both the capital and revenue budgets of the authority are prepared and monitored with the aim of supporting key objectives. The outturn position reflects this process and supports the successful financial planning process.

### **FINANCE, OTHER RESOURCES AND RISK**

#### **Finance and other resources**

The main financial implications for each section of the Council's accounts are as set out in this report.

#### **Risk**

Although there are no direct risks associated with the outturn position, there are various 'knock on' risks to the Council's financial position going forward which are set out elsewhere within this report. As highlighted, the financial position for 2022/23 and 2023/24 and beyond will be reviewed in light of the outturn, with an updated position reported to Cabinet in September as part of the Financial Performance Report for Q1 2022/23.

### **LEGAL**

The Council is legally required to calculate a Council Tax requirement each financial year.

Within this framework is the requirement to monitor and report accordingly on the financial position of the authority against this requirement.

The outturn position set out in this report and the actions proposed are within the Council's powers and reflect the statutory requirements and responsibilities of the Council in the preparation of its accounts.

The approval of the outturn position each year is delegated to the Corporate Finance and Governance Portfolio Holder, which is followed by a subsequent meeting of Cabinet where the allocation of the overall outturn variance for the year is agreed.

However, as set out earlier in this report, given the revised timing of the preparation of the Statement of Accounts, only one Outturn Report has been prepared for the consideration of Cabinet this year, that addresses both the items that would have been previously agreed by the Portfolio Holder for Corporate Finance and Governance and the allocation of the overall outturn variance for the year, which has always remained a Cabinet function.

#### **OTHER IMPLICATIONS**

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

**Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.**

Although there are no direct equality and diversity issues, the overall Financial Strategy and budget process aims to recognise any such issues where appropriate within the Council's wider Financial Framework.

### **PART 3 – SUPPORTING INFORMATION**

#### **BACKGROUND**

The Financial Outturn for 2021/22 forms the basis of the information included in the Council's Statement of Accounts which will be published 'Subject to Audit' by the end of July 2022. The external audit of the Statement of Accounts is required to be completed by the end of November 2022.

Details around specific items such as Revenue, Capital, Reserves and Carry Forwards are set out in the following separate sections of the report along with the appendices.

#### **GENERAL FUND REVENUE OUTTURN 2021/22 – A DETAILED ANALYSIS**

The following table sets out a summary of the outturn position after taking into account the carry forwards / commitments requested by services discussed further on in this report. A more detailed Portfolio and Departmental analysis is set out within the appendices.

## Overall Summary of General Fund Revenue Account Outturn 2021/22

	Budget	Outturn	Variance
	£m	£m	£m
<b>Total Net Outturn Position</b> <i>(after requested carry forwards and reserves adjustments)</i>	<b>7.616</b>	<b>7.708</b>	<b>0.092</b>
<b>Financing</b>			
Business Rates	(4.599)	(4.943)	<b>(0.344)</b>
Revenue Support Grant	(0.431)	(0.431)	<b>0</b>
Council Tax (including Collection Fund)	(2.586)	(2.586)	<b>0</b>
<b>Total</b>	<b>(7.616)</b>	<b>(7.960)</b>	<b>(0.344)</b>
<b>Total Variance for 2021/22</b> <i>(Contribution to the Contingency Budget via Reserves)</i>			<b>(0.252)</b>

A number of issues emerging earlier in the year were addressed via the quarterly financial performance reports and are therefore reflected in the budget rather than being presented as a variance at the end of the year. In addition, a number of the variances that have remained at the end of the year have already been highlighted via the in-year financial performance reports.

It is important to highlight that there are a number of adverse variances at the end of the year with departments spending more than budgeted by over **£1.000m** when aggregated. This is a significant issue, as in effect the expenditure did not follow the necessary decision making processes before the actual expenditure was incurred. This is a situation that cannot be repeated in 2022/23, given the issues highlighted within the Executive Summary earlier on in this report. With this in mind, the Chief Executive has established regular Budget, Performance and Delivery meetings to identify at the earliest opportunity where key financial decisions may be required during the year. The adverse issues have in effect been regularised as part of this outturn report, which were supported, by a number of emerging favourable variances that also emerged at the end of the fourth quarter.

**Appendix C** sets out the detailed outturn position across the three departments, with the net variance shown in column (e) of that appendix. The net variance has been further analysed by direct costs and indirect costs and is set out in columns (f) and (g) of the same appendix. Indirect costs continue to include a number of technical accounting adjustments such as those relating to pension costs.

A departmental headline outturn summary is set out in **Appendix A**, which highlights the key variances within each of the three departments.

### COVID 19 Grant Funding

As set out in reports, a significant level of COVID 19 funding was made available by the Government and ECC to support a number of associated activities. This has ranged from general new burdens funding to specific funding relating to business support grants and business adaptation grants. A comprehensive summary of the various COVID 19 grants paid to the Council and its use is set out in **Appendix K (ii)**

The Council has remained committed to ensuring that any money that does not have to be

returned to the Government or ECC is, in the first instance, made available to form part of supporting the district's recovery from the COVID 19 pandemic with any unspent amounts proposed to be carried forward to enable associated activities to continue in 2022/23. This primarily applies to the COVID 19 New Burdens Grant funding set out at the top of **Appendix K (ii)**, with a total of £850k being requested to be carried forward into 2022/23.

In addition, set out within **Appendix K (ii)** is how this COVID 19 New Burdens grant funding has been used in 2021/22. Full details are set out at the bottom of that appendix which includes a number of items that form part of the agreement to the overall outturn position for 2021/22. This includes the allocation of **£0.059m** in 2022/23 to support a number of previously successful Summertime plan activities over the coming months.

In addition to the amounts set out in **Appendix K (ii)**, the Council also received grant funding as part of the Government's Sales, Fees and Charges Compensation Scheme. The 2021/22 scheme only covered the first quarter of the year, with **£0.247m** being the reconciled figure for the year that will be claimed from the Government. This is based on the Government covering 75% of income 'lost' after a deductible of 5%.

### **Allocation of the Overall Outturn Variance for the Year**

As discussed earlier in this report, it is proposed to transfer the overall favourable variance for the year of **£0.252m** to the existing Contingency Budget of **£0.322m**, which can therefore be utilised to support the budget in 2022/23 and beyond. This will form part of further financial considerations as part of the Quarter 1 Financial Performance Report that will be presented to Cabinet in September.

During the external audit of the Council's Accounts over the coming months, adjustments or amendments may be recommended by the Council's External Auditor. Although subject to the actual adjustments that may be recommended by the Auditor, they may have a direct impact on the overall outturn position for the year rather than be just presentational changes. They would then be included in the Statement of Accounts that would be presented to the Audit Committee later in the year for approval. To enable the right level of flexibility in responding to any changes recommended by the External Auditor, a delegation is included in the recommendations above to enable the Council's S151 officer, in consultation with the Corporate Finance and Governance Portfolio Holder, to make the necessary adjustments to the 2021/22 outturn position.

### **Other Issues**

As part of the Corporate Investment Plan Report that was considered by Cabinet in March, the following was agreed:

*“the acceptance of a grant from our Local Health Partner of £1.65m, and requests Officers to continue to develop schemes and projects that can be supported by this funding for consideration within the Corporate Investment Plan process.”*

In response to the above, Officers are continuing to develop a number of associated projects in Jaywick Sands, which include the following:

- Addressing poor quality housing
- Environmental / Waste Clean-ups
- Open and Green Spaces

The above programme of works is supported by **£0.900m** of the **£1.650m** mentioned above. It is proposed to develop these projects further, with a delegation to the Director for Operations and Delivery in consultation with the Portfolio Holder for Housing to enable their implementation as

soon as possible. An update will be included within the Corporate Investment Plan that will be presented to Cabinet in September.

During 2021/22, a procurement exemption was obtained to enable the delivery of a sculpture trail across the District. The final costs incurred totalled **£0.133m**, which was **£0.033m** more than the price of **£0.100m** that was set out in the associated procurement decision. A recommendation is therefore set out above that regularises this difference, which was identified as part of the finalising the outturn for the year.

#### GENERAL FUND CAPITAL OUTTURN POSITION FOR 2021/22

Full details of the outturn position for each scheme together with the total carry forwards requested are set out in **Appendix D**. However a summary is set out in the following table:

	<b>Budget 2021/22</b>	<b>Outturn 2021/22</b>	<b>C/Fwd</b>	<b>Remaining Variance</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>GF Capital Expenditure</b>	16,508,570	4,308,200	12,439,830	239,460

#### Financing the Capital Programme

A summary of the proposed financing of the capital expenditure in 2021/22 is set out in the following table, with a more detailed analysis being provided in **Appendix D** to this report:

	<b>Budget 2021/22</b>	<b>Outturn 2021/22</b>	<b>To Fund C/fwds</b>	<b>Variance</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
External Contributions	(852,090)	(141,114)	(710,980)	(4)
S106	(5,790)	(640)	(5,150)	0
Government Grants	(8,082,080)	(1,130,057)	(7,043,060)	(91,037)
Capital Receipts	(815,060)	0	(815,060)	0
Revenue Contributions	(2,243,220)	(222,010)	(2,170,910)	(149,700)
Use of Earmarked Reserves	(4,510,330)	(2,814,379)	(1,694,670)	1,281
<b>Total</b>	<b>(16,508,570)</b>	<b>(4,308,200)</b>	<b>(12,439,830)</b>	<b>(239,460)</b>

As set out in the second table above, additional government grant of **£0.091m** became available to support the Cliff Stabilisation Scheme along Clacton and Holland Seafront. After taking this into account, along with a number of small favourable variances, the overall capital programme was overspent by **£0.148m**. As set out with **Appendix A1**, this relates to the Clacton Leisure Centre and the Cliff Stabilisation Schemes, which has required an additional contribution to be made to the capital programme from the revenue budget to fully fund these two projects in 2021/22.

The overall budget for the year takes into account adjustments that have occurred since the position was last reported to members within the Q3 financial performance report. These adjustments have been reflected in the outturn position presented in **Appendix D** as part of

agreeing the overall outturn figures for the year.

## GENERAL FUND REVENUE AND CAPITAL CARRY FORWARDS INTO 2022/23

It is recognised that due to the size, nature and lead-in times of some schemes, expenditure can span financial years with some schemes not completed by the 31 March in any one year. Therefore commitments for goods and services are likely to remain outstanding at the 31 March each year, examples of which include uncompleted work that the Council has a contractual obligation against or the project is either currently underway or will be started shortly with payment dates or trigger points within the process yet to be reached, finalised and paid.

All carry forwards requested by services have been reflected in the year end position and are shown in **Appendices C and D**. These broadly follow the principles applied in previous years such as:

- There is a 'contractual commitment';
- There is a related long term project which is expected to span a number of financial years;
- There is non-recurring item for which no budget provision exists in the following year;

In addition to the qualifying carry forwards under the above criteria, there will also be a number of requests to carry money forward to support initiatives and projects that although not strictly complying with the above criteria, it could be advantageous for them to be agreed as they further the delivery of priorities etc.

The total amount of money that is subject to a request by the relevant Service to carry it forward into 2022/23, is as follows:

Area of the Budget	Total Carry Forwards Requested
General Fund Revenue – General (Excl. COVID 19 Grant Funding) ( <b>Appendix Ki</b> )	£12,948,570
General Fund Revenue – <b>NET</b> COVID 19 Grant Funding ( <b>Appendix Kii</b> )	£1,076,640
General Fund Capital Schemes (Contributions from Earmarked Reserves and Direct Revenue Contributions) ( <b>Appendix D</b> )	£3,865,580
<b>TOTAL</b>	<b>£17,890,790</b>

In light of the challenging financial position faced by the Council in 2022/23 and beyond as discussed earlier, all of the requested carry forwards are currently being considered further in consultation with Departments. If any carry forwards are deemed essential to continue the delivery of the associated projects and they fit the key criteria highlighted above, then a delegation is included within the recommendations to enable these to be agreed by the S151 Officer in consultation with the Portfolio Holder for Corporate Finance and Governance. The outcome from this review will also be included within the Financial Performance Report for Q1 2022/23 that will be presented to Cabinet in September, which will include a review of any items not agreed under the above delegation.

In terms of the amounts set out in **Appendix K (ii)**, which relate to external COVID 19 grant funding from the Government / ECC, the majority of this money is returnable to the Government / ECC in 2022/23 following associated reconciliation processes. In terms of the money

returnable, this is due to the fact that the Council received money 'on account' for the various schemes where the actual cost / demand was unknown. The money returnable therefore primarily reflects this difference rather than any local issues in rolling out the various grant schemes.

Within the overall COVID 19 funding made available, **£2,276,130** relates to a General New Burdens Grant to support Local Authorities throughout the period of the COVID 19 pandemic and beyond. **£1,425,620** of this funding has been used as set out at the end of **Appendix K (ii)**, some of which would have been subject to earlier decisions during the year, with others forming part of finalising the outturn position for 2021/22. Therefore, the recommendations seek approval of the expenditure set out at the end of **Appendix K (ii)** along with an additional **£59,000** to support the previously successful Summertime Plan in 2022.

The balance remaining against this New Burdens Funding is **£791,510** (after allowing for the **£59,000** highlighted above). The use of this funding will be considered by Cabinet as part of the Financial Performance Report for Q1 2022/23 in September.

#### **GENERAL FUND RESERVES OUTTURN POSITION FOR 2021/22**

Earmarked reserves are shown in more detail in **Appendix E** and include the adjustments set out elsewhere in this report.

The change in the budgeted net use of earmarked reserves of **£18.480m** takes into account the proposed level of revenue and capital carry forward requests. The change in reserves also includes the overall outturn variance of **£0.252m**, which is proposed to be transferred to the existing Contingency Budget in 2022/23 via the Revenue Commitments Reserve. The overall change in the budgeted use of reserves also includes an amount of **£0.337m** which is the amount required to 'top up' the contributions to the forecast risk fund to meet the **£0.500m** committed to pay into this reserve each year that in turn supports the long term forecast.

The overall level of reserves at the end of 2021/22 is **£38.071m**, made up of **£18.662m** for commitment reserves, **£15.449m** for other earmarked reserves and **£4.000m** for uncommitted reserves.

Within the **£15.449m** other earmarked reserves figure mentioned above, an amount totalling **£4.998m** is included, which supports the on-going technical adjustment associated with the accounting treatment of COVID 19 business rate reliefs, that also forms part of the overall collection fund figures.

In terms of the overall level of reserves, it should be noted however, that transfers to earmarked reserves are not an increase in the Council's longer-term unallocated general resources as it relates to future years commitments. It is important to highlight that the Council has 'cash-backed' the delivery of its priorities rather than being based on an assessment of affordability at some time in the future, with delivery planned to continue on a range of schemes / projects.

The Financial Strategy has continued to aim to maintain the Uncommitted Reserve, including the minimum working balance of **£1.600m**, at **£4.000m**. At 31 March 2022, the uncommitted reserve stands at **£4.000m** so it remains in line with this requirement.

#### **INCOME COLLECTION PERFORMANCE AND INCOME FROM S106 AGREEMENTS**

The position against council tax, business rates, housing rents and general debt is set out in **Appendix F**.

As reported at the start of the year, 2021/22 was the start of the transition back to pre-pandemic collection performance and with this in mind, it is helpful to see a largely improving position in 2021/22 compared to 2020/21 across the various major income streams set out within **Appendix F**.

The overall business rates income position for the year was also supported by remaining a member of the Essex Business Rates Pool. The overall benefit of being a pool member was **£0.622m** in 2021/22, which was partly offset by an additional 'levy' payable to support other pool members who had experienced a reduction in estimated business rate income during the year. As set out in **Appendix A.1**, there was still a net overall favourable position against business rates of **£0.533m**. It is however, worth highlighting that the final position for the pool remains subject to an ongoing reconciliation process across the pool members. The Council remains a member of the pool in 2022/23, which provides the opportunity to accommodate any further changes to the 2021/22 position if they arise as part of this on-going reconciliation process.

In terms of how the collection performance for Council Tax and Business Rates translates into the corresponding collection fund positions, this was more positive than originally budgeted, with the position being **£0.270m** and **£0.933m** ahead of expectations respectively at the end of March 2022. The end of year amounts retained within the collection fund therefore provide a strengthened position heading into 2022/23 and 2023/24.

Details around the use of income from S106 agreements is set out in **Appendix G**. There are no significant issues to highlight and no money was returned to developers during the year.

## A REVIEW OF THE HRA OUTTURN POSITION FOR 2021/22

The Housing Revenue Account (HRA) reflects a statutory obligation to account separately for the income and expenditure arising from the Council's landlord functions.

A summary of the Council's Housing Revenue Account for 2021/22 is set out in the table below with a more detailed analysis provided in **Appendix H** to this report.

	<b>Budget 2021/22</b>	<b>Outturn 2021/22</b>	<b>Variance</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Expenditure	6.679	6.800	0.121
Income	(13.696)	(13.572)	0.124
Indirect Income / Expenditure	8.003	6.880	(1.123)
<b>Net Use of HRA Reserves</b>	<b>(0.985)</b>	<b>(0.108)</b>	<b>0.877</b>
<b>Total HRA General Balance as at 31 March 2022</b>			<b>4.246</b>

*Net use of HRA Reserves includes a contribution from HRA General Balances of £0.202m (which includes the deficit position for the year of £0.079m set out below).*

### Housing Revenue Account Overview

The outturn position for the year was an overall deficit of **£0.079m**, with more detailed figures set out in **Appendix H**.

There were a limited number of key issues behind this overall variance, many of which were highlighted earlier in the year and include:

#### 1) Rents Receivable - £0.056m

Although income was lower than budgeted by the above amount, it reflects a significant improvement when compared to 2020/21, with 2021/22 seeing continuing improvements in the level of voids. This position was supported by regular review meetings chaired by the Chief Executive and attended by Senior Officers and relevant Portfolio Holders.

The Service continues to work on delivering a void rate in-line with the pre-pandemic rate of 2%. Further updates will continue to be presented via the quarterly Financial Performance reports during 2022/23.

## 2) Council Tax Payable on Empty Properties - £0.097m

As reported earlier in the year, the level of void periods has a knock on impact on the council tax payable for periods when the properties are untenanted, with the figure above reflecting the final position for the year.

There were a number of additional items, which reflect a mix of favourable and adverse variances including additional expenditure on housing repairs of **£0.075m**.

General Fund recharges to the HRA totalled **£2.543m**, an increase of **£0.093m** against the budget for the year. Agreement to this level of recharge forms part of the recommendations set out earlier on in this report.

Taking the above into account, along with aggregate of other variances at the end of the year, the overall deficit on the HRA is **£0.079m**. This amount has therefore been 'drawn down' from general balances along with the budgeted use of the same reserve of **£0.123m** resulting in a total use of reserves of **£0.202m**.

### HRA Capital Programme

A summary of the Council's HRA Capital Programme for 2021/22 is set out in the table below with a more detailed analysis provided in **Appendix I** to this report.

	<b>Budget 2021/22</b>	<b>Outturn 2021/22</b>	<b>C/Fwd</b>	<b>Remaining Variance</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>HRA Capital Expenditure</b>	10,255,690	4,316,789	5,869,500	(69,401)

### Financing the HRA Capital Programme

A summary of the proposed financing of the capital expenditure in 2021/22 is set out in the following table, with a more detailed analysis being provided in **Appendix I** to this report:

	<b>Budget 2021/22</b>	<b>Outturn 2021/22</b>	<b>To Fund C/fwds</b>	<b>Variance</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Major Repairs Reserve	(3,957,200)	(3,088,465)	(801,830)	66,905
Revenue funding from the HRA	(1,143,680)	(187,410)	(956,270)	0
Capital Receipts	(67,600)	(67,600)	0	0
S106	(1,110,030)	(774,150)	(333,380)	2,500
External Contributions	(3,977,180)	(199,164)	(3,778,020)	(4)

<b>HRA Total</b>	<b>(10,255,690)</b>	<b>(4,316,789)</b>	<b>(5,869,500)</b>	<b>69,401</b>
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The overall variance of **£0.069m** is largely due to the timing and programme of works along with no expenditure being incurred against the cash incentive scheme. Capital Works will continue in 2022/23 and beyond supported by the Major Repairs Reserve within a wider stock condition / refurbishment programme.

As set out within the **Appendix I**, additional expenditure of **£0.055m** was incurred in completing of the 10 new homes in Jaywick Sands, the cost of which has been accommodated within the overall capital programme in 2021/22.

**Appendix I** reflects changes to the financing of the capital programme made as part of the outturn position for the year to maximise the benefit from the use of S106 or 1-for-1 capital receipts. Therefore agreeing the outturn position as set out in this report regularises these changes.

### **HRA Balances and Reserves**

The overall level of HRA General Balances has reduced to **£4.246m**. Full details of HRA Reserves are set out in **Appendix J**, which reflect the adjustments discussed above.

### **Other Issues Relating to the HRA**

The in-house housing repairs team operate a job management system, which has been the subject of on-going implementation over the last year. It is proposed to purchase a number of additional modules to strengthen internal control arrangements and efficiencies in the delivery of the service. It is important to implement these additional modules as soon as possible as they support a number of improvement actions recently identified by Internal Audit that were discussed at the Audit Committee meeting on 30 June 2022. It is estimated that the cost of implementing these changes to the system will be **£0.050m**. It is proposed to fund these from the HRA General Balance above of **£4.246m**, which is reflected in the recommendations earlier on in this report.

### **BACKGROUND PAPERS FOR THE DECISION**

None

### **APPENDICES**

<b>Appendix A (1 - 3)</b>	<b>Key Outturn Variances by Department 2021/22</b>
<b>Appendix B</b>	<b>GF - Portfolio / Department Outturn Summary 2021/22</b>
<b>Appendix C</b>	<b>GF – Revenue Departmental / Directorate Outturn 2021/22</b>
<b>Appendix D</b>	<b>GF - Capital Outturn 2021/22</b>
<b>Appendix E</b>	<b>GF - Reserves</b>
<b>Appendix F</b>	<b>Collection Performance – Council Tax, Business Rates, Housing Rents and General Debts</b>
<b>Appendix G</b>	<b>Income from S106 Agreements</b>

<b>Appendix H</b>	<b>HRA – Revenue Outturn 2021/22</b>
<b>Appendix I</b>	<b>HRA – Capital Outturn 2021/22</b>
<b>Appendix J</b>	<b>HRA – Reserves</b>
<b>Appendix K</b>	<b>General Fund Carry Forward Requests From Services (Including COVID 19 External Funding)</b>

*(The variance figures set out in these appendices that are presented in brackets represent either a net underspend position or additional income received)*