

RESOURCES AND SERVICE OVERVIEW AND SCRUTINY COMMITTEE

12 DECEMBER 2023

CABINET

21 JULY 2023

REPORT OF THE LEADER OF THE COUNCIL AND CORPORATE FINANCE & GOVERNANCE PORTFOLIO HOLDER

A.8 OVERVIEW OF THE FINANCIAL OUTTURN 2022/23 AND PROPOSED ALLOCATION OF THE GENERAL FUND VARIANCE FOR THE YEAR

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To seek approval of the allocation of the overall 2022/23 General Fund revenue variance.

EXECUTIVE SUMMARY

- The Portfolio Holder for Finance and Governance agreed the overall outturn position for 2022/23 on 10 July 2023, with a high level summary of the General Fund revenue position set out below. The detailed report considered by the Portfolio Holder is available on the Council's website using the following link [Decision - Financial Outturn 2022/23 \(tendringdc.gov.uk\)](https://www.tendringdc.gov.uk/Decision-Financial-Outturn-2022/23).

Variance for the year before carry forward requests	(£19.131m)
Less revenue carry forwards requested by Services	£15.779m
Variance for the year after requested carry forwards	(£3.352m)

- As set out within the Portfolio Holder report mentioned above, the favourable variance for the year of **£3.352m** is currently being held in the Revenue Commitments Reserve.
- The Portfolio Holder report referred to also set out an emerging issue that was likely to have an impact on this overall variance for the year, which related to the Crematorium Replacement Capital Project with further details set out later on in this report. In summary, **£0.558m** of the overall favourable variance of **£3.352m** above related to the underspend against the associated capital scheme, which was due to the original capital programme incorrectly including the costs of the 10 year maintenance contract associated with the new cremators. Following an associated review, it has been identified that **£0.240m** of the overall favourable above is required to 'top up' the existing maintenance budget to meet the cost of this on-going contract.
- After taking into account the above, the remaining favourable variance is therefore **£3.112m**.

- Following on from the above, it is proposed to continue to hold the remaining favourable variance for the year of **£3.112m** within the Revenues Commitment Reserve and consider its allocation alongside the Financial Performance Reports later in the year, which will include the development of the financial forecast for 2024/25 and beyond. This approach will enable future investment to be aligned alongside other key financial decisions associated with delivering options and actions to support the Council's long-term financial sustainability.
- The Portfolio Holder report highlighted above also set out a number of carry forwards that had been requested by Services. These totalled **£25.703m** (£15.779m relating to revenue budgets and £9.924m relating to capital schemes).
- It was intended to have reviewed all of the carry forwards requested by Services to identify those to be agreed or otherwise for reporting to this meeting of Cabinet. However, the review remains in progress and so it is now proposed to delegate their approval to the Portfolio for Finance and Governance in consultation with the S151 Officer. This review will also seek the input from relevant Senior Officers and Portfolio Holders. Following this review and associated decision, it is proposed that the total amount relating to any carry forwards not subsequently approved will be added to the general favourable variance for the year of **£3.112m** highlighted above and retained within the Revenues Commitment Reserve for consideration later in the year as proposed.
- Although subject to separate reports later in the year, this report provides a timely opportunity to briefly reflect on the in-year position for 2023/24 and look ahead to the forecast for 2024/25 and beyond, with further details set out later on in this report.

RECOMMENDATION(S)

That Cabinet:

- (a) notes the high level Financial Outturn Position set out in this report and the initial favourable General Fund Revenue variance of £3.352m for the year, which is currently held within the Revenue Commitments Reserve;**
- (b) that £0.240m of the overall favourable variance of £3.352m is used to meet the additional maintenance costs of the new cremators over the associated 10 year maintenance period;**
- (c) subject to b) above, agrees that the remaining favourable variance for the year of £3.112m is retained within the Revenue Commitments Reserve for further consideration during 2023/24;**
- (d) delegates the approval of the carry forwards from 2022/23 to the Portfolio Holder for Finance and Governance in consultation with the S151 Officer;**
- (e) subject to d) above, the value of any of carry forwards not subsequently approved be added to the general variance set out in (c) above; and**
- (f) agrees a delegation to the Council's Section 151 Officer, in consultation with the Corporate Finance and Governance Portfolio Holder, to adjust the outturn**

position for 2022/23 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 2022/23 accounts.

REASON(S) FOR THE RECOMMENDATION(S)

To allocate the overall General Fund favourable outturn variance for 2022/23 along with associated delegations.

ALTERNATIVE OPTIONS CONSIDERED

This is broadly covered in the main body of this report.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

Effective budgetary control is an important tool in ensuring the financial stability of the authority by drawing attention to issues of concern at an early stage so that appropriate action can be taken. Financial stability and awareness plays a key role in delivering the Council's corporate and community aims and priorities.

The forecasting and budget setting process will have direct implications for the Council's ability to deliver on its objectives and priorities. The current 10-year approach to the forecast seeks to establish a sound and sustainable budget year on year through maximising income whilst limiting reductions in services provided to residents, business and visitors.

The outturn position reflects the above and supports the Council's successful financial planning processes.

OUTCOME OF CONSULTATION AND ENGAGEMENT

In terms of the in-year financial performance of the Council, internal consultation is carried out via the Council's framework to monitor / manage the budget and as part of developing the forecast as set out within the Constitution.

LEGAL REQUIREMENTS (including legislation & constitutional powers)

Is the recommendation a Key Decision (see the criteria stated here)	YES/NO	If Yes, indicate which by which criteria it is a Key Decision	<input type="checkbox"/> Significant effect on two or more wards <input checked="" type="checkbox"/> Involves £100,000 expenditure/income <input type="checkbox"/> Is otherwise significant for the service budget
		And when was the proposed decision published in the Notice of forthcoming decisions for the Council (must be 28 days at the latest prior to the meeting date)	17 May 2023

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 Finance and Governance Portfolio Holder. Any further decisions that may be required following the outturn process, such as allocating money brought forward from the prior year are reported to Cabinet at a subsequent meeting. In effect, the approval of the outturn delegated to the Finance and Governance Portfolio Holder will primarily only place available funding that needs further allocation in reserves until a formal / separate decision is made by Cabinet, which is the subject of this report.

Yes	The Monitoring Officer confirms they have been made aware of the above and any additional comments from them are below:
------------	--------------------------------------------------------------------------------------------------------------------------------

No further comments to add to those covered within the content of the report.

FINANCE AND OTHER RESOURCE IMPLICATIONS

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

Yes	The Section 151 Officer confirms they have been made aware of the above and any additional comments from them are below:
------------	---------------------------------------------------------------------------------------------------------------------------------

The Section 151 Officer is the author of this report.

USE OF RESOURCES AND VALUE FOR MONEY

The following are submitted in respect of the indicated use of resources and value for money indicators:

A) Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;	This is addressed in the body of the report.
B) Governance: how the body ensures that it makes informed decisions and properly manages its risks, including; and	This is addressed in the body of the report but it is important to recognise further decisions are required as highlighted and reasons must be adequately recorded.
C) Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.	

MILESTONES AND DELIVERY

This report forms part of the Council's wider budget setting and monitoring processes. In respect of 2022/23, this report reflects on the final outturn position for the year that builds on earlier financial performance reports that have been presented to Cabinet on a broadly

quarterly basis throughout the year.

ASSOCIATED RISKS AND MITIGATION

Although there are no direct risks associated with the outturn position, there will be various 'knock on' risks to the Council's financial position going forward, which are either highlighted elsewhere within this report or will be revisited as part of developing the longer term forecast that will be presented to a future Cabinet meeting. The financial position for 2023/24 and 2024/25 and beyond will therefore be reviewed in light of this outturn position.

The Council's reserves, including the Forecast Risk Fund remain a key element of the long-term plan approach with additional details set out further on in this report.

EQUALITY IMPLICATIONS

There are no direct implications that significantly impact on the Council's financial performance / forecast at this stage. However, the ability of the Council to appropriately address such issues will be strongly linked to its ability to fund relevant schemes and projects and determination of the breadth and standard of service delivery to enable a balanced budget to be agreed.

An impact assessment will be undertaken as part of any separate budget decisions such as those that will be required to deliver savings. This is an important part of the future decision making timetable and must be adequately factored into the process.

SOCIAL VALUE CONSIDERATIONS

There are no direct implications that significantly impact on the financial forecast at this stage.

However, such issue will be considered as part of separate elements of developing the long-term forecast.

IMPLICATIONS FOR THE COUNCIL'S AIM TO BE NET ZERO BY 2030

There are no direct implications that significantly impact the financial forecast at this stage.

However, such issue will be considered as part of separate elements of developing the long-term forecast.

OTHER RELEVANT CONSIDERATIONS OR 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	Please see comments above
Health Inequalities	
Area or Ward affected	

PART 3 – SUPPORTING INFORMATION

BACKGROUND AND PROPOSED ALLOCATION OF THE OVERALL GENERAL FUND VARIANCE FOR 2022/23

The Financial Outturn for 2022/23 was agreed by the Portfolio Holder for Finance and

Governance on 10 July 2023.

The report set out an overall favourable variance of **£3.352m**. Appendix A of the same report highlighted the key variances that contributed to this overall position for the year, some of which reflected one-off issues whilst others will be subject to further review to determine any longer term impact.

Of the overall variance for the year of **£3.352m** mentioned above, **£0.558m** related to an underspend against the revenue contributions to the cremator replacement project within the Capital Programme. When the scheme was established, a total budget of **£1.539m** was included within the 2022/23 Capital Programme. As the scheme was being delivered during 2022/23, it emerged that the total capital budget incorrectly reflected revenue costs associated with the on-going maintenance of the facility over the contract term of 10 years.

Although there is already an existing on-going revenue budget to support the maintenance of the facility, this would need to be increased from 2023/24, to meet the increased costs associated with the new 10 year maintenance contract. Following a review, it has been identified that additional funding of **£0.240m** would be required to meet the revised revenue maintenance costs. It is therefore proposed to use the underspend against the capital project highlighted above to meet this cost. In effect this would be met from the overall outturn variance of **£3.352m** as it includes the associated revenue contribution capital programme underspend.

Taking the above adjustment into account, the overall favourable variance for 2022/23 would reduce to **£3.112m** from **£3.352m**.

Carry Forward Requests

The Portfolio Holder Report highlighted above also set out the following carry forwards that have been requested by Services: (these amounts are being 'held' in the relevant Commitments Reserve, pending further consideration).

Area of the Budget	Total Carry Forwards Requested
General Fund Revenue – General (Incl. RCCO)	£15.779m
General Fund Capital Schemes (Excl. RCCO)	£9.924m
TOTAL	£25.703m

(RCCO = Revenue Contribution to Capital Outlay)

The above carry forwards requested by services may not necessarily meet the specific criteria set out within the Portfolio Holder Report highlighted, with some items relating more closely to taking advantage of underspends in 2022/23 to apply to potential advantageous schemes and projects in 2023/24.

It was intended to have reviewed all of the carry forwards requested by Services to identify those to be agreed or otherwise for reporting to this meeting of Cabinet. However, the review remains in progress and so it is now proposed to delegate their approval to the Portfolio Holder for Finance and Governance in consultation with the S151 Officer. This review will also seek the input from relevant Senior Officers and Portfolio Holders. Following this review

and decision, it is proposed that the total amount associated with any carry forwards not subsequently approved will be added to the general favourable variance for the year of **£3.112m** highlighted above. The delegated decision will be recorded and published in the normal manner, with the implications and options set out. The outcome from the review will also be reported back to Cabinet as part of a future in-year financial performance report.

The review of carry forwards forms an important element of the Council's financial performance and development of the forecast in future years, especially within the context of the challenging financial position the Council currently faces. For example, existing base budgets can be reviewed / developed in light of prior year carry forward requests which in turn would provide the basis to explore opportunities to support the delivery of savings targets or providing 'headroom' to meet cost pressures going forward, which could be on a one-off basis or on-going.

Allocation of the General Outturn Variance of £3.112m

Following on from the above, it is proposed to continue to hold this money within the Revenues Commitment Reserve and consider its allocation alongside the Financial Performance Reports later in the year, which includes the development of the Financial Forecast for 2024/25 and beyond. This approach will enable future investment to be aligned alongside other key financial decisions associated with delivering options and actions to support the Council's long term financial sustainability.

This aligns with the approach taken as part of the budget setting process for 2023/24 where the reduction in the forecast deficit provided additional flexibility in terms of developing the required framework in which to identify the necessary savings to support an on-going financially sustainable position over the next few years.

Other Issues

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 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 Finance and Governance Portfolio Holder, to make the necessary adjustments to the 2022/23 outturn position.

BRIEF LOOK AT THE IN-YEAR POSITION 2023/24 AND AHEAD TO 2024/25 AND BEYOND

As set out in previous financial performance reports, the Council faces a challenging financial environment such as on-going inflationary pressures on expenditure budgets. Based on the current forecast position reported to Full Council in February this year, significant on-going revenue savings are required in 2024/25 and beyond with work continuing to develop a framework in which to deliver this level of savings going forward. This work, along with updating the detailed financial forecast remains on-going and will be set against the outturn position for 2022/23, where the impact of both favourable and adverse variances will be subject to further review in terms of their potential longer-term impact.

In terms of 2023/24, some key issues include:

- Planning Appeal Costs
- Review of the Careline Business Case
- Waste Tipping Away Costs
- Fixed term budgets coming to an end e.g. Housing Early Interventions Officer.
- North Essex Parking Partnership Budget and potential financial impact on partnering authorities
- Impact of the outturn position for 2022/23 – over and above items highlighted above and reflecting both adverse and favourable issues.
- Ongoing inflationary pressures – e.g. employee and contract costs.
- Prioritising investment

In terms of 2024/25 and beyond, some issues over and above any on-going impact of the items identified for 2023/24 include:

- Consideration of extending the long-term forecast period beyond 2026/27
- Reflecting the on-going priorities and vision of the Council.
- Reviewing the overall financial risk approach – balancing any bias - cautiousness / optimism
- Using one-off funding to support the budget
- Future investment opportunities and cost pressures, including the impact of the upcoming retender of the waste and street cleansing contract
- Impact of new Extended Producer Responsibility relating to packaging and waste
- Framework within which to identify savings and efficiencies

Other Issues

The outturn report also provides the timely opportunity to reflect on other financial matters arising to date and in that context it is worth highlighting the following:

New Right to Buy Flexibilities and HRA Preferential Borrowing Rate

The amount of capital receipts from Right to Buy sales that Councils can retain along with how they can be spent are subject to a number of rules / restrictions with a summary as follows:

- The underlying amount that Council's can retain unconditionally is based on an 'historic' split between Councils and the Treasury – 25% and 75% respectively
- Councils can retain 'additional' amounts over and above the 'shared' amount paid to the Treasury above.
- Councils have 5 years to spend these additional retained amounts (this was increased from 3 years and is backdated)
- There is a 'cap' of 40% on the percentage cost of new homes that can be funded from these additional retained amounts.
- There is a cap of 50% on the amount of these additional retained amounts that can be used for acquisitions – with the first 20 units of delivery in each year excluded. (the Government have stated that their aim is to drive new supply for both existing and future receipts)

This 'cap' will reduce to 40% in 2025/26 and 30% from 2026/27 onwards.

- Any unused additional retained amounts will need to be repaid to the Government along with interest.

The Government have recently announced that Councils can retain 100% of capital receipts generated from Right to Buy sales in 2022/23 and 2023/24 rather than having to repay them over to the Treasury as part of the 'underlying' rules highlighted within the bullet points above.

Although these receipts will still be subject to all of the restrictions set out above, opportunities to spend this additional money that can be retained locally will be explored and reported to members at a later date.

It is also worth highlighting that Local Authorities can access loans from the PWLB at discounted rates from June 2023, intended primarily for new housing delivery. The rate applies to fixed rate loans and will be available for one year with its continuation subject to review. The rate is 0.40% above gilt rates, which is 0.6% lower than the 'standard' PWLB rate. Although the rate is advantageous, its potential benefit has been somewhat diluted by the underlying increase in general gilt prices / interest rates, which makes borrowing at the present time more expensive than in previous periods.

Notwithstanding the above, this issue can be considered alongside the use of retained additional receipts set out above within the context of the HRA Business Plan.

Council Tax Premiums on Second Homes

As previously discussed, the Government have included within the Levelling Up and Regeneration Bill the ability for Councils to charge a council tax premium of up to 100% on Second Homes.

Although the above bill is still subject to various Parliamentary processes before receiving royal assent, it may be necessary to consider the introduction of such a premium during 2023/24 given that a Local Authority's first determination must be made at least one year before the beginning of the financial year to which it relates. The earliest date that such a premium could be introduced is therefore 1 April 2025.

Council Tax discounts and premiums are subject to a separate reporting process during October and November each year. With this in mind, this issue will be reviewed / revisited as part of this separate decision making process later in the year.

PREVIOUS RELEVANT DECISIONS

Finance Update Report – General Update 2022/23 and 2023/24 – Item A.2 Cabinet 7 October 2022.

Financial Performance Report 2022/23 and 2023/24 – General Update at the end of Q2 – Item A.5 Cabinet 4 November 2022.

Updated General Fund Financial Forecast Including Proposed Budget Changes in 2022/23 along with Budget Proposals for 2023/24 – Items A.3 Cabinet 16 December 2022.

Updated General Fund Financial Forecast Including Proposed Budget Changes in 2022/23

along with Budget Proposals for 2023/24 – Items A.4 Cabinet 27 January 2023.

Executive's Proposals – General Fund Budget and Council Tax 2023/24 – Item A.1 Full Council 14 February 2023.

Executive's Proposals – Housing Revenue Account Budget 2023/24 – Item A.2 Full Council 14 February 2023.

Financial Performance Report 2022/23 and 2023/24 – General Update at the end of Q3 – Item A.3 Cabinet 17 March 2023.

Financial Outturn 2022/23 Report – To provide an overview of the financial outturn for the year 2022/23 and to seek approval of the associated financial decisions related to the end of year accounting processes. Report agreed by the Portfolio Holder for Finance and Governance under delegated Powers – 10 July 2023. LINK - [Decision - Financial Outturn 2022/23 \(tendringdc.gov.uk\)](https://www.tendringdc.gov.uk/decision-financial-outturn-2022-23).

BACKGROUND PAPERS AND PUBLISHED REFERENCE MATERIAL

None

APPENDICES

None

REPORT CONTACT OFFICER(S)

Name	Richard Barrett
Job Title	Assistant Director (Finance & IT)
Email/Telephone	rbarrett@tendringdc.gov.uk 01255 686521