

<b>Report to:</b>	Cabinet	14 November 2022
<b>Lead Cabinet Member:</b>	John Williams - Lead Cabinet Member for Finance	
<b>Lead Officer:</b>	Peter Maddock - Head of Finance	

## 2021/22 Provisional General Fund Revenue and Capital Outturn

### Executive Summary

1. The report reviews the General Fund Revenue and Capital outturn position for the financial year 2021/22 with Reserve balances as at 31 March 2022, and to agree proposed changes to the Capital Programme.
2. The report provides a statement of the year-end financial position and progress with approved capital investment projects.
3. The General Fund net cost of services was underspent by £0.490 million and whilst operational costs were overspent, non-operational costs were underspent, and this was entirely due to pension related costs which are properly charged to service expenditure but must be reversed out under non-operational costs to avoid being charged against the Council Tax.
4. Income from grants and taxation was £0.747 million lower than expected mainly related to Business Rates and related grant income. The overall position being an overspend of £0.257 million against the revised budget.
5. As a result of this £2.955m was added to the General Fund rather than £3.213m expected in the revised position. Compared to the original estimate the addition to reserves was £2.945 higher than expected.
6. All comparisons are made to the revised estimate.

### Key Decision

7. No

### Recommendations

8. It is recommended that Council consider the report and, if satisfied, to:
  - (a) **Acknowledge the 2021/22 general fund revenue outturn position as summarised in Appendix A, the operational underspend of £0.490 million, and the shortfall after income from Taxation and Government Grants in the year of £0.747 million,**

and the explanations provided for the variances compared to the revised 2021/22 revenue budget;

(b) Acknowledge the consequent increase in the General Fund as at 31 March 2022 of £2.955m to around £14.7m;

(c) In relation to the Capital Programme:

(i) Note the 2021/22 capital outturn of £32,420 million;

(ii) Acknowledge the performance achieved in relation to the Capital Programme schemes substantially completed in 2021/2022, summarised in Appendix B.

(iii) Approve the carry forwards of £3.344 million in relation to General Fund capital projects due mainly to slippage.

## Reasons for Recommendations

9. To advise the Council of the 2021/22 revenue and capital outturn position, the impact that this will have on the General Fund and to consider the carry forward of slippage within the 2021/22 capital programme. Also, to note that a full review of the Capital Programme including new bids will be carried out and presented to Cabinet on 12 December 2022 and subsequently to Council in February 2023.

## Details

### 2021/22 Revenue Budget – Outturn

10. This report sets out the 2021/22 Outturn position with a brief commentary on some of the variances. The Council's draft Statement of Accounts for 2021/22 are unlikely to be approved until next calendar year; and given that both 2019/20 and 2020/21 accounts are both unaudited it is quite possible the outturn may change and therefore the figures in this report need to be considered as 'provisional'.

11. The table below sets out the outturn position for each Directorate. The variance reported is against the revised budget. The overall position when compared to the revised is an underspend of £490,000:

Directorate	Revised 2021/22 £'000	Outturn 2021/22 £'000	Variance 2021/22 £'000	Variance %
Chief Executive	2,086	2,135	49	2.3
Director of Greater Cambridge Shared Planning	4,917	6,259	1,342	27.3
Head of Climate, Waste & Environment	7,947	8,089	142	1.8
Head of Finance	3,604	3,050	(554)	(15.4)
Head of Housing	1,727	2,036	309	17.9

Head of Transformation, HR & Corporate Services	3,019	3,303	284	9.4
<b>Operational Net Cost</b>	<b>23,300</b>	<b>24,872</b>	<b>1,572</b>	<b>6.7</b>
Income from Investments	(4,785)	(4,804)	(19)	(0.4)
Other Levies & Contributions	1,828	1,959	131	7.2
Interest Payable (inc HRA)	1,183	1,345	162	13.7
Accounting Reversals & MRP	1,180	(3,654)	(4,834)	(410.0)
Appropriation to/(from) Earmarked Reserves	(1,185)	1,313	2,498	(210.1)
<b>Non Operational Budgets</b>	<b>(1,779)</b>	<b>(3,841)</b>	<b>(2,062)</b>	<b>116.0</b>
<b>Total</b>	<b>21,521</b>	<b>21,031</b>	<b>(490)</b>	<b>(2.3)</b>

The Operational Net Cost of the Council relates to the day to day spending/service areas of the Council. The outturn for Net Operational Cost is £24.872 million which is £1.572 million above the revised estimate. When the budget was revised additional service related expenditure due to the pandemic were added in. The former is reversed out below the net cost of services line as they are an accounting adjustment and should not impact on the general fund balance or the Council Tax. The latter is funded by additional grant which is shown in the table at para 11. The aforementioned overspend is offset by an underspend of £2.062 million in relation to Non-Operational Budgets.

12. The key variances in operational areas are detailed below with a little commentary on each area, however the most significant variance in many service areas does relate to pension costs:

Directorate	£000	Reason for Variance
Chief Executive & Chief Operating Officer	49	Insignificant.
Director of Greater Cambridge Shared Planning	1,342	Planning is a directorate which provides a range of diverse services, the variance is made up of several under and overspends. The overspend of £383,000 in service provision relates mainly to the use of consultants within the Local Plan, North East Cambridge Area Action Plan and Development management areas which is offset by £64,000 underspends on salary related expenditure and additional income above the revised budget of £115,000.
Head of Climate, Waste & Environment	142	The cost of the footway lighting project is charged here in its entirety (£43,000). Whilst this expenditure is of a capital nature the assets belong to parishes and cannot therefore be included on the Council's balance sheet hence have to be charged to revenue in the year of spend. The cost is met from earmarked reserves rather than the general fund.  The commercial and trade waste service has been significantly impacted by the pandemic due to the ever-changing economic situation. The income was £95,000

		<p>below that predicted in the revised estimate because of the impact of Covid-19.</p> <p>In contrast, there were some savings within the domestic waste collection service of £65,000 on disposal costs of recycled material and one-off receipt of £120,000 in relation to the materials recycling facilities contract as part of the performance reconciliation process.</p>
Head of Finance	(554)	<p>Majority of this positive difference is driven by additional income received in revenues and benefits. Various one-off grants of £275,000 have been awarded to enable the Council to meet the many new burdens being placed upon it from Central Government. This was £185,000 above the revised budget.</p> <p>Housing Benefits has also seen improved levels of Overpayment recovery during 2021/22 which reduced the expected provision for doubtful debts as some debts expected to turn bad did not do so.</p>
Head of Housing	309	<p>The disabled facilities grants which were awarded during 2021/22 were higher than expected, though these are fully funded from grant monies received from County Council.</p>
Head of Transformation, HR & Corporate Services	284	<p>The overspend within Transformation generally relates to the increase in the pension costs.</p> <p>The new mobile warden scheme was due to commence in April 2020 for a period of 3 years. However due to slippage this didn't begin until 6 months later creating some underspends within the service. This was partly offset by increased grant allocation paid by the Healthy Living and Wellbeing service.</p>
Non Operational Budgets	(2,062)	<p>This is made up of two main variances. The pension related accounting adjustments is the biggest negative variation, this increase is somewhat masked by other accounting adjustments relating to Capital Financing charges and Minimum Revenue Provision (MRP).</p> <p>The biggest positive variation is due to additional transfers to reserves primarily relating to £1.05m added to the A14 upgrade reserve and £70,000 to cover the additional pressures faced by the waste service for rising costs related to volatility in the fuel market. The contribution to reserves was higher due to less use of the renewables reserve because of the delays incurred on the South Cambs Greening Project and a delay in the delivery of the electric refuse vehicles.</p>

13. It is usual practice to submit any requests for rollover to 2022/23 as part of this report however there are none this time.

14. In addition to operation and non-operational income and expenditure above the following table shows the outcome for Council Tax, Business rates and the various other non-ringfenced grants received from Central Government.

Directorate	Revised 2021/22 £'000	Outturn 2021/22 £'000	Variance 2021/22 £'000	Variance %
<b>Total Expenditure (from above)</b>	<b>21,521</b>	<b>21,031</b>	<b>(490)</b>	<b>(2.3)</b>
Government Grants	(2,443)	(2,546)	(103)	4.2
Council Tax	(9,998)	(9,998)	-	-
Business Rates Income	(11,751)	(10,952)	799	(6.8)
Business Rates Pool gain	(1,168)	(1,117)	51	(4.4)
Covid Support Grant	(634)	(634)	-	-
Business Rates – Collection Fund Deficit	1,373	1,373	-	-
Council Tax - Collection Fund Surplus	(113)	(113)	-	-
<b>Income from Taxation and Government Grants</b>	<b>(24,733)</b>	<b>(23,987)</b>	<b>747</b>	<b>(3.0)</b>
<b>Appropriation (to)/from General Fund Unearmarked Reserve</b>	<b>(3,213)</b>	<b>(2,955)</b>	<b>257</b>	<b>(8.0)</b>

15. The Outturn position set out in the table above reflects the following:

- Business Rates income has been affected by numerous changes over the last few years with a significant number of new reliefs coming in. The pandemic has made this even worse with pandemic reliefs being granted which the council is compensated for by the section 31 grants scheme. The small business and retail reliefs introduced because of the pandemic were quite significant and has meant that any resulting negative affect on the collection fund is to be spread over three years. The actual income achieved is below that expected mainly due to the reliefs and compensation scheme introduced in 2020/21 which has also affected 2021/22 due to timing differences.
- In 2020/2021 a business rates pool was set up involving South Cambs, East Cambs, Fenland, Peterborough, the County Council and Fire Authority. The purpose of this is to 'pool' all of the business rate tariffs (Districts and Peterborough) payable to and top ups (County Council and Fire) receivable from central government of the authorities involved and any business rates growth that has been achieved since the current business system was brought in. Each authority if remaining outside the pool would have had to pay half of the growth they achieved to Central Government. By setting up a pool this half can be retained within the county and shared between the pool members in line with the signed memorandum of understanding. South Cambridgeshire is the administering authority and our contribution to the pool was the most significant of all members due to the growth seen in the District. The pool gain was estimated at £1.168 million the actual was £1.117 million. A pool cannot function without the involvement of a top up authority namely the County Council.

- Grant of £0.634 million for additional expenditure pressures relating to the pandemic was received early in the year. This is shown as un-ringfenced as there were no restrictions attached to the use of this funding. The related expenditure is shown within the services to which it relates in line with proper accounting practice. Not all this funding was used in 2021/22 and is therefore held in a reserve to finance expenditure in 2022/23.
- The Council received £15.8m in funding to provide support to businesses and individuals through the continuing pandemic. £9m was provided for distribution in the form of grants, £6.3m in the form of Business Rates relief and £0.5m for the test and trace scheme. Not all this funding was dispersed during 2021/22 and some was carried forward into 2022/23 for use in this financial year.
- The Council tax figure quoted remains unchanged as this was fixed when the budget was set in February 2021.

16. The original budget assumed a £0.01 million addition to the General Fund Balance and the revised a £3.213 million increase. This was primarily due to additional section 31 business rates compensation grant of £2.4 million. However, the actual position fell between the two figures and is an increase of £2.955 million, so £0.257 million less added to the General fund Reserve compared to that expected when the budget was revised.

#### Reserves

17. The reserves are reviewed from time to time a full review occurred as part of the budget process for 2020/21, some were amalgamated, and others re-aligned however there needs to be a regular review process to ensure they are adequate and relevant to the priorities of the Council and the budget cycle is the best time for that to happen. As at 31<sup>st</sup> March 2022 the balance on General Fund earmarked reserves was over £38 million.

18. The major reserves the Council holds are detailed below with some commentary on each:-

#### New Homes Bonus (NHB) GCP Reserve

£4.330 million: This reserve was set up in 2015-16 as a result of the agreement between South Cambs, Cambridge City and Cambridge County Councils to fund the work of Greater Cambridge Partnership (GCP). An agreed proportion of the NHB monies the authorities receive from the Government was agreed to be dispersed for this purpose. The amount set aside was 30% until August 2020 and 10% thereafter. The Partnership has requested the remaining funding is paid in 2022/23.

#### Infrastructure and A14 upgrade Reserve

£5.650 million: An amount of £1.05m was received from the County Council during the year and added to this reserve. This is to be paid over at the same time as the Council's annual contribution of £200,000. The original intention was to pay over £200,000 per year for 25 years from 2020/21 this profile though is currently being revised in light of the additional money received from the County council.

#### Renewables Reserve

£5.370 million: Set up at the end of 2015/16 in order to fund an investment programme to build new sources of renewable energy. The funds are built up from amounts retained in respect of Renewable Energy Schemes as per NNDR3 returns and the pool gain from the

business rates pool. The fund has increased by £389,000 on the previous year with Additions totalling £1.838 million and usage of £1.449 million the largest element being on the South Cambs Hall greening project.

#### Property Investment Reserve

£3.948 million: The funds are available to meet any costs that do not fall within the responsibility of the tenant under tenant repairing leases such as improvements to environmental standards. An amount of £200,000 is added annually.

#### Transformation Reserve

£2.731 million: Set aside to meet one off costs associated with the Council's transformation programme. The programme will be running over the next two years or so and any unused balance once the programme is completed will be returned to the General Fund. During the year £815,000 of the reserve was used to meet expenditure against an expected usage of £796,000.

#### General Fund Capital Programme 2021/22 – Outturn

19. The outturn in relation to the 2021/22 Capital Programme identifies an expenditure underspend of £3.083 million and equivalent financing underspend. The budget for comparison purposes is the revised budget that was reported to Council as part of the 2022/23 budget papers:

<b>General Fund Capital Programme</b>	<b>Revised 2021/22 £'000</b>	<b>Outturn 2021/22 £'000</b>	<b>Variance 2023/24 £'000</b>	<b>C/Fwd £'000</b>
<b>Gross Directorate Budgets:</b>				
Chief Executive	18,800	17,593	(1,207)	1,207
Director of Greater Cambridge Shared Planning	15	-	(15)	-
Head of Climate, Waste & Environment	1,617	571	(1,046)	1,002
Head of Finance	230	211	(19)	19
Head of Housing	1,707	1,327	(380)	304
Head of Transformation, HR & Corporate Services	2,884	2,091	(793)	812
Advances to Housing Company	10,250	10,627	377	-
<b>Gross Total</b>	<b>35,503</b>	<b>32,420</b>	<b>(3,083)</b>	<b>3,344</b>
<b>Financed By:</b>				
Grants / Contributions	1,621	856	(765)	
Revenue	3,414	2,143	(1,271)	
Capital Receipts	1,418	1,201	(217)	
Borrowing	29,050	28,220	(830)	
<b>Total Financing</b>	<b>35,503</b>	<b>32,420</b>	<b>(3,083)</b>	

20. The area of highest underspend is within Chief Executive Services, expenditure totalling £18.8m was proposed for investment in the period 1 April 2020 to 31 March 2021, however only £17.6m was spent compared to the allocated budget. This was because fewer investment opportunities have arisen since the change in the terms of Public Works Loans Board which means that the Council are unable to invest in assets that are purchased purely for income yield. There was also significant underspend on 270 Science Park to spend on capitalised repairs for preparing the building for letting, though the works were not completed as expected in 2021/22 due to material supply problems. An amount of £1.207 million is requested for carry forward to 2022/23.
21. The Head of Climate, Environment and Waste budget is provided in the main for vehicle replacements for the waste fleet. The underspend of £1.046m was primarily due to the electric refuse vehicles (£902,000) and air quality monitoring equipment (£100,000) purchase not taking place as planned. This will now occur in 2022/23.
22. The amount allocated in 2021/22 for lending to Ermine Street Housing was revised to £10.250m. In the event £10.627m was actually advanced due to the loan's requirement for house purchases in order to reach the 500 property purchase target.
23. The other item relates to the A14 contribution which is as expected. This is treated as Revenue expenditure funded from capital as it does not result in the creation of a Council asset but the expenditure is of a capital nature.
24. Expenditure on Housing includes the Orchard Housing System, Northstowe Community Projects, re-purchase of General Fund Sheltered Properties and Private Sector Housing Grants including Disabled Facilities grants (DFG's). Overall, in Housing there was underspend of £380,000.
25. The Housing Management System is close to completion with work continuing to interface the Housing and Finance systems for efficient payment of contractor invoices and implementation of the Housing & Asset Mobile solution allowing officers accessibility via mobile devices. Expenditure was £19,000 below the budget so this underspend needs to be carried forward to 2022/23 to complete the project.
26. Expenditure in relation to General Fund property purchases is difficult to predict, a budget of £525,000 was set but expenditure was £449,000 at the end of 2021/22. The budget for Private Sector Housing Grants was reduced in the revised estimate to £850,00, though a significant amount of grant work was committed during 2021/22 but was not completed before year end. £155,000 underspend is required to be carried forward to 2022/23 to facilitate the completion of the outstanding works.
27. The Head of Transformation, HR and Corporate Services budget includes ICT projects and Capital works at the Camborne offices. Overall budgets were underspent by £793,000. The largest underspend was on the greening project (£699,000). This is slippage and needs to be carried forward into 2021/22. The project has been significantly delayed from its original timeline mainly due to the pandemic and unsatisfactory build works which are still being resolved with the contractor.
28. All sources of funding were lower than expected due to the underspend on the capital programme.
29. A summary of the performance achieved in relation to the Capital Programme schemes (excluding rolling programmes) substantially completed in 2021/2022 is detailed in Appendix B.



30. A more detailed post implementation review of key capital projects has been undertaken by relevant Officers in accordance with the Capital Strategy and a summary of the scheme progress is also identified in Appendix B.

## **Options**

31. Options involve not agreeing some or all the carry forward amounts or the additional funding for the lighting scheme. This is not recommended as delays would be introduced and unfinished works would occur.

## **Implications**

32. In the writing of this report, taking into account financial, legal, staffing, risk, equality and diversity, climate change, and any other key issues, the following implications have been considered: -

## **Financial**

33. As detailed in the report.

## **Consultation responses**

34. None.

## **Alignment with Council Priority Areas**

### **Growing local businesses and economies**

35. The report provides the 2021/22 outturn position on expenditure that it would not normally incur whilst providing extra support to local businesses after the lockdown period of the pandemic.

### **Housing that is truly affordable for everyone to live in**

36. The Council provides the 2021/22 outturn position on the New Homes Bonus and Property Investment Reserves which supports the business plan of providing homes which are truly affordable.

### **Being green to our core**

37. The 2021/22 outturn provides an update on a number of schemes which relate to the green to our core element of the Councils business plan.

## **A modern and caring Council**

38. The report supports the Council's business plan by providing the position on the grant schemes which were introduced during 2021/22 to help businesses and residents through the pandemic.

## **Background Papers**

- Medium Term Financial Strategy – Report to Council: 23 September 2021
- Capital Programme Update – Report to Cabinet: 06 December 2021
- Budget Report – Report to Cabinet: 07 February 2022
- Business Plan 2020/2025 – Report to Council: 22 February 2022

## **Appendices**

- Appendix A: Revenue Outturn 2021/2022: Summary
- Appendix B: Completed Capital Projects 2021/2022: Performance

## **Report Author:**

Peter Maddock – Head of Finance

*E-mail:* [peter.maddock@scambs.gov.uk](mailto:peter.maddock@scambs.gov.uk)

Farzana Ahmed – Deputy Head of Finance

*E-mail:* [farzana.ahmed@scambs.gov.uk](mailto:farzana.ahmed@scambs.gov.uk)

Suzy Brandes – Principal Accountant

*E-mail:* [suzy.brandes1@scambs.gov.uk](mailto:suzy.brandes1@scambs.gov.uk)