



COUNCIL: 15 December 2021

Report of: Head of Finance, Procurement and Commercial Services

Relevant Portfolio Holder: Councillor A Yates

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**SUBJECT: MID-YEAR GENERAL REVENUE ACCOUNT (GRA) FINANCIAL
UPDATE 2021/2022**

Wards affected: Borough wide

1.0 PURPOSE OF REPORT

1.1 To provide a summary of the projected revenue position on the General Revenue Account (GRA) at the mid-year point of the financial year 2021-22.

2.0 RECOMMENDATIONS

2.1 That Members note the forecast GRA outturn position and the comments in sections 4 and 5 of this report.

3.0 BACKGROUND

3.1 GRA budgets and policy options, both growth and savings, were approved by Council in February 2021. Further savings were subsequently approved in the July 2021 Medium Term Financial Forecast (MTFF). Separately, a small favourable outturn position for the previous financial year - 2020-21 of £270k was also reported in July 2021.

4.0 2021-22 FORECAST OUTTURN POSITION AT MID YEAR

4.1 The forecast revenue outturn position for the current financial year - 2021/22 is:-

- a **favourable £427k underspend**
- **representing 3% of net budget expenditure**

4.2 This forecast figure shows the expected operational position in regard to core activities, demonstrating that expenditure net of external income is being managed within the agreed budget envelope.

Such a positive position is, in part, a direct consequence of the action by management through the programme of the "Challenge and Support" sessions held across all service areas to identify both one-off and recurring budget efficiencies.

4.3 The major variances which make up the forecast £427k underspend, in materiality *order* are:-

Service Area	Revised Budget 2020/21	Under spend 2020/21	Comments
Wellbeing & Leisure	£3,170k	£385k	Leisure contract and repairs.
Housing & Regulatory	£1,897k	£100k	Disabled Facilities Grant fees, plus some minor staff cost savings.
Environmental Services	£7,237k	£50k	Fleet repair costs.
Miscellaneous	(£1,886k)	(£108k)	Under achievement of investment income.
Total Underspend		£427k	

Fig 1

Analysis of major projected Outturn variances from budget
based upon
2021/22 half year actuals

4.4 Fig 2 below places the forecast variances in the context of the full Council and presents the relative variances in sharper contrast than is possible with a table of figures.

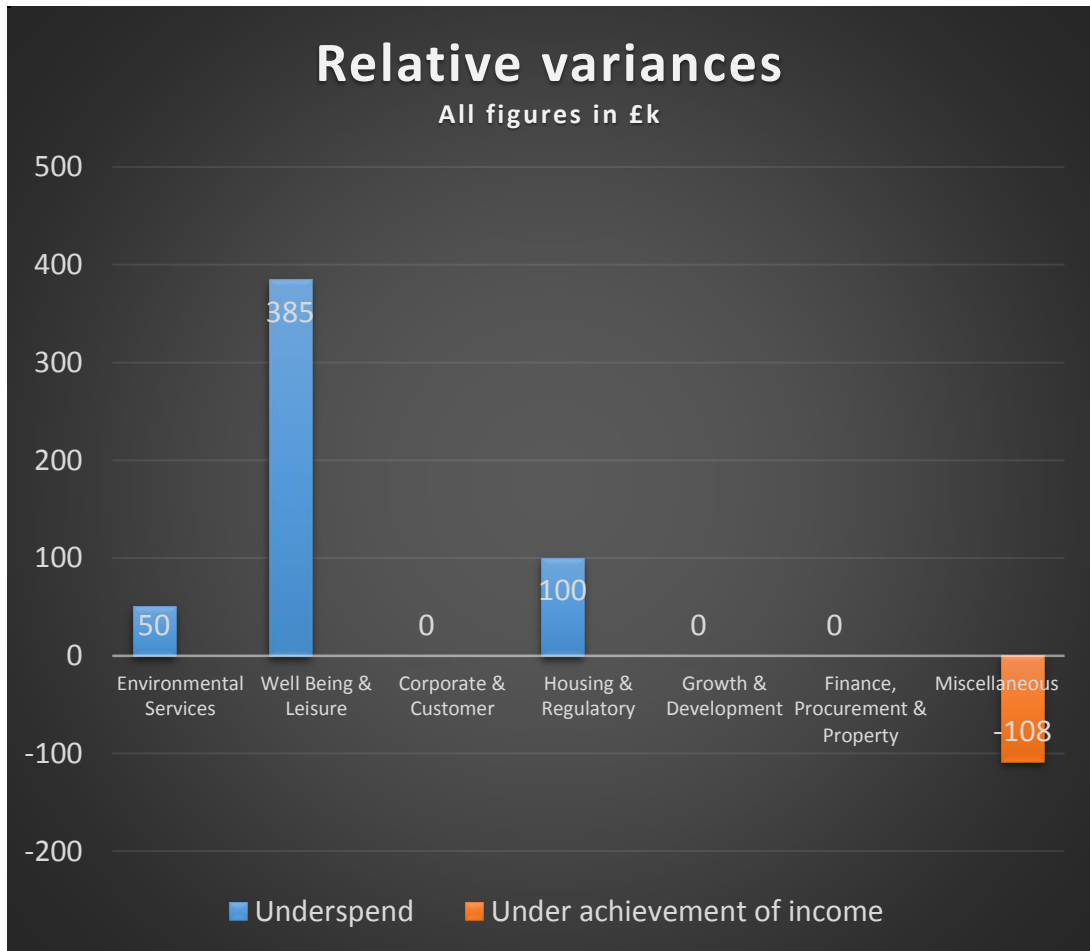


Fig 2

Analysis of major projected Outturn variances from budget
based upon
2021/22 half year actuals

Relative variances across the Council

4.5 Taking the forecast variances in materiality order:-

- ❖ Wellbeing & Leisure - £385k underspend
This underspend has been achieved by close management of the contract relating to the provision of Leisure Services which involved the release of surplus monies set aside for repairs in addition to savings flowing from management of the contract activity on a routine and regular basis.
- ❖ Housing & Regulatory - £100k underspend
Increased Disability Grant fees together with savings in minor staffing costs have driven this underspend.
- ❖ Environmental Services - £50k underspend
The introduction of new arrangements for fleet maintenance have resulted in this forecast underspend.
- ❖ Miscellaneous - £108k under achievement of investment income
The depressed state of the market and the uncertain time frame for recovery means the Council will not achieve the investment income as anticipated under the SORP review.

4.6 The forecast underspend of £427k for the current financial year - 2021/22 outturn position will be updated and addressed more fully within the MTFS and GRA budget setting report to Council on 23rd February 2022 however it is clearly anticipated to favourably impact on the Council's financial resilience going forward.

4.7 The reported underspend and the work that lies behind the forecast outturn exercise for the current financial year on the 2021/22 is focused heavily on comparison with the approved Revenue budget for the GRA.

This essentially therefore produces the financial position of the Council for the underlying, routine cost of providing the current level of service (CCLS) by the Council in 2021/22.

This CCLS is largely recurring year on year and the Council's ability to fund this CCLS is a core requirement of any future financial planning in the Medium Term Financial Strategy (MTFS) and the making of the next Annual Revenue Budget (in our case 2022/23).

Any inability to fund the CCLS in the new budget is commonly referred to as the budget gap.

This outturn forecast therefore augurs well for the next budget making in that the forecast underspend is a strong indication that the budget gap is narrowing - in as much as the underlying recurring CCLS is indicating an underspend of £427k.

5.0 ONE OFF FINANCIAL PRESSURES & OPPORTUNITIES

- 5.1 However, over and above the bedrock & largely recurring CCLS in 2021/22 there are inevitably a number of largely one off events which occur in any financial year which are not part of this recurring pattern of spend and which can have a material effect on either the current financial year or the subsequent finance year.
- 5.2 It is not possible to estimate the effects of these one off events at the half year stage, unlike the outturn forecast relating to the routine, recurring CCLS, this work is more effectively embraced when formulating the Council's budget estimate - which this year will be for 2022/23 and indeed when constructing the Medium Term Financial Strategy (MTFS) for the 3 years ending 31st March 2025.

These key financial planning documents are scheduled to be presented to Cabinet on 25th January 2022 and to Council on 23rd February 2022.

- 5.3 The table below presents a list of these financial pressures/opportunities which we are aware of and which we expect will have a material effect on the Council's finances, with the expectation being that overall there will be a positive rather than a negative effect on the Council's finances:-

Ref	Pressure/Opportunity	Comments
1	The Financial Settlement for Local Government re 22/23	Announced Dec/Jan by Central Government
2	Business Rates & Council Tax Collection performance	Material effect on bad debts assumptions, costs of collection & business rates pooling arrangements.
3	Overall performance of Lancashire Business Rates Pool	Material effect on local retention of business rates
4	Minimum Revenue Provision	Potential clawback of overprovision
5	Capitalisation of revenue costs	Changes in government rules may provide an opportunity
6	Availability of excess levels of Reserves	An in depth review of reserves balancing the need to provide financial cover with the need not to unnecessarily tie up precious financial resource.

7	The macroeconomic outlook for the UK economy	Increasing inflation, interest rates & slower than expected economic recovery due to the major effect of Brexit on the economy as identified by the Office of Budget Responsibility.
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6.0 SUSTAINABILITY IMPLICATIONS

6.1 It is a legal requirement for the Council to set and operate within a balanced budget. The sustainability of the Council in the long run allows it to provide services that the public require.

7.0 RISK ASSESSMENT

7.1 The financial situation is largely affected by the level of Government funding that is provided and hence is open to variation. In addition, the economic climate that is likely to prevail post COVID will be difficult, and this will have a knock on consequence to income generating areas of the Council and the potential income opportunities that the Council may wish to explore. Further uncertainties around items such as the Governments reduction of New Homes Bonus also add to our challenge over the medium term.

Background Documents

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this Report.

Equality Impact Assessment

The majority of the budget issues set out in this report have been the subject of previous reports to committees and consequently an Equality Impact Assessment has already been prepared for them where relevant.