

Agenda Item



COUNCIL: 19 July 2023

Report of: Head of Finance, Procurement and Commercial Services

Relevant Portfolio Holder: Councillor Rob Molloy

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SUBJECT: GRA Revenue Outturn Position 2022-23

Wards affected: Borough wide

1.0 PURPOSE OF REPORT

1.1 To provide a summary of the revenue outturn position on the General Revenue Account (GRA) for the 2022/23 financial year, noting movements in the Council's reserves and balance.

2.0 RECOMMENDATIONS

2.1 That the revenue outturn position be noted.

2.2 That the use of reserves required was £234k less than was budgeted be noted.

3.0 BACKGROUND

- 3.1 The GRA budget set in February 2022 for the 2022-23 financial year provided for the use of £1.341m reserves to ensure that it was balanced.
- 3.2 The budget in February 2023 for 2023/24 includes a corresponding use of reserves of £1.780m. The continued use of reserves can of course only be a short- to medium term measure and the medium-term financial forecast approved at that same meeting shows it being reduced to £595k in 2024/25 and ceasing altogether by 2025/26.
- 3.3 In common with all local authorities, the Council continues to face a very challenging financial environment.
- 3.4 Perhaps the most obvious of these are the continuing high rates of inflation. In the corresponding report to this one for 2021/22, it was noted that: 'exceptionally high inflation, expected to peak in 2022/23 at over 10%, is likely to have an adverse effect on the financial position and/or delivery of services without mitigating action being taken'. This did of course happen, with CPI reaching a peak of 11.1% in October 2022, with the overall rate of inflation for 2022/23 being 10.1%. This was well in excess of the levels allowed for in setting the Council's budget for the year (which were themselves based on forecasts by the Office For Budget Responsibility).
- 3.5 Another, more specific to local authorities, but again across the whole of local government and not specific to West Lancashire, is the continuing national skills shortages across a range of services and professions. The Council has been successful in covering roles with temporary staff and so protecting service levels, but this does of course create a pressure on staffing budgets.

4.0 GRA 2022/23 OUTTURN

4.1 A summary of the draft GRA revenue outturn is set out in the table below.

	Outturn	Revised Budget	Variance	Comments (variance greater than £150k)
	£'000	£'000	£'000	
Corporate & Customer Services	3,812	5,725	1,913	Vacancies and overtime. ICT costs below budget. Ctax rebate new burdens grant and some year end adjustments on ctax/NNDR/benefits. Several smaller variances cummulatively.
Environmental Services	6,962	6,595	-367	Staff and agency cost pressure
Finance, Procurement and Commercial Services	-1,164	-1,206	-42	
Housing	495	839	344	Grant allocated in year rather than rolled forward
Legal and Democratic Services	1,177	1,178	1	
Planning and Regulatory	2,101	1,810	-291	£106k staffing costs Planning income below budget
Wellbeing and Place	1,976	1,735	-241	Skelmersdale master plan costs pending agreement of grant funding
Corporate Budgets	800	754	-46	
Staff Vacancy Factor	0	-1,014	-1,014	Budget is held centrally, but offsets against savings on individual service lines
Total Net Service Budgets	16,159	16,416	257	
Interest Receivable	-405	-435	-30	
Minimum Revenue Provision	314	314	0	
Contribution to/(from) Reserves	-1,107	-1,341	-234	
Total Net Budget	14,961	14,954	-7	
Council Tax	-8,226	-8,226	0	
Business Rates (NNDR)	-2,793	-2,793	0	
Business Rates Reliefs Grants	-2,850	-2,850	0	
Other Government Grants & Contributions	-1,092	-1,085	7	
Total Funding	-14,961	-14,954	7	
Net Amount For Year	0	0	0	

4.2 The key line is that highlighted light blue in the table. This shows that, in order to balance the outturn position for 2022/23, the Council needs to make use of £1.107m of reserves, compared to a budgeted figure of £1.341m, a reduction of £234k. Given the serious pressures on budgets faced during the year, this is a highly positive outcome and one that helps to strengthen the base financial position in dealing with continuing cost pressures in 2023/24 and in the preparation of the updated MTFs for 2024/25 onwards.

4.2 There were also some minor movements against service specific reserves and more detail of this is set out at paragraph 4.12-15 below and in Appendix A.

- 4.3 Should any further adjustments be identified as the content of the Statement of Accounts is finalised, then these will be matched by a corresponding amendment to the amount transferred from reserves, so that the overall position remains in balance.

Comparison to Quarter 3 Forecast

- 4.4 The following table shows the changes in the draft outturn variances against budget, compared to those forecast at the end of Quarter 3 (as reported to Budget/Council Plan Committee on 28 February 2023).

	Draft Outturn Variance £'000	Q3 Forecast Variance £'000	Movement Since Q3 £'000	Comments (movements greater than £150k)
Corporate & Customer Services	1,913	750	1,163	Overtime and some ongoing approved budget issues not utilised. ICT costs even less than forecast. Ctax rebate new burdens grant and some year end adjustments on ctax/NNDR/benefits. Several smaller favourable variances cumulatively.
Environmental Services	-367	-130	-237	Increased activity on Clean & Green works in Q4 and agency costs
Finance, Procurement and Commercial Services	-42	0	-42	
Housing	344	250	94	
Legal and Democratic Services	1	25	-24	
Planning and Regulatory	-291	-300	9	
Wellbeing and Place	-241	150	-391	Skelmersdale master plan costs pending agreement of grant funding. Leisure contract expenditure more than forecast
Corporate Budgets	-46	150	-196	Net change from Q3 forecast due to pension and other year-end accounting transactions, plus audit fees
Staff Vacancy Factor	-1,014	-1014	0	
Total Net Service Budgets	257	-119	376	
Interest Receivable	-30	-135	105	
Minimum Revenue Provision	0	0	0	
Contribution to/(from) Reserves	-234	254	-488	
Total Net Budget	-7	0	-7	
Council Tax	0	0	0	
Business Rates (NNDR)	0	0	0	
Business Rates Reliefs Grants	0	0	0	
Other Government Grants & Contributions	7	0	7	
Total Funding	7	0	7	
Net Amount For Year	0	0	0	

- 4.5 Forecasting can only ever be an estimate of expected income and expenditure to come, based largely on operational activity and expectations. This needs to balance prudence, (not promising funds that are not actually available), with

realism. There were a number of specific factors - both favourable and adverse - that affected the overall positive movement of £488k, (3.2%), from Q3 forecast to final outturn, detailed in the table above.

- 4.6 Other positive factors during Q4 included the CMT decision to limit non-essential expenditure. This cannot be directly quantified but it is likely to have had some favourable benefit.
- 4.7 Year end accounting transactions can be very difficult to forecast since they depend upon looking at aspects of the accounts in the whole and are not operational in nature. Accounting at 31 March 2023 around Council Tax, NNDR, pensions and benefits had an overall favourable impact. In particular the effect in CCS of £669k.
- 4.8 Rising interest rates also played a favourable role by increasing the amount of interest income received by WLBC later in the year. The Treasury Management Outturn report, elsewhere on this agenda, provides further detail in respect of the amount of interest receivable for the year.

Reserves

- 4.9 Overall movements in reserves during 2022/23 are set out in the table below, together with a comparison of the actual movements against those forecast and the time of the preparation of the MTFS for 2023/24 onwards in February 2023.

	Balance at 1 April 2022	Movement During Year	Balance at 31 March 2023	Balance at 31 March 2023 - February 2023 Forecast	Difference between Outturn and Forecast Closing Balance
	£'000	£'000	£'000	£'000	£'000
Earmarked Reserves					
Corporate Reserves	-12,985	3,230	-9,755	-8,996	-759
Insurance Reserve	-1,006	68	-938	-1,006	68
Ring-Fenced Reserves	-1,897	-40	-1,937	-1,897	-40
Earmarked Reserves Total	-15,888	3,258	-12,630	-11,899	-731
General Reserve	-960	0	-960	-960	0
TOTAL	-16,848	3,258	-13,590	-12,859	-731

4.10 These movements can be analysed as follows:

	Balance at 1 April 2022	Movement During Year	Balance at 31 March 2023	Balance at 31 March 2023 - February 2023 Forecast	Difference between Outturn and Forecast Closing Balance
	£'000	£'000	£'000	£'000	£'000
Earmarked Reserves					
Budget And Efficiency Savings Reserve	-3,949	1,107	-2,842	-2,608	-234
Business Rates Equalisation Reserve	-4,769	1,993	-2,776	-2,314	-462
Other Earmarked Reserves	-7,170	158	-7,012	-6,977	-35
TOTAL	-15,888	3,258	-12,630	-11,899	-731

4.11 From this it can be seen that the bulk of the change from the forecast position relates to two reserves.

- The reduced use of the Budget And Efficiency Savings Reserve of £234k described in paragraph 4.2 above.
- A reduction of £462k in the use made of the Business Rates Equalisation Reserve. This arises from additional S31 Grants for Business Rates Reliefs and the need to set these aside to fund future year deficits on the Collection Fund. It therefore does not represent a real increase in the resources available to the Council for the funding of services.

Movement against other reserves is largely in line with budgeted amounts and overall totals just £35k. Therefore, after allowing for the £234k referred to above, the draft outturn position is in line with that presented as part of the MTFs in February 2023.

4.12 A full listing of Earmarked Reserves is shown at Appendix A below.

5.0 SUSTAINABILITY IMPLICATIONS

5.1 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.

6.0 RISK ASSESSMENT

6.1 The formal reporting of performance on the General Revenue Account is part of the overall budgetary management and control framework that is designed to minimise the financial risks facing the Council. This process is resource intensive for both Members and Officers but ensures that a robust and achievable budget is set.

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.

APPENDIX A

EARMARKED RESERVES: DRAFT OUTTURN 2022/23 AND COMPARISON TO FORECAST POSITION AT FEBRUARY 2023

	Balance at 1 April 2022	Movement During Year	Balance at 31 March 2023	Balance at 31 March 2023 - February 2023 Forecast	Difference between Outturn and Forecast Closing Balance
	£'000	£'000	£'000	£'000	£'000
Earmarked Reserves					
Corporate Reserves					
Sorp / Policy Options Reserve	-172	0	-172	-172	0
Budget And Efficiency Savings Reserve	-3,949	1,107	-2,842	-2,608	-234
Benefits Equalisation Reserve	-908	0	-908	-908	0
Planning Income Equalisation Reserve	-125	0	-125	-125	0
Business Rates Equalisation Reserve	-4,769	1,993	-2,776	-2,314	-462
Major Projects Reserve	-399	0	-399	-330	-69
Strategic Invest / Finance Svs Reserves	-613	0	-613	-613	0
Environmental Health Lancashire	-10	0	-10	-10	0
Customer Services	-315	46	-269	-261	-8
Elections Reserve	-146	0	-146	-146	0
Legal Reserve	0	0	0	0	0
Internal Provisions	-20	0	-20	-20	0
Recycling Reserve	0	0	0	0	0
Finance Service Reserve	-990	0	-990	-990	0
Hsg Gra - General Reserve	0	0	0	3	-3
H.R. Reserve	-18	-2	-20	-20	0
Leisure Reserve	-177	86	-91	-132	41
Planning Policy & Engineers	-332	0	-332	-308	-24
R & P Reserve	-42	0	-42	-42	0
Corporate Reserves Total	-12,985	3,230	-9,755	-8,996	-759
Insurance Reserve					
Adj Re Hra Insurance Fund	331	21	352	0	352
Provision For Insurance Claims	-1,337	47	-1,290	-1,006	-284
Insurance Reserve Total	-1,006	68	-938	-1,006	68
Ring-Fenced Reserves					
P&D Machine Replacement Fund	-29	0	-29	-29	0
Solar Pv Income Reserve	-261	-40	-301	-261	-40
Cra -R & R Fund	-222	0	-222	-222	0
Ind.Portfolio - Fund	-996	0	-996	-996	0
Investment Centre Utility Reserve	-30	0	-30	-30	0
Investment Centre Reserve	-359	0	-359	-359	0
Ring-Fenced Reserves Total	-1,897	-40	-1,937	-1,897	-40
EARMARKED RESERVES TOTAL	-15,888	3,258	-12,630	-11,899	-731