

South Lakeland District Council
Cabinet 4 July 2022
Overview and Scrutiny 8 July 2022
Council 13 July 2022
Revenue and Capital Outturn 2021/22

Portfolio: Finance and Assets Portfolio Holder
Report from: Section 151 Officer
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Wards: (All Wards)
Forward Plan: Not applicable

Links to Council Plan Priorities: This report sets out how the Budget, set to enable the delivery of the Council's priorities, was spent in 2021/22. Setting a sound framework for budget preparation, monitoring and reporting assists in the delivery of all corporate outcomes. The budget was developed within the context of the Medium Term Financial Plan (MTFP) and supports all Council Plan priorities (working across boundaries; delivering a balanced community; a fairer South Lakeland; and addressing the climate emergency) through ensuring financial resources to deliver each priority.

1.0 Expected Outcome and Measures of Success

1.1 To note the Council's financial performance for 2021/22 and to approve movements to and from reserves and the carry forward of budgets to 2022/23. As a result of sustained performance and financial management during 2021/22 the overall underspend for 2021/22 including the impact of Covid-19 is £23k and, net of planned used of working balance, has resulted in £5k being transferred to General Reserve.

2.0 Recommendation

2.1 It is recommended that Cabinet:-

- (1) note the outturn figures and variance explanations set out in the report and appendices;**
- (2) approve the carry forwards set out in Appendix 1c and Appendix 2;**
- (3) request Council approve the virement of £2,109,829 for the Covid Additional Relief Fund as set out in paragraph 3.10; and**
- (4) request Council approve the contributions to and from reserves detailed in Appendix 4 and the changes in responsibility for reserves set out in paragraph 3.17.; and**
- (5) request Council approve the amended Capital Programme at Appendix 3.**

2.2 It is recommended that Overview and Scrutiny Committee note the outturn figures and variance explanations set out in the report and appendices.

2.3 It is recommended that Council:-

- (1) approve the contributions to and from reserves detailed in Appendix 1a; and
- (2) approve the virement of £2,109,829 for the Covid Additional Relief Fund as set out in paragraph 3.10; and
- (3) approve the amended Capital Programme at Appendix 3.

3.0 Background and Proposals

3.1 The Council's budgets for the financial year 1 April 2021 to 31 March 2022 were approved by Council in February 2021.

General Fund Revenue Expenditure and Outturn

3.2 **Appendix 1a** shows the final overall General Fund outturn against budget for 2021/22 and **Appendix 1b** shows service expenditure and income variances against budget. Explanations are included in **Appendix 1b** where variances are over £10k and have been split between variances relating to Covid-19 and variances relating to business as usual (BAU).

3.3 The overall net General Fund had a net overspend of £23k for 2021/22 including Covid-19, and resulted in a net contribution of £5k to reserves rather than the use of £18k of reserves as budgeted. This is slightly higher than the projected overspend. **Table 1** shows the majority of the variance relates to running costs, mainly due to additional payments relating to Covid-19 grants which are offset by additional grants, as shown in **Appendix 1b** and **Table 4** below.

Table 1: Summary of service variances by type of expenditure

	2021/22 Working Budget £000	2021/22 Actual £000	2021/22 Variance £000
Employees	17,608	17,691	83
Running Costs	31,612	68,331	36,719
Capital	11,022	11,014	(8)
Gross Expenditure	60,242	97,036	36,794
Income	(37,745)	(76,769)	(39,024)
Net Service Variances	22,497	20,267	(2,230)
Non-Service Net Expenditure (see table 3 for details)	(22,479)	(20,272)	2,207
Net Underspend transferred to General Reserve	18	(5)	(23)

3.4 Although the impact of Covid-19 mainly hit the Council's income and expenditure in the 2020/21 financial year the medium to long-term financial impact is still to be fully understood. The largest single impact on revenue income in 2020/21 was from reductions in car parking income while car parks were closed to visitors during lockdown. Budgets for 2021/22 included a contingency budget for reduced income of £697.5k, partially offset by Sales, Fees and Charges Grant of £65k reflecting the grant only covered the first quarter of the financial year. However, during the year, income from car parks recovered and ended the year only £23k lower than budgeted so the contingency was not required for car park income.

3.5 Excluding the exceptional grant schemes relating to Covid-19 the largest single element of expenditure for the Council relates to employee costs, mainly salaries but also pension contributions and the cost of agency and contract staff. Additional employee costs were incurred on agency and temporary staff to ensure continuity of

services while staff were redeployed to Covid-19 related tasks. £359k of employee costs were reimbursed through Covid-19 related grants and contributions from partners, the largest single item of which related to staff assisting with Test and Trace and compliance activities.

Table 2: Summary of employee budgets and variance

	2021/22 £000
Employee working budget	17,608
Actual employee expenditure	17,691
Overspend on employees before adjustments	83
Employee costs relating to Covid-19 offset by grants	(359)
Carry-forward of training and salary budgets	262
Underspend on employees after adjustments	(14)

3.6 Service variances over £50k, after carry-forward requests and contributions to and from reserves, are:

	Variance £000
Car Parking: Underspend on salaries (£43k), premises (£51k), overspend £43k overspend on credit card commission due to greater use of pay by card and pay by phone at car parks, shortfall in income for car parks £23k	-63
Caravan Site: Lower income due to Covid-19 restrictions, delay signing lease until there was further clarity on the impact of Covid-19 and planned closedown to allow for works at site.	189
Housing Standards: Shortfall relating to DFG admin levy income due to very large backlog of applications as a result of Covid-19 restriction on working in homes.	68
Rent Allowances: Lower housing benefit payments and subsidy income relating to these payments reducing since the introduction of Universal Credits and movements with housing benefit overpayments £160k o/s). The admin grant received for Housing Benefit has also reduced due the reduction in case load resulting (£33k)	193
Leisure Centres: Mainly due to financial support to leisure operator for 20/21 due to Covid-19 lower than original estimate	-70
Building Control: Mainly surplus on building control income	-54
Development Control: Mainly due to high number of smaller planning applications throughout the year where income is lower than what would be received for a major property development but costs are higher.	111
Human Resources: Staffing and underspend on corporate training budget	-80
Community Grants: Mainly underspend on debt advisory growth bid	-57
Storm Arwen: Unbudgeted costs of arboriculture works, making play areas safe and overtime. Requests for Government support under Bellwin Scheme unsuccessful	87
Covid-19: Much lower than expected income losses, especially from car parking where additional income in the Lake District National Park has largely offset reduced income from other town centre car parks. Also additional income from Sales, Fees and Charges grant to offset losses in	-813

first quarter of the year and £266k of New Burdens funding for administration of Covid-19 responsibilities.

3.7 The General Fund working balance includes a number of transactions made to reflect statutory accounting practices. Contributions to and from reserves and corporate interest payments and receipts are shown in **Appendix 1a**. The net impact of these will be a net increase in the contribution to General Fund working balance of £5k. Major variances included:

- a. The Council retains a share of income from business rates (properly known as National Non-Domestic Rates or NNDR). The amount retained has increased although there are some very large variations mainly due to additional Covid-19 reliefs, how these are funded by Government and timing of when the Council is required to account for this income and expenditure. The Council joined a Cumbria Business Rates pool from 1 April 2014 which aimed to reduce NNDR levy paid to the Government under the new process. The actual saving due to the Council as a result of the pool for 2021/22 was £1.1m.
- b. Slightly higher than budgeted contributions to capital programme, detailed in **Appendix 1a**, this is mainly due to timing of capital expenditure originally budgeted in 2020/21.
- c. There have been a number of changes to the budgeted transfers to and from reserves. These are detailed in **Appendix 1a** and mainly relate to differences in timing between the recognition of income and expenditure between years.

3.8 The resulting movement on the General Fund working balance is shown in the following table:

Table 3: Summary General Fund variances

Description	Variance	
	£000	£000
Carry forward requests	-1,416	
Other service variances	-814	
		-2,230
Reduced Minimum Revenue Provision		-213
Support to capital programme		78
Additional income from Non-Domestic Rates after contribution to pool		4,193
less transfer to/from NNDR surplus reserve for timing differences		-4,182
Accounting for Collection Fund and Council Tax		-55
Reduced Grant		146
Accounting for Pensions and other Employee Adjustments		-131
Net adjustments to reserves relating to carry forwards		1,416
Other net increases in contributions to reserves		973
Net Underspend transferred to General Reserve		-5

3.9 Although the Council has received and distributed significant sums of Covid-19 relief through grants, the overall impact on the Council's finances have been much less significant than for 2020/21. Total grants received and distributed during 2021/22 are shown in **Table 4** below. Variances relating to Covid are shown in **Appendix 1b**.

Table 4: Covid-19 Grants received and distributed 2021/22

	Balance 31 March 2021 £000	Funding Received 2021/22 £000	Distributed 2021/22 £000	Unused Grant Returned 2021/22 £000	Balance 31 March 2023 £000	Number of individual grants distributed
Closed Business Grants	(608)		86	0	(522)	54
Local Restrictions Support Grant Closed			0			0
Tier4 Closed Business Grant			16			65
January Local Restrictions Support Grant Closed	(2,111)	(36)	136	0	(1,860)	64
February Local Restrictions Support Grant Closed			136			73
Christmas Support Payments	(36)	(45)	72	9	0	1
Closed Business Lockdown Payment	(1,764)	0	219	0	(1,545)	64
Restart Grants	0	(32,682)	29,339	3,335	(8)	3,678
Omicron Hospitality & Leisure	0	(9,961)	7,129	0	(2,832)	2,361
Total processed as agent	(4,519)	(42,724)	37,132	9	(6,767)	321
Coronavirus Discretionary Grant Fund	0	0	0	0	0	0
Test and Trace Support Payments	(104)	0	747	0	643	1,500
Additional Restrictions Grant	(343)	0	1,733	0	1,390	637
Local Government Support Grant Open	133	(2,326)	2,174	0	(19)	3,252
Total processed as principal	(314)	(2,326)	4,654	0	2,014	5,389
Grand Total	(4,833)	(45,051)	41,786	9	(4,752)	5,710

In addition, £16.6m of Covid business rate relief was awarded in 2021/22, all funded from Government grant.

- 3.10 As reported elsewhere on the Cabinet agenda for 4 July 2022, funding was received in 2021/22 to administer the Covid Additional Relief Scheme but due to timing it was not included in the budgets for 2022/23. The grant was £2,109,829 and will be used to give rate relief during 2022/23 to business ratepayers who have not received rate relief support under other Covid schemes. Due to the value of the grant, under part 4 (7.3) of the council's constitution, virements in excess of £100,000 require approval by Council, officers are requesting a virement of £2,109,829 to create the budget to permit payment.
- 3.11 The Council, on 28 February 2014 approved the General Fund working balance should be set at £1.5m and that any surplus above this level should be transferred to the General Reserve. Accordingly the working balance has been increased back to £1.5m and the remaining net underspend after all other transfers to reserves, totalling £5k, has been transferred to the GF working balance from the General Reserve.
- 3.12 Revenue carry forwards have been requested of £1.416m of which £0.831m (£0.581m plus up to £250k for LGR) was agreed through the 2022/23 to 2026/27 Budget Setting report on 22 February 2022. A further £0.585m is being requested and all are detailed in **Appendix 1c**.

Capital Expenditure

- 3.13 **Appendix 2** shows the approved Capital Programme and expenditure for 2021/22. There was an underspend of £4,110k, the majority relating to timing adjustments with requests to carry forwards budgets to 2021/22 or the removal of expenditure relating

to Kendal Flood Relief programme which is treated as agency expenditure in the Council's accounts:

Table 5: Capital Expenditure 2021/22		£000
Actual Expenditure		10,875
Revised Capital Programme		14,986
Net underspend before carry forwards		<u>-4,110</u>
Re-profiling of budgets approved April 2022		2,445
Further requested re-profiling of budgets		184
Kendal ERDF transferred out of SLDC capital to agency		1,756
Spend budgeted in revenue		-78
Offset by grant income – Cross-a-Moor		-146
Other variances		<u>50</u>

3.14 Significant carry-forwards are:

Table 6: Capital Carry Forwards		£000
KLH08	Abbot Hall Redevelopment	592
KIF01	Housing Investment Fund	488
KLH07	SL House & KTH reconfiguration	326
KGD21	Disabled Facility Grants	220
KCH01	Community Housing Fund	219
KPY38	Westmorland Shopping Centre Car Park refurbishment	191
KIT34	Development Management System	104
		<u>2,140</u>
	Other carry forward requests	489
	Total carry forward requests	<u>2,629</u>

- 3.15 The Cross-a-moor Junction Improvement Scheme is due to be completed by the end of June 2022, with an opening event on 6 July 2022. As per the conditions of the funding agreement, the final payment ('Forward Funding Additional Contribution') of the collated sums to National Highways for the Cross-a-moor Junction Improvement Scheme is due to be paid by SLDC upon receipt of an itemised demand from National Highways for its payment. This will be a maximum of £1,693,469, but the exact amount will be confirmed by National Highways in their written request.
- 3.16 The capital programme has been updated for these requests and is attached at **Appendix 3**.

Reserves

- 3.17 **Appendix 1a** shows the detailed movements on reserves and the comparisons with budgeted movements for 2021/22. The main changes in the movements relate to timing adjustments, particularly around Covid-19 grants.
- 3.18 From 1 April 2022 it is proposed that the officer responsibility for the Improving Financial Resilience reserve be moved from the Operational Lead (People, Welfare and Income Maximisation) to the Strategy Lead Specialist to reflect current workloads.
- 3.19 The Council's Reserve Policy, which sets out the desired level of reserves, both overall and for each reserve, is usually reviewed annually as part of the Medium Term Financial Plan which was last reported to Cabinet and Council in July 2021. Since this Council does not need to prepare a Medium Term Financial Plan for 2023/24 onwards the Reserves Policy and expected use of each individual reserve is attached at **Appendix 4**.

- 3.20 The reserve movements include the following new requests for use of reserves to support service expenditure. Officers can approve the use of up to £60,000 from reserves for particular projects, any requests above this value must be approved by Cabinet or Council if over £100,000.

Community Housing Fund: This reserve holds funds received from the Government to support Community Housing Funds schemes. The Financial Procedure Rules require approval from Council for additional use of reserves over £100,000. It is requested that £501,000 is transferred from the reserve to 2022/23 revenue budgets to fund the Community Led Housing Officer post (£26k) and Capacity Grants (475k).

Economic Development Fund: This reserve holds funds to support economic development within the district. It is requested that £238,943 is transferred from the reserve to 2022/23 revenue budgets to fund the following:

- Economic Development Fund reinstate budgets £22,260
- Kendal Futures Project Development Fund £135,294
- Business Support £37,675
- Lancaster, South Cumbria and Barrow Economic Region £25,714
- Cultural Compact £18,000

NNDR Pool Reserve: This reserve holds income from the Cumbria Non Domestic rates pool. It is requested that £195,240 is transferred from the reserve to 2022/23 revenue budgets to fund the following:

- Economic Development Fund reinstate budgets £52,740
- Levelling Up £25,000
- Great Places Lakes and Dales £32,500
- Grizedale Arts £35,000
- Kendal Futures Manager £50,000

Other amendments to the contributions to and from reserves reflect carry-forwards and re-profiling of revenue and capital expenditure and income reported elsewhere within this report.

4.0 Appendices Attached to this Report

Appendix No.	Name of Appendix
1a	General Fund Expenditure and Income Variances 2021/22 summary
1b	General Fund Expenditure and Income Variances 2021/22 by service
1c	Revenue Carry Forward requests 2021/22
2	Capital Expenditure 2021/22 and Capital Carry Forward Update
3	Capital Programme July 2022
4	Reserves

5.0 Consultation

- 5.1 The report presents historic data in relation to out-turn for 2021/22. Budget holders and Members have been presented with monitoring information throughout the year.

Budget and Portfolio Holders have been consulted with respect to variances and carry forward requests.

6.0 Alternative Options

- 6.1 No alternative options are proposed. Not approving the proposed carry forwards or contributions to and from reserves may challenge service delivery during 2022/23 and beyond.

7.0 Implications

Financial, Resources and Procurement

- 7.1 As detailed in the report

Human Resources

- 7.2 This report has no direct human resource implications.

Legal

- 7.3 This report has no direct legal implications.

Health and Sustainability Impact Assessment

- 7.4 Have you completed a Health and Sustainability Impact Assessment? No
- 7.5 If you have not completed an Impact Assessment, please explain your reasons: This report is an historic view of financial performance. The overall impact assessment of the choices and decisions required to set the annual budget is undertaken at budget setting time.

Equality and Diversity

- 7.7 Have you completed an Equality Impact Analysis? No
- 7.8 If you have not completed an Impact Analysis, please explain your reasons: This report is an historic view of financial performance. The overall impact assessment of the choices and decisions required to set the annual budget is undertaken at budget setting time.

Risk

Risk	Consequence	Controls required
Out-turn position not disseminated to Members and Officers.	Financial position and performance not embedded into wider organisational strategies	Reporting of out-turn to clarify performance during 2020/21 and usable reserves position to support ongoing activity.

Contact Officers

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Background Documents Available

Name of Background document	Where it is available
2021/22 Budget Book	SLDC Budget Book 2021 to 2022 (southlakeland.gov.uk)
Finance Update Q3 Council 22/02/2022 (minute C/101)	Agenda for Council on Tuesday, 22 February 2022, 6.30 p.m. (southlakeland.gov.uk)

Name of Background document	Where it is available
2022/23 to 2026/27 Budget Council 22/02/2022 (minute C/105)	Agenda for Council on Tuesday, 22 February 2022, 6.30 p.m. (southlakeland.gov.uk)

Signed off by	Date sent	Date Signed off
Section 151 Officer	16/06/2022	16/06/2022
Monitoring Officer	16/06/2022	20/06/2022
CMT	16/06/2022	20/06/2022

Circulated to	Date sent
Lead Specialist	N/A
Human Resources Lead Specialist	N/A
Communications Team	N/A
Leader	N/A
Committee Chairman	N/A
Portfolio Holder	16/06/2022
Ward Councillor(s)	N/A
Committee	08/07/2022
Executive (Cabinet)	04/07/2022
Council	13/07/2022