

<b>DECISION-MAKER:</b>	CABINET COUNCIL		
<b>SUBJECT:</b>	REVENUE AND CAPITAL OUTTURN 2022/23		
<b>DATE OF DECISION:</b>	CABINET (19 JULY 2023) COUNCIL (19 JULY 2023)		
<b>REPORT OF:</b>	CABINET MEMBER FOR FINANCE & CHANGE		
<b><u>CONTACT DETAILS</u></b>			
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<b>STATEMENT OF CONFIDENTIALITY</b>
N/A
<b>BRIEF SUMMARY</b>
<p>The purpose of this report is to summarise the overall financial outturn position of the council for 2022/23. The report sets out the General Fund revenue and capital outturn positions as well as the Housing Revenue Account (HRA) revenue and capital programme outturn position for 2022/23. It also includes the outturn position of the Collection Fund.</p> <p>In finalising the capital outturn for the year it is also necessary to review the estimates for 2023/24. This report includes those revised estimates for 2023/24 taking account of slippage and re-phasing.</p> <p>The position is reflected in the statement of accounts. These are subject to external audit scrutiny, which means this report is provisional, until such a time the audit has been completed.</p>

**RECOMMENDATIONS:**

	<b><u>General Fund – Revenue</u></b>	
	It is recommended that Cabinet:	
	i)	Notes the General Fund revenue outturn for 2022/23 is a balanced position after a transfer of £11.38M from reserves to meet the year-end deficit, as outlined in paragraph 4 and in paragraph 2 of Appendix 1.
	ii)	Notes the performance of individual portfolios in managing their budgets as set out in paragraphs 3 to 7 of Appendix 1 and Annex 1.1.
	iii)	Recommends Council to approve the requests to carry forward un-

	ringfenced grant funding totalling £0.16M as outlined in paragraph 8 of Appendix 1.
iv)	Recommends Council to note the performance of the Property Investment Fund (PIF) as detailed in paragraphs 9 to 11 of Appendix 1 and Annex 1.2.
v)	Notes that the level of General Fund balances at 31 March 2023 was £10.07M and the level of earmarked reserves (including schools' balances) was £55.05M as detailed in paragraph 18 to 21 of Appendix 1 and Annex 1.3.
vi)	Notes the accounts for the Collection Fund in 2022/23 detailed in paragraphs 23 to 29 of Appendix 1 and Annex 1.5.
	<b><u>Housing Revenue Account</u></b> It is recommended that Cabinet:
vii)	Notes the HRA revenue outturn for 2022/23 as outlined in paragraph 7 and paragraph 22 of Appendix 1 and Annex 1.4.
	<b><u>Capital Programme</u></b> It is recommended that Cabinet:
viii)	Notes the actual capital spending in 2022/23 for the General Fund was £62.94M and for the HRA was £35.88M, as outlined in paragraphs 10 and 11 below and detailed in paragraphs 2 to 5 of Appendix 2.
ix)	Notes the capital financing in 2022/23 as shown in table 3 of Appendix 2.
x)	Recommends Council to approve the revised capital programme for 2022/23 to 2027/28 and its financing as summarised in paragraph 10 of Appendix 2 and detailed in Annex 2.2.
xi)	Notes the latest prudential indicators for the revised capital programme as detailed in Annex 2.3.
	<b><u>General Fund – Revenue</u></b> It is recommended that Council:
i)	Notes the General Fund revenue outturn for 2022/23 has been balanced by drawing down £11.38M from reserves to meet the year-end deficit, as outlined in paragraph 4 and in paragraph 2 of Appendix 1.
ii)	Notes the performance of individual portfolios in managing their budgets as set out in paragraphs 3 to 7 of Appendix 1 and Annex 1.1.
iii)	Agrees the requests to carry forward un-ringfenced grant funding totalling £0.16M as outlined in paragraph 8 of Appendix 1.
iv)	Notes the performance of the Property Investment Fund (PIF) as detailed in paragraphs 9 to 11 of Appendix 1 and Annex 1.2.
	<b><u>Housing Revenue Account</u></b> It is recommended that Council:
v)	Notes the HRA revenue outturn for 2022/23 as outlined in paragraph 7 and paragraph 22 of Appendix 1 and Annex 1.4.
	<b><u>Capital Programme</u></b> It is recommended that Council:

vi)	Notes the actual capital spending in 2022/23 for the General Fund was £62.94M and for the HRA was £35.88M, as outlined in paragraphs 10 and 11 below and detailed in paragraphs 2 to 5 of Appendix 2.
vii)	Notes the capital financing in 2022/23 as shown in table 3 of Appendix 2.
viii)	Approves the revised capital programme for 2022/23 to 2027/28 and its financing as summarised in paragraph 10 of Appendix 2 and detailed in Annex 2.2.
ix)	Approves the latest prudential indicators for the revised capital programme as detailed in Annex 2.3.

## REASONS FOR REPORT RECOMMENDATIONS

1.	To ensure that Cabinet fulfils its responsibilities for the overall financial management of the Council's resources.
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## ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2.	None, as the outturn position for 2022/23 has been prepared in accordance with statutory accounting requirements.
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## DETAIL (including consultation carried out)

	<b><u>Revenue</u></b>												
3.	The outturn positions for the General Fund Revenue Account, Housing Revenue Account (HRA) and Collection Fund for the Council are summarised in Appendix 1.												
4.	The overall outturn on the General Fund was a year-end deficit of £11.38M, requiring a transfer from reserves to give a final balanced position. Although previous years have shown surpluses, this has often relied in part on some use of reserves in-year, for example using the social care demand reserve to assist the reported position for the 2021/22 outturn. 2022/23 also saw the additional strain on the budget of the cost of living crisis, high levels of inflation and rising interest rates impacting on council costs.												
5.	<p>Table 1 summarises the General Fund outturn position.</p> <p><b>Table 1: General Fund Position</b></p> <table border="1"> <thead> <tr> <th></th> <th>£M</th> </tr> </thead> <tbody> <tr> <td>Portfolios Net Expenditure</td> <td>20.54 A</td> </tr> <tr> <td>Non Portfolio Expenditure</td> <td>6.64 F</td> </tr> <tr> <td>Additional Funding</td> <td>2.52 F</td> </tr> <tr> <td><b>Net Outturn Position</b></td> <td><b>11.38 A</b></td> </tr> <tr> <td>Funded from Reserves Transfer</td> <td>11.38 F</td> </tr> </tbody> </table> <p>An explanation of significant variances to budget and movements since the last quarter are provided in Annex 1.1.</p>		£M	Portfolios Net Expenditure	20.54 A	Non Portfolio Expenditure	6.64 F	Additional Funding	2.52 F	<b>Net Outturn Position</b>	<b>11.38 A</b>	Funded from Reserves Transfer	11.38 F
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6.	The level of General Fund balance at 31 March 2023 remained at £10.07M, which is in line with the Medium Term Financial Strategy as agreed at the 22 February 2023 Council meeting. Earmarked revenue reserves totalled £55.05M at the end of 2022/23. Of these reserves a high proportion have been allocated for use in the Medium Term Financial Strategy over the next 5 to 10 years. Those that have not been allocated are addressing potential risks faced by the Council to assist in												

providing financial resilience.

The reserves available have been depleted over the last three years, from £87.76M at the end of 2019/20 to £55.05M at the end of 2022/23, thereby reducing the Council's financial resilience. A reserves strategy will be included in the revised medium term financial strategy, however it should be noted that relying on reserves to balance the position cannot continue and it is imperative the Council reduces the amount of expenditure in line with its resources.

Table 2 summarises the position on revenue reserves.

**Table 2 Usable Revenue Reserves Summary as at 31 March**

	<b>31/03/2021</b>	<b>31/03/2022</b>	<b>31/03/2023</b>
	<b>£M</b>	<b>£M</b>	<b>£M</b>
Earmarked Reserves – allocated	56.74	39.14	21.24
Earmarked Reserves – financial resilience risk reserves	73.63	57.05	28.35
School Balances	4.17	5.70	5.46
<b>Total Reserves</b>	<b>134.54</b>	<b>101.89</b>	<b>55.05</b>

Reserves have reduced by £46.84M during the year compared with £101.89M total reserves at the end of 2021/22. The balance at the end of 2021/22 included £14.08M of COVID-19 related grants being carried forward. There was an in-year surplus of £0.99M on the Dedicated Schools Grant (DSG) for 2022/23 and this is included within the £55.05M total noted above. Earmarked reserves do not include the £11.09M cumulative deficit on DSG as at 31 March 2022, which is being held in an unusable reserve so that it does not impact on the revenue account in accordance with regulations. More detail is provided in paragraphs 13 to 15 of Appendix 1.

7. The outturn position for the HRA was an adverse variance of £0.92M, as planned. An explanation of significant variances to budget and movements since the last quarter are provided in Annex 1.4.

8. The Council collects business rates and council tax not only for itself, but also for the Hampshire and Isle of Wight Fire & Rescue Authority and the Hampshire and Isle of Wight Police & Crime Commissioner and accounts for this via the Collection Fund. At the year end the Collection Fund had an overall surplus of £12.30M, comprising a surplus of £13.20M for business rates offset by a deficit of £0.90M for council tax.

The Council's share of the overall surplus is £5.71M as shown in Table 3 below.

**Table 3 – SCC Share of Collection Fund Surplus**

	<b>Council Tax</b>	<b>Business Rates</b>	<b>Total</b>
	<b>£M</b>	<b>£M</b>	<b>£M</b>
Outturn - SCC share of (Surplus)/Deficit	0.76	(6.47)	(5.71)

Add: Variance in SCC government grant income for business rates reliefs for 2022/23		(1.32)	(1.32)
Add: shortfall in SCC government grant income carried forward from 2021/22 due to deferral of the CARF* scheme, to be repaid to reserves in 2023/24		4.43	4.43
<b>Outturn - SCC net share of (Surplus)/Deficit after government grant adjustments</b>	<b>0.76</b>	<b>(3.36)</b>	<b>(2.60)</b>
Quarter 3 Revised Estimate SCC net share of (Surplus)/Deficit after government grant adjustments	0.26	1.43	1.69
Movement from quarter 3	0.50 A	4.79 F	4.29 F

\*COVID Additional Relief Fund

There is an adjustment of £3.11M relating to timing differences for government grant income for business rates reliefs to deduct from SCC's share of the outturn surplus, leaving a net surplus of £2.60M. The Council's estimated share of the Collection Fund in January 2023 (as at quarter 3) for the purposes of setting the 2023/24 budget, after adjusting for government grant income for business rates reliefs, was a deficit of £1.69M. The £4.29M gain will be taken into account in setting the 2024/25 budget.

### **Capital**

9. The General Fund and HRA capital expenditure and its financing for 2022/23 and the revised Capital Programme are summarised in Appendix 2.
10. The total General Fund capital expenditure in 2022/23 was £62.94M compared to the agreed revised programme of £98.63M, giving a variance of £35.69M (£34.94M net slippage and £0.75M of underspend).
11. The total HRA capital expenditure in 2022/23 was £35.88M compared to the agreed revised programme of £38.25M, giving a variance of £2.37M (£1.54M net slippage and £0.83M of underspend).

### **Statement of Accounts 2022/23**

12. The 2022/23 draft statement of accounts will be presented to Governance Committee on 24 July 2023.
13. The annual audit, carried out by our auditors Ernst & Young LLP, is expected to commence in August 2023 and to be completed in October 2023. Changes to the statement of accounts (if any) arising from the annual audit will be reported to the Governance Committee before the Committee is formally asked to approve the accounts.

## **RESOURCE IMPLICATIONS**

### **Capital/Revenue**

14. The revenue and capital implications are contained in the report.

### **Property/Other**

15. There are no specific property implications arising from this report other than the

schemes already referred to within Appendix 2 of the report.

## LEGAL IMPLICATIONS

### Statutory power to undertake proposals in the report:

16. Financial reporting is consistent with the Section 151 Officer's duty to ensure good financial administration within the Council.

### Other Legal Implications:

17. None.

## RISK MANAGEMENT IMPLICATIONS

18. None.

## POLICY FRAMEWORK IMPLICATIONS

19. The proposals contained in the report are in accordance with the Council's Policy Framework Plan.

**KEY DECISION?** No

**WARDS/COMMUNITIES AFFECTED:** All

## SUPPORTING DOCUMENTATION

### Appendices

1.	Revenue Outturn 2022/23
2.	Capital Outturn 2022/23

### Documents In Members' Rooms

1.	None
2.	

### Equality Impact Assessment

Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out? No

### Privacy Impact Assessment

Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out? No

### Other Background Documents

**Equality Impact Assessment and Other Background documents available for inspection at:**

Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
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1.	The Revenue Budget 2022/23, Medium Term Financial Strategy and Capital Programme (Approved by Council in February 2022)	
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