

<b>2022/23 Outturn Report</b>	
<b>Executive Summary</b>	<p>This report presents the provisional outturn position for the 2022/23 financial year which shows a General Fund overspend of ££0.782m, which is made up of a £0.261m revenue services' overspend and a £0.561k income shortfall in retained business rates.</p> <p>This report also presents the Council's capital programme outturn position.</p> <p>Details are included within the report of the more significant year-end variances compared to the current budget for 2022/23. The report also makes recommendations for contributions to reserves.</p> <p>The report provides a final budget monitoring position for the 2022/23 financial year. The report makes recommendations that provide funding for ongoing commitments and future projects.</p>
<b>Options considered</b>	<p>The revenue outturn position as of 31 March 2023 shows an overall overspend of £0.782m. The final position allows for £1.137m from budget and grant underspends to be rolled forward within Earmarked Reserves to fund ongoing and identified commitments in 2023/24. This draft outturn position will form the basis for the production of the statutory accounts, which will then be subject to audit by the Council's external auditors.</p>
<b>Consultation(s)</b>	<p>None – This is a factual report of the financial year end position for 2022/23.</p>
<b>Recommendations</b>	<p><b>Members are asked to consider the report and recommend the following to Full Council:</b></p> <ul style="list-style-type: none"> <li><b>a) The provisional outturn position for the General Fund revenue account for 2022/23;</b></li> <li><b>b) The transfers to and from reserves as detailed within the report (and appendix C) along with the corresponding updates to the 2023/24 budget;</b></li> <li><b>c) The deficit of £0.261m relating to service overspends be funded from the General Reserve;</b></li> <li><b>d) The deficit of £0.561m relating to retained business rates be funded from the Business Rates Reserve;</b></li> <li><b>d) The financing of the 2022/23 capital programme as detailed within the report and at Appendix D;</b></li> <li><b>e) The balance on the General Reserve of £2.649m;</b></li> <li><b>f) The updated capital programme for 2023/24 to 2025/26 and scheme financing as outlined within the</b></li> </ul>

	<p>report and detailed at Appendix E;</p> <p>g) The roll-forward requests as outline in Appendix F are approved.</p> <p>h) The transfer of £0.500m from the Delivery Plan Reserve to a new reserve 'Net Zero Initiatives' set up specifically to fund projects, initiatives and works to achieve net zero.</p> <p>i) The Provision of Temporary Accommodation capital budget for 2024/25 and 2025/26 of £0.250m per year be moved into 2023/24 giving a total budget of £0.750m in 2023/24 and that this be funded by temporary borrowing until it can be replaced by preserved right to buy capital receipts</p>
<b>Reasons for recommendations</b>	To approve the draft outturn position on the revenue and capital accounts used to produce the statutory accounts for 2022/23.
<b>Background papers</b>	Budget report, Budget Monitoring reports, NNDR3 return

<b>Wards affected</b>	All
<b>Cabinet member(s)</b>	Cllr Lucy Shires
<b>Contact Officer</b>	Tina Stankley Director of Resources <a href="mailto:Tina.Stankley@north-norfolk.gov.uk">Tina.Stankley@north-norfolk.gov.uk</a> 01263 516439

<b>Links to key documents:</b>	
Corporate Plan:	Financial Sustainability and Growth
Medium Term Financial Strategy (MTFS)	The outturn position will have an impact on the Reserve Balances, which will become the revised starting balances for the MTFS
Council Policies & Strategies	

<b>Corporate Governance:</b>	
Is this a key decision	No
Has the public interest test been applied	
Details of any previous decision(s) on this matter	

## 1. Purpose of the report

- 1.1 This report presents the provisional outturn position for the 2022/23 financial year which will be used to inform the production of the Council's statutory accounts, which will be subject to audit ahead of presentation to the Governance, Risk and Audit Committee (GRAC).

## 2. Introduction & Background

- 2.1 The draft statements should have been published by the 31 May, with the 30-day public inspection commencing after that. Whilst the Finance Team, with support from services throughout the authority, have worked hard and made every effort to meet this deadline it has not been possible. The team has been under-resourced for some considerable time and the effects of this are now being seen e.g. missing this deadline. This is an issue at a national level and only a third of all Councils have met this deadline for 2022/23.
- 2.2 A notice has been published on the Council's website to inform readers about the delay. Work continues so that the accounts can be published as soon as possible. The external audit of the 2022/23 accounts is scheduled to commence in late summer with a view to taking them to the Governance, Audit and Risk Committee in December to be signed off.
- 2.3 The outturn position for the year ending 31 March 2023 is a net £0.782m deficit. This report recommends funding the 2022/23 deficit from the General Reserve (£0.261m) and the Business Rates Reserve (£0.521m). The contents of this report will be considered by the Overview and Scrutiny Committee on 12 July 2023.
- 2.4 The Council's General Fund Reserve balance at the year-end after funding the deficit of £0.261m is shown below

<b>General Fund:</b>	<b>£'m</b>
<b>Opening balance as at 1 April 2022</b>	<b>2.946</b>
Approved use of the reserve	(0.036)
Closing balance before use to fund the deficit	2.910
Use of reserve to fund the	(0.261)
<b>Closing balance as at 31 March 2023</b>	<b>2.649</b>

- 2.5 The report also includes a current forecast position statement on the level of reserves along with the outturn and financing position for the 2022/23 capital programme. The capital programme for the period 2023/24 to 2025/26 has been updated to take account of the outturn position and is included within this report and appendices.
- 2.6 All budgets have been monitored during the year by both Service and Finance Officers with regular reports being presented to both Cabinet and Overview and Scrutiny. The period 10 budget monitoring report was presented to Cabinet in February which covered the first 10 months of the year up to the end of January 2023. The Period 10 report was forecasting a General Fund overspend of £0.603m.

- 2.7 Officers have managed their budgets in what has been an extremely difficult year. During the year the Council were faced with
- The long-term impact of COVID-19 e.g. addressing backlogs of Environmental Health inspections which could not be carried out but still needed to be done.
  - The impact of the volatile and unstable global economy with shortages in components for all sorts of products as countries began to come out lockdown.
  - The start of the Russian invasion of Ukraine resulting in shortages of various commodities e.g. wheat, cooking oil, oil
  - The shortages in supply triggering spiralling inflation in many areas
    - Salary inflation budgeted at 2% with the actual being an average of around 6% creating a budget pressure of nearly £0.500m
    - Construction costs and construction materials
    - Contract costs
    - Utility costs
  - The cost-of-living crisis which has placed pressure on budgets that are demand led.
- 2.8 This situation and the impacts on costs were recognised when reporting the outturn position for 2021/22. At its meeting on 5 October 2022 full Council approved that the net £0.616m surplus should be added to the General Fund Reserve and set aside to help offset the impacts of the issues that were being faced during 2022/23 (as outlined in paragraph 2.7).
- 2.9 The 2022/23 Period 4 budget monitoring report initially forecast a General Fund deficit of £0.9m. However this has been managed down during the year, which has been helped with some additional grants being received to fund demand led budgets, alongside proactive management of budgets e.g. holding vacancies and recovery of benefits overpayments.

### **3. Revenue Account – Outturn 2022/23**

- 3.1 The revenue account position for the year shows a deficit arising from revenue services' activity of £0.261m and a deficit arising from a reduction in retained business rates income of £0.561m, giving an overall deficit of £0.782m as detailed at Appendix A. This is after allowing for transfers to Earmarked Reserves for current and known commitments (£1.137m).
- 3.2 The transfers to and from reserves that have been made during the year are made in line with the Council's policy framework for Earmarked Reserves as approved as part of the annual budget setting process. Earmarked Reserves are typically used to set aside funds for known or specific liabilities. Transfers to Earmarked Reserves have been made for the following:
- A) Where an underspend has occurred within a service, mainly due to the timing of work not being completed as planned (by 31 March 2023), and where no future budget exists or where there is a one-off commitment that continues into the 2023/24 financial year.
  - B) Where external funding has been received in 2022/23 for which the expenditure has not yet been incurred.

- C) Where the 2022/23 budget allowed for expenditure to be funded from an Earmarked Reserve, but the spend has not yet been incurred as planned and therefore the funds remain in the Earmarked Reserve until 2023/24.

### 3.3 Estimates included in the Accounts.

The provisional outturn position includes some significant figures which are subject to external audit, these are in relation to Benefit Subsidy and Business Rates Retention. These are subject to change as the production of the Statement Accounts progresses and during the audit.

- 3.4 **Benefits Subsidy** - The Benefit Subsidy return was completed and submitted on 17 May 2023 and will be subject to external audit review later in the year. Depending on the outcome from the external audit review, there could be an impact on the overall financial position; for example, there may be a subsidy repayment due to the Department for Work and Pensions. The Council holds a Benefits Earmarked Reserve to mitigate any such impact.
- 3.5 **Business Rates** - Under the current system 50% of the business rates is retained locally - the County's share is 10% and the district's share is 40% with the balance (50%) being returned to Central Government. The budget for the year was informed by the baseline funding and the NNDR1 position. The outturn position is based on the NNDR3 Return. The draft NNDR3 Return was submitted to Government on 17 May 2023 and is subject to external audit as part of the final accounts audit, before being finalised.
- 3.6 The Council, as a billing authority, has a statutory obligation to maintain a separate Collection Fund. This Fund captures all the transactions of the Billing Authority in relation to the collection from taxpayers of Council tax and National Non-Domestic Rates (NNDR) and its distribution to Local Government bodies and Central Government. The precepts/shares of council tax and the respective shares of business rates collected are distributed to the respective authorities through the Collection Fund. Should the actual business rates income collected exceed or fall short of the anticipated amounts there would be a surplus or deficit on the fund respectively. As with the benefits subsidy, the Council keeps a Business Rates Earmarked Reserve to mitigate against any negative impacts of these arrangements.
- 3.7 Table 1 shows the main variances across the standard expenditure headings which comprise the Net Cost of Services. Details of the variances at the service level are provided at section 4.

2022 /23 Subjective Analysis	2022/23 Updated Budget	2022/23 Outturn	Variance	
	£000	£000	£000	%
Employee Costs	14,652	16,973	2,321	15.8
Premises	3,397	4,349	952	28.0
Transport Related Expenditure	312	300	(13)	(4.2)
Supplies & Services	12,078	12,348	270	2.2
Transfer Payments	19,848	19,424	(423)	(2.1)
Capital Financing Costs	4,134	2,457	(1,677)	(40.57)
Income	(32,328)	(35,586)	(3,257)	10.1
<b>Total cost of services</b>	<b>21,697</b>	<b>19,956</b>	<b>(1,741)</b>	<b>(8.0)</b>

3.8 The reasons for some of the movements included in the summary above are as follows, further details are included at section 4:

**A) Employee Costs** – Most of the variance on employee costs of £2.321m, relates to adjustments of £2.151m in current service costs on the Local Government Pension Scheme. This is a technical adjustment that has to be made in the accounts to comply with Accounting Standards. It reflects the difference between the cash contributions the Council has made into the Pension Fund during the year and the value of pensions accumulated in the year calculated by the actuary. As these additional costs are reversed out under net operating expenditure they have no bottom-line impact on the revenue outturn position although the increase is reflected in long term liabilities on the Balance Sheet.

In addition to this, other variances include savings of (£0.608m) on posts funded from reserves, (£0.624m) of additional employee costs being funded by grants and contributions and (£0.097m) of underspends on training budgets offset by employee inflation of £0.334m.

**B) Premises** – Some of the more significant areas of overspending were

- a. £0.315m on repairs and maintenance on the council's assets (including car parks, public conveniences, and temporary accommodation).
- b. £0.118m on Additional Sea Defences expenditure, however this is to be funded from the coastal protection reserve.
- c. £0.188m on higher than anticipated insurance premium increases due to revaluations.
- d. £0.273m on utility charges, of which £0.239m was for electricity.

**C) Transport** – Savings in mileage claims and vehicle insurance have been offset by higher fuel costs giving an overall net underspend of £13k.

**D) Supplies and Services** – The overall overspend relates to

- a. a net overspend of £0.567m on increased Bed and Breakfast costs (partly offset by Housing benefit and client contributions) – an impact of the cost-of-living crisis.
- b. £0.387m overspend on grants and contributions paid out, such as hardship grants, however these are funded from grants – an impact of the cost-of-living crisis.
- c. £0.152m overspend on the leisure contract, which is due to the contract being renegotiated during the year and whilst this increased the cost for 2022/23 it will reduce the cost in future years.
- d. (£47k) saving on insurances.
- e. (£54k) reduction in the provision for bad and doubtful debts.
- f. Planned use of reserves of (£0.588m) including Environmental Sustainability, Local Plan expenditure, and Community grants.

**F) Transfer Payments** – The underspend relates to the total of amount of housing benefits paid out in 2022/23 being lower than anticipated. However this is offset by a reduction in Subsidy received from the Department for works and Pensions (DWP).

**H) Capital Financing Costs** – The current General Fund position excludes the final capital adjustments; these do not have an impact of the Councils final outturn revenue position as they are reversed out.

**I) Income** – The favourable variance of (£3.157m) relates to various underspends offset by some areas of overspend.

- a. (£2.574m) Grant funding received in the year, which has been used to fund additional costs including staffing, and grants and contributions paid out.
- b. (£1.104m) Other recoverable charges relating to benefit overpayment debt and temporary accommodation costs.
- c. Service income including Car parks (£0.342m).
- d. Waste and recycling (£0.417m).
- e. £1.376m Housing Benefit Subsidy – of which £0.495m is due to a reduction in subsidy payment volume (see point F above). However there was a substantial shortfall of £0.714m in income. This relates to there being a cap or maximum amount that can be claimed in recoverable subsidy for costs of temporary accommodation costs.

#### **4. Revenue Account – Detailed Commentary 2022/23**

- 4.1 This section of the report highlights the more significant variances for direct cost and income when compared to the current budget. Further details can be found in Appendix B. Accounting standards require several notional charges to be made to service accounts e.g., capital charges, revenue expenditure funded from capital under statute (REFCUS) and pension costs, and whilst they do not have an impact on the surplus or deficit for the year, they are included for reporting purposes. Appendix A shows the overall revenue position including notional charges; however, to assist reporting and explaining 'real cash' variances, Table 2 provides a summary of the position excluding notional charges.

**Table 2 - 2022/23 Revenue Account  
(Excluding Notional Charges)**

	<b>Updated Budget £</b>	<b>Outturn £</b>	<b>Variance £</b>
<b>Service Area:</b>			
Corporate Leadership /Executive Support	365,763	41,539	(324,224)
Communities	9,245,202	7,828,651	(1,416,551)
Place and Climate Change	5,003,656	4,150,224	(853,432)
Resources	3,212,331	3,585,488	373,157
<b>Net Cost of Services</b>	<b>17,826,952</b>	<b>15,605,904</b>	<b>(2,221,048)</b>
Parish Precepts	2,724,873	2,724,972	99
Net Interest Receivable/ Payable	(991,120)	(1,282,349)	(291,229)
MRP - Waste Contract	562,500	661,723	99,223
Capital Financing	1,413,426	810,274	(603,152)
Contribution to /(from) Earmarked Reserves	(3,133,850)	78,372	3,212,222
Contribution to /(from) General Reserve	(100,330)	(35,826)	64,504
<b>Net Service Expenditure/Income to be met from government Grant &amp; Taxpayers</b>	<b>18,302,451</b>	<b>18,563,070</b>	<b>260,619</b>
<b>Government Grants and Council Tax</b>	<b>(18,302,451)</b>	<b>(17,781,505)</b>	<b>520,946</b>
<b>Net (Surplus)/Deficit for the year</b>	<b>0</b>	<b>781,564</b>	<b>781,564</b>

4.2 **Service Variances** – The following provides commentary of the more significant variances (over/under £50,000) across the different service areas, excluding those relating to capital charges and pension costs. Further detailed variance explanations are provided in the appendices. These figures represent service variances before any additional contributions to/(from) reserves and revenue contributions to capital.

<b>Service and Details</b>
<b>Corporate</b>
<b>Human Resources and Payroll –</b> £40k Employee costs due to pay increase, £12k Recruitment costs, (£53k) Training budget offered as a one-off saving as part of the 2023/24 budget process.
<b>Corporate Leadership Team –</b> £53k Employee costs due to pay increase, £19k Temporary Section 151 cover, and £16k recruitment costs.
<b>Corporate Delivery Unit –</b> (£43k) Employee savings due to vacant posts. (£13k) Savings on subscription budgets no longer required.
<b>Communities – Leisure and Environmental Health</b>
<b>Public Protection –</b> (£57k) Additional fee income including £49k in relation to Taxi Licencing which has to be ringfenced in an earmarked reserve.



**Leisure Complexes –**

£152k Additional contract management fees resulting from an in-year contract change.  
£28k Higher Insurance premiums.

**Other Sports –**

Net Mammoth Marathon costs £50k

**Cromer Pier –**

£77k Higher insurance premiums.

**Waste Management and Disposal –**

£170k Serco variable billing contract payments were higher than forecast.  
£14k Additional consultancy fees.  
(£277k) Additional service fee income.  
(£118k) Returned gate fee and profit share from Norfolk Environmental Waste Services (NEWS) relating to 2021/22 and a request has been made to transfer this to an earmarked reserve 'Innovation Fund'. It is proposed that some of this be used to part fund the purchase of 2 refuse freighters required to meet growing demand. There is a separate report on this agenda for this.

**Cleansing –**

(£103k) Savings in Serco cleansing contract relating to one-off events.

**Communities - People Services****Benefits Administration –**

£92k Additional staffing costs offset by grants.  
(£138k) Grants received from the DWP to offset additional costs of legislative changes and service improvements.  
(£28k) Additional administration subsidy.

**Homelessness –**

£257k Temporary accommodation costs offset by additional subsidy (£579k) and client contributions. Additional grant income has been allocated to fund staffing costs in the wider People Services department.

**Housing Options –**

£151k Additional staffing costs offset by grant funding.

**Community –**

£345k Additional staffing funded by grant Income. This includes the Community Connectors and Homes for Ukraine support.  
£1.364m Additional community grants with underspends being transferred to reserves so that it can be spent in future years.

**Place and Climate Change – Planning****Development Management –**

(£27k) Employee costs.  
£60k Legal fees.  
£11k Subscriptions.  
£21k Lower fee income.

**Planning Policy –**

(£35k) Staff turnover savings.  
(£210k) Slippage in Local Plan expenditure which is offset by a reduced contribution from the New Homes Bonus reserve.  
(£36k) Consultancy costs.

**Conservation Design and landscape –**

(£31k) Temporary posts not recruited.  
(£49k) Conservation area appraisals funded from the General reserve. (  
£10k) Contributions no longer payable.

**Place and Climate Change – Economic Growth****Coast Protection –**

£117k Additional Sea Defence expenditure funded from reserves. Coastal Transition Accelerator Programme (CTAP) employee costs covered by grant income. Surplus income to be earmarked for CTAP activities.

**Environmental Strategy –**

(£20k) Employee savings due to vacant posts – reserve funded.  
(£187k) Tree Planting underspend of which £120k has been previously approved is carried forward to fund legacy projects in 2023/24 and future years.  
(£20k) Professional fees relating to the Green Build event, partially offset by reduced fee income of £14k.

**Coastal Management –**

(£152k) Funded employee costs not recruited.

**Resources – Finance, Assets and Legal****Revenue Services –**

£60k Movement in the Provision for bad and doubtful debts.  
(£461k) Grant income including some residual Covid-19 funding.

**Benefits Subsidy –**

(£174k) Movement in the provision for Bad and doubtful debts.  
£495k Reduced Housing Benefit payments made in 2022/23 offset by reduced subsidy claimed from the DWP.  
£714k The subsidy shortfall relates to irrecoverable subsidy on temporary accommodation.  
(£308k) net movement in relation to benefit overpayments.

**Admin Buildings –**

£105k Electricity,  
£10k Gas,  
£17k Insurance Premiums,  
£37k Contract Cleaning,  
£43k Repairs and maintenance

**Corporate Finance –**

(£44k) Budgeted apprentice posts not recruited.  
£35k Agency staff cover.  
£11k Subscriptions.

**Investment Properties –**

£31k Electricity (Rocket House and Other Lettings),  
£14k Insurance Premiums (Other Lettings),  
£77k Repairs and maintenance mainly on the Rocket House.  
£62k Additional Rental and service charge income (£34k) for Rocket House and (£23k) Other Lettings

**Corporate and Democratic Core –**

£40k Audit Fees (19/20 payment made in 22/23).  
Supplies and Services including,  
£18k Bank Charges,  
£14k Consultancy Fees,  
£30k Other Professional Fees,  
£71k Contributions of which £67k is funded from Business Rates reserve i.e. (Enterprise Zone).

<b>Resources – Organisational Resources</b>
<p><b>Car Parking –</b>            £198k Premises related expenditure including utilities, rent and repairs and maintenance.            (£314k) Additional income including ticket income and penalty notices.</p>
<p><b>Public Conveniences –</b>            £139k Premises related expenditure including insurance premiums, utilities, rent and repairs and maintenance.</p>

### **Non-Service Income and Expenditure**

- 4.3 The non-service expenditure and income predominantly relates to investment income (interest and dividends). The original income budget for 2022/23 was £1.149m, but the actual investment income for the year was £1.449m. This favourable variance £300k is due to actual interest rates (actual averaging 3.53%) being higher than those anticipated when setting the budget (average rate assumed at 2.68%).
- 4.4 Borrowing costs were £165k, which were £19k higher than the budget of £146k. This was due to the interest rates being higher than anticipated, the amount of borrowing undertaken was as anticipated. All borrowing was short-term borrowing (less than 1 year duration) and was undertaken to meet shortfalls in its cash flow to fund its operations and capital programme.
- 4.5 The full details of the Treasury Management activity and performance for the year are contained in a separate report on this agenda. Significant points to note though, are that £9.419m was withdrawn from the Council's investment in pooled funds. This was done to manage the cashflow in the longer-term following a request at short notice for the repayment of COVID-19 Grant from the Government. The Council has brought the level of its pooled fund investments down to £22.581m. As at the 31st March 2023, the Council has loans invested with Housing Associations to the value of £2.332m. but with good cash flow planning the Council should be able to balance any costs of borrowing with the interest earned on its investments.

### **Retained Business Rate Income**

- 4.8 The Council re-joined the Norfolk Business Rates Pool again in 2022/23. This is beneficial for all authorities within the Pool.
- 4.9 Accounting for Business Rates collection is a complex area as it involves three financial years and contributions to and from other external organisations over this time too. In addition to the normal complexities, there has been the impact of the additional COVID 19 pandemic grants to account for. The Council received grants from central government to redistribute as additional reliefs to the retail hospitality & leisure and nurseries sectors. This was to support businesses during the COVID 19 pandemic national lockdown. The value of this relief totalled £10m for the North Norfolk District in 2020/21. Although full compensation was provided to the authority by the government

through section 31 grants, the timing has meant that there has been a deficit created in the Collection Fund and this is still working its way through the accounts. Due to cash flow problems being experienced by Local Authorities during the pandemic, the Government paid over the entirety of the section 31 grant, whereas normally an Authority would only receive its proportionate share. The local share due to North Norfolk District Council is 40% of the grant received, and the remaining 60% was accrued in anticipation of returning it to Central Government. The grant has been repaid during 2022/23.

- 4.10 There are large variances on Retained Business Rates due to the timing difference between Section 31 grant being received and being accounted for, and the accounting for the Council's share of the deficit on the Collection Fund. This grant money was transferred to the Business Rates Reserve to offset the anticipated deficit which would affect the Council in the 2022/23 financial year alongside normal monies held in reserve.
- 4.11 The year-end position is that there is a deficit of £0.521k for Retained Business Rates Income when the actual outturn is compared to the budget. It is proposed to fund this deficit from the Business Rates Reserve. However this is the draft calculated position and may be subject to change once the calculations have been checked during the closure of accounts process which will follow on from the producing the outturn position.

## **5. Reserves**

- 5.1 The Council holds a General Reserve for which the recommended balance for 2022/23 is £2.1 million. The purpose of holding a General Reserve is to provide a working balance to help cushion the impact of uneven cash flows and to provide a contingency to help cushion the impact of unexpected events or emergencies.
- 5.2 The outturn position for the year ending 31 March 2022 was a net £0.616m surplus and at its meeting on 5 October 2022 full Council approved that it should be added to the General Reserve in order to help offset the impacts of pay and inflation at above budgeted levels in 2022/23, resulting from the volatile and unstable global economy (the reaction to the impact of COVID-19 and the war in Ukraine). This report recommends funding the 2022/23 deficit from the General Reserve and that it should be met from the 2021/22 surplus £0.616m set aside to meet this.
- 5.2 In addition to the General Reserve the Council holds several Earmarked Reserves that are held to meet known or predicted liabilities. The Earmarked Reserves also provides a means at the year-end for carrying funds forward to the new financial year to fund ongoing commitments and known liabilities for which no separate revenue budget exists.
- 5.3 There are several Earmarked Reserves that have balances, yet the timing of the use of the reserve is yet to be agreed. For example, the Business Rates reserve which is held to negate any negative impacts on the General fund resulting from business rates appeals awarded.
- 5.4 Section 4 of the report has highlighted several service areas where an underspend has occurred in the year and a transfer to reserves had been made to ensure funds are available to meet future spending commitments.

Unlike capital budgets, underspends on revenue budgets in the year are not automatically rolled forward at the year-end where there is an annual budget provision. Where the underspend represents a grant received which has not yet been fully utilised or there has been a delay in the planned use, the unspent grant has been rolled forward.

5.5 The transfers to and from reserves (general and earmarked) are included within the reserves statement as detailed at Appendix C. This appendix outlines the purpose of each reserve and shows the planned use over the current four-year budget period. The updated budget projections were forecasting a movement of (£3.234m) out of earmarked reserves. At outturn the final transfer made was £42k inwards, resulting in a variance of £3.276m the most significant movements are as follows.

- **Business Rates Reserve** – Business rates shortfall after final accruals (£0.521m) – please note this is not yet reflected in the Reserves position.
- **Coast Protection** - (£0.117m) Additional Sea defence expenditure. Grant roll forward request re CTAP funding programme.
- **Grants Reserve** - £0.404m – This relates to residual COVID grants which had unspent balances as of 31<sup>st</sup> March 2023.
- **Delivery Plan Reserve** – £1.415m, Capital financing and slippage in funded posts.
- **Housing Reserve** - £0.711m - lower than budgeted transfer out of this reserve to fund staffing costs. Grant roll forward requests totalling £0.593m have been transferred to this reserve.
- **Restructuring & Invest to Save Reserve** - (£0.336m) 2022/23 Capital financing.
- **Planning** – £0.149m Staffing savings earmarked for use in 2023/24 budget.
- **New Homes Bonus** – £0.160m Slippage in Local Plan expenditure.

5.7 The General Reserve balance as of 31 March 2023 stands at £2.910 million, which is above the minimum recommended balance. The funding of the deficit of £0.261m has not yet been actioned in the General Reserve. This will reduce the balance to £2.649m which is still above the minimum recommended balance.

## 6. Capital Programme 2022/23

6.1 This section of the report presents the financing of the capital programme for 2022/23, together with the updated programme for the financial years 2023/24 to 2027/28. Appendix D provides the detail of the outturn for the 2022/23 capital programme for all service areas and variances prior to any adjustments to the original year budgets. The updated capital programme for 2023/24 to 2027/28, after all carry forwards and bringing back of budgets, have been done together with the financing for all schemes is attached at Appendix E.

6.2 The outturn position for the 2022/23 capital programme at Appendix D, highlights where schemes have variances that need to be reprofiled between years. The reasons for reprofiling include where schemes have not

progressed as originally planned, and the funding is requested to be carried forward to the new financial year.

- 6.3 In total the expenditure on the capital programme for the 2022/23 year was £6.862m compared to an updated 2022/23 budget of £16.337m giving an underspend of £9.475m. This is the draft outturn position as at 31<sup>st</sup> March 2023 before any reprofiling has been done. The 'Updated Budgets' shown in Appendix D are the latest approved budgets.
- 6.4 The significant underspend is attributable to multiple factors. Some projects have not progressed as far as originally planned due to delays in confirming the finances available to budget managers. This was due to resource issues within the Finance Team meaning that there wasn't anyone with the knowledge and expertise in Capital to cover this area of work. This issue is being resolved as interim resource has been brought in and there is currently a recruitment campaign underway to appoint permanent staff.
- 6.5 The financing of the capital programme is as below. Details of the Capital Expenditure and the financing for 2022/23 can be found in Appendix D.
- Expenditure was funded by:
- £2.516m of capital receipts,
  - £1.835m of grants,
  - £1.754m of contributions
  - £0.810m from reserve allocations.
  - (£0.054m) Prior year adjustment to the borrowing which has been applied in financing the 2022/23 programme.
- 6.6 There were four capital projects outstanding from 2021/22 that were completed in 2021/22 and so the 2022/23 budget was not required. These were:
- The Car Park Ticket Machine Replacement Programme.
  - Steelworks Protection to Victory Pool and Fakenham Gym
  - Fakenham Gym
  - The Splash Gym Equipment
- 6.7 Capital receipts generated from the sale of assets during 2022/23 were:
- £1.671m earned from the sale of the Parklands site.
  - £0.417m from the sale of Property (7-9 Bridewell Street).
  - £0.778m from Right to Buy sales relating to the Council's old housing stock.
- 6.8 For schemes which did not complete in 2022/23 and where there was an underspend of the 2022/23 budget allocation, the unspent budgets have been rolled forward into 2023/24. The significant capital roll-forwards (i.e., over £100k of slippage) can be found in the table below and are detailed in Appendix E.
- 6.9 Within the capital programme there is capital expenditure planned for 2023/24 to 2025/26 of £250k per annum for the provision of temporary accommodation. It was planned to fund these through the use of preserved Right-to-buy capital receipts. There is a need for this accommodation now and so it is proposed that the expenditure is all moved into 2023/24 and that in the short term the expenditure is funded by borrowing if there is a short in

capital receipts. Then, moving forward the capital receipts can be applied to reduce the borrowing requirement until such time as the borrowing reduces to zero. This is included as a recommendation for Cabinet.

**Table 3 - Budget Slippage from 2022/23 to the 2023/24 Capital Programme over £100,000**

<b>Capital Project</b>	<b>2022/23 Budget rolled-forward into 2023/24</b>
Cornish Way Industrial Units	£140,120
Public Conveniences Improvements (Net budget remaining across full scope of programme)	£248,964
CPO of Long-Term Empty Properties	£434,294
Fakenham Urban Extension	£1,780,000
Loans to Housing Providers	£150,000
Property Acquisitions	£704,784
Community Housing Fund	£1,335,160
S106 Enabling	£1,425,000
Coastal Adaptations	£244,990
Cromer Pier – Infrastructure Steelworks	£576,087
The Reef Leisure Centre	£139,727
Cromer Coast Protection Scheme	£3,316,936
Mundesley – Refurbishment of Coastal Defences	£2,760,927
3G Facilities at North Walsham & Fakenham	£847,570

## **7. Capital Programme 2022/23 Update**

- 7.1 Appendix E shows the updated capital programme for the period 2023/24 to 2027/28 as it currently stands. The capital programme has been updated to reflect the slippage identified within this report, together with the capital outturn position. It also includes schemes which have already received formal approval by Cabinet (up to the last Cabinet meeting), the 2023/24 budget report and P10 monitoring report which went to full Council in March 2023.

## **8. Medium Term Financial Strategy**

- 8.1 The content of this report includes details of budgets which will support the medium-term financial strategy through the revised capital programme and movements in reserves.

## **9. Proposals and Options**

This is a factual report that outlines the financial position at the year-end for the financial year 2022/23. There are proposed recommendations for Cabinet to make to full Council on 12 July 2023. The approval of these recommendations will enable the Council to maintain its strong financial position in the coming years.

**10. Corporate Priorities**

Delivering services within budgets enables the Council to maintain its strong financial position and maintain a robust level of reserves that may be required to address future unforeseen events.

**11. Financial and Resource Implications**

11.1 This report is of a financial nature and the financial implications are included within the report content.

**12. Legal Implications**

12.1 There are no legal implications as a direct consequence of this report

**13. Risks**

13.1 Financial risks are identified within the report content

**14. Net Zero Target**

*The Council's Net Zero Strategy & Action Plan requires all decisions to be assessed and tested for consistency against the Net Zero 2030 Strategy & Climate Action Plan. Please confirm that this has been undertaken and provide any details.*

**15. Equality, Diversity & Inclusion**

*Under equality legislation, the Council has a legal duty to pay 'due regard' to the need to eliminate discrimination and to promote equality. Please ensure that you have referred to the Council's Equality, Diversity & Inclusion Strategy and outline whether there are any implications of the decision you are proposing. If the report is in relation to a key decision, an equality impact assessment should be undertaken and referenced as a background document. Any issues identified as a result of the impact assessment should be outlined here.*

**16. Community Safety issues**

*If the proposals are likely to have any impact on community safety issues, they should be referenced here.*

**17. Conclusion and Recommendations**

17.1 Members are asked to consider the report and recommend the following to Full Council:

1. The provisional outturn position for the General Fund revenue account for 2022/23
2. The transfers to and from reserves as detailed within the report (and appendix C) along with the corresponding updates to the 2023/24 budget
3. Use £0.261k of the General Reserve to cover the deficit of £0.261k that is the position at the year-end for 2022/23
4. The financing of the 2022/23 capital programme as detailed within the report and at Appendix D



5. The balance on the General Reserve of £2.649 million
6. The updated capital programme for 2023/24 to 2025/26 and scheme financing as outlined within the report and detailed at Appendix E
7. The roll-forward requests as outline in Appendix F are approved