

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

**EXECUTIVE MANAGEMENT TEAM'S
REPORT TO**

Audit & Standards Committee
27 June 2022

Report Title: Draft Statement of Accounts 2021/22

Submitted by: Head of Finance (Section 151 Officer)

Portfolios: Finance, Town Centres and Growth

Ward(s) affected: All

Purpose of the Report

To report upon the financial outturn for 2021/22. The report highlights key issues, including a commentary on the General Fund outturn, the Balance Sheet the Collection Fund, the Capital Programme and the Council's reserves.

Recommendations

- 1. The General Fund outturn and key issues in respect of the Council's financial position as at 31 March 2022 be noted.**
- 2. The draft Statement of Accounts for 2021/22 be approved for publication and audit.**

Reasons

Regular reporting of the Council's financial position is a key discipline supporting sound financial management and corporate governance.

1. Background

- 1.1 Regulations, extending the audit publication deadline for the Statement of Accounts to 30 September for 2 years, came into force on 31 March 2021. At the close of this period a review will be undertaken to determine whether there is a continued need to have an extended deadline.
- 1.2 The regulations require the draft Statement of Accounts to be published on or before 1 August. It is intended that they will be made available for public inspection between 4 July 2022 and 15 July 2022.
- 1.3 The external audit will commence during the week commencing 11 July 2022, primarily for the selection of samples and will be completed prior to the close of October 2022.
- 1.4 The final Statement of Accounts will be presented to the Audit and Standards Committee for approval on 14 November 2022.
- 1.5 This report focuses on reporting the provisional outturn position and the key elements of the Council's provisional financial position as at 31 March 2022.

2. Issues

The General Fund Outturn

- 2.1 The General Fund is the main revenue account of the Council and relates to all of those services which are funded by the Council Tax, Retained Business Rates and Government Grant.
- 2.2 The Coronavirus pandemic continues to have an impact on the Council's financial position, primarily through lost income, although this is showing a marked improvement compared to the losses incurred during 2020/21. To date un-ringfenced Government funding of £1.045m has been secured (including £0.370m of new burdens funding to offset the costs of administering Coronavirus business support grants and test and trace payments) in relation to 2021/22, which has reduced the immediate pressure on additional spending on the Council finances.
- 2.3 Further Government funding to assist with the Council's response to the Coronavirus was also secured during 2021/22 in relation to elections (£0.035m), outbreak control (£0.174m), protect and vaccinate (homelessness) £0.127m and the Welcome Back fund (£0.175m).
- 2.4 The Council's revenue budget relies on service income from fees and charges of around £850k per month across a wide range of services, with a significant proportion coming from J2 and car parking. Income losses from fees and charges for the financial year have amounted to £1.131m.
- 2.5 The Government provided compensation for income losses, relating to irrecoverable fees and charges, above the first 5% at the rate of 75p in the pound for the first quarter of 2021/22, which helped to insulate the Council from income related financial risks for this period. The Government's income compensation scheme offset income losses during the first quarter to the sum of £0.360m.
- 2.6 The Council approved a General Fund Revenue Budget of £14.960m on 24 February 2021. The outturn for 2021/22 shows a favourable variance of £0.004m against this budget.
- 2.7 The adverse variances that occurred during 2021/22 include:
 - a. Income shortfalls from sales, fees and charges which are eligible for partial reclaim via the Income Losses Scheme, these amount to £1.131m for the financial year,
 - b. Income shortfalls from commercial property rents, these amounted to £0.142m for the financial year, these losses are not eligible for any partial reclaim,
 - c. Income shortfalls from the recovery of housing benefits overpayments, these losses amounted to £0.099m for the financial year, again, these losses are not eligible for any partial reclaim.
- 2.8 These adverse variances have been offset in full by the following favourable variances:
 - a. Un-ringfenced Government funding to offset pressures that the Council faced as a result of the COVID-19 pandemic, £1.045m has been received for the financial year (£370k relates to the administration of Coronavirus related grants).
 - b. The Council has been reimbursed £0.360m in relation to the Income Losses scheme for eligible sales, fees and charges income shortfalls for first quarter of the financial year.

- c. Expenditure has continued to be reduced wherever possible throughout the Council to ensure that only absolutely necessary spending is being incurred, this has helped to reduce the adverse variance on a service by service basis.

Flexible Use of Capital Receipts

2.9 The Head of Finance (Section 151 Officer) informed the Department for Levelling Up, Housing and Communities (DLUHC) by letter of the Council's intention to make flexible use of capital receipts in the financial year 2021/22. The flexible use of capital receipts has been utilised in 2021/22 for expenditure to a value of £0.200m that meets the eligibility criteria, in that it relates to initiatives (Digital Delivery), that are forecast to generate, or have generated, on-going revenue savings through reducing the costs of service delivery. This is in addition to the agreed flexible use of capital receipts to part fund expenditure in relation to the One Council programme (£0.675m) has been utilised during 2021/22.

Balance Sheet

2.10 The main features of the balance sheet (page 29) in the draft Statement of Accounts) are as follows:

- a. There are long term assets of £66.022m (£62.248m at 31 March 2021) which consist of Plant, Property and Equipment, Surplus Assets, Investment Properties and Heritage Assets, the increased net book value relates primarily the upwards revaluation of land and buildings and investment into Kidsgrove Sports Centre (Asset under Construction), net of reclassifications from investment properties to assets held for sale.
- b. Assets held for sale total £4.725m (£0.555m at 31 March 2021), this relates to the reclassification of assets from investment properties to assets held for sale.
- c. Short-term investments of £14m (nil at 31 March 2021), this relates to monies temporarily held due to cash flows. These included the Council Tax rebate grant (payable to residents in 2022/23) and Section 31 grant in relation to the deficit held on the Collection fund, which is repayable in future periods.
- d. The amount the Council owes to its creditors is £22.077m. Creditors have increased from £17.368m at 31 March 2021. This is primarily due to the receipt of the Council Tax rebate at the close of 2021/22 which was awarded to residents in 2022/23.
- e. The amount that the Council is due from its debtors is £14.144m. Debtors have decreased by £7.627m compared to 31 March 2021. This is primarily due to a reduction in the amount repayable by preceptors to the collection fund.
- f. The liability (and the corresponding reserve) relating to defined benefit pension schemes decreased from £71.636m at 31 March 2021 to £45.239m at 31 March 2022. These amounts are required to be included in the Council's accounts as a result of the application of International Accounting Standard 19 (IAS19). They relate to transactions of the Staffordshire County Council Pension Fund of which the Council is a member and represent the Council's share of net scheme liabilities. The decreased liability relates to the increase in value of assets held by the pension scheme.

The Collection Fund

2.11 Local tax income is collected by billing authorities and paid into local 'collection funds' (the Council is a billing authority). Where there is a shortfall in tax receipts (compared to expected levels), this leads to a deficit on the collection fund. Billing and major precepting authorities are usually required to meet their share of any deficit during the following financial year.

2.12 In response to forecast shortfalls in tax receipts relating to the Government's COVID-19 pandemic related business rates reliefs), the government announced that Section 31 grant would be awarded to cover the costs of these reliefs.

2.13 The cumulative variances in tax receipts for as at 31 March 2022, and the Section 31 grant payable in excess of the amount budget for are shown below:

Tax	Total (Surplus)/Deficit	Council's Share
Council Tax	(£0.053m)	Nil
Business Rates	£9.595m	£3.838m (40%)
Total	£9.542m	£3.838m
Business Rates Section 31 Measures (above budgeted)	(£5.815m)	(£2.326m) 40%
Total Net of	£3.727m	£1.512m

2.14 The deficit shown is repayable in future years, this deficit can be funded from Section 31 grant paid to the Council and subsequently transferred to the Business Rates reserve in both 2020/21 and 2021/22.

Reserves

2.15 The Council has usable revenue reserves totalling £10.899m. The main items, with their balances at 31 March 2022, and a comparison to the balances forecast per the 2022/23 budget setting, are:

Reserve/Fund	Balance 31.03.22 (£'000's)	Balance Forecast Budget Setting (£'000's)	Variance (£'000's)	Comments
General Fund	2,160	2,160	-	Unforeseen adverse events. Approved balance of £2.160m
Income Contingency	100	100	-	To manage year to year income variations. Approved balance of £0.100m
Walley's Quarry Reserve	824	840	(16)	To assist with the Council's actions regarding air quality issues at Walley's Quarry
Equipment Replacement	33	33	-	Replacement of Environmental Heath equipment

Budget Support – General	789	461	328	Additional funding committed to during 2021/22 to be utilised in 2022/23
Budget Support – Planning Policy	301	250	51	To provide funding for the Borough Local Plan
Budget Support – Housing	329	-	329	Homelessness funding to be utilised in future periods
Borough Growth	50	-	50	To fund investment in corporate priorities
Conservation & Heritage	35	35	-	To provide repair grants to owners of historic buildings
Mayor’s Charity	7	-	7	To hold funds on behalf of the Mayor’s charity
Museum Purchases	61	75	(14)	Balance held to be utilised on Museum capital project
Business Rates	6,046	3,621	2,425	Section 31 grant transferred into reserve to offset 2021/22 deficits repayable in future years (£3.838m). £0.220m held as business rates contingency. Remainder held as contingency re. fair funding review
Elections	150	150	-	To provide budget on a 4 year cycle for Borough Elections
Clayton Community Centre	14	14	-	Sinking fund held on behalf of Committee (contributions made by Committee)
Totals	10,899	7,739	3,160	

2.16 The General Fund Balance is £2.160m as at 31 March 2022. The amount required to be held in this reserve is assessed each year when the revenue budget is compiled, by identifying and quantifying the risks applicable to the revenue budget and using this information as the basis to calculate a prudent sum to keep in reserve to meet those risks should they arise. Covid-19 related and other financial risks are being kept under continuous review and Cabinet will be advised should the need to increase these in-year arise.

2.17 The levels of reserves will be considered as part of the budget preparation process for 2023/24. Some may require contributing to, either from the revenue budget or a transfer from another reserve.

Capital Expenditure

2.18 A Capital Programme totalling £12.923m was approved for 2021/22. Of this total £10.923m related to the total cost of new schemes for 2021/22 together with £1.000m for schemes funded by external sources (Disabled Facilities Grants) and a £1.000m contingency. In addition £2.256m was brought forward from the 2020/21 Capital Programme, resulting in a total Capital Programme of £15.179m for 2021/22.

2.19 A mid-year review of the capital programme was undertaken and approved by Cabinet as part of the Efficiency Board and budget setting process for 2022/23 in order to identify any projects that may need to be re-profiled from 2021/22 into future years. The revised capital

programme also included projects for which funding has been obtained relating to 2021/22 via the Town Deals Fund (£3.246m) and the Future High Streets Fund (£5.341m). The revised capital programme for 2021/22 totalled £19.552m.

2.20 In addition to the revised 2021/22 Capital Programme additional income was allowed for regarding disabled facilities grants (£0.238m), a revenue contribution to a cremator reline (£0.032m) and grants in respect of the Museum refurbishment (£0.254m). Additional capital expenditure of £0.200m regarding the Flexible Use of Capital Receipts, £0.675m of One Council expenditure, £0.003m Section 106 payments and £0.415m regarding funding transferred to Aspire Housing was also incurred.

2.21 Planned expenditure financed via capital for 2021/22 therefore totalled £21.369m. Actual expenditure has totalled £14.743m, £6.626m below that planned. This relates to expenditure that has been rolled forward into 2022/23 (£1.531m), projects planned under the Town Deals and Future High Streets funds that will be progressed during 2022/23 (£4.057m), unused contingency funding (£0.697m) and a small number of projects for which funding is no longer required (£0.341m).

2.22 The expenditure of £14.743m was financed as shown below:

Financed by:	£ (000)
Capital Receipts	2.155
Government Grants and Other Contributions	7.257
Internal Borrowing	5.331
Total	14.743

3. **Proposal**

3.1 The General Fund outturn and key issues in respect of the Council's financial position as at 31 March 2022 be noted.

3.2 The draft Statement of Accounts for 2021/22 be approved for publication and audit.

4. **Reasons for Proposed Solution**

4.1 Regular reporting of the Council's financial position is a key discipline supporting sound financial management and corporate governance.

5. **Options Considered**

5.1 No further options, the Council would breach the Accounts and Audit Regulations is it did not report the draft Statement of Accounts to the Audit and Standards Committee.

6. **Legal and Statutory Implications**

6.1 The draft and audited Statement of Accounts are required to be considered by the Audit and Standards Committee in accordance with the Accounts and Audit Regulations 2015.

7. **Equality Impact Assessment**

7.1 There are no differential equality issues arising.

8. Financial and Resource Implications

- 8.1 The General Fund outturn for the financial year 2021/22 shows a favourable variance against the budget of £0.004m. This amount has been paid into the Budget Support Fund.
- 8.2 £1.531m of the 2021/22 capital programme will be carried forward to the financial year 2022/23. Projects planned under the Town Deals and Future High Streets funds that will continue to be progressed during 2022/23.
- 8.3 The General Fund Reserve of £2.160m is in accordance with the risk assessed minimum value as approved as part of the 2022/23 budget setting process.
- 8.4 The Council's share of the Collection Fund deficit amounts to £3.838m which is repayable in future years, this will be met from amounts contributed to the Business Rates Reserve.

9. Major Risks

- 9.1 The ongoing COVID pandemic and changing market conditions represents the greatest risk to the revenue budget, particularly with regard to the impact it may have upon income receivable in relation to services where customers may choose whether or not to use Council facilities or in the case of the waste/recycling service where the volume of recycled materials is liable to fluctuate. The impact of Covid 19 is apparent in the reporting of this provisional outturn, impacting on many areas and the situation will continue to be monitored through the normal budget monitoring procedures during the financial year 2022/23.
- 8.2 The capital programme requires regular monitoring to identify any projects which are falling behind their planned completion dates. This will be carried out by the Capital, Assets and Commercial Investments Review Group, which meets on a bi-monthly basis together with quarterly and annual reports to Cabinet.
- 8.3 The above represents a high level view of risk. There are detailed risk registers available if members wish to see them.

10. UN Sustainable Development Goals (UNSDG)



11. Key Decision Information

- 11.1 This is not a key decision.

12. Earlier Cabinet/Committee Resolutions

- 12.1 Finance and Performance Review Report to Cabinet (7 June 2022).

13. **List of Appendices**

13.1 Draft Statement of Accounts 2021/22.

14. **Background Papers**

14.1 Finance and Performance Review Report to Cabinet (7 June 2022).