

**REPORT TO:** CABINET

**DATE:** 15 SEPTEMBER 2022

**TITLE:** YEAR END 2021/22 JOINT FINANCE AND PERFORMANCE REPORT

**PORTFOLIO HOLDER:** COUNCILLOR RUSSELL PERRIN, LEADER OF THE COUNCIL

**LEAD OFFICER:** SIMON FREEMAN, DEPUTY CHIEF EXECUTIVE AND DIRECTOR OF FINANCE (01279) 446228

**CONTRIBUTING OFFICERS:** SENIOR MANAGEMENT BOARD (01279) 446004

POLICY AND PERFORMANCE TEAM (01279) 446252

**This is not a Key Decision**

**It is on the Forward Plan as Decision Number I013848**

**The decision is not subject to Call-in Procedures for the following reason:**

The recommendations are within the scope of the original budget and Corporate Plan approved by Full Council in February 2021

**This decision will affect no ward specifically.**

**RECOMMENDED that Cabinet:**

- A** Acknowledges the outturn position set out within the report in respect of the General Fund for the year ending 31 March 2022.
- B** Recognises the End of Year operational performance and risk management that has been achieved in 2021/22 across all Council services.
- C** Approves the movements through reserves as set out in the Appendix 3c to the report.
- D** Approves the transfer of £1.215 million from the Budget Resilience Reserve to meet the 2021/22 overspend.
- E** Notes the carry forward of resources from 2021/22 to 2022/23 as set out in the report totalling £217,986 approved under delegated powers by the Leader.

**REASON FOR DECISION**

- A** To ensure that Cabinet reviews performance against the Council's approved budgets for the General Fund for 2021/22.

- B** To seek approval for the recommendations set out in the report in relation to transfer to/ from reserves and the carrying forward of resources to ensure that the services those resources were intended to deliver are available for that purpose in 2022/23.

## **BACKGROUND**

1. Budget management, as previously reported during the 2021/22 financial year, has again been very challenging, largely driven by the uncertainty created in some service budgets as a result of the ongoing impacts of the Covid-19 crisis. The uncertainty regarding impacts on income budgets has been a main area of concern throughout 2021/22 and reported to Cabinet at each quarter. However, careful management of service budgets has once again ensured the in-year pressures that have arisen have been effectively managed within the overall service budgets wherever possible.
2. The major variations across budgets are set out in Appendix A to the report. The key variations will inform financial management during 2022/23, the refresh of the Medium-Term Financial Strategy (MTFS), and the budget process for 2023/24 highlighted within this outturn report are factors considered to have an ongoing impact into future financial years.

## **ISSUES/ PROPOSALS**

3. A review of the final financial information for the 2021/22 financial year indicates that, in total, the General Fund Budget is projected to overspend by £1.215 million or 2.04 per cent when compared to the approved gross General Fund Budget. The position is broadly aligned with the forecasts provided within the Quarter 3 JFPR report. Section Three of Appendix A to this report summarises the major budget variations and highlights that much of the pressures being experienced relate to service specific issues which have resulted from the Covid-19 crisis, combined with the impact of rating appeals on the Council's return from the Essex Pool and the costs of abortive capital schemes written back to revenue.
4. Careful management of budgets continued throughout the year across all services in order to guard against expenditure pressures and to offset income reductions wherever possible. The movement between Quarter 3 and Quarter 4 on service-controlled budgets was an improvement of over £600,000.
5. As set out in the reports to Cabinet and Council in January 2021, the potential for ongoing budget impact arising because of the pandemic previously identified resulted in the approval of the £1.5 million Budget Resilience Reserve. The outturn reflected in this report will create a demand on the remaining balance of the reserve and result in the balance held reducing to £148,000.
6. The following table summarises the Year-End financial position:

**Table 1 – Summary of Year End Financial Position**

	£'000
Total Service Variations	0.784
Windfall and non-controllable variations and reserve	0.431
<b>Total General Fund outturn 2021/22</b>	<b>1.215</b>

7. The expected position on the General Fund balance as a result of the information presented in this report will be:

	£ millions
<b>General Fund closing balance 31 March 2021</b>	<b>3.031</b>
Carry Forward request approved 2020/21	-0.240
General Fund replenishment (Pensions)	0.800
Total Variations 2021/22	-1.215
Contribution from Budget Resilience Reserve	1.215
Service Carry Forward Requests 2021/22	-0.218
<b>General Fund Closing Balance – 31 March 2022</b>	<b>3.371</b>

8. After adjusting for the proposals previously approved by the Council and the proposals set out in this report, the General Fund balance is expected to move from an opening position of £3.031 million to £3.371 million at the year-end.
9. As part of the 2022/23 budget setting process and as approved in the MTFs, the minimum level for the General Fund Reserve balance over the life of the current MTFs is £2.5 million. With the depletion of the Budget Resilience Reserve to a balance of just £148,000, there may be a call on the General Fund balance in 2022/23 if Covid pressures continue during the year. Operating above the minimum recommended level will give scope to manage this demand if necessary.
10. This level was set to ensure that the Council has adequate reserves given the financial uncertainty resulting from the anticipated Local Government Resource Review proposals; the impact of the significant on-going economic conditions in the medium-term; and more recently, the local impact of Covid-19. Subject to Cabinet decision, the forecast level for 2022/23 will be £871,000 above the minimum recommended balance.
11. The carry forward of resources from 2021/22 budgets of £217,986 have been approved by the Leader under delegated authority to enable services to be delivered without delay pending Cabinet approval. The carry forwards had been reviewed by the Senior Management Board (SMB) prior to their approval and are detailed in Appendix 3b to this report. No funding is currently provided within the 2022/23 budget for the items identified and if the carry forwards were not approved it is unlikely that the work/ projects would be carried out/ completed.

## **SUMMARY OF END OF YEAR OPERATIONAL PERFORMANCE 2021/22**

12. The Council's End of Year operational performance is set out in Section Five of Appendix A to this report. Performance during 2021/22 was measured against the Council's Corporate Plan, which was reframed for the start of Quarter 4 into the current Corporate Strategy. The Council performed on or above target for 44 out of 49 (90 per cent) of its monthly, quarterly, and annual key performance indicators.
13. The Council continues to improve its performance in some of the key areas linked to its Corporate Priorities and Principles. Some of the indicators that have contributed to this achievement are set out in the 'good performance' table in Section Five of Appendix A to this report. From Quarter 1 of 2022/23, performance and financial reporting will be against the ambitions set out in the Corporate Strategy, with the performance of each Portfolio matched against this.
14. The Council successfully completed 75 per cent of its service milestones. Ten per cent of these are continuing into 2022/23 and 14 per cent have been cancelled, suspended, or deferred. One of the milestones is significantly off track, which relates to the Council's Accounts audit for 2019/20 and 2020/21. The 2018/19 audit has been significantly delayed, which has and will continue to have a severe knock-on effect on subsequent years' audits.
15. Section One of Appendix A to this report shows that at the end of year, the Council had no exceptional strategic risks (rated 20 or higher – high likelihood, high impact) recorded in the Council's Risk Register.

## **SIGNIFICANT RISKS/ OPPORTUNITIES**

16. The Council continues to operate in a period of major change driven by the worldwide economic conditions, legislative changes being introduced by the Government, and the impact from Covid-19. Key changes that will continue to impact on the Council include:
  - a) Variations in income from fees, charges and other specific grants.
  - b) Some difficulty in recruitment potentially puts at risk the ability to deliver due to resource issues.
  - c) The uncertainty regarding the Government's intentions regarding public sector funding beyond 2022/2023.
  - d) The medium-term impact of the Covid-19 crisis which continues to affect the Council, particularly in respect of reduced income.
17. Significant opportunities continue to arise and develop to benefit the town and its residents. The Council must ensure it continues to work with all stakeholders to realise those benefits against those opportunities that fit with its strategic themes

of Economic Growth, An Efficient Council, Safeguarding the Environment and Social Cohesion. Examples where opportunities have arisen include:

- a) Harlow and Gilston Garden Town.
  - b) Enterprise Zone (EZ) and Harlow Innovation Park delivery and skills plan to support development of a skilled workforce.
  - c) The former Public Health England (PHE) relocation to Harlow, including partnership working to address employment skills development and supply chain opportunities, following the transfer of all health protection functions to the new UK Health Security Agency (UKHSA) as from 1 October 2021.
  - d) Road and transport infrastructure improvements.
18. The Senior Management Board is currently reviewing and reassessing the Council's strategic risk register to ensure alignment with the current Corporate Strategy and vision. The Senior Management Board will continue to assess impact and necessary controls required to keep risks at acceptable levels whilst striving to realise available opportunities.

## **IMPLICATIONS**

### **Communities and Environment**

As contained within the report.

**Author: Jane Greer, Director of Communities and Environment**

### **Strategic Growth and Regeneration**

As contained within the report.

**Author: Andrew Bramidge, Director of Strategic Growth and Regeneration**

### **Housing**

As contained within the report.

**Author: Andrew Murray, Director of Housing**

### **Governance and Corporate Services**

As contained within the report.

**Author: Simon Hill, Director of Governance and Corporate Services**

### **Finance**

As contained within the report.

**Author: Simon Freeman, Deputy to the Chief Executive and Director of Finance**

## **Appendices**

Appendix A – Joint Finance and Performance Report, Year End 2021/22

## **Background Papers**

None.

## **Glossary of abbreviations/terms used**

EZ – Enterprise Zone

JFPR – Joint Finance and Performance Report

MTFS – Medium Term Financial Strategy

PHE – Public Health England

SMB – Senior Management Board

UKHSA – UK Health Security Agency