

EAST RENFREWSHIRE COUNCILCABINET12 August 2021Report by Head of Accountancy (Chief Financial Officer)FINANCIAL PERFORMANCE FOR YEAR ENDED 31 MARCH 2021**PURPOSE OF REPORT**

1. To advise the Cabinet of the financial results for 2020/21 and to compare the out-turn with the final budgetary control statement for that year which was submitted to the Cabinet on 1 April 2021.

RECOMMENDATIONS

2. It is recommended that members: -
- (i) note the outturn position compared to the previous Budgetary Control Report;
 - (ii) note that once the audit has been completed the final accounts will be submitted to a future meeting of the Council along with the External Auditor's report.

OUTTURN

3. Subject to audit, the financial results contained in the Accounts for the 2020/21 financial year are satisfactory.
- All General Fund departments' outturn spend was within budget, with Directors taking early action to avoid non-essential spend during 2020/21 as it was uncertain whether sufficient government grants would be provided to cover COVID pressures. As sufficient COVID grant funding was confirmed towards year end this effective control of in-year expenditure allowed us to contribute £1,964k to the Non-Earmarked General Fund reserve and the budgeted £3,500k draw on reserves was not required. This represents an improvement of £5,464k on the budget set on 27 February 2020.
 - £12,815k of the COVID government grant funding referred to above and largely received towards the end of 2020/21 is being carried forward via the earmarked Unspent COVID Grants reserve for use specifically in addressing pandemic pressures in 2021/22. This is the principal reason for the significant increase in General Fund reserve balances referred to in my final bullet point below.
 - As highlighted above, the Council's Non-Earmarked General Fund reserve has therefore been increased by £1,964k resulting in a balance of

£11,607k as at 31 March 2021 (4.5% of the annual budgeted net revenue expenditure). This is slightly higher than the Council's most prudent target level of 4% and an improved position from the last reported forecast. Members will recall that the Council agreed to utilise £3,465k of this reserve to assist in balancing the budget for 2021/22, so the forecast balance at 31 March 2022 is now £8,142k (3.2% of revenue budget).

- As anticipated, the year-end surplus included a larger than usual element of underspending on Delegated School Management (DSM) budgets. Members will recall that in setting the 2021/22 budget it was agreed that this position might be reviewed during the current year, with a view to allocating some funding back to schools. A report will be brought to Council on this issue and, if agreed, this would further reduce the non-earmarked reserve balance.
- Capital Expenditure of £35,084k was invested during 2020/21 despite progress on sites being impacted by COVID restrictions.
- An operational deficit of £95k has been made on the Housing Revenue Account, which decreases the accumulated surpluses brought forward on that Account to £2,221k.
- The Council's General Fund reserve balances as at 31 March 2021 total £47,201k and are set out in Note 11 on page 69 of the Accounts. This is an increase of £15,740k from last year and, as highlighted above, is mainly due to unspent Covid related grants which are to be utilised during 2021/22. In total, over £35,500k of General Fund reserve balances are earmarked for specific purposes.

4. It is important to note that most of the reserve balances available are earmarked for specific purposes and that reserves can only be used for one-off investment and not to fund recurring expenditure. However, on the basis of these figures it can be seen that the Council finished the year in a sound financial position. This will assist the Council in taking forward appropriate measures to address the significant financial difficulties and uncertainties in coming years, including balancing annual budget shortfalls, progressing one-off transformational investment designed to generate ongoing revenue financial savings and covering potential future unfunded Covid pressures.

COMPARISON TO BUDGETARY CONTROL

5. The Budget Monitoring Report for Period 10 submitted to the Cabinet on 1 April 2021 forecast an underspend of £3,723k in 2020/21. At the year-end the underspend position improved to £5,464k thus the budgeted £3,500 use of reserves was not required. This improved year end position related mainly to further managed staff vacancies and an increased underspend on supplies and services as Directors continued to avoid all non-essential expenditure.

6. The Period 10 report to Cabinet advised that all services would take steps to contain expenditure within the budget by the year-end, and all General Fund departments achieved that goal.

RECOMMENDATIONS

7. It is recommended that members: -
- (i) note the outturn position compared to the previous Budgetary Control Report;
 - (ii) note that once the audit has been completed the final accounts will be submitted to a future meeting of the Council along with the External Auditor's report.

BACKGROUND PAPERS

A full copy of the Council's unaudited accounts can be accessed within the papers for the Audit & Scrutiny Committee of 24 June 2021.

KEYWORDS

Financial performance, reserves, annual accounts, accounting policies, corporate governance

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