

EAST RENFREWSHIRE COUNCILCABINET18 August 2022Report by Head of Accountancy (Chief Financial Officer)FINANCIAL PERFORMANCE FOR YEAR ENDED 31 MARCH 2022**PURPOSE OF REPORT**

1. To advise the Cabinet of the financial results for 2021/22 and to compare the out-turn with the final budgetary control statement for that year which was submitted to the Cabinet on 7 April 2022.

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 2021/22 financial year are satisfactory.
- The Council's financial affairs have again been managed within its operational budget with Directors taking action in line with the Cabinet recommendation of 27 January 2022 to avoid all non-essential expenditure in the latter part of 2021/22, particularly on staffing and supplies, to give the Council more flexibility to address future financial challenges as budget pressures for 2022/23 and beyond became clearer. The only service that did not remain within budget was the Chief Executive's Office (non-support) where there was a shortfall in income earned as a result of the historically low interest rates. Overall, this has left budgets in a slightly better position than was envisaged earlier in the year.
 - When the budget was set, £3.750m from the Non-Earmarked General Fund reserve was used to balance the Council's budget for 2021/22 but instead, after the Directors' action described above to avoid non-essential spend, improved income generation and additional Scottish Government grants, a contribution of £0.107m was made to non-earmarked reserves. This represents an improvement of £3.857m on the budget set on 15 March 2021.

- The Non-Earmarked portion of the Council's General Fund reserve has therefore been increased by £0.107m resulting in a balance of £11.777m as at 31 March 2022 (4.4% of the annual budgeted net revenue expenditure). This is slightly above the Council's most prudent target level of 4% and represents an improved position from the last reported forecast. To balance the budget for 2022/23 the Council agreed to utilise £5.253m of this reserve, so the forecast balance at 31 March 2023 is £6.524m (2.4% of revenue budget). The range recommended by external auditors is between 2% and 4%.
- After incurring £16.82m of Covid spend during 2021/22, £14.085m of COVID government grant funding is being carried forward via the earmarked Unspent Grants reserve for use specifically in addressing pandemic pressures in 2022/23 and beyond.
- Capital Expenditure of £36.786m was invested during 2021/22 despite progress on sites being impacted by COVID restrictions and resource shortages.
- An operational deficit of £0.354m has been made on the Housing Revenue Account, this decreasing the accumulated surpluses brought forward on that Account to £1.867m.
- The Council's overall General Fund reserve balances as at 31 March 2022 total £46.189m. This is a decrease of £1.075m from last year and reflects the reducing balance on the Modernisation Fund. In total, over £34.4m of General Fund reserve balances are earmarked for specific purposes.

COMPARISON TO BUDGETARY CONTROL

4. The Budget Monitoring Report for Period 10 submitted to the Cabinet on 7 April 2022 forecast an underspend of £1,788k in 2021/22. At the year-end the underspend position improved to £3,857k thus the budgeted £3,750k use of reserves was not required. This improved year end position related mainly to managed staff vacancies and an underspend on supplies and services as Directors avoided all non-essential expenditure, also improved income generation and additional Scottish Government grants.

5. 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 with the exception of the Chief Executive's Office (non-support) where the variance was a result of a sharp fall in investment returns as a result of prevailing economic factors out with the Council's control.

RECOMMENDATIONS

6. 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 2022.

KEYWORDS

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

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