

FINANCIAL PERFORMANCE

General Fund

The General Fund accounts for income and expenditure associated with the day to day running of all the services that the Council provides, except for council housing. On 23 February 2022 Council approved a General Fund Revenue Budget for 2022/23 of £21.254M (£17.774M 2021/22).

On 6 December 2022 Cabinet approved the use of latest projected outturn figures to provide a mid-year reviewed budget position which was to form the basis of noting any variance at year-end. At this position a net overspend of £2.965M was predicted.

The actual net overspend on the General Fund for the year has reduced to £0.267M, which has been funded from the General Fund unallocated reserve.

The table below provides details of the General Fund revenue income and expenditure for 2022/23 and shows variances for each service area. The format includes the removal of various accounting entries such as internal recharging, notional items such as pension adjustments and capital charges initially charged to service.

	2022/23			Remove Reserve Funded Variances	Variance from Working Budget	Note
	Original Budget	Working Budget	Actual			
Expenditure:	£000	£000	£000	£000	£000	
Central Services	871	1,061	918	(116)	27	
Communities and Environment	7,997	10,892	10,769	115	238	1
Corporate Services	6,461	7,566	6,294	(193)	1,079	2
Economic Growth and Regeneration	7,301	8,668	7,875	(241)	552	3
Other Corporate Income & Expenditure Items	(1,410)	(3,968)	(4,335)	435	802	4
Contribution to/(from) General Fund Balance	34	(2,965)	(267)	-	(2,698)	5
NET REVENUE EXPENDITURE	21,254	21,254	21,254	-	-	

A core element of the Council's budget is salary driven and the relative variances since the mid-year review are summarised in the table below with further discussion in the following notes.

Service/Section	SALARIES VARIANCE	AGENCY VARIANCE	OTHER VARIANCE	TOTAL VARIANCE	Note
	£000	£000	£000	£000	
Central Services	21	-	-	21	
Communities and Environment	125	(54)	20	91	1
Corporate Services	89	5	-	94	2
Economic Growth & Regeneration	312	(12)	26	326	3
TOTAL VARIANCE FAVOURABLE / (ADVERSE)	547	(61)	46	532	

The following table highlights the significant variances between the mid-year review and the outturn position :-

	2022/23	Note
	£000	
Mid-Year Review Position	(2,965)	
<u>Quarter 3 Variances</u>		
Salary Savings	469	1,2,3
Energy Costs	163	1,3
SALC Income	(72)	1
Minimum Revenue Provision	1,500	4
Investment Interest Received	179	4
Other Variances	(51)	
Quarter 3 Reported Position	(777)	
<u>Quarter 4 & Outturn Variances</u>		
Pensions Top Up	591	1,2,3
Energy Costs	266	1,3
Minimum Revenue Provision	504	4
Investment Interest Received	76	4
Non-specific Government Grants	198	4
Contribution to Restructure Reserve	(400)	4
Business Rates	(1,249)	4
Bad Debt Provision	476	4
Other Variances	48	
Contribution to/(from) General Fund Balance	(267)	5

Further explanations for variances including salaries are detailed in the notes below.

Note 1 Communities & Environment

Salaries (£0.091M underspend)

Further salary savings across the directorate offset by the use of casual staffing and overtime plus a reduction in agency staffing requirement to address shortfalls. This is largely due to non-recruitment to vacant posts; however, increased casual staffing has been needed at Salt Ayre Leisure Centre to cover necessary training to fill lifeguard vacancies due to a national recruitment crisis.

Energy Costs (£0.158M underspend)

Since the mid-year review energy costs have dropped considerably. It is expected that this will continue throughout 2023/24 and further underspends will be built into future projections as part of the monitoring process. Two other significant issues have, however, contributed to the outturn position :-

- Following challenge from officers, refunds totalling £0.088M were received relating to Castle Car Park due to being incorrectly charged a higher electricity tariff during 2021/22.
- Following an independent review, the heating system at Salt Ayre Leisure Centre has been found to be under-performing. Whilst there was an overspend at the centre on energy of £0.071M against the mid-year projection, it is estimated that this issue has cost in the region of £0.100M in 2022/23 and further financial pressure will continue into 2023/24 should the issue not be addressed. Officers are currently working on various options and the ongoing position will be included in future monitoring reports.

Note 2 Corporate Services

Salaries (£0.094M underspend)

Further salary savings across directorate mainly relating to Accountancy and ICT.

Pensions Top-Up (£0.591M saving)

During 2021/22, a requirement for top-up pension payments to be made into the Lancashire County Pension Fund was notified to the City Council following a review of actual pensionable pay compared to that estimated for the 3-year prepayment arrangement entered into in

2020/21. Part of the top up payment accrued for and relating to 2021/22 was inadvertently budgeted for in 2022/23 in line with the cash payment. The saving generated will be partially offset by a further top-up payment of £0.131M in respect of 2022/23 notified after the IAS19 schedule prepared by the actuary. This will be recognised in 2023/24 in line with the IAS19 schedule for that year.

Bad Debt Provision (£0.476M reduced contribution)

There has been an in-year change in the profile of aged debt, in particular a reduction in debt that is between 184-364 days old and to a lesser degree that which is over 365 days old. As a result, it has not been necessary to make the budgeted contribution of £0.250M to the provision and a further £0.226M has been released.

Note 3 Economic Growth & Regeneration

Salaries (£0.326M underspend)

Further salary savings across the directorate largely due to the recruitment freeze in place in the latter half of the year. The service is currently holding a significant number of vacant positions.

Energy Costs (£0.276M underspend)

As per Note 1 energy costs have dropped considerably in relation to the mid-year review forecast.

Note 4 Other Items

Minimum Revenue Provision (£2.004M saving)

An external review of the Council's minimum revenue provision (MRP) policy has been undertaken. The review was completed after the mid-year budget review and the Council has saved £2.004M by changing the methodology for calculating MRP and making some retrospective adjustments. The change in policy was included in the Treasury Management Strategy presented to budget Council meaning that it has been possible to realise the savings within the 2022/23 financial year.

Investment Interest Received (£0.255M increase)

When the mid-year review position was undertaken, the Bank of England base rate was 2.25%. There have been 4 incremental rises between then and 31st March 2023 bringing the bank rate to 4.25%. Whilst some allowance was made for future rate rises in line with our Treasury Management advisers forecasts, continued rising inflation has meant that these have exceeded the expectations at that time.

Non-specific Governments Grants (£0.198M increase)

Unexpected additional grant income was received in March 2023. This is non-ringfenced new burden income and has been used to contribute towards net general fund expenditure.

Contribution to Restructuring Reserve (£0.400M contribution)

The S151 Officer has recommended a contribution to the reserve to help finance future expected restructuring costs in relation to the Outcomes Based Resourcing project.

Business Rates (£1.249M expenditure)

£1.062M relates to the unanticipated impact of Covid Additional Relief Fund grant (CARF) on the business rates levy charged for the year. The remaining £0.187M relates to Section 31 grant in respect of business rate reliefs which is paid on account based on an estimated figure. On outturn more grant than was due had been received on account and is repayable to Central Government.

Note 5 Contribution from General Fund Balance (£0.267M contribution)

Balances are fundamental in protecting the Council’s financial standing, as well as being key in helping to address financial challenges and establish a sustainable budget, through their appropriate use. As part of the 2022/23 General Fund budget setting process, the Council approved the contribution of £0.034M towards unallocated reserves to deliver its strategic priorities and stated outcomes within a balanced budget. This position was revised to a contribution of £2.965M in year as part of the mid-year review forecast. As detailed in the previous notes, the General Fund performance was better than expected since the review. Whilst the overall outturn position still required a contribution from the unallocated reserve, this was reduced to £0.267M. At 31 March 2023, the General Fund’s unallocated reserve balance stands at £11.678M which is £6.678M above the minimum recommended level.

Housing Revenue Account

At the end of the financial year, the Council owned 3,630 homes generating rental income of c.£14.3M. The Local Government & Housing Act 1989 requires that this income and associated expenditure is held in a ring-fenced account, the Housing Revenue Account (HRA). Full details of the HRA are included within these accounts.

	£000
Repairs & Maintenance costs	364
Interest from Investments	107
Net pension adjustment re IAS19	328
Reduced use of Reserves	(890)
Net decrease in Capital funded from Revenue	85
Other minor variances	112
	<u>106</u>

As part of the 2022/23 budget setting process, the Council approved the use of £1.404M (revised to £2.034M in year) of unallocated reserves to deliver its strategic priorities and stated outcomes within a balanced budget. The outturn position was favourable resulting in a reduction of £0.106M being required from the reserve. At 31 March 2023, the HRA’s unallocated reserve balance stands at £0.624M which is £0.124M above the minimum recommended level for 2022/23. Expenditure within the HRA is supported by a 30-year business plan and the Council is planning significant investment over a number of years to improve its social housing stock.