



# Provisional Revenue, Capital and Treasury Management Outturn 2022/23 12 September 2023

## Report of Chief Finance Officer

PURPOSE OF REPORT			
This report provides summary information regarding the provisional outturn for 2022/23, including treasury management. It also sets out information regarding the carry forward of capital slippage and other matters for Members' consideration.			
<b>Key Decision</b>	<input type="checkbox"/>	<b>Non-Key Decision</b>	<input type="checkbox"/>
<b>Officer Referral</b>			<b>X</b>
<b>Date of notice of forthcoming key decision</b>		N/A	
<b>This report is public.</b>			

### RECOMMENDATIONS OF COUNCILLOR HAMILTON COX:

- (1) That the provisional outturn for 2022/23 be endorsed, including the transfers to and from Reserves and Balances actioned by the Chief Finance Officer as set out in 5.1 and Appendix 5.
- (2) That Cabinet approve the treatment of year end overspends and endorse the do-nothing approach in-light of the current situation.
- (3) That Cabinet note and endorse the ongoing projects funded by reserves set out at Appendices 5a and 6.
- (4) That the requests for capital slippage and the adjustments to reflect accelerated capital spending on projects as set out at Appendices 7 and 8 be endorsed, with the Capital Programme being updated accordingly.
- (5) That the Annual Treasury Management report and Prudential Indicators as set out at Appendix 2 be noted and referred on to Budget & Performance Panel and Council for information.

### 1. BACKGROUND

- 1.1. All local authorities have a legal duty to produce an annual Statement of Accounts. For 2022/23 the requirements and timeline for the approval of a Local Authority's Statement of Accounts differed from 2021/22. In accordance with the regulations, the draft Accounts must be published on the Council's website and submitted for audit by 31 May 2023 and the timeline for the conclusion of the audit is 30 September 2023.
- 1.2. Whilst the statutory deadline of 31 May 2023 was not met, the draft Statement of Accounts

was completed and signed off prior to 31 July 2023 by the Chief Finance Officer in line with the previous year's deadline. Deloitte have not yet commenced the audit of accounts, however, the draft Statements are available on the Council's website via the following link [Statement of Accounts - Lancaster City Council](#)

- 1.3. This report provides Cabinet with an update on the provisional outturn, including Treasury Management, and seeks endorsement for certain matters. The Council's financial performance is integral to its service performance overall, which is included elsewhere on this agenda, and Members are advised to consider this report in that context.

## 2. PROVISIONAL REVENUE OUTTURN: SUMMARY

### 2.1 General Fund Revenue Outturn

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) which included a budgeted contribution of £0.034M to the General Fund unallocated reserve in order to produce a balanced budget.

- 2.2 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.

- 2.3 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, capital charges initially charged to Service.

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

- 2.3 After allowing for various year-end adjustments, there has been a net overspend of £0.267M against the Working Budget for 2022/23 which has resulted in a reduced transfer from the General Fund unallocated reserve. The overspending represents 1.3% of the Council's net revenue budget (2021/22 comparative: £0.571M underspend, 3.2% of budget) or 2.6% of the Council Tax requirement.

- 2.4 Details of the significant variances and a detailed explanations of the major differences between provisional outturn and the revised budgeted position is provided at **Appendix 1**.

## 3. TREASURY MANAGEMENT

- 3.1 We are required by statute to report our annual treasury management performance. This report is attached at **Appendix 2** and sets out the performance of treasury operations for 2022/23. The Council's treasury operations are conducted in accordance with its annual Treasury

Management Strategy, which was approved by Council on 23 February 2022. This document identifies the investment and borrowing policies of the Council specifying various criteria for investment counterparties, maximum duration and the amount of investments together with the framework for any future borrowing.

### Investments

- 3.2 In 2022/23 the Council retained its comparatively low risk appetite towards investments. The average daily amount invested reduced to £44.46M (£45.00M 2020/21) with short term investments on 31 March 2023 (all held in the balance sheet as cash and cash equivalents) totalling £24.00M (£42.70M 20/21). The overall return on investments was £0.962M at an average interest rate of 2.16% (£0.03M and 0.07% 2021/22).

### Borrowing

- 3.3 The Council undertook short-term borrowing of £2M in 2022/23 (£0M in 2021/22). Total long-term debt at 31 March 2023 amounted to £57.96M (£59.00M 2021/22) all of which relates to PWLB borrowing. A further £1.04M is included within short term liabilities as payment falls due within 12 months.
- 3.4 In determining its Council Tax charges Councils must make a specific provision for the financing of capital expenditure known as Minimum Revenue Provision (MRP). The outstanding amount for which MRP has to be made is known as the Capital Financing Requirement (CFR). At 31 March 2023 the Councils CFR was £98.69M (£95.24M 2021/22) an increase of £3.45M. The amount of MRP charged in 2022/23 totalled £1.146M (£3.199M 2021/22) with accompanying interest charges £2.854M (£2.882M 2021/22).

## 4. HOUSING REVENUE ACCOUNT (HRA)

- 4.1 At the end of the financial year, the Council owns 3,630 homes generating rental income of £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).
- 4.2 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 in order 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.

	<b>£000</b>
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>

- 4.3 A summary of the HRA provisional outturn is included at **Appendix 3**. Discounting any notional and presentational variances.
- 4.4 As at 31 March 2023, the HRA's unallocated reserve balance stands at £0.624M (£2.552M 2021/22) which is £0.124M above the £0.500M 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. A summary of all its Balances & Reserves is included at **Appendix 4**.

## **5. GENERAL FUND USABLE REVENUE RESERVES AND BALANCES**

- 5.1 As discussed in Section 2, the General Fund called on the use of its general unallocated reserve to provide a balanced budget. The amount required was £0.267M. This means that as at 31 March 2023 General Fund Balances amounted to £11.677M (2021/22 £6.032M). This is £6.677M above the current minimum recommended level of reserves £5.00M. Members should be reminded that during 2022/23 an approved transfer of £5.913M was made from a number of unallocated reserves in order to increase financial resilience.
- 5.2 The overall level of General Fund Usable Reserves has reduced to £24.752M (2021/22 £28.886M). Summary details of these movement are provided in **Appendix 5**.
- 5.3 Several projects calling on reserves are yet to be completed and require the reserves funding to be rolled forward into 2023/24 accordingly. A summary of these projects totalling £2.435M is provided in **Appendix 5a**.

## **6. HOUSING REVENUE ACCOUNT USABLE REVENUE RESERVES AND BALANCES**

- 6.1 As discussed in Section 4, the Housing Revenue Account called on the use of its unallocated reserve to provide a balanced budget. The amount required was £1.928M. This means that as at 31 March 2023 the HRA's Unallocated Balances amounted to £0.624M (2021/22 £2.552M). This is £0.124M above the minimum recommended level for 2022/23 of £0.500M.
- 6.2 Several projects calling on HRA earmarked reserves are yet to be completed and require the reserves funding to be rolled forward into 2023/24 accordingly. A summary of these projects totalling £1.265M is provided in **Appendix 6**.

## **7. CARRY FORWARD OF UNDERSPENDINGS AND OVERSPENDINGS**

- 7.1 Under the financial strategy, provisions exist to adjust budgets between years by carrying forward under or over-spending. These arrangements help to:
- provide some flexibility in delivering the Council's stated objectives
  - remove the incentive to spend up budgets unnecessarily by year end, and
  - promote good financial management.
- 7.2 With regard to the carry forward of revenue underspends, and given the overall outturn position, there are no requests for Cabinet to consider.
- 7.3 With regard to overspendings, arrangements require that
- any overspending on any expenditure budget, or shortfall on any income budget, under the control of a Director (or their nominated representative) will be automatically carried forward to the following year as part of the closure of accounts process except where the relevant Director and the S151 Officer agree that it does not make operational sense to do so, or where the overspending is trifling in value.
  - The S151 Officer will report to Cabinet on overspendings and their treatment as part of year-end reporting. Such reporting will also include the reasons for any overspends occurring and details of any actions taken to prevent the situation recurring.
- 7.4 Given the current financial climate and future challenges facing the Council it is proposed not to carry forward any overspends occurring within 2022/23.

## 8. CAPITAL OUTTURN

- 8.1 In 2022/23 the Council spent £15.755M in total on capital schemes (£14.892M 2021/22). Total spend on the General Fund was £10.447M against a budget £13.903M, with the HRA spending being £5.308M against a budget of £7.063M.
- 8.2 A provisional capital expenditure and financing statement for the year is included at **Appendix 7**, which is summarised in the following tables:

### Capital Expenditure

Service	A	B	C	D	E
	2022/23 Gross Budget £000	2022/23 Expenditure £000	Variance £000	(Slippage)/ Accelerated Expenditure £000	Final Over/(Under) spend £000
			<b>(B-A)</b>		<b>(C-D)</b>
Communities & Environment	11,299	8,858	(2,441)	(1,421)	(1,020)
Economic Growth & Regeneration	2,066	1,225	(841)	(639)	(202)
Corporate Services	538	362	(176)	(176)	-
Central Services	-	2	2	2	-
<b>Total General Fund Programme</b>	<b>13,903</b>	<b>10,447</b>	<b>(3,456)</b>	<b>(2,234)</b>	<b>(1,222)</b>
Housing Revenue Account	7,063	5,308	(1,755)	(1,027)	(728)
<b>Total Council Capital Programme</b>	<b>20,966</b>	<b>15,755</b>	<b>(5,211)</b>	<b>(3,261)</b>	<b>(1,950)</b>

### Capital Financing

Service	Grants & Contributions £000	Revenue Contributions £000	Earmarked Reserves £000	Major	Capital Receipts £000	Unsupported Borrowing £000	Total £000
				Repairs Reserve £000			
Communities & Environment	4,400	43	479	-	184	3,752	8,858
Economic Growth & Regeneration	729	-	-	-	-	496	1,225
Corporate Services	-	-	-	-	-	362	362
Central Services	2	-	-	-	-	-	2
<b>Total General Fund Programme</b>	<b>5,131</b>	<b>43</b>	<b>479</b>	<b>-</b>	<b>184</b>	<b>4,610</b>	<b>10,447</b>
Housing Revenue Account	21	-	306	4,939	42	-	5,308
<b>Total Council Capital Programme</b>	<b>5,152</b>	<b>43</b>	<b>785</b>	<b>4,939</b>	<b>226</b>	<b>4,610</b>	<b>15,755</b>

### Capital Slippage

- 8.3 Details of individual slippage requests from services have been received, a schedule of which is attached at **Appendix 8**. In considering these, Cabinet is asked to note that many of the associated capital schemes are already underway and expenditure may already have been incurred in this year – the actual carry forward of slippage can be a formality.

## **9. DETAILS OF CONSULTATION**

- 9.1 As reflected above, the statutory arrangements regarding the public's rights in relation to the accounts provide for a fixed 30 working day period, which commenced on 1<sup>st</sup> August for this year.

## **10. OPTIONS AND OPTIONS ANALYSIS**

- 10.1 The Council has a legal requirement to ensure that its expenditure is fully funded and to produce accounts in accordance with proper accounting practice. In addition, the Prudential Indicators are a statutory requirement linked to the budgetary framework. For these aspects, therefore, there are no alternative options for Cabinet to consider. Members are being asked to endorse certain actions taken by the Chief Finance Officer, and Cabinet should consider whether it has sufficient information to do so or whether it requires any further justification.
- 10.2 The report requests Cabinet to consider a number of revenue overspending, capital slippage and other budget adjustment matters. The framework for considering these is set out in the report but basically Cabinet may:
- Endorse any number of the items / requests, in full or part.
  - Refuse various requests and if commitments have already been incurred, require alternative funding options to be identified. Cabinet should note, however, that this may impact on other areas of service delivery.
  - Request further information regarding them, if appropriate.

## **11. OFFICER PREFERRED OPTION AND JUSTIFICATION**

- 11.1 The Officer preferred options are as set out in the recommendations, on the assumption that Members continue to support their previously approved spending plans.

## **12. CONCLUSION**

- 12.1 Although the Council's financial position appears relatively healthy with a surplus against the mid-year reviewed budget, it still represents and an overall decrease to the level of unallocated reserves held. The Council's Medium Term Financial Strategy suggests a structural budget gap in 2023/24 onwards of approximately £1.703M rising to £5.263M in 2027/28.
- 12.2 Work has commenced to support opportunities to address the underlying structural deficit, by:
- Increasing and diversifying income
  - Improving productivity and securing efficiencies via new ways of working (e.g., Outcomes Based Resourcing)
  - Developing alternative ways to achieve priority outcomes (e.g., partnership)
- 12.3 However, if these are not successful and the deficit is not closed, then balances will be required to make up the difference.

### **RELATIONSHIP TO POLICY FRAMEWORK**

The Outturn and Statement of Accounts report on all the financial resources generated and/or used by the Council in providing services or undertaking other activities under the Policy Framework.

**CONCLUSION OF IMPACT ASSESSMENT**

(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing)

None directly identifiable, due to the high level nature of this report.

**LEGAL IMPLICATIONS**

There are no legal implications directly arising.

**FINANCIAL IMPLICATIONS**

As set out in the report

**OTHER RESOURCE IMPLICATIONS**

**Human Resources / Information Services / Property / Open Spaces:**

References and any related implications are contained within the report and related appendices.

**SECTION 151 OFFICER'S COMMENTS**

The report has been written by the Section 151 Officer.

**MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no further comments

**BACKGROUND PAPERS**

None.

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