

Provisional Revenue, Capital and Treasury Management Outturn 2023/24 10 September 2024

Report of Chief Finance Officer

PURPOSE OF REPORT			
This report provides summary information regarding the provisional outturn for 2023/24, including treasury management. It also sets out information regarding the carry forward of capital slippage and other matters for Members' consideration.			
Key Decision	<input type="checkbox"/>	Non-Key Decision	<input type="checkbox"/>
		Officer Referral	<input checked="" type="checkbox"/>
Date of notice of forthcoming key decision	N/A		
This report is public.			

RECOMMENDATIONS OF COUNCILLOR HAMILTON COX:

- (1) That the provisional outturn for 2023/24 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. In accordance with the regulations, the draft Accounts must be published on the Council's website and submitted for audit by 31 May 2024.
- 1.2. Whilst the statutory deadline of 31 May 2024 was not met, the draft Statement of Accounts was completed and signed off prior on 02 August 2024 by the Chief Finance Officer. 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 22 February 2023 Council approved a General Fund Revenue Budget for 2023/24 of £21.091M (£21.254M 2022/23). In order for a balanced budget to be achieved, a contribution from unallocated reserves of £0.577M was required.

- 2.2 The table below provides details of the General Fund revenue income and expenditure for 2023/24 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.

	2023/24			Remove Reserve Funded Variances £000	Variance from Working Budget £000
	Original Budget £000	Working Budget £000	Actual £000		
Expenditure:					
Environment & Place	10,840	10,655	11,653	32	(966)
Governance	1,372	1,498	1,619	(27)	(148)
Housing & Property	2,176	3,812	2,692	(1,191)	(71)
People & Policy	2,634	2,632	3,351	(51)	(770)
Planning & Climate Change	1,647	1,907	1,455	(247)	205
Resources	4,330	4,713	3,862	(264)	587
Sustainable Growth	2,165	2,431	1,369	(251)	811
Other Corporate Income & Expenditure Items	(3,497)	(4,646)	(3,560)	1,999	913
Contribution to/(from) General Fund Balance	(577)	(1,912)	(1,351)	-	(561)
NET REVENUE EXPENDITURE	21,090	21,090	21,090	-	-

- 2.3 With regard to day to day income and expenditure, at the end of the financial year, the General Fund was underspent by £0.158M. However, in real terms when adjusted for the budgeted contribution as above, the actual net overspend was £0.419M (1.99% of budget), which has been funded from the General Fund unallocated reserve.

- 2.4 Details of the significant variances and detailed explanations of the major differences between provisional outturn and the working 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 2023/24. The Council's treasury operations are conducted in accordance with its annual Treasury Management Strategy, which was approved by Council on 22 February 2023. 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 2023/24 the Council retained its comparatively low risk appetite towards investments. The average daily amount invested reduced to £32.42M (£44.46M 2022/23) with short term

investments on 31 March 2024 (all held in the balance sheet as cash and cash equivalents) totalling £10.50M (£24.00M 2022/23). The overall return on investments was £1.604M at an average interest rate of 4.90% (£0.962M and 2.16% 2022/23).

Borrowing

- 3.3 The Council undertook no short-term borrowing in 2023/24 (£2M 2022/23). Total long-term debt at 31 March 2024 amounted to £56.92M (£57.96M 2022/23) 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 2024 the Council's CFR was £98.58M (£98.69M 2022/23), a decrease of £0.11M. The amount of MRP charged in 2023/24 totalled £3.702M - GF £2.661M HRA £1.041M (£1.146M 2022/23).

4. HOUSING REVENUE ACCOUNT (HRA)

- 4.1 At the end of the financial year, the Council owned 3,617 homes generating rental income of c.£15.3M. 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 The net overspend on the HRA was £0.107M resulting in a net surplus for 2023/24 of £0.126M (2022/23 £1.928M deficit), which has been transferred into the HRA unallocated reserve.

	£000
Repairs & Maintenance costs	(90)
Interest from Investments	148
Net pension adjustment re IAS19	230
Increased use of Reserves	65
Net increase in Capital funded from Revenue	(559)
Other minor variances	99
	<u>(107)</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 2024, the HRA's unallocated reserve balance stands at £0.750M, the minimum recommended level for 2023/24. 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 in **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 £0.577M. This means that as at 31 March 2024 General Fund Balances amounted to £10.326M (2022/23 £11.677M). This is £5.326M above the current minimum recommended level of reserves £5.000M.

- 5.2 The overall level of General Fund Usable Reserves has increased to £27.367M (2022/23 £24.752M). 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. One project spent money in advance and as such this is classed as accelerated expenditure. A summary of these projects totalling £1.515M is provided in **Appendix 5a**.

6. HOUSING REVENUE ACCOUNT USABLE REVENUE RESERVES AND BALANCES

- 6.1 As discussed in Section 4, as at 31 March 2024 the HRA's Unallocated Balances amounted to £0.750M (2022/23 £0.624M) which is in line with the updated minimum recommended level for 2023/24 of £0.750M.
- 6.2 Several projects calling on HRA earmarked reserves are yet to be completed and require the reserves funding to be rolled forward into 2024/25 accordingly. A summary of these projects totalling £0.628M 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 2023/24.

8. CAPITAL OUTTURN

- 8.1 In 2023/24 the Council spent £14.353M in total on capital schemes (£15.754M 2022/23). Total spend on the General Fund was £7.597M against a budget estimate of £10.623M, with the HRA spending being £6.756M against a budget estimate of £8.033M.
- 8.2 A provisional capital expenditure and financing statement for the year is included in **Appendix 7**, which is summarised in the following tables:

Capital Expenditure

Service	A	B	C	D	E
	2023/24 Gross Budget £000	2023/24 Expenditure £000	Variance £000 (B-A)	(Slippage)/ Accelerated Expenditure £000	Final Over/(Under) spend £000 (C-D)
Environment & Place	1,651	1,690	39	80	(41)
Housing & Property	5,420	4,217	(1,203)	(1,239)	36
People & Policy	444	387	(57)	(57)	-
Planning & Climate Change	17	7	(10)	(10)	-
Resources	1,386	493	(893)	(862)	(31)
Sustainable Growth	1,422	803	(619)	(635)	16
Schemes Under Development	283	-	(283)	(283)	-
Total General Fund Programme	10,623	7,597	(3,026)	(3,006)	(20)
Housing Revenue Account	8,033	6,756	(1,277)	(1,552)	275
Total Council Capital Programme	18,656	14,353	(4,303)	(4,558)	255

Capital Financing

Service	Grants & Contributions £000	Revenue Contributions £000	Earmarked Reserves £000	Major Repairs Reserve £000	Capital Receipts £000	Unsupported Borrowing £000	Total £000
Environment & Place	1	5	124	-	3	1,557	1,690
Housing & Property	3,186	-	-	-	-	1,031	4,217
People & Policy	387	-	-	-	-	-	387
Planning & Climate Change	7	-	-	-	-	-	7
Resources	-	-	-	-	-	493	493
Sustainable Growth	287	3	-	-	-	513	803
Schemes Under Development	-	-	-	-	-	-	-
Total General Fund Programme	3,868	8	124	-	3	3,594	7,597
Housing Revenue Account	650	-	1,923	4,111	72	-	6,756
Total Council Capital Programme	4,518	8	2,047	4,111	75	3,594	14,353

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 5 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 both the General Fund and Housing Revenue Account were able to respond to the financial challenges in 2023/24 and maintain balanced budget positions by utilising its reserves, this does not mean that the financial issues for the Council are resolved, it simply means that the in-year budget pressures were addressed. To put into context, a budget gap of £1.4M is still forecast for 2025/26 and this rises annually to £4.6M in 2028/29 for which the cumulative effect is not sustainable.
- 12.2 The Council has embarked on a programme called Outcomes-Based Resourcing (OBR)/Fit for the Future (FftF) that will see it examine every area of its budget and match resources more closely with its priorities. The OBR/FftF programme includes looking at ways the council can do things differently by utilising technology and being more efficient, as well as considering areas in which it can generate more income.
- 12.3 The Council embarked on its OBR/FftF process in 2022/23, as set out in the Council Plan, with its intention to ensure that funds are allocated according to a set of predefined outcomes, or priorities to ensure that funds are directed toward the Council's key ambitions and statutory functions and away from areas which contribute less or not at all against the predetermined objectives.

- 12.4 The proposed actions through the OBR/FftF process currently include:
- Application of alternative funding to deliver key Council outcomes
 - Detailed review and sensitivity analysis on all key and significant income streams
 - Further rationalisation work on the Council's asset base
 - Expansion of the investment to reduce cost principle
 - The potential use of capital receipts to finance existing projects
 - Capitalisation of transformation costs where appropriate
 - Exploration of closer working and collaboration with other Councils, Public Sector Bodies and Partner Institutions
 - Challenging existing cost base through the application of zero-based budgeting principles
- 12.5 Given the size of the ongoing financial issues the Council faces this fundamental reshaping of the Council's services and realigning against its priorities through the OBR/FftF process will be key to shrinking the estimated budget gap and securing the financial sustainability of the Council going forward. It is imperative that the work, or similar principles continues. The application of OBR/FftF across the Council will be a significant piece of work and to fully achieve its stated aims will take an estimated further 12 to 24 months.
- 12.6 Cabinet and Senior Leadership Team have agreed on principles and common goals as they continue to work through the OBR/FftF process.
- We need to continue tackle the structural deficit over the short medium and long term
 - We need to use reserves carefully to transition
 - We want to continue to deliver services that residents/ businesses need and rely on
 - We want to achieve positive outcomes for our district
- 12.7 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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