



REPORT TO:	Cabinet
DATE:	12 th December 2023
SUBJECT:	2023/24 Quarter Two Finance update
PURPOSE:	To set out the current financial position for the Council at the end of the second quarter of 2023/24
KEY DECISION:	N/A
PORTFOLIO HOLDER:	Councillor Redgate
REPORT OF:	Christine Marshall – Deputy Chief Executive Corporate s151
REPORT AUTHOR:	Lazaros Mafuko (Strategic Finance Manager PSPS) and Colleen Warren, (Head of Finance, Client PSPS)
WARD(S) AFFECTED:	N/A
EXEMPT REPORT	No

SUMMARY

This report sets out a summary of the current financial position for the Council at the end of the second quarter of 2023/24 for members consideration.

RECOMMENDATIONS:

For Cabinet:

- 1) That Cabinet notes the forecast revenue position of a £338,000 overspend for 2023/24 as detailed in Table 1.
- 2) That Cabinet notes the forecast revenue position of the HRA for 2023/24 (surplus of £1.620m) as detailed in Table 3a.

3) That Cabinet approves the amendment to the HRA Capital Programme at Appendix A – Table 7 to take into account the changes set out in the report.

For Cabinet to Council:

4) That Cabinet refers to Full Council the approval of the use of New Homes Bonus (NHB) from reserves of £300,000 to alleviate in year budget pressures.

5) That Cabinet recommends to Full Council to amend the Capital Programme at Appendix A – Table 4 to take into account the changes set out in this report.

REASONS FOR RECOMMENDATIONS

To ensure the Council's forecast financial position for 2023/24 is considered and related decisions approved. It is important that the Cabinet are aware of the financial position of the General Fund to ensure that they can make informed decisions that are affordable and financially sustainable for the Council.

OTHER OPTIONS CONSIDERED

To not approve the reserve movements outlined.

REPORT

BACKGROUND

Throughout the year quarterly monitoring reports are completed forecasting the expected year end outturn against the budget. This report provides information on the forecast full year financial performance at 30 September 2023 and as detailed in the attached Appendix A, for the following areas:

- The General Fund Revenue Budget,
- The General Fund Reserves Position,
- The Capital Programme for 2023/24
- The HRA Revenue Budget,
- The HRA Reserves Position,
- The HRA Capital Programme for 2023/24, and
- The Treasury Management Performance for the year.

General Fund Forecast Outturn

Quarter 2 data provides a 6-month view on which to base the full year forecast in what is a volatile and inflationary environment, these figures are therefore susceptible to further change. The net cost of services is forecast to overspend by £338,000.

The major variances relate to the outstanding efficiencies to be met, an increase in demand on homelessness causing rent allowance pressures, partly offset by additional investment income due

to high interest rates. The forecast position by Assistant Director/Corporate Finance areas is detailed at **Table 1** together with an analysis of variations.

Savings Target

When setting the budget certain assumptions had to be made around inflationary pressures particularly pay, fuel, power and support for IDB costs. As a result of this approach when the budgets are not required e.g., as budgets become more accurate these are being offset against the savings target and this information is detailed in Appendix A – Table 1b of the report. The current position is that £611,000 of potential savings have been identified at quarter 2 against a target of £887,000 and further areas have been identified for detailed consideration.

Further revenue pressures

There are emerging revenue pressures coming forward from statutory services these will need to be considered extremely carefully in light of the Councils revenue position. As part of the budget setting process proactive engagement with Councillors will take place to facilitate that debate regarding efficiencies to facilitate support for statutory services.

IDB's

The financial pressure generated by the Internal Drainage Boards has been supported by government for 2023/24 in the sum of £299,000 in respect of which we are very grateful. However, the issue and challenge of a longer-term solution to this problem has been raised again with government officials at DLUC and BEIS in order to seek to come to a resolution that enables the Council to make use of the Council Tax that it raises for the purpose that it is set. In addition, the Council is now working with others affected through a Special Interest Group on this topic to take it forward. Further updates will be provided as this matter progresses.

Pay award

Included within the forecasts for Quarter 2 is the assumption that the pay award would be 5% as budgeted. Since Quarter 2 forecasts were completed the final pay award has been agreed at £1,925. This equates to a rise of 9.42% for the lowest paid to 3.88% for those on the highest bands. The impact of the increase in the pay award will be reflected in the forecasts for Quarter 3.

Reserves

There is a proposed one-off use of reserves (NHB) to alleviate revenue pressures in the general fund forecast outturn. General Fund Specific Reserves are forecasting a planned increase in balances of £408k. Further specific details are set out in Appendix A – Table 2 with associated narrative.

The General Fund Reserve Balance remains at £2.078m.

Capital – General Fund

The total General Fund Capital Programme for 2023/24 is £27.081m including year-end adjustments as detailed in Appendix A Table 4. The capital programme is experiencing slippage which is reviewed and considered as part of this report.

Housing Revenue Account (HRA) Revenue Outturn

The HRA is forecasting a surplus of £1.620m (budgeted surplus is £2.020m). This is £400k less than expected, further detail is provided at Appendix A - Table 3a.

HRA Reserves

The HRA General Reserve balance is forecasting an overall decrease of £13.759m from £27.875m to £14.116m. More detail is provided at Appendix A – Table 2.

Capital – HRA

The total revised HRA Capital Programme for 2023/24 is £23.798m is detailed in Appendix A Table 7. An adjustment is proposed of £99,000 in respect of the Sheltered Alarm Scheme to support its delivery into 2024/25.

Treasury Management

Section 2.5 of Appendix A provides details of the Council's Treasury Investments. The Council's 2023/24 budget for investment income is £1.861m. As at 30th September 2023 the outturn for investment income for 2023/24 is forecast to be £2.32m (Q1 2.46m) split £1.459m GF (Q1 £1.543m) and £861k HRA (Q1 £917k). Investment income is anticipated to be £275k above the budget for GF and £184k for HRA. If interest rates and cash balances continue to rise this forecast outturn will subsequently increase.

The Council has external loans held with Public Works Loans Board totalling £67.456m. Interest costs on this external borrowing will be £2.347m for 2023/24.

CONCLUSION

To ensure that the Quarter two position is scrutinised and the forecast outturn reviewed.

FINANCIAL IMPLICATIONS
As contained in Appendix A

LEGAL IMPLICATIONS
None

CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS

None

EQUALITY AND SAFEGUARDING IMPLICATIONS

None

OTHER IMPLICATIONS

None

CONSULTATION

None

APPENDICES

Appendix A

BACKGROUND PAPERS

Background papers used in the production of this report are listed below: -

Document title	Where the document can be viewed

CHRONOLOGICAL HISTORY OF THIS REPORT

Name of body	Date

REPORT APPROVAL

Report author:	Lazaros Mafuko, Strategic Finance Manager, PSPS and Colleen Warren, Head of Finance (Client), PSPS
Signed off by:	Christine Marshall, Deputy Chief Executive (Corporate Development) and S151
Approved for publication:	Councillor Paul Redgate Portfolio Holder for Finance