



<b>REPORT TO:</b>	Cabinet
<b>DATE:</b>	26 <sup>th</sup> March 2024
<b>SUBJECT:</b>	2023/24 Quarter Three Finance update
<b>PURPOSE:</b>	To set out the current financial position for the Council at the end of the third quarter of 2023/24.
<b>KEY DECISION:</b>	N/A
<b>PORTFOLIO HOLDER:</b>	Councillor Redgate – Portfolio Holder for Finance
<b>REPORT OF:</b>	Christine Marshall – Deputy Chief Executive Corporate s151
<b>REPORT AUTHOR:</b>	Lizzie McGrath (Strategic Finance Manager PSPS) and Colleen Warren (Head of Finance, Client PSPS)
<b>WARD(S) AFFECTED:</b>	N/A
<b>EXEMPT REPORT</b>	No

#### **SUMMARY**

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

#### **RECOMMENDATIONS**

It is recommended:

- 1) That Cabinet notes the forecast revenue position of a £340,000 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 £1.598m) as detailed in Table 3a.
- 3) 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 31 December 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 3 data provides a 9-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 £340,000.

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 again the

savings target and this information is detailed in Appendix A – Table 1b of the report. The current position is that £656,000 of potential savings have been identified at Quarter 3 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 previous forecasts was the assumption that the pay award would be 5% as budgeted. The final pay award has since 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 has been reflected in the forecasts for Quarter 3.

### **Reserves**

General Fund Specific Reserves are forecasting a planned increase in balances of £176k. 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, with the inclusion of slippage the revised capital programme for 23/24 is £8.865m, as detailed in Appendix A Table 4. The forecast capital expenditure for 2023/24 is £8.873m.

## **Housing Revenue Account (HRA) Revenue Outturn**

The HRA is forecasting a surplus of £1.598m (budgeted surplus is £2.020m). This is £422k less than expected, further detail is provided at Appendix A - Table 3a.

## **HRA Reserves**

The HRA Reserve balance is forecasting an overall decrease of £0.7m from £27.875m to £27.169. More detail is provided at Appendix A – Table 2.

## **Capital – HRA**

The total revised HRA Capital Programme for 2023/24 is £23.897m with forecast capital expenditure of £19.7m, as detailed in Appendix A Table 7.

## **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 31 December 2023 the outturn for investment income for 2023/24 is forecast to be £2.36m (Q2 £2.32m) split £1.481m GF (Q2 £1.459m) and £876k HRA (Q2 £861k). Investment income is anticipated to be £298k above the budget for GF and £199k for HRA.

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 three position is scrutinised and the forecast outturn reviewed.

## **IMPLICATIONS:**

None

## **SOUTH AND EAST LINCOLNSHIRE COUNCIL'S PARTNERSHIP**

None

## **CORPORATE PRIORITIES**

None

## **STAFFING**

None

## **CONSTITUTIONAL AND LEGAL IMPLICATIONS**

None

## **DATA PROTECTION**

None

**FINANCIAL**

As contained in Appendix A.

**STAKEHOLDER / CONSULTATION / TIMESCALES**

None

**REPUTATION**

None

**CONTRACTS**

None

**CRIME AND DISORDER**

None

**EQUALITY AND DIVERSITY/ HUMAN RIGHTS/ SAFEGUARDING**

None

**HEALTH AND WELL BEING**

*None*

**CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS**

*None*

**APPENDICES**

Appendices are listed below and attached to the back of the report: -

Appendix A

Q3 Finance Report 2023/24

**BACKGROUND PAPERS**

None

**REPORT APPROVAL**

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Approved for publication:

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