



REPORT TO:	Cabinet
DATE:	13 <sup>th</sup> December 2023
SUBJECT:	2023/24 Quarter Two Finance update
KEY DECISION:	N/A
PORTFOLIO HOLDER:	<i>Councillor Ghosh</i>
REPORT OF:	<i>Christine Marshall (Deputy Chief Executive – Corporate Development &amp; Section 151)</i>
REPORT AUTHOR:	Louise Fenwick (Strategic Finance Manager PSPS) and Colleen Warren, (Head of Finance, Client PSPS)
WARD(S) AFFECTED:	N/A
EXEMPT REPORT?	<i>No</i>

## **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 forecasting to the year end for members consideration.

## **RECOMMENDATIONS F1 – Appendix A**

That Cabinet:

- 1) Note the report the current forecast overspend of £511,000 for 2023/24 and the detail set out in Appendix A.
- 2) That Cabinet recommends to Full Council to amend the Capital Programme to take into account the changes set out in this report at Appendix A – Table 5.
- 3) That members note the Debt Redemption that has been undertaken and the report attached at Appendix B.

## **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 compared to the approved budget. This report provides information on the forecast full year financial performance as 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, 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 full year outturn based on current projections and assumptions is a forecast net service overspend for the General Fund of £511,000 by the year end.

The major variances are set out below:

- Car parking income is not achieving pre-covid levels. New car parking machines are now installed and we are expecting that these will immediately improve the car parking income position due to ease of payment, reduced breakdowns and due to increased enforcement.
- Planning fee income is down due to the wider economic uncertainty, including costs continuing to rise, slow down in the housing market, and interest rate rises. Whilst a similar volume of applications have been received these have generally been of smaller, low value applications and free submissions. However, an announcement has just been made on 14<sup>th</sup> November 2023 with regards to increasing these charges that will impact on this figure and be reflected in Q3.
- Housing benefit figures at quarter 2 have been based on the mid year estimate and could be subject to further change. This has identified a £393k Housing Benefits deficit - of which £238k relates to rent allowances, £83k to rent rebates and £71k to HB subsidy LA error.
- A forecast for council tax court costs of £130,000 has also been provided for.

- The additional investment income is due to increases in the interest rates and higher levels of cash balances.

It should be noted that sundry bad debt has not been included within **Table 1** at this time. The current level of sundry bad debt provision at quarter 2 is £100,000. There will be ongoing work in the upcoming months by debt recovery to ensure that outstanding debts are chased in a timely manner.

The forecast position by Service/Assistant Director and Corporate 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 inflation 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 2 of the report. The current position is that £470,000 of potential savings have been identified at quarter 2 against a target of £664,000 and further areas have been identified for detailed consideration and this work is underway with further opportunities to be identified at Q3 with an increasing degree of focus.

### **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 off £319,000 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 with the establishment of a Special Interest Group on this topic to take this forward. Further updates will be provided as this matter progresses.

### **Reserves**

General Fund Specific Reserves are forecasting a planned decrease of £4.991m from £13.955m. Further specific details are set out in **Appendix A – Table 4** with associated narrative.

The General Fund Reserve Balance remains at £2.00m.

### **Capital – General Fund**

The Capital Programme for 2023/24 is £33.33m and includes proposed year-end adjustments as detailed in **Appendix A Table 5**. Cabinet is requested to support the recommendation to Full Council to amend the Capital Programme for that slippage as set out. The Appendix also takes account of other approvals that are required and updates the Capital programme accordingly.

## Treasury Management

**Section 2.4** provides details of the Council's Treasury Investments. The Council's 2023/24 budget for investment income is £1.462m. At the end of September 2023 investment income is estimated to be approximately £1.355m. The current forecast outturn for 2023-24 is estimated to be approximately £2.33m which is £868k above the budget. If interest rates continue to rise this forecast outturn will increase further however reliance on this income cannot be assumed as it is forecast for rates to drop from the current peak.

On 30 September 2023 the Council had external loans with Public Works Loans Board totalling £15.499m. On 9 October 2023 the Council prematurely repaid £15.449m of external borrowing to the Public Works Loan Board (see Appendix B for further information). As this transaction falls into Quarter 3, the financial implications of this decision will be reflected in the Quarter 3 Monitoring Report. However, in summary a revenue benefit of between £569k and £717k will be generated in the next 10 years.

## CONCLUSION

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

### FINANCIAL IMPLICATIONS

As contained in the covering report Appendix A and B

### LEGAL IMPLICATIONS

None

### CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS

None

### EQUALITY AND SAFEGUARDING IMPLICATIONS

None

### OTHER IMPLICATIONS

None

**CONSULTATION**

None

**APPENDICES**

Appendix A and Appendix B

**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:	Louise Fenwick, 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 Sandeep Ghosh Portfolio Holder for Finance