



<b>REPORT TO:</b>	Cabinet
<b>DATE:</b>	27 <sup>th</sup> March 2024
<b>SUBJECT:</b>	2023/24 Quarter Three Finance Update
<b>PURPOSE:</b>	To report the current financial position as at Quarter 3 2023/24.
<b>KEY DECISION:</b>	N/A
<b>PORTFOLIO HOLDER:</b>	Councillor Ghosh – Portfolio Holder for Finance
<b>REPORT OF:</b>	Christine Marshall, Deputy Chief Executive (Corporate Development) and S151
<b>REPORT AUTHOR:</b>	Louise Fenwick, 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 forecasting to the year end for members consideration.

## **RECOMMENDATIONS F1 – Appendix A**

That Cabinet:

- 1) Note the report the current forecast underspend of £162,000 for 2023/24 and the detail set out in Appendix A.
- 2) Approves the Capital Programme to take into account the changes set out in this report at Appendix A – Table 5a.

## **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.

### **1. 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 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, and
- The Treasury Management Performance for the year.

### **2. GENERAL FUND FORECAST OUTTURN**

2.1 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 full year outturn based on current projections and assumptions is a forecast net service underspend for the General Fund of £162,000 by the year end.

2.2 The major variances are set out below:

- Car parking income is not achieving pre-covid levels and is now unlikely to do so. New machines have now been installed and car parking income levels will be re-set for the 2024/25 budget and monitored during the coming months.
- 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, new planning fees have now been set by government and this resulted in an improved position from the forecast at quarter 2.
- Housing benefit figures at quarter 3 have been based on the December estimate and could be subject to further change. This has identified a £231k Housing Benefits deficit - of which £213k relates to rent allowances and £97k to rent rebates. This is offset by (£79k) to HB subsidy LA error.

- A forecast for council tax court costs of £130,000 has also been provided for (reported at Q2).
- Following the repayment of external borrowing with the PWLB on 9 October 2023, Investment income has decreased from the quarter 2 position due to less cash balances being available to invest. This has been offset by the discount of (£306k) received as a result of the early repayment of the borrowing.
- The pay award for 2023/24 was finalised during quarter 3. This has resulted in a pressure of an additional £119k across the council but is being offset by vacancies within the services.

The forecast position by Service/Assistant Director and Corporate Areas is detailed at Appendix A Section 2.2 **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 Section 2.2 – **Table 2** of the report. The current position is that £580,000 of potential savings have been identified at quarter 3 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 before the year end.

### **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.

### **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 through the Special Interest Group on this topic to take this forward. Further updates will be provided as this matter progresses.

## **2.3 CAPITAL – GENERAL FUND**

Appendix A Section 2.3 details the revised Capital Programme Budget for 2023/24 is £8.542m and includes proposed year-end adjustments as detailed in **Table 5a**. The Appendix also takes account of other approvals that are required and updates the Capital programme accordingly.

## 2.4 TREASURY MANAGEMENT

Appendix A Section 4.2 provides details of the Council's Treasury Investments. The Council's 2023/24 budget for investment income is £1.462m. At the end of December 2023 investment income is estimated to be approximately £1.687m. The current forecast outturn for 2023-24 is estimated to be approximately £2.211m which is £749k above the budget. The projected outturn has decreased to £2.211m from £2.330m in Q2, a decrease of £119k. This is mainly due to the Council having lower levels of cash balances following the repayment of the PWLB borrowing. 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. To offset the reduction in investment income resulting from the repayment of £15.449m of PWLB borrowing, the Council will allocate to revenue the discount received over a 10 year period. This will result in a credit to revenue in 2023/24 of £305,297. In addition borrowing costs have reduced by £182k as a result of the debt repayment.

	2023/24 Profiled Q3 Budget	2023/24 Quarter 3 Actual	2023/24 Annual Budget	2023/24 Forecast Outturn	2023/24 Variance
Net Investment Income	(1,098,497)	(1,687,350)	(1,462,000)	(2,211,418)	(749,418)
Premature Repayment of Borrowing Discount Allocated to Revenue	0	(147,689)	0	(305,927)	(305,927)
Less: Total Borrowing Costs	367,141	343,060	493,640	311,349	(182,291)
<b>Overall Net Position</b>	<b>(731,356)</b>	<b>(1,491,979)</b>	<b>(968,360)</b>	<b>(2,205,996)</b>	<b>(1,237,636)</b>

## 3. CONCLUSION

To ensure that the Quarter 3 position is scrutinised and the forecast outturn reviewed.

**IMPLICATIONS**

**SOUTH AND EAST LINCOLNSHIRE COUNCILS PARTNERSHIP**

None

**CORPORATE PRIORITIES**

None

**STAFFING**

None

**WORKFORCE CAPACITY IMPLICATIONS**

None

**CONSTITUTIONAL AND LEGAL IMPLICATIONS**

None

**DATA PROTECTION**

**None**

**FINANCIAL**

As contained in Appendix A.

**RISK MANAGEMENT**

None

**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

**LINKS TO 12 MISSIONS IN THE LEVELLING UP WHITE PAPER**

None

#### **APPENDICES**

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

Appendix A	BBC Q3 Finance Report 2023-24
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#### **BACKGROUND PAPERS**

No background papers as defined in Section 100D of the Local Government Act 1972 were used in the production of this report.

#### **CHRONOLOGICAL HISTORY OF THIS REPORT**

A report on this item has not been previously considered by a Council body.

#### **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