

Report to: Cabinet

Date: 11 July 2024

Title: Provisional Revenue and Capital Outturn 2023/24

Report of: Homira Javadi, Director of Finance and Performance

Cabinet member: Councillor Zoe Nicholson, Leader of the Council and Cabinet member for finance, assets and community wealth building

Ward(s): All

Purpose of report: To update Members on the provisional outturn for 2023/24

Officer recommendation(s):

- (1) Note and approve the revenue and capital provisional outturn for 2023/24 subject to final accounting adjustments.
- (2) Approve the funding of the General Fund provisional outturn 2023/24 of £0.298m from general fund balances.
- (3) Note and approve the housing revenue account provisional outturn for 2023/24 subject to final accounting adjustments; and
- (4) To give delegated authority to Cabinet member for finance and resources in consultation with chief finance officer to make final accounting adjustments.

Reasons for recommendations: To enable Cabinet members to consider the Council's financial performance for 2023/24

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1. Introduction & Background

- 1.1 All local authorities have a legal duty to produce annual accounts, in support of openness and accountability. At the time of writing, the Statement of Accounts were still to be completed and signed off by the Chief Finance Officer. This is therefore a provisional outturn position and is subject to the accounts being finalised and subsequently audited.
- 1.2 This report provides information and analysis on the Council's financial performance and use of resources in the 2023/24 financial year in comparison to the revised budget set by Council in February 2024. This report precedes the production of the Council's formal Statement of Accounts in an unlikely event that further material adjustments will be needed that will alter the final outturn position.
- 1.3 As with every outturn report there are changes that may occur as balance sheet activities are reviewed, finalised and translated into Statement of Accounts, it is the statutory Statement of Accounts on which the audit opinion is given, and accounting regulations drive some of the final movements reported.
- 1.4 As is the case nationally, the challenges facing residents, businesses and communities as a result of the cost-of-living crisis are very real. This report highlights key movements and variations to the budget set in February 2023 against a backdrop where Local authorities across the country are responding to ongoing national financial pressures while facing increasing demand and cost pressures. It also provides an opportunity to reassess and consider emerging risks in 2024/25.
- 1.5 The forecast exercises throughout the year and the Council's Medium-Term Financial Strategy for 2023/24 through to 2026/27 highlighted the pressures facing the council's finances. The main drivers of these cost pressures are below:
- The increased cost of borrowing affecting our ability to fund Capital Expenditure.
 - Inflationary and cost of living pressures impacting on the pay award for 2023-24, contract inflation, investment income and energy costs.
 - Numbers and costs of Planning activity and appeals.
 - The lack of clarity over Government funding for local government particularly around business rates and a long-term settlement to enable planning over the medium term.
- 1.6 The financial challenges will continue into 2024/25 and beyond but there are some signs that pressures may begin ease. Inflation rates have consistently reduced in recent months, and it is likely that this will mean interest rates will also reduce. This will have a positive impact on the cost of financing the council capital investment programme.

2 General Fund

- 2.1 The provision outturn position for 2023/24 is an overspend of **£0.298m** as shown in Table 1.

2.2 This does not significantly differ from the forecasts provided throughout the financial year with the most significant overspends relating to

- **£0.5m** – Regeneration & Planning. Under achieved investment property income and costs of Planning.
- **£0.7m** – Service Delivery Customer First and Neighbourhood First overspends.
- **£1.1m** – Over achievement of investments due to higher interest rates

2.3 The overspend will mean a further **Reserves Drawdown of £0.298m** for 2023/24.

Table 1: Provisional Outturn 2023-24 by Directorate

Directorate Provisional Outturn	Revised Net Budget	Provisional Outturn	variance
	£000		
Corporate Services	6,381	6,494	113
Service Delivery	11,336	12,056	720
Regeneration & Planning	1,377	1,909	532
Tourism & Culture	303	405	102
Recharges to the HRA	(4,203)	(4,649)	(446)
Cost of Services	15,194	16,215	1,021
Technical/Centrally Controlled Budgets	409	(691)	(1,100)
Total Budgeted Expenditure	15,603	15,524	(79)
Less Funding	(15,603)	(15,226)	377
Outturn Reserves transfer	0	(298)	(298)
Net Position 2023-24	0	0	0

2.4 The detailed forecast variations against budget are set out from Section 3.0

3.0 Corporate Services

Corporate Services delivers services including human resources, finance services & performance, corporate management team, business transformation and legal and democracy support.

Table 2: Corporate Services 2023-24

Corporate Services Provisional Outturn	Revised Net Budget	Actuals	Provisional Outturn Variation
	£000		
Finance	1,030	1,249	219
Corporate Management Team	530	560	30
Internal Audit and Corporate Fraud	280	244	(36)
Business Strategy and Performance	851	873	22
Human Resources	363	305	(58)
Business Transformation / IT	1,722	1,819	97
Local Democracy	1,236	1,078	(158)
Legal	390	327	(12)
Land Charges	(21)	39	9
Net Position	6,381	6,494	113

- 4.1 The Provisional Outturn is **£113k shortfall**. The main variations are:
- 4.2 **Finance £219k shortfall**. Overspend mainly relates to agency staff costs due to difficulty in recruiting permanently to posts. This figure will reduce in 2024/25 as some permanent recruitment has been successful. The overspend is offset slightly by lower-than-expected Treasury Management and Banking charges.
- 4.3 **Information Technology £97k shortfall. Various overspends on** network charges, Microsoft licensing charges, support, and maintenance.
- 4.4 **Local Democracy - £158k underspent**. This relates to Local Election expenditure, Electoral registration costs and member expenses being lower than anticipated.

5.0 Service Delivery

Service Delivery provides services including Housing & Homelessness support, Waste & Environmental Services, Income Maximisation & Welfare and Regulatory Services and Bereavement Services.

Table 3 Service Delivery

Service Delivery Provisional Outturn	Revised Net Budget	Actuals	Provisional Outturn Variation
	£000		
Customer First	2,542	3,104	562
Bereavement Services	(23)	38	61
Homes First	2,407	2,335	(72)
Environment First	4,647	4,412	(235)
Neighbourhood First	1,764	2,167	403
Net Position	11,337	12,056	719

5.1 The Provisional Outturn is **£0.719m shortfall**. The main variations are:

5.2 **Customer First £562k shortfall.**

- **£150k shortfall** on Temporary and Emergency Accommodation costs.
- **£190k shortfall** on staff costs to help with preparation of implementation work for the new Revenues and Benefits System (NEC) by back filling and processing for the old system.
- **£198k shortfall** on Regulatory Services in relation to Events Costs for Lewes Bonfire.

5.3 **Bereavement Services £61k shortfall.** The service has been affected by a national reduction in death rates of 12%.

5.4 **Homes First £72k underspent.** Property repairs & maintenance costs lower than anticipated.

5.5 **Environment First £235k underspent.**

- £135k - Lower than anticipated fuel costs
- £68k savings on vehicle maintenance
- £88k salary savings
- Offset by under recovery of income. Processes have been reviewed so no loss expected for 2024/25.

5.6 **Neighbourhood First £403k shortfall.**

For 2024/25 the service is expected to be largely within budget as the full year effects of the review are realised.

6.0 Regeneration and Planning

The Regeneration and Planning Directorate delivers services including Estates & Property, Estate Management and Regeneration & Planning activity across the borough.

Table 4 Regeneration and Planning

Regeneration & Planning Provisional outturn	Revised Net Budget	Actuals	Provisional Outturn Variation
	£000		
Estates and Property	(73)	436	509
Wave Leisure	224	172	(52)
Solar Panel Trading Account	(74)	(427)	(353)
Planning Policy	567	1,396	829
Building Control	64	160	96
Regeneration	541	32	(509)
Regeneration Portfolio	128	140	12
Net Position	1,377	1,909	532

6.1 The provisional outturn is **£0.532m shortfall**. The main variations are:

6.2 **Estates & Properties £509k shortfall.**

- **£426k shortfall** on running costs for the Marine Workshop
- **£104k shortfall** on Lewes House Complex.
- **£227k shortfall** on Southover House running costs.
- **£268k underspend** on shared services costs

6.3 **Solar Panel Trading Account £353k underspent.** Large increases in Income Generated plus reductions on repair costs.

6.4 **Planning Policy £829k shortfall.**

- **£330k shortfall** on the Consultancy costs of defending planning appeals.
- **£184k shortfall** on the cost of one Planning Appeal where costs were awarded to the appellant.
- **£315k shortfall** on the management consultant fees for Planning Policy to support the development of Local Plan.

6.5 **Regeneration £509k underspent.** Increase in tenancy Income for Newhaven Enterprise Centres of £66k plus the costs of Consultancy for the Newhaven Enterprise Centre being met from the NEZ Reserve.

7.0 Tourism and Culture

The Tourism and Culture Directorate delivers a range of Tourist Information Centres and Arts Development.

Table 5 Tourism and Culture

Tourism & Culture Provisional Outturn	Revised Net Budget	Actuals	Provisional Outturn Variation
£000			
Arts Development	6	18	12
Tourism and Enterprise	297	388	91
Net Position	303	405	102

7.1 The provisional outturn is **£102k shortfall**. The main variations are:

7.2 **Arts Development £12k shortfall** due to a VAT adjustment relating to 2022/23.

7.3 **Tourism & Enterprise £91k shortfall** due to Consultancy Fees.

8.0 Centrally Controlled Budgets

Centrally controlled budgets include Capital Financing and contingency budgets.

Table 6 Technical/Centrally controlled.

Technical/Centrally Controlled Budgets Provisional outturn	Revised Net Budget	Actuals	Provisional Outturn Variation
£000			
Capital Financing	(603)	(1,508)	(905)
Minimum Revenue Provision	703	467	(236)
Centrally Managed	309	350	41
Net Position	409	(691)	(1,100)

8.1 Centrally Managed Budgets are reporting a provisional outturn of **£0.691m underspent**. The main variations are:

8.2 **Minimum Revenue Provision £236k underspent** due to lower spend than budgeted on the capital programme.

8.3 **Capital financing costs £905k underspent** due to high interest rates.

9.0 Housing Revenue Account (HRA)

The Housing Revenue Account is a ring-fenced account used to manage the Council's Housing Stock. The costs of managing and maintaining the properties, collecting rents, and meeting the interest cost of investment in the housing stock are all funded by the Housing Revenue Account.

Table 7: HRA 2023-24

LDC Housing Revenue Account 2023/24				
	Original Budget £000's	Revised Budget £000's	Provisional outturn £000's	Outturn Variance £000's
INCOME				
Dwelling Rents	(17,003)	(17,047)	(16,840)	207
Non-Dwelling Rents	(391)	(391)	(333)	58
Charges for Services and Facilities	(1,386)	(1,386)	(1,705)	(319)
Contributions towards Expenditure	(210)	(210)	(195)	16
GROSS INCOME	(18,990)	(19,034)	(19,073)	(39)
EXPENDITURE				
Repairs and Maintenance	5,677	5,804	6,524	720
Supervision and Management	3,551	3,962	3,383	(579)
Special Services	1,579	1,650	1,634	(16)
Rents, Rates, Taxes and Other Charges	157	287	344	57
Increase in Impairment of Debtors	157	(190)	(138)	52
Depreciation of Fixed Assets	5,443	5,583	5,550	(33)
Amortisation of Intangible Assets	3	3	120	117
Debt Management Costs	10	10	35	25
GROSS EXPENDITURE	16,576	17,109	17,452	343
NET COST OF HRA SERVICES	(2,414)	(1,925)	(1,621)	304
HRA share of Corporate and Democratic Core	140	128	115	(13)
NET OPERATING COST OF HRA	(2,274)	(1,797)	(1,506)	291
Capital Financing and Interest Charges				
Interest Payable	2,376	2,970	2,935	(35)
Interest Receivable	(143)	(798)	(806)	(8)
Revenue Contributions to Capital Expenditure	100	94	244	150
Total Capital Financing and Interest Charges	2,333	2,266	2,374	108
Transfer to (from) Reserves				0
HRA Working Balance Revenue Deficit				0
HRA Working Balance GF Cost of Living Contribution				0
Revenue Grant			28	28
HRA (SURPLUS) / DEFICIT	59	469	895	426

- 9.1 A full review of the 30-year Business Plan, which provided a comprehensive assessment of the overall position for the current and future years, was completed during the year. This resulted in the uplift of the original budget by £410k to a revised budget of £469k, funded from working balances to offset the pressures affecting the service. This was reported to Members as part of the Quarter 3 2023/24 financial performance.
- 9.2 Net expenditure of £895k has been incurred compared to the revised budget of £469k, resulting in an adverse variation of £426k. This is mainly due to increased void property and prioritised emergency responsive repair costs of £605k. A later than estimated completion of 17 acquisitions and 21 new builds resulted in a loss of rental income of £199k but was offset by £165k savings on capitalised feasibility costs, £77k reduced spend on Grounds Maintenance and £143k other supervision and management charges.

HOUSING REVENUE ACCOUNT WORKING BALANCE	Original Budget	Revised Budget	Projected Outturn
Working Balance at 1 April	(3,370)	(3,370)	(3,370)
(Surplus) or Deficit for the year	59	469	725
Use of Cost of Living Provision			170
Working Balance at 31 March	(3,311)	(2,901)	(2,475)
Allocation of Working Balance:			
- General Working Balance	(2,616)	(2,356)	(1,930)
- Special Projects	(270)	(270)	(270)
- Cost of Living Provision	(150)	0	0
- Self Insurance	(275)	(275)	(275)
Working Balance at 31 March	(3,311)	(2,901)	(2,475)

10.0 Capital Expenditure - General Fund

- 10.1 The table below shows a revised GF capital budget for the year of £32.7m and reflects the recent review of the GF Capital Programme that was undertaken as part of the 2024/25 budget setting process. The 2023/24 revised budget was approved by Cabinet on 1 February 2024.
- 10.2 The revised capital budget reflects an overall reduction against the original budget of £52.6m primarily due to reduction in the Regeneration programme. Projects in this area are linked to the councils Levelling Up, Town Deal and Future High Street grants schemes.
- 10.3 The actual outturn for 2023/24 is £16.2m, a variance of £16.4m representing a 50% spend against the revised budget.
- 10.4 Variances to the outturn can be attributed to a range of factors both internal such as capacity and external such as supply issues, planning, and other environmental factors. These changes have been documented in the regular cabinet monitoring reports presented during the financial year.

- 10.5 The largest general fund underspend for the year is under Regeneration and relate to projects funded by Levelling Up Fund (LUF) awarded to the council. The Levelling Up Fund is central to the Government's ambition to invest in high value local infrastructure and building stronger and more resilient local economies and communities.
- 10.6 Schemes funded through LUF will be reprofiled in accordance with the conditions of the grant reflecting anticipated spend profile of the projects
- 10.7 Other underspends identified as part of the final outturn reporting process will be reviewed by the Capital Programme Oversight Board (CPOB) as part of the 25/26 Financial Planning process to ensure that it projects are reprofiled realistically based on the scheme's delivery timeframe.
- 10.8 A detailed analysis of the Council's Capital Programme can be found in Appendix 1

Table 8: General Fund Capital Programme Summary Table 2023-24

GF CAPITAL PROGRAMME	Original Budget 2023/24	Revised Budget 2023/24	Actual Spend 2023/24	Variance to Revised Budget
	£'000	£'000	£'000	£'000
Housing Support & Disabled Facilities Grant	1,135	1,486	1,888	(402)
Loans to Housing Companies	2,000	-	-	-
Total GF Housing	3,135	1,486	1,888	(402)
Regeneration	35,223	16,195	6,546	9,649
Asset Management	2,930	775	470	305
Indoor Leisure Facilities	2,159	2,527	1,016	1,511
Energy Schemes	500	500	-	500
Community Infrastructure Levy (CIL)	900	1,486	273	1,213
Service Delivery	6,330	6,225	4,599	1,626
Specialist Projects	136	205	81	124
Coastal Defence Works	100	500	245	255
Parks & Pavilions	200	1,053	15	1,038
Open Spaces - Biodiversity	610	789	246	543
IT Block Allocation	213	397	333	64
Stabilisation and Growth	20	607	600	7
Finance Transformation	150	-	-	-
Total General Fund Expenditure	52,606	32,745	16,311	16,434
GF FINANCING	£'000	£'000	£'000	£'000
Capital Receipts	1,859	-	243	243
Reserves	436	-	946	946
Revenue	-	-	150	150
Grants & Contributions	29,888	14,759	7,753	(7,006)
Borrowing	20,423	17,986	7,219	(10,767)
Total GF Financing	52,606	32,745	16,311	(16,434)

10.9 Capital Expenditure – HRA

- 10.10 The table below shows a revised HRA capital budget for the year of £19.1 m and reflects the recent review of the HRA 30-year business plan that was undertaken as

part of the 2024/25 budget setting process. The 2023/24 revised budget was approved by Cabinet in February 2024.

- 10.11 The revised capital budget reflects an overall increase against the original budget of £2.5m due to an increase in investment in the acquisition of new dwelling and an increase to the major repairs budget for the year.
- 10.12 The actual outturn for 2023/24 is £11.4m, a variance of £7.7m representing a 60% spend against the revised budget.
- 10.13 Projects that will not be completed in 2023/24 and will be re-profiled to 2024/25 and later years as part of the continual review of the council's HRA 30 Year Plan. Details of the HRA capital programme can also be found in Appendix 1.

Table 9: HRA Capital Programme Summary Table 2023-24

HRA CAPITAL PROGRAMME	Original Budget 2023/24	Revised Budget 2023/24	Actual Spend 2023/24	Variance to Revised Budget
	£'000	£'000	£'000	£'000
Acquisition & Construction of New Dwellings	11,501	12,444	6,718	(5,726)
Improvement to Stock	4,583	6,200	4,261	(1,939)
Adaptations	415	415	408	(7)
Recreation and Play Areas	50	50	21	(29)
Total HRA Expenditure	16,549	19,109	11,408	(7,701)
HRA FINANCING				
Capital Receipts	4,901	9,697	6,046	(3,651)
Major Repairs Reserve	4,965	6,665	4,662	(2,003)
Revenue	100	94	80	(14)
Grants & Contributions	1,935	2,653	620	(2,033)
Borrowing	4,648	-	-	-
Total HRA Financing	16,549	19,109	11,408	(7,701)

- 10.14 Significant challenges remain in the construction sector which continues to be under pressure from rising prices for materials and labour shortages. The year-end forecasts are provided against a backdrop of economic uncertainty, regarding supply chain challenges, building cost inflation and other factors outside of the control of those delivering the projects.
- 10.15 Project budget holders and managers are required to review scheme progress on an ongoing basis throughout the year and advise where there are significant revisions. The programme is under continuous review by the Capital Programme Overview Board, which is reflected by the recent reductions in the overall revised budget.
- 10.16 Schemes that have been deferred and are funded from additional borrowing (rather than from capital grants, capital receipts or revenue) will impact on the projected cost of borrowing and minimum revenue provision (MRP).

11.0 Funding

The Council's General Fund expenditure is funded from Council Tax Income, Business Rates Income, Government grants and reserves.

Table 10 Funding

Funding Budgets Provisional outturn	Revised Net Budget	Actuals	Provisional Outturn Variation
	£000		
Council Tax Income	(8,831)	(8,919)	(88)
Grants and Contributions	(1,643)	(2,444)	(801)
NNDR Income	(4,900)	(3,634)	1,266
Transfer from Reserves	(229)	(527)	(298)
Net Position	(15,603)	(15,524)	79

11.0 The Councils Provisional Funding Outturn is £79k under-recovered.

12.0 Financial appraisal

12.1 The provisional outturn position for 2023-24 is an overspend of £0.298m.

12.2 The Council has sufficient reserves to use as a buffer against unexpected pressures that may arise.

13.0 Legal implications

13.1 There are no legal implications arising directly from this report.

14.0 Risk management implications

14.1 There are no risk management implications arising directly from this report.

15.0 Equality analysis

15.1 There are no equality implications arising directly from this report.

16.0 Appendices

Appendix 1 - LDC Capital Programme Provisional Outturn 2023/24

Appendix 2 - Provisional Reserves Outturn 2023/24

Appendix 3 - Glossary of Terms