

CORPORATE FINANCE AND GOVERNANCE PORTFOLIO HOLDER

17 JULY 2024

REPORT OF THE ASSISTANT DIRECTOR (FINANCE & IT)

A.1 FINANCIAL OUTTURN 2023/24

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To provide an overview of the financial outturn for the year 2023/24 and to seek approval of the associated financial decisions related to the end of year accounting processes.

EXECUTIVE SUMMARY

Similarly to previous years of the financial forecast cycle and set against the context of an on-going and challenging financial environment, strong, effective and proactive financial management broadly continues to have a major effect on the outturn position. Set against this approach, the budget setting process for 2024/25, along with comprehensive reviews as part of the quarterly financial performance reports during the year, has provided timely opportunities to reflect on issues affecting the Council's general financial position in 2023/24. This included any future impacts, with adjustments made to the in-year and future year's budgets as necessary.

The majority of budget areas have therefore performed to this adjusted position, with only a limited number of variances being highlighted at the end of the year as set out in **Appendix A**.

Following the completion of the comprehensive end of year processes, the financial outturn position for 2023/24 has been prepared across the various areas of the budget with a summary of the position set out below.

Table 1

Summary by Key Areas of the Budget

Key Area	Outturn Position
General Fund	
General Fund Revenue - Overall favourable variance after allowing for the carry forwards requested by services	(£1.829m)
Capital Programme – Overall favourable variance after allowing for the carry forwards requested by services.	(£0.052m)
Housing Revenue Account	
Surplus for the year contributed to HRA General Balances (over and above any budgeted use of the reserve)	(£0.520m)

General Fund Reserves (excluding requested carry forwards)	
<p>Earmarked Reserves –</p> <p>Reduced use of reserves compared to budget</p> <p>Additional Contributions to reserves compared to the budget (<i>excluding carry forwards</i>)</p> <p><i>There was no change in the level of the Uncommitted Reserve which remains at £4.000m</i></p>	<p>nil</p> <p>nil</p>

Reserves

The Council's overall general fund reserves total **£36.305m** at 31 March 2024. (excluding the General Fund outturn variance of **£1.829m** for 2023/24). However, **£32.305m** is in respect of earmarked reserves, which relate to future year's commitments (including the 2023/24 carry forwards requested by services). The total earmarked reserves also include the balance on the Forecast Risk Fund of **£6.426m**, which is in-line with the amount required to support the long term financial sustainability plan. Earmarked reserves are predominantly for previously identified priorities of the Council.

The balance of **£4.000m** is the level of uncommitted reserves, which includes a 'working balance' that forms part of the Council's treasury management processes. This level of uncommitted reserves matches that previously approved.

In respect of the HRA, additional details behind the variance set out in the table above are discussed in more detail further on in this report. The surplus of **£0.520m** highlighted in the table above has been transferred to the HRA General Balance. This in effect significantly offsets the additional use of the same reserve (**£0.860m**) that was recently agreed to support the estimated additional costs of completing the Spendells House Capital Project.

On-going Review of Budgets and Financial Challenges 2024/25 and Beyond

As set out in previous financial performance reports, like many Local Authorities up and down the Country, the Council faces on-going financial challenges. As discussed in earlier reports, the financial forecast will be subject to updates throughout 2024/25 and will need to reflect new / emerging issues along with any significant changes to issues already identified. In respect of the latter, the budget for 2024/25 and future forecasts will need to be reviewed in light of the outturn position for 2023/24 to respond to such issues accordingly e.g. the significantly increased costs associated with the Council's homelessness responsibilities, which are discussed in more detail later on in this report.

Based on the current forecast position reported to Full Council in February this year, significant on-going revenue savings are still required in 2025/26 and beyond with work continuing to be progressed to enable the first iteration of the savings plan to be included in the Financial Performance Report for Q1 2024/25 that will be presented to Members later in the year.

Use of General Fund Outturn Variance for the Year and Other Financial Matters

The total favourable variance for the year of **£1.829m** highlighted in the table above is proposed to be 'held' in the Revenue Commitments Reserve, pending further consideration by Cabinet at its meeting on 26 July 2024. Within this overall figure and as set out later on in this report, it is proposed to set aside **£0.259m** within the above amount that represents the net surplus against the Off-Street Parking budget, to support investment in the service, which could include repairs and maintenance and opportunities for the provision of electric vehicle infrastructure.

General Fund revenue carry forwards totalling **£12.611m** have been requested by Services. These have been reviewed in-line with the associated criteria with the items proposed to be approved set out in column 4 within **Appendix K** that total **£9.879m**. The items currently not approved total **£2.732m** as set out in column 5 of **Appendix K**. The items not approved at this stage will be subject to further review in consultation with Officers and Portfolio Holders and will therefore be 'held' in the relevant Commitments Reserve until such time as a decision is made, which will either be via Cabinet or a separate report of the Portfolio Holder for Finance and Governance. Where carry forwards are not approved, the corresponding amount will be added to the general variance for the year and subject to separate consideration as necessary.

In respect of General Fund capital carry forwards, these total **£12.010m** and as these are more inherently aligned with the carry forward criteria, it is proposed to approve all of the items requested by Services.

Other Issues

Table 3 that is set out later on in this report identifies a number of areas of the budget that it is proposed to review as part of considering associated recommendations for presenting to Cabinet on 26 July 2024. These also take into account the outturn position for 2023/24 and include new / emerging issues or where changes have been identified against estimates already included within the budget for 2024/25.

RECOMMENDATION(S)

The Finance and Governance Portfolio Holder:

- (a) notes the financial outturn position for 2023/24 as set out in this report and appendices;**
- (b) approves the financing of General Fund capital expenditure for 2023/24 as detailed in Appendix D;**
- (c) approves the movement in uncommitted and earmarked General Fund reserves for 2023/24 set out in Appendix E;**
- (d) approves the General Fund revenue carry forward items totalling £9.879m (as set out in column 4 of Appendix K), with budgets for the remaining items totalling £2.732m (as set out in column 5 of Appendix K) being transferred to the relevant earmarked commitments reserve pending further consideration;**
- (e) that subject to (d) above requests Officers to provide additional information relating to the unapproved General Fund revenue carry forwards totalling £2.732m to enable them to be considered further and that these will be subject to separate /**

further decisions later in the year as necessary;

(f) approves the General Fund capital carry forwards totalling £12.010m as set out in Appendix D;

(g) in respect of the HRA, approves the movement on HRA balances for 2023/24 including any commitments set out within Appendices H and/or I along with recharges to the HRA from the General fund of £2.811m for the year and the financing of the HRA capital expenditure set out in Appendix I;

(f) notes the overall General Fund outturn variance of £1.829m for 2023/24 that is being carried forward via the Revenue Commitments Reserve, and:

- i) recommends to Cabinet that £0.259m of this overall General Fund variance that relates to the net outturn surplus on Off-Street Parking 'Account' is set aside for investment in that Service; and**
- ii) agrees that the remaining balance of £1.570m is set aside to support the items included in Table 3 within this report and that final proposals be recommended to Cabinet when they consider the Portfolio Holder for Finance and Governance's Outturn report at their meeting on 26 July 2024.**

REASON(S) FOR THE RECOMMENDATION(S)

To set out the final financial position of the Council for 2023/24 and to seek approval of the associated end of year accounting / technical adjustments and processes.

ALTERNATIVE OPTIONS CONSIDERED

This is broadly covered in the main body of this report.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

A revised Corporate Plan and Vision was approved by Full Council at its meeting on 28 November 2023. One of the 6 included themes is Financial Sustainability and Openness, with a commitment to continue to deliver effective services and get things done whilst looking after the public purse; that means carefully planning what we do, managing capacity and prioritising what we focus our time, money and assets on. Tough decisions will not be shied away from, but will be taken transparently, be well-informed, and based upon engagement with our residents.

The forecasting and budget setting / management processes will have direct implications for the Council's ability to deliver on its objectives and priorities. Effective budgetary control is therefore an important tool in ensuring the financial stability of the authority by identifying and responding to issues as timely as possible.

The outturn position reflects the above and supports the Council's successful financial planning processes.

OUTCOME OF CONSULTATION AND ENGAGEMENT

In terms of the in-year financial performance of the Council, internal consultation is carried out via the Council's framework to monitor / manage the budget and as part of developing the forecast as set out within the Constitution.

LEGAL REQUIREMENTS (including legislation & constitutional powers)

Is the recommendation a Key Decision (see the criteria stated here)	YES/NO	If Yes, indicate which by which criteria it is a Key Decision	<input type="checkbox"/> Significant effect on two or more wards <input checked="" type="checkbox"/> Involves £100,000 expenditure/income <input type="checkbox"/> Is otherwise significant for the service budget
		And when was the proposed decision published in the Notice of forthcoming decisions for the Council (must be 28 days at the latest prior to the meeting date)	Upcoming decision was published at least 28 days prior to the decision being made.

The Council is legally required to calculate a Council Tax requirement each financial year. Within this framework is the requirement to monitor and report accordingly on the financial position of the authority against this requirement.

The outturn position set out in this report and the actions proposed are within the Council's powers and reflect the statutory requirements and responsibilities of the Council in the preparation of its accounts.

As reported during the year, there is a Best Value Duty that relates to the statutory requirement for local authorities and other public bodies defined as best value authorities in Part 1 of the Local Government Act 1999 ("the 1999 Act") to "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness". In practice, this covers issues such as how authorities exercise their functions to deliver a balanced budget (Part 1 of the Local Government Finance Act 1992), provide statutory services and secure value for money in all spending decisions.

Best value authorities must demonstrate good governance, including a positive organisational culture, across all their functions and effective risk management. They are also required, pursuant to section 3 of the 1999 Act, to consult on the purpose of deciding how to fulfil the Best Value Duty.

The Government have recently published revised Statutory Guidance on the Best Value Duty of Local Authorities in England under section 26 of the 1999 Act, which best value authorities are required to have regard to. To provide greater clarity to the sector on how to fulfil the Best Value Duty, the statutory guidance sets out seven overlapping themes of good practice for running an authority that meets and delivers best value. These seven best value themes build on the lessons learned from past interventions and reflect what most local authorities already do or are striving to achieve. A detailed description of these themes, including characteristics of a well-functioning local authority and indicators used to identify challenges that could indicate failure, is set out within the revised guidance and financial management and

sustainability is a reoccurring expectation throughout the themes and indicators. This outturn report along with how the Council responds to new or developing issues remains an important element of demonstrating these key requirements.

The approval of the outturn position each year is an additional specific delegation to the Finance and Governance Portfolio Holder, in consultation with the Chief Financial Officer, to provide the necessary flexibility to comply with the new statutory timetable for publishing the Council's Statement of Accounts (Part 3.41 of the Constitution).

Any further decisions that may be required following the outturn process, such as allocating money brought forward from the prior year will be reported to Cabinet at a subsequent meeting. In effect, the approval of the outturn delegated to the Finance and Governance Portfolio Holder will primarily only place available funding that needs further allocation in reserves until such time as a formal / separate decision is made by Cabinet.

Yes	The Monitoring Officer confirms they have been made aware of the report and any additional comments from them are below:
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There are no additional comments to the contents of the report, which have been reviewed personally by the Monitoring Officer, who supports the ongoing reference to the Council's Best Value Statutory Duty and recently published guidance, as set out within the legal requirements section and highlighting where additional decisions are required.

FINANCE AND OTHER RESOURCE IMPLICATIONS

The main financial implications for each section of the Council's accounts are as set out in this report.

Yes	The Section 151 Officer confirms they have been made aware of the above and any additional comments from them are below:
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The S151 Officer is the author of this report.

USE OF RESOURCES AND VALUE FOR MONEY

The following are submitted in respect of the indicated use of resources and value for money indicators:

A) Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;	This is addressed in the body of the report.
B) Governance: how the body ensures that it makes informed decisions and properly manages its risks, including; and	
C) Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.	

MILESTONES AND DELIVERY

This report forms part of the Council's wider budget setting and monitoring processes. In respect of 2023/24, this report sets out a final outturn position for the year that builds on earlier financial performance reports that have been presented to Cabinet on a broadly quarterly basis throughout the year.

As highlighted elsewhere in this report, the on-going financial forecast and budget monitoring processes will need to take account of the outturn position for 2023/24 and reflect new issues or significant changes to existing issues as part of their development during 2024/25.

ASSOCIATED RISKS AND MITIGATION

Although there are no direct risks associated with the outturn position, there will be various 'knock on' risks to the Council's financial position going forward, which are either set out elsewhere within this report or will be revisited as part of developing the longer term forecast that will be presented to a future Cabinet meeting. The financial position for 2024/25 and beyond will therefore be reviewed in light of this outturn position.

The Council's reserves, including the Forecast Risk Fund remain a key element of the long-term plan approach with additional details set out further on in this report. In respect of the Forecast Risk Fund, there has been no adverse impact on the balance held at the end of 2023/24, which totals **£6.426m** (£0.284m more than when last reported to Members in February 2024), that remains available to support the forecast this year and beyond.

EQUALITY IMPLICATIONS

There are no direct implications that significantly impact on the Council's financial performance / forecast at this stage. However, the ability of the Council to appropriately address such issues will be strongly linked to its ability to fund relevant schemes and projects and determination of the breadth and standard of service delivery to enable a balanced budget to be agreed.

An impact assessment will be undertaken as part of any separate budget decisions such as those that will be required to deliver savings.

SOCIAL VALUE CONSIDERATIONS

There are no direct implications that significantly impact on the financial forecast at this stage.

However, such issue will be considered as part of separate elements of developing the long-term forecast.

IMPLICATIONS FOR THE COUNCIL'S AIM TO BE NET ZERO BY 2030

There are no direct implications that significantly impact the financial forecast at this stage.

However, such issue will be considered as part of separate elements of developing the long-term forecast.

OTHER RELEVANT CONSIDERATIONS OR IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

Crime and Disorder	Please see comments above
Health Inequalities	
Area or Ward affected	

PART 3 – SUPPORTING INFORMATION

BACKGROUND

The Financial Outturn for 2023/24 underpins / supports the information included in the Council's Statement of Accounts. The Council's Statement of Accounts for 2023/24 were published by the deadline of the end of May 2024 and remain subject to external audit. At the present time there is some uncertainty about the statutory backstop dates for the completion of the associated audit work as they remain subject to changes to legislation that is likely to be delayed due to the timing of the General Election. Key commentators on the situation have also suggested that a change in approach may be being considered by the relevant key organisations. It is understood that the Council's current Auditors are still keen to complete the necessary work by the end of March 2025, which was the original planned backstop date relating to the 2023/24 accounts.

Details around specific items such as Revenue, Capital, Reserves and Carry Forwards are set out in the following separate sections of the report along with the appendices.

GENERAL FUND REVENUE OUTTURN 2023/24 – A DETAILED ANALYSIS

The following table sets out a summary of the outturn position after taking into account the carry forwards / commitments requested by services highlighted further on in this report. A more detailed Portfolio and Departmental analysis is set out within the appendices.

Table 2

Overall Summary of General Fund Revenue Account Outturn 2023/24

	Budget	Outturn	Variance
	£m	£m	£m
Total Net Outturn Position <i>(after requested carry forwards and reserves adjustments)</i>	14.233	13.684	(0.549)
Financing			
Business Rates	(3.150)	(4.408)	(1.258)
Revenue Support Grant	(0.696)	(0.719)	(0.023)
Council Tax (including Collection Fund)	(10.387)	(10.387)	0
Total	(14.233)	(15.513)	(1.279)
Total Variance for 2023/24 <i>(Contributed to Reserves within Corporate Services)</i>			1.829

As set out earlier in the report, a significant number of budget adjustments were made as part of the in-year financial performance reports alongside the development of the budget for 2024/25. The outturn position demonstrates that a majority of budgets have performed broadly to this adjusted position, although a number have outperformed / underperformed against the revised budgetary position, with further details set out within **Appendix A**, where a departmental headline outturn summary is shown. This appendix highlights the key variances within each department and reflects new / emerging issues or changes to existing issues over the last quarter of 2023/24 as necessary. It is worth highlighting the following:

- **Homelessness Net Costs** - As experienced by most other Local Authorities, the demand / cost of temporary homelessness accommodation continues to rise. Although the Government provide associated grant funding, it is not enough to fully meet these costs, which therefore requires Local Council's to fund any shortfall themselves. During the year, the Council provided additional funding of **£0.500m** towards the cost of temporary accommodation, but the final outturn position for the year was in excess of this amount by a further **£0.645m**, as set out in **Appendix A.2**. In looking ahead to 2024/25, the budget has already been increased by **£0.500m**. Although the Department remains committed to exploring options to reduce the on-going financial impact on the Council, this issue will need to be kept under on-going review during the year as further additional funding is likely to be required.

With the above in mind, it demonstrates the importance of the Spendell's House Scheme, which will provide much needed temporary accommodation within the District.

- **Parking Income** – as set out within **Appendix A.2**, additional income has been achieved for the year. When taken together with an associated underspend against employee budgets, the overall favourable variance for the year totals **£0.259m**. As set out elsewhere in this report, including the earlier recommendations, it is proposed to set this amount aside in an associated reserve / budget to invest in the Service, which is in-line with the requirement relating to the setting of fees and charges each year on a cost recovery basis.
- **Net Leisure Income** – As set out in **Appendix A.3**, the income across the various leisure facilities has remained buoyant throughout the year. Similarly to parking income above, this matter will be subject to further review during 2024/25, which will consider investment opportunities within the various leisure facilities, especially in light of the Draft Sport and Activity Strategy that has been subject to a consultation process during the first quarter of this year.
- **Business Rate Income** – As highlighted within **Appendix A.1**, business rate income has remained positive at the end of 2023/24. This is discussed in more detail further on in this report alongside council tax collection performance.

In addition to the above, it is worth highlighting that energy costs continue to be managed within existing / contingency budgets, with **£0.410m** remaining within the associated 'contingency' to support any potential on-going impact in 2024/25, although the longer term risks are reducing compared with original forecasts.

Appendix C sets out the detailed outturn position by department, with the net variance shown in column (e) of that appendix. The net variance has been further analysed by direct costs and indirect costs and is set out in columns (f) and (g) of the same appendix. Indirect costs continue to include a number of technical accounting adjustments such as those relating to pension costs.

During the external audit of the Council's Accounts over the coming months, adjustments or amendments may be recommended by the Council's External Auditor. Although subject to the actual adjustments that may be recommended by the Auditor, they may have a direct impact on the overall outturn position for the year rather than be just presentational changes. They would then be included in the Statement of Accounts that would be presented to the Audit

Committee later for approval. To enable the right level of flexibility in responding to any changes recommended by the External Auditor, a delegation to the S151 Officer in consultation with the Portfolio Holder for Finance and Governance is planned to be included in the outturn report that will be presented to Cabinet on 26 July 2024 that will, if agreed, enable the necessary adjustments to the 2023/24 outturn position to be made.

Allocation of the Overall Outturn Variance for the Year

In-line with the delegation to the Finance and Governance Portfolio Holder, the overall favourable variance for the year of **£1.829m** has been transferred to the Revenue Commitments Reserve until Cabinet formally considers its allocation at its meeting on 26 July 2024.

As mentioned earlier, it is proposed to set aside the overall surplus against the Off-Street Parking budget to enable associated investment in the service in 2024/25 and beyond, which could include repairs and maintenance and exploring electric vehicle infrastructure opportunities. Including employee costs (but excluding indirect costs), this surplus totals **£0.259m**.

After taking account of the parking adjustment above, a balance of **£1.570m** would remain. It is proposed to set aside this balance to support the potential on-going impact of some of the adverse outturn variances for 2023/24 along with other new / emerging issues in 2024/25 and changes to items already included in the 2024/25 budget. As set out in the recommendations above, it is proposed to finalise these items for presenting to Cabinet at its meeting on 26 July 2024. Although subject to being finalised, the list of potential items are set out in the following table:

Table 3

Item	Potential Cost	Comments
Costs to support the tender of the Waste, Recycling and Street Cleansing Contract	£0.100m	Although a sum of £0.200m has already been set aside to support the important elements of work, this additional funding would enable the completion of the necessary activities to deliver a successful procurement process.
Family Solutions Officer	£0.010m	Although subject to further review, it is understood that grant income to support the cost of this post that was originally expected from ECC is no longer receivable under the terms of the agreement. If the post is to continue for the originally agreed fixed term period then additional funding will be required in 2024/25.
Increased Crematorium Gas Costs	£0.080m	It has emerged that a recently received 'back-dated' bill is likely to place pressure on the 2024/25 budget. Although this may need to be considered as part of the on-going development of the forecast, an additional budget amount may need to be confirmed in the immediate term.

Homelessness Temporary Accommodation	£0.500m	In light of the outturn position set out elsewhere in this report, it is likely that an increase to the budget in 2024/25 is required. Although there will be positive impact of the Spendells House scheme, that is scheduled to be completed later in the year, it is proposed to set aside this sum of money in the immediate term, that can be revisited throughout the year.
Career Track	£0.050m	In light of the outturn position set out elsewhere in this report it is likely that an increase to the budget in 2024/25 is required. As previously mentioned the Service will continue to work towards reducing the current level of subsidy, the outcome of which will be reported during the year.
Swimming pool funded Capital Schemes	£0.150m	Although subject to review, it has emerged that the cost of the schemes have significantly increased over the amounts submitted as part of the Council's bid to the Government's Swimming Pool Fund Scheme. An additional budget is therefore likely to be required to complete the schemes set out in the original funding bid or the money may have to be returned to the Government.
Other items that may have an impact in 2024/25 along with other potential items that support the Development of the Councils priorities	TBC	There may be opportunities to support additional items that may emerge including those that support the Council's priorities that may require a timely decision e.g. seasonal implications.

In addition to the above, on-going support to Citizens Advice Tendring is being considered in 2024/25 as an interim measure to enable actions to be undertaken in line with our best value duties and responsibilities to voluntary / charitable organisations within the District. Unlike the items above, there will be no additional contribution required from the outturn variance, as an existing budget of **£0.144m** already exists in 2024/25, but the inclusion of this item provides the opportunity to consider this matter as timely as possible in the year.

If after the review above, there remains a balance against the **£1.570m** that is proposed to be set aside, an associated recommendation setting out the allocation of this balance will be included within the report to Cabinet on 26 July 2024.

GENERAL FUND CAPITAL OUTTURN POSITION FOR 2023/24

Full details of the outturn position for each scheme together with the total carry forwards requested are set out in **Appendix D**. However a summary is set out in the following table:

Table 4

	Budget 2023/24	Outturn 2023/24	C/Fwd	Remaining Variance
	£m	£m	£m	£m
GF Capital Expenditure	15.866	3.804	12.010	(0.052)

Financing the Capital Programme

A summary of the proposed financing of the capital expenditure in 2023/24 is set out in the following table, with a more detailed analysis being provided in **Appendix D** to this report:

Table 5

	Budget 2023/24	Outturn 2023/24	To Fund C/fwds	Variance
	£m	£m	£m	£m
External Contributions	0.882	0.489	0.385	(0.008)
S106	0.245	0.239	0.006	0
Government Grants	11.815	1.862	9.953	0
Capital Receipts	1.000	0.106	0.815	(0.079)
Revenue Contributions	0.224	0.275	0	0.051
Use of Earmarked Reserves	1.700	0.833	0.851	(0.015)
Total	15.866	3.804	12.010	(0.052)

The overall budget for the year takes into account adjustments that have occurred since the position was last reported to members within the Q3 financial performance report. These adjustments would have either been included as recommendations within the Q3 Financial Performance Report or been subject to separate decision making processes as necessary.

The primary reason behind the variance above relates to the underspend against the Clacton Leisure Centre All Weather Pitch Scheme which was delivered under budget. There is therefore a corresponding reduction in the use of capital receipts that remain available to support other future projects. This favourable position does 'mask' the additional cost of delivering the Changing Places Capital project along the seafront which is set out within **Appendix A.2**. This additional cost has therefore effectively been 'accommodated' within the Council's overall budget position for the year.

GENERAL FUND REVENUE AND CAPITAL CARRY FORWARDS INTO 2024/25

It is recognised that due to the size, nature and lead-in times of some schemes, expenditure can span financial years with some schemes not completed by the 31 March in any one year. Therefore commitments for goods and services are likely to remain outstanding at the 31 March each year, examples of which include uncompleted work that the Council has a contractual obligation against or the project is either currently underway or will be started shortly with payment dates or trigger points within the process yet to be reached, finalised and paid.

Carryforwards are expected to broadly follow the principles applied in previous years such as:

- There is a 'contractual commitment';
- There is a related long term project which is expected to span a number of financial years;
- There is non-recurring item for which no budget provision exists in the following year;

A summary of the requests to carry money forward into 2024/25 is as follows:

Table 6

Area of the Budget	Total Carry Forwards Requested
General Fund Revenue	£12.611m
General Fund Capital Schemes	£12.010m
TOTAL	£24.621m

Following a review of the carry forwards requested against the carry forward criteria above, it is proposed to:

- Agree the revenue amounts set out in column 4 within **Appendix K** that total **£9.879m** as they meet the carry forward criteria above.
- Not approve the revenue amounts set out in column 5 within **Appendix K** that total **£2.732m** at this stage as on initial review they do not meet the carry forward criteria above.
- Agree all of the capital items set out within **Appendix D** that total **£12.010m** as they broadly meet the carry forward criteria above.

In respect of the second bullet point above, these items remain subject to further review and will be therefore be considered via separate reports later in the year as necessary. Although the corresponding amounts will be held within the Revenue Commitments Reserve pending the outcome of this further review, it is proposed that any amounts not subsequently approved will be added to the overall outturn variance for the year that can them be considered alongside the development of the forecast / financial performance reports during the year.

At its meeting on 19 April 2024, Cabinet requested an update on the two carry forward items for inclusion in the Outturn Report for 2023/24. These two items related to HR Capacity (**£0.111m**) and Career Track Investment (**£0.046m**) and it is planned to include this update within the associated outturn report that will be presented to Cabinet on 26 July 2024.

GENERAL FUND RESERVES OUTTURN POSITION FOR 2023/24

Earmarked reserves are shown in more detail in **Appendix E** and include the adjustments set out elsewhere in this report.

The change in the budgeted net use of earmarked reserves of **£15.299m** takes into account the proposed level of revenue and capital carry forward requests. The change in reserves also includes the overall outturn variance of **£1.829m**, which has been transferred to the Revenue Commitments Reserve in the interim period before the proposals set out earlier in this report are considered by Cabinet at its July 2024 meeting.

The overall level of reserves at the end of 2023/24 is **£38.134m**, made up of **£19.708m** for commitment reserves, **£14.426m** for other earmarked reserves and **£4.000m** for uncommitted reserves.

In terms of the Forecast Risk Fund, which is included within the figures highlighted above, this totals **£6.426m** at the end of 2023/24. Following the transfers to and from this reserves that were set out within earlier reports, this balance is slightly ahead of the estimated position included in the 2024/25 Budget Report presented to Full Council in February 2024. (an increase of **£0.284m** from the original figure of **£6.142m** reported at that time)

In terms of the overall level of reserves, it should be noted however, that transfers to earmarked reserves are not an increase in the Council's longer-term unallocated general resources as it relates to future years commitments. It is important to highlight that the Council continues wherever possible to 'cash-back' the delivery of its priorities rather than being based on an assessment of affordability at some time in the future, with delivery planned to continue on a range of schemes / projects over the coming months.

The Financial Strategy has continued to aim to maintain the Uncommitted Reserve at **£4.000m**. At 31 March 2024, the uncommitted reserve stands at **£4.000m** so it remains in line with this requirement.

It is also important to highlight that within the overall level of earmarked reserves mentioned above, the Council prudently maintains reserves to respond to significant / specific risks in the forecast such as **£1.758m** (Business Rates Resilience Reserve) and **£1.000m** (Benefits Reserve), which can be taken into account during the period of the forecast if necessary.

INCOME COLLECTION PERFORMANCE AND INCOME FROM S106 AGREEMENTS

The position against council tax, business rates, housing rents and general debt is set out in **Appendix F**.

In respect of **housing rents**, collection performance has broadly remained in-line with the previous year, with some additional comments relating to the general income from dwelling rents set out further on in this report.

In respect of **general debt**, this covers a significant range of income streams from repairs to leasehold properties to rechargeable works and will be subject to recovery action as necessary throughout 2024/25.

In respect of **business rates**, the collection performance set out in **Appendix F** reflects the amount of money collected compared to the budgeted collectable amount rather than as a percentage of the actual total amount collectable, hence why it is in excess of 100%.

As highlighted within **Appendix A.1**, the overall favourable business rates income variance for the year is a mix of a number of issues which are summarised as follows:

- Increases in rateable value that have 'filtered' through to associated grants from the Government that relate to reliefs etc. - **£0.160m**
- Additional income retained from businesses operating in the renewables sector - **£0.085m**.

- Additional income from continuing to be a member of the Essex Business Rates Pool along with technical changes associated with the nationwide revaluation exercise - **£1.172m**

In terms of the operation of the pool, it is based on the principle of the local authority members being better off collectively due to the fact that the overall levy rate payable by the pool is lower than that for each individual pool member. This is primarily due to Essex County Council being a ‘top-up’ authority, which effectively offsets the overall levy rate that would otherwise be payable by each local authority.

In terms of how the collection performance for Council Tax and Business Rates translates into the corresponding collection fund positions, this was more positive than originally budgeted in terms of business rates (**£0.687m**), but slightly behind on council tax (**£0.080m**) at the end of March 2024. Although the position for council tax will be subject to the collection performance in 2024/25, taking both business rates and council the figures together, they still provide a more positive position heading into 2024/25 than originally expected.

Details around the use of income from S106 agreements is set out in **Appendix G**. There are no significant issues to highlight and no money was returned to developers during the year.

A REVIEW OF THE HRA OUTTURN POSITION FOR 2023/24

The Housing Revenue Account (HRA) reflects a statutory obligation to account separately for the income and expenditure arising from the Council’s landlord functions.

A summary of the Council’s Housing Revenue Account for 2023/24 is set out in the table below with a more detailed analysis provided in **Appendix H** to this report.

Table 7

	Budget 2023/24	Outturn 2023/24	Variance
	£m	£m	£m
Direct Expenditure	12.051	10.443	(1.608)
Direct Income	(15.547)	(16.038)	(0.491)
Indirect Income / Expenditure	5.994	5.720	(0.274)
Net Use of HRA Reserves	(2.497)	(0.124)	2.373
Total HRA General Balance as at 31 March 2024			4.168

Net use of HRA Reserves includes the contribution of the year end ‘surplus’ to HRA General Balances of £0.520m as set out below.

Housing Revenue Account Overview

The outturn position for the year was an overall surplus of **£0.520m**, with more detailed figures set out in **Appendix H**. There were a limited number of key issues behind this overall variance, which included the following:

- 1) **Employee Costs – Net Underspend of £0.069m**, that reflects the general position against the various employee cost lines of the budget and takes account of the overall level of staff vacancies during the year.

2) Premises Costs – Net Overspend of 0.329m

This position primarily reflects the necessary work undertaken during the year on the existing housing stock of 3,000+ properties. The work undertaken is based on planned and responsive maintenance work, which is undertaken via a mix of the in-house service and external contractors. Given the new requirements placed on the Council, such as those via the new regulatory reforms, there is likely to remain a significant level of pressure on these budget in future years. This will therefore be revisited as part of developing the HRA Business Plan during 2024/25.

In terms of positive variances within the overall net position highlighted above, there were a number of offsetting items such as those for electricity and gas costs along with a reduction in the cost of council tax on empty properties, with the latter reflecting the active management of voids over the past few years.

The impact of all of the above on the overall net HRA position for 2023/24 was being actively managed by the Service in consultation with the Finance Team during the year with the aim of managing this adverse variance within the overall HRA net budgeted position. This approach has therefore proved successful and supported by the favourable variances below.

3) Dwelling Rents Receivable – Additional income of £0.300m achieved

As highlight above, the active management of voids also continues to contribute to a positive variance in terms of the level of rent achieved compared to budgeted levels.

4) Interest Receivable – Additional income of £0.053m achieved

Similarly to the position within the General Fund, investment income outperformed the budget given the increases in interest rates during the year.

In addition to the above, it is important to highlight that General Fund recharges to the HRA totalled **£2.811m**, a reduction of **£0.325m** against the budget for the year. Agreement to this level of recharge forms part of the recommendations set out earlier on in this report.

Taking the above into account, along with the aggregate of other variances at the end of the year, the overall 'surplus' on the HRA is **£0.520m**. This amount has therefore been transferred to HRA General Balances. As highlighted earlier in this report, this transfer to general balances significantly offsets the additional use of the same reserve (£0.860m) that was recently agreed to support the additional costs of completing the Spendells House Capital Project.

HRA Capital Programme

A summary of the Council's HRA Capital Programme for 2023/24 is set out in the table below with a more detailed analysis provided in **Appendix I** to this report.

Table 8

	Budget 2023/24	Outturn 2023/24	C/Fwd	Remaining Variance
	£m	£m	£m	£m
HRA Capital Expenditure	12.730	8.034	4.686	(0.010)

Financing the HRA Capital Programme

A summary of the proposed financing of the capital expenditure in 2023/24 is set out in the following table, with a more detailed analysis being provided in **Appendix I** to this report:

Table 9

	Budget 2023/24 £m	Outturn 2023/24 £m	To Fund C/fwds £m	Variance £m
Major Repairs Reserve	4.164	4.164	0	0
Revenue funding from the HRA	2.140	0.288	1.852	0
Capital Receipts	4.114	1.280	2.834	0
S106	0.308	0.308	0	0
External Contributions / Capital Grants	2.004	1.994	0	(0.010)
HRA Total	12.730	8.034	4.686	(0.010)

The overall variance set out in the table above broadly reflects the budgeted position, with schemes proposed to be continued in 2024/25 via the amounts requested to be carried forward. **Appendix I** reflects changes to the financing of the capital programme made as part of the outturn position for the year to maximise the benefit from the use of S106 or 1-4-1 capital receipts as necessary.

HRA Balances and Reserves

Although the overall level of HRA General Balances has decreased to **£4.168m** at the end of 2023/24, this is broadly in-line with the budgeted / expected position. Full details of HRA reserves are set out in **Appendix J**, which reflect the adjustments discussed above.

It is worth repeating an earlier point about the on-going challenges that the HRA faces. The formulation of the budget for 2024/25 was set against the context of the longer-term business plan and as highlighted within the various budget reports presented to Members earlier in the year, one area that is important to keep highlighting is the likely on-going impact of the new era of social regulation introduced via the Social Housing (Regulation) Act 2023. This is in addition to the national trend of increases in housing disrepair claims made by tenants. The Council remains committed to providing good quality housing whilst also recognising the ambition of building / acquiring new homes for local people. Given the financial issues the Council faces, this balance remains extremely challenging in the short term. The HRA Business Plan will continue to be subject to updates during 2024/25 with the on-going aim of delivering the long term financial sustainability of the HRA.

PREVIOUS RELEVANT DECISIONS

General Fund and HRA Budgets for 2023/24 Approved – Full Council February 2023

Financial Performance Report 2023/24 – General Update at the end of July 2023 – Item A.5 Cabinet 6 October 2023.

Financial Performance Report 2023/24 – General Update at the end of Q2 September 2023 – Item A.3 Cabinet 10 November 2023.

Updated General Fund Financial Forecast / Budget 2024/25 – Item A.4 Cabinet 15 December 2023.

Updated General Fund Financial Forecast / Budget 2024/25 – Item A.4 Cabinet 26 January 2024.

Executive's Proposals – General Fund Budget and Council Tax 2024/25 – Item A.1 Full Council 14 February 2024.

Executive's Proposals – Housing Revenue Account Budget 2024/25 – Item A.2 Full Council 14 February 2024.

Financial Performance Report 2023/24 and 2024/25 – General Update at the end of Q3 – Item A.3 Cabinet April 2024.

BACKGROUND PAPERS AND PUBLISHED REFERENCE MATERIAL

None

APPENDICES

Appendix A (1 - 3)	Key Outturn Variances by Department 2023/24
Appendix B	GF - Portfolio / Department Outturn Summary 2023/24
Appendix C	GF – Revenue Departmental / Directorate Outturn 2023/24
Appendix D	GF - Capital Outturn 2023/24
Appendix E	GF - Reserves
Appendix F	Collection Performance – Council Tax, Business Rates, Housing Rents and General Debts
Appendix G	Income from S106 Agreements
Appendix H	HRA – Revenue Outturn 2023/24
Appendix I	HRA – Capital Outturn 2023/24
Appendix J	HRA – Reserves
Appendix K	General Fund Carry Forwards from 2023/24 into 2024/25

(The variance figures set out in these appendices that are presented in brackets represent either a net underspend position or additional income received)

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