

**North East Derbyshire District Council**

**Cabinet**

**18 July 2024**

**Medium Term Financial Plan - Financial Outturn 2023/24**

**Report of Councillor P Kerry, Deputy Leader & Portfolio Holder for Strategic Leadership and Finance**

**Classification:** This report is public

**Report By:** Jayne Dethick, Director of Finance and Resources (S151 Officer)

**Contact Officer:** Jayne Dethick

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**PURPOSE/SUMMARY**

To inform Cabinet of the outturn position of the Council for the 2023/24 financial year.

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**RECOMMENDATIONS**

1. That Cabinet note the outturn position in respect of the 2023/24 financial year.
2. That Cabinet approve the proposed carry forward of capital budgets detailed in **Appendix 4** totalling £17.193m.

Approved by the Portfolio Holder – Cllr Pat Kerry Deputy Leader with responsibility for Finance

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**IMPLICATIONS**

**Finance and Risk**

**Yes ✓**

**No**

The financial implications are set out within the body of the report.

Members should note that the budgets against which we have monitored the 2023/24 outturn were those agreed within the Council's Medium Term Financial Plan. The Medium Term Financial Plan gave careful consideration to both the affordability of the budgets that were approved, and to ensuring that the level of balances remained adequate for purposes of enabling sound financial management.

The issue of financial risk is covered throughout the report. The risk of not achieving a balanced budget, together with the risk that the Council's level of financial balances will

be further eroded are currently key corporate risks identified on the Council's Strategic Risk Register. The outturn report shows the budget has been balanced in 2023/24 and the level of reserves protected.

While the Council has effectively addressed its Strategic Financial Risks during 2023/24 it needs to be recognised that it will need to continue to effectively manage budgets and ensure spending remains sustainable. Planned funding reforms or changes to funding distribution are delayed further and are now not expected to be implemented until 2026/27 at the very earliest dependent on the outcome of the forthcoming general election (at the time of writing). This has been an intrinsic part of the budget setting process and will continue to be so.

On Behalf of the Section 151 Officer

**Legal including Data Protection**

**Yes ✓      No**

The Statement of Accounts is required to be prepared by the 31 May each year. The Council has now completed the draft Statement of Accounts and they have been signed off by the Chief Financial Officer as at 29 May 2024 which secures compliance with the Council's obligations.

On Behalf of the Solicitor to the Council

**Staffing**

**Yes      No ✓**

There are no staffing issues arising directly from this report.

On Behalf of the Head of Paid Service

**DECISION INFORMATION**

Decision Information	
<p><b>Is the decision a Key Decision?</b>                      A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds:</p> <p><b>NEDDC:</b>  <b>Revenue - £100,000 <input type="checkbox"/> Capital - £250,000 <input type="checkbox"/></b>  <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i></p>	<p>No</p>

<b>Is the decision subject to Call-In?</b> (Only Key Decisions are subject to Call-In)	No
<b>District Wards Significantly Affected</b>	None
<b>Consultation:</b> Leader / Deputy Leader <input type="checkbox"/> Cabinet <input type="checkbox"/> SMT <input checked="" type="checkbox"/> Relevant Service Manager <input checked="" type="checkbox"/> Members <input checked="" type="checkbox"/> Public <input type="checkbox"/> Other <input type="checkbox"/>	Yes  Details:

<b>Links to Council Plan priorities, including Climate Change, Equalities, and Economics and Health implications.</b>
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All
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## **REPORT DETAILS**

### **1 Background**

The Director of Finance and Resources is responsible for the preparation of the authority's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in United Kingdom ("the Code"), is required to present a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2024.

### **2 Financial Outturn 2023/24**

2.1 The Council published its draft Statement of Accounts in respect of 2023/24 on 29 May 2024, ahead of the statutory deadline of 31 May 2024. The draft Statement of Accounts 2023/24 is now subject to the independent audit from the Council's external auditors, Mazars. Until the accounts have been signed off by the external auditors, there remains the possibility that they will be subject to amendment. Whilst the statutory deadline for sign off by the Auditor remains at 30 September this year, draft legislation proposes changing this to 31 May 2025. The draft legislation also proposes changing the deadline for future financial years up to and including 2027/28 to address the external audit backlog. Whilst it is scheduled that the final audited accounts will be reported to and approved by the Audit Committee by 30 September 2024, it is unlikely that the audit will be complete to meet this deadline. The Audit Committee should be presented with an opportunity to scrutinise the accounts in a timely manner, therefore due to the length of time between completion of the accounts and the deadline for audit sign off the draft accounts have been presented to the Committee in July.

2.2 International Financial Reporting Standards (IFRS) dictates that the main focus of the Statement of Accounts is on reporting to the public in a format which is directly comparable with every country that has adopted IFRS i.e., not just UK or even other local authorities. By contrast, the focus of this report is on providing management information to Members and other stakeholders to assist in the financial management of the Council.

2.3 The following sections of this report will consider the 2023/24 outturn position in respect of the General Fund, Housing Revenue Account (HRA), and Capital Programme. Within the report, consideration is given to the level of balances at the year end and the impact which the closing position has upon the Council's budgets in respect of the current financial year. Treasury Management activities is now presented on a separate report as a result of the changes to CIPFA's Treasury Management in the Public Services Code of Practice (the CIPFA Code).

### **General Fund**

2.4 The summary position in respect of the General Fund outturn is detailed in **Appendix 1** and shows the Original Budget that was set in January 2023, together with the Current Budget compared to the final 2023/24 Outturn position. **Appendix 2** provides a more detailed breakdown by directorate.

2.5 A subjective breakdown of the variances identified in Appendix 1 can be found in Table 1 below. A detailed breakdown of the amounts making up the transfers to and from reserves can be found in Tables 3 and 4.

Table 1

	<b>Current Budget 2023/24</b>	<b>Outturn 2023/24</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Pay Costs	19,169	19,041	(128)
Premises related costs	2,491	2,512	21
Vehicle related costs	704	601	(103)
Supplies & services	8,401	8,201	(200)
Depreciation & Impairment	1,026	1,016	(10)
Income	(17,757)	(17,862)	(105)
<b>Net cost of services</b>	<b>14,034</b>	<b>13,509</b>	<b>(525)</b>

2.6 Table 1 above comprises:

- Pay costs – the under spend is attributable to employee salaries as a result of staff vacancies.
- Premises related costs – the minor overspend relates mainly to utility costs being slightly higher than budget.
- Vehicle related costs – the main underspend is due to reduced spend on vehicle fuel as well as underspends on car allowances.
- Supplies & services – the variance relates to underspends in software costs, reduced costs for the district election (some costs were incurred in 2022/23), and a reduction in the provision for bad debts. Insurance premiums and telephone costs were also less than budgeted. This is offset by increased costs of vehicle maintenance, and the rising cost of bed and breakfast provision.
- Income - the variance relates mainly to planning fees and licensing fees coming in greater than the revised budget as well as increased income from burial fees and joint crematorium income.

### **Financial Reserves**

#### **2.8 Transfers from Earmarked Reserves**

The use of earmarked reserves in 2023/24 was £1.848m comprising:

- £0.882m from revenue grants
- £0.820m from earmarked reserves
- £0.146m from the Invest to Save Reserve

There are ongoing commitments against these reserves in 2024/25 and future years so will continue to be utilised.

The variances in Movement from Reserves can be found in Table 3 below.

Table 2

	<b>Current Budget 2022/23</b>	<b>Outturn 2022/23</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Movements from Reserves:</b>			
Revised Budget	(1,972)	(1,848)	124
Plus:			
Contribution to General Fund balance	(331)	(0)	331
<b>Total movement from reserves – outturn</b>	<b>(2,303)</b>	<b>(1,848)</b>	<b>455</b>

## 2.9 Transfers to Earmarked Reserves

There have been transfers to earmarked reserves during 2023/24 totalling £4.157m. These comprise:

- £1.999m in revenue grants received.
- £2.158m into earmarked reserves.

Table 3

	<b>Current Budget 2023/24</b>	<b>Outturn 2023/24</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Movements to Reserves:</b>			
Revised Budget	2,466	2,466	0
Plus:			
Net Cost of Services Outturn Surplus	0	244	244
Business Rates Growth	0	1,447	1,447
<b>Total movement to reserves – outturn</b>	<b>2,466</b>	<b>4,157</b>	<b>1,691</b>

2.10 The outturn surplus of £0.244m has been transferred to the Resilience reserve.

2.11 Ongoing commitments against the earmarked reserves which will continue in 2024/25 and future years. Should any of the reserves prove unnecessary in the light of subsequent events then they will be moved back into unallocated General Fund resources.

### Invest to Save

- 2.12 The Invest to Save Reserve has a balance at the end of the year of £2.554m. Commitments already made against this reserve for 2024/25 and future years amount to £0.487m leaving £2.067m uncommitted.

### Resilience Reserve

- 2.13 The Resilience Reserve has a balance at the end of the year of £2.513m. This will be utilised to provide financial resilience to the General Fund in future years as required by the Medium Term Financial Plan.

### General Fund Balances

- 2.14 The level of General Fund Balances has been maintained at £2.000m. The General Fund balances are considered to be at an acceptable level rather than generous. The General Fund balance needs to be considered against the background of ongoing reductions in the level of Government funding together with the range of risks facing the Council. With only a limited level of General Fund reserves it is crucial that the Council continues to maintain robust budgetary control in order to safeguard both its reserves and its financial sustainability.
- 2.15 Given the current level of general balances, should either an over spend or an under achievement of income occur then the Council would have a period of time in which to recover the situation. In addition, the earmarked Resilience Reserve can provide short term funding support as needed. In a situation in which the Council were operating at a lower level of balances and an overspend or an under achievement of income occurred which took balances to below minimum level then immediate 'crisis' remedial action would need to be considered. Such a response is not conducive to sound financial management but more importantly would have a significant detrimental impact upon the Council's ability to deliver the planned and agreed level of services to local residents. However, Cabinet will recognise that given a level of General Fund Balances of £2.000m, against the requirement to secure £4.190m in savings by 2027/28, as identified in the Medium Term Financial Plan (MTFP) of January 2024, the need to continue to tackle the underlying forecast budget deficit remains.
- 2.16 The main feature of the 2023/24 financial year is that the Council was successful in removing the need to utilise the resilience reserve to fund the General Fund budget shortfall and was in fact able to contribute £0.244m to the Resilience Reserve at outturn.

### Housing Revenue Account (HRA)

- 2.17 The Housing Revenue Account is provided in **Appendix 3** to this report. The figures provided include all the statutory accounting transactions that the Council is required to make within the Statement of Accounts. These are accounting transactions which net off to zero and are not included within the HRA management budgets as they do not impact on the overall financial position or balances of the HRA. To allow comparison between budget and outturn these accounting adjustments are included within both the adjusted budget and outturn position.
- 2.18 The Housing Revenue Account position shows a small variance to budget of £0.012m. Income is £0.105m higher than budget due to lower right to buy purchases and lower garage voids than forecast in the budget. The overall expenditure position is £0.093m

above the current budget due to an increase in the depreciation charge partially offset by a reduction in the allowance for bad debts. The overall net cost of services underspend of £0.012m is increased to £0.463m after interest. Transfers to and from reserves compared to budget include a reduced contribution to the Major Repairs Reserve, an increased contribution to the Resilience Reserve and increased use of the Development Reserve.

- 2.19 The HRA balance is being maintained at £3m in line with the level of financial risk facing the HRA. Maintenance of this balance is necessary as it will help ensure the financial and operational stability of the HRA which is essential if we are to maintain the level of services and quality of housing provided to our tenants. Given the changes in social housing regulations and the continued loss of houses under Right to Buy the Council and Rykneld Homes will need to continue to work closely together in order to ensure the continued sustainability of the HRA over the life of the 30 year Business Plan.

### **Capital Investment Programme**

- 2.20 Details of the capital expenditure incurred by the Council in 2023/24 on a scheme by scheme basis is provided in **Appendix 4**

The Capital Programme may be summarised as follows:-

	<b>Current Programme £m</b>	<b>Outturn £m</b>	<b>Variance £m</b>
HRA	35.856	30.387	(5.469)
General Fund	27.900	15.429	(12.471)
<b>Programme Total</b>	<b>63.756</b>	<b>45.816</b>	<b>(17.940)</b>

### 2.21 HRA Schemes

The variance on the housing capital programme in 2023/24 was £5.469m. The North Wingfield new build scheme was under spent by £3m, this is not uncommon in major development schemes where more certainty over timing of spend is gained as the programme progresses. The scheme is on track to complete in line the programme. The acquisitions and disposals budget was also underspent (£2.8m) largely due to delays in completion of committed sales on which the Council is wholly reliant on the developer. The funds are all committed and will be utilised in 2024/25. As is the norm with the capital budgets, both will be rolled over into 2024/25 to meet future committed spend. The housing investment programme was overspent in the year, largely because of the additional pressures being encountered to meet the rigorous requirements of regulation, particularly in relation to the impact on voids. The longer-term impact of the financial pressures of regulation are being kept under review and will be closely considered as part of the budget setting process for the Medium-Term Financial Plan.

### 2.22 General Fund

The General Fund element of the Capital Programme during 2023/24 has increased from the previous year. This was largely the continuation of the award of £24.1m New Town Deal funding from the Government for place making works in Clay Cross. The regeneration programme runs until 2026 and the under spend in 2023/24 will be rolled

over to future years as delivery of the project continues. In addition, projects funded by the UK Shared Prosperity Fund have not all been completed in 2023/24 and therefore £1.069m of works will be carried forward to be completed by the scheme closure date of March 2025. Works to refurbish Killamarsh Leisure Centre, and the Dronfield Sports Centre Carbon Efficiencies Programme completed in 2023/24 with small underspends of £0.028m and £0.019m respectively which offset the small overspend of £0.032m for Eckington Pool Carbon Efficiencies Programme. Asset refurbishment schemes that haven't completed in 2023/24 (£0.454m and £0.031m) will be completed in 2024/25 as will ICT and telephone schemes (£0.413m and £0.023m) The respective budgets will be carried forward into 2024/25. The vehicle replacement scheme shows a variance of £2.242m which is also being carried forward to be available to fund the purchase of vehicles in future financial years as required.

- 2.23 **Appendix 4** details the proposed carry forward amounts to 2024/25 as mentioned in 2.22 above. The total to carry forward amounts to £17.193m. It should be noted that all these expenditure requirements will take forward a corresponding level of financial resources and thus have a neutral impact on the financial position in 2024/25.

### **Capital Financing**

- 2.24 **Appendix 4** also details how each scheme is financed. In summary:

#### **HRA Capital Financing**

- 2.25 The HRA Capital Programme is financed from a combination of capital receipts, revenue contributions, prudential borrowing, use of reserves and grants.

#### **General Fund Capital Financing**

- 2.26 The General Fund Capital Programme is financed from a combination of capital receipts, revenue contributions, prudential borrowing and grants. The Prudential Borrowing financing arrangements were agreed by Council as part of the Treasury Management Strategy at its meeting in January 2023.

## **3 Reasons for Recommendation**

### **3.1 General Fund**

During 2023/24 the Council managed its budget effectively securing a favourable financial position on net cost of services of £0.525m underspend despite a continuing challenging financial backdrop. This underspend has meant that rather than having to call on reserves it has been possible to make a contribution of £0.244m to the Resilience reserve at outturn from efficiencies identified during the year.

### **3.2 HRA**

The HRA continues to operate within the parameters set by the 30 Year Business Plan and the MTFP. Officers will be working with Rykneld Homes to ensure that the Business Plan continues to reflect the impact of recent government legislation, particularly around social housing regulation, and that the HRA remains sustainable over the 30 year period of the Business Plan.



### 3.3 Capital Programme

The Capital Programme saw progress on approved schemes during the 2023/24 financial year. There are, however, a number of schemes which are work in progress and this requires that the associated expenditure and funding be carried forward into the 2024/25 financial year.

### 3.4 Capital Financing

Capital expenditure during 2023/24 has been fully financed in line with the approved programme.

## 4 Alternative Options and Reasons for Rejection

4.1 The financial outturn report for 2023/24 is primarily a factual report detailing the actual position compared to previously approved budgets therefore there are no alternative options that need to be considered.

4.2 The allocation of resources to earmarked reserve accounts has been undertaken in line with the Council's policy and service delivery framework and in the light of the risks and issues facing the Council over the period of the current MTFP. If these risks do not materialise or are settled at a lower cost than anticipated, then the earmarked reserves will be reassessed and returned to balances where appropriate.

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## DOCUMENT INFORMATION

Appendix No	Title
1	General Fund Summary Outturn 2023/24
2	General Fund Detailed Outturn 2023/24
3	HRA Summary Outturn 2023/24
4	Capital Expenditure Outturn 2023/24
<b>Background Papers</b>	