

Revenue Outturn 2023/24

Report of the Finance and Resources Portfolio Holder

Recommended:

1. That the Council's revenue outturn for 2023/24, as shown in Annexes 1 and 2 to the report, be noted.
2. That the transfers to reserves of £423,000, detailed in paragraph 3.19 of the report, be approved.
3. That the transfer of £1.290M to the Capital Receipts Reserve, as detailed in paragraph 4 of the report, be approved.
4. That the Head of Finance and Revenues be authorised to make necessary adjustments through the Capital Receipts Reserve, should any additional variances be identified in finalising the Statement of Accounts for 2023/24.

SUMMARY:

- The Council's revenue outturn for the year ended 31 March 2024 shows net General Fund expenditure of £3.653M (Annex 2 to the report).
- Following the completion of the revenue outturn work there is a surplus on the general fund of £1.290M. Details of how this arose are discussed in more detail in paragraph 3. The utilisation of this variance is considered in paragraph 4.

1 Introduction

- 1.1 The General Fund covers all areas of the Council's revenue activities. This report summarises the total revenue expenditure for Services in 2023/24 which is summarised in Annex 1 to the report.
- 1.2 Where there have been significant variances from the original estimate to the final outturn figures, these are explained in paragraph 3.
- 1.3 The information in this report forms the basis of the Comprehensive Income and Expenditure Statement in the Council's Annual Statement of Accounts which is due to be audited in the coming months by Ernst & Young.

2 Background

- 2.1 The original revenue estimates for 2023/24 were approved by Council in February 2023. This report shows how the final figures compare to those approved in the original estimates, adjusted for additional approvals throughout the year, and explains the reasons for significant variances.

- 2.2 The Council's Revenue outturn for 2023/24 shows a favourable variance of £1.290M compared with the original estimate. The details of the variance are explained in paragraph 3.
- 2.3 Annex 1 to the report shows the full cost of Services which includes depreciation charges, charges to revenue for capital expenditure that does not generate new assets and notional adjustments in respect of the pension fund. Whilst it is important that these costs are known and included, they are also highly changeable and make comparisons with budgets very difficult.
- 2.4 Annex 2 to the report strips out these charges to provide Councillors with a more understandable comparison of budget figures.

3 2023/24 Revenue Outturn

- 3.1 Annexes 1 and 2 to the report show the revenue account outturn for 2023/24. They show a favourable variance of £1.290M when compared with the original estimate.
- 3.2 The table below provides a summary of the main reasons for the variance with more detailed explanations in paragraphs 3.3 to 3.19:

	£'000
Employee costs (see para 3.3)	640
Transport costs (see para 3.4)	136
Income from services (see para 3.5)	(33)
Property maintenance costs (see para. 3.6)	(211)
Borough election costs (see para 3.7)	77
Premises costs (see para 3.8)	239
Additional investment income (see para. 3.9)	729
Net additional income from the Chantry Centre (see para 3.10)	208
Benefit overpayment recovery (see para 3.11)	(473)
Government grants (see para 3.12)	180
Housing grants and expenditure (see para 3.13)	850
Business rates (see paragraphs 3.14 – 3.18)	(747)
Transfers to Reserves (see para 3.19)	(423)
Other miscellaneous variances	118
Total surplus	1,290

- 3.3 The employee costs budget for 2023/24 included a vacancy management provision set at 4.5% to allow for the active management of vacancies arising during the year. The actual outturn for employee costs exceeded the provision by £640,000 due to ongoing recruitment challenges across the authority and the timing of vacancies being filled. This is equivalent to approximately 2.5% of the total salary budget for the year.
- 3.4 Transport costs are £136,000 less than budgeted. The cost of HVO fuel for the vehicle fleet is £176,000 less than budgeted, but this is partially offset by an increase in repair costs.
- 3.5 Net additional income from services is £33,000 below budget. The most notable variances are:
- Net income from Planning and Building is £68,000 below budget. Income from planning fees is £76,000 above budget, whilst building control fees are £144,000 below budget.
 - Net income in the Property and Asset Management service is £166,000 below budget. This is made up of rental income of £93,000 and engineers' income of £124,000, partially offset by additional income from car parking of £51,000.
 - These are partially offset by additional income from Environmental Services (£95,000 from dry mixed recycling, glass and garden waste) and Community and Leisure (£53,000 from sports facilities and the Lights).
- 3.6 The cost of maintenance of the Council's properties for the year is £211,000 higher than budgeted. This is made up of additional reactive maintenance costs of £258,000 partially offset by savings in planned (cyclical) maintenance of £47,000. There is some correlation between this figure and the recently-reported Asset Management Outturn report (Cabinet 29th May) which showed an underspend of £669,000 on planned asset works. This is an area that will be reviewed ahead of the budget setting for 2025/26.
- 3.7 The cost of the Borough election held in May 2023 was £77,000 lower than budgeted.
- 3.8 Premises costs are £239,000 below budget. This is made up of £200,000 of business rates on Council owned properties, mostly due to a one-off credit arising from a Valuation Office update, and utilities and cleaning costs of £39,000.
- 3.9 Investment income is £729,000 greater than budgeted. This is due to higher than forecast rates being achieved on fixed investments and the rapid increases in the base rate across the year.
- 3.10 Net additional income from the Chantry Centre is £208,000. This is due mainly to lower than anticipated void costs and additional rental income. As per the report to Council on 13 March 2019, it is recommended to transfer this additional income to the Chantry Centre Planned Maintenance Reserve.

- 3.11 Identification and recovery of Benefits overpayments was £473,000 lower than estimated. This is due to the fall in caseload as working age customers move from Housing Benefit to Universal Credit. This net cost is expected to continue in the medium term and will be factored into the Medium Term Financial Strategy when it is updated later in the year.
- 3.12 After accounting for associated expenditure, net unbudgeted government grants of £180,000 have been received in the year. This includes:
- Neighbourhood planning grants totalling £40,000 were received in the year. After deducting associated costs, the net variance of £23,000 is recommended to be transferred to the Local Development Fund reserve.
 - Various new burdens funding grants totalling £102,000 more than budgeted were received to alleviate some of the costs of administering various cost of living grant schemes and elections costs across the year. The net of these after deducting associated costs, such as additional staff or software expenses, is £71,000. £48,000 has contributed to the cost of redeploying existing resources and £23,000 is recommended to be transferred to the Elections reserves to cover future elections costs.
 - Following the successful award of an £18.3M capital grant from the Levelling Up Fund for the development of the new theatre in Andover, a Capacity and Capability revenue grant of £66,000 was received. This is recommended to be transferred to the Regeneration reserve.
- 3.13 Additional government grants ringfenced for housing activities of £807,000 were received in the year. The most notable of these were £555,000 to support the Homes for Ukraine scheme and the Household Support Fund at £155,000. After taking into account slightly lower than budgeted associated expenditure, the overall variance of £850,000 is recommended to be transferred to reserves (£324,000 to the Housing reserve and £526,000 to the Community Support reserve to cover future expenditure under the Homes for Ukraine scheme).
- 3.14 Transactions through the General Fund in relation to business rates income are difficult to predict and extremely volatile. Since 2013/14, the Council has experienced business rate growth and is therefore required to pay an immediate NDR Surplus Levy to Government. In addition, the Council receives grants for small business rate and other reliefs and is entitled to retain 100% of business rates relating to renewable energy schemes within the Borough. These transactions are managed through both the General Fund and the Collection Fund Equalisation Reserve.
- 3.15 Business rates income is extremely vulnerable to the level of appeals that may occur as a result of the 2017 and 2023 revaluation exercises. In addition, the Government maintains the power to take away all of the accumulated growth in income generated since 2013 in a reset of the Business Rates Retention Scheme. This reset is now not expected to happen until 2026/27 at the earliest. The Council maintains the Collection Fund Equalisation Reserve to smooth the impact of these unknowns.

- 3.16 In 2023/24, the Council has continued to experience business rate growth and is still required to pay a surplus levy to Government.
- 3.17 To offset the impact of various business rates reliefs such as Retail, Hospitality and Leisure discount that have been given in the collection fund again this year, the Government has given local authorities additional Section 31 grants in the year which are accounted for in the general fund. The impact of these reliefs was lower than budget and therefore, the Council has received less S31 grants.
- 3.18 The variances against budget are detailed in the table below and the balance of £747,000 is recommended to be drawn from the Collection Fund Equalisation reserve.

	£'000
Lower than budgeted section 31 grants received	(765)
Additional provision for surplus levy	(317)
Additional NDR retained from renewable energy schemes	17
Tariff adjustment following 2023 revaluation	318
Net impact of business rates on General fund in 2023/24	(747)

- 3.19 The following transfers to / (from) reserves compared to budget are recommended:

	£'000
Chantry Centre PMP reserve (see para 3.10)	208
Regeneration reserve (see para 3.12)	66
Local Development Fund reserve (see para 3.12)	23
Elections reserve (see para 3.12)	23
Housing reserve (see para 3.13)	324
Community support reserve – Ukraine (see para 3.13)	526
Collection Fund Equalisation Reserve (see paras 3.14 – 3.18)	(747)
Total recommended transfer to reserves	423

4 Transfer to / from Reserves

General Reserves

- 4.1 The recommended prudential minimum level for unallocated general reserves is £2.6M. This balance remains unchanged at 31 March 2024.

Earmarked Reserves

- 4.2 The surplus on the General Fund is £1.290M for 2023/24.
- 4.3 It is recommended that this surplus is transferred to the Capital Receipts Reserve. This will allow some flexibility in what it is used for:
- 4.4 Firstly, re-distribution of variances from the annual revenue budget was identified as a possible funding source when the Regeneration Financial Strategy was approved by Council in February 2024. This transfer will help to reduce the forecast c£6M potential gap in funding.
- 4.5 Secondly, increasing the value of the Capital Receipts Reserve will also provide additional resource to complement CIL receipts and the continuation of the support we are able to offer community projects through this scheme.

5 Resource Implications

- 5.1 This report shows that the Council had a budget surplus in 2023/24 of £1.290M. This amount will be transferred to the Capital Receipts Reserve to be used in future years.
- 5.2 Some of the variances that have been identified throughout this report have already been taken into account in setting the 2024/25 budget, others will be considered as part of the Medium Term Financial Strategy for 2025/26 to determine if there are any ongoing savings, additional income or budget pressures that could affect the Council's forecast budget gap.

6 Risk Management

- 6.1 An evaluation of the risks associated with the matters in this report indicate that further risk assessment is not needed because the issues covered do not represent significant risks.

7 Equality Issues

- 7.1 No equalities issues have been identified in the preparation of this report.

8 Conclusion and reasons for recommendation

- 8.1 This report shows that actual net General Fund expenditure in 2023/24 was £1.290M less than the Original Estimate and explains the significant causes of this variance across both income and expenditure headings.

- 8.2 The report recommends a transfer to the Capital Receipts Reserve to support the corporate priorities of the development and implementation of the Andover and Romsey masterplans, and to supplement the support we are able to offer community projects through the CIL scheme.

<u>Background Papers (Local Government Act 1972 Section 100D)</u>			
None			
<u>Confidentiality</u>			
It is considered that this report does not contain exempt information within the meaning of Schedule 12A of the Local Government Act 1972, as amended, and can be made public.			
No of Annexes:	2	File Ref:	N/A
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Report to:	Cabinet	Date:	10 July 2024