



Report to: Audit & Governance Committee Meeting 31 July 2024

Director Lead: Sanjiv Kohli Deputy Chief Executive / Director – Resources - Section 151 Officer

Lead Officer: Nick Wilson, Business Manager Financial Services on ext 5317

Report Summary	
Report Title	Provisional Financial Outturn Report to 31 March 2024
Purpose of Report	<p>To update Members with the provisional 2023/24 financial outturn position on the Council’s revenue and capital budgets, including:-</p> <ul style="list-style-type: none"> • General Fund Revenue • Housing Revenue Account • Capital Programme • Provisions and Impaired Estimates on Debtors • Usable Reserves • Collection Fund <p>To show performance against the approved estimates of revenue and capital expenditure and income.</p>
Recommendations	<p>That the final outturn of revenue and capital spending for 2023/24 be noted;</p> <p>That the variation to the capital programme, as set out in paragraph 1.5 be noted;</p> <p>That the capital financing proposals as set out in paragraph 1.6 be noted;</p> <p>That the movement in Provisions and Impaired Estimates on Debtors be noted;</p> <p>That the creations of the new reserves, as outlined in paragraph 1.13, be noted; and</p> <p>That the individual contributions to, and withdrawals from, the revenue and capital Usable Reserves be noted.</p>

1.0 Background

Overview of Provisional General Fund (GF) Revenue Outturn for 2023/24

- 1.1 The accounts show a favourable variance of £0.252m on service budgets, with a total favourable variance of £0.989m as follows:-

Table 1: General Fund Revenue Outturn for 2023/24 Financial Year as at 31 March 2024

	Budget £'m	Outturn £'m	Variance £'m
Net Cost of Services	32.538	32.286	(0.252)
Other Operating Expenditure	4.487	4.634	0.147
Finance & Investment Income & Expenditure	(2.547)	(2.540)	0.007
Taxation & Non Specific Grant Inc	(25.967)	(26.748)	(0.781)
Net Cost of Non-Service	(24.027)	(24.654)	(0.627)
Net Cost of Council Expenditure	8.511	7.632	(0.879)
Transfer to/(from) Unusable Reserves	(7.140)	(7.250)	(0.110)
Transfer to/(from) Usable Reserves	(1.371)	(0.382)	0.989
Transfer to/(from) General Balance	0.000	0.000	0.000

- 1.2 Based on the table above, usable reserves have increased by £0.989m. This increase has been applied to the Medium Term Financial Plan Reserve to assist with mitigating future funding pressures. The statutory General Fund balance has not varied during the year and remains at £1.500m, which is in accordance with the Medium Term Financial Plan approved on 7 March 2024.

Overview of Provisional Housing Revenue Account (HRA) Outturn for 2023/24

- 1.3 The financial outturn position to 31 March 2024 for the HRA before appropriations to reserves is a deficit of £0.099m. *Table 2* summarises these variances.

Table 2: HRA Revenue Outturn for 2023/24 Financial Year as at 31 March 2024

	Budget £'m	Outturn £'m	Variance £'m
Net Cost of HRA Services	0.063	(0.084)	(0.147)
Other Operating Expenditure	(0.034)	0.052	0.086
Finance & Investment Income/Expenditure	3.809	3.969	0.160
Taxation & Non Specific Grant Income	(1.643)	(1.643)	0.000
(Surplus)/Deficit on HRA Services	2.195	2.294	0.099
Movements in Reserves			
Transfer to/(from) Usable Reserves	1.547	1.547	0.000
Transfer to/(from) Unusable Reserves	(14.204)	(14.204)	0.000
Transfer to Major Repairs Reserve - Depreciation	5.994	5.784	(0.210)
Transfer to Major Repairs Reserve – Revenue	4.468	4.579	0.111
Total	0.000	0.000	0.000

- 1.4 Based on the table above an additional £0.111m has been transferred into the Major Repairs Reserve.

Overview of Provisional Capital Outturn for 2023/24

- 1.5 The accounts show lower levels of expenditure of £14.464m or 20.7% of the revised capital programme budget. As with all financial programmes, there will always be an element of slippage on capital schemes at the end of the financial year. It is proposed that the Cabinet approve the re-profiling of capital schemes totalling £13.588m (£10.297m GF and £3.291m HRA). This is because the majority of the schemes are already committed. For clarity, where a scheme has been completed, any remaining budgets will not be carried forward.

Table 3: GF and HRA Capital Outturn for 2023/24 Financial Year as at 31 March 2024

Spend Type	Budget Approved as per Cabinet 5/3/24 £'m	Revised Post Cabinet £'m	Outturn £'m	Variance £'m
General Fund	52.259	52.523	41.350	(11.173)
Housing Revenue Account	17.326	17.326	14.035	(3.291)
Total	69.585	69.849	55.385	(14.464)

- 1.6 Capital spending in the year totalled £55.385m. This Capital expenditure has been funded by a combination of borrowing, external grants and contributions, receipts, major repairs reserve and revenue contributions. It is proposed that Cabinet approve the revised capital financing proposals as summarised in *Table 4*:

Table 4: Proposed 2023/24 GF and HRA Capital Outturn Financing

Source of Financing	GF Programme £'m	HRA Programme £'m	Total £'m
Borrowing	3.257	0	3.257
External Grants & Contributions	33.486	1.643	35.129
Capital Receipts	0.139	2.046	2.185
Revenue Contributions	4.468	10.346	14.814
Total Financing	41.350	14.035	55.385

Provisions for Future Liabilities

- 1.7 Provisions are made when an event has taken place that gives the Council an obligation that probably requires settlement, can be reasonably estimated, but where the timing of the payment is uncertain. Good practice requires that any movements in a Provision should be approved separately by Cabinet. The provisions in the table below relate to alterations and appeals against the rateable values (RV) provided for on properties in the National Non-Domestic Rating list (NNDR). The amounts shown in the Statement of Accounts (and hence in the table below) relate to this Council's element for the

provision for appeals. 2023/24 saw the release of a refreshed rating list from the valuation office. This is the third such list since rates retention came into effect in April 2013. As a result of the new list being released, from April 2023 no further appeals for the prior lists are able to be lodged, this in turn has resulted in lower threats to our rating income. During the year 2023/24, £0.969m was charged against the provision in relation to RV adjustments in relation all 3 rating lists and £1.259m was released from the provision (£2.235m was released from the 2017 list provision and £0.976m was added for the 2023 list provision). 40% of all provisions are applicable to NSDC (£0.388m charge and £0.504m release therefore £0.891m as the NSDC share). The provisions provided for in *Table 5* are the Council’s 40% share, as follows:

Table 5: 2023/24 Movements in GF Provision – NNDR

General Fund Provision (NNDR) – Period of Settlement for Appeals	Balance B/Fwd 01/04/2023 £’m	Movement in Year £’m	Actual Balance 31/03/2024 £’m
Provision for Appeals – NNDR settled within 12 months	(0.353)	0.151	(0.202)
Provision for Appeals – NNDR settled after 12 months	(1.117)	0.740	(0.377)
Provision for Appeals – NNDR Total	(1.470)	0.891	(0.579)

- 1.8 The Council receive external advice (from Analyse Local) relating to the level of provision that should be held. The Advisors suggest that there is a risk of £0.010m which relates to the Rateable Value list which began in 2010. From the revaluation of the 2010 ratings list which occurred in 2017, there has been limited information relating to the levels of appeals due to the Governments new “Check, Challenge, Appeal” process. Analyse Local have used their knowledge and understanding from a national perspective to estimate the total liability for the 2017 list which amounts to £0.506m and a total liability for the 2023 list amounting to £0.942m. This gives a total provision at Collection Fund level of £1.448m of which this Council recognises 40% (£0.579m) due to its share of the overall NNDR income.

Impaired Estimates on Debtors

- 1.9 Impaired Estimates on Debtors is an estimation of the amount that will remain uncollectable after a certain time period and may require write off in the future accounts of the Council. The calculation is based upon on the age and amounts of debt owed to the Council based on a hierarchical percentage i.e. the older the debt, the greater likelihood of non-collection. Good practice requires that movements in the Impaired Estimates on Debtors should be approved separately by Members. *Table 6* details these:

Table 6: 2023/24 Movements in GF and HRA Impaired Estimates on Debtors

Debtor Type	Balance B/Fwd 01/04/2023 £'m	Movement in Year £'m	Actual Balance 31/03/2024 £'m	Overall Provision incl. other preceptors 31/03/2024 £m
GF - Sundry Debts	(0.062)	(0.103)	(0.165)	(0.165)
GF - Housing Benefit	(0.946)	(0.055)	(1.001)	(1.001)
GF - Council Tax Debts	(0.464)	0.016	(0.448)	(3.861)
GF - Business Rates Debts	(0.481)	0.200	(0.281)	(0.704)
GF – Impaired Estimates on Debtors	(1.953)	0.058	(1.895)	(5.731)
HRA - Sundry and Other Debts	(0.022)	0.003	(0.019)	(0.019)
HRA - Former Tenants	(0.288)	(0.005)	(0.293)	(0.293)
HRA - Current Tenants	(0.048)	(0.007)	(0.055)	(0.055)
HRA – Impaired Estimates on Debtors	(0.358)	(0.009)	(0.367)	(0.367)

Usable Capital Reserves

1.10 A Reserve is created for a specific future purpose or to cover contingencies. In accordance with the Code; these Usable Reserves must be separately identified between those that are retained for Capital purposes and those that are retained for Revenue purposes. Again, good practice dictates that any movements in existing reserves, or the creation of any new reserves, be approved by Members.

1.11 Capital reserves are used to fund spend incurred on the approved capital programme. Table 7 details the position as at 31 March 2024:

Table 7: Capital Reserves used to Fund GF and HRA Capital Programmes as at 31 March 2024

Capital – Type of Reserve Used to Fund Capital Programme	Balance B/Fwd 01/04/2023 £'m	Cont'n in Year £'m	Use in Year £'m	Actual Balance 31/03/2024 £'m	Anticipated balance at 31/03/2028 £'m
Capital - GF					
Usable Capital Receipts	0.000	0.065	0.026	0.039	1.790
Capital Grants Unapplied	14.047	(0.775)	2.115	11.157	5.834
Capital – HRA					
Usable Capital Receipts – HRA	1.373	0.332	1.586	0.119	0.684
Usable Capital Receipts - RTB's	0.000	0.459	0.459	0.000	0.000
Capital Grants Unapplied	0.000	0.000	0.000	0.000	0.000
Major Repairs Reserve (MRR)	13.243	10.363	15.582	8.024	8.333
Capital - Total	28.663	10.444	19.768	19.339	16.641

Usable Revenue Reserves

- 1.12 Revenue reserves are used to fund anything that is not capital in nature, albeit can be applied to capital expenditure if necessary. They cover such areas as donations, external grants and contributions for future service provision, or specific sums of money held for a specific purpose. The tables below show high level balances against the categories of the reserves that are held for each fund together with current approved commitments and hence a forecast balance. **Appendix A** details the movement on General Fund Reserves and **Appendix B** shows HRA Reserves.

General Fund	Opening Balance £'m	Closing Balance £'m	Commitments £'m	Forecast Balance £'m
Budget funding reserve	(7.265)	(9.838)	1.074	(8.764)
Earmarked for Known Pressure	(7.187)	(7.348)	3.044	(4.304)
Ringfenced	(2.197)	(1.977)	0.081	(1.896)
Un-ringfenced	(15.671)	(13.486)	11.033	(2.453)
Total	(32.320)	(32.649)	15.232	(17.417)

Service variances combined with non-service related income and expenditure variances has meant that overall the District Council has increased its General Fund reserves by £0.329m. This increase has been identified as being related to:

	£'m
Brought Forward Reserves balance	32.320
Budgeted increase in reserves	1.457
Business Rates Pool contribution to MTFP reserve	0.600
Contributions to Capital Expenditure	(3.209)
Contributions from additional interest receivable	1.165
Favourable variance in cost of running Council	0.989
Other movements	(0.673)
Reserves balance as at 31st March 2024	32.649

HRA	Opening Balance £'m	Closing Balance £'m	Commitments £'m	Forecast Balance £'m
Earmarked for Known Pressure	(5.115)	(4.227)	0.532	(3.695)
Un-ringfenced	(2.000)	(2.000)	0.000	(2.000)
Total	(7.115)	(6.227)	0.532	(5.695)

Service variances combined with non-service related income and expenditure variances has meant that overall the District Council has decreased its Housing Revenue Account reserves by £0.888m. This decrease has been identified as being related to:

	£'m
Brought Forward Reserves balance	7.115
Budgeted decrease in reserves	(0.500)
Contributions to Capital Expenditure	(0.350)
Favourable variance in cost of running HRA	0.111
Other movements	(0.149)
Reserves balance as at 31st March 2024	6.227

1.13 During the year one new General Fund reserve has been set up:

Reserve name	Balance as at 31 Mar 2024 £'m	Purpose
Emergency Planning/Flooding Reserve	(0.060)	Funds have been earmarked for addressing and managing potential emergency situations, including localised flooding.

The Collection Fund 2023/24

1.14 The Collection Fund accounts for the income from the collection of Council Taxes and Business Rates, and the subsequent disbursement to local authority preceptors and central government.

1.15 The in-year surplus on the Council Tax account was £0.185m, which reduced the overall deficit from £1.509m at 1 April 2023 to £1.324m at 31 March 2024.

1.16 The Code prescribes that the Statement of Accounts only show the element of Council Tax that relates to Newark & Sherwood District Council. In this regard, the share of the Council Tax deficit of £1.324m that relates to Newark & Sherwood District Council as at 31 March 2024 is £0.154m. £1.000m of the deficit was estimated during January 2024 and is therefore being recouped during 2024/25 from Council Tax preceptors. £0.117m of this related to Newark & Sherwood DC and has been budgeted for accordingly.

1.17 The in-year surplus on the Business Rates account was £1.864m, which increased the overall surplus from £0.133m at 1 April 2023 to £1.997m at 31 March 2024.

1.18 The Code prescribes that the Statement of Accounts only show the element of business rates that relates to Newark & Sherwood District Council. In this regard, the share of the business rates surplus that relates to Newark & Sherwood District Council as at 31 March 2024 is £0.799m. The Council declared an estimated surplus as at 31st March 2024 of £1.011m during January and hence £0.404m has been included within the 2024/25 budget.

Pensions

- 1.19 The details regarding the Council's share of the Nottinghamshire County Council Pension Fund are provided for Members consideration at **Appendix C**.
- 1.20 Barnett Waddingham are the Pension Fund's appointed Actuary and their report sets out the assumptions used to prepare the IAS19 pension figures reported in the Council's accounts. It is best practice to consider these assumptions prior to agreeing their use and inclusion in the Statement of Accounts for 2023/24. The Audit & Governance Committee considered these at their meeting in April 2024.

2.0 Implications

- 2.1 In writing this report and in putting forward recommendations officers have considered the following implications; Data Protection, Digital and Cyber Security, Equality and Diversity, Financial, Human Resources, Human Rights, Legal, Safeguarding and Sustainability, and where appropriate they have made reference to these implications and added suitable expert comment where appropriate.

Background Papers and Published Documents

Statement of Accounts files & working papers 2023/24

Capital Finance Account's 2023/24 files

Housing Revenue Account's 2023/24 files