

# Allerdale Borough Council

Executive – 12 October 2022

## Finance Report for the period April to July 2022

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<b>Portfolio holder</b>	Councillor Colin Sharpe PH Finance and Legal
<b>Report from</b>	Catherine Nicholson, Chief Officer Assets & s151 Officer telephone no: 07711 - 634180 email: catherine.nicholson@allerdale.gov.uk
<b>Wards affected</b>	All
<b>Is this a key decision</b>	No

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### 1.0 The reason for the decision

- 1.1 This report informs members of the Council's financial performance against budget for the period April to July 2022 along with the forecast position to 31 March 2023.

### 2.0 Recommendations

- 2.1 That the contents of the report are noted.

### 3.0 Background and Introduction

- 3.1 The Council's Financial Regulations require the Section 151 Officer (Chief Officer - Assets) to report regularly, (at least quarterly) to Executive, the latest financial position against budget.
- 3.2 This report outlines for the Council's revenue budget (section 5) and capital budget (section 9):
- actual (net) expenditure during the period April to July 2022
  - the projected net expenditure (full year forecast/forecast outturn) against budget for the year to 31 March 2023 (section 5)
  - reasons for significant variances (+/- £30k) between the full year forecast and the approved estimates (budget) for 2022-23.

### 3.3 This report also provides:

- details of forecast expenditure on projects funded from earmarked reserves (section 7)
- a summary of forecast income from business rates, council tax and non-specific (un-ringfenced) grants (section 8)
- a summary of the impact of the forecast outturn position on earmarked reserves and general fund balances (section 10)
- details of treasury management activity and confirmation of compliance with the Treasury and Prudential Indicators included in the Council's Treasury Management Strategy Statement (section 11)
- an overview of insurance activity during the period (section 12)
- performance information relating to sundry debtors income and write offs, payment of creditor invoices and the collection of council tax and business rates income (section 13).

## 4.0 Key Messages

### 4.1 The headline messages at the end of the first four months of 2022-23 are:

#### Revenue Budget

- (i) The revenue budget, excluding projects funded from earmarked reserves, is forecast to be underspent by £318k.
- (ii) There are no projected variances in respect of income from business rates, council tax and non-specific (un-ringfenced) grants. The forecast outturn position will therefore result in a contribution to General Fund reserves of £318k.

#### Earmarked Reserves Budget

- (iii) Following publication of the 2021-22 outturn position, a review of reserves was carried out and the budgeted use of reserves in 2022-23 increased to reflect the re-profiling of expenditure across financial years.
- (iv) There is no variance projected against this updated budget.

#### Capital Budget

- (v) Expenditure from the capital budget is forecast to underspend by £16.381m (before carry forwards); £289k net of anticipated budget carry forward requests (re-profiling adjustments).

#### Treasury Management

- (vi) Treasury management activities during the period were carried out in accordance with the Council's treasury management and investment strategies and within the limits established by the approved treasury and prudential indicators for 2022-23.
- (vii) No new external borrowing was undertaken during the four month period ending 31 July 2022.

## 5.0 Summary of Projected Revenue Outturn Position

5.1 Table 1 shows, as at the end of July 2022, the Council's overall projected 2022-23 revenue outturn position. It shows:

- net budgeted expenditure on services of £15.8m
- projected outturn on services (including contributions to reserves) of £15.482m
- a projected underspend on services for the year to March 2023 of £318k

**Table 1 - Summary of Projected Outturn against Annual Budget**

	Budget £'000	Projected Outturn £'000	Projected Variance £'000	Report Ref.
Net Expenditure on Services	13,026	12,708	(318)	
Parish Precepts	2,774	2,774	0	
<b>Net Expenditure on Services</b>	<b>15,800</b>	<b>15,482</b>	<b>(318)</b>	Section 6
Expenditure on Earmarked Priorities	2,874	2,874	0	
<b>Total Net Expenditure</b>	<b>18,674</b>	<b>18,356</b>	<b>(318)</b>	
Less: Planned use of earmarked balances	(2,874)	(2,874)	0	Section 7
<b>Net Budget Requirement/ Outturn</b>	<b>15,800</b>	<b>15,482</b>	<b>(318)</b>	
<b>Funding:</b>				
Taxation & Government Grants	15,800	15,800	0	Section 8
Contribution from/(to) General Fund	0	(318)	(318)	Section 10
<b>Total Funding</b>	<b>15,800</b>	<b>15,482</b>	<b>(318)</b>	

5.2 The projected underspend will result in a contribution to the Council's General Fund balances of £318k.

## 6.0 Analysis of Net Expenditure on Services against Budget

6.1 A summary of the projected favourable outturn variance of £318k by portfolio is shown in Table 2.

**Table 2 - Summary of variance by Portfolio**

	Annual Budget	Projected Outturn	Planned Contribution to Reserves	Projected Variance
	£'000	£'000	£'000	£'000
Economic Growth, Community Development & Placemaking	(223)	(21)	0	202
Finance & Legal	5,315	4,957	0	(358)
Environmental Services	2,589	2,306	0	(283)
Policy, Governance & People Resources	2,759	2,743	0	(16)
Leisure & Tourism	374	360	0	(14)
Customer Experience & Innovation	2,212	2,363	0	151
Parish Precepts	2,774	2,774	0	0
<b>Total</b>	<b>15,800</b>	<b>15,482</b>	<b>0</b>	<b>(318)</b>

- 6.2 A breakdown and analysis of significant variances (i.e. full year forecast variances of +/- £30k) by Executive member portfolio is set out in the following paragraphs.

### **Economic Growth, Community Development & Placemaking Portfolio**

- 6.3 The forecast net variance against the Economic Growth, Community Development & Placemaking portfolio budget is £201,927 (adverse). Significant variances underlying the current forecast outturn position are summarised in the following table:

**Table 3 - Economic Growth, Community Development & Placemaking significant variances**

Service/Activity	Gross Variance adverse/ (favourable) £	Planned Contr. to Reserves £	Net Variance adverse/ (favourable) £
Corporate Property Maintenance	45,012	0	45,012
Footway Maintenance	52,689	0	52,689
<b>Sub Total</b>	<b>97,701</b>	<b>0</b>	<b>97,701</b>
Activity variances not exceeding +/- £30k	104,226	0	104,226
<b>Total variance</b>	<b>201,927</b>	<b>0</b>	<b>201,927</b>

### **Corporate Property Maintenance (adverse variance of £45,012)**

- 6.4 Increases in utility charges are forecast to create a net adverse variance of £45k. The forecast expenditure across gas, electricity and water is estimated to be around 80% higher than in the previous financial year, taking into account increased tariffs and estimated annual consumption. The variance is net of costs, to the value of £9.5k, being charged to earmarked reserves in line with the carry forward request, to support the anticipated increased costs.

## Footway Maintenance (adverse variance of £52,689)

- 6.5 An adverse variance of £56.2k is forecast due to increased electricity charges supplying street lighting. Costs are estimated to be around 90% higher than in the previous financial year, taking into account increased tariffs and estimated annual consumption. This is slightly offset by forecast savings in relation to expenditure on external services of £3.5k.

## Finance & Legal Portfolio

- 6.6 The forecast net variance against the Finance & Legal portfolio is £358,004 (favourable). Significant variances underlying the current forecast position are summarised in the following table:

**Table 4 - Finance & Legal significant variances**

Service/Activity	Gross Variance adverse/ (favourable) £	Planned Contr. to Reserves £	Net Variance adverse/ (favourable) £
Banking & Interest	(314,442)	0	(314,442)
MRP & Finance Charges	(56,411)	0	(56,411)
<b>Sub Total</b>	<b>(370,853)</b>	<b>0</b>	<b>(370,853)</b>
Activity variances not exceeding +/- £30k	12,849	0	12,849
<b>Total variance</b>	<b>(358,004)</b>	<b>0</b>	<b>(358,004)</b>

## Banking and Interest (favourable variance of £314,442)

- 6.7 The favourable variance of £314,442 reflects favourable variances of:
- £80,442 in respect of interest payable
  - £234,000 in relation to interest income.
- 6.8 Although forecast interest rates on new borrowing have increased significantly since the 2022-23 budget was prepared - rising by between 140 and 180 basis points compared to earlier forecasts - this has been offset by a reduction in the Authority's anticipated borrowing requirements.
- 6.9 The interest payable budget for 2022-23 of £934,273 was predicated on the basis of drawing down additional PWLB borrowing in 2021-22 of up to £2.650m. This figure included £1.25m of borrowing in respect of unfinanced capital expenditure (i.e. amounts funded from borrowing) incurred in prior years. It also assumed a further £4.5m of borrowing in 2022-23. As noted in the 2021-22 capital outturn report, the actual amount of capital expenditure funded from borrowing in 2021-22 was £282k compared to the revised budget of £1,557k. A variance of £1,275k. Of this, £1,269k was carried forward to 2022-23. The in-year expenditure of £282k was met from internal borrowing with no new external borrowing undertaken in 2021-22.
- 6.10 Based on current forecasts for capital expenditure in 2022-23, the maximum additional external borrowing requirement for 2022-23 is currently estimated at £1.83m, with the majority of this (£1.18m) relating to borrowing in respect of unfinanced capital expenditure incurred in prior years. After adjusting for changes in forecast borrowing rates, the deferment of additional PWLB borrowing from 2021-22

and the reduction in the 2022-23 borrowing requirement has resulted in a forecast reduction in the interest charge for 2022-23 of £80k.

- 6.11 The UK Bank Rate at the start of 2021-22 was 0.1% and remained at this level until it was increased to 0.25% in December 2021. Two further 25bp increases in February and March took the rate to 0.75% at the start of the current financial year. Further increases have since seen the Bank Rate rise to 1.00% in May, 1.25% in July and 1.75% in August. At the time of writing the bank rate is expected to close the year at 2.75%. The forecast accompanying the 2022-23 Treasury Management Strategy Statement, and used to inform the 2022-23 budget, included a forecast rate for the fourth quarter of 2022-23 of 1.25%. The increase in the Bank Rate has led to a significant upturn in short-term investment yields, which at the time of preparing the 2022-23 budget were around 0.01%. In contrast, at the end of August yields on Money Market Funds, which typically account for around 60% of the Authority's investment portfolio, were in the region of 1.6% to 1.7%.
- 6.12 In addition to the increase in investment yields, the average level of funds available for investment have remained at elevated levels when compared to those assumed in the 2022-23 budget. At the end of the 2021-22 financial year, investment balances were significantly above normal levels and have remained at elevated levels throughout the early part of 2022-23. This has been underpinned by the positive cash flow impact associated with the advance receipt of capital grants, and with the various fiscal measures implemented by central government in response to the Covid-19 pandemic and rising energy costs.
- 6.13 Further changes in the base rate are expected during the remainder of 2022-23 as the Bank of England seeks to address mounting inflationary pressures. Coupled with changes in the level of funds available for investment, this is likely to require further adjustments to the forecast outturn position as we move through the year.

#### **Minimum Revenue Provision (MRP) – Financing Charges (favourable variance of £56,411)**

- 6.14 The minimum revenue provision is an annual amount required to be set aside from the General Fund to meet the capital cost of expenditure funded by borrowing or credit arrangements. Pending confirmation of the 2021-22 capital outturn position, the MRP budget for 2022-23 was set based on the amount of capital expenditure, funded by borrowing, included in the 2021-22 revised capital budget. The actual amount of expenditure funded from borrowing in 2021-22 was £282k compared to a budgeted total of £1,557k. A favourable variance (underspend) of £1,275k. The impact of this underspend on capital expenditure funded from borrowing is a reduction in the 2022-23 MRP charge of £56k.

#### **Environmental Services Portfolio**

- 6.15 The forecast net variance against the Environmental Services portfolio budget is £282,849 (favourable). Significant variances underlying the current forecast position are summarised in the following table:

**Table 5 - Environmental Services significant variances**

<b>Service/Activity</b>	<b>Gross Variance adverse/ (favourable) £</b>	<b>Planned Contr. to Reserves £</b>	<b>Net Variance adverse/ (favourable) £</b>
Trade Waste	(169,970)	0	(169,970)
Recycling	(154,917)	0	(154,917)
Off-street – Owned Car Parks	(35,203)	0	(35,203)
Multi-storey Car Park	77,990	0	77,990
<b>Sub Total</b>	<b>(282,100)</b>	<b>0</b>	<b>(282,100)</b>
Activity variances not exceeding +/- £30k	(749)	0	(749)
<b>Total variance</b>	<b>(282,849)</b>	<b>0</b>	<b>(282,849)</b>

**Trade Waste (favourable variance of £169,970)**

6.16 The favourable variance is underpinned by the following:

- a favourable variance of £169.2k in respect of income from trade waste collection services. At the time of setting the budget, it was difficult to estimate the demand for the service following the impact of the pandemic on businesses. Based on the income achieved in Q1, a much more favourable position is forecast than anticipated.
- a favourable variance of £23.1k on income from the sale of recyclates, underpinned by more favourable market prices for recyclable materials when compared to budget.
- an adverse variance of £20.5k due to increased expenditure on disposal and cleansing costs associated with the growth in the number of trade waste customers.
- a net adverse variance of £1.8k from minor expenditure items.

**Recycling (favourable variance of £154,917)**

6.17 The favourable variance is underpinned by the following:

- a net favourable variance of £160.7k on income from the sale of recyclates. This is primarily due to a variance of £162.6k from more favourable market prices when compared to budget. This is offset by a small reduction in income of £1.9k, based on the forecast tonnages collected, compared to budget.
- a £5.4k adverse variance is forecast from recycling credits income, payable by Cumbria County Council, due to the collection of slightly lower tonnages of recycled materials than budgeted. The remaining balance of the overall variance is from minor items.

**Off-street – Owned Car Parks (favourable variance of £35,203)**

6.18 This variance is underpinned by the following:

- forecast favourable variance of £49.6k against budgeted income. This is the net position reflecting a forecast shortfall in income from season tickets of £27.3k, and a favourable variance from pay & display income streams of £76.9k. Income from season tickets has been a difficult area to forecast

following the pandemic and still appears to be affected by the number of people working from home. The pay and display forecast income is based on the improved performance throughout the year to date.

- an adverse variance of £4.7k relates to business rates charges over and above the budget.
- increased usage of card payments has increased the expenditure being borne on card payment charges. This is forecast to be £9.7k above the budget.

**Multi-storey Car Park (adverse variance of £77,990)**

- 6.19 Visitors to the town centre have not returned to pre-pandemic numbers. Changes in peoples shopping habits and people continuing to work from home means there is a reduced demand for car parking spaces. In addition, a new car park near the MSCP, is offering more competitive rates. Overall, this is resulting in a forecast adverse variance of £77,990 against estimated income when the budget was set.
- 6.20 A review of the MSCP charges has been undertaken and recommendations to change the pricing structure to be more competitive are being considered, to encourage increased usage of the facility.

**Policy, Governance & People Resources Portfolio**

- 6.21 The forecast net variance against the Policy, Governance & People Resources portfolio is £15,728 (favourable). Significant variances underlying the current forecast position are summarised in the following table:

**Table 6 - Policy, Governance & People Resources significant variances**

Service/Activity	Gross Variance adverse/ (favourable) £	Planned Contr. to Reserves £	Net Variance adverse/ (favourable) £
Assistance – Housing Services	35,387	0	35,387
Elections & Democratic Services	(33,105)	0	(33,105)
<b>Sub Total</b>	<b>2,282</b>	<b>0</b>	<b>2,282</b>
Activity variances not exceeding +/- £30k	(18,010)	0	(18,010)
<b>Total variance</b>	<b>(15,728)</b>	<b>0</b>	<b>(15,728)</b>

**Assistance – Housing Services (adverse variance of £35,387)**

- 6.22 The Council receives fees and charges income associated with the administration of the disabled facilities grant scheme, which supports individuals to meet the cost of housing adaptations that enable people to stay living in their own home for longer.
- 6.23 This adverse variance reflects the shortfall of income against budget based on the estimated number and value of adaptations delivered throughout the financial year. This estimate has been based on the value of grants paid to date, the value of grants approved but not yet paid and the current levels of grant approvals.



### **Elections & Democratic Services (favourable variance of £33,105)**

- 6.24 The forecast favourable variance arises from the decision not to fill the existing Senior Management vacancy. The position is being covered by existing staff resources and backfilled with an additional supporting role.

### **Customer Experience & Innovation Portfolio**

- 6.25 The forecast net variance against the Customer Experience & Innovation portfolio budget is £150,855 (adverse). Significant variances underlying the current forecast position are summarised in the following table.

**Table 7 - Customer Experience & Innovation significant variances**

<b>Service/Activity</b>	<b>Gross Variance adverse/ (favourable) £</b>	<b>Planned Contr. to Reserves £</b>	<b>Net Variance adverse/ (favourable) £</b>
IT Services	76,048	0	76,048
<b>Sub Total</b>	<b>76,048</b>	<b>0</b>	<b>76,048</b>
Activity variances not exceeding +/- £30k	74,807	0	74,807
<b>Total variance</b>	<b>150,855</b>	<b>0</b>	<b>150,855</b>

### **IT Services (adverse variance of £76,048)**

- 6.26 The variance is due primarily to an overlap in telecommunications service provision during the transition from BT OnePhone to the new landline and mobile service providers. Discussions are currently being held with BT to finalise arrangements required to exit the existing contract. The current forecast is based on the process taking until the end of the financial year to complete. However it is hoped that this will happen sooner, in which case the forecast overspend will be reduced.
- 6.27 In addition, a number of corporate projects have been delayed, requiring the Council to acquire extended support licences to cover the period to January 2023. These additional licences are required to meet regulatory and legislative security requirements.

### **Other portfolios**

- 6.28 At the end of quarter 1, there were no significant variances (i.e., variances of +/- £30k) to report within the Leisure and Tourism portfolio.

## 7.0 Projects funded from Earmarked Reserves

7.1 At 1 April 2022, the balance held in earmarked reserve was £7.520m, as detailed in Appendix D, and comprised:

- £3.274m held for service expenditure
- £4.246m held for accounting purposes or as contingency against specified risks.

7.2 Against the balance of £3.274m (reserves held for service expenditure), the profiled spend identified for 2022-23 is £2.874m. The remaining balance is profiled to be spent in subsequent financial years.

7.3 The current projected outturn for 2022-23 is £2.874m, showing no projected variance.

**Table 8 - Summary of projected expenditure from earmarked reserves**

Reserve Funded projects	Reserve Balance 1-4-2022 £'000	Profiled Budget 2022-23 £'000	Projected outturn £'000	Variance £'000
Economic Growth, Community Development & Placemaking	619	619	619	0
Finance & Legal	1,587	1,390	1,390	0
Environmental Services	529	454	454	0
Policy, Governance & People Resources	397	307	307	0
Leisure & Tourism	81	43	43	0
Customer Experience & Innovation	61	61	61	0
<b>Total held for service expenditure</b>	<b>3,274</b>	<b>2,874</b>	<b>2,874</b>	<b>0</b>

## 8.0 Taxation and Non-specific grant income

8.1 Details of the Council's taxation and non-specific grant income and expenditure for the year compared with budget, are shown in the following table. This includes income received from:

- Non-ringfenced government grants, such as Revenue Support Grant and New Homes Bonus
- Council tax and Non Domestic Rates (NNDR).

**Table 9 - Taxation and Non-specific grant income**

	Original Budget £'000	Projected Outturn £'000	Variance £'000
Revenue support grant	207	207	0
Rural Services Delivery Grant	342	342	0
New Homes Bonus	291	291	0
Other Gov. grants (Lower Tier Services Grant)	167	167	0
Other Gov. grants (Services Grant)	252	252	0
NNDR funding	9,507	9,507	0
Collection fund surplus/(deficit) - NNDR	(3,340)	(3,340)	0
Council tax – excluding parish element	5,577	5,577	0
Council tax – parish element	2,774	2,774	0
Collection fund surplus/(deficit) - Council Tax	23	23	0
Use of /(contribution to) General Fund Balances	0	0	0
	<b>15,800</b>	<b>15,800</b>	<b>0</b>

**NNDR Funding (business rates)**

- 8.2 The amount of NNDR income available to the general fund and taken into account when setting the budget each year, is based on the figures contained in the government return - NNDR1.
- 8.3 Although the NNDR1 form fixes a significant portion of NNDR income available to the Council's general fund for the financial year, it does not fix:
- the levy the Council pays to the Cumbria business rates pool
  - the retained levy that the Council receives back from the pool or
  - the grant it receives from central government to compensate for certain business rate reliefs (section 31 grant)
  - the balance of amount payable or receivable in respect of the preceding years disregarded income (renewable energy reconciliation adjustment).
- 8.4 Amounts relating to levy payments and section 31 grant are based on the Collection Fund outturn position, rather than on the estimates included in the NNDR 1 return. The retained levy also takes into account the Collection Fund outturn positions of other pool members. As a consequence, the amount of income the Council receives and pays in relation to these items, is subject to change over the course of the financial year. The renewable energy reconciliation adjustment is based on the previous year's outturn position.
- 8.5 The composition of funding available from business rates in 2022-23, including related s31 grants is summarised in table 10.

**Table 10 - NNDR (business rates) funding 2022-23**

Funding element	Approved Budget £'000	Projected Outturn £'000	Variance £'000
<b>Fixed Elements:</b>			
Allerdale Share of NNDR Income	10,126	10,126	0
Renewable Energy 'disregard' retained by billing authority	544	544	0
Net tariff payable to Central Government	(7,418)	(7,418)	0
Share of estimated collection fund deficit	(3,340)	(3,340)	0
<b>'Fixed' element of NNDR income</b>	<b>(88)</b>	<b>(88)</b>	<b>0</b>
<b>Variable Elements:</b>			
Reconciliation adjustment (prior years disregarded income)	(11)	(15)	(4)
Section 31 grant	3,878	3,780	(98)
Levy payable (net of reduction under pool arrangements)	(487)	(448)	39
<b>Variable element of NNDR income</b>	<b>3,380</b>	<b>3,317</b>	<b>(63)</b>
<b>Total Fixed &amp; Variable Elements</b>	<b>3,292</b>	<b>3,229</b>	<b>(63)</b>
Transfer from Earmarked Reserve - 2021-22 s31 grant	3,334	3,334	0
Transfer to Earmarked Reserve - 2022-23 retained levy	(645)	(666)	(21)
Release of prior year retained levy from Earmarked Reserve	186	270	84
<b>Net Credit to the General Fund</b>	<b>6,167</b>	<b>6,167</b>	<b>0</b>

## 9.0 Capital budget

9.1 The current capital budget is £25.55m, comprising:

- £19.76m approved budget for 2022-23 (approved February 2022)
- £4.60m budget carry forward from 2021-22
- budget adjustments of £1.19m (highlighted in the 2021-22 Capital Outturn Report) to reflect grants awarded after approval of the 2022-23 budget.

9.2 The projected Capital Outturn position for 2022-23 is summarised in table 11. This shows:

- a projected outturn position of £9.173m
- an underspend compared to budget of £16.381m
- expected budget carry forward requests (re-profiling adjustments) of £16.092m
- an overall favourable variance (net of carry forward requests) of £289k.

**Table 11 - Capital Programme – Projected Outturn by Portfolio**

	<b>Current Budget £'000</b>	<b>Projected Outturn £'000</b>	<b>Outturn Variance £'000</b>	<b>Projected budget carry-fwd £'000</b>	<b>Variance £'000</b>
<b>Capital Expenditure</b>					
Econ. Growth, Community Development & Placemaking	21,432	6,870	(14,562)	14,384	(178)
Finance & Legal	74	0	(74)	0	(74)
Policy, Governance & People Resources	3,812	2,098	(1,714)	1,708	(6)
Environmental Services	158	127	(31)	0	(31)
Leisure & Tourism	78	78	0	0	0
Customer Experience & Innovation	0	0	0	0	0
<b>Total - Capital Expenditure</b>	<b>25,554</b>	<b>9,173</b>	<b>(16,381)</b>	<b>16,092</b>	<b>(289)</b>
<b>Capital Financing</b>					
Capital Grants	18,958	7,715	(11,243)	11,139	(104)
Capital Receipts	755	630	(125)	74	(51)
Earmarked Reserves	0	0	0	0	0
General Fund Balances	11	18	7	0	7
Borrowing	5,756	810	(4,946)	4,879	(67)
Credit Arrangements	74	0	(74)	0	(74)
<b>Total - Capital Funding</b>	<b>25,554</b>	<b>9,173</b>	<b>(16,381)</b>	<b>16,092</b>	<b>(289)</b>

**Key variances**

9.3 Details of key variances are set out in Appendix B.

**10.0 Impact on General Fund and Earmarked Reserve Balances**

10.1 The impact of current budget forecasts on the Council's general fund and earmarked general fund balances (earmarked reserves) is summarised in the following table:

**Table 12 - Movement in Balances**

	Current Budget		Projected Outturn	
	General Fund	Earmarked Reserves	General Fund	Earmarked Reserves
	£'000	£'000	£'000	£'000
<b>Opening Balances April 2022</b>	<b>3,105</b>	<b>7,520</b>	<b>3,105</b>	<b>7,520</b>
Transfers to/(from) Reserves:				
Release of E/M to GF	0	0	0	0
Use for capital programme	(11)	0	(18)	0
Use to support Revenue Budget	0	(2,874)	0	(2,874)
Planned to Earmarked Reserves	0	0	0	0
Requested to Earmarked Reserves	0	0	0	91
Transfer to General Fund Reserve – 2022-23 surplus	0	0	318	0
Transfer from Earmarked Reserve – 2020-21 s31 grant	0	(3,334)	0	(3,334)
Transfer to Earmarked Reserve – 2021-22 retained levy	0	645	0	666
Transfer from Earmarked Reserve - release of prior year retained levy	0	(186)	0	(270)
<b>Increase/(Decrease) in Balance</b>	<b>(11)</b>	<b>(5,749)</b>	<b>300</b>	<b>(5,721)</b>
<b>Balance at 31 March 2023</b>	<b>3,094</b>	<b>1,771</b>	<b>3,405</b>	<b>1,799</b>
Retained - Minimum Balance	(2,700)	0	(2,700)	0
<b>Available for Use</b>	<b>394</b>	<b>1,771</b>	<b>705</b>	<b>1,799</b>

**Impact on General Fund Balances**

- 10.2 This reserve plays an important part in managing unforeseen risk and cash flow management of the Authority. At the end of the first four months of 2022-23, the projected revenue and capital outturn positions for the year to March 2023, will result in a net increase in the Council's general fund balance of £300k, compared to the reduction of £11k included in the current budget.

**Impact on Earmarked Reserves**

- 10.3 Budgeted expenditure from earmarked reserves for 2022-23 has been updated following approval of the 2021-22 revenue outturn report and associated carry forward requests. Profiled spend from earmarked reserves on services has been increased from £166k (approved February 2022) to £2,874k. The increase of £2,708k reflects £1,547k in respect of budget carry forwards from 2021-22, profiled to be spent in 2022-23, plus the net impact of re-profiling expenditure between financial years of £1,161k
- 10.4 At the end of July 2022, there is no forecast variance against this profiled budget of £2,874k.

- 10.5 Forecasted net transfers from earmarked reserves in respect of business rates income is £2,938k, an increase of £63k compared to budget. This reflects the forecast additional transfers from earmarked reserves to offset the current forecast reduction in income in respect of the variable elements of business rates income for 2022-23 (see table 10).

## **11.0 Treasury Management**

### **Treasury Management Activity**

- 11.1 A summary of treasury management activity during the four months to 31 July 2022, including details of investment and borrowing transactions and information about the Council's investment and loans portfolios, is contained in Appendix C. During the period ending 31 July 2022:
- treasury management activities were carried out in accordance with the Council's treasury management and investment strategies
  - no new external borrowing was undertaken.

### **Treasury and Prudential Indicators**

- 11.2 The Local Government Act 2003 requires the Council to determine and keep under review, limits on how much money it can afford to borrow by way of loans and other forms of credit. The processes the Council must follow in setting these limits (the 'Authorised Limit for External Debt') is set out in the Prudential Code for Capital Finance in Local Authorities to which the Council is required to 'have regard to' under provisions contained in the 2003 Act. In addition to the Authorised Limit, CIPFA's Prudential and Treasury Management Codes and accompanying sector guidance, include a number of other key treasury management indicators designed to support and record local decision making in connection with capital and treasury activities.
- 11.3 The Council's Authorised Borrowing Limit (the statutory limit on borrowing under the Local Government Act 2003), Operational Boundary (the limit beyond which external debt is not expected to exceed) and other indicators and limits required by CIPFA's Prudential and Treasury Management Codes, were set out in the Council's Treasury Management Strategy Statement and Investment Strategy for 2022-23. This was approved by Full Council in February 2022.
- 11.4 During the period April to July 2022, the Council has operated within the limits established by the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement 2022-23. Further details relating to the treasury and prudential indicators, including performance against all forward looking prudential indicators are set out in Appendix C.

## **12.0. Insurance**

- 12.1 A summary of claims lodged and closed between 1 April 2022 and 31 July 2022 is set out in the table below:

**Table 13 - Insurance claims from 1 April 2022 to 31 July 2022**

	No. Claims b/f	No. Closed to date	No. Lodged to date	No. Claims Outstanding
Public Liability	10	5	0	5
Employers Liability	0	0	0	0
Other	0	0	0	0
Property Damage and Motor	1	0	0	1
Municipal Mutual (1974 to 1993)	2	0	0	2
	<b>13</b>	<b>5</b>	<b>0</b>	<b>8</b>

12.2 The number of claims outstanding at the end of July 2022 was 8. This compares to a total of 13 outstanding claims at the end of March 2022. Five claims have been closed or settled during the first four months of 2022-23.

12.3 The cost of settling outstanding claims is currently estimated at £40,162. Of this amount, the estimated cost to be borne by the Authority (the insurance excess) is £18,265.

12.4 At 1 April 2022, the Authority brought forward a provision for insurance liabilities of £77,352 and £8,702 has been paid up to the end of July 2022. Excluding the potential cost of existing claims, this leaves a balance of £50,385 currently unallocated. This remaining balance would meet liabilities arising from an additional 10 claims that may be received in relation to incidents incurred but not yet reported, requiring the Council's maximum excess contribution.

## 13.0 Working Capital Management

### Sundry Debtors and Write-offs

13.1 The outstanding sundry debt (including Trade Refuse) at 30 June 2022, was £962,179, which is detailed in the following table:

**Table 14 - Outstanding Debtors at 30 June 2022**

	Total debt outstanding £	Not past due £	30 Days past due £	60 Days past due £	>90 Days past due £
At 30 June 2021	966,889	579,168	117,314	7,430	262,977
% debt	100%	60%	12%	1%	27%
At 30 September 2021	1,223,041	385,088	460,514	102,278	275,161
% debt	100%	31%	38%	8%	23%
At 31 December 2021	532,790	118,020	106,308	28,286	280,176
% debt	100%	22%	20%	5%	53%
At 31 March 2022	902,719	539,229	102,031	24,095	237,364
% debt	100%	22%	20%	5%	53%
At 30 June 2022	962,179	428,190	296,147	1,377	236,465
% debt	100%	44%	31%	<1%	25%



- 13.2 £236,465 (25% of the outstanding debt) is over 90 days old. Of this, £60k is subject to a payment plan or is secured through charging orders. The remaining £176.5k is subject to ongoing recovery action. An allowance of £120k is available to offset the general fund impact of non-recoverable debt balances.
- 13.3 Between April and June 2022, 48 sundry debtor/trade waste invoices were written off.

**Table 15 - Write off of debtors**

	2020-21 Apr – June 2020		2021-22 Apr – June 2021		2022-23 Apr – June 2022	
	No invoices	Total £	No invoices	Total £	No invoices	Total £
Sundry Debtors	21	2,011	5	631	42	12,220
Trade Waste	18	637	35	3,644	6	577
<b>TOTAL</b>	<b>39</b>	<b>2,648</b>	<b>40</b>	<b>4,275</b>	<b>48</b>	<b>12,797</b>

### Payment of Creditor Invoices

- 13.4 The Authority has a target to pay 98% of invoices from suppliers located within the Allerdale postal area within 14 days of receipt, and 98% of non-Allerdale supplier invoices within 30 days of receipt.
- 13.5 During quarter 1 of 2022-23, 92.3% of Allerdale supplier invoices were paid within 14 days with 555 invoices being paid on time. This compares with 96% achieved in the corresponding period last year. Of the invoices not paid within 14 days, five invoices were delayed as a result of system access restrictions, imposed during the first two weeks of April, in order to facilitate the transition to a new financial system. This represents a reduction of around 1% in the performance level achieved.
- 13.6 During quarter 1 of 2022-23, 95.2% of national supplier invoices were paid within 30 days with 852 being paid on time. This compares with quarter 1 2021-22 when 96% was achieved.
- 13.7 A summary of the reasons for delays in payment is set out below:

**Table 16 - Reasons for delay in payment of supplier invoices (Q1 2022-23)**

Reasons for delay	Allerdale supplier invoices No. of invoices	National supplier invoices No. of invoices
Invoices received without a valid purchase order	25	9
Price discrepancy between invoice and purchase order requiring authorisation prior to payment	0	1
Purchase order was not goods received prior to receipt of invoice	3	21
Manual authorisation required (purchase order not required)	0	7
Invoices sent directly to department or individual instead of the Invoice Section	18	2
Other non-recurring issues	0	3
<b>Total number subject to delayed payment</b>	<b>46</b>	<b>43</b>

- 13.8 As part of the ongoing finance business partnering support provided to budget holders and services, the issues identified in Table 16 have been highlighted to all services. Communications have also stressed the importance of following prescribed procedures for raising purchase orders, receipting goods and processing invoices, in order to ensure the timely payment of invoices. Support has also been offered to any individual or team who would like clarification or further training on any aspect of the process. Specific services identified as impacting adversely on performance to date have been targeted to help improve performance.
- 13.9 Performance will continue to be monitored and reported in future monitoring reports.

### **Council Tax and NNDR – collection statistics**

- 13.10 During the three months to 30 June 2022, the collection rates for Council tax are slightly lower than the corresponding period for 2021-22, yet still show improvements on the 2020-21 collection rates, which were impacted by Covid.
- 13.11 There has been a slow start to the Council Tax collection rates to the end of June 2022, but for the first time in the quarter, there was a slight upturn in collection for the month of June. This has also been the case for July and August. As a result of administering the £150 energy rebate scheme, introduced by central government in response to the increased charges for energy, the Council experienced an influx of Direct Debits at the start of the year. This resulted in instalments being pushed back a month and adversely affected collection rates in the early part of the year.
- 13.12 Over the same period, the NNDR collection rates show improvements compared to the corresponding periods for both 2021-22 and 2020-21.

**Table 17 - Council Tax and NNDR collection rates as at 30 June 2022**

	Council Tax Collection %	NNDR Collection %	CTAX and NNDR as % of Full Year Collectable income
Q1 2022-23	29.17%	33.55%	30.43% - £28.2m (out of £92.5m)
Q1 2021-22	29.52%	30.37%	29.70% - £23.9m (out of £80.6m)
Q1 2020-21	28.85%	29.47%	29.00% - £22.0m (out of £75.9m)

## 14.0 Delivery arrangements

14.1 Not applicable to this decision/report.

## 15.0 Implications and Impact

### Contribution to Council Strategy Priorities, Outputs and Outcomes

15.1 Sound financial management is essential to successful delivery of the Council's financial plans, achievement of value for money, financial sustainability and the stewardship and safeguarding of public money.

### Finance/Resource implications

15.2 Financial issues and implications are included within the main body of this report.

### Legal and governance implications

15.3 There are no legal or governance issues arising from this decision/report.

### Risk analysis

15.4 Not applicable to this decision/report.

### Increasing satisfaction and service

15.5 Not applicable to this decision/report.

### Equality impacts

15.6 Not applicable to this decision/report.

### Health and Safety impacts

15.7 Not applicable to this decision/report.

### Health, wellbeing and community safety impacts

15.8 Not applicable to this decision/report.

### Environmental/sustainability impacts

15.9 Not applicable to this decision/report.

### Other significant implications

15.10 There are no other significant implications arising from report.

## Appendices attached to this report

Appendix	Title of appendix
A	Projected revenue outturn by portfolio
B-1	Capital expenditure to date and forecast outturn
B-2	Summary of capital variances
C	Summary of Treasury Management Activity
D	Earmarked Reserves

## Background documents available

Name of background document	Where it is available
None	N/A

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