

# Allerdale Borough Council

Executive – 23 November 2022

## Finance Report for the period April to Sept. 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 September 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 September 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 £237k.
- (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 £237k.

### Earmarked Reserves Budget

- (iii) Expenditure funded from earmarked reserves is forecast to undershoot the current budget by £263k. The projected underspend reflects changes to the expected timing of expenditure and is included in amounts forecasted to be spent in 2023-24 and subsequent years.

### Capital Budget

- (iv) Expenditure from the capital budget is forecast to underspend by £16.667m (before carry forwards); £299k net of anticipated budget carry forward requests (re-profiling adjustments).

### Treasury Management

- (v) 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.
- (vi) No new external borrowing was undertaken during the six month period ending 30 September 2022.

## 5.0 Summary of Projected Revenue Outturn Position

5.1 Table 1 shows, as at the end of September 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 earmarked reserves) of £15.563m
- a projected underspend on services for the year to March 2023 of £237k.

**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	12,789	(237)	
Parish Precepts	2,774	2,774	0	
<b>Net Expenditure on Services</b>	<b>15,800</b>	<b>15,563</b>	<b>(237)</b>	Section 6
Expenditure on Earmarked Priorities	2,874	2,611	(263)	
<b>Total Net Expenditure</b>	<b>18,674</b>	<b>18,174</b>	<b>(500)</b>	
Less: Planned use of earmarked balances	(2,874)	(2,611)	263	Section 7
<b>Net Budget Requirement/ Outturn</b>	<b>15,800</b>	<b>15,563</b>	<b>(237)</b>	
<b>Funding:</b>				
Taxation & Government Grants	15,800	15,800	0	Section 8
Contribution from/(to) General Fund	0	(237)	(237)	Section 10
<b>Total Funding</b>	<b>15,800</b>	<b>15,563</b>	<b>(237)</b>	

5.2 The projected underspend will result in a contribution to the Council's General Fund balances of £237k.

## 6.0 Analysis of Net Expenditure on Services against Budget

6.1 A summary of the projected favourable outturn variance of £237k 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	(278)	(123)	0	155
Finance & Legal	5,309	4,944	0	(365)
Environmental Services	2,589	2,456	0	(133)
Policy, Governance & People Resources	2,765	2,732	0	(33)
Leisure & Tourism	374	379	0	5
Customer Experience & Innovation	2,267	2,401	0	134
Parish Precepts	2,774	2,774	0	0
<b>Total</b>	<b>15,800</b>	<b>15,563</b>	<b>0</b>	<b>(237)</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 £154,574 (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	86,497	0	86,497
Tenanted Properties	35,026	0	35,026
Footway Maintenance	63,453	0	63,453
Camping & Caravan Sites	(77,825)	0	(77,825)
Workington Town Centre	112,929	0	112,929
<b>Sub Total</b>	<b>220,080</b>	<b>0</b>	<b>220,080</b>
Activity variances not exceeding +/- £30k	(65,506)	0	(65,506)
<b>Total variance</b>	<b>154,574</b>	<b>0</b>	<b>154,574</b>

### **Corporate Property Maintenance (adverse variance of £86,497)**

- 6.4 After charging costs of £9.5k to earmarked reserves in line with the 2021-22 budget carry forward request, increases in utility charges in respect of gas and electricity are forecast to generate a net adverse variance of £92.1k. The current forecast reflects the impact of increases in tariffs incurred to date and estimated annual

consumption. It does not however, include the potential impact of future prices increases or the offsetting impact of the Government's Energy Bill Relief Scheme. Further revisions to the forecast outturn position are therefore expected over the second half of 2022-23.

6.5 Based on current forecasts, expenditure on gas and electricity for the year to March 2023 is anticipated to exceed the 2021-22 outturn position by 235% and 117% respectively.

6.6 The adverse variance on utility costs is offset by a favourable variance of £5.6k from expenditure on general repairs and maintenance of buildings.

#### **Tenanted Properties (adverse variance of £35,026)**

6.7 The variance is due to a shortfall in income due to vacant rooms at Workington Town Hall, garage and store premises at Central Car Park Keswick and 11 Market Place Cockermouth.

#### **Footway Maintenance (adverse variance of £63,453)**

6.8 An adverse variance of £56.2k is forecast due to increased electricity charges supplying street lighting. Full year costs are currently estimated to be around 90% higher than in the previous financial year, taking into account increased tariffs and estimated annual consumption. However, as noted in paragraph 6.4 future changes to tariffs may require further revisions to the forecast outturn position as the year progresses.

6.9 A forecast overspend of £7.2k against third party payments (covering maintenance, installation and disconnection fees) is also estimated.

#### **Camping & Caravan Sites (favourable variance of £77,825)**

6.10 Current income forecasts based on interim financial statements from the Caravan and Camping Club indicate Allerdale's share will exceed budget by £77.8k.

#### **Workington Town Centre (adverse variance of £112,929)**

6.11 Washington Square as a retail centre continues to struggle to recover from the lasting effects of the pandemic. This includes the impact of changes to working patterns towards home and hybrid working, as well as the growing trend in shopping preferences towards on-line shopping. Retail rents have reduced, with rent levels on lease renewals and new lettings down 30% to 50% on pre-pandemic levels. In addition to the fall in income, allowable expenses in the additional rent statements have increased mainly due to expenditure incurred to encourage new lettings.

#### **Finance & Legal Portfolio**

6.12 The forecast net variance against the Finance & Legal portfolio is £365,137 (favourable). Significant variances underlying the current forecast position are summarised in the following table:

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

<b>Service/Activity</b>	<b>Gross Variance adverse/ (favourable) £</b>	<b>Planned Contr. to Reserves £</b>	<b>Net Variance adverse/ (favourable) £</b>
Banking & Interest	(374,343)	0	(374,343)
MRP & Finance Charges	(56,411)	0	(56,411)
<b>Sub Total</b>	<b>(430,754)</b>	<b>0</b>	<b>(430,754)</b>
Activity variances not exceeding +/- £30k	65,617	0	65,617
<b>Total variance</b>	<b>(365,137)</b>	<b>0</b>	<b>(365,137)</b>

**Banking and Interest (favourable variance of £374,343)**

- 6.13 The favourable variance of £374,343 reflects favourable variances of:
- £90,343 in respect of interest payable
  - £284,000 in relation to interest income.
- 6.14 Although forecast interest rates on new borrowing have increased significantly since the 2022-23 budget was prepared - rising by between 300 and 350 basis points compared to earlier forecasts - this has been offset by a reduction in the Authority's anticipated borrowing requirements.
- 6.15 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 £1.557m. A variance of £1.275m. Of this, £1.269m was carried forward to 2022-23. The in-year expenditure of £282k was met from internal borrowing and no new external borrowing was undertaken in 2021-22.
- 6.16 Based on current forecasts for capital expenditure in 2022-23, the maximum additional external borrowing requirement for 2022-23 is currently estimated at £1.91m, 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 £90k.
- 6.17 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. Since then, further increases have seen the Bank Rate rise to 1.00% in May, 1.25% in July, 1.75% in August and 2.25% in September. At the time of writing, the bank rate is forecast to close the year at 5.00%. In comparison, 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 rise in the Bank Rate over the course of the current year to date has been accompanied by a significant upturn in short-term investment yields. At the

time of preparing the 2022-23 budget these were around 0.01%. In contrast, at the end of September, yields on Money Market Funds, which typically account for around 60% of the Authority's investment portfolio, were in the region of 1.7% to 2.1%.

- 6.18 In addition to the increase in investment yields, the average level of funds available for investment have remained at elevated levels throughout the current year to date when compared to those assumed in the 2022-23 budget. At the end of the 2021-22 financial year, investment balances were significantly above those reported in previous years and have remained at elevated levels throughout the first half of 2022-23. This has been underpinned by the positive cash flow impact associated with the advance receipt of a number of capital grants and with the various fiscal measures implemented by central government in response to the Covid-19 pandemic and rising energy costs.
- 6.19 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 to the level of funds available for investment, this is likely to require further adjustments to the forecast outturn position as the year progresses.

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

- 6.20 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 calculated based on the amount of capital expenditure, included in the 2021-22 revised capital budget and funded from borrowing. The actual amount of expenditure funded from borrowing in 2021-22 was £282k compared to a budgeted total of £1.557m. A favourable variance (underspend) of £1.275m. 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**

- 6.21 The forecast net variance against the Environmental Services portfolio budget is £132,917 (favourable). Significant variances underlying the current forecast position are summarised in the following table:

**Table 5 - Environmental Services significant variances**

Service/Activity	Gross Variance adverse/ (favourable) £	Planned Contr. to Reserves £	Net Variance adverse/ (favourable) £
Trade Waste	(149,338)	0	(149,338)
Recycling	(45,866)	0	(45,866)
Multi-storey Car Park	71,664	0	71,664
<b>Sub Total</b>	<b>(123,540)</b>	<b>0</b>	<b>(123,540)</b>
Activity variances not exceeding +/- £30k	(9,377)	0	(9,377)
<b>Total variance</b>	<b>(132,917)</b>	<b>0</b>	<b>(132,917)</b>

### **Trade Waste (favourable variance of £149,338)**

6.22 The favourable variance is underpinned by the following:

- a favourable variance of £142.2k 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 to date, a much more favourable position is forecast than anticipated
- a favourable variance of £2.9k on income from the sale of recyclates. This is the net of £1.1k shortfall in income due to market prices for recyclable materials and £4k increase in income from higher than estimated volume of tonnages collected, when compared to budget
- a favourable variance of £4k in relation to expenditure on disposal and cleansing costs
- a net favourable variance of £0.2k from minor expenditure items.

### **Recycling (favourable variance of £45,866)**

6.23 The favourable variance is underpinned by the following:

- a net favourable variance of £46.7k on income from the sale of recyclates. Since the last reported forecast at the end of July 2022, the market has seen reductions in the sale prices for plastic and paper. These falls have been reflected in the current forecast and have contributed to a reduction in the forecast favourable variance, from £162.6k at 31 July to £55.5k at 30 September. The £55.5k variance attributable to sales prices is offset by a reduction in income of £8.8k, based on the forecast tonnages collected, compared to budget
- a £11.7k adverse variance is forecast from recycling credits income, receivable from Cumbria County Council, due to the collection of lower tonnages of recycled materials than budgeted
- a favourable variance of £14.6k against budgeted expenditure for disposal and cleansing costs
- a £3.7k adverse variance on equipment and materials.

### **Multi-storey Car Park (adverse variance of £71,664)**

6.24 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 has been offering more competitive rates. The overall impact of this is a forecast adverse variance of £71,664 compared to budget.

6.25 A review of the MSCP charges has been undertaken and a more competitive pricing structure was implemented during October to encourage increased usage of the facility. The impact of the revised pricing will not be clear until later in the year and has therefore not been taken into account in preparing the current forecast.



## Policy, Governance & People Resources Portfolio

- 6.26 The forecast net variance against the Policy, Governance & People Resources portfolio is £33,121 (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) £
Elections & Democratic Services	(32,515)	0	(32,515)
<b>Sub Total</b>	<b>(32,515)</b>	<b>0</b>	<b>(32,515)</b>
Activity variances not exceeding +/- £30k	(606)	0	(606)
<b>Total variance</b>	<b>(33,121)</b>	<b>0</b>	<b>(33,121)</b>

### Elections & Democratic Services (favourable variance of £32,515)

- 6.27 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

- 6.28 The forecast net variance against the Customer Experience & Innovation portfolio budget is £134,332 (adverse). Significant variances underlying the current forecast position are summarised in the following table:

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

Service/Activity	Gross Variance adverse/ (favourable) £	Planned Contr. to Reserves £	Net Variance adverse/ (favourable) £
IT Services	68,307	0	68,307
<b>Sub Total</b>	<b>68,307</b>	<b>0</b>	<b>68,307</b>
Activity variances not exceeding +/- £30k	66,025	0	66,025
<b>Total variance</b>	<b>134,332</b>	<b>0</b>	<b>134,332</b>

### IT Services (adverse variance of £68,307)

- 6.29 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 ongoing 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.
- 6.30 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

6.31 At the end of quarter 2, 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 (budgeted) spend for 2022-23 is £2.874m. The remaining balance is profiled to be spent in subsequent financial years.

7.3 The current forecast outturn for 2022-23 is £2.611m, resulting in a projected underspend of £263k.

7.4 The forecast underspend of £263k is due to a change in the timing of expenditure and will be spent in future financial years.

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

Reserve Funded projects	Reserve Balance 1-4-2022	Profiled Budget 2022-23	Projected outturn	Variance	Re-profiled to/(from) future years
	£'000	£'000	£'000	£'000	£'000
Economic Growth, Community Development & Placemaking	619	619	369	(250)	250
Finance & Legal	1,587	1,345	1,345	0	0
Environmental Services	529	454	454	0	0
Policy, Governance & People Resources	397	352	342	(10)	10
Leisure & Tourism	81	43	43	0	0
Customer Experience & Innovation	61	61	58	(3)	3
<b>Total held for service expenditure</b>	<b>3,274</b>	<b>2,874</b>	<b>2,611</b>	<b>(263)</b>	<b>263</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**

	<b>Original Budget £'000</b>	<b>Projected Outturn £'000</b>	<b>Variance £'000</b>
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	4,379	501
Levy payable (net of reduction under pool arrangements)	(487)	(441)	46
<b>Variable element of NNDR income</b>	<b>3,380</b>	<b>3,923</b>	<b>543</b>
<b>Total Fixed &amp; Variable Elements</b>	<b>3,292</b>	<b>3,835</b>	<b>543</b>
Transfer from Earmarked Reserve - 2021-22 s31 grant	3,334	3,334	0
Transfer to Earmarked Reserve - 2022-23 retained levy	(645)	(656)	(11)
Transfer to Earmarked Reserve - 2022-23 s31 Grant (CARF)	0	(664)	(664)
Release of prior year retained levy from Earmarked Reserve	186	318	132
<b>Net Credit to the General Fund</b>	<b>6,167</b>	<b>6,167</b>	<b>0</b>

- 8.6 As part of its Covid-19 response, the Government announced in March 2022 a new Covid-19 Additional Relief Fund (CARF) to support businesses affected by the pandemic but ineligible for existing support linked to business rates. Under the scheme, billing authorities are responsible for administering the support (in the form of discretionary relief against 2021-22 business rate liabilities) and are reimbursed by government by way of a grant under Section 31 of the Local Government Act 2003 by way of set allocation. The Authority's CARF funding allocation of £1,628,473 was received in March 2022. Although CARF relief can only be applied to reduce chargeable amounts in respect of 2021-22, relief can be awarded in 2022-23 provided it is in respect of a 2021-22 liability.
- 8.7 In the six months to September, CARF relief totalling £1,504,961 was awarded to business rate payers. This provided 50% relief against 2021-22 business rate liabilities to over 280 businesses affected by the pandemic but ineligible for existing support linked to business rates such as full small business rates relief, expanded retail discount or nursery discount.
- 8.8 Whilst the award of CARF relief has reduced collectable rates, it has not impacted on the fixed elements of NNDR income (based on the NNDR1 returns for 2022-23) credited to the general fund in 2022-23. It will however impact on the 2022-23 Collection Fund surplus/deficit to be disbursed from/repaid to the Collection Fund in 2023-24. To offset this, the additional s31 grant received in 2022-23 in respect of reliefs awarded under the CARF scheme will be transferred to an earmarked reserve and released in 2023-24 to offset the corresponding reduction in business rates income.

## 9.0 Capital budget

9.1 The current capital budget is £25.621m, comprising:

- £19.761m approved budget for 2022-23 (approved February 2022)
- £4.601m budget carry forward from 2021-22
- budget adjustments of £1.192m (highlighted in the 2021-22 Capital Outturn Report) to reflect grants awarded after approval of the 2022-23 budget
- further budget adjustment of £67k to reflect the award of Changing Places Fund grant.

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

- a projected outturn position of £8.954m
- an underspend compared to budget of £16.667m
- expected budget carry forward requests (re-profiling adjustments) of £16.368m
- an overall favourable variance (net of carry forward requests) of £299k.

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

	Current Budget £'000	Projected Outturn £'000	Outturn Variance £'000	Projected budget carry-fwd £'000	Variance £'000
<b>Capital Expenditure</b>					
Econ. Growth, Community Development & Placemaking	21,499	6,633	(14,866)	14,665	(201)
Finance & Legal	74	0	(74)	0	(74)
Policy, Governance & People Resources	3,812	2,102	(1,710)	1,703	(7)
Environmental Services	158	141	(17)	0	(17)
Leisure & Tourism	78	78	0	0	0
Customer Experience & Innovation	0	0	0	0	0
<b>Total - Capital Expenditure</b>	<b>25,621</b>	<b>8,954</b>	<b>(16,667)</b>	16,368	(299)
<b>Capital Financing</b>					
Capital Grants	19,025	7,550	(11,475)	11,358	(117)
Capital Receipts	755	554	(201)	149	(52)
Earmarked Reserves	0	0	0	0	0
General Fund Balances	11	32	21	0	21
Borrowing	5,756	818	(4,938)	4,861	(77)
Credit Arrangements	74	0	(74)	0	(74)
<b>Total - Capital Funding</b>	<b>25,621</b>	<b>8,954</b>	<b>(16,667)</b>	16,368	(299)

### 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	(32)	0
Use to support Revenue Budget	0	(2,874)	0	(2,611)
Planned to Earmarked Reserves	0	0	0	0
Requested to Earmarked Reserves	0	0	0	190
Transfer to General Fund Reserve – 2022-23 surplus	0	0	237	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	656
Transfer from Earmarked Reserve - release of prior year retained levy	0	(186)	0	(318)
Transfer to Earmarked Reserve - 2022-23 s31 Grant (CARF)	0	0	0	664
<b>Increase/(Decrease) in Balance</b>	<b>(11)</b>	<b>(5,749)</b>	<b>205</b>	<b>(4,753)</b>
<b>Balance at 31 March 2023</b>	<b>3,094</b>	<b>1,771</b>	<b>3,310</b>	<b>2,767</b>
Retained - Minimum Balance	(2,700)	0	(2,700)	0
<b>Available for Use</b>	<b>394</b>	<b>1,771</b>	<b>610</b>	<b>2,767</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 quarter 2, 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 £205k, compared to the reduction of £11k included in the current budget.

### Impact on Earmarked Reserves

10.3 Profiled (budgeted) spend from earmarked reserves on services is £2.874m. The projected outturn at the end of quarter 2 is £2.611m. The projected underspend of £263k reflects changes to the expected timing of expenditure and is included in amounts forecasted to be spent in 2023-24 and subsequent years.

- 10.4 Forecast net transfers from earmarked reserves in respect of business rates income is £2.332m, a reduction of £543k compared to budget. This reflects the additional transfer to earmarked reserves of s31 grant associated with the award of CARF relief, as noted in paragraph 8.8 above, net of the additional transfers required from earmarked reserves to offset the current forecast reductions in 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 six months to 30 September 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 30 September 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 September 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 30 September 2022 is set out in the table below:

**Table 13 - Insurance claims from 1 April 2022 to 30 September 2022**

	No. Claims b/f	No. Closed to date	No. Lodged to date	No. Claims Outstanding
Public Liability	10	6	0	4
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>6</b>	<b>0</b>	<b>7</b>

12.2 The number of claims outstanding at the end of September 2022 was 7. This compares to a total of 8 outstanding claims at the end of July 2022. Six claims have been closed or settled during the first six months of 2022-23.

12.3 The cost of settling outstanding claims is currently estimated at £19,043. Of this amount, the estimated cost to be borne by the Authority (the insurance excess) is £15,212.

12.4 At 1 April 2022, the Authority brought forward a provision for insurance liabilities of £77,352 and £11,755 has been paid up to the end of September 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 September 2022, was £1,291,680, which is detailed in the following table:



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

	Total debt outstanding £	Not past due £	30 Days past due £	60 Days past due £	>90 Days past due £
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%
At 30 September 2022	1,291,680	801,690	147,615	65,592	272,783
% debt	100%	62%	11%	5%	21%

- 13.2 £272,783 (21% of the outstanding debt) is over 90 days old. Of this, £47k is subject to a payment plan or is secured through charging orders. The remaining £226k 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 September 2022, 60 sundry debtor/trade waste invoices were written off.

**Table 15 - Write off of debtors**

	2020-21		2021-22		2022-23	
	Apr – Sept 2020		Apr – Sept 2021		Apr – Sept 2022	
	No invoices	Total £	No invoices	Total £	No invoices	Total £
Sundry Debtors	24	2,051	21	3,588	52	16,716
Trade Waste	27	1,526	55	5,215	8	578
<b>TOTAL</b>	<b>51</b>	<b>3,577</b>	<b>76</b>	<b>8,803</b>	<b>60</b>	<b>17,294</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 2 of 2022-23, 94.6% of Allerdale supplier invoices were paid within 14 days with 509 invoices being paid on time. This compares with 92% achieved in the corresponding period last year.
- 13.6 During quarter 2 of 2022-23, 99% of national supplier invoices were paid within 30 days with 961 being paid on time. This compares with quarter 2 2021-22 when 96.8% 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 (Q2 2022-23)**

Reasons for delay	Allerdale supplier invoices No. of invoices	National supplier invoices No. of invoices
Invoices received without a valid purchase order	11	3
Price discrepancy between invoice and purchase order requiring authorisation prior to payment	1	0
Purchase order was not goods received prior to receipt of invoice	3	1
Manual authorisation required (purchase order not required)	0	1
Invoices sent directly to department or individual instead of the Invoice Section	10	2
Other non-recurring issues	4	3
<b>Total number subject to delayed payment</b>	<b>29</b>	<b>10</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 six months to 30 September 2022, the collection rates for Council tax are slightly lower than the corresponding period for 2021-22, yet still show some improvement on the 2020-21 collection rates, which were impacted by Covid.
- 13.11 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 has resulted in instalments being pushed back a month and adversely affecting 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 September 2022**

	Council Tax Collection %	NNDR Collection %	CTAX and NNDR as % of Full Year Collectable income
Q2 2022-23	56.95%	59.04%	57.56% - £53.2m (out of £92.5m)
Q2 2021-22	57.10%	48.61%	54.89% - £47.3m (out of £86.2m)
Q2 2020-21	56.77%	55.51%	56.53% - £42.5m (out of £75.1m)

## 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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