

# Allerdale Borough Council

Executive – 15 March 2023

## Finance Report for the period April to Dec. 2022

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<b>Portfolio holder</b>	Councillor Colin Sharpe PH Finance and Legal
<b>Report from</b>	Barry Lennox, Chief Officer - Finance & s151 Officer telephone no: 07355 032774 email: barry.lennox@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 December 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 - Finance) 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 December 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 balance (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 third quarter of 2022-23 are:

#### Revenue Budget

- (i) The revenue budget, excluding projects funded from earmarked reserves, is forecast to be underspent by £474k (comprising a gross variance of £965k less unplanned contributions to reserves of £491k).
- (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 the General Fund balance of £474k.

#### Earmarked Reserves Budget

- (iii) Expenditure funded from earmarked reserves is forecast to undershoot the current budget by £945k. Of this, £929k reflects changes to the expected timing of expenditure and is included in amounts forecasted to be spent in 2023-24 and subsequent years. The balance of £16k reflects a saving, that will be transferred into the General Fund balance.

#### Capital Budget

- (iv) Expenditure from the capital budget is forecast to underspend by £18.927m (before carry forwards); £342k 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 three month period ending 31 December 2022.

## 5.0 Summary of Projected Revenue Outturn Position

5.1 Table 1 shows, as at the end of December 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 of £15.326m (inclusive of £491k unplanned contributions to earmarked reserves)
- a projected net underspend on services of £965k
- a total projected underspend, net of unplanned contributions to earmarked reserves, for the year to March 2023 of £474k.

**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	12,061	(965)	
Parish Precepts	2,774	2,774	0	
<b>Net Expenditure on Services &amp; Parish precepts</b>	<b>15,800</b>	<b>14,835</b>	<b>(965)</b>	Section 6
Expenditure on Earmarked Priorities	2,874	1,929	(945)	Section 7
<b>Total Net Expenditure</b>	<b>18,674</b>	<b>16,764</b>	<b>(1,910)</b>	
Less: Planned Use of Earmarked Reserves	(2,874)	(1,929)	945	Section 7
Unplanned Contributions to Earmarked Reserves	0	491	491	Section 6
<b>Net Budget Requirement / Outturn</b>	<b>15,800</b>	<b>15,326</b>	<b>(474)</b>	Section 6
<b>Funding:</b>				
Taxation & Government Grants	15,800	15,800	0	Section 8
Contribution from/(to) General Fund	0	(474)	(474)	Section 10
<b>Total Funding</b>	<b>15,800</b>	<b>15,326</b>	<b>(474)</b>	

5.2 The projected underspend will result in a contribution to the Council's General Fund balance of £474k.

## 6.0 Analysis of Net Expenditure on Services against Budget

6.1 A summary of the projected favourable outturn variance of £474k by portfolio is shown in Table 2.

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

	Annual Budget £'000	Projected Gross Outturn £'000	Projected Gross Variance £'000	Unplanned Contr. to Reserves £'000	Projected Residual Variance £'000
Economic Growth, Community Development & Placemaking	(172)	(143)	29	116	145
Finance & Legal	4,849	4,129	(720)	104	(616)
Environmental Services	2,636	2,547	(89)	12	(77)
Policy, Governance & People Resources	2,912	2,814	(98)	53	(45)
Leisure & Tourism	394	359	(35)	20	(15)
Customer Experience & Innovation	2,407	2,355	(52)	186	134
<b>Net Expenditure on Services</b>	<b>13,026</b>	<b>12,061</b>	<b>(965)</b>	<b>491</b>	<b>(474)</b>
Parish Precepts	2,774	2,774	0	0	0
<b>Total</b>	<b>15,800</b>	<b>14,835</b>	<b>(965)</b>	<b>491</b>	<b>(474)</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 £144,809 (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) £	Unplanned Contribution to Reserves £	Net Residual Variance adverse/ (favourable) £
Corporate Property Maintenance	62,520	0	62,520
Tenanted Properties	37,641	0	37,641
Footway Maintenance	56,009	0	56,009
Camping & Caravan Sites	(77,825)	0	(77,825)
Workington Town Centre	101,081	0	101,081
Markets	(34,101)	0	(34,101)
Levelling Up Fund	(80,480)	80,480	0
Building Control Pay Group	(31,809)	31,809	0
<b>Sub Total</b>	<b>33,036</b>	<b>112,289</b>	<b>145,325</b>
Activity variances not exceeding +/- £30k	(4,658)	4,142	(516)
<b>Total variance</b>	<b>28,378</b>	<b>116,431</b>	<b>144,809</b>

### **Corporate Property Maintenance (adverse variance of £62,520)**

- 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 contribute to a net adverse variance of £73k. The current forecast reflects the impact of increases in tariffs, offset by the reductions received to date, and estimated to be received for the remainder of the year under the Government's Energy Bill Relief Scheme and the estimated annual consumption for the remainder of the year.
- 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 230% and 94% respectively.
- 6.6 The adverse variance on utility costs is offset by a favourable variance of £10.5k relating to expenditure on general repairs and maintenance of buildings, and equipment costs.

### **Tenanted Properties (adverse variance of £37,641)**

- 6.7 The reported variance is attributable 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 £56,009)**

- 6.8 An adverse variance of £48.3k is forecast due to increased electricity charges supplying street lighting. Full year costs are currently estimated to be around 80% higher than in the previous financial year, taking into account increased tariffs and estimated annual consumption.
- 6.9 A forecast overspend of £7.7k 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 of the operating surplus will exceed budget by £77.8k.

### **Workington Town Centre (adverse variance of £101,081)**

- 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.

### **Markets (favourable variance of £34,101)**

- 6.12 The favourable variance of £34.1k is underpinned by:
- a £55.9k favourable variance on income due to continuing high demand for pitches at Keswick market, a steady growth in traders following development work at Workington and less market days lost to bad weather, when compared to budgeted expectations
  - an adverse variance of £19.8k in relation to expenditure on the erection and dismantling of stalls, reflecting the increase in traders noted above, and an increase in the rates charged by the supplier.

### **Levelling Up Fund (favourable variance of £80,480)**

- 6.13 In April 2022, the Authority received £125,000 of capacity funding intended to support the development of bids for funding from the Government's Levelling Up Fund. The one-off grant payment covers the life of the Fund and any unused funding at the end of the financial year will be subject to a carry-forward request.

### **Building Control Pay Group (favourable variance of £31,809)**

- 6.14 The reported favourable variance is due to vacancies within the service. Since June 2022, the service has carried a vacancy for an Apprentice Building Control Surveyor. In addition, a shared arrangement with Carlisle City Council during the period of May 2022 to early December 2022, has resulted in savings against the budgeted salary for the Building Control Manager post. Efforts to fill the vacant manager position are ongoing. In the meantime, forecasts have been predicated on the assumption the post will be covered by agency staff during February and March 2023.
- 6.15 At the end of quarter 3, it is anticipated that a request to carry forward the forecast underspend of £31,809 will be submitted at outturn to meet to the estimated additional costs of using agency staff to cover the vacant manager position during the early part of 2023-24.

### **Finance & Legal Portfolio**

- 6.16 The forecast net variance against the Finance & Legal portfolio is £616,176 (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>Unplanned Contribution to Reserves £</b>	<b>Net Residual Variance adverse/ (favourable) £</b>
Banking & Interest	(643,028)	0	(643,028)
MRP & Finance Charges	(56,411)	0	(56,411)
Contingencies	(86,860)	86,860	0
Land Charges	32,793	0	32,793
<b>Sub Total</b>	<b>(753,506)</b>	<b>86,860</b>	<b>(666,646)</b>
Activity variances not exceeding +/- £30k	33,470	17,000	50,470
<b>Total variance</b>	<b>(720,036)</b>	<b>103,860</b>	<b>(616,176)</b>

**Banking and Interest (favourable variance of £643,028)**

- 6.17 The favourable variance of £643,028 reflects the following variances:
- £116,460 favourable variance in respect of interest payable
  - £532,000 favourable variance in relation to interest income, less
  - £5,432 adverse variance in relation to bank charges.
- 6.18 Although interest rates on new borrowing have increased significantly since the budget was prepared - rising by between 250 and 300 basis points compared to earlier forecasts - this has been offset by reductions in the Authority's need to draw down additional PWLB loans during 2021-22 and 2022-23. In addition to this, as all existing borrowing is at fixed rates, the associated interest cost is unaffected by changes in borrowing rates occurring during the lifetime of the loans.
- 6.19 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.
- 6.20 Based on current forecasts for capital expenditure in 2022-23, the maximum additional external borrowing requirement for 2022-23 is now estimated at £1.5m, with the majority of this (£1.18m) relating to borrowing in respect of unfinanced capital expenditure incurred in prior years. However, based on current cash flow forecasts, the Authority does not anticipate the need for any new (PWLB) borrowing in 2022-23. All capital expenditure incurred in 2022-23 and funded from borrowing is expected to be met from internal borrowing. After adjusting for the deferment of additional PWLB borrowing from 2021-22 and the reduction in the 2022-23 borrowing requirement, the result is a forecast reduction in the anticipated interest charge for 2022-23 of £116k.

- 6.21 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 25 basis point increases in February and March took the rate to 0.75% at the start of the current financial year. Since then successive increases have seen the Bank Rate rise to 3.5% in December 2022. The Bank Rate is currently forecast to close the financial year at 4.25%. 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 December, yields on Money Market Funds, which typically account for around 60% of the Authority's investment portfolio, were in the region of 3.11% to 3.26%.
- 6.22 In addition to the increase in investment yields, the average level of funds available for investment has 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 higher than those reported in previous years and have remained at elevated levels throughout the current year to date. This position 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.
- 6.23 Further changes in the base rate are expected during the remainder of 2022-23 as the Bank of England seeks to address inflationary pressures. The potential impact of these changes on investment yields, coupled with fluctuations in the level of funds available for investment, may therefore result in the outturn position under or overshooting the current forecast outturn.

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

- 6.24 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.

**Contingencies (favourable variance of £86,860)**

- 6.25 The favourable variance of £86,860 reflects the amount included in the contingencies budget to meet costs associated with changes to the Local Government Scheme as result of the Sargeant and McCloud cases (generally referred to for the LGPS as "McCloud"). No additional charges as a result of the McCloud judgement are expected in 2022-23.



### **Land Charges (adverse variance of £32,793)**

- 6.26 The net adverse variance is underpinned by a forecast shortfall in income of £43.9k. This follows a reduction in the volume of official search requests, due to increases in the mortgage interest rates, the impact of high inflation and overall slowdown of the housing market. The reduction in income is partly offset by a forecast reduction in expenditure of £11.1k on associated third party costs.

### **Environmental Services Portfolio**

- 6.27 The forecast net variance against the Environmental Services portfolio budget is £77,227 (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>Unplanned Contribution to Reserves £</b>	<b>Net Residual Variance adverse/ (favourable) £</b>
Trade Waste	(201,250)	0	(201,250)
Multi-storey Car Park	85,098	0	85,098
<b>Sub Total</b>	<b>(116,152)</b>	<b>0</b>	<b>(116,152)</b>
Activity variances not exceeding +/- £30k	27,140	11,785	38,925
<b>Total variance</b>	<b>(89,012)</b>	<b>11,785</b>	<b>(77,227)</b>

### **Trade Waste (favourable variance of £201,250)**

- 6.28 Key elements of the favourable variance are:
- a favourable variance of £204.4k 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. However, based on the income achieved to date, full year (outturn) forecasts are now expected to exceed budgeted expectations
  - an adverse variance of £4.5k on income from the sale of recyclates. This is the net of a £8.5k shortfall in income due to reductions in the market prices for recyclable materials and a £4k increase in income as a result of higher tonnages collected, when compared to budget.

### **Multi-storey Car Park (adverse variance of £85,098)**

- 6.29 Visitors to the town centre have not returned to pre-pandemic numbers. Changes in shopping habits, coupled with a shift in working patterns towards home and hybrid working, mean there is now a reduced demand for car parking spaces within the town centre when compared to the period prior to the pandemic. In addition, a new private car park near the MSCP has been offering more competitive rates. Despite implementing a revised pricing structure at the MSCP during October 2021, in an attempt to encourage increased usage of the facility, income from the MSCP is expected to fall short of budget by £80,362 whilst costs are forecast to exceed the allocated budget by £4,736.

## Policy, Governance & People Resources Portfolio

- 6.30 The forecast net variance against the Policy, Governance & People Resources portfolio budget is £44,807 (favourable). Significant variances underlying the current forecast outturn position are summarised in the following table:

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

Service/Activity	Gross Variance adverse/ (favourable) £	Unplanned Contribution to Reserves £	Net Residual Variance adverse/ (favourable) £
Commercial Contracts	(47,878)	47,878	0
<b>Sub Total</b>	<b>(47,878)</b>	<b>47,878</b>	<b>0</b>
Activity variances not exceeding +/- £30k	(50,297)	5,490	(44,807)
<b>Total variance</b>	<b>(98,175)</b>	<b>53,368</b>	<b>(44,807)</b>

### Commercial Contracts (favourable variance of £47,878)

- 6.31 The reported favourable variance is underpinned by a vacant Strategic Advisor post within the service. This saving is offset in part by an unachievable income budget (for the recharge of services to Allerdale Waste Services) of £7.2k. It is anticipated that a request to carry forward the forecast underspend will be submitted at outturn to provide a contribution towards creating a revenue project development and support budget for the Programme Office.

## Customer Experience & Innovation Portfolio

- 6.32 The forecast net variance against the Customer Experience & Innovation portfolio budget is £134,456 (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) £	Unplanned Contribution to Reserves £	Net Residual Variance adverse/ (favourable) £
IT Services	78,011	0	78,011
Customer & Transformation	(185,837)	185,837	0
<b>Sub Total</b>	<b>(107,826)</b>	<b>185,837</b>	<b>78,011</b>
Activity variances not exceeding +/- £30k	56,445	0	56,445
<b>Total variance</b>	<b>(51,381)</b>	<b>185,837</b>	<b>134,456</b>

### IT Services (adverse variance of £78,011)

- 6.33 The reported 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. During the financial year, discussions have been ongoing with BT and agreement has been reached to revise the existing contract arrangements to reflect the Council's new systems of operation.

6.34 In addition, a number of corporate projects have been delayed, requiring the Authority to acquire extended support licences to cover the period to January 2023. These additional licences are required to meet regulatory and legislative security requirements.

#### **Customer & Transformation (favourable variance of £185,837)**

6.35 The key elements of the reported variance are a forecast saving of £114,278 against the salary budget, underpinned by the secondment of two Project Officers to the LGR Programme Office and a vacant Senior Business Support post, and an underspend of £71,560 reported against non-pay costs. The latter includes a forecast underspend of £70,863 in relation to professional services.

6.36 A request to carry forward the unspent budget is expected to be submitted at outturn to support the cultural programme (£51.4k) and provide a contribution towards creating a revenue project development and support budget for the Programme Office (£134.4k).

#### **Other portfolios**

6.37 At the end of quarter 3, 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, this 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 £1.929m, resulting in a projected underspend of £945k.

7.4 £929k of the £945k forecast underspend is due to a change in the timing of expenditure and will be spent in future financial years, leaving a forecast saving of £16k.

**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	Re-profiled to/(from) future years £'000	Saving £'000
Economic Growth, Community Development & Placemaking	619	605	330	(275)	275	0
Finance & Legal	1,587	1,327	829	(498)	498	0
Environmental Services	529	442	404	(38)	22	(16)
Policy, Governance & People Resources	397	396	313	(83)	83	0
Leisure & Tourism	81	43	31	(12)	12	0
Customer Experience & Innovation	61	61	22	(39)	39	0
<b>Total held for service expenditure</b>	<b>3,274</b>	<b>2,874</b>	<b>1,929</b>	<b>(945)</b>	<b>929</b>	<b>(16)</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 return 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)	(523)	(36)
<b>Variable element of NNDR income</b>	<b>3,380</b>	<b>3,841</b>	<b>461</b>
<b>Total Fixed &amp; Variable Elements</b>	<b>3,292</b>	<b>3,753</b>	<b>461</b>
Transfer from Earmarked Reserve - 2021-22 s31 grant	3,334	3,334	0
Transfer to Earmarked Reserve - 2022-23 retained levy	(645)	(574)	71
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. 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 30 September (the end date for the award of reliefs eligible for reimbursement by means of a section 31 grant), CARF relief totalling £1,504,961 had been 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 in 2022-23 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 £6.694m compared to £8.954m reported at Q2; a reduction of £2.26m including £1.228m relating to projects associated with the Maryport Future High Street Initiative
  - an underspend compared to budget of £18.927m
  - expected budget carry forward requests (re-profiling adjustments) of £18.585m
  - an overall favourable variance (net of carry forward requests) of £342k.

**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	21,499	4,422	(17,077)	16,902	(175)
Finance & Legal	74	0	(74)	0	(74)
Policy, Governance & People Resources	3,812	2,069	(1,743)	1,683	(60)
Environmental Services	158	125	(33)	0	(33)
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>6,694</b>	<b>(18,927)</b>	<b>18,585</b>	<b>(342)</b>
<b>Capital Financing</b>					
Capital Grants	19,025	5,800	(13,225)	13,099	(126)
Capital Receipts	755	488	(267)	281	14
Earmarked Reserves	0	0	0	0	0
General Fund Balance	11	26	15	0	15
Borrowing	5,756	380	(5,376)	5,205	(171)
Credit Arrangements	74	0	(74)	0	(74)
<b>Total - Capital Funding</b>	<b>25,621</b>	<b>6,694</b>	<b>(18,927)</b>	<b>18,585</b>	<b>(342)</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 Reserve balances 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	16	(16)
Use for capital programme	(11)	0	(26)	0
Use to support Revenue Budget	0	(2,874)	0	(1,929)
Planned to Earmarked Reserves	0	0	0	0
Requested (unplanned contributions) to Earmarked Reserves	0	0	0	491
Transfer to General Fund Reserve – 2022-23 surplus	0	0	474	0
Transfer from Earmarked Reserve – 2021-22 s31 grant	0	(3,334)	0	(3,334)
Transfer to Earmarked Reserve – 2022-23 retained levy	0	645	0	574
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>464</b>	<b>(3,868)</b>
<b>Balance at 31 March 2023</b>	<b>3,094</b>	<b>1,771</b>	<b>3,569</b>	<b>3,652</b>
Retained - Minimum Balance	(2,700)	0	(2,700)	0
<b>Available for Use</b>	<b>394</b>	<b>1,771</b>	<b>869</b>	<b>3,652</b>

**Impact on General Fund Balances**

- 10.2 The General Fund balance plays an important part in managing unforeseen risk and cash flow management of the Authority. At the end of quarter 3, 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 £464k, 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 3 is £1.929m. £929k of the projected £945k underspend reflects changes to the expected timing of expenditure and is included in amounts forecasted to be spent in 2023-24 and subsequent years. The remaining £16k reflects a saving which will be transferred to the general fund reserves.



- 10.4 The forecast net transfer from earmarked reserves in respect of business rates income is £2.414m, a reduction of £461k 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).
- 10.5 A summary of the requested (unplanned) contributions to earmarked reserves at the end of quarter 3 is summarised in the following table.

**Table 13 – Summary of Forecast Unplanned Contribution to Earmarked Reserves**

Description	Forecast Contribution £	Explanation
<b>Economic Growth, Community Development &amp; Placemaking</b>		
Levelling-Up Fund	80,480	C/fwd of unused Capacity Funding (grant)
Building Control Pay Group	31,809	C/fwd of underspend to meet future agency costs
Community Lottery	4,142	Allerdale share of Community Lottery proceeds
	<b>116,431</b>	
<b>Finance &amp; Legal</b>		
Contingencies	86,860	C/fwd of unused contingencies budget (Re: McCloud remedy)
Gypsy & Travellers - Legal Costs	17,000	C/fwd of unused budget to meet costs of agency staff to cover vacant posts in Legal & Information Governance
	<b>103,860</b>	
<b>Environmental Services</b>		
Harrot Hill Maintenance	11,785	C/fwd of third party and match funding contributions for maintenance of green space for five years (years 2 to 5)
	<b>11,785</b>	
<b>Policy, Governance &amp; People Resources</b>		
Commercial & Contracts	47,878	C/fwd budget underspend as a contribution towards creating a revenue project development and support budget for the Programme Office
Tenancy Sustainability	5,490	C/fwd of National Lottery funding
	<b>53,368</b>	
<b>Leisure &amp; Tourism</b>		
Solway AONB Other Projects	19,452	External funding supporting projects next year.
	<b>19,452</b>	
<b>Customer Experience &amp; Innovation</b>		
Customer & Transformation	185,837	C/fwd of budget underspend and unused SIIF funding
	<b>185,837</b>	
<b>Total Forecast Contributions</b>	<b>490,733</b>	

## **11.0 Treasury Management**

### **Treasury Management Activity**

- 11.1 A summary of treasury management activity during the nine months to 31 December 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 December 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 December 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 December 2022 is set out in the table below:

**Table 14 - Insurance claims from 1 April 2022 to 31 December 2022**

	No. Claims b/f	No. Closed to date	No. Lodged to date	No. Claims Outstanding
Public Liability	10	6	1	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	1	0	1
	<b>13</b>	<b>7</b>	<b>1</b>	<b>7</b>

- 12.2 A total of seven claims were outstanding at the end of December 2022. This is the same number of outstanding claims recorded at the end of September 2022 with one claim having been closed and one new claim lodged during the third quarter.
- 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 £10,212.
- 12.4 At 1 April 2022, the Authority brought forward a provision for insurance liabilities of £77,352 against which £11,755 has been paid during the nine months to 31 December 2022. Excluding the potential cost of existing claims, this leaves a balance of £55,385 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 balance (including Trade Refuse) at 31 December 2022, was £911,305. This is summarised in the following table:

**Table 15 - Outstanding Debtors at 31 December 2022**

	Total debt outstanding £	Not past due £	30 Days past due £	60 Days past due £	>90 Days past due £
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%
At 31 December 2022	911,305	252,937	304,070	131,941	222,357
% debt	100%	28%	33%	15%	24%

- 13.2 £222,357 (24% of the outstanding debt) is over 90 days old. Of this, £49k is subject to a payment plan or is secured through charging orders. The remaining £173k is subject to ongoing recovery action. An allowance of £120k is currently available to offset the general fund impact of non-recoverable debt balances.
- 13.3 Between April and December 2022, 153 sundry debtor and trade waste invoices were written off.

**Table 16 - Write off of debtors**

	2020-21 Apr – Dec 2020		2021-22 Apr – Dec 2021		2022-23 Apr – Dec 2022	
	No invoices	Total £	No invoices	Total £	No invoices	Total £
Sundry Debtors	61	9,892	21	3,588	59	18,168
Trade Waste	49	3,227	55	5,215	94	20,839
<b>Total</b>	<b>110</b>	<b>13,119</b>	<b>76</b>	<b>8,803</b>	<b>153</b>	<b>39,007</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 3 of 2022-23, 97.3% of Allerdale supplier invoices were paid within 14 days with 504 invoices being paid on time. This compares with 91% achieved in the corresponding period last year.
- 13.6 During quarter 3 of 2022-23, 99.6% of national supplier invoices were paid within 30 days with 903 being paid on time. This compares with 95.3% achieved in quarter 3 of 2021-22.
- 13.7 A summary of the reasons for delays in payment is set out below:

**Table 17 - Reasons for delay in payment of supplier invoices (Q3 2022-23)**

Reasons for delay	Allerdale supplier invoices	National supplier invoices
	No. of invoices	No. of invoices
Invoices received without a valid purchase order	2	0
Price discrepancy between invoice and purchase order requiring authorisation prior to payment	0	2
Purchase order was not goods receipted prior to receipt of invoice	0	0
Manual authorisation required (purchase order not required)	0	0
Invoices sent directly to department or individual instead of the Invoice Section	10	0
Other non-recurring issues	2	2
<b>Total number subject to delayed payment</b>	<b>14</b>	<b>4</b>

- 13.8 As part of the ongoing finance business partnering support provided to budget holders and services, the issues identified in Table 17 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 nine months to 31 December 2022, the collection rates for Council tax were marginally lower than that of the corresponding period in 2021-22.
- 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 resulted in instalments being pushed back a month and adversely affected collection rates in the early part of the year. Over the last quarter, collection rates have improved and are now comparable to the same period in the prior 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 18 - Council Tax and NNDR collection rates as at 31 December 2022**

	<b>Council Tax Collection %</b>	<b>NNDR Collection %</b>	<b>CTAX and NNDR as % of Full Year Collectable income</b>
Q3 2022-23	84.57%	82.45%	83.96% - £77.7m (out of £92.5m)
Q3 2021-22	84.63%	77.66%	82.84% - £71.1m (out of £85.9m)
Q3 2020-21	84.71%	81.60%	84.12% - £62.9m (out of £74.8m)

## **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**

<b>Appendix</b>	<b>Title of appendix</b>
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**

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

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