



Chelmsford City Council Audit and Risk Committee

18th September 2024

Provisional Revenue Outturn Report for 2023/24

Report by:

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Purpose

This report informs Members of the revenue outturn position for 2023/24.

Recommendation

It is recommended that the revenue outturn position for 2023/24 and actions arising be noted.

1. Background

- 1.1. This report sets out the provisional outturn position in respect of the Council's revenue expenditure, income, and reserves for the financial year 2023/24.

Revenue transactions are the day-to-day expenditure and income resulting from running a business, which are chargeable in the Council's case to the General Fund.

1.2. The outturn figures in the report are provisional and are at risk of revision later in the year for the following reasons:

- Income and expenditure cut offs. Determining what financial period, a transaction belongs to can be difficult. Officers continue to test transactions to ensure the correct accounting has been made until the publication of accounts at the end of May. Significant numbers of transactions should then be tested by external audit.
- At time of publishing this report the 2021/22 and 2022/23 audits have not yet been completed. The 2023/24 audit is likely to take place in October and November 2024. For both members and the finance team, the external audit provides assurance that processes work correctly. No changes are expected arising from the audit; however, the lack of full audit for several years does create a greater risk of figures being revised during the audit process.

1.3. Reporting of the Provisional Revenue Outturn is part of the financial management process. Broadly that process is:

- Cabinet in January and then Council in February, where budget recommendations are received for approval for the forthcoming financial year (starting 1st April).
- Informal monitoring of the budget takes place and is reported to Cabinet Members every quarter.
- A pilot/ change of the budget process by producing a single document, comprehensive financial review will be taken to October 2024 Cabinet.
- Audit and Risk Committee receive the provisional Revenue Outturn report to review the key variances and actions identified. This will provide information on financial risks moving forward.

1.4. The Council's revenue income and expenditure outturn is in Appendix 1, in the normal reporting format. Below is a narrative on the contents of Appendix 1 with some additional supporting information.

2. Summary of the Provisional Revenue Budget net spend 2023/24 compared to approved budgets

2.1. The Council budget is separated into service budgets, non-service budgets, and reserve use. Each is explained below.

2.2. Net Spend on Service budgets: the provisional outturn showed a service net overspend against the latest approved budget of £0.67m (Appendix 1). The key service variations are below, plus a comparison to the revenue monitoring reported to November 2023 Cabinet:

Description	Outturn -favourable /+ adverse latest approved budget £ms	Previously reported to Cabinet October 2023 £ms
Electricity and gas due to lower unit prices than budgeted for	-0.913	-1.0
Vehicle fuel costs due to market conditions - lower prices than expected	-0.251	-0.247
Income from recycling food waste, sales and credits	-0.712	-0.421
Car parking income	-0.612	-0.4
HB Subsidy predominantly due to additional supported housing benefit loss	0.480	0
Other net items (adverse)	0.190	0.182
Sports centre income higher due to increased number of memberships (please note this is offset below by higher casual staff costs)	-0.624	0
Net overspends on Temporary Accommodation - demand led service and cost	1.807	1.321
Bereavement services income below budget	0.35	0.2
Property services a mix of reduced rents (£110k) and slower reletting. Higher costs; agency staff (£112k), and professional fees (£118k)	0.393	0.203
Leisure casual staff adverse variance which is offset by additional income discussed above	0.562	0.32
Total Service Variation - favourable/+adverse	£0.670m	-£0.045m

2.3. Spend on Non-service budgets, favourable variation £0.93m (Appendix 1):

These are corporate expenses/income like interest earnings that cannot be attributed to a specific service. The significant variations were as follows:

Description	Outturn +adverse /- under budget £ms	Previously reported October Cabinet £ms
Interest Earnings -favourable	-1.594	-1.01
Business Rates Retention (net)	Unchanged	Surplus taken to reserves
Capital Contribution from revenue	+0.916	0
Other Grants (business retention related)	-0.323	0
MRP & Interest Paid	0.049	-0.115
Other minor items	0.021	
Total Projected Variation	-£0.931m	-£1.125m

- £1.59m additional income from Interest Earnings. Higher interest rates and higher cash balances generated the extra income.
- Business Rate Retention income. The approved policy is to transfer any surplus above the budgeted income to reserves. The surplus transferred to reserves is £5.7m, made up of timing differences £2m and potential additional income £3.7m. The £2m timing difference will be paid in later years to Government and preceptors. The balance £3.7m will be retained in reserves as a specific contingency against the significant risks of variations in future income and the Government resetting the scheme. The reset would potentially result in the Council losing all future income. Looking ahead the 2024/25 budget includes some £2.25m of business rate retention income supporting ongoing expenditure which is an increase of £1.75m over the 2023/24 budget.
- The capital programme funding at year end included a one-off contribution from Revenue Reserves of £0.916m. This is shown as an adverse variation but is in fact an early use of the reserves. This enables the capital programme to be funded in the most effective way to keep MRP (financing debt) costs lower for a longer period. The contribution is funded from reserves.
- A favourable £0.253m other net variations, mostly grants relating to business rate retention.

2.4. Combining the variances; Overall service and non-service costs are favourable, £260k better than the current approved budget.

2.5. During any financial year, additional sums will be approved under delegation which increase the budget. The Council therefore starts the year with original budget, but as additional approvals are made, the amended budget is referred to as latest approved budget. In 2023/24 approvals were made to spend an additional £2.792m above the budget approved in February 2023 by Council. This included £1.7m additional pay costs. A breakdown of the £2.792m approved is below:

List of Supplementary estimates	
Description	Amount
Housing Benefits Agency Staff	£102,000
Legal Agency Cover	£81,000
Temporary Accommodation Support Officer	£48,300
T1 Asset Management System	£128,000
Legal Additional Agency Cover	£18,000
Total Approved	£377,300
Total Funding Set aside in reserves	£200,000
Extra cost above that assumed in budget funded from General Fun	£177,300
Infrastructure Reserve -Project costs written back to revenue	£543,500
Project evaluation reserve- feasibility studies	£109,900
Housing Initiatives Reserves - interim to undertake policy review work	£40,500
Carry forwards from 2022/23	£63,600
General Balance - Pay Award Ongoing	£386,300
General Balance - Pay Award One off	£1,271,400
Total All Additional Budget Approvals	£2,792,500

2.6. A comparison of year end expenditure to the original budget set in February 2023 is not shown in Appendix 1, but the comparison is an adverse £2.532m additional cost. A high-level explanation of the variations of £2.532m is below:

Description	Amount +adverse/ -favourable
Temporary Accommodation -adverse variation	£1.807m
Gas and Electric -favourable	(£0.913m)
Income variations -Net favourable (Appendix 1 shows variances)	(£1.036m)
Housing Benefit -adverse variation (Appendix 1 shows details)	£0.480m
Other Net Service -adverse variations (Appendix 1 for variations)	£0.332m
Sub-Total Service Variations to Latest Approved Budget Adverse (Appendix 1)	£0.670m
Non-Service Variations	-£0.93m
Subtotal service and non-service variances compared latest approved budget	-£0.26m
Below are Budget Variations Approved during the year	
23/24 Pay Award, extra costs	£1.658m
Capital costs transferred to revenue (see paragraph 3.3) one-off funded from reserves	£0.543m
Other approvals under delegation (see paragraph 3.3)	£0.591m
Sub-Total Additional Service Budgets Added during 23/24	£2.792m
Total overspend variation (Outturn vs. Original Budget February 2023 Council). This funded from reserves.	£2.532m

2.7. Impact on Reserves: The result of these outturn variations impacts on reserve use. Any adverse variances use reserves and favourable ones increase reserves. When compared the current approved budget, there is

- Less use of earmarked reserves of £0.166m (compared to current approved budget)
- Less use of general fund balance (unearmarked reserves) of £0.094m

- Total reserve variations; is less use of £0.26m

However, if the comparison is made against the original budget approved at February 2023 Council, the position changes significantly.

- Additional use of earmarked reserves £0.792m
- Additional use of general balance £1.74m
- Total impact is an additional use of £2.532m

2.8. The budget for 2024/25 set at February 2024 Council makes assumptions regarding the expected level of reserves carried into 2024/25. The position for all reserves compared to the February 2024 budget position is shown below.

Usable Reserves (Provisional Outturn)										
Earmarked	2023/24 Latest Forecast (Feb Council Report)					2023/24 Provisional Outturn				
	Provisional/Opening Balance	Budgeted (use of)/ contribution to reserves	Forecast adjustments	Budgeted Transfers	Closing Balance	Actual Opening Balance	Actual net (use of)/ contribution to reserves	Transfers	Closing Balance	Variation (Closing Balance)
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Corporate Investment										
Cultural Support 'Fund'	92	-35			57	92	-35		57	0
Local Development Framework	1,034	-200		388	1,222	1,034	-382	388	1,040	-182
Growth fund	19			-19	0	19		-19	0	0
Carry forwards & Supplementary estimate Reserve	146		-346	200	0	146	-264	118	0	0
Housing Initiatives	150			-150	0	150	-41	-110	0	0
DPO Reserve	79			-71	8	79			79	71
Hylands House Reserve	3				3	3			3	0
Master Plan Income	65			-65	0	65		-65	0	0
	1,588	-235	-346	283	1,290	1,589	-721	312	1,180	-110
Capital Programme										
Project Evaluation Resrve	285		-72		213	285	-110		175	-38
Sinking Fund for let property	0	50			50	0	50		50	0
Infrastructure fund	1,258		-699		559	1,259	-544		715	156
Chelmsford development	2,959		-2,309		650	2,959	-936		2,024	1,374
	4,502	50	-3,080	0	1,472	4,502	-1,539	0	2,963	1,491
Risk Management										
Insurance	910	-50			860	910	-12		898	38
Pension deficiency	2,245	-534		-655	1,056	2,246	-534	-655	1,057	1
Park and Ride	229				229	229	29		258	29
Vehicle Fuel Reserve	0	-304	304	604	604	0		604	604	0
Utility Costs Reserves	0	-1,535	805	2,303	1,573	0	-622	2,195	1,573	0
New: rent income (temporary loss of tenant)	0				0	0			0	0
	3,384	-2,423	1,109	2,252	4,322	3,385	-1,139	2,144	4,390	68
Total Earmarked Reserves	9,474	-2,608	-2,317	2,535	7,084	9,476	-3,399	2,456	8,533	1,449
Unearmarked										
Provisional/Opening Balance		Budgeted (use of)/ contribution to reserves	Forecast adjustments	Budgeted Transfers	Closing Balance	Actual Opening Balance	Actual net (use of)/ contribution to reserves	Transfers	Closing Balance	Variation (Closing Balance)
General Fund & Contingency	19,428	-624	-2,432	-2,535	13,837	19,428	-2,365	-2,456	14,607	770
Recommended level £9m	19,428	-624	-2,432	-2,535	13,837	19,428	-2,365	-2,456	14,607	770
Total reserves	28,902	-3,232	-4,749	0	20,921	28,904	-5,764	0	23,140	2,219
Not Available to Support Spend, until financial year end when the actual position is determined.										
Business Retention reserve	805	2,304	2,653		5,762	806	5,685		6,491	729

Of particular note the General Fund Balance closing position for 2023/24 is £0.77m higher than expected in the February 24/25 budget report. This is predominantly due to the unreduced spend on energy meaning less had to be transferred from the general fund reserves to create the earmarked reserves set out in the 2024/25 budget.

3. Implications for Financial Planning

- 3.1. There are a number of areas where further analysis is needed to determine what the ongoing trends are. For instance, when looking at the budgets at a global level there are issues for further detailed assessment during the budget:
- Overspends on employee costs were some £1.5m. This includes £0.562m overspend on casuals in leisure which is offset by extra income and has mostly been allowed for in the 2024/25 budget. The balance of the adverse variance is across a number of service areas including recycling and theatres. Most of this cost may be offset by higher income identified in the outturn. There are other one-off additional costs in 23/24 for staffing that should not occur in later years on agency and temporary staff. Detailed analysis of employee costs will be undertaken in the budget and monitoring processes to determine if there are ongoing issues across the Council.
 - Housing Benefit. The position needs further analysis but based on the outturn, the Council is likely to face ongoing subsidy loss on supported housing costs, of extra circa £0.2m a year.
 - There is additional income in a number of areas that individually is not large enough to show up in a report but may be helpful to balancing the 2025/26 budget. These will be assessed over the coming months. Examples being Theatres, Street Trading Consents and PHPS income.
 - Council spend on homelessness may not increase as much as 2024/25 budget allowed for, as the number of households in Temporary Accommodation at year end was better than expected. The caseload assumed in the 2024/25 budget was 531 on 31st March 2024, whereas actual caseload was 458. This could make a significant difference to 2024/25 and later years, perhaps avoiding circa £1m of budgeted cost. However, the budget is still expected to be under pressure from rising caseloads and higher unit costs.

4. Conclusion

- Further reviews of outturn variances by services are being undertaken but the financial position is better than expected. There are several positive trends such as homelessness and energy which could make a significant difference to the 2025/26 budget gap.
- The higher level of reserves will also provide additional flexibility for the Council in 2024/25 and later years. The use of reserves however should be part of the wider strategy to ensure financial resilience.
- The Council's future financial position remains challenged by rising costs, demand and real terms reduced Government funding.

List of appendices:

Appendix 1 – Chelmsford City Council Outturn Position for 2023/24

Background papers:

Nil

Corporate Implications

Legal/Constitutional: None

Financial: As detailed

Potential impact on climate change and the environment: None

Contribution toward achieving a net zero carbon position by 2030: None

Personnel: None

Risk Management: None

Equality and Diversity: None

Health and Safety: None

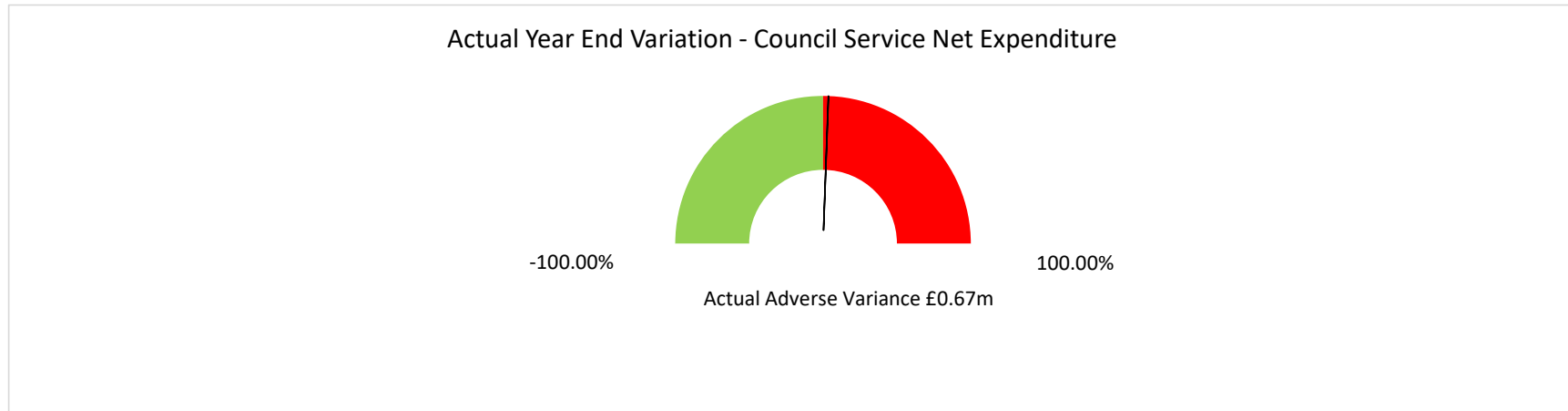
Digital: None

Other: None

Consultees: None

Relevant Policies and Strategies: None

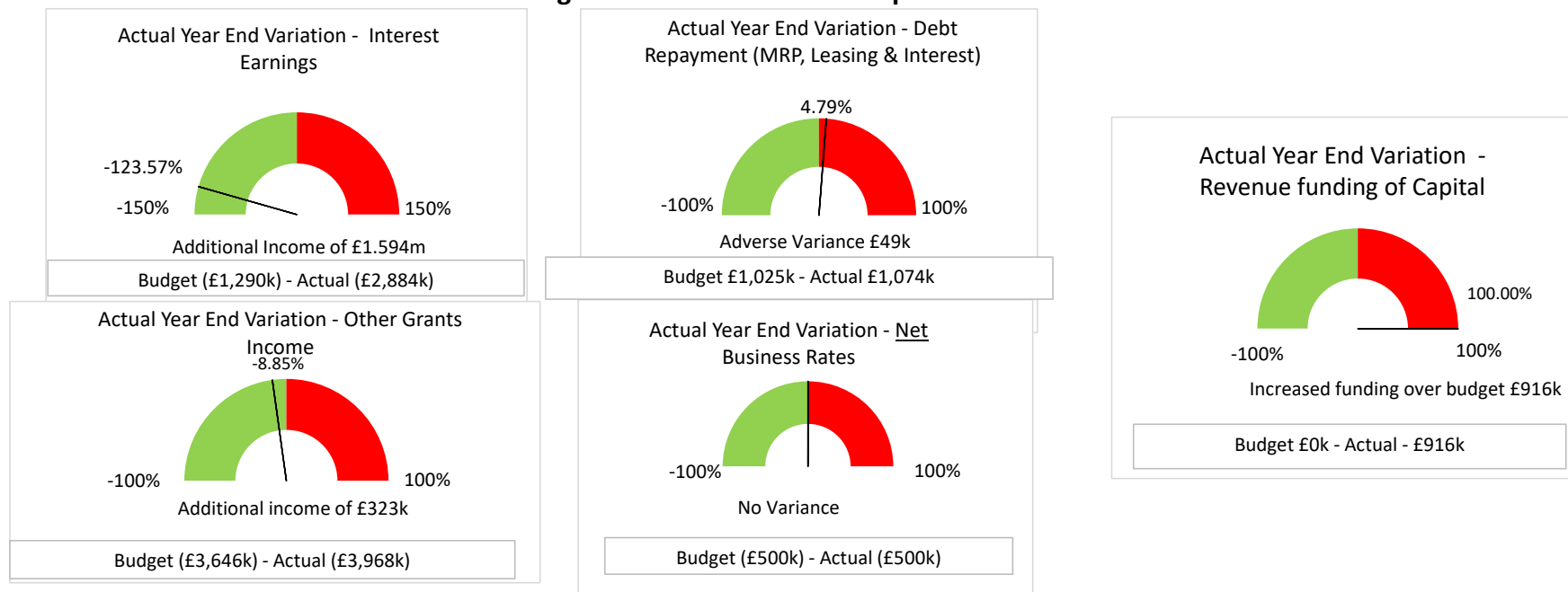
Chelmsford City Council Variances - 2023/24 Outturn Summary



Please note where approval of additional expenditure has since February 2023 Council been made, this will not show as a variance. In the current year some £2.8m of additional expenditure has been approved (£1.66m relates to higher than budgeted pay award)

Favourable Variances compared to Final Budget - £3.256m			
1	£913k favourable variance on electricity and gas due to prices being lower than budgeted for	The saving means less reserve use in 2023/24 (shown within the figures on the next page). The 23/24 budget assumed £1.5m would be funded from reserves, in practice it was £600k .	Global factors can significantly impact on utility prices, however it is expected that prices for 24/25 will be lower than 23/24 prices. Gas and Electricity is now purchased over a 2 year period to give more stability over pricing moving forwards for the Council.
2	£251k favourable variance on vehicle fuel costs due to market conditions resulting in price per litre being lower than expected.	Prices for fuel have been rising at the back end of 23/24, so will need to continue to be monitored closely in 24/25. The budget in 2023/24 assumed £300k of reserves would be used to manage the fluctuation in prices, in practice no reserves were used.	Global factors can significantly impact on fuel prices
3	£712k additional income from Food waste (£221k) and recycling sales and credits (£491k)	Monitor tonnages collected and prices of sales of recycling commodities as these fluctuate significantly, some prices have increased significantly in 23/24. Consider if 25/26 income budgets can be increased.	Market prices and tonnages can vary
4	£612k additional income from car parking made up of a favourable variance in £825k non-season ticket income and £144k adverse variation in season ticket income	More customers than initially budgeted for 23/24, an increase has been allowed for in the 24/25 budgets, but levels seen in 23/24 may mean the budget can be revised upwards further.	Customer trends change compared to previous years or competitors out price Council car parks
5	£624k additional sports centre income due to increased number of memberships. This is partially offset by higher casual staff costs shown below.	Further review of ongoing budgets for income and casual staff . The 2024/25 budget already assumes a significant increase in income.	Spend outweighs income or membership numbers drop off
Adverse Variances Compared to Final Budget - £3.782m			
6	£1,807k adverse variance on Temporary Accommodation (TA) made up of TA HB subsidy loss (£1,799k), TA accommodation repairs (£135k), bad debt provision/write-offs (£133k), other TA ((£260k)).	Caseload at the end of 23/24 was not as high as feared when the 2024/25 budget was set. The projections for 24/25 will be revised lower than forecast in the Feb. Budget. This should improve the budget outlook. However, the cost increase is still very large and will continue to have a significant adverse affect on the Council's finances.	Costs continue to rise due to increasing interest rates putting pressure on landlords mortgages. Any revised TA forecasts prove to be optimistic rather than pessimistic and households in TA rise further
7	£350k reduced income at Cemetery & Crematorium (made up of £381k loss on fees and charges, offset by an additional £31k income on sales)	Income budget will likely need to be adjusted for reduced customer numbers	Customers choose alternative venues
8	£393k adverse variance on property services a mix of reduced rents (£110k) and slower reletting. Higher costs; agency staff (£112k), and professional fees (£118k).	A reserve has been set up to provide for the risk of properties not being let, work is ongoing to promote any properties currently available to be let. Consider increasing the reserve.	Properties take longer to be fully let or have higher levels of tenant turnover leading to higher void costs and reduced rental income
9	£562k adverse variance on leisure casual staff offset by additional income above	Review budgets for 25/26 budget	Spend outweighs income or membership numbers drop off
10	£480k adverse variance on other HB Subsidy predominantly due to additional supported housing.	Review whether ongoing for future years budgets and work with providers to encourage moves to registered providers as this reduces subsidy loss on supported housing	Further supported housing is needed in future years increasing this loss
11	£190k adverse variance on Other net items	Reviews are taking place to determine if there are any ongoing variances within this figure, employee budgets need looking at in detail	There may be an ongoing impact on the budget

Other General Fund Budget Items of Income and Expenditure-Favourable Variance £931k



Note	Key Variations	Actions	Risks
1)	£1,594k additional income from interest earnings due to several unbudgeted Bank of England base rate rises and secondary factor higher cash balances than predicted. This is partially offset by higher interest paid, as single short term loan was borrowed at year end.	Review cashflow and interest rate forecasts.	Income is expected to fall as the capital programme draws down invested cash and external borrowing occurs on a regular/ongoing basis. Interest rate projections remain volatile.
2)	Retained business rates additional income of £5.7m above the £500k budget was transferred a reserve.	The transfer to the contingency reserve has occurred in line with the MTFS. The future income assumptions in budget for retention income will be revised post audit (autumn 2024)	Incorrectly identifying the ongoing impact of the Business Rate Retention scheme. A reset of the system could result in the Council losing all gains of retention income in future years
3)	Additional Revenue funding of capital £916k- this is offset by reserve movements below.	The use of reserve is part of strategy of minimising borrowing costs to the authority. It was planned for a later year but it is more effective at reducing MRP costs if made 2023/24	Non-optimal funding of capital programme increasing revenue financing costs.
4)	Adverse variations Other Minor Items £21k-not shown as a graph	No action required	N/a

Use of Reserves

Actual Year End Variation - Contribution/Use of Earmarked Reserves

Reduced Use of £166k

Changes in the use of earmarked reserves are often offset by changes in the expenditure in the service accounts.

The original budget was a £2,608k use of Earmarked reserves. Additional use of earmarked reserves has been approved so the latest budget for 23/24 is a use of £3,502k. This covers specific spend such as on utilities, fuel, insurance and pension deficiency payments.

At outturn some £3,336k of earmarked reserves had been used. This a favourable (less) use of reserves of £166k compared to the current budget **but a adverse £791k extra use of reserves compared to the original 2023/24 budget.**

Actual Year End Variation - Contribution/Use of General Fund Balance (reserve)

Reduced Use of £94k

The original budget for 23/24 is a £0.624m use of the General Fund Balance. The pay award and additional supplementaries not funded by earmarked reserves have been added in, resulting in a latest budgeted use of £2.459m.

The use of the General Fund Balance for 23/24 was £2.365m, some £0.095m lower than the current budget of £2.459m . **Compared to the original budget for 2023/24 the use of the general balance was an extra £1.740m.**

SUMMARY

The service budgets for 23/24 total just over £29.3m. These were overspent by £0.670m against the latest budget, key variations can be said to be £1,807k overspent on TA costs

£480k overspent on HB Subsidy Loss (Non TA related)

less £913k estimated underspend on utilities

less £712k additional income from recycling sales/credits and food waste income

Non-service variations are favourable aby £0.9m which is predominantly additional interest earnings.

The impact on reserves should be viewed when comparing the original assumptions made at Feb 2023 Council, as since then some £2.9m of extra expenditure has been approved. The comparison to the original budget shows an extra use of £791k of earmarked reserves and £1740k of general balance (£2.5m extra in total)

Further work is being undertaken to consider how the variances from outturn may impact on future budget setting.