

<b>DECISION-MAKER:</b>	CABINET COUNCIL		
<b>SUBJECT:</b>	REVENUE OUTTURN 2023/24		
<b>DATE OF DECISION:</b>	CABINET 16 JULY 2024 COUNCIL 17 JULY 2024		
<b>REPORT OF:</b>	COUNCILLOR LETTS DEPUTY LEADER AND CABINET MEMBER FOR FINANCE AND CORPORATE SERVICES		
<b><u>CONTACT DETAILS</u></b>			
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<b>STATEMENT OF CONFIDENTIALITY</b>
Appendix 5 is exempt from publication by virtue of category 3 of rule 10.4 of the council's Access to Information Procedure Rules i.e. information relating to the financial or business affairs of any particular person. It is not in the public interest to disclose this information due to commercial sensitivity. If the information was disclosed, then the council's financial position would be available to other parties and prejudice the council's ability to achieve best value.
<b>BRIEF SUMMARY</b>
This report summarises the revenue outturn position of the council for 2023/24. The report sets out the General Fund, Collection Fund and Housing Revenue Account (HRA) revenue outturn positions. The position is reflected in the draft statement of accounts. The accounts and this outturn report are subject to external audit scrutiny, which means this report is provisional until the audit has been completed. The outturn positions are as follows: <ul style="list-style-type: none"> <li>• General Fund - £1.1M deficit</li> <li>• HRA - £0.59M surplus</li> <li>• Collection Fund - £7.19M Surplus</li> </ul>

**RECOMMENDATIONS:**

	Cabinet is asked to:
i)	Recommend the report to Full Council
	Council is asked to:

<b><u>General Fund</u></b>	
ii)	Agree the General Fund revenue outturn for 2023/24 as a balanced position after a transfer of £1.10M from reserves to meet the year-end deficit, as outlined in paragraph 3.
iii)	Agree the requests to carry forward un-ringfenced grant funding totalling £0.08M as outlined in paragraph 15.
<b><u>Housing Revenue Account</u></b>	
iv)	Agree the HRA revenue outturn for 2023/24 as outlined in paragraph 29 and Appendix 3.

### REASONS FOR REPORT RECOMMENDATIONS

1. To ensure that Cabinet fulfils its responsibilities for the overall financial management and transparency of the council's resources.

### ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2. None, as the revenue outturn position for 2023/24 has been prepared in accordance with statutory accounting requirements.

### DETAIL (including consultation carried out)

<b>General Fund</b>	
3.	The overall 2023/24 outturn for the General Fund Revenue Account was a deficit of £1.10M, requiring a transfer from reserves to bring the revenue account back into balance. This compares with a budget deficit for 2022/23 of £11.38M. The position is summarised in Table 1.

#### 4. Table 1 – General Fund Revenue Account 2023/24

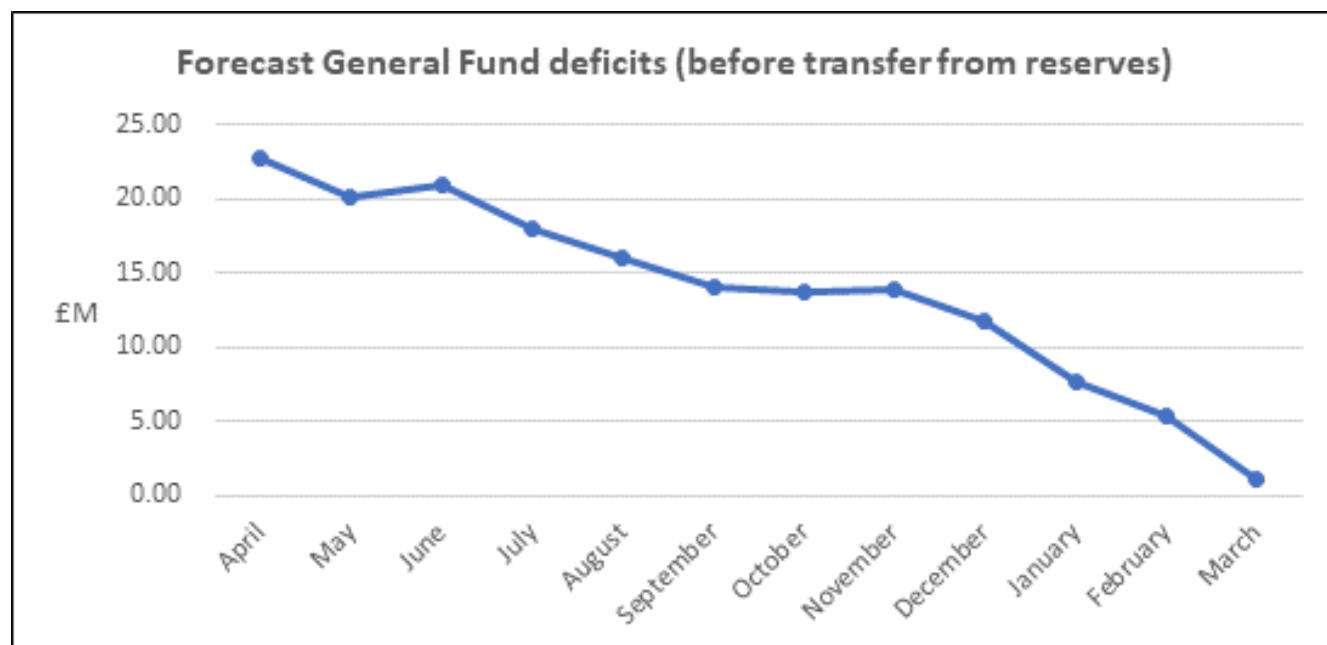
	<b>Final Budget £M</b>	<b>Outturn £M</b>	<b>Outturn Variance £M</b>
Directorate Net Expenditure	215.85	217.90	2.05 A
Centrally Held Budgets Net Expenditure (excluding budgeted reliance on reserves)	7.46	7.35	(0.11) F
Reliance on reserves in February 2023 budget	(20.62)	(20.42)	0.20 A
<b>Net Council Expenditure</b>	<b>202.69</b>	<b>204.83</b>	<b>2.14 A</b>
Financing	(202.69)	(203.73)	(1.04) F
<b>Deficit for the year before transfer from reserves</b>	<b>0.00</b>	<b>1.10</b>	<b>1.10 A</b>
Transfer from Reserves – Year End Deficit		(1.10)	(1.10) F
<b>(Surplus) / Deficit for the year</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

Numbers are rounded. 'F' indicates as favourable variance, 'A' is an adverse variance

5. When the 2023/24 budget was set it was clear that there was a structural budget deficit, and this meant reliance on reserves to balance the budget. In addition, sizable new budget pressures and increases to existing pressures emerged early in the financial year.
6. Chart 1 below shows the trend in the forecast variance over the course of the year. A new financial strategy and action plan aimed at reducing expenditure, achieving a sustainable

budget over the medium term and improving financial resilience was agreed at full Council in July 2023. Work continued throughout the year to bring forward cost control measures and in-year savings, together with tight controls over spending through the operation of a cost control panel regime. These measures and the receipt of additional government grant helped reduce the deficit to £1.10M by the end of the year.

7. **Chart 1 – General Fund forecast variance 2023/24**



8. The Directorate adverse variance at year end was £2.05M. The main reasons for the variances by Directorate are set out below.

9. **Place directorate (£2.43M adverse)** - this includes a £3.36M overspend on Home to School Transport driven by the increased numbers of pupils with an Education, Health and Care Plan (EHCP) who are eligible for home to school transport and by the unit costs for transport being higher than budgeted. Favourable variances elsewhere within the directorate have reduced the net deficit. This includes a £1.70M underspend on Property Services, mostly relating to removing vacant posts and increased staff recharges to the capital programme.

10. **Children & Learning (£1.41M adverse)** - this includes a £3.19M overspend on Children Looked After relating to demand pressures on placement spend. Reductions in the level of agency staffing and additional grant funding helped reduce the net deficit within the directorate.

11. **Wellbeing & Housing (£1.96M favourable)** – mostly from contract and staffing savings and additional grant funding. This is after the transfer of £2.0M of unused winter pressures budget to reserves for use in future years.

12. The £1.04M favourable variance for Financing is from additional un-ringfenced grants received in the year, including £0.46M Business Rates Levy Surplus and £0.43M Top-Up Grant adjustment.

13. Further details of outturn variances and significant movements since the financial position as at the end of February 2024 (month 11) reported to Cabinet in April 2024 are provided in Appendix 1.

**Implementation of Savings Plans**

14. £40.12M of directorate savings plans were agreed for 2023/24, including in-year savings and cost control measures. £37.18M (93%) were achieved and £2.94M (7%) were not. Unachieved savings are included in the adverse variances reported for directorates.

### **Carry Forwards**

15. In view of the overall outturn deficit on the General Fund Revenue Account no budgets are being carried forward from 2023/24 into 2024/25. In accordance with accounting requirements, £4.13M of unspent specific revenue grant funding is however being carried forward via the Revenue Grants Reserve to be used in 2024/25. Approval is sought to carry forward £0.075M of un-ringfenced revenue grants that have been requested. This comprises £0.044M for enforcing cladding regulations, £0.019M for adult social care client level data collections and £0.012M relating to the operation of smoke control areas.

### **Treasury Management**

16. The Treasury Management outturn for 2023/24 will be reported to Audit Committee on 29 July 2024.

### **Dedicated Schools Grant (DSG) and Schools**

17. The Dedicated Schools Grant is a ring-fenced grant that must be used to fund the Schools Budget and balances are carried forward each year. There was a £2.99M in-year surplus for 2023/24, reducing the cumulative net deficit to £7.11M, as shown in Table 2 below.

#### 18. **Table 2 – DSG Outturn**

	<b>£M</b>
Net deficit carried forward from 2022/23	10.10
Net surplus in year	(2.99)
<b>Balance to carry forward</b>	<b>7.11</b>

Numbers are rounded

19. The DSG deficit has arisen from demand pressures within High Needs services due to increased numbers and complexity of Education and Health Care Plans (EHCPs). Pressures on High Needs services is a nationally recognised issue with significant pressures being reported in most local education authorities. An increase in High Needs funding in 2023/24 helped mitigate some of the pressure being experienced and further work is being undertaken as part of the Department for Education's programme Delivering Better Value in Special Educational Needs & Disabilities (SEND) to address the deficit to reduce the need for higher levels of intervention. The council has put in place a strategy to manage the increase in High Needs which includes developing SEND units and resource provisions within mainstream schools reducing the need for more expensive independent placements.

20. Normally the DSG deficit would need to be covered by the council's General Fund reserves. However, the Government has put in place a statutory override of this requirement until the end of 2025/26. In accordance with regulations, the deficit that accumulated up to the end of 2021/22 is being held within an unusable reserve so that it does not form part of the balance on earmarked revenue reserves. Regulations stipulate that only in-year deficits can be added to this unusable reserve. The in-year surplus for 2023/24 (and that for 2022/23) is included within earmarked revenue reserves.

21. There are 14 schools (out of 42 schools maintained by the council) reporting a deficit balance as at the 31 March 2024 as shown in Table 3 below. This is two more than the number of schools reporting a deficit as at the previous year end and the total deficit has increased by £0.45M. During the year two schools returned to surplus from a deficit position and four

schools entered into deficit.

22. **Table 3 – Schools in Deficit**

	2022/23		2023/24	
	Deficit £M	No. of Schools	Deficit £M	No. of Schools
Primary	3.54	10	3.47	12
Secondary	0.90	2	1.43	2
<b>Total</b>	<b>4.45</b>	<b>12</b>	<b>4.90</b>	<b>14</b>

Numbers are rounded

23. These schools are working with the Executive Director Children & Learning supported by the Schools Finance team to agree deficit recovery plans.

**Reserves & Balances**

24. Earmarked revenue reserves totalled £44.79M at the end of 2023/24, comprising £4.21M of schools' balances and £40.58M other revenue reserves. This is an overall reduction of £10.26M compared with the £55.05M total reserves at the end of 2022/23. The forecast reduction in revenue reserves when the 2023/24 budget was set was £21.96M.

25. A new policy on reserves was adopted in July 2023 as part of the wider new financial strategy. This includes the approach of using one-off gains to start to build reserves to be used for non-recurrent purposeful investment or spend. One-off gains obtained during the year from a Leisure Services VAT reclaim and business rates refunds have been used to establish a Transformation & Improvement Reserve and Organisational Redesign Reserve, which had balances as at 31 March 2024 of £4.66M and £2.50M respectively. In addition, cover for risks has been strengthened by the creation of the Investment Risk Reserve (£0.80M balance) and re-instatement of the Social Care Demand Risk Reserve (£2.00M balance).

26. The council's primary reserve for addressing budget management risks is the Medium Term Financial Risk (MTFR) reserve. The balance on the MTFR Reserve reduced by £18.63M over the year, from £28.35M down to £9.72M. Of this, £17.75M was planned as part of the Medium-Term Financial Strategy (MTFS) agreed in February 2023 and £1.10M was to meet the year-end deficit, Finally, net contributions of £0.22M were made to the reserve.

27. The General Fund balance as at 31 March 2024 stands at £10.07M. The MTFS agreed in March 2024 provides for this to increase to £12.00M in 2024/25 in line with Chartered Institute of Public Finance and Accountancy (CIPFA) guidance for the balance to be at least 5% of the net revenue budget.

28. Further details of the year end balances and the changes since the month 11 position are set out in Appendix 2. The main changes to the position since month 11 are:

- £5.80M reduction in use of the MTFR Reserve - £4.34M improvement in the outturn position, £0.86M planned use for transformation projects replaced by use of capital receipts, £0.50M contribution to the reserve to provide cover for a potential school deficit on conversion to an academy and £0.10M of other changes;
- £0.50M contribution to the Organisational Redesign Reserve to provide for potential redundancy costs;
- £1.00M contribution to the Transformation & Improvement Reserve towards planned transformation costs and £0.36M from further business rates refunds, £0.13M forecast call on reserve moved to 2024/25;

- £2.00M contribution to the Social Care Demand Risk Reserve as noted in paragraph 8;
- £4.21M increase in the Revenue Grants Reserve for the carry forward of revenue grants as noted in paragraph 12;
- Additional £0.40M contribution to the Investment Risk Reserve to provide cover for a reduction in the pooled property fund valuation;
- £0.57M improvement in the On Street Parking Account due to £0.48M better than forecast performance and planned use of £0.09M not being required;
- £1.24M improvement in the DSG surplus, which includes the carry forward of £0.56M of additional support grant for schools in deficit;
- A £1.20M improvement for other reserves is mainly due to a £1.07M reduction in the use of the Public Health Reserve.

### HOUSING REVENUE ACCOUNT (HRA)

29. The HRA had a surplus of £0.59M in 2023/24 which has allowed for an increase in the working balance as summarised in Table 4 below. Further details on significant variances to budget and movements since month 11 are provided in Appendix 3.

#### 30. Table 4 – Housing Revenue Account Outturn 2023/24

HRA	Final Budget £M	Outturn £M	Outturn Variance £M
Expenditure	79.77	79.26	(0.51) F
Income	(79.77)	(79.85)	(0.08) F
<b>(Surplus) / Deficit for the year</b>	<b>0.00</b>	<b>(0.59)</b>	<b>(0.59) F</b>

Numbers are rounded. 'F' indicates as favourable variance, 'A' is an adverse variance

### COLLECTION FUND (for Council Tax and Business Rates)

31. Proceeds from local council tax and business rates are paid into the Collection Fund operated by the council, and then paid out to meet the net budgeted amounts of not only Southampton City Council, but also the Hampshire and Isle of Wight Police & Crime Commissioner and Hampshire and Isle of Wight Fire & Rescue Authority. Government also receives a 50% share of the proceeds from the local business rates collected.

32. The outturn for the Collection Fund as a whole is an overall surplus of £7.19M, as shown in Appendix 4 and summarised in Table 5. The table shows a comparison of the outturn position with the revised estimate as at January 2024 that was taken into account in setting the 2024/25 budget.

#### 33. Table 5 – Overall Collection Fund (Surplus)/Deficit Carried Forward

	January 2024 Revised Estimate £M	Outturn £M	Movement from Revised Estimate £M
Council Tax	1.18	1.24	0.06 A
Business Rates	(6.61)	(8.42)	(1.81) F
<b>Total</b>	<b>(5.43)</b>	<b>(7.19)</b>	<b>(1.76) F</b>

Numbers are rounded. 'F' indicates as favourable variance, 'A' is an adverse variance

34. The increase in the council tax deficit is mainly from an increase in the level of exemptions. The improvement in the business rates surplus is primarily due to a reduction in the amount set aside for estimated losses from successful appeals against rateable values.

35. The council's share of the overall surplus of £7.19M is shown in Table 6.

36. **Table 6 – SCC Share of Collection Fund (Surplus)/Deficit 2023/24**

	<b>January 2024 Revised Estimate £M</b>	<b>Outturn £M</b>	<b>Movement from Revised Estimate £M</b>
Council Tax	0.99	1.04	0.05 A
Business Rates	(3.24)	(4.13)	(0.89) F
<b>Total</b>	<b>(2.25)</b>	<b>(3.09)</b>	<b>(0.84) F</b>

Numbers are rounded. 'F' indicates as favourable variance, 'A' is an adverse variance

37. The Council's share of the estimated surplus was considered in setting the 2024/25 General Fund revenue budget. The outturn position shows a favourable variance of £0.84M compared with the revised estimate. Under the arrangements for operating the Collection Fund, differences between the outturn position and the estimates used when setting the budget for the next year are reflected in the following year's estimates. This favourable variance will therefore be taken into account in setting the 2025/26 General Fund revenue budget.

38. The council receives grant funding for certain business rates reliefs determined by the government and to compensate for the business rates multiplier not increasing in line with inflation each year since the business rates retention scheme was introduced. There was a shortfall in the grant of £0.47M compared to budget, largely due to a lower level of reliefs being awarded. This shortfall was met from centrally held contingency.

**Property Investment Fund**

39. As part of the scheme of delegation it was agreed the performance of the Property Investment Fund would be reported at outturn stage to full Council. Appendix 5 gives the details of this fund and Cabinet is asked to recommend Council note the performance.

**Statement of Accounts 2023/24**

40. The 2023/24 draft statement of accounts will be presented to Audit Committee on 29 July 2024.

41. The annual audit, carried out by our appointed auditors Ernst & Young LLP, commenced in June 2024 and is expected to be completed by September 2024. Changes to the statement of accounts (if any) arising from the annual audit will be reported to the Audit Committee before the Committee is formally asked to approve the accounts.

**Conclusion**

42. The outturn position reflects the actions taken to reduce expenditure to within budget for 2023/24. The overall deficit of £1.10M for the year compares to the deficit of £11.38M for the previous year (2022/23). The reduction in revenue reserves during 2023/24 was not as significant as forecast when the 2023/24 budget was set. However, there has still been a reduction of £10.26M in usable reserves for the year and this has further weakened the council's financial resilience. The MTFs agreed in March 2024 includes plans to add to reserves over the next few years to strengthen the council's financial sustainability and resilience.

<b>RESOURCE IMPLICATIONS</b>	
<b><u>Capital/Revenue</u></b>	
43.	The revenue implications are contained in the report. The capital implications are contained within the Capital Outturn 2023/24 report elsewhere on this agenda.
<b><u>Property/Other</u></b>	
44.	None.
<b>LEGAL IMPLICATIONS</b>	
<b><u>Statutory power to undertake proposals in the report:</u></b>	
45.	Financial reporting is consistent with the Section 151 Officer's duty to ensure good financial administration within the Council.
<b><u>Other Legal Implications:</u></b>	
46.	None.
<b>RISK MANAGEMENT IMPLICATIONS</b>	
47.	Risk management implications are contained in the report.
<b>POLICY FRAMEWORK IMPLICATIONS</b>	
48.	The proposals contained in the report are in accordance with the Council's Policy Framework Plan.

**KEY DECISION?**                      No

<b>WARDS/COMMUNITIES AFFECTED:</b>	All
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**SUPPORTING DOCUMENTATION**

**Appendices**

1.	General Fund Revenue Outturn 2023-24
2.	Revenue Reserves 2023-24
3.	HRA Outturn 2023-24
4.	Collection Fund 2023-24
5.	Property Fund 2023-24 CONFIDENTIAL

**Documents In Members' Rooms**

1.	None
2.	

**Equality Impact Assessment**

Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out?	No
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<b>Privacy Impact Assessment</b>	
Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out?	No
<b>Other Background Documents</b>	
<b>Equality Impact Assessment and Other Background documents available for inspection at:</b>	
Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)

1.	The Revenue Budget 2023/24, Medium Term Financial Strategy and Capital Programme (Council 22 February 2023)	
2.		