

Report of	Meeting	Date
Director of Finance and Section 151 Officer (Introduced by Cabinet Member (Finance, Property and Assets))	Scrutiny Budget and Performance Panel	20/02/2023
	Cabinet	22/02/2023

Is this report confidential?	No
------------------------------	----

Is this decision key?	Yes
-----------------------	-----

Savings or expenditure amounting to greater than £100,000	Significant impact on 2 or more council wards
--	--

2022/23 Corporate Revenue Budget Monitoring Report and Reserves for the Nine months to 31st December 2022

Purpose of the Report

1. This report sets out the revenue and reserves forecast for 2022/23 for the Council, based on the position as at 31st December 2022.

Recommendations to Cabinet

2. To note the forecast outturn for revenue and the level of reserves based on the position as at 31st December 2022.
3. To note the virements made to and from the revenue budget during the year, as detailed in **Appendix 2** of the report.

Reasons for recommendations

4. To ensure the Council's budgetary targets are achieved.

Other options considered and rejected

5. None

Executive summary

- Based on the position as at 31st December 2022, there is a forecast overspend of £0.098m; as detailed in **Appendix 1**.
- The Council's Medium-Term Financial Strategy recommends that General Reserves are maintained at a minimum of £4.0m to mitigate against any unforeseen financial risks that may present in the future. Based on the above and the amalgamation of reserves, the level of general fund balances is forecast to be £4.149m at 31st March 2023.

Corporate priorities

- The report relates to the following corporate priorities:

An exemplary council	Thriving communities
A fair local economy that works for everyone	Good homes, green spaces, healthy places

Background to the report

- The current net revenue budget for 2022/23 is £15.546m.
- Appendix 3** provides further information about the specific earmarked reserves that the Council holds at 31st December 2022.

Current Forecast Position – Revenue

- The forecast revenue outturn, based on the position at 31st December 2022, shows a provisional overspend against the Council's budgets of £0.098m. A breakdown of this by department within the various directorates is detailed in **Appendix 1**, and the movement on reserves and reserve balances, are outlined in **Appendix 3**. The main variances by directorate are detailed below.

12. Variations from Budget

Directorate	Budget 2022/23 £'000	Forecast 2022/23 as at 31st December 2022 £'000	Variance (Under)/Overspend 2022/23 £'000
Commercial Services	877	1,241	364
Communities	1,737	1,984	247
Customer & Digital	6,090	6,228	138
Governance	1,862	1,870	8
Planning & Development	1,313	1,382	69
Policy	2,537	2,589	52
Budgets Not In Directorates	1,130	477	(653)
Total Expenditure	15,546	15,771	225

Funding	Budget 2022/23 £'000	Forecast 2022/23 as at 31st December 2022 £'000	Variance (Under)/Overspend 2022/23 £'000
Council Tax	(8,633)	(8,633)	-
Lower Tier Support Grant	(269)	(269)	-
New Homes Bonus	(802)	(802)	-
Reserves	127	-	(127)
Retained Business Rates	(3,201)	(3,201)	-
Section 31 Government Grants	(2,768)	(2,768)	-
Total Funding	(15,546)	(15,673)	(127)
Net Forecast	-	98	98

Key Variations

13. The National Employers pay offer of £1,925 on all NJC pay points 1 and above for the period 01st April 2022 to 31st March 2023 was accepted, with payment (including arrears) made in December 2022. The table below shows the overall implications of the pay award for 2022/23 compared to the provision of 2% included in the base budget.

Directorates	Total Pay Award including NI & Pension	Pay Award Budget at 2%	Net increase in cost
Commercial Services	40,976	14,924	26,052
Communities	125,072	42,848	82,224
Customer & Digital	255,766	100,044	155,722
Governance	119,573	46,118	73,455
Planning & Development	83,543	29,542	54,001
Policy	75,376	20,178	55,198
Total	700,307	253,654	446,653

14. There are pressures on gas, electricity, and water across all of our properties resulting in a forecast overspend £176k. There are no other significant inflationary cost pressures identified at present; this will be monitored and reported if such changes are identified.

15. UK Shared Prosperity Fund (UKSPF)

In December, the council received confirmation of the award of grant funding from the UK Shared Prosperity Fund (UKSPF); the table below shows the allocation awarded over a three-year period. The conditions attached to the grant funding are that it is to be utilised in areas such as Community Grants Funds, Business Grants and provision of management capacity, which the council has previously funded from reserves.

UKSPF Grant Allocation	Capital Funding £'000	Revenue Funding £'000	Capacity Funding £'000
2022-23	83	326	20
2023-24	-	817	-
2024-25	-	2,142	-
Total	83	3,285	20

Areas of expenditure within the revenue budgets and reserves have been identified that the UKSPF is designed to fund, and as such there are significant projects already underway that can be attributed to this funding. The proposed allocation of the 2022-23 fund is as per the table below, which will alleviate the need to utilise reserves for these purposes:

UKSPF Grant Revenue Spend allocation 22-23	Amount £'000
Capital Investment and Funding	83
Community Wealth Building	5
Apprentice, Graduate and Trainee Posts	35
Business Support Advice and Grants	150
Sports Club and Community Organisations	156
Total	429

Explanation of Key Variances by Directorate are as follows:

16. Commercial Services – Overspend of £364k

The key variances to note are:

- £144k overspend due to increased gas, electricity and water costs, the forecast for which is based on the current price increases.
- £129k net overspend on staffing costs across the directorate compared to the budget for 2022/23. This is mainly due to the additional costs of using agency staff, both those employed covering existing posts and those employed to provide additional support to the team. Given the recruitment difficulties in this area, e.g. surveyors, and the review and move to the Shared Service model, agency staff are providing the necessary support to the team in the interim, however the market for such staff is challenging, with significant increases in the salaries required by available candidates. This is a national issue and is also being felt in other areas of operation across the council. This also includes the costs of the pay award (£26k) for 2022/23 compared to the provision included in the base budget of 2%.
- £49k net increase in income streams within Commercial services; whilst some income streams have decreased, such as room hire, service charges and rental income, others have increased, such as that generated through fees and charges.

- £140k overall increase in repairs and maintenance costs, such as those incurred at the Moss Side Depot and the Civic Centre, offset by some reductions at the Leisure centre sites and various other smaller variances.

17. Communities – Overspend of £247k

The key variances to note are:

- The costs of supporting Homelessness are forecast to result in an overspend of £370k. The Council is currently supporting far greater numbers of people than ever before, and the costs of accommodation and support are increasing. This cost has been offset by reserves ear-marked for this purpose of £176k which brings down the overspend to £194k. The expectation was that the Council would benefit from a new formula introduced for allocating homelessness funding, however the government has applied a cap on the introduction of changes in individual council allocations, meaning that the level of increase in funding for South Ribble has not been as much as expected.
- £118k net overspend on staffing costs across the directorate compared to the budget for 2022/23. This is mainly due to additional, non-budgeted hours worked within the Community Involvement team, several regraded posts, and increases in hours within the Homelessness Team. The forecast also includes the impact of the pay award over and above the budget provision already made of 2% i.e. an increase in costs of £82k.
- £128k increase in various income streams such as those from Sports England, Active Lancashire, ESC Lottery funding and income from schools.
- £62k overspend within the Communities directorate relating to consultancy fees, tools and equipment, Independent Domestic Violence Advisor (IDVA) costs, external contractor charges and other small variances.

18. Customer and Digital – Overspend of £138k

The key variances to note are:

- £93k net overspend on staffing costs across the directorate compared to the budget for 2022/23. This is mainly due to the timing of various vacant post being filled within Customer Services, Revenue and Benefits and ICT Services, offset by the costs of agency staff deployed within ICT services including staffing recharges, along with the pay award for 2022/23 compared to the 2% budget already provided in the base budget.
- £72k surplus on the Housing Benefit Administration cost centre due to additional grant funding and £43k of additional New Burdens grant and DWP income received during the year.
- £84k reduction in bad debt provision for Housing Benefit based upon reductions in the level of outstanding balances.
- £35k forecast reduction in car park income and PCN fines based on the actual income received to date. Due to the impact of Covid there has been a marked reduction in the use of the car parks. The forecast reduction will be monitored closely for the rest of the year.
- £80k forecast underspend within the ICT supplies and services budget.

- £114k overspend due to the reallocation of central stores, fuel and vehicle stock from the balance sheet, an additional £33k overspend on mechanics supplies and services, offset by additional income from Chorley FCC contract of £134k.
- £45k additional cost within Parks and Neighbourhoods due to an increase in traveller related cost, stores materials, diesel and external highway cleansing, offset by £4k additional income.
- £278k forecast overspend on waste and recycling. This reflects the increase in the hourly rates made by FCC just prior to the TUPE transfer. These were applied after the budget had been developed to support the recommendation to in-source the service and accounts for approximately £88k of the overspend, however given the savings made as a result of the in-sourcing, this can be accommodated within the budget moving forward. £87k relates to the forecast pay award for 2022/23 compared to the 2% budget already provided in the base budget. The forecast also reflects the increases in fuel costs accounting for approximately £37k of the overspend.
- £92k additional garden waste income is forecast over that budgeted, and there has been an increase of £15k in the income from the sale of bins.
- £64k overspend relating to an increase in consultancy fees for the Empty Homes Review as well as various other smaller variances within the directorate.

19. Governance – Overspend of £8k

- The overspend relates mainly to increased staffing cost. This also includes the pay award for 2022/23 compared to the provision included in the budget of 2%.

20. Planning and Development – Overspend of £69k

The key variances to note are:

- £177k net overspend on staffing costs across the directorate compared to the budget for 2022/23. This includes vacant posts within Licensing and Planning and vacant posts being covered by agency staff within Development Control Services. This also includes the pay award for 2022/23 compared to the base budget of 2%.
- £31k overspend due to increased gas, electricity and water costs, the forecast for which is based on the current price increases.
- £245k increase in the forecast levels of income for planning applications. There are some high-income generating planning applications such as the Garden Village, Leyland Town Deal and Jubilee Gardens at West Paddock.
- £35k reduced income on pre-plan applications, as the service is still suspended.
- £85k overspend across the Consultancy fees and the tools and equipment budget.
- £26k increase in various income such as building control fees, football pitches and walled garden offset by reduction in various Licensing fees of £12k.

21. Policy – Overspend of £52k

The key variances to note are:

- £74k net staffing underspend across the directorate compared to budget for 2022/23. This is mainly due to higher level of staffing recharges compared to budget offset by the pay award for 2022/23 compared to the provision in the base budget of 2%.
- £89k increase in SLA recharge income to the Leisure company compared to budget. This is linked to staff cost within the directorate.
- £39k overspend within the Corporate Management cost centre due to the increase in external audit fees, which has been reviewed and approved by Governance Committee.
- £76k overspend on Worden Hall as due to contractor issues and delays in opening, income targets have not been achieved for 22/23; the overspend also includes various expenditure on tools and equipment, professional fees and advertising.
- £45k overspend within Treasury Management due to the costs of Merchant charges being higher than budget.
- £67k increase in cost within Human Resources due to the increase in recruitment and associated costs across the organisation e.g. advertising and IT costs.
- The remaining balance shows various small overspends within the directorate.

22. Budgets Not In Directorates – Underspend of £653k

The key variances to note are:

- £519k underspend, or over-recovery, of Net Interest Receivable/Payable for 2022/23. Due to rising interest rates, the income from investments has recovered and is £425k above that forecast.
- £38k overspend in the forecast level of the Minimum Revenue Provision (MRP); this is higher than the budget due to the profile of scheme expenditure funded by borrowing which is anticipated to be earlier than that included in the budget and MTFS.
- £258k reflects the introduction of the corporate contingency budget.

23. Covid-19

- Some residual Covid 19 and COMF funding is remaining in 22/23. It is expected that this will all be spent in line with the original approvals.

24. Planned reserves movement – £127k Underspend

- Back in February 2022 when the 2022/23 Budget was approved by Council, a slight surplus of £127k was forecast which it was intended would be transferred to reserves. However, given the issues outlined above, the forecast outturn at this point in time assumes that there will be a slight deficit and therefore a transfer is no longer envisaged.

General Fund Resources and Balances

25. As detailed in **Appendix 3**, the Council holds a £4.141m General Fund reserves to manage budget risks not covered by earmarked reserves or provisions within the budget.

The forecast outturn for 2022/23 identifies that the General Fund closing balance will be £4.149m as detailed below.

Movement in General Fund Reserves

Summary of Movement in General Reserves	£m
General Fund Reserves as at 1 st April 2022	(4.141)
Forecast outturn revenue budget (surplus) / deficit	0.098
Other reserve movements	(0.106)
Forecast General Reserve Closing Balance 2022/23	(4.149)

26. **Appendix 3** provides further information about the specific earmarked reserves and provisions available for use throughout 2022/23.

Movement in Earmarked Reserves

27. Taking account of the adjustments highlighted in **Appendix 3**, the level of forecast Earmarked reserves held for discretionary use by the Council at 31st March 2023 is £13.194m compared to a balance of £20.044m at 31st March 2022.

Summary of Movement in Earmarked Reserves	£m
Earmarked Reserves as at 1 st April 2022	(20.044)
Use of revenue reserves for capital financing	3.131
Release of S31 grant received in 2020/21 (and held in reserves) in respect of Business Rates reliefs provided to businesses by the government – this is offset against the deficit brought forward on the Collection Fund	2.024
Transfers to reserves - as per point 29 below	(0.929)
Transfer to General Fund	0.106
Use of other specific Earmarked Reserves – as per point 28 below	2.518
Forecast Earmarked Reserves Closing Balance 2022/23	(13.194)

28. The £2.518m forecast use of other specific Earmarked Reserves shown in the table above includes the following items:

- £591k utilisation of approved reserves established in quarter 3 revenue monitoring report in 2021/22.
- £70k use of the Restructure reserve following the staff review in the Procurement Team and other staffing restructures.
- £654k use of reserves to support South Ribble Leisure Limited.
- £177k use of Leisure reserves to fund the payment of the PAISA contract balance following the final contract reconciliation; this reserve included funding specifically earmarked for this purpose.
- £150k to fund costs associated with the Local Plan.
- £130k use of Community Hub Reserves.
- £176k use of Homelessness Prevention grant due to overspends on temporary accommodation.
- £80k use of specific reserves within the Customer and Digital directorate.
- £197k use of specific reserves within the Policy directorate.

- £92k use of Covid recovery Fund
- The remainder of the movements are various, smaller adjustments related to revenue spending.

29. Transfers to reserves reported in this period is £0.500m to cover future repairs and maintenance costs for Penwortham Mill Reservoir within the Commercial Services directorate and £0.429m use of UKSPF funding.

30. The use of earmarked reserves shown in the table above are reflected in the revenue budget monitoring position detailed in this report.

31. During the quarter, following a review of ear-marked reserves held, the following re-allocations have been made within reserve categories to group together smaller reserves earmarked in previous periods/years for similar purposes, and to reflect current requirements, as follows;

Movement from:	£'000	Movement to:	£'000
Brexit Preparation	36	General Reserve	36
Income Investment Reserve	250	Capital Investment and Funding	250
Shared Services Implementation	48	Restructure Costs	48
S106 Other Reserves	242	Capital Investment and Funding	242
Income Equalisation Reserve	150	Asset Management	150
Extra Care	43	Capital Investment and Funding	43
Repairs and Maintenance Fund	386	Asset Management	386
Grounds Maintenance	7	Capital Investment and Funding	7
Office Supplies underspend	36	Capital Investment and Funding	36
Housing Needs Survey	80	Local Plan	80
Apprentice Factory website	15	Local Plan	15
Business Support	23	Local Plan	23
Economic Development	20	Local Plan	20
Performance Reward Grant	11	Capital Investment and Funding	11
Communications	31	Music Festival (£24k) Capital Investment and Funding (£7k)	31
Capital Funding Reserve	221	Capital Investment and Funding	221
Stock Condition Survey	64	Asset Management	64
IT underspend non-staffing	8	Capital Investment and Funding	8
New Burdens Grant	70	General Reserve	70
Business Rates Equalisation Reserve – reserve level reviewed and reduced to approx. £2.4m to reflect the potential risk of losing 50% of the benefit of the business rates pool for 3 years.	493	Community Events (£200k) Inflationary Risk Reserve (£293k)	493
City Deal – reserve level reviewed and reduced to £750k over the remainder of the MTFS	1,101	IT Transformation (£550k) Inflationary Risk Reserve (£551k)	1,101
Covid Recovery	578	Social Prescribing (£375k) Inflationary Risk Reserve (£203k)	578
Covid Commitments Reserve	600	Inflationary Risk Reserve	600
	4,513		4,513

Climate change and air quality

32. The work noted in this report does not impact the climate change and sustainability targets of the Councils Green Agenda and all environmental considerations are in place.

Equality and diversity

33. None.

Risk

34. There are significant risks due to rising costs especially in relation to utility bills. This is likely to be felt most by the Council's Leisure company. Forecasting of costs across the year have been undertaken and a report is expected to be made to November Council.
35. Given the scale of Leisure Centres across South Ribble and, notwithstanding, the government cap implemented, utility costs are likely to have doubled compared to the previous financial year where bills totalled £450k.
36. In addition, the Leisure Company is also facing cost pressures in relation to the likely pay award over and above the 2% budgeted together with pressures on income.

Comments of the Statutory Finance Officer

37. The financial implications are contained within this report.

Comments of the Monitoring Officer

38. None.

Background documents

39. There are no background papers to this report.

Appendices

Appendix 1 – Revenue 2022/23 - position at 31st December 2022

Appendix 2 – Revenue Budget Movements at 31st December 2022

Appendix 3 – 2022/23 Reserves Programme position at 31st December 2022

Appendix 4 – Current Staffing Vacancies

Report Author:	Email:	Telephone:	Date:
Neil Halton (Principal Management Accountant), Hema Chevli (Senior Management Accountant)	Neil.Halton@southribble.gov.uk Hemangini.Chevli@southribble.gov.uk		25/01/23 25/01/23