

| Report of   | Meeting  | Date       |
|---|--|------------|
| Deputy Director of Finance and Deputy Section 151 Officer<br>(Introduced by Cabinet Member (Finance and Public Protection)) | Informal Cabinet                                     | 08/06/2023 |
|   | Corporate, Performance and Budget Scrutiny Committee | 12/06/2023 |
|   | Cabinet  | 21/06/2023 |

### **2022/23 Corporate Revenue Budget Monitoring Report and Reserves Provisional Outturn at 31<sup>st</sup> March 2023**

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

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

|  |  |
|--|--|
| <b>Savings or expenditure amounting to greater than £100,000</b> | <b>Significant impact on 2 or more council wards</b> |
|--|--|

#### **Purpose of the Report**

1. This report sets out the revenue and reserves provisional outturn for 2022/23 for the Council, based on the position as at 31<sup>st</sup> March 2023.

#### **Recommendations to Cabinet**

2. To note the 2022/23 provisional outturn for revenue and the level of reserves based on the position as at 31<sup>st</sup> March 2023.
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

6. Based on the position as at 31<sup>st</sup> March 2023, there is a provisional underspend of £0.290m; as detailed in **Appendix 1**.
7. 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 as detailed at point 26, the level of general fund balance is £4.537m at 31<sup>st</sup> March 2023.

## Corporate priorities

8. The report relates to the following corporate priorities:

|   |   |
|---|---|
| <b>An exemplary council</b>                         | <b>Thriving communities</b>                     |
| <b>A fair local economy that works for everyone</b> | <b>Good homes, green spaces, healthy places</b> |

## Background to the report

9. The current net revenue budget for 2022/23 is £15.546m.
10. **Appendix 3** provides further information about the specific earmarked reserves that the Council holds at 31<sup>st</sup> March 2023.

## Current Outturn Position – Revenue

11. The provisional revenue outturn, based on the position at 31<sup>st</sup> March 2023, shows a provisional underspend against the Council's budgets of £0.290m. 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<br>£'000 | Outturn 2022/23 as at 31 <sup>st</sup> March 2023<br>£'000 | Variance (Under)/Overspend 2022/23<br>£'000 |
|------------------------------|-------------------------|--|---|
| Commercial Services          | 877                     | 1,288  | 411   |
| Communities                  | 1,737                   | 1,906  | 169   |
| Customer & Digital           | 6,029                   | 6,197  | 168   |
| Governance                   | 1,922                   | 1,987  | 65  |
| Planning & Development       | 1,313                   | 1,305  | (8)   |
| Policy                       | 2,538                   | 2,514  | (24)  |
| Budgets Not In Directorates  | 1,130                   | 186  | (944)                                       |
| <b>Total Expenditure</b>     | <b>15,546</b>           | <b>15,383</b>  | <b>(163)</b>                                |
| Funding                      | Budget 2022/23<br>£'000 | Outturn 2022/23 as at 31 <sup>st</sup> March 2023<br>£'000 | Variance (Under)/Overspend 2022/23<br>£'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)  | -   |
| <b>Total Funding</b>         | <b>(15,546)</b>         | <b>(15,673)</b>  | <b>(127)</b>                                |
| <b>Net Outturn</b>           | <b>-</b>                | <b>(290)</b>   | <b>(290)</b>                                |

### Key Variations

13. The National Employers pay offer of £1,925 on all NJC pay points 1 and above for the period 01<sup>st</sup> April 2022 to 31<sup>st</sup> 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               |
| <b>Total</b>           | <b>700,307</b>                         | <b>253,654</b>         | <b>446,653</b>       |

14. There are pressures on gas, electricity, and water across all of our properties resulting in an overspend £326k. 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.

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

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 have been attributed to this funding. The allocation of the 2022-23 fund is as per the table below, which has alleviated the need to utilise reserves for these purposes and a balance of £37k has been carried forward to 2023-24:

The £83k Capital grant was used to replace existing funding within the Worden Hall scheme.

| <b>UKSPF Grant Revenue Spend allocation<br/>22-23</b> | <b>Amount<br/>£'000</b> |
|---|-------------------------|
| Community Wealth Building                             | 5                       |
| Apprentice, Graduate and Trainee Posts                | 35                      |
| Business Support Advice and Grants                    | 132                     |
| Sports Club and Community Organisations               | 137                     |
| <b>Total</b>  | <b>309</b>              |

**Explanation of Key Variances by Directorate are as follows:**

#### 16. Commercial Services – Overspend of £411k

The key variances to note are:

- £86k overspend due to increased gas, electricity and water costs, which is based on the current price increases.
- £145k 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%.

- £28k net reduction 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.
- £152k overall increase in repairs and maintenance costs, such as those incurred at the Moss Side Depot (80k) and the Civic Centre (£68k) and various other smaller variances.

#### **17. Communities – Overspend of £169k**

The key variances to note are:

- The costs of supporting Homelessness have resulted in an overspend of £498k. 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 the utilisation of reserves ear-marked for this purpose of £176k and additional homelessness prevention grant of £25k which brings down the overspend to £297k. 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 the new allocations, meaning that the level of increase in funding for South Ribble has not been as much as expected.
- £73k 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, including unbudgeted shared services cost within Environmental Health. This also includes the impact of the pay award over and above the budget provision already provided of 2% i.e. an increase in costs of £82k.
- £178k increase in various income streams such as those from Sports England, Active Lancashire, ESC Lottery funding and income from schools.
- £39k unbudgeted income relating to Biodiversity Net gain grant.
- £16k 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 £168k**

The key variances to note are:

- £88k 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, consultant fees,

along with the pay award for 2022/23 compared to the 2% budget already provided in the base budget.

- £44k deficit on the Housing Benefit Administration cost centre due to Housing Benefit year end movements and £58k of additional New Burdens grant and DWP income received during the year.
- £93k reduction in bad debt provision for Housing Benefit based upon reductions in the level of outstanding balances.
- £47k reduction in car park income and PCN fines based on the actual income received to date.
- £72k underspend within the ICT supplies and services budget.
- £205k overspend on mechanics supplies and services, fuel and central stores which includes £114k historic stocks written off as no longer needed, offset by additional income from FCC contract of £176k.
- £307k 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 pay award for 2022/23 compared to the 2% budget already provided in the base budget. The remainder of the overspend (£132k) relates to increased use of agency staff due to vacancies on contract transfer.
- £92k additional garden waste income than budgeted, and there has been an increase of £52k in the income from the sale of bins.
- £20k 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 £65k**

- £9k net overspend on staffing costs across the directorate compared to the budget for 2022/23. This is mainly within legal services due to the use of agency staff. This also includes the pay award for 2022/23 compared to the base budget of 2%.
- £56k overspend on correspondence sent to households.

#### **20. Planning and Development – Underspend of £8k**

The key variances to note are:

- £75k 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%.
- £21k overspend due to increased gas, electricity and water costs, which is based on the current price increases.

- £239k increase in the 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. This income offsets the reduced income on pre-plan applications of £37k.
- £93k overspend across various fees such as consultancy and professional fees within Planning and Licencing.
- £41k reduction in various income such as building control fees, refund of rental income for the walled garden and reduction in various licensing fees off set by £9k increase in income for football pitches.
- £27k underspend on various other smaller variances within the directorate.

## **21. Policy – Underspend of £24k**

The key variances to note are:

- £109k net staffing underspend across the directorate compared to budget for 2022/23. This is mainly due to budgets for apprentices not being utilised, vacant post within Investment and Skills team and staffing recharges. This also includes the pay award for 2022/23 compared to the provision in the base budget of 2%.
- £93k increase in SLA recharge income to the Leisure company compared to budget. This is linked to staff cost within the directorate.
- £41k net overspend within the Corporate Management cost centre due to the increase in external audit fees, which has been reviewed and approved by Governance Committee offset by Redmond Review grant income.
- £79k 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.
- £56k increase in cost within Human Resources due to the increase in recruitment and associated costs across the organisation e.g. advertising and IT costs.
- £2k overspend on various other smaller variances within the directorate.

## **22. Budgets Not In Directorates – Underspend of £944k**

The key variances to note are:

- £813k over-recovery, of Net Interest Receivable/Payable for 2022/23. Due to rising interest rates and slippage in the Capital Programme, the income from investments is £718k above budget.
- £38k overspend in the level of the Minimum Revenue Provision (MRP); this is higher than the budget due to the profile of capital scheme expenditure funded by borrowing, which is earlier than that included in the budget and MTFS.
- £169k reflects the underspend balance on the corporate contingency budget.

## 23. Covid-19

The residual Covid 19 and Contain Outbreak Management Funding (COMF) remaining from 2021/22 has now been spent in line with original approvals, with no remaining balance.

## 24. Planned reserves movement – £127k Underspend

- In February 2022 in the approval of the 2022/23 Budget by Council, a slight surplus of £127k was identified as transfer to reserves; this is included now within the overall provisional outturn position of £0.290m.

## General Fund Resources and Balances

25. As detailed in **Appendix 3**, as at 1<sup>st</sup> April 2022 the Council held a £4.141m General Fund reserve to manage budget risks not covered by earmarked reserves or provisions within the budget. The provisional outturn for 2022/23 identifies that the General Fund closing balance will be £4.537m as detailed below.

## Movement in General Fund Reserves

| Summary of Movement in General Reserves                | £m             |
|--|----------------|
| General Fund Reserves as at 1 <sup>st</sup> April 2022 | (4.141)        |
| Provisional outturn revenue budget (surplus) / deficit | (0.290)        |
| Other reserve movements                                | (0.106)        |
| <b>General Reserve Closing Balance 2022/23</b>         | <b>(4.537)</b> |

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 Earmarked reserves held for discretionary use by the Council at 31<sup>st</sup> March 2023 is £16.069m compared to a balance of £20.280m at 31<sup>st</sup> March 2022.

| Summary of Movement in Earmarked Reserves   | £m              |
|---|-----------------|
| Earmarked Reserves as at 1 <sup>st</sup> April 2022   | (20.280)        |
| Use of revenue reserves for capital financing   | 1.814           |
| 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   | (1.598)         |
| Transfer to General Fund  | 0.106           |
| Use of other specific Earmarked Reserves – as per point 28 below  | 1.865           |
| <b>Provisional Earmarked Reserves Closing Balance 2022/23</b>   | <b>(16.069)</b> |



28. The £1.865m use of other specific Earmarked Reserves shown in the table above includes the following items:

- £51k 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;
- £117k to fund costs associated with the Local Plan;
- £114k 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;
- £185k use of specific reserves within the Policy directorate;
- £76k 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 are:

- £500k to cover future repairs and maintenance costs for Penwortham Mill Reservoir within the Commercial Services directorate;
- £12k balance on Housing Standard Enforcement;
- £340k balances on non-ringfenced Covid related cost centres, due to expenditure being funded elsewhere within the council's budgets, and as such, these balances have now been transferred to reserves to cover future inflationary and cost of living risks;
- £309k use of UKSPF funding, i.e. transfer related to previously budgeted costs that were instead funded through the 2022/23 UKSPF funding in line with the grant conditions.
- £437k to reserves following the triennial pension revaluation carried out in 2022, and the growth and strengthening of the Council's pension fund assets compared to liabilities over the period, the council is not required to make a top-up to the pension contributions prepaid in 2019. This has now been confirmed by Lancashire Pensions and as such the provision made for this has been released to reserves to meet any future restructure costs.

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 3<sup>rd</sup> 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;

| <b>Movement from:</b>  | <b>£'000</b> | <b>Movement to:</b>   | <b>£'000</b> |
|--|--------------|---|--------------|
| 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)<br>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)<br>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)<br>Inflationary Risk Reserve (£551k)  | 1,101        |
| Covid Recovery   | 578          | Social Prescribing (£375k)<br>Inflationary Risk Reserve (£203k) | 578          |
| Covid Commitments Reserve  | 600          | Inflationary Risk Reserve                                       | 600          |
|  | <b>4,513</b> |   | <b>4,513</b> |

### **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. None.

### **Comments of the Statutory Finance Officer**

35. The financial implications are contained within this report.

### **Comments of the Monitoring Officer**

36. None.

### Background documents

37. There are no background papers to this report.

### Appendices

Appendix 1 – Revenue 2022/23 - position at 31<sup>st</sup> March 2023

Appendix 2 – Revenue Budget Movements at 31<sup>st</sup> March 2023

Appendix 3 – 2022/23 Reserves Programme position at 31<sup>st</sup> March 2023

Appendix 4 – Current Staffing Vacancies

| Report Author:   | Email:                              | Telephone: | Date:    |
|--|-------------------------------------|------------|----------|
| Neil Halton (Principal Management Accountant),<br>Hema Chevli (Senior Management Accountant) | Neil.Halton@southribble.gov.uk      |            | 19/05/23 |
|  | Hemangini.Chevli@southribble.gov.uk |            | 19/05/23 |