

Report of	Meeting	Date
Director of Finance and Section 151 Officer (Introduced by Cabinet Member (Finance and Public Protection))	Cabinet	13/09/2023

Is this report confidential?	No
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Is this decision key?	Yes
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Savings or expenditure amounting to greater than £100,000	Significant impact on 2 or more council wards
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2023/24 Corporate Revenue Budget Monitoring Report and Reserves for the 4 months to 31st July 2023

Purpose of the Report

1. This report sets out the revenue and reserves forecast for 2023/24 for the Council, based on the position as at 31st July 2023.

Recommendations to Cabinet

2. To note the 2023/24 forecast outturn for revenue and the level of reserves based on the position as at 31st July 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 at 31st July 2023, the forecast outturn is for an overspend of £0.108m however based on the current position of the 2023/24 pay award negotiations, an unfunded budget pressure is anticipated of £0.212m; this has been built into the figures presented below and as such the revised forecast outturn is for an overspend of £0.320m, as detailed in **Appendix 1**.
7. The Council's Medium-Term Financial Strategy reported that the minimum level of General Fund Reserves should be maintained at £4.0m to cushion against any potential, future risks that may face the Council.
8. Based on the above forecast overspend, and as detailed at point 22, the forecast level of General Fund balances is £4.218m at 31st March 2024.

Corporate priorities

9. 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

10. The current net revenue budget for 2023/24 is £16.184m.
11. **Appendix 3** provides further information about the specific earmarked reserves that the Council holds at 31st July 2023.

Current Outturn Position – Revenue

12. The forecast revenue outturn, based on the position at 31st July 2023, shows a provisional overspend against the Council's budgets of £0.320m. 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.

13. Variations from Budget

Directorate	Budget 2023/24 £'000	Forecast 2023/24 at 31 st July 2023 £'000	Variance (Under)/Overspend 2023/24 £'000
Property	488	654	166
Communities and Leisure	3,412	3,555	143
Customer & Digital	6,411	6,852	441
Planning	1,243	1,304	61
Policy and Governance	5,042	5,175	133
Budgets Not In Directorates	(412)	(1,036)	(624)
Total Expenditure	16,184	16,504	320
Funding	Budget 2023/24 £'000	Forecast 2023/24 at 31 st July 2023 £'000	Variance (Under)/Overspend 2023/24 £'000
Council Tax	(8,235)	(8,235)	-
Funding Guarantee	(632)	(632)	-
Lower Tier Support Grant	(95)	(95)	-
New Homes Bonus	(376)	(376)	-
Retained Business Rates	(3,396)	(3,396)	-
Section 31 Government Grants	(3,450)	(3,450)	-
Total Funding	(16,184)	(16,184)	-
Net Forecast	-	320	320

14. The National Employers have made a pay offer of £1,925 on all NJC pay points 1 and above for the period 1st April 2023 to 31st March 2024 which has been rejected by the Trades Union. As it is highly unlikely that the final pay award will be less than this amount, provision has been made in the forecast at this rate. The table below shows the overall implications of the proposed pay award for 2023/24 should the pay offer of £1,925 be accepted, compared to the provision of 5% included in the base budget.

Directorates	Proposed Pay Award including NI & Pension	Pay Award Budget at 5%	Net increase in cost
Property	41,332	30,070	11,262
Communities and Leisure	134,797	119,546	15,251
Customer & Digital	471,515	329,903	141,612
Planning	105,107	94,462	10,645
Policy and Governance	213,701	180,520	33,181
Total	966,452	754,501	211,951

15. There are pressures on gas, electricity, and water across all of our properties resulting in an overspend £11k. South Ribble had benefited from managing the energy risk via fixed rate energy contracts and by having buildings that use renewable energy. There are no other inflationary cost pressures identified at present, but this will be monitored and reported if such changes are identified.

Explanation of Key Variances by Directorate are as follows:

16. Commercial Services – forecast overspend of £166k

The key variances to note are:

- £40k net overspends on staffing costs across the directorate compared to the budget for 2023/24. This is mainly due to the additional costs of using agency staff. This also includes the costs of the proposed pay award for 2023/24 compared to the provision included in the base budget of 5%.
- £11k overspends compared to budget due to increases in gas, electricity and water costs.
- £14k net increase in income streams within Commercial services; whilst some income streams have decreased, such as room hire and rental income, others have increased, such as those generated through fees and charges.
- £40k overspend due to an overall increase in spend on repairs and maintenance. A review of the building repair and maintenance budget will be undertaken in the coming months based on the findings of the stock condition surveys that are currently being commissioned to assess if there is an ongoing requirement for a budget increase in 2024/25.
- £53k overspend relating to professional fees, consultancy fees, service charges and minor improvement works at the Civic Centre, together with various other small variances.
- £36k forecast overspend on leisure centre repairs and maintenance costs, as the council is landlord of the buildings.

17. Communities – forecast overspend of £143k

The key variances to note are:

- Based on current levels of expenditure in the 4 months to 31st July 2023, the forecast spends on temporary accommodation in supporting Homelessness is £620k, which would result in an overspend of £569k on this cost centre. The Council is currently supporting far greater numbers of people than ever before, and the costs of accommodation and support are increasing. A high level of cost was anticipated, as this was the case in 2022/23, and as such an additional one-off budget of £150k was provided in 2023/24 for Homelessness. An additional, unbudgeted, Homelessness Prevention Grant of £79k, together with the recovery of additional housing benefit expenses of £75k, has assisted in bringing down the forecast overspend to £265k. 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. Plans to address the overspend

during the year are being implemented and as such it is highly likely that the level of forecast overspend will reduce over the coming months, which will be reflected in future Quarterly Corporate Revenue Monitoring reports. Actions taken are wide ranging and include;

- a. A re-focus of the service on cases where the team have a statutory duty;
 - b. The introduction of Social Prescribers will support the team and individuals with an early intervention approach to mitigate tenancy failure where possible;
 - c. Exploration of private sector leasing scheme options;
 - d. Working with Select Move Steering Group partners to facilitate direct matches for move on from temporary accommodation where appropriate.
- £10k net overspend on staffing costs across the directorate compared to the budget for 2023/24. This is mainly due to vacant posts within the Community Involvement, Community Development, Leisure and Housing Services Teams offsetting staffing overspends within the Environmental Health and Homelessness Teams. This also includes the proposed pay award for 2023/24 which is more than the provision included in the base budget of 5%.
 - £148k increase in various, unbudgeted, income streams including those from Sports England, Active Lancashire, ESC Lottery funding and income from schools.
 - £16k overspend on public health related external contractor charges and a reduction on fees and charges income, combined with various other smaller variances across the directorate.
 - The Communities directorate is carrying forward various significant grants, totalling £915k, either into their revenue budget for 2023/24 or by holding them in ear-marked reserves. At present, £72k of these grants have been utilised, and this figure is expected to rise throughout the year. It is important to note that some of these grants must be used by 31 March 2024 or they must be returned to the relevant body.

18. Customer and Digital – forecast overspend of £441k

The key variances to note are:

- £443k net overspend on staffing costs across the directorate compared to the budget for 2023/24. This is mainly due to 4 additional posts above the budgeted establishment (£109k), overtime (£50k) and an overspend on agency staff (£189k) within the Waste Technical Team. A review is to be undertaken on the use of agency staff, linked to the staffing establishment and the requirements for cover due to holidays and sickness, This will be reported in the Quarter 2 Revenue Monitoring report with a revised forecast of the expected outturn at the year end. This net overspend also includes the proposed pay award for 2023/24 which exceeds the 5% provision included in the base budget by £142k and includes an overspend against the staff vacancy rate provision of 2.5% in several teams as these are fully staffed. These overspends are offset to some extent by underspends within the ICT Services Team as several vacant posts are in the process of being filled.
- £22k underspend due to additional, unbudgeted, New Burdens grant and an increase in Council Tax Rebate Burdens funding.
- £10k underspend due to reduction in professional fees.

- £9k additional cost relating to traveller's encampments within the Neighbourhood Teams.
- £29k overspend in respect of external contractors within the Arborist Team; the costs have been funded by a vacancy within the Arborist team which has been accounted for in the net overspend on staffing cost above.
- £27k reduction in car park income compared to budget. There are additional costs incurred in relation to mechanics costs of £61k, offset by income of £87k from FCC Environ for maintenance of Chorley waste collection vehicles.
- £28k overspend due to shortfall in trade waste income compared to budget.
- £39K underspend relating to fleet costs, including maintenance and diesel.
- £2k overspend relating to various other smaller variances across the directorate.

19. Planning and Development – forecast overspend of £61k

The key variances to note are:

- £21k net overspend on staffing costs across the directorate compared to the budget for 2023/24. This includes underspends from vacant posts within the Building Control Service Unit, the Management Planning & Development team and the Parks and Green Infrastructure team, offset by the costs of agency staff within Development Control Services. This also includes the proposed pay award for 2023/24 compared to the 5% provision included in the budget.
- £30k reduction in income on pre-plan applications. This service has now recommenced however it is unlikely to achieve the full year level of income. This is a non-recurring issue for 2023/24 and it is expected income targets will be met in 2024/25 and beyond.
- £10k overspend on professional fees and various other smaller variances across the directorate.

20. Policy and Governance – forecast overspend of £133k

The key variances to note are:

- £41k net underspend on staffing costs across the directorate compared to the budget for 2023/24. This is mainly due to vacant apprentice posts, the timing of recruitment into vacant posts within the Legal Services team, offset by the costs of agency staff within the Procurement team. This also includes the proposed pay award for 2023/24 compared to the provision included in the base budget of 5%.
- £37k overspend on general insurance due to the forecast costs of the council's combined liability insurance compared to budget.
- £59k overspend on Worden Hall as, due to contractor issues, there have been delays in the opening and full operation of the building; as such, it is forecast that income targets will not be achieved in 2023/24 however this is a non-recurring overspend for 2023/24 and it is intended that this will be back on budget in 2024/25.

- £34k overspend in Human Resources due to the increase in recruitment activity and in the cost of IT recruitment systems following retender, which will require dual running of both the old and new systems for a period to maintain business continuity.
- £11k reduction in budgeted income as confirmation has been received from the Cabinet Office that Individual Electoral Registration (IER) funding will not be available from 2022/23 onwards.
- £33k overspend on various other smaller variances across the directorate.

21. Budgets Not In Directorates – forecast underspend of £624k

The key variances to note are:

- Due to slippage in the 2022/23 capital programme and further Bank of England interest rate increases since the budget was set, the Net Interest Receivable/Payable budget is forecast to over-recover against the budget by £428k.
- £196k is due to the release of the contingency budget that was created to cushion the impact of inflationary increases, over and above those specifically budgeted for in relation to the council's energy costs, pay award, leisure services and other cost pressures.

General Fund Resources and Balances

22. As detailed in **Appendix 3**, as at 1st April 2023 the Council held a £4.538m General Fund Reserve to manage budget risks not covered by earmarked reserves or provisions within the budget. The forecast outturn for 2023/24 identifies that the forecast closing balance on the General Fund Reserve will be £4.218m as detailed below.

Movement in General Fund Reserves

Summary of Movement in General Reserves	£m
General Fund Reserves as at 1 st April 2023	(4.538)
Forecast outturn revenue budget (surplus) / deficit	0.320
General Reserve Closing Balance 2023/24	(4.218)

23. **Appendix 3** provides further information about the specific earmarked reserves and provisions available for use throughout 2023/24.

Movement in Earmarked Reserves

24. Taking account of the adjustments highlighted in **Appendix 3**, the forecast level of Earmarked reserves held for discretionary use by the Council at 31 March 2024 is £11.085m compared to a balance of £16.633m at 31st March 2023.

Summary of Movement in Earmarked Reserves	£m
Earmarked Reserves as at 1 st April 2023	(16.633)
Use of revenue reserves for capital financing	3.855
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	0.481
Transfers to reserves	(0.185)
Use of other specific Earmarked Reserves	1.397
Earmarked Reserves Closing Balance 2023/24	(11.085)

25. The £1.397m use of other specific Earmarked Reserves shown in the table above includes the following items:

- £163k use of Capital Investment and Funding reserves.
- £212k use of Community Events reserves for Music in the Park and Leyland Festival.
- £44k use of Apprentice and Graduate reserves.
- £200k use of Business Support Advice and Grants reserves.
- £31k use of Social Prescribing reserves.
- £47k use of Environmental Improvements reserves.
- £93k use of Local plan reserves.
- £40k use of IT Transformation reserves.
- £246k use of City Deal reserves.
- £178k use of Climate Emergency reserves.
- £33k use of Credit Union reserves.
- £56k use of Community Wealth reserves.
- The remainder of the movements are various, smaller adjustments related to revenue spending.

26. The movement of £3.855m is reflective of revenue reserve funding within the capital programme. This is reflected in the Capital and Balance Sheet monitoring report quarter 1. Appendix A within this report reflects £3.849m of this transfer with the remainder being small amount of spend not meeting the capital limits.

27. Transfers to reserves reported in this period are:

- £185k has been added to unallocated reserves in relation to Housing Benefit accrued but not required in 2023/24.

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

Climate change and air quality

29. 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

30. None.

Risk

31. The forecasts above are based upon four months of the financial year and contain significant assumptions around pay awards, homelessness pressures and interest rates. The volatility in such figures means it is likely there will be greater movement in financial figures between quarterly reports. These risks will be managed through budget monitoring and reporting, where necessary, on any specific issues arising.

Comments of the Statutory Finance Officer

32. The financial implications are contained within this report.

Comments of the Monitoring Officer

33. None.

Background documents

34. There are no background papers to this report.

Appendices

Appendix 1 – Revenue 2023/24 - position at 31st July 2023

Appendix 2 – Revenue Budget Movements at 31st July 2023

Appendix 3 – 2023/24 Reserves Programme position at 31st July 2023

Appendix 4 – Current Staffing Vacancies

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