

Report of	Meeting	Date
Director of Finance and Section 151 Officer (Introduced by Cabinet Member (Finance, Property and Assets))	Scrutiny Budget and Performance Panel	15 <sup>th</sup> November 2021
	Cabinet	17 <sup>th</sup> November 2021

Is this report confidential?	No
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Is this decision key?	Yes
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<b>Savings or expenditure amounting to greater than £100,000</b>	<b>Significant impact on 2 or more council wards</b>
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## 2021/22 Corporate Revenue Budget Monitoring Report and Reserves – position as at 30th September 2021

### Purpose of the Report

1. This report sets out the revenue and reserves forecast for the Council as at 30th September 2021.

### Recommendations to Cabinet

2. Note the forecast position for revenue and reserves as at 30th September 2021.
3. Note the virements to the revenue budget made during the period, as detailed in **Appendix 2** of the report.

### Executive summary

4. Based on the position as at 30<sup>th</sup> September 2021, there is a forecast underspend against the budget for 2021/22 of £274k as detailed in **Appendix 1**.
5. The Council's Medium-Term Financial Strategy reported that working balances were to be maintained at a minimum of £4.0m due to the financial risks facing the Council. The forecast level of general fund balances as at 31<sup>st</sup> March 2022 is £4.415m.

### Reasons for Recommendations

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

## Alternative Options Considered and Rejected

7. None

## 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 net revenue budget for 2021/22 is £14.480m.

10. **Appendix 3** provides further information about the specific earmarked reserves and provisions available for use throughout 2021/22.

11. The Council's approved revenue budget for 2021/22 included target savings of £190k, comprising £150k in staffing turnover, and £40k from the expansion of shared services. The £150k target has been achieved and deducted from directorate staffing budgets as reported in the previous monitoring report. The £40k target has not yet been achieved.

## Section A: Current Forecast Position – Revenue

12. The forecast expenditure based on the position as at 30th September 2021 is £14.206m against the Council's budgets of £14.480m. Details of the forecast revenue outturn position are shown in **Appendix 1** and the movement and balances on reserves are outlined in **Appendix 3**. The main variances, by directorate, are detailed below.

13. The staffing budgets were set with no assumed percentage increase for a pay award but with a £250 increase for salaries below £25k, in line with the Government announcement at the time. Since then, negotiations have been ongoing between the National Joint Council trades unions and the National Employers, and a final offer of a 1.75% increase has been offered to the unions. The staffing forecasts have been updated to reflect this although it must be noted that the offer has not yet been accepted. The impact is an increase in staffing costs of around £142k for the current year.

## Variations from Budget

<b>Directorate</b>	<b>Budget £'000</b>	<b>Forecast at 30<sup>th</sup> Sept 21 £'000</b>	<b>Variance (Under)/Over spend £'000</b>
Commercial & Property	1,750	1,789	39
Communities	1,689	1,507	(182)
Customer & Digital	6,217	6,074	(143)
Governance	1,796	1,826	30
Planning & Development	582	441	(141)
Policy	1,882	1,904	22
Budgets Not In Directorates	564	950	386
Covid-19	-	(286)	(286)
<b>Total Expenditure</b>	<b>14,480</b>	<b>14,206</b>	<b>(274)</b>
<b>Funding</b>	<b>Budget £'000</b>	<b>Forecast at 30<sup>th</sup> Sept 21 £'000</b>	<b>Variance (Under)/Over spend £'000</b>
Council Tax	(8,599)	(8,599)	-
Lower Tier Support Grant	(100)	(100)	-
New Homes Bonus	(363)	(363)	-
Reserves	(124)	(124)	-
Retained Business Rates	(3,829)	(3,829)	-
Section 31 Government Grants	(1,465)	(1,465)	-
<b>Total Funding</b>	<b>(14,480)</b>	<b>(14,480)</b>	<b>-</b>

### 14. Commercial and Property – overspend of £39k

- The forecast is based on a reduced income of £94k from investment properties, the market and the business and conference centre.
- Additional staffing costs of £53k have been included in the projections, in respect of support required in the facilities and estates teams.
- Leisure Services is forecasted to underspend by £78k. South Ribble Leisure Ltd was established on 1<sup>st</sup> September 2021 and over the 7 month period September 2021 to March 2022 the Council will pay an agreed payment, under contract, to the company for service delivery. The Council's leisure services budget was set based on assumed costs for continuing to run the service in-house throughout the year. The budget included costs for NNDR but the company has exemptions from paying these costs, which is the main reason for a forecasted underspend.

### 15. Communities – underspend of £182k

- Community Involvement has an underspend of £55k due to staffing vacancies. The vacant assistant director post is generating an underspend of £34k, which is being used to offset the overspend of £15k in Environmental Health, which is due to additional staffing costs for a shared service lead.
- Additional grant funding relating to Homelessness of £49k is shown as a surplus because there are not yet definitive plans for spending this.

- Housing Support is forecast to underspend due to the expected level of the admin charge for Disabled Facilities Grants, which is charged to capital expenditure; it is expected that this will be £50k higher than the budget. The charge is based on the value of capital expenditure incurred, which is forecast to be much higher than the level assumed when the budget was set.

**16. Customer and Digital – underspend of £143k**

- There is a surplus forecast of £149k on the housing benefit subsidy, based on the mid-year estimate.
- The Customer Services and the Revenues and Benefits cost centres have a forecast underspend of £138k on staffing costs due to vacant posts; a service review is in progress.
- Parks and Neighbourhoods is underspent on staffing by £18k due to vacancies
- This is offset by reduced income from court summonses of £95k and parking income of £93k.
- Garden waste income has a surplus of £87k but trade waste income is down by £16k.

**17. Governance – overspend of £30k**

- £23k of this relates to a forecast overspend on Democratic Services due to additional staffing costs.

**18. Planning and Development – underspend of £141k**

- Planning fee income is forecast to be in surplus by £71k against the budget. There are also staffing vacancies resulting in further underspends of £40k.
- The apprentices budget within the Investment and Skills service has an underspend of £44k due to vacancies.

**19. Policy – overspend of £22k**

- Shared Financial Services has a forecasted overspend of £20k due to additional costs for agency staff. This is a temporary cost increase while business grants are brought to a close.

**20. Budgets Not In Directorates – overspend of £386k**

- As noted in the last Revenue Monitoring Report presented to Cabinet in September, additional pension contributions of £353k will be required due to an underpayment of advance pension contributions paid to the Lancashire Pension Fund in April 2020. This has resulted in an in-year overspend of £240k on pensions.
- The original revenue budget included savings targets of £150k for staffing turnover and £40k for expanding shared services. The full savings of £150k have already been achieved and these have been deducted from directorate staffing budgets; £75k to Communities and £75k to Customer and Digital. The £40k savings target in respect of shared services will be identified following the reviews currently in progress.
- Parish precepts are £44k higher than budget due to the fact that their value was not available when the budget was set.
- Net Interest Receivable/Payable is forecast to be £63k overspent for 2021/22.

**21. Covid-19 - underspend of £286k**

- £80k additional income is anticipated from the governments Covid-19 Sales, Fees and Charges Compensation Scheme to offset losses incurred in the first quarter of 2021/22.
- £206k additional income is anticipated from the Covid-19 Containing Outbreak Management Fund (COMF) to offset against staffing costs across various services.

**22. Funding – No variations in funding are forecasted at this stage.**

## Section B: General Fund Resources and Balances

23. With regard to working balances, and as detailed in **Appendix 3**, the Council holds a £4.1m General Fund balance to manage budget risks not covered by earmarked reserves or provisions. The forecast outturn for 2021/22 shows a projected General Fund closing balance of £4.415m as detailed below.

<b>Summary of Movement in General Reserves</b>	<b>£m</b>
General Fund Reserves as at 1 <sup>st</sup> April 2021	(4.141)
Forecast revenue budget (surplus) / deficit	(0.274)
<b>Forecast General Reserve Closing Balance 2021/22</b>	<b>(4.415)</b>

24. **Appendix 3** provides further information about the specific earmarked reserves and provisions available for use throughout 2021/22.

25. Taking account of the adjustments highlighted in **Appendix 3**, the forecasted level of Earmarked reserves held for discretionary use by the Council at 31<sup>st</sup> March 2022 is £11.797m compared to a balance of £23.007m at 31<sup>st</sup> March 2021.

<b>Summary of Movement in Earmarked Reserves</b>	<b>£m</b>
Earmarked Reserves as at 1 <sup>st</sup> April 2021	(23.007)
Use of revenue reserves for capital financing	4.672
Release of S31 grant received in 2020/21 (and held in reserves) in respect of Business Rates reliefs stipulated by the government during – this offsets the resulting deficit brought forward on the Collection Fund	4.890
Forecast use of other earmarked reserves	1.648
<b>Forecast Earmarked Reserves Closing Balance 2021/22</b>	<b>(11.797)</b>

26. Amounts within the forecast use of 'other earmarked reserves' include;

- £306k from the leisure reserve in relation to one-off costs involved in bringing leisure services in-house from 1<sup>st</sup> April 2021 and transferring to a local authority trading company
- £242k from the Section 106 reserve relating to a specific section 106 agreement that requires the receipt to be paid over to City Deal.
- £236k from the business rates retention reserve to address the additional pension contributions required in relation to 2020/21.
- £177k to fund costs associated with the local plan.
- £150k from the business grants reserve to contribute to the wider programme of support to businesses, using Covid Additional Restrictions Grant funding.
- £113k of funding carried forward to be used for stock condition surveys for the Councils properties.
- The remainder of the movements are various, smaller adjustments related to revenue spending.

### **Climate change and air quality**

27. 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**

28. None

### **Risk**

29. Please summarise the key risks identified in any risk assessments.

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

30. The financial implications are contained within this report.

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

31. None

### **Background documents**

32. There are no background papers to this report.

### **Appendices**

Appendix 1 – Revenue 2021/22 - position as at 30th September 2021

Appendix 2 – Revenue Budget Movements as at 30th September 2021

Appendix 3 – 2021/22 Reserves Programme position as at 30th September 2021

Appendix 4 – Staffing Vacancies as at 30th September 2021

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