

Report of	Meeting	Date
Director of Finance and Section 151 Officer (Introduced by Cabinet Member (Finance, Property and Assets))	Scrutiny Budget and Performance Panel Cabinet	21 st March 2022 23 rd March 2022

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
--	--

2021/22 Corporate Revenue Budget Monitoring Report and Reserves – position as at 31st January 2022

Purpose of the Report

1. This report sets out the revenue and reserves forecast for the council as at 31st January 2022.

Recommendations to the Scrutiny Budget and Performance Panel

2. The Panel is asked to comment and make any recommendations to Cabinet.

Recommendations to Cabinet

3. Note the forecast position for revenue and reserves as at 31st January 2022.
4. Note the virements to the revenue budget made during the period, as detailed in **Appendix 2** of the report.
5. To approve the creation of reserves from the forecast in-year underspend and the reallocation of existing reserves as follows:
 - Use of in year underspends for:
 - £30k to create a reserve to support communities in celebrating the Queen's Jubilee
 - £200k to create a reserve for business support, advice and grants to support economic recovery
 - £200k to create a reserve targeting fly-tipping and environmental improvements

- £200k to create a reserve to support the creation of Apprentice, Graduate, and Trainee posts across the council
 - £200 to create a reserve to support the community hub Boost Fund, to support them in making a real impact in the community
 - £200k to create a reserve to provide support for sports clubs & community organisations
6. To approve the remaining forecast underspend of £392k to be allocated to a Covid reserve for future projects.

Executive summary

7. Based on the financial position and latest information as at 31st January 2022, there is a forecast underspend against the budget for 2021/22 of £1.422m as detailed in **Appendix 1**. Following the allocation to the reserves detailed above, the revised forecast underspend to be moved to general reserves would be nil.
8. The council's Medium-Term Financial Strategy reported that working balances were to be maintained at a minimum of £4.0m due to the general financial risks facing the council. Based on point 5 above, the forecast level of general fund balances as at 31st March 2022 is £4.533m.

Reasons for Recommendations

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

Alternative Options Considered and Rejected

10. None

Corporate priorities

11. 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

12. The current net revenue budget for 2021/22 is £14.480m, which includes a savings target comprising of £150k in respect of staffing turnover and £40k from the expansion of Shared Services.
13. **Appendix 3** provides further information about the specific earmarked reserves and provisions available for use throughout 2021/22.

Section A: Current Forecast Position – Revenue

14. The forecast expenditure based on the position as at 31st January 2022 is £12.984m 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.
15. 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

Directorate	Budget £'000	Forecast at 31st Jan 22 £'000	Variance (Under)/Overspend £'000
Commercial & Property	1,750	1,622	(128)
Communities	1,690	1,529	(161)
Customer & Digital	6,217	5,990	(227)
Governance	1,796	1,763	(33)
Planning & Development	582	343	(240)
Policy	1,881	1,933	53
Budgets Not In Directorates	564	947	383
Covid-19	-	(1,143)	(1,143)
Total Expenditure	14,480	12,984	(1,496)
Funding	Budget £'000	Forecast at 31st Jan 22 £'000	Variance (Under)/Overspend £'000
Council Tax	(8,599)	(8,599)	-
Lower Tier Support Grant	(100)	(100)	-
New Homes Bonus	(363)	(363)	-
Reserves	(124)	(50)	74
Retained Business Rates	(3,829)	(3,829)	-
Section 31 Government Grants	(1,465)	(1,465)	-
Total Funding	(14,480)	(14,406)	74

16. Commercial and Property – underspend of £128k

- The forecast is based on a reduced income of £94k from across investment properties, the market and the business and conference centre.
- Additional staffing costs of £79k have been included in the projections, in respect of support required in the facilities and estates teams.
- Leisure Services is forecast to underspend by £286k against budget – the budget was set based on council provision of leisure services throughout 2021/22 however the service was transferred to South Ribble Leisure Ltd (a wholly owned subsidiary of the council) on 1st September 2021. The reported underspend therefore reflects the transfer, with actual income and expenditure included for just 5 months of the year,

along with an unbudgeted receipt of £106k in respect of furlough funding for the period 1st April to 31st August 2021.

17. Communities – underspend of £161k

- The Community Involvement budget is forecasting an underspend of £82k due to staffing vacancies
- The Homelessness budget is now forecast to be spent in full in line with the identified spending plans.
- The Housing Support budget is forecast to underspend due to an increase in the projected 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 which was set based on an ongoing impact from Covid.

18. Customer and Digital – underspend of £227k

- £306k forecast underspend in respect of savings on staffing costs, due to vacant posts in Customer Services, Revenues and Benefits and ICT services, pending the implementation of the Shared Services review. Also staffing underspends in the Parks & Neighbourhood teams due to the time in recruiting to a number of positions and the vacant Neighbourhood manager's post. These are offset to some extent by additional external staffing costs of £63k for Customer Services, Revenues and Benefits and Waste management
- Unexpected New Burdens grant income received of £62k that had not been budgeted for.
- The Parks & Neighbourhood budget has an overspend of £61k against it on materials, external contractors and miscellaneous expenses.
- Transport has an overspend of £41k in respect of fuel and tools/supplies and a reduction in parking income of £79k, which is partly offset by surplus vehicle maintenance income of £80k.
- Waste Management has an overspend of £37k primarily due to increase in contract cost.

19. Governance – underspend of £33k

20. The underspend relates mainly due to underspends on staffing costs and Member allowances, offset by an increase in the costs of Agency staff in the Legal team.

21. Planning and Development – underspend of £240k

- Planning fee income is forecast to be in surplus by £106k against the budget. There are also staffing vacancies resulting in further underspends of £43k.
- The apprentices and Investment and Skills service has a combined underspend of £62k due to vacancies.
- Licencing has a forecast underspend on staffing cost of £40k due to vacant posts, however this is offset by the reduced licencing income of £11k.

22. Policy – overspend of £53k

- £42k overspend relates to external Audit fees for 21/22 and for previous years.
- There is an overspend on staffing costs within Museums of £26k relating to the new staffing structure which will be offset by income in 22/23.

23. Budgets Not In Directorates – overspend of £383k

- As noted in previous reports, additional pension contributions of £353k will be required in the year to address the understated level of pension contributions paid in advance for the three years to 2022/23 to the Lancashire Pension Fund in April 2020. This has resulted in an in-year overspend of £232k.

- The original revenue budget included a savings targets of £150k for staff 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. Due to the time taken for the implementation of the ICT and Customer Services reviews, there has been some slippage in the delivery of the £40k savings target for Shared Services. However, given that these reviews are now almost concluded, the savings will be achieved and have been allocated in full as part of the budget setting process for 2022/23; in 2021/22 the shortfall will be covered by in year underspends.
- 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 £67k overspent for 2021/22.

24. Covid-19 - reallocation of £1,143k

- The forecast re-allocation of costs incurred by the council in its response to Covid, and of the funding received, reflects £80k of additional income that is anticipated from the government's Covid-19 Fees & Charges Compensation Scheme to offset income losses incurred by the Council in the first quarter of 2021/22.
- £681k of unringfenced Covid grants relating to the administration of the business grants, test and trace allocations and other Covid funding has now been released into the revenue budget following a refinement and confirmation of the likely costs of Covid through to the year end.
- £206k additional income was included in the revenue budget at Quarter 2 from the Covid-19 Contain Outbreak Management Fund (COMF) to contribute to the costs incurred across the council's services, mainly in staffing, in working on the Covid response. This has been increased at Q3 to reflect a further £176k of expenditure within Council budgets that are applicable to the COMF Funding.
- As previously reported, the Council has received £1.349m of COMF funding. The funding came with detailed guidance and eligibility criteria for expenditure. The plans for expenditure of the grant had to be shared with, and agreed by, the Director of Public Health (this approval has now been secured). It has now been confirmed that any of the funding that has not been spent by 31st March 2022 may be carried forward into 2022/23; the expectation is that the Council will have spent the majority of this funding in 2021/22. A breakdown of the proposed COMF spend is included in Appendix 5, which details that the proposed expenditure exceeds the funding received by £100k; a request has been made to the Director of Public Health to secure additional financial support to meet these proposals.

25. Funding – £74k Overspend

26. The budgeted use of reserves for Youth Support and Homelessness are no longer required.

Section B: General Fund Resources and Balances

27. 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 £4.533m as detailed below.

Summary of Movement in General Reserves	£m
General Fund Reserves as at 1 st April 2021	(4.141)
Forecast revenue budget (surplus) / deficit	(1.422)
Forecast movement to other reserves as detailed in point 4 and 5	1.422
Forecast General Reserve Closing Balance 2021/22	(4.141)

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

29. Taking account of the adjustments highlighted in **Appendix 3**, the forecasted level of Earmarked reserves held for discretionary use by the Council at 31st March 2022 is £13.957m compared to a balance of £23.007m at 31st March 2022.

Summary of Movement in Earmarked Reserves	£m
Earmarked Reserves as at 1 st April 2021	(23.007)
Use of revenue reserves for capital financing	3.889
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
Movements to Reserves as detailed in point 4 and 5	(1.422)
Forecast use/increase of other earmarked reserves	1.302
Forecast Earmarked Reserves Closing Balance 2021/22	(14.349)

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

- £186k from the leisure reserve in relation to one-off costs involved in bringing leisure services in-house from 1st 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.
- £84k 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

31. 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

32. None

Risk

33. N/A

Comments of the Statutory Finance Officer

34. The financial implications are contained within this report.

Comments of the Monitoring Officer

35. None

Background documents

36. There are no background papers to this report.

Appendices

Appendix 1 – Revenue 2021/22 - position as at 31st January 2022

Appendix 2 – Revenue Budget Movements as at 31st January 2022

Appendix 3 – 2021/22 Reserves Programme position as at 31st January 2022

Appendix 4 – Staffing Vacancies as at 31st January 2022

Appendix 5 – Summary of COMF Spend

Report Author:	Email:	Telephone:	Date:
Neil Halton (Principal Management Accountant), James McNulty (Senior Management Accountant)	neil.halton@southribble.gov.uk, louise.mattinson@southribble.gov.uk, james.mcnulty@southribble.gov.uk,	01772 625625	14/02/22

Hema Chevli (Senior Management Accountant)			
--	--	--	--