

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	Monday, 20 June 2022 Monday, 20 June 2022

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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2021/22 Corporate Revenue Budget Monitoring Report and Reserves – Provisional outturn position at 31st March 2022

Purpose of the Report

1. This report sets out the revenue and reserves provisional outturn for the council as at 31st March 2022.

Recommendations to Cabinet

2. Note the provisional outturn position for revenue and reserves as at 31st March 2022.
3. To approve the creation of the following reserves from the in-year underspend:
 - o £92k for the creation of a reserve for the costs of Planning Appeals and inquiries.

Executive summary

4. Based on the provisional outturn position at 31st March 2022, there is an underspend against the budget for 2021/22 of £0.484m; as detailed in **Appendix 1**; this compares with the forecast at 31st January of £0.392m. Following the allocation to reserves as detailed above, and the agreed movement of £0.392m at quarter three to the Covid Recovery Reserve, there will be no change to the general fund reserve.
5. 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 point 4 above, the level of general fund balances at 31st March 2022 is £4.141m.

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:

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

Background to the report

9. The current net revenue budget for 2021/22 is £14.480m, which includes a savings target of £190k; this comprises £150k in respect of staffing turnover and £40k from the expansion of Shared Services.
10. **Appendix 3** provides further information about the specific earmarked reserves and provisions that were available for use during 2021/22.

Section A: Outturn Position – Revenue

11. The expenditure, based on the position as at 31st March 2022, is £13.872m against the council's budgets of £14.480m. Details of the 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.
12. A general key issue to note is that the staffing budgets for 2021/22 were set without any inflationary uplift, in line with the Government announcement at the time, with the exception of a £250 increase for salaries below £25k. A final offer was accepted by the Unions of 1.75% during the year, which therefore created a £142k budget pressure across all directorates in the council; this has been contained within the figures presented.

Variations from Budget

Directorate	Budget £'000	Outturn 31st Mar 22 £'000	Variance (Under)/Overspend £'000
Commercial & Property	1,750	1,827	77
Communities	1,690	1,448	(242)
Customer & Digital	6,217	5,905	(312)
Governance	1,796	1,706	(90)
Planning & Development	582	(67)	(649)
Policy	1,881	2,126	245
Budgets Not In Directorates	564	914	350
Covid-19	-	13	13
Total Expenditure	14,480	13,872	(608)
Funding	Budget £'000	Outturn 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)	-	124
Retained Business Rates	(3,829)	(3,829)	-
Section 31 Government Grants	(1,465)	(1,465)	-
Total Funding	(14,480)	(14,356)	124
Net Outturn	-	(484)	(484)

13. Commercial and Property – Overspend of £77k

The key variances to note are;

- £97k additional staffing costs in respect of support required in the facilities and estates teams and further costs incurred on repairs and maintenance of £118k.
- There is an overspend of £47k due to agency staff costs in property, and a reduction in income of £52k across the market and the business and conference centre, due to the impact of Covid. There was an increase in repairs and maintenance at Moss Side of £27k.
- Leisure Services has an underspend by £274k against budget – this has arisen as the budget assumed that leisure services would be provided by the council throughout 2021/22, however the service transferred to South Ribble Leisure Ltd (a wholly owned subsidiary of the council) on 1st September 2021. The reported underspend reflects the transfer on this date, with the actual income and expenditure included in the council's accounts for the first 5 months of the year. The figure also reflects an unbudgeted receipt of £106k in respect of furlough funding for the period 1st April to 31st August 2021.

14. Communities – Underspend of £242k

The key variances to note are;

- The Community Involvement budget has an underspend of £146k, of which £11k relates to staffing vacancies, £98k in respect of increased income from various Active Health funding streams, with the balance being underspends on other general expenditure.
- The Departmental Costs cost centre has an underspend of £31k due to the vacant Assistant Director post (now deleted) which is offsetting overspends elsewhere.
- Environmental Health has an overspend of £26k relating to staffing costs.
- The Housing Support budget is underspent due additional admin charge income for Disabled Facilities Grants, which is charged to capital expenditure amounting to £58k.
- The remainder of the underspend relates to non-staffing.

15. Customer and Digital – Underspend of £312k

The key variances to note are;

- The £72k reduction in staffing costs is predominantly due to a number of vacant posts in the Customer Services, Revenues and Benefits and Information Services teams, as recruitment following the implementation of the Shared Services review continues. This underspend is net of the costs of restructure within these teams, following approval of the review.
- The cost of council tax collection has overspent against the budget by £86k, offset by income from the Housing Benefit Admin Subsidy grant of £58k and additional government grant for council tax support costs of £132k which had not been budgeted for.
- Additional New Burdens grant income was also received during the year of £64k.
- The Parks & Neighbourhood budget has an overall underspend of £32k, of which £69k relates to an underspend on staffing costs, offset by overspends across various budgeted lines of expenditure.
- Transport has an overall overspend of £32k reflecting increased fuel costs of £26k and a reduction in parking income of £70k, partly offset by underspends on car park and vehicle maintenance budgets of £64k.
- Waste Management has an overall underspend £46k which comprises of a staffing overspend of £22k, an overspend of £85k in respect of increased contract costs during the year, both of which are offset by an increase in bulky waste and garden waste income and other underspends in total amounting to £153k.
- The remaining underspend is relating to non-staffing.

16. Governance – Underspend of £90k

- The underspend relates mainly to underspends on staffing costs

17. Planning and Development – Underspend of £649k

The key variances comprise;

- Increased building control fees has resulted in an underspend of £25k.
- Following a number of large receipts late in the year, the Planning fee income budget is in surplus by £302k.
- £50k overspend on Consultancy and legal fees have been offset by a £20k reduction in advertising costs.

- There is additional CIL admin income of £231k within the Development Control budget due to a higher amount of CIL income received in the year.
- The Apprentices and Investment and Skills service has a combined underspend of £77k due to vacancies.
- Licencing has an underspend of £50k on staffing due to vacant posts.

18. Policy – Overspend of £245k

The key variances comprise;

- £93k overspend relating to the finalisation of the external Audit fees for 2020/21 and an increase in the cost of the Audit fees for 2021/22, which is a situation encountered nationally across all local authority audits and has been the subject of government review.
- £203k of the overspend is due to an increase in the provision for doubtful debts.
- The balance relates to various non-staffing net underspends across the directorate.

19. Budgets Not In Directorates – Overspend of £350k

The key variances to note are;

- As noted in previous reports, additional pension contributions of £353k were required to be paid to the Lancashire Pension Fund during the year, to address the understated level of pension contributions that were paid in advance for the three years to 2022/23 back in April 2020. This has resulted in an in-year overspend of £238k.
- The original revenue budget included a savings target 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 is 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 £28k overspent for 2021/22.

20. Covid-19 – Overspend of £13k following month 10 reserve adjustments

- Further to the February Council meeting, £1.03m of reserves have been created from underspends generated in 2021/22 following the application of un-ringfenced Covid funding to existing budgets that have incurred Covid related expenditure.
- Confirmation has been received that the Covid-19 Contain Outbreak Management Fund (COMF) can be carried forward and as a result, £391k has been identified for projects that are due to complete in 2022/23.

21. Planned reserves movement – £124k Overspend

- The budgeted use of reserves for Business Rates is no longer required given the outturn position.

Section B: General Fund Resources and Balances

22. 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 outturn for 2021/22 shows a projected General Fund closing balance of £4.234m as detailed below.

Summary of Movement in General Reserves	£m
General Fund Reserves as at 1 st April 2021	(4.141)
Outturn revenue budget (surplus) / deficit	(0.484)
Movement to other reserves as detailed in point 4	0.484
General Reserve Closing Balance 2021/22	(4.141)

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

24. Taking account of the adjustments highlighted in **Appendix 3**, the level of Earmarked reserves held for discretionary use by the Council at 31st March 2022 is £16.538m compared to a balance of £23.007m at 31st March 2021.

Summary of Movement in Earmarked Reserves	£m
Earmarked Reserves as at 1 st April 2021	(23.007)
Use of revenue reserves for capital financing	2.615
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	4.890
Movements to Reserves as detailed in point 4	(0.484)
Transfer to Reserves	(1.480)
Use of /(increase) in Other Earmarked Reserves	0.928
Earmarked Reserves Closing Balance 2021/22	(16.538)

25. The £0.928m use of Other Earmarked reserves shown in the table above includes the following items:

- £236k taken from the business rates retention reserve to address the additional pension contributions required in relation to 2020/21.
- £59k to fund costs associated with the local plan.
- £153k use of specific reserves within the Communities directorate.
- £221k from the business grants reserve to contribute to the wider programme of support to businesses, alongside the Covid Additional Restrictions Grant funding.
- £93k use of specific reserves within the Policy directorate
- £45k of funding carried forward to be used for stock condition surveys for the Council's properties.

- The remainder of the movements are various, smaller adjustments related to revenue spending.
26. The transfers to reserves of £1.480m comprise of those approved in the last Revenue Monitoring report at Month 10 of £1.030m and others as listed below.
- £199k transfer of specific reserves within Communities.
 - £149k transfer of specific reserves within Customer and Digital.
 - £50k transfer of specific reserves within Planning and Development.
 - The remainder of the transfers are various smaller adjustment.
27. 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

28. 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

29. None.

Risk

30. None.

Comments of the Statutory Finance Officer

31. The financial implications are contained within this report.

Comments of the Monitoring Officer

32. None.

Background documents

33. There are no background papers to this report.

Appendices

- Appendix 1 – Revenue 2021/22 - position at 31st March 2022
 Appendix 2 – Revenue Budget Movements at 31st March 2022
 Appendix 3 – 2021/22 Reserves Programme position at 31st March 2022
 Appendix 4 – Current Staffing Vacancies

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