

Report of	Meeting	Date
Director of Finance and Section 151 Officer (Introduced by Cabinet Member (Finance and Public Protection))	Corporate, Performance and Budget Scrutiny Committee Cabinet	Wednesday, 8 November 2023 Wednesday, 15 November 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 6 months to 30th September 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 30th September 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 30th September 2023.
3. To note the virements made to and from the revenue budget during the year, as detailed in **Appendix 2** of the report.

Recommendations to Scrutiny

4. To note the 2023/24 forecast outturn for revenue and the level of reserves based on the position as at 30th September 2023.
5. 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

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

Other options considered and rejected

7. None

Executive summary

8. Based on the position at 30th September 2023, the forecast outturn is for an underspend of £0.153m 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 £0.059m, as detailed in **Appendix 1**.

9. 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.

10. Based on the above forecast overspend, and as detailed at point 24, the forecast level of General Fund balances is £4.479m at 31st March 2024.

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 2023/24 is £16.184m.

13. **Appendix 3** provides further information about the specific earmarked reserves that the Council holds at 30th September 2023.

Current Outturn Position – Revenue

14. The forecast revenue outturn, based on the position at 30th September 2023, shows a forecast overspend against the Council’s budgets of £0.059m, which is an improvement on the level of overspend of £360k reported in September, which was based on the position at 31st July 2023. 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.

15. Variations from Budget

Directorate	Budget 2023/24 £'000	Forecast 2023/24 at 30th September 2023 £'000	Variance (Under)/Overspend 2023/24 £'000
Property	415	644	229
Communities and Leisure	3,377	3,498	121
Customer & Digital	6,346	6,651	305
Planning	1,187	1,332	145
Policy and Governance	5,217	5,196	(21)
Budgets Not In Directorates	(358)	(976)	(618)
Total Expenditure	16,184	16,345	161
Funding	Budget 2023/24 £'000	Forecast 2023/24 at 30th September 2023 £'000	Variance (Under)/Overspend 2023/24 £'000
Council Tax	(8,235)	(8,235)	-
Funding Guarantee	(632)	(632)	-
Lower Tier Support Grant	(95)	(197)	(102)
New Homes Bonus	(376)	(376)	-
Retained Business Rates	(3,396)	(3,396)	-
Section 31 Government Grants	(3,450)	(3,450)	-
Total Funding	(16,184)	(16,286)	(102)
Net Forecast	-	59	59

16. 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

Explanation of Key Variances by Directorate are as follows:

17. Property – forecast overspend of £229k (Month 4 - £166k overspend)

The key variances to note are:

- £86k net overspends on staffing costs across the directorate compared to the budget for 2023/24. This is mainly due to the cost of using agency staff (£64k) and overtime within the Civic and Community Caretaking Cleaning Team, and also includes an overspend against the staff vacancy rate provision of 2.5% in several teams that are now fully staffed. This also includes the costs of the proposed pay award for 2023/24 compared to the provision included in the base budget of 5%.
- £26k underspend compared to budget for gas, electricity and water costs as a result of the budget transfer from Policy & Governance directorate in respect of the running costs of Worden Hall.
- £46k overspend due to an overall increase in spend on repairs and maintenance, including the leisure centres as the council is the landlord of the buildings. A review of the building repair and maintenance budget will be undertaken over the next few months based on the findings of the stock condition surveys that are currently underway to assess if there is an ongoing requirement for a budget increase in 2024/25.
- £30k overspend for non-domestic rates at the Civic Centre compared to budget following the national revaluation exercise of rateable values by the Valuation Office Agency (VOA).
- £61k overspend relating to professional fees, consultancy fees, service charges and minor improvement works at the Civic Centre, together with various other small variances.
- £32k net overspend due to various small variances within the directorate.

18. Communities and Leisure – forecast overspend of £121k (Month 4 - £143k overspend)

The key variances to note are:

- Based on current levels of expenditure in the 6 months to 30th September 2023, the forecast spend on temporary accommodation in supporting Homelessness is £740k, which would result in an overspend of £616k. 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 £312k. 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 working to support residents on homelessness prevention by using the new social prescribing team and the household support fund;
 - b. A number of temporary accommodation units which have been closed for works are now reopen reducing our need to use Bed and Breakfast accommodation;
 - c. Two private sector leasing schemes are now up and running providing accommodation for vulnerable single couples with eight units available;
 - d. Working with Progress Housing to review the capacity of temporary accommodation and support provided.
- £65k net overspend on staffing costs across the directorate compared to the budget for 2023/24. This is mainly due staffing overspend within the Environmental Health and Homelessness Team offset by vacant posts within the Community Involvement, Community Development, and Housing Services Teams. This also includes the proposed pay award for 2023/24 which is more than the provision included in the base budget of 5%.
- £241k increase in various, unbudgeted, income streams including those from Sports England, Active Lancashire, ESC Lottery funding and income from schools. Work is to be taken over the coming months to better understand the long-term nature of these income sources to see if budgets should be put in place for them.
- £15k underspend due to various small variances within the directorate.
- The Communities directorate is carrying forward various significant grants, totalling £915k, either in revenue budgets for 2023/24 or in ear-marked reserves. At present, £64k of these grants have been utilised, although 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 (e.g. the Homes for Ukraine Scheme ends in March 2024 - £388k), or they must be returned to the relevant awarding body.

19. Customer and Digital – forecast overspend of £305k (Month 4 - £441k overspend)

The key variances to note are:

- £403k net overspend on staffing costs across the directorate compared to the budget for 2023/24. This is mainly due to five additional posts above the budgeted establishment (£141k), overtime (£26k) and an overspend on agency staff (£184k) all within the Waste Technical Team. A review is underway to establish the substantive resource required to meet operational service delivery. 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.
- £14k additional costs 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 team which has been accounted for in the net overspend on staffing cost above.
- £28k reduction in car park income compared to budget.
- £105k additional net income from FCC Environ for maintenance of the Chorley Council waste collection vehicles. This includes additional income of £164k, offset by £59k of additional third-party mechanics costs.
- £28k overspend due to shortfall in trade waste income compared to budget.
- £30K underspend relating to insourced fleet costs, including maintenance and diesel.
- £17k additional net income for household waste bins sales.
- £11k additional income for bulky waste collections.
- £12k underspend relating to various other smaller variances across the directorate.

20. Planning – forecast overspend of £145k (Month 4 £61k overspend)

The key variances to note are:

- £71k net overspend on staffing costs across the directorate compared to the budget for 2023/24. This includes the costs of agency staff within Development Control Services (178k) offset by underspends from vacant posts within the Building Control Service Unit team and the Parks and Green Infrastructure team. The position also reflects 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 resumed however it is unlikely to achieve the full year budgeted 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.

- £32k reduction in income across Licensing income compared to budget, the main area being Building Control fees.
- £12k overspend on professional fees and various other smaller variances across the directorate.

21. Policy and Governance – forecast underspend of £21k (Month 4 - £133k overspend)

The key variances to note are:

- £263k net underspend on staffing costs across the directorate compared to the budget for 2023/24. The underspend is primarily due to the centralisation and movement of the budgets and expenditure for all Directors from the individual directorates above, to the Policy and Governance directorate; across the Director budgets there is an underspend of £150k due to vacant posts. In addition to this there are apprentice post vacancies (£102k) and vacancy savings due to the timing of recruitment into the Legal Services team and the Communications and Visitor Economy teams, 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.
- £89k 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.
- £51k overspend in Human Resources due to the council wide increase in recruitment fees and 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.
- £24k reduction in budgeted income for Health and Safety as the Service Level Agreements with the Leisure companies is no longer required. There is also a £14k overspend on Consultancy fees compared to budget.
- £36k forecast overspend on External Audit Fees as the scale fee for 2023/24 has increased significantly, offset by additional income from the government of £18k following the Redmond Review of external audit.
- £2k underspend on various other smaller variances across the directorate.

22. Budgets Not In Directorates – forecast underspend of £618k (Month 4 - £624k underspend)

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.
- £250k 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.
- £60k overspend due to a required increase in the Bad Debt Provision in line with the council's accounting policy for bad debts.

23. Funding – forecast underspend of £102k

- £102k forecast in respect of Revenue Support Grant income compared to budget.

General Fund Resources and Balances

24. 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 £4.479m 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	0.059
General Reserve Closing Balance 2023/24	(4.479)

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

Movement in Earmarked Reserves

26. Taking account of the adjustments highlighted in **Appendix 3**, the forecast level of Earmarked reserves held for discretionary use by the Council at 31st March 2024 is £12.252m 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	2.611
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	1.474
Earmarked Reserves Closing Balance 2023/24	(12.252)

27. The £1.474m use of other specific Earmarked Reserves shown in the table above includes the following items:

- £195k 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.
- £61k use of Environmental Improvements reserves.
- £80k 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.
- £28k use of Restructure reserves.
- The remainder of the movements are various, smaller adjustments related to revenue spending.

28. The movement of £2.611m in the table above is reflective of revenue reserve funding within the capital programme.

29. Transfers to reserves reported in the year to date are:

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

30. Movement in Reserves – the Business Rates Temporary Surplus To Be Repaid Reserve was created in 2020/21 to hold the specific funding provided by the Government during the Covid pandemic to offset the Business Rates deficit for 2020/21 that was brought forward on the Collection Fund into 2022/23. Adjustments for the smoothing of the 2020/21 deficit over a 3-year period have been made over the last couple of years, resulting in a balance on the reserve of £2.619m. Of this, it is estimated that £481k will be required to adjust for the final year of the smoothing adjustment, however a contingency has been retained in case of a variation of a further £238k, leaving a balance of £1.900m. It is proposed to reallocate this £1.900m to a Short Life Operational Assets reserve to support the funding of future costs in relation to plant, fleet and vehicles.

31. 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

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. The forecasts above are based upon six 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

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 2023/24 - position at 30th September 2023

Appendix 2 – Revenue Budget Movements at 30th September 2023

Appendix 3 – 2023/24 Reserves Programme position at 30th September 2023

Appendix 4 – Current Staffing Vacancies

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