



| Report of | Meeting | Date |
|--|---------|------------|
| Director of Finance and Section 151 Officer (Introduced by Cabinet Member (Finance, Assets and Public Protection)) | Cabinet | 21/02/2024 |

| | |
|------------------------------|----|
| Is this report confidential? | No |
|------------------------------|----|

| | |
|-----------------------|----|
| Is this decision key? | No |
|-----------------------|----|

2023/24 Corporate Revenue Budget Monitoring Report and Reserves for the 9 months to 31st December 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 December 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 December 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, it is a requirement to report quarterly on the Revenue Budget monitoring and Reserves.

Executive summary

6. Based on the position at 31st December 2023, the forecast outturn, including the unfunded budget pressure of £0.212m following the payment of the 2023/24 pay award in November 2023, is an overspend of £0.019m, 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 25, the forecast level of General Fund balances is £4.519m 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 December 2023.

Current Outturn Position – Revenue

12. The forecast revenue outturn, based on the position at 31st December 2023, shows a forecast overspend against the Council's budgets of £0.019m, which is an improvement on the overspend of £59k reported at the end of Quarter 2 - 30th September 2023.
13. 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.

14. Variations from Budget

| Directorate | Budget 2023/24 £'000 | Forecast 2023/24 at 31 st December 2023 £'000 | Variance (Under)/ Overspend 2023/24 £'000 |
|---------------------------------|----------------------------|--|--|
| Property | 398 | 755 | 357 |
| Communities and Leisure | 3,377 | 3,342 | (34) |
| Customer & Digital | 6,337 | 6,719 | 382 |
| Planning | 1,187 | 1,417 | 229 |
| Policy and Governance | 5,243 | 5,333 | 90 |
| Budgets Not in Directorates | (358) | (1,261) | (903) |
| Total Expenditure | 16,184 | 16,305 | 121 |
| Funding | Budget 2023/24 £'000 | Forecast 2023/24 at 31 st December 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 | - | 19 | 19 |

15. The National Employers pay offer of £1,925 on all NJC pay points 1 and above for the period 1st April 2023 to 31st March 2024 was accepted and payment (including arrears) made in November 2023. The table below shows the overall implications of the pay award for 2023/24 compared to the provision of 5% included in the base budget.

| Directorates | 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:

16. Property – forecast overspend of £357k (Month 6 - £229k overspend)

The key variances to note are:

- £114k net overspends on staffing costs across the directorate compared to the budget for 2023/24. This is largely due to the overspend on Shared Service salaries for the Property Services team (£77k) where there have been a number of agency staff, as well as temporary appointments to Estates Officer posts above the establishment (£15k), and 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 pay award for 2023/24 compared to the provision included in the base budget of 5% (£11k).
- £3k overspend compared to budget for gas, electricity, and water costs, and including the budget transfer from the Policy & Governance directorate for the running costs of Worden Hall.
- £79k 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.
- £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).
- £62k overspend relating to professional fees, consultancy fees, service charges and minor improvement works at the Civic Centre, together with various other small variances.
- £46k overspend due to reduced income from market rents and McKenzie Arms; a full year income budget had been included for the latter, however the properties were only occupied from July.
- £23k net overspend due to the under recovery of parking income against budget and various small variances within the directorate.

17. Communities and Leisure – forecast underspend of £34k (Month 6 - £121k overspend)

The key variances to note are:

- Based on current levels of expenditure in the 9 months to 31st December 2023, the forecast spend on temporary accommodation in supporting Homelessness is £654k, which is forecast to result in an overspend of £530k by the year end. 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 has been provided in 2023/24 for Homelessness which has reduced this overspend, together with the receipt of an additional, unbudgeted, Homelessness Prevention Grant of £79k, and the recovery of additional housing benefit expenses of £75k; these have reduced the forecast overspend to £226k.

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 the level of the forecast overspend has been reducing over the past few months because of the actions taken. These actions 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. Several 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.
- £25k net underspend 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, and Housing Services Teams offset by staffing overspends within the Environmental Health and Homelessness Team. This also includes the pay award for 2023/24 which is more than the provision included in the base budget of 5% (£15k).
 - £251k increase in various, unbudgeted, income streams, including those from Sports England, Active Lancashire, ESC Lottery funding and income from schools.
 - £26k pest control income is forecast to be higher than the level budgeted.
 - £22k overspend relating to traveller's encampment costs.
 - £20k overspends due to various small variances within the directorate.
 - The Communities directorate is carrying forward various significant grants, totalling £933k, either in revenue budgets for 2023/24 or in ear-marked reserves. At present, £131k of these grants have been utilised, although this figure is expected to rise in the final 3 months of 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 - £297k), or they must be returned to the relevant awarding body.

18. Customer and Digital – forecast overspend of £382k (Month 6 - £305k overspend)

The key variances to note are:

- £237k 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 and overtime (£239k) and an overspend on agency staff (£149k) all 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 net overspend also includes the pay award for 2023/24 across the directorate, 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 of £148k within the ICT Services Team as several vacant posts are currently in the process of recruitment.

- £23k underspend due to additional, unbudgeted, New Burdens grant and an increase in Council Tax Rebate Burdens funding.
- £199k overspend due to various IT costs such as computer software purchases, annual licences, maintenance security and support services. Whilst some of the overspend reflects inflationary pressures following tender exercises as contracts have expired, some of this is non-recurring as there have been one-off set-up costs associated with the new contracts and/or some overlap in costs whilst moving from the old contract to the new, to ensure a seamless continuity of service.
- £43k 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.
- £80k additional net income from FCC Environ for maintenance of the Chorley Council waste collection vehicles. This includes additional income of £166k, offset by £86k of additional parts and third-party mechanics costs.
- £24k overspend due to shortfall in trade waste income compared to budget.
- £21k overspend relating to insourced fleet costs, including maintenance, hired vehicles offset partly by fuel savings.
- £18k additional net income for household waste bins sales.
- £12k additional income for bulky waste collections.
- £9k underspend relating to various other smaller variances across the directorate.

19. Planning – forecast overspend of £229k (Month 6 £145k overspend)

The key variances to note are:

- £15k 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 (130k) 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 pay award for 2023/24 compared to the 5% provision included in the budget.
- £105k reduction in income on planning applications largely due to a reduction in larger applications which have been seen more frequently in prior years.
- £28k 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.
- £50k reduction in income across Building Control budgets due to a reduction in the forecast based on levels in the first 9 months of the year.
- £31k overspend on professional fees and various other smaller variances across the directorate.

20. Policy and Governance – forecast overspend of £90k (Month 6 - £21k underspend)

The key variances to note are:

- £243k 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 £136k due to vacant posts. In addition to this, there are apprentice post vacancies (£100k) 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 pay award for 2023/24 compared to the provision included in the base budget of 5% and a provision for the member allowance review covering 2022/23 and 2023/24.
- £37k overspend on general insurance due to the forecast costs of the council's combined liability insurance compared to budget.
- £93k 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.
- £101k overall overspend in Human Resources due to the council wide increase in recruitment fees, the payment of PAYE settlement agreements relating to employee benefits due to HMRC for 2021/22, 2022/23, 2023/24, and the cost of IT recruitment systems following retender, which require dual running of both the old and new systems for a period to maintain business continuity.
- £9k 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.
- £47k net overspend relating to Borough Elections after full utilisation of the reserves of £132k.
- £24k reduction in budgeted income for the Health and Safety Team as the Service Level Agreement with the Leisure company is now provided by a specialist external contractor in this field. 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.
- £10k underspend on various other smaller variances across the directorate.

21. Budgets Not in Directorates – forecast underspend of £903k (Month 6 - £618k 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 £628k.
- £250k of the underspend 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; this assists in offsetting overspends elsewhere in the council budget as reported above.
- £73k overspend due to the increase in the Bad Debt Provision in line with the council's accounting policy for bad debts.
- There is an underspend of £109k on the Minimum Revenue Provision due to the notional borrowing requirement in 2022/23 being lower than that recognised in the budget setting process.
- £11k increase in compensatory added years pension payment compared to budget now that invoices have been received after considerable delay from Lancashire Pensions.

22. Funding – forecast underspend of £102k

- £102k increase in Revenue Support Grant income compared to budget.

General Fund Resources and Balances

23. 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 £4.519m 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 | 0.019 |
| General Reserve Closing Balance 2023/24 | (4.519) |

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

Movement in Earmarked Reserves

25. 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 £12.510m 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 | 2.592 |
| 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 | 1.235 |
| Earmarked Reserves Closing Balance 2023/24 | (12.510) |

26. The £1.235m Use of other Specific Earmarked Reserves shown in the table above includes the following items:

- £207k use of Capital Investment and Funding reserves.
- £132k use of Borough Council Elections reserves.
- £212k use of Community Events reserves for Music in the Park and Leyland Festival.
- £84k use of Social Prescribing reserves.
- £44k use of Apprentice and Graduate reserves.
- £51k use of Inflationary Risk reserves.
- £90k use of Environmental Improvements reserves.
- £40k use of Local plan reserves.
- £40k use of IT Transformation reserves.
- £166k use of Climate Emergency reserves.
- £33k use of Credit Union reserves.
- £37k use of Community Wealth reserves.
- £27k use of Restructure reserves.
- The remainder of the movements are various, smaller adjustments related to revenue spending.

27. The movement of £2.592m in the table above is reflective of revenue reserve funding within the capital programme.

28. 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.

29. 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. There is a further movement in reserves of £2.139 from the Capital Investment and Funding Reserve (and other smaller reserves) to the Town Deal Reserve, to reflect the council's previously agreed contribution to the scheme.

30. Given the inflationary, cost and demand pressures faced by the council, alongside the uncertainty of future government funding we have established a Budget Equalisation

Reserve from the former Inflationary Risk Reserve in recognition of the fact that the potential financial challenges and risks presented arise from more than inflation alone. In doing so we have amalgamated reserves that are already established for a similar purpose (i.e. Covid Recovery Fund £132k, other small reserves £12k) and those no longer required across the period of the MTFs (i.e. City Deal £750k, Unallocated Reserves £185k.)

31. As part of our regular review of reserves, we have amalgamated those reserves that focus on Climate Change and the Green agenda, with the transfer of the Energy Efficiency Reserve (£21k) and the Environmental Improvements Reserve (£110k) into the Climate Change Reserve.
32. The February 2022 Council Town Deal Capital report approved £2.373m from the Borough Investment fund (later renamed the Capital Investment and Funding Reserve) for use in the delivery of this capital scheme. The reserve was later amended to better utilise resources by using some of this to fund shorter life assets rather than borrowing. The remainder of this reserve has now been allocated to this specific Town Deal reserve.
33. 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

34. 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

35. None.

Risk

36. The forecasts above are based upon nine months of the financial year and contain significant assumptions around cost pressures, income levels 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

37. The financial implications are contained within this report.

Comments of the Monitoring Officer

38. There are no concerns with this report from the Monitoring Officers perspective.

Background documents

39. There are no background papers to this report.

Appendices

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

Appendix 2 – Revenue Budget Movements at 31st December 2023

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

Appendix 4 – Current Staffing Vacancies

| Report Author: | Email: | Telephone | Date: |
|--|---|-----------------|----------|
| Neil Halton (Principal Management Accountant), Hema Chevli (Senior Management Accountant) | Neil.Halton@southribble.gov.uk Hemangini.Chevli@southribble.gov.uk | 01257 515151 | 19/01/24 |