

Report of	Meeting	Date
Director (Finance) (Introduced by Executive Member (Resources))	Executive Cabinet	16 <sup>th</sup> September 2021

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 for the four months to 31st July 2021**

### **Purpose of the Report**

1. This report sets out the revenue and reserves forecast for 2021/22 for the Council, based on the position as at 31st July 2021.

### **Recommendations to Cabinet**

2. To note the forecast outturn for revenue and the level of reserves based on the position as at 31st July 2021
3. To note the virements to the revenue budget made during the period, 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

## Executive summary

6. Based on the position as at the end of 31<sup>st</sup> July 2021, there is a forecast underspend against the budget for 2021/22 of £126k, 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 financial risks that may face the Council. The forecast level of general fund balances as at 31<sup>st</sup> March 2022 will be £4.183m.

## Corporate priorities

8. The report relates to the following corporate priorities: (please bold all those applicable):

Involving residents in improving their local area and equality of access for all	✓	A strong local economy	✓
Clean, safe and healthy communities	✓	An ambitious council that does more to meet the needs of residents and the local area	✓

## Background to the report

9. A short summary of the issues that have led to this report; any previous decisions or history which are relevant and help members understand the issues.
10. The net revenue budget for 2021/22 is £14.496m, which includes a savings target comprising of £150k in respect of staffing turnover and £40k from the expansion of Shared Services.
11. **Appendix 3** provides further information about the specific earmarked reserves that the Council holds at 31<sup>st</sup> July 2021.

## Current Forecast Position – Revenue

12. The forecast outturn, based on the position at 31<sup>st</sup> July 2021, shows a provisional underspend against the Council's budgets of £126k. 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:

## Variations from Budget

<b>Directorate</b>	<b>Budget 2021/22 £'000</b>	<b>Forecast 2021/22 at 31<sup>st</sup> July 21 £'000</b>	<b>Variance (Under)/Overspend 2021/22 £'000</b>
Commercial and Property	956	1,041	85
Communities	1,885	1,857	(28)
Customer and Digital	5,865	5,842	(23)
Planning and Development	709	794	85
Policy and Governance	4,503	4,476	(26)
Major Projects	(3,171)	(3,011)	159
Financing and Other Budgets	3,749	3,478	(271)
Covid-19	0	(107)	(107)
<b>Total Net Expenditure</b>	<b>14,496</b>	<b>14,370</b>	<b>(126)</b>
<b>Funding</b>	<b>Budget</b>	<b>Forecast Q1</b>	<b>Variance</b>
Council Tax	(7,336)	(7,336)	0
Business Rates	(5,007)	(5,007)	0
New Homes Bonus	(1,490)	(1,490)	0
Government Grants	(519)	(519)	0
Reserves	(139)	(139)	0
Other	(5)	(5)	0
<b>Total Funding</b>	<b>(14,496)</b>	<b>(14,496)</b>	<b>0</b>

Explanation of key variances by Directorate are as follows:

### 13. Commercial and Property – forecast - £85k overspend

- £33k forecast saving on staffing costs predominantly from vacant posts in the Business Development team.
- £45k reduced income from market rents following the decision to cancel the first quarterly rental charges for 2021/22 for market traders in the Covered Market and Street Markets due to Covid-19 restrictions.
- £45k forecast reduced income from car parking fees and excess charges based on a lower than budgeted level of income for April to July.
- £13k forecast reduced income from hire of Community Centres based on actual levels of income received to date.

- The loss of income on car parking fees and hire of community centres will be partially offset for the first quarter of the year by the Covid-19 Fees & Charges Compensation scheme outlined below.

#### **14. Communities – forecast - £28k underspend**

- £25k forecast saving on staffing costs predominantly from vacant posts in the Housing Options and Communities teams.

#### **15. Customer and Digital – forecast - £23k underspend**

- £40k forecast saving on staffing costs predominantly from vacant posts in the Customer Services team due to delayed recruitment to a number of positions pending the implementation of the Shared Services review with South Ribble Council.
- £30k saving on the waste and recycling contract with FCC Environment Services (UK) due to a lower than budgeted CPI inflation rate.
- £95k shortfall in income from Council Tax Summons/Committal Costs as no costs were recovered for April through to June. However, normal recovery action has now slowly restarted and the monthly issuing of council tax summonses have been scheduled with the Magistrates Court for the remainder of the year. Losses for the first quarter of the year will be partially offset by the Covid-19 Fees & Charges Compensation scheme outlined below.
- £51k additional income received for Housing Benefit and Council Tax Support Admin Subsidy grants.

#### **16. Planning and Development – forecast - £85k overspend**

- £51k forecast overspend on staffing costs in Planning Services, predominantly from agency staff costs and market supplements to aid with staff retention.
- £50k forecast for additional income from Planning Application fees based on actual levels of income received for April to July.
- £65k forecast reduction in Building Control income based on income received to date in 2021/22. This position may improve as staff are recruited to current vacant posts throughout the coming months.

#### **17. Policy and Governance – forecast - £26k underspend**

- £13k forecast saving on staffing costs predominantly from vacant posts in the Transformation and Partnerships team.

- £14k forecast saving on running costs for the Council's Civic Offices which have remained predominantly unoccupied during the first few months of the year.

## **18. Major Projects – forecast - £159k overspend**

Further details of the major projects, Market Walk and Digital Office Park, are outlined in **Appendix 4**.

The key points to note are:

- £272k current forecast overspend for 2021/22 Market Walk – this is largely due to the Council supporting local businesses with lease incentives to help manage recovery from Covid. Despite this progress at Market Walk Extension is going well with new agreed tenancies in units 4a MWE and 8, and we are in advanced negotiations for a tenant to take on units 4b&5 MWE combined, which demonstrates good demand for Market Walk as we come out of the Covid pandemic. This will lead to a full occupation of the extension leaving two adjoining voids (units 12&13) which are currently being marketed. Several tenancies are in lease negotiations and we are seeking to resolve rent reviews and settlement of arrears with them now that the post-Covid path to recovery is becoming clearer for their businesses and they are keen to remain in Market Walk. As a result, no adjustment has been made to the bad debts provision.
- £103k forecast surplus against 21/22 budget on Strawberry Fields as office occupation has increased significantly following the end of the Covid lockdown. However, it must be noted that this position is against a reduced target for income reflecting the impact of Covid.
- Leisure Services are currently forecast to deliver in line with budget of £600k, although there has been significant income and expenditure variances from the original modelling. Income has reduced by £800k and correspondingly costs have reduced by the same amount. This is largely due to a freeze on staffing recruitment while the staffing structure was under review and as such, corresponding income generated at the leisure centres has reduced. It is anticipated income will rise steadily over the rest of the financial year alongside costs as membership begins to be restored to normal levels. Chorley Leisure Ltd was established on 1<sup>st</sup> August 2021 and as such, while the figures included in this report are based on a full year forecast, in the next Corporate Revenue Monitoring Report we will confirm the final financial position for the four months of direct Council service delivery.

## **19. Financing and Other Budgets – forecast - £271k underspend**

- £271k forecast underspend on Net Financing arising from a reduction in interest payments in 2021/22 reflecting a reduction in anticipated borrowing in the year
- The Council's budget for 2021/22 included a savings target of £150k from management of the staffing establishment. The full savings of £150k have

already been achieved and these have been deducted from directorate staffing budgets as follows; Communities £25k, Customer and Digital £75k and Policy and Governance £50k The staffing savings outlined above are additional to the £150k savings already achieved. The £40k savings target in respect of Shared Services will be identified following the reviews currently in process and development.

## 20. Covid-19 – forecast - £107k underspend

- £107k additional income is anticipated from the governments Covid-19 Fees & Charges Compensation Scheme to offset income losses incurred by the Council in the first quarter of 2021/22.

## 21. Funding

- There are currently no variances forecast against the budget in this area.

## Other supporting information

22. Further information in respect of the variations noted above can be found as follows:

### Appendix 4 – Commercial Services - Major Projects

## General Fund Resources and Balances

23. As detailed at **Appendix 3**, the Council holds £4.057m in General Fund reserves to manage budget risks not covered by earmarked reserves or provisions within the budget. The forecast outturn for 2021/22 identifies that the General Fund closing balance will be £4.183m as detailed below.

## Movement in General Fund Reserve

Summary of Movement in General Reserves	£'m
General Fund Reserves at 1 <sup>st</sup> April 2021	(4.057)
<b>Transfers (to)/from General Reserves</b>	
Forecast revenue budget underspend	(0.126)
<b>Forecast General Fund Reserve Closing Balance 2021/22</b>	<b>(4.183)</b>

## Movement in Earmarked Reserves

24. Taking account of the adjustments highlighted at **Appendix 3**, the level of Earmarked reserves held for discretionary use by the Council forecast to be available at 31<sup>st</sup> March 2022 is £6.047m compared with a balance of £12.556m at 31<sup>st</sup> March 2021.

<b>Summary of Movement in Earmarked Reserves</b>	<b>£'m</b>
Earmarked Reserves at 1 <sup>st</sup> April 2021	(12.556)
<b>Transfers (to)/from Earmarked Reserves</b>	
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	4.383
Use of revenue reserves for Capital Financing as per approvals	1.232
Forecast use of other specific Earmarked Reserves	0.894
<b>Forecast Earmarked Reserves Closing Balance 2021/22</b>	<b>(6.047)</b>

25. The £894k forecast use of other specific earmarked reserves shown in the table above includes the following items:

- £261k utilisation of approved budgets brought forward from previous years.
- £191k committed use of Business & Retail Grant investment reserves.
- £124k forecast use of Local Plan reserve.

26. The use of earmarked reserves shown in the table above are reflected in the forecast revenue budget monitoring position detailed in this report.

## 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. N/A

## Risk

29. As detailed in the report

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

30. The financial implications are contained within this report.

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

31. None

### **Background documents**

There are no background papers to this report.

### **Appendices**

Appendix 1

Appendix 2

Appendix 3

Appendix 4

Report Author:	Email:	Telephone:	Date:
David Bond / Neil Halton	Neil.Halton@chorley.gov.uk, David.Bond@chorley.gov.uk	n/a	3/9/21