

Report of	Meeting	Date
Director (Finance) (Introduced by Executive Member (Resources))	Executive Cabinet	11 <sup>th</sup> November 2021

## 2021/22 Corporate Revenue Budget Monitoring Report and Reserves for the six months to 30<sup>th</sup> September 2021

Is this report confidential?	No
Is this decision key?	Yes
<b>Savings or expenditure amounting to greater than £100,000</b>	Significant impact on 2 or more council wards

### 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 30<sup>th</sup> September 2021.

### Recommendations to Cabinet

2. To note the forecast outturn for revenue and the level of reserves based on the position as at 30<sup>th</sup> September 2021
3. To note the virements to the revenue budget made during the period, as detailed in **Appendix 2** of the report.
4. To support our businesses and to give a boost to the Town Centre following a difficult year, it is recommended to introduce free parking in the Town Centre from 1st December to 24th December at a cost of approximately £25k.

### Reasons for recommendations

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

### Other options considered and rejected

6. None

## Executive summary

7. Based on the position as at the end of 30<sup>th</sup> September 2021, there is a forecast underspend against the budget for 2021/22 of £350k, as detailed in **Appendix 1**.
8. 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 £4.407m.

## Corporate priorities

9. 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

10. The current net revenue budget for 2021/22 is £14.612m, 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 30<sup>th</sup> September 2021.

## Current Forecast Position – Revenue

12. The forecast revenue outturn, based on the position at 30<sup>th</sup> September 2021, shows a provisional underspend against the Council's budgets of £350k. 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.
13. At the time of setting the Council's revenue budget for 2021/22 the Government had announced a pay freeze for local government workers and as such, there was no provision for a pay award included within the estimates. However, in February 2021, the National Joint Council trade unions lodged a pay claim and negotiations with the National Employers have been ongoing until July when a final pay offer of 1.75% was made to the unions. Although this offer has been rejected, it is prudent to include the impact of this pay award in the current forecast outturn. If accepted, the offer would result in an increase in staffing costs of around £160k for the current year and this is included in the latest forecast. The impact by directorate is also outlined below.

## Variations from Budget

Directorate	Budget 2021/22 £'000	Forecast 2021/22 at 30th September 21 £'000	Variance (Under)/Overspend 2021/22 £'000
Commercial and Property	956	1,115	160
Communities	1,943	1,897	(47)
Customer and Digital	5,865	5,854	(12)
Planning and Development	767	823	56
Policy and Governance	4,503	4,533	30
Major Projects	(3,171)	(2,886)	285
Financing and Other Budgets	3,749	3,378	(371)
Covid-19	0	(326)	(326)
<b>Total Net Expenditure</b>	<b>14,612</b>	<b>14,387</b>	<b>(225)</b>
Funding	Budget	Forecast Q2	Variance
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	(255)	(380)	(125)
Other	(5)	(5)	0
<b>Total Funding</b>	<b>(14,612)</b>	<b>(14,737)</b>	<b>(125)</b>
<b>Net Forecast</b>	<b>0</b>	<b>(350)</b>	<b>(350)</b>

Explanation of key variances by Directorate are as follows:

### 14. Commercial and Property – forecast - £160k overspend

- £34k forecast saving on staffing costs predominantly from vacant posts in the Business Development team.
- £19k additional staffing costs from proposed 1.75% pay award for 2021/22. No pay award included in original budget for 2021/22.
- £45k reduced income from market rents following the decision to waive the first quarterly rental charges for 2021/22 for market traders in the Covered Market and Street Markets due to Covid-19 restrictions, plus a further £43k forecast reduction in income predominantly as a result of the new food & beverage area renovation works resulting in fewer market traders.
- £65k forecast reduced income from car parking fees and excess charges based on a lower than budgeted level of income for April to September.
- £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.

#### **15. Communities – forecast - £47k underspend**

- £87k forecast saving on staffing costs from vacant posts in the Housing Options, Neighbourhoods and Communities teams.
- £22k additional staffing costs from proposed 1.75% pay award for 2021/22. No pay award included in original budget for 2021/22.
- Estimated £20k costs relating to Gypsy Roma Traveller (GRT) Encampments resulting in Court attendance and Bailiff involvement for removal from Chorley Council land.

#### **16. Customer and Digital – forecast - £12k underspend**

- £96k 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, and also due to vacant posts within the Streetscene team.
- £62k additional staffing costs from proposed 1.75% pay award for 2021/22. No pay award included in original budget for 2021/22.
- £12k forecast additional income from Land Charge fees based on income received for April to September.
- £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.

#### **17. Planning and Development – forecast - £56k overspend**

- £72k forecast overspend on staffing costs in Planning Services, predominantly from agency staff costs and market supplements to aid with staff retention.
- £30k forecast saving on staffing costs from vacant Building Control Officer posts.
- £20k additional staffing costs from proposed 1.75% pay award for 2021/22. No pay award included in original budget for 2021/22.
- £82k forecast for additional income from Planning Application fees based on actual levels of income received for April to September.

- £69k 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.

#### 18. Policy and Governance – forecast - £30k overspend

- £11k additional staffing costs across the directorate compared to budget for 2021/22.
- £37k additional staffing costs from proposed 1.75% pay award for 2021/22. No pay award included in original budget for 2021/22.
- £17k forecast saving on running costs for the Council's Civic Offices which have remained predominantly unoccupied during the first few months of the year.

#### 19. Major Projects – forecast - £285k overspend

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

The key points to note are:

- £446k current forecast overspend for 2021/22 Market Walk – this is largely due to the Council supporting local businesses with lease incentives to help manage the recovery from Covid. This will be offset by utilising £125k of the existing Market Walk Income Equalisation reserve which will reduce the forecast overspend to £321k. It should be noted that Market Walk continues to make a £654k contribution to overall Council budgets. 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 lease negotiations have either been completed or are close to completion. Once the impact of these comes through, the financial position should stabilise in 2022/23.
- £62k forecast surplus for Primrose Gardens in 2021/22 mainly resulting from additional rental income generated from the scheme as it is currently running at full capacity.
- £98k forecast surplus against the 2021/22 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 income target which was set to reflect the expected impact of Covid. Plans are being developed to maximise the remaining space within the building for further income generation.
- Leisure Services are currently forecast to deliver in line with the budget of £600k. The position for April to July, when the services were run directly by the Council, are included in **Appendix 4**. During the first few months of the year, the services were supported by both Sport England funding and furlough income; following

the removal of Covid-19 restrictions, income has increased and is showing a steady upward trend. Chorley Leisure Ltd was established on 1st August 2021 and therefore over the 8 month period from August to March 2022 the Council will pay an agreed payment, under contract, to the company for service delivery.

## **20. Financing and Other Budgets – forecast - £371k underspend**

- This includes a £271k forecast underspend on Net Financing, arising from a reduction in interest payments in 2021/22 reflecting a reduction in anticipated borrowing during the year compared to the position included in the budget back in February 2021.
- The revenue budget for 2021/22 included a provision of £100k for the Council to take ownership and responsibility for the management of Chorley Bus Station. Discussions between Lancashire County Council (LCC) and the Council regarding this have been delayed and it is therefore highly unlikely that the position will progress before the end of the financial year; as such, the outturn reflects the removal of the budget provision for this in 21/22.
- The Council's budget for 2021/22 included a savings target of £190k comprising £150k from management of the staffing establishment and £40k from the expansion of Shared Services as noted in point 9 above. The establishment 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; these savings are over and above those referred to for these directorates in points 14, 15 and 17 above. The £40k savings target in respect of Shared Services will be identified following the service reviews currently in progress.

## **21. Covid-19 – forecast - £326k underspend**

- The forecast underspend reflects £120k 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.
- £206k additional income is also anticipated 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. The Council is currently in discussions with the Director of Public Health at LCC to ensure compliance criteria set for the use of the fund by the Department for Health and Social Care (DHSC).

## **22. Funding**

- The figures above reflect allocation of £125k from the Market Walk Income Equalisation reserve to offset reduced levels of rental income in 2021/22 compared to the budget set.

## **Other supporting information**

23. 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

24. 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 £4.407m 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	(0.350)
<b>Forecast General Fund Reserve Closing Balance 2021/22</b>	<b>(4.407)</b>

### Movement in Earmarked Reserves

25. Taking account of the adjustments highlighted at **Appendix 3**, the forecast level of Earmarked reserves held for discretionary use by the Council at 31<sup>st</sup> March 2022 is £5.862m compared with a balance of £12.556m at 31<sup>st</sup> March 2021.

Summary of Movement in Earmarked Reserves	£'m
Earmarked Reserves at 1 <sup>st</sup> April 2021	(12.556)
<b>Transfers (to)/from Earmarked Reserves</b>	
Release of S31 grant received and held in reserves in respect of Business Rates reliefs stipulated by the government during 2020/21 – the grant offsets the resulting Business Rates deficit for 2020/21 brought forward on the Collection Fund into 2021/22	4.383
Use of revenue reserves for Capital Financing (already approved))	1.252
Forecast use of other specific Earmarked Reserves	1.059
<b>Forecast Earmarked Reserves Closing Balance 2021/22</b>	<b>(5.862)</b>

26. The £1.059m 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.

- £125k forecast use of Market Walk Income Equalisation Reserve.
- £109k forecast use of Local Plan reserve.
- £135k grants and other funding brought forward from 2020/21.
- £238k forecast use of other specific earmarked reserves.

27. 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**

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. N/A

### **Risk**

30. As detailed in the report

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

31. The financial implications are contained within this report.

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

32. None

### **Background documents**

There are no background papers to this report.

### **Appendices**

Appendix 1

Appendix 2

Appendix 3

Appendix 4

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