

Report of	Meeting	Date
Director of Finance (Introduced by Executive Member (Resources))	Executive Cabinet	24 <sup>th</sup> February 2022

## 2021/22 Corporate Revenue Budget Monitoring Report and Reserves for the nine months to 31<sup>st</sup> December 2021

Is this report confidential?	No
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Is this decision key?	Yes
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<b>Savings or expenditure amounting to greater than £100,000</b>	Significant impact on 2 or more council wards
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### 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 31<sup>st</sup> December 2021.

### Recommendations to Executive Cabinet

2. To note the forecast outturn for revenue and the level of reserves based on the position as at 31<sup>st</sup> December 2021.
3. To note the virements made to and from the revenue budget during the period, as detailed in **Appendix 2** of the report.
4. To approve the creation of reserves from the forecast in-year underspend and the reallocation of existing reserves as follows:
  - Use of in year underspends for:
    - £30k to create a reserve to support the celebration of the Queen's Jubilee in the borough
    - £30k to create an allocation from which to make future awards of Check Out Chorley grants
    - £200k to create a reserve to support the creation of Apprentice, Graduate, and Trainee posts
    - £200k to create a reserve for investment in play and open space areas across the Borough
    - £200k to create a reserve to provide support for local businesses
    - £260k to increase the existing Green Agenda Fund to £500k

### 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 31<sup>st</sup> December 2021, there is a forecast underspend against the budget for 2021/22 of £1.192m, as detailed in **Appendix 1**. Following the allocation to reserves, as detailed above, the revised forecast underspend, resulting in an increase to General Reserves, is £272k.
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, in light of the above, will be £4.329m.

## Corporate priorities

9. The report relates to the following corporate priorities:

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 £14.688m, 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> December 2021.

## Current Forecast Position – Revenue

12. The forecast revenue outturn, based on the position at 31<sup>st</sup> December 2021, shows a provisional underspend against the Council's budgets of £1.192m. 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.

## Variations from Budget

Directorate	Budget 2021/22 £'000	Forecast 2021/22 at 31 <sup>st</sup> December 21 £'000	Variance (Under)/Overspend 2021/22 £'000
Commercial and Property	988	1,152	164
Communities	1,943	1,906	(37)
Customer and Digital	5,865	5,721	(144)
Planning and Development	843	937	94
Policy and Governance	4,503	4,656	153
Major Projects	(3,203)	(3,011)	192
Financing and Other Budgets	3,749	3,318	(431)
Covid-19 / COMF - funding received to meet the operational costs of the council's response to Covid (see Point 21)	0	(1,186)	(1,186)
<b>Total Net Expenditure</b>	<b>14,688</b>	<b>13,493</b>	<b>(1,195)</b>
Funding	Budget	Forecast Q3	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	(331)	(328)	3
Other	(5)	(5)	0
<b>Total Funding</b>	<b>(14,688)</b>	<b>(14,685)</b>	<b>3</b>
<b>Net Forecast</b>	<b>0</b>	<b>(1,192)</b>	<b>(1,192)</b>

### Explanation of key variances by Directorate are as follows:

#### 14. Commercial and Property – forecast - £164k overspend

- £42k 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 as no pay award was 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 £53k forecast reduction in income predominantly as a result of the new food & beverage area renovation works resulting in fewer market traders.
- £65k reduction in the forecast level of income from car parking fees and charges against the level of budgeted income for April to September. Also a further £25k reduction in respect of the free parking offered over the Christmas period.
- £7k forecast reduction in income from the 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 - £37k underspend**

- £95k forecast saving on staffing costs from vacant posts in the Housing Options, Neighbourhoods and Communities teams.
- £22k additional staffing costs from the proposed 1.75% pay award for 2021/22 as no pay award was included in original budget for 2021/22.
- £15k saving on commissioning budgets as other Covid grant funding was provided to support Covid related spend
- £19k underspend from the administration costs now chargeable against the NHS Social Prescribing scheme rather than directly against this budget
- Pest control overspends of £70k largely due to the loss of an existing contractor and so the service has had to put temporary arrangements in place. A review is under way to look at options for the service going forward.
- £10k underspend from increases in grant funding to cover existing costs on Homelessness and rough sleeping.
- 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 - £144k underspend**

- £201k forecast in respect of savings on staffing costs, predominantly due to a number of posts held vacant in the Customer Services team, pending the implementation of the Shared Services review, and also due to vacant posts within the Streetscene team.
- £62k additional staffing costs from the proposed 1.75% pay award for 2021/22 as no pay award was included in original budget for 2021/22.
- £12k forecast for additional income from Land Charge fees based on income levels received for April to December. Also an additional £11k of income received in Clinical Waste Fees from LCC.
- £25k reduction in the cost on the waste contract due to penalty clauses being exercised
- £95k shortfall in income from Council Tax Summons/Committal Costs as no costs were recovered from 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 above that budgeted for Housing Benefit and Council Tax Support Admin Subsidy grants.

#### **17. Planning and Development – forecast - £94k overspend**

- £73k forecast overspend on staffing costs in Planning Services, predominantly from agency staff costs and market supplements paid to in posts that have been difficult to recruit into.
- £30k forecast saving on staffing costs from vacant Building Control Officer posts.
- £20k additional staffing costs from the proposed 1.75% pay award for 2021/22 as no pay award was included in original budget for 2021/22.
- £34k additional costs in respect of Planning appeals and a further £9k of costs in relation to consultants working in this area.
- £82k forecast for additional income from Planning Application fees based on actual levels of income received for April to December/
- £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 vacant posts throughout the coming months.

#### **18. Policy and Governance – forecast - £155k overspend**

- £90k additional staffing costs across the directorate compared to budget for 2021/22. This includes a number of temporary staffing arrangements resulting in additional but non-recurring costs across legal, procurement, performance and partnerships and finance.
- £28k increase in costs in relation to non-staffing budgets across directorates. These relate to one off costs incurred which have been offset by additional Covid/COMF income.
- £37k of additional staffing costs from the proposed 1.75% pay award for 2021/22 as no pay award was included in original budget for 2021/22.
- Increase of £10k in the costs of the contract for the payroll service following the recent procurement exercise; this increase has been built into the budget for 22/23 onwards.
- £17k forecast saving on the running costs for the Council's Civic Offices which have remained predominantly unoccupied for a significant part of the year.

#### **19. Major Projects – forecast - £192k 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:

- £390k 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 is offset by a £75k reduction in the provision for bad debts following the payment of arrears by a number of tenants on completion of their new leases. This will be further offset by utilising £50k of the existing Market Walk Income Equalisation reserve which will reduce the forecast overspend to £340k. It should be noted that Market Walk continues to make a £635k contribution to overall Council budgets. Occupation levels continue to increase and a number of further lease negotiations are nearing completion. On finalisation of these, the financial position should stabilise in 2022/23.
- £44k forecast surplus for Primrose Gardens in 2021/22 mainly due to additional rental income generated as it is currently running at full capacity.
- £119k 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 had an underspend of £35k during the period from April to July i.e. before the services was transferred to the new, 100% subsidiary company, Chorley Leisure Ltd, as detailed in **Appendix 4**. During the first few months of the year, the services were supported by funding from Sport England and from the government's furlough scheme; following the removal of Covid-19 restrictions, income has increased. Chorley Leisure Ltd was established on 1st August 2021 and therefore for the 8 month period from August 2021 to March 2022 the Council will pay an agreed sum to the company, under contract, for service delivery.

## 20. Financing and Other Budgets – forecast - £431k underspend

- This includes a £271k forecast underspend on Net Financing, arising from a reduction in interest payments in 2021/22 reflecting the 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 housing benefits payments position has been reviewed based upon current actual figures and currently is reflecting a £60k forecast underspend.
- 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. The staffing 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. 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 have now almost concluded, the savings will be achieved and allocated in full as part of the budget setting process for 2022/23; in 2021/22 the shortfall will be covered by in year underspends.

## 21. Covid-19 – forecast - £1.186m re-allocation

- The forecast re-allocation reflects £120k of 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.
- £518k of unringfenced Covid grants relating to the administration of the business grants, test and trace allocations and other Covid funding can now be released into the revenue budget following a refinement and confirmation of the likely future Covid costs to year end.
- £206k additional income was included in the revenue budget at Quarter 2 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. This has been increased at Q3 to reflect a further £342k of expenditure within Council budgets that are applicable to the COMF Funding.
- As previously reported, the Council has received £1.444m of COMF funding. The funding came with detailed guidance and eligibility criteria for expenditure. The plans for expenditure of the grant had to be shared with, and agreed by, the Director of Public Health (this approval has now been secured). It has now been confirmed that any of the funding that has not been spent by 31<sup>st</sup> March 2022 may be carried forward into 2022/23; the expectation is that the Council will have spent the majority of this funding in 2021/22. A breakdown of the proposed COMF spend is included in Appendix 5, which details that the proposed expenditure exceeds the funding received by £100k; a request has been made to the Director of Public Health to secure additional financial support to meet these proposals.

## 22. Funding

- The figures above reflect the allocation of £50k from the Market Walk Income Equalisation reserve to offset reduced levels of rental income in 2021/22 compared to the budget set.
- There is also a £53k reduction in proposed reserves used for planning appeals given the overall financial position and the potential need for reserves in future years.

## 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 £4.329m 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	(1.192)
Forecast movement to other reserves as detailed in point 4	0.920
<b>Forecast General Fund Reserve Closing Balance 2021/22</b>	<b>(4.329)</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 £7.546m 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))	1.025
Movements to reserves	(1,204)
Forecast use of other specific Earmarked Reserves	0.806
<b>Forecast Earmarked Reserves Closing Balance 2021/22</b>	<b>(7.546)</b>

26. The £0.806m forecast use of other specific earmarked reserves shown in the table above includes the following items:

- £111k utilisation of approved budgets brought forward from previous years.
- £166k committed use of Business & Retail Grant investment reserves.
- £70k forecast use of Market Walk Income Equalisation Reserve. £50k to support Market Walk and £20k specific use for former project work
- £115k forecast use of Local Plan reserve.
- £60k Planning Appeals Reserve
- £284k forecast use of other specific earmarked reserves.

27. The movements to reserves are largely those detailed in point 4 of this report with additional reserves of £100k for future Homelessness commitments and £54k in relation to ICT.

28. 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**

29. 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**

30. N/A

### **Risk**

31. As detailed in the report

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

32. The financial implications are contained within this report.

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

33. None

### **Background documents**

There are no background papers to this report.

### **Appendices**

Appendix 1

Appendix 2

Appendix 3

Appendix 4

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