

Report of	Meeting	Date
Director (Finance) (Introduced by Executive Member (Resources))	Executive Cabinet	16 th June 2022

2021/22 Corporate Budget Monitoring Report and Reserves Provisional Outturn at 31st March 2022

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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Purpose of the Report

1. This report sets out the provisional outturn for revenue and reserves for the Council for the year ended 31st March 2022.
2. The accounts are still subject to external audit and adjustments may be required which will be reported in future monitoring reports.

Recommendations to Executive Cabinet

3. To note the 2021/22 provisional outturn for revenue and the level of reserves at 31st March 2022.
4. To note the virements made to and from the revenue budget, which have been previously reported over the course of the year and are as detailed in **Appendix 2** of the report.
5. To approve an increase in the Planning Appeals reserve of £150k to fund expenditure such as legal costs in this area.

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 provisional position at the end of 31st March 2022, there is an underspend against the budget for 2021/22 of £0.224m, as detailed in **Appendix 1**. Subject to the £150k allocation to reserves detailed above, there will be an increase in General Reserves, of £74k.
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 financial risks that may face the Council. The level of general fund balances as at 31st March 2022, based on the above, will be £4.131m.

Corporate priorities

10. 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

11. The current net revenue budget for 2021/22 is £14.688m, which includes a savings target of £190k comprising of £150k in respect of staffing turnover and £40k from the expansion of Shared Services.
12. **Appendix 3** provides further information about the specific earmarked reserves that the Council holds at 31st March 2022.

Current Outturn Position – Revenue

13. The provisional revenue outturn, based on the position at 31st March 2022, shows an underspend against the Council's budgets of £0.224m. 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. 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, no provision was made for a pay award within the budget. However a 1.75% increase was agreed with the Unions during the year resulting in an increase in staffing costs of around £160k which is reflected within the figures in this report.

Variations from Budget

Directorate	Budget 2021/22 £'000	Outturn 2021/22 at 31 st March 22 £'000	Variance (Under)/Overspend 2021/22 £'000
Commercial and Property	988	1,457	469
Communities	1,943	1,786	(157)
Customer and Digital	5,865	5,770	(95)
Planning and Development	843	822	(21)
Policy and Governance	4,503	4,421	(82)
Major Projects	(3,203)	(3,192)	11
Financing and Other Budgets	3,749	3,454	(295)
Covid-19 / COMF - funding received to meet the operational costs of the council's response to Covid (see Point 21)	0	(44)	(44)
Total Net Expenditure	14,688	14,474	(214)
Funding	Budget	Outturn Q4	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)	(341)	(10)
Other	(5)	(5)	0
Total Funding	(14,688)	(14,698)	(10)
Net Outturn	0	(224)	(224)

Explanation of key variances by Directorate are as follows:

15. Commercial and Property – £469k overspend

- £70k overspend on staffing costs across the directorate compared to the budget for 2021/22 due to demand pressures within services and some minor restructuring costs.
- £19k additional overspend on staffing costs due to the 1.75% pay award for 2021/22, as no pay award was included in original budget for 2021/22.
- £105k 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, and a reduction in income due to renovation works for the new food & beverage area resulting in fewer market traders in the period.
- £93k reduction in income from car parking fees and charges compared to budget, reflecting the impact of Covid on the Town Centre

- £56k overspend relating to legal fees and business rates
- £42k reduction in rental and service charge income levels at Costwold House as 4 rooms were taken out of general use during the period, as they were held to support the Rough Sleepers Initiative.
- £74k overspend relating to various non-staffing cost such as repairs and maintenance, water supplies, refuse collection, electricity charges and rents credited back.

16. Communities – £157k underspend

- £78k overall underspend in staffing cost from vacant posts in the Neighbourhood and Communities team after offsetting overspends within the Home Improvement Agency and Housing Options team.
- £22k additional overspend on staffing costs due to the 1.75% pay award for 2021/22 as no pay award was included in original budget for 2021/22.
- £28k underspend on the time credits project as the overall costs to the council have reduced, and the remaining costs have been charged against the COMF Covid funding received in the year due to the nature of the service.
- £19k underspend as some budgeted in-year costs have been eligible for charging against the NHS Social Prescribing scheme rather than directly against council budget.
- £51k underspend due to additional income received from the Police and Crime Commissioner, and unbudgeted income in respect of both the Syrian Refugee Scheme (a government contribution towards administration costs of the scheme) and in respect of Cotswold House income from Housing Benefit.
- £42k overspend relating to the cost of Gypsy Roma Traveller (GRT) Encampments resulting in Court attendance and Bailiff.

17. Customer and Digital – £95k underspend

- £129k reduction in staffing costs, predominantly due to a number of posts held vacant in the Customer Services and ICT Services teams, pending the implementation of the Shared Services review, net of restructure costs incurred during the implementation of this. The figure also includes underspend due to vacancies within the Streetscene team.
- £62k additional overspend on staffing costs due to the 1.75% pay award for 2021/22 as no pay award was included in original budget for 2021/22..

- £115k comprising a shortfall in income from Council Tax Summons/Committal Costs as no costs were recovered from April through to June and a provision for doubtful debts. Losses for the first quarter of the year were partially offset by the Covid-19 Fees & Charges Compensation scheme.
- £20k overspend due to increase in computer equipment purchases and general ICT costs.
- £43k overspend due to the additional purchase of, and repairs to, garden waste bins, along with additional costs in the Streetscene team related to the cost of fuel.
- £83k additional income collected from Land Charge fees and increases in Cemetery income.
- £29k reduction in the cost of the waste contract due to reduced CPI rates and penalty clauses being exercised during the year.
- £94k additional income received above that budgeted in respect of Housing Benefit and Council Tax Support Admin Subsidy grants.

18. Planning and Development – £21k underspend

- £87k overspend on staffing costs in Planning Services, predominantly from agency staff costs and supplements that have had to be paid due to recruitment difficulties.
- £110k net underspend on staffing costs from vacant posts within Enforcement Services and Spatial Planning offset by agency staff costs.
- £20k additional staffing costs from the 1.75% pay award for 2021/22, as no pay award was included in original budget for 2021/22.
- £78k income reduction in the amount of Planning fees and Building Control Inspection fees compared to budget.
- £60k overspend on professional fees and Legal fees within Planning Services offset by £20k reduction in car leasing cost.
- £139k additional income from Planning Application fees.

19. Policy and Governance – £82k underspend

- £31k net staffing underspend across the directorate compared to budget for 2021/22.
- £37k of additional staffing costs from the 1.75% pay award for 2021/22 as no pay award was included in original budget for 2021/22.

- £40k overspend due to savings target budget projected to be achieved all year and £111k overspend due to bad debts provision.
- £68k underspend due to reduction in non-staffing spends across directorates.
- £105k underspend due to change in accounting treatment for elections income from previous years.

20. Major Projects – £11k 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:

- £371k 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. 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.
- £99k surplus for Primrose Gardens in 2021/22 mainly due to additional rental income generated as it is currently running at full capacity.
- £181k surplus against the 2021/22 budget on Strawberry Fields as office occupation has increased significantly over the course of the year. 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 in progress to maximise the remaining space within the building for further income generation.
- Leisure Services had an underspend of £66k 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 has paid an agreed sum to the company, in line with the contract for service delivery.

21. Financing and Other Budgets – £295k underspend

The key variances to note are:

- This includes a £218k 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 as such, the outturn reflects the removal of the budget provision for this in 21/22.

- £35k overspend is in relation to the accrued leave entitlement as at 31st March 2022. This is offset within other budget lines as it is a notional charge.
- 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 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.

22. Covid-19 – Underspend of £44k following Quarter 3 reserves adjustment

- Following approval at Quarter 3, £920k of reserves have been created from underspends as a result of applying unringfenced Covid funding to existing budgets.
- Confirmation has been received that Covid-19 Contain Outbreak Management Fund (COMF) can be carried forward into 2022/23 and as a result, £471k has been allocated against the projects that are due to complete in 2022/23.

23. Planned Reserves movement

- In addition to planned reserves movements included within the budget for 2021/22, a further £60k reserves has been utilised for planning appeals.

Other supporting information

24. 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

25. 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 provisional outturn for 2021/22 identifies that the General Fund closing balance will be £4.131m as detailed below.

Movement in General Fund Reserve

Summary of Movement in General Reserves	£'m
General Fund Reserves at 1 st April 2021	(4.057)
Transfers (to)/from General Reserves	
Provisional revenue budget underspend	(0.224)
Movement to other reserves as detailed in point 5	0.150
General Fund Reserve Closing Balance 2021/22	(4.131)

Movement in Earmarked Reserves

26. Taking account of the adjustments highlighted at **Appendix 3**, the level of Earmarked reserves held for discretionary use by the Council at 31st March 2022 is £8.857m compared with a balance of £12.931m at 31st March 2021.

Summary of Movement in Earmarked Reserves	£'m
Earmarked Reserves at 1 st April 2021	(12.931)
Transfers (to)/from Earmarked Reserves	
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))	0.820
Transfers to reserves	(1.690)
Use of other specific Earmarked Reserves	0.561
Earmarked Reserves Closing Balance 2021/22	(8.857)

27. The £0.561m use of other specific Earmarked Reserves shown in the table above comprise:

- £90k use of specific reserves within Policy and Governance
- £69k use of Business & Retail Grant investment reserves.

- £80k use of Local Plan reserve.
- £60k use of Planning Appeals Reserve
- £215k use of other specific earmarked reserves.

28. The transfers to reserves are those approved in the Quarter 3 monitoring report of £0.920m, £0.150m as per point 5 and others as listed below.

- £283k transfer to reserves for Capital bad debt provision no longer required.
- £37k transfer of specific reserves within Policy and Governance.
- £300k transfer of specific reserves within Communities including £207k of covid support funding.

29. 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

30. 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

31. N/A

Risk

32. As detailed in the report.

Comments of the Statutory Finance Officer

33. The Financial implications are contained within this report.

Comments of the Monitoring Officer

34. None

Background documents

There are no background papers to this report.

Appendices

Appendix 1 – Revenue 2021/22 - position as at 31st March 2022

Appendix 2 – Revenue Budget Movements at 31st March 2022

Appendix 3 – 2021/22 Reserves Programme position at 31st March 2022

Appendix 4 – 2021/22 Major Projects position at 31st March 2022

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