

Report of	Meeting	Date
Director (Finance) (Introduced by Executive Member (Resources))	Executive Cabinet	15 th September 2022

2022/23 Corporate Budget Monitoring Report and Reserves for the four months to 31st July 2022

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
--	--

Purpose of the Report

1. This report sets out the revenue and reserves forecast for 2022/23 for the Council, based on the position as at 31st July 2022.

Recommendations to Executive Cabinet

2. To note the forecast outturn for revenue and the level of reserves based on the position as at 31st July 2022.
3. To note the virements made to and from the revenue budget 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 at the end of 31st July 2022, the forecast outturn is an underspend of £0.213m, however based on the current position of the 2022/23 pay award negotiations, an unfunded budget pressure is anticipated of £0.597m; this has been built into the figures presented below and as such the revised forecast outturn is for an overspend of £0.384m, 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.
8. Based on the above, the level of general fund balances as at 31st March 2023 will be £3.748m however we will monitor the position during the year, particularly given the lobbying by local government for additional funding from central government to meet the additional costs of the pay award; if necessary, drawdown will be recommended from a review of ear-marked reserves to ensure general fund balances remain above £4.0m.

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 2022/23 is £14.553m.
11. **Appendix 3** provides further information about the specific earmarked reserves that the Council holds at 31st July 2022.

Current Forecast Position – Revenue

12. The forecast revenue outturn, based on the position at 31st July 2022, shows a provisional overspend against the Council's budgets of £0.384m. 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. The National Employers have made a pay offer of £1,925 on all NJC pay points 1 and above for period 01st April 2022 to 31st March 2023. The table below shows the overall implication of the proposed pay award for 2022/23 compared to the provision of 2% included in the base budget.

Directorates	Total Pay Award including NI & Pension	Pay Award Budget at 2%	Net increase in Budget
Communities	132,256	32,370	99,885
Commercial and Property	86,869	28,597	58,271
Policy & Governance	121,816	92,186	29,630
Customer & Digital	370,674	10,105	360,569

Planning & Development	70,604	27,418	43,186
Major Projects	52,810	46,859	5,951
Total	835,028	237,536	597,492

14. There are pressures on gas and electricity across all of our properties resulting in a forecast overspend £142k. Some of this cost will be recharged to our tenants, where applicable, reducing the impact on the budgets. There are no other significant inflationary cost pressures identified at present, but this will be monitored and reported if such changes are identified.

Variations from Budget

Directorate	Budget 2022/23 £'000	Forecast 2022/23 at 31 st July 22 £'000	Variance (Under)/Overspend 2022/23 £'000
Commercial and Property	404	1,072	668
Communities	1,894	1,989	95
Customer and Digital	5,663	5,653	(10)
Planning and Development	793	909	116
Policy and Governance	5,058	5,083	25
Major Projects	(3,696)	(3,690)	6
Financing and Other Budgets	4,437	3,860	(577)
Total Net Expenditure	14,553	14,876	323
Funding	Budget 2022/23 £'000	Forecast 2022/23 at 31 st July 22 £'000	Variance (Under)/Overspend 2022/23 £'000
Council Tax	(7,554)	(7,554)	0
Business Rates	(5,293)	(5,293)	0
New Homes Bonus	(886)	(886)	0
Government Grants	(709)	(709)	0
Reserves	(111)	(50)	61
Other	0	0	0
Total Funding	(14,553)	(14,492)	61
Net Outturn	0	384	384

Explanation of key variances by Directorate are as follows:

15. Commercial and Property – £668k overspend

The key variances to note are:

- £205k net overspend on staffing costs across the directorate. This overspend includes the cost of the proposed pay award (£58k) for 2022/23 compared to the provision included in the base budget of 2% but in the main, it is due to the additional costs of using agency staff. Given the recruitment difficulties in this area, e.g surveyors, and the review and move to the Shared Service model, agency staff are

providing the necessary support to the team in the interim, however the market for such staff is challenging, with significant increases in the salaries required by available candidates. This is a national issue and is also being felt in other areas of operation across the council.

- £179k overspend relating to the delay in the opening of Tatton Gardens. This has been offset by £100k reduction in financing cost as described below.
- £77k reduced income from market rents due to the renovation works for the new food and beverage area resulting in fewer market traders and some vacant stalls in the Cabin/Covered Markets that are not expected to be filled until later in the year.
- £71k reduction in income from car parking fees and charges compared to budget, reflecting the impact of the recovery from the pandemic on the Town Centre.
- £77k overspend due to increased gas and electricity costs that are forecast, based on the current price increases.
- £22k forecast overspend due to increased legal fees on planning matters.
- £37k overspend relates to reduced rental income and other non-staffing variances.

16. Communities – £95k overspend

The key variances to note are:

- £45k net overspend on staffing cost across the directorate compared to the budgets for 2022/23 due to staffing vacancy savings more than offset by the proposed forecast pay award for 2022/23 compared to the provision in the base budget of 2%.
- £40k overspend compared to budget; this is a reduction of £40k from the previous year's overspend, achieved as we transition to the new shared services in Pest Control.

17. Customer and Digital – £10k underspend

The key variances to note are:

- £33k net overspend on staffing costs across the directorate compared to the budget for 2022/23. This reflects the timing of various vacant post being filled within Customer Transformation and ICT Services and also includes costs for agency staff, alongside the proposed pay award for 2022/23 compared to the 2% included in the base budget for this.
- £48k additional income received for New Burdens grants and DWP payments.

18. Planning and Development – £116k overspend

The key variances to note are:

- £114k net overspend on staffing costs across the directorate compared to the budget for 2022/23. This is mainly due to vacant posts within Enforcement Services and vacant post being covered by agency staff within Enforcement and Planning Services. This also includes the proposed pay award for 2022/23 compared to the set base budget of 2%.
- £95k overspend on professional fees, statutory notices, and Legal fees within Planning Services.
- £100k additional income from Planning Application fees.

19. Policy and Governance – £25k overspend

The key variances to note are:

- £33k net staffing underspend across the directorate compared to budget for 2022/23. This is mainly due to vacancies and a higher level of staffing recharges to SRBC compared to budget, offset by the proposed pay award for 2022/23 compared to the budget provision for this of 2%.
- £53k overspend due to the forecast increase in utilities cost within Astley Hall, Astley Hall Farm House and Astley Park Coach House.
- £49k underspend due to an over provision in the Members Allowance budgets.
- £64k overspend due to the increase in Audit fees for 2019-20 and 2020-21 which have been approved by Governance Committee.

20. Major Projects – £6k overspend

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

The key variances to note are:

- £25k overspend for 2022/23 Market Walk – This includes £32k staffing overspend because of the proposed pay award for 2022/23 compared to the set base budget of 2%. Although rental income budgets have been overachieved, some uncertainty remains due to expired leases and reduced service charge income on vacant units.
- £14k underspend for 2022/23 Digital Office Park - This includes an overspend of £25k on staffing due to agency staff cover and the proposed pay award for 2022/23 compared to the set base budget of 2%, along with a £10k forecast overspend on electricity cost due to the rise in current prices, offset by a £49k increase in various income streams (office rent, service charge, meeting rooms hot desk and pods).

21. Financing and Other Budgets – £577k underspend

The key variances to note are:

- This includes a £94k underspend on debt payable as whilst £10m borrowing was undertaken in March 2022, the payments are lower than those budgeted.

- Interest receivable is showing an underspend, or over-recovery against budget, of £38k due to interest rate increases providing a better rate of return on balances.
- There is also a £345k underspend on the Minimum Revenue Provision as a result of changes in the mix of funding used to finance capital schemes compared to budget, along with slippage in the capital programme, as reported at outturn. This offsets the overspend on Tatton Gardens detailed in point 15 as repayments have not yet started due to the asset not yet being operational.
- The revenue budget for 2022/23 included a provision of £100k for the Council to take ownership and responsibility for the management of Chorley Bus Station. As this has not yet been agreed, the £100k underspend remains.

22. Covid-19

- Some residual Covid 19 and COMF funding is remaining in 22/23. It is expected this will all be spent in line with original approvals and at year end there will be no remaining balances.

Other supporting information

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

Appendix 4 – Commercial Services - Major Projects

24. Planned Reserves movement - £61k Overspend

- Reserves transactions have been reflected in the relevant service area.

General Fund Resources and Balances

25. As detailed at **Appendix 3**, the Council holds £4.140m in General Fund reserves to manage budget risks not covered by earmarked reserves or provisions within the budget. The forecast outturn for 2022/23 identifies that the General Fund closing balance will be £3.748m as detailed below.

Movement in General Fund Reserve

Summary of Movement in General Reserves	£'m
General Fund Reserves at 1 st April 2022	(4.140)
Transfers (to)/from General Reserves	
Forecast outturn revenue budget (surplus) / deficit	0.384
Other reserves Movement	0.008
General Fund Reserve Closing Balance 2022/23	(3.748)

26. As detailed at **Appendix 3**, the Council holds £4.140m in General Fund reserves to manage budget risks not covered by earmarked reserves or provisions within the budget. As noted at point 8 above and as detailed below, the forecast outturn for 2022/23 identifies that the General Fund closing balance will be £3.748m, however we will monitor the position during the year, particularly given the lobbying by local government for additional funding from central government to meet the additional costs of the pay award, and if necessary, drawdown will be recommended from earmarked reserves to ensure general fund balances remain above £4.0m.

Movement in Earmarked Reserves

27. Taking account of the adjustments highlighted in **Appendix 3**, the level of Earmarked reserves held for discretionary use by the Council at 31st July 2022 is £6.642m compared to a balance of £11.805m at 31st March 2022.

Summary of Movement in Earmarked Reserves	£'m
Earmarked Reserves at 1 st April 2022	(11.805)
Transfers (to)/from Earmarked Reserves	
Release of S31 grant received and held in reserves in respect of Business Rates reliefs (this was provided by the Government during 2020/21 – the grant offsets the Business Rates deficit for 2020/21 brought forward on the Collection Fund into 2022/23)	2.347
Use of revenue reserves for Capital Financing	1.852
Transfers to reserves	0.000
Use of other specific Earmarked Reserves	0.964
Forecast Earmarked Reserves Closing Balance 2022/23	(6.642)

28. The £0.964m forecast use of other specific Earmarked Reserves shown in the table above includes the following items:

- £502k utilisation of approved reserves established in quarter 3 revenue monitoring report in 2021/22.
- £41k use of the Restructure Reserve following the staff review in the Procurement Team.
- £35k use of Market Walk Income Equalisation Reserves.
- £207k use of Covid support funding reserves within the Communities directorate.
- £74k use of specific reserves within the Policy and Governance directorate.
- £57k use of the Local Plan reserve.
- £14k use of the Planning Appeals Reserve
- The remainder of the movements are various, smaller adjustments related to revenue spending.

29. There are no transfers to reserves reported in this period.

30. 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

31. The work noted in this report does not impact the climate change and sustainability targets of the Council's Green Agenda and all environmental considerations are in place.

Equality and diversity

32. N/A

Risk

33. There is significant risks due to rising costs especially in relation to utility bills. This is likely to be felt most by the Council's Leisure company. Forecasting of costs across the year are underway and implications for the Council will be contained in future reports.

Comments of the Statutory Finance Officer

34. The Financial implications are contained within this report.

Comments of the Monitoring Officer

35. None

Background documents

There are no background papers to this report.

Appendices

Appendix 1 – Revenue 2022/23 - position as at 31st July 2022

Appendix 2 – Revenue Budget Movements at 31st July 2022

Appendix 3 – 2022/23 Reserves Programme position at 31st July 2022

Appendix 4 – 2022/23 Major Projects position at 31st July 2022

Report Author:	Email:	Telephone:	Date:
Hemangini Chevli, Neil Halton, Louise Mattinson	Hemangini.Chevli@chorley.gov.uk, Neil.Halton@chorley.gov.uk, louise.mattinson@chorley.gov.uk	N/A N/A	19/08/22 19/08/22