

Report of	Meeting	Date
Director (Finance) (Introduced by Executive Member (Resources))	Executive Cabinet	10/11/2022

2022/23 Corporate Budget Monitoring Report and Reserves for the six months to 30th September 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 revenue and reserves forecast for 2022/23 for the Council, based on the position as at 30th September 2022.

Recommendations to Executive Cabinet

2. To note the forecast outturn for revenue and the level of reserves based on the position as at 30th September 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 30th September 2022, the forecast outturn is an underspend of £0.310m, 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 £0.287m, 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 £3.853m 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 30th September 2022.

Current Forecast Position – Revenue

12. The forecast revenue outturn, based on the position at 30th September 2022, shows a provisional overspend against the Council's budgets of £0.287m. 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, electricity and water across all of our properties resulting in a forecast overspend £346k. 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 30 th Sept 22 £'000	Variance (Under)/ Overspend 2022/23 £'000
Commercial and Property	348	1,017	669
Communities	1,862	1,947	85
Customer and Digital	5,521	5,573	52
Planning and Development	772	943	171
Policy and Governance	5,399	5,432	33
Major Projects	(3,786)	(3,887)	(101)
Financing and Other Budgets	4,437	3,754	(683)
Total Net Expenditure	14,553	14,779	226
Funding	Budget 2022/23 £'000	Forecast 2022/23 at 30 th September 22 £'000	Variance (Under)/Oversp end 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	287	287

Explanation of key variances by Directorate are as follows:

15. Commercial and Property – £669k overspend

The key variances to note are:

- £219k 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 at point 21.
- £76k 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.
- £68k 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.
- £92k overspend due to increased utilities costs that are forecast, based on the current price increases.
- £22k forecast overspend due to increased legal fees on planning matters.
- £13k overspend relates to reduced rental income and other non-staffing variances.

16. **Communities – £85k overspend**

The key variances to note are:

- £81k net overspend on staffing cost across the directorate compared to the budgets for 2022/23 due to staffing vacancy savings which are 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.
- £60k reduction in income as it has been confirmed by the NHS and Lancashire Constabulary that they will not be funding a contribution to the 21/22 and 22/23 salary costs within the Communities team. This under recovery of income for 22/23 is partially offset by an underspend on staffing cost (contained within the first bullet point above).
- £89k use of Homelessness Prevention Grant reserves due to overspends on Temporary Accommodation within Housing Options.
- £10k unbudgeted grant income in respect of weight management.

17. **Customer and Digital – £52k overspend**

The key variances to note are:

- £99k 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.

- £43k increase in the bad debt provision for Housing Benefits based upon an increase in the level of outstanding balances.
- £48k unbudgeted income received for New Burdens grants and DWP payments.
- £10k underspend relating to professional fees for the Empty Homes Review.
- £19k increase in the Leisure SLA recharge income compared to budget within ICT Services which is linked to the staff costs associated with the provision of services to the Leisure company.
- £13k underspend due to various small variances within the directorate.

18. Planning and Development – £171k overspend

The key variances to note are:

- £118k 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 posts 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%.
- £127k overspend on professional fees, statutory notices, and legal fees within Planning Services.
- £100k additional income from Planning Application fees.
- £16k reduced income on pre-plan applications, as the service is still suspended.
- £10k overspend due to various small variances within the directorate.

19. Policy and Governance – £33k overspend

The key variances to note are:

- £99k 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 and the Leisure company compared to budget, offset by the proposed pay award for 2022/23 compared to the budget provision for this of 2%.
- £107k overspend due to the forecast increase in utilities cost that are forecasted, based on the current price increases.
- £32k underspend due to an over provision in the Members Allowance budget.
- £64k overspend due to the increase in Audit fees for 2019-20 and 2020-21 which have been approved by Governance Committee.
- £7k underspend due to various small variances within the directorate.

20. Major Projects – £101k underspend

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

The key variances to note are:

- £68k underspend for Market Walk – This includes £34k staffing overspend because of the proposed pay award for 2022/23 compared to the set base budget of 2%. £11k overspend due to a forecast increase in the cost of utilities based on the current price increases. £26k overspend due to various small variances within Market Walk. This is offset by an increase in income compared to budget as rental income has exceeded forecast which factored in a more cautious impact for Covid. However, some uncertainty remains due to expired leases and reduced service charge income on vacant units.
- £35k underspend for Digital Office Park - This includes an overspend of £27k 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 £72k increase in various income streams (office rent, service charge, meeting rooms hot desk and pods).

21. Financing and Other Budgets – £683k underspend

The key variances to note are:

- This includes a £194k underspend on interest payable; whilst £10m of borrowing was undertaken in March 2022, this was lower than budget due to the timing of capital spend.
- Interest receivable is showing an underspend, or over-recovery against budget, of £44k due to interest rate increases which are providing a better rate of return on cash 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 above, as repayments have not yet started as the asset has not yet become 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 £3.853m 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	0.287
Other reserves Movement	0.000
General Fund Reserve Closing Balance 2022/23	(3.853)

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 £3.853m, 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 ear-marked 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 30th September 2022 is £6.382m 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	2.347

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)	
Use of revenue reserves for Capital Financing	1.852
Transfers to reserves	(0.161)
Use of other specific Earmarked Reserves	1.385
Forecast Earmarked Reserves Closing Balance 2022/23	(6.382)

28. The £1.385m forecast use of other specific Earmarked Reserves shown in the table above includes the following items:

- £542k 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.
- £120k use of Income Generation reserves.
- £207k use of Covid support funding reserves within the Communities directorate.
- £89k use of Homelessness Prevention Grant reserves.
- £130k use of reserves within Commercial and Property directorate.
- £114k use of specific reserves within the Policy and Governance directorate.
- £57k use of the Local Plan reserve.
- £43k use of the Planning Appeals Reserve
- The remainder of the movements are various, smaller adjustments related to revenue spending.

29. Transfers to reserves of £161k relate to the balance of unspent Syrian Refugee Housing income 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 Councils Green Agenda and all environmental considerations are in place.

Equality and diversity

32. N/A

Risk

33. There are 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 have been undertaken and a report is expected to be made to November Council.

34. There are also some risks around Housing Benefit overspends due to the opening of schemes related to Exempt Accommodation. The full cost is still being quantified and will be incorporated into future reports.

Comments of the Statutory Finance Officer

35. The Financial implications are contained within this report.

Comments of the Monitoring Officer

36. None

Background documents

There are no background papers to this report.

Appendices

Appendix 1 – Revenue 2022/23 - position as at 30th September 2022

Appendix 2 – Revenue Budget Movements at 30th September 2022

Appendix 3 – 2022/23 Reserves Programme position at 30th September 2022

Appendix 4 – 2022/23 Major Projects position at 30th September 2022

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