

Report of	Meeting	Date
Director (Finance) (Introduced by Executive Member (Resources))	Executive Cabinet	13/09/2023

2023/24 Corporate Budget Monitoring Report and Reserves for the 4 months to 31st July 2023

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 2023/24 for the Council, based on the position as at 31st July 2023.

Recommendations to Executive Cabinet

2. To note the 2023/24 forecast outturn for revenue and the level of reserves, based on the position as at 31st July 2023.
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 as at 31st July 2023, the forecast outturn is for an overspend of £0.542m however based on the current position of the 2023/24 pay award negotiations, an unfunded budget pressure is anticipated of £0.146m; this has been built into the figures presented below and as such the revised forecast outturn is for an overspend of £0.688m, as detailed in **Appendix 1**.
7. The forecasts are based on the actual income received and expenditure incurred for the 4 months to 31st July 2023 and on assumptions and projections made for these over the

remaining 8 months of the year. As is expected at this point in the year, these are early forecasts and the position may change over the coming months, however the figures presented provide the best estimate based on the current position and information available. The Council will work to contain net costs within the budget available and to reduce the overspend over the coming months.

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.
9. Based on the above forecast overspend, the level of general fund balances as at 31st March 2024 will be £3.583m however as noted above, all efforts will be made to contain net costs within budget and to reduce the current forecast overspend. As such we will monitor the position during the year and report to members accordingly.

Corporate priorities

The report relates to the following corporate priorities:

Housing where residents can live well	A green and sustainable borough
An enterprising economy with vibrant local centres in urban and rural areas	Healthy, safe and engaged communities

Background to the report

10. The current net revenue budget for 2023/24 is £15.538m.
11. **Appendix 3** provides further information about the specific earmarked reserves that the Council holds at 31st July 2023.

Current Outturn Position – Revenue

12. The forecast revenue outturn, based on the position at 31st July 2023, shows a provisional overspend against the Council’s budgets of £0.688m. 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. Variations from Budget

Directorate	Budget 2023/24 £'000	Forecast 2023/24 at 31 st July 23 £'000	Variance (Under)/ Overspend 2023/24 £'000
Property	947	1,376	429
Communities and Leisure	3,008	2,961	(47)
Customer and Digital	6,351	6,388	37
Planning	967	1,003	36
Policy and Governance	5,781	6,148	367
Major Projects	(5,149)	(4,776)	373
Financing and Other Budgets	3,633	3,126	(507)
Total Net Expenditure	15,538	16,226	688
Funding	Budget 2023/24 £'000	Forecast 2023/24 at 31 st July 23 £'000	Variance (Under)/ Overspend 2023/24 £'000
Council Tax	(7,807)	(7,807)	0
Business Rates	(7,265)	(7,265)	0
New Homes Bonus	(297)	(297)	0
Government Grants	(119)	(119)	0
Reserves	(50)	(50)	0
Total Funding	(15,538)	(15,538)	0
Net Outturn	0	688	688

14. With regard to the pay award for 2023/24, the National Employers have made a pay offer of £1,925 on all NJC pay points 1 and above for the period 1 April 2023 to 31 March 2024 which has been rejected by the Trades Union. As it is highly unlikely that the final pay award will be less than this amount, provision has been made in the forecast at this rate. The table below shows the overall implications of the pay award for 2023/24 should the pay offer of £1,925 be accepted, compared to the provision of 5% included in the base budget.

Directorates	Proposed Pay Award including NI & Pension	Pay Award Budget at 5%	Net increase in cost
Property	110,838	90,197	20,641
Communities and Leisure	88,588	81,282	7,306
Customer & Digital	314,349	217,296	97,053
Major Projects	47,274	30,985	16,289
Planning	81,613	77,171	4,442
Policy & Governance	154,931	154,720	211
Total	797,593	651,651	145,942

15. With regard to utilities, based on current assumptions, there are pressures on gas, electricity and water across all of our properties, resulting in an overspend of £353k. Although the utility budgets were increased by 50% compared to the levels set in 2022/23, they assumed that the price cap introduced by the government in 2022/23 would remain in place for 2023/24, unless energy prices significantly fell and such a cap was not required. After the budget was approved however, the government announced that they did not intend to continue with the price cap for 2023/24 and so whilst the forecast reflects the recent reduction in costs, as gas and electricity prices have started to slowly reduce, the impact of the withdrawal of the cap has offset this.
16. Although in the last few weeks the government has announced the reintroduction of the price cap for domestic customers, there is no further news on the position for non-domestic consumers; if the cap is extended to all users, then the council's costs will fall and the forecast will need to be refined and the level of overspend reduced, however at this early point in the year we are erring on the side of caution in our projections.
17. The Council has variable rate energy contracts meaning that financial forecasting is difficult as prices are volatile with changes in the energy market. Whilst the forecast overspend is based on the latest information available, this could change over the coming months both with changes in cost and in any change in position on the price cap.
18. A proportion of the overall increase in costs, and therefore the overspend (£110k), will be recovered as utility costs are recharged to our tenants where applicable; this is reflected in the figures in the table at point 13 above.

Explanation of key variances by Directorate are as follows:

19. Property – forecast £429k overspend

The key variances to note are:

- £55k net overspend on staffing costs across the directorate. This overspend includes the cost of the proposed pay award for 2023/24 compared to the 5% provision included in the base budget (£21k), with the balance due to the cost of using agency staff and a reduction in the level of salary capitalisation compared to budget. These overspends have been partly offset by savings on posts that are currently vacant.
- £56k reduced income from market rental income due to vacant units, particularly in the food and beverage area.
- £31k reduction in income from car parking fees and charges, parking permit income and parking fines compared to budget. This is partly due to the NHS moving out of Lingmell House, hence the reduced permit income; however, the parking fines appear to be increasing as there are more enforcement staff patrolling the car parks in recent months.
- £116k overspend on utility costs as noted in point 15 above. As stated, these forecasts are based on current estimated rates but as the council is on variable rates, the position could move as the year progresses.
- £118k overspend relating to reactive and planned maintenance within the directorate; this is mainly due to legacy issues which the Property Services Team have been

working to resolve. A review of the building repair and maintenance budget will be undertaken in the coming months based on the findings of stock condition surveys that are currently being commissioned, to assess if there is an ongoing requirement for a budget increase in 2024/25.

- £51k net increase in income relating to increased recharge income for heating and lighting, rental and service charge income and grants received in respect of Cotswold Supported Housing.
- £51k overspend due to an increase in the provision for bad debts in line with the council's accounting policy which makes 100% provision for all debts over one year old. If the debts are recovered, then the provision will be reduced and the charge to the revenue budget will be reversed.
- £53k overspend relates to reduced rental income, grounds rent non-domestic income within the wider investment portfolio and other non-staffing variances.

20. Communities and Leisure – forecast £47k underspend

The key variances to note are:

- £15k net overspend on staffing costs across the directorate compared to the budgets for 2023/24. In the main this is due to the use of agency staff and the costs of the proposed pay award for 2023/24 compared to the 5% provision included in the base budget.
- £80k underspend on temporary accommodation compared to budget as there has been a reduction in the demand on the homelessness budget. This underspend is largely due to the additional £70k, non-recurring, budget uplift provided for in 2023/24 for homelessness.
- £18k overspend relating to professional fees, general subscriptions, bailiff's fees in relation to traveller encampments, and various other non-staffing variances.
- The Communities directorate is carrying forward various significant grants, totalling £865k, either into their revenue budget for 2023/24 or by holding them in ear-marked reserves. At present, £100k of these grants have been utilised, and this figure is expected to rise throughout the year. It is important to note that some of these grants must be used by March 2024 or they must be returned to the relevant body.

21. Customer and Digital – forecast £37k overspend

The key variances to note are:

- £66k net overspend on staffing costs across the directorate. This is mainly due to the staff vacancy rate provision of 2.5% that has not been achieved in several teams within the directorate as they are fully staffed, and the costs of the proposed pay award for 2023/24 compared to the 5% provision included in the base budget for this. These overspends have been offset to some extent by savings made whilst vacant posts are filled within ICT Services and Customer Services.

- £38k unbudgeted income received in respect of New Burdens funding and DWP payments.
- £73k underspend due to the fact that the notification of the Council Tax Admin Support grant confirmed a greater amount than that budgeted.
- £100k overspend due to various IT costs such as computer software purchases, annual licences, maintenance security and support services. Whilst some of the overspend reflects inflationary pressures following tender exercises as contracts have expired, some of this is non-recurring as there have been one-off set-up costs associated with the new contracts and/or some overlap in costs whilst moving from the old contract to the new, to ensure a seamless continuity of service.
- £33k underspend in the FCC waste contracts compared to budget as there has been a reduction in some payments made across the first 4 months in line with the terms of contract.
- £15k overspend relating to various small variances within the directorate.

22. Planning – forecast £36k overspend

The key variances to note are:

- £107k net underspend on staffing costs across the directorate compared to the budget for 2023/24. This is mainly due to vacancies which have been partly offset by the use of agency staff within Enforcement Services and Development Control. The forecast also includes the proposed pay award for 2023/24 compared to the 5% provision included in the base budget.
- £106k forecast overspend on consultant fees, professional fees, statutory notices, and legal fees within the Planning Services budget, which reflects the external commissions taken due to vacancies as noted above and the utilisation of £70k of the Planning Appeals ear-marked reserve in relation to costs incurred within Planning Services specifically related to appeals.
- £10k reduced level of income compared to budget on pre-plan applications, as the service is not fully operational.
- £27k overspend due to an increased cost in consultant fees incurred on development of the Local Plan – the reserves held for the Local Plan development are now fully exhausted.

23. Policy and Governance – forecast £367k overspend

The key variances to note are:

- £13k net staffing overspend across the directorate compared to the budget for 2023/24. This is mainly due to agency staff temporarily employed to cover current vacancies within the Procurement Team, and the fact that the staff vacancy rate provision of 2.5% will not be achieved across several teams within the directorate who are now fully staffed. These overspends are partly offset by a vacant post within the Finance Team. The forecast also includes the proposed pay award for 2023/24 compared to the 5% provision included in the base budget.

- £168k overspend compared to budget due to the increased cost of utilities, as detailed in point 15 above.
- £100k forecast overspend/under-recovery of income on the events and tourism budget.
- £34k forecast overspend on non-staffing costs compared to budget within the Finance Team, including IT software and maintenance following re-procurement.
- £24k forecast overspend within the Legal Services Team relating to legal fees, licence fees and non-staffing costs.
- £43k net increase in costs over the amount budgeted within the Human Resources Team due to the increase in recruitment costs together with additional IT software annual licence costs following re-procurement of contracts which has meant an overlap in the running of the contracts.
- £34k increase in income relating to new lease for office space within the Union Street office.
- £19k net overspend relating to various other small variances within the directorate.

24. Major Projects – forecast £373k overspend

Further details of the major projects, including Market Walk, Strawberry Fields, the industrial units at Strawberry Meadows and the Extra Care schemes at Tatton Gardens and Primrose Gardens, are outlined in **Appendix 4**.

The key variances to note are:

- £69k forecast overspend on the Market Walk investment – this includes;
 - £19k overspend on staffing due to the proposed pay award for 2023/24 compared to the 5% provision included in the base budget and the fact that at this point in time, the forecast would indicate that the staff vacancy rate provision of 2.5% will not be achieved;
 - £9k forecast increase in electricity costs;
 - £51k overspend due to an increase in the provision for bad debts in line with the council's accounting policy;
 - £10k net underspend relating to an increase in rental income compared to budget, offset by a reduction in income from tenant's service charges due to management fee caps, temporarily void units and tenant's excluding elements from their agreed services charge such as seasonal decorations;
- £51k overspend for Primrose Retirement Living - this includes;
 - £23k overspend on staffing, mainly due to an additional post that is being carried over and above the budgeted establishment, the proposed pay award for 2023/24 compared to the 5% included in the base budget and the fact that it appears unlikely at this point in time that the staff vacancy rate provision of 2.5% will be achieved;
 - £42k overspend on utility costs;
 - £5k net overspend relating to various small variances across several budget lines;
 - £19k net increase in service charge and rental income.

- £114k overspend for Strawberry Meadows - this includes;
 - £104k reduced rental income due to the timing of the letting of several of the units compared to budget, along with marketing concessions made. 86% of the floor space is now occupied and discussions are in train to fill the remaining floor space shortly;
 - £10k overspend on electricity costs, promotional expenses and legal fees.

- £51k overspend for Tatton Gardens - this includes;
 - £9k overspend on staffing costs due to the proposed pay award for 2023/24 compared to the 5% provision included in the base budget and the fact that based on current staffing levels, it is unlikely that the staff vacancy rate provision of 2.5% will be achieved;
 - £29k overspend due to maintenance costs incurred as part of the contract and the purchase of fixtures and fittings and tools and equipment;
 - £5k net overspend relating to various small variances across several budget lines;
 - £8k net under recovery of income due to the timing of the letting of the commercial units compared to the budget assumptions, offset by income from rent and service charges on the residential properties compared to budget.

- £88k overspend for Strawberry Fields - this includes;
 - £24k overspend on staffing due to staff cover and the proposed pay award for 2023/24 compared to the 5% budget provision;
 - £28k overspend on security services due to the timing of the transfer to the in-house CCTV service compared to that budgeted;
 - £18k overspend on reactive and planned maintenance and various other smaller variances;
 - £18k net reduction in rental income from the offices, meeting rooms, hot desks and pods and from service charges, compared to budget. 96% of the offices are occupied with a further office to be filled in early September; this equates to 85% of the floor space, and discussions continue to let the remaining new glass office spaces.

25. **Financing and Other Budgets – forecast £507k underspend**

- This includes a £100k underspend on interest payable; given slippage in the capital programme in 2022/23, the budget for 2023/24 has been refined to reflect that borrowing has been deferred compared to the cashflow forecast on which the interest payable budget was constructed. Whilst £10m of short-term borrowing was taken in March 2023, further borrowing has been deferred until required.

- Due to further Bank of England interest rate increases since the budget was set, Interest receivable is over-recovered against the budget by £180k due to a better rate of return on cash balances; the figures also includes £24k in respect of finance leases. Depending on cash flow demands over the remainder of the year, this may increase further.

- There is also an underspend of £103k on the Minimum Revenue Provision as a result of both changes made after the budget was set for the mix of funding used to finance capital schemes in 2022/23 and to reflect the slippage in the capital programme in 2022/23, as reported to Executive

Cabinet in the 2022/23 Revenue Outturn Report in June 2023.

- £185k of the underspend relates to the release of the contingency budget that was created to cushion the impact of inflationary increases, over and above those specifically budgeted for in relation to the council's energy costs, pay award and other cost pressures.
- £61k overspend due to a required increase in the Bad Debt Provision in line with the council's accounting policy for bad debts.

Other supporting information

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

Appendix 4 – Property - Major Projects

27. Planned Reserves movement

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

General Fund Resources and Balances

28. 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.
29. The forecast level of general fund balances as at 31st March 2024 based on the detail covered in this report will be £3.583m.
30. The forecast is based on the actual income received and expenditure incurred for the 4 months to 31st July 2023 and on assumptions and projections made for these over the remaining 8 months of the year. As is expected at this point in the year, these are early forecasts and the position may change over the coming months however the figures presented provide the best estimate based on the current position and information available. The Council will work to contain net costs within the budget available and to reduce the overspend over the coming months.
31. Whilst the forecast level of general fund balances at 31st March 2024 is forecast to be less than the £4.0m minimum that is reported in the MTFs, as noted above, all efforts will be made to contain net costs and to reduce the current forecast overspend. As such we will monitor the position during the year and report to members accordingly.
32. As detailed at **Appendix 3**, as at 1 April 2023 the Council held a £4.271m in General Fund reserves to manage budget risks not covered by earmarked reserves or provisions within the budget. The movement based on the forecast outturn for 2023/24 identifies that the General Fund closing balance will be £3.583m as detailed below:

Movement in General Fund Reserve

Summary of Movement in General Reserves	£'m
General Fund Reserves at 1 st April 2023	(4.271)

Forecast 2034/24 outturn revenue budget (surplus) / deficit	0.688
General Fund Reserve Closing Balance 2023/24	(3.583)

33. **Appendix 3** provides further information about the specific earmarked reserves and provisions available for use throughout 2023/24.

Movement in Earmarked Reserves

34. Taking account of the adjustments highlighted in **Appendix 3**, the level of Earmarked reserves held for discretionary use by the Council at 31st July 2023 is £6.458m compared to a balance of £8.059m at 31st March 2023.

Summary of Movement in Earmarked Reserves	£'m
Earmarked Reserves at 1 st April 2023	(8.059)
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)	0.312
Use of revenue reserves for Capital Financing	0.884
Transfers to reserves	(0.055)
Use of other specific Earmarked Reserves	0.460
Earmarked Reserves Closing Balance 2023/24	(6.458)

35. The £0.460m use of other specific Earmarked Reserves shown in the table above includes the following items:

- £140k use of Business Investment for Growth, Choose Chorley grant and Retail grant Programme.
- £48k use of Climate Change reserves.
- £30k use of Communities reserves.
- £86k use of Apprentices and Graduates reserves.
- £38k use of Elections reserves.
- £16k use of the Local Plan reserve.
- £70k use of the Planning Appeals reserve.
- The remainder of the movements are various, smaller adjustments related to revenue spending.

36. Transfers to reserves of £55k are due to increases in income generation reserves.

37. 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

38. 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

39. Not applicable.

Risk

40. The forecasts above are based upon four months of the financial year and contain significant assumptions around pay awards, energy costs and interest rates. The volatility in these figures means it is likely there will be a significant movement in the financial position over the course of the year which will be reflected in the Quarterly Revenue Monitoring Reports. These risks will be managed through budget monitoring and reporting and a cost centre level.

41. There are potential risks around Housing Benefit overspends due to the opening of schemes related to Exempt Accommodation. The costs are as yet unknown but are outside of the Council control.

Comments of the Statutory Finance Officer

42. The Financial implications are contained within this report.

Comments of the Monitoring Officer

43. None

Background documents

There are no background papers to this report.

Appendices

Appendix 1 – Revenue 2023/24 - position as at 31st July 2023

Appendix 2 – Revenue Budget Movements at 31st July 2023

Appendix 3 – 2023/24 Reserves Programme position at 31st July 2023

Appendix 4 – 2023/24 Major Projects position at 31st July 2023

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