

Report of	Meeting	Date
Director (Finance) (Introduced by Executive Member (Resources))	Executive Cabinet	09/11/2023

2023/24 Corporate Budget Monitoring Report and Reserves for the 6 months to 30th September 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 at 30th September 2023.

Recommendations to Executive Cabinet

2. To note the 2023/24 forecast outturn for revenue and the level of reserves, based on the position at 30th September 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 30th September 2023, the forecast outturn is for an overspend of £0.423m 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 £0.569m, as detailed in **Appendix 1**.
7. The forecasts are based on the actual income received and expenditure incurred for the 6 months to 30th September 2023, and on assumptions and projections made for

these over the remaining 6 months of the year. 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 £4.202m; all efforts will be made to contain net costs within budget and to reduce the current forecast overspend. We will monitor the position during the year and report to members accordingly.

Corporate priorities

10. 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

11. The current net revenue budget for 2023/24 is £15.538m.
12. **Appendix 3** provides further information about the specific earmarked reserves that the Council holds at 30th September 2023.

Current Outturn Position – Revenue

13. The forecast revenue outturn, based on the position at 30th September 2023, shows a provisional overspend against the Council's budgets of £0.569m. 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. Variations from Budget

Directorate	Budget 2023/24 £'000	Forecast 2023/24 at 30 th September 2023 £'000	Variance (Under)/ Overspend 2023/24 £'000
Property	840	1,537	697
Communities and Leisure	2,946	2,877	(69)
Customer and Digital	6,288	6,351	63
Planning	911	925	14
Policy and Governance	6,069	6,091	22
Major Projects	(5,149)	(4,581)	568
Financing and Other Budgets	3,633	3,026	(607)
Total Net Expenditure	15,538	16,226	688
Funding	Budget 2023/24 £'000	Forecast 2023/24 at 30 th September 2023 £'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)	(238)	(119)
Reserves	(50)	(50)	0
Total Funding	(15,538)	(15,657)	(119)
Net Outturn	0	569	569

15. 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

16. 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 £405k. 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, the impact of the withdrawal of the cap has offset this.
17. The Council has variable rate energy contracts meaning that financial forecasting is difficult as prices are volatile with changes in the energy market. A further update has been received which indicates that the cost of utilities is likely to reduce by the start of the new financial year. As such, based on this latest information, it would seem that the budget levels set for 2024/25 will be sufficient. This will continue to be monitored during the budget setting process over the coming months.
18. A proportion of the overall increase in costs, and therefore of the overspend, will be recovered as utility costs are recharged to our tenants where applicable (£110k); 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 £697k overspend (Month 4 - £429k overspend)

The key variances to note are:

- £134k net overspend on staffing costs across the directorate. The overspend is mainly due to use of agency staff (£160k) that is partially offset by increased recharges to South Ribble Council. The figure also reflects a reduction in the level of salary capitalisation (£18k) compared to budget and a reduction in the level of forecast Service Level Agreement income from Chorley Leisure Ltd and South Ribble Leisure Ltd (£17k combined). The overspend also includes the cost of the proposed pay award for 2023/24 (£21k) compared to the 5% provision included in the base budget.
- £56k reduced income from market rental income due to vacant units, particularly in the food and beverage area.
- £22k 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 impacting permit income. Income from Off-street parking charges has though improved. Free parking will be offered from 1 December to 24 December 2023 to support Christmas trade in the town centre and this has been built into the income forecasts.
- £162k 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. There have also been a number of unexpected invoices that have come through for previous years, particularly in respect of the markets.

- £257k overspend relating to reactive and planned maintenance within the directorate; £86k of this is due to expenditure on repairs and maintenance relating to previous years which the Property Services Team have been working to resolve. Work is ongoing to check all existing spend to ensure that it is not capital expenditure which should form part of the existing capital budget costs. It is anticipated this work will reduce the overspend by quarter three. A review of the building repair and maintenance budget will be undertaken in the coming months based on the findings of the stock condition surveys that are currently underway, to assess if there is an ongoing requirement for a budget increase in 2024/25.
- £35k overspend on Christmas lights due to the purchase of new lights, their set-up and storage for the year.
- £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.
- £83k 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 and an increase in rental income for general let/affordable housing.
- £63k net overspend at Cotswold due to the increase in the cost of the security contract, internal recharges for grounds maintenance and laundry expenses and various other non-staffing costs.

20. Communities and Leisure – forecast £69k underspend (Month 4 - £47k underspend)

The key variances to note are:

- £19k net underspend on staffing costs across the directorate compared to budget. This includes agency staff cost offset by a member of staff moving to externally funded post, and also includes the costs of the proposed pay award for 2023/24 compared to the 5% provision included in the base budget.
- £61k 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.
- £11k overspend relating to various small variances within the directorate.
- The Communities and Leisure directorate is carrying forward various significant grants, totalling £865k, either in the revenue budget for 2023/24 or in ear-marked reserves. At present, £142k of these grants have been utilised, and this figure is expected to rise over the remainder of the year. It is important to note that some of these grants must be used by March 2024 (e.g. the Homes for Ukraine Scheme ends in March 2024 - £499k) or they must be returned to the relevant awarding body.

21. **Customer and Digital – forecast £63k overspend (Month 4 - £37k overspend)**

The key variances to note are:

- £9k 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 (£97k) compared to the 5% provision included in the base budget for this. These overspends have largely been offset by vacancy savings within ICT Services and Customer Services.
- £38k unbudgeted income received in respect of New Burdens funding and DWP payments.
- £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 retender 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.
- £54k underspend in the FCC waste contract compared to budget as there has been a reduction in the payments made across the year to date in line with the terms of contract.
- £46k overspend relating to multiple variances within the directorate.

22. **Planning – forecast £14k overspend (Month 4 - £36k overspend)**

The key variances to note are:

- £104k 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.
- £141k 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 the vacancies noted above. This overspend has been reduced by 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.
- £23k 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.
- £14k overspend relating to various small variances within the directorate.

23. **Policy and Governance – forecast £22k overspend (Month 4 - £367k overspend)**

The key variances to note are:

- £310k net underspend on staffing across the directorate compared to the budget for 2023/24. The underspend is primarily due to the centralisation and movement of the budgets and expenditure for all Directors from the individual directorates above, to the Policy and Governance directorate; across the Director budgets there is an underspend of £176k due to vacant posts. In addition to this there are vacancies in the Finance Team (£29k) and the Corporate Policy Team (£98k). These underspends are offset by agency staff costs within the Procurement team and the non-achievement of the staff vacancy provision of 2.5% across several teams within the directorate who are now fully staffed. The forecast also includes the proposed pay award for 2023/24 compared to the 5% provision included in the base budget.
- £168k overspend due to the increased cost of utilities, as detailed in point 15 above.
- £127k forecast overspend/under-recovery of income on the events (£67k) and tourism (£60k) budget.
- £40k overspend on future events over the remainder of the year, based on current levels of expected expenditure including Winter Wonderland.
- £18k increase in income compared to budget due to the support provided by government, following the Redmond Review, towards the increase in external audit fees offset by a further increase in the external audit fee of £11k, as the scale fee for 2023/24 has increased.
- £24k forecast overspend within the Legal Services Team relating to legal fees, licence fees and non-staffing costs.
- £61k net increase in costs over the amount budgeted within the Human Resources Team due to an increase in council wide recruitment fees, together with additional IT software annual licence costs following re-procurement of contracts and a subsequent overlap in the running of the contracts.
- £34k increase in income relating to the new lease for office space at the Union Street office.
- £19k of additional income compared to budget relating to work carried out within the Corporate Policy team for the Primary Care Network.
- £28k net underspend relating to various other small variances within the directorate.

24. **Major Projects – forecast £568k overspend (Month 4 - £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:

- £102k forecast overspend on the Market Walk investment (Q1 £69k) – this includes;

- £15k 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;
 - £17k forecast increase in electricity costs;
 - £20k overspend due to an increase in the provision for bad debts in line with the council's accounting policy;
 - £22k net overspend relating to 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, offset by an increase in rental income compared to budget;
 - £23k overspend on reactive repairs at Market Walk and the processing of historic invoices which were not accrued for, including £9.5k invoices for works completed in 2021/22 and 2022/23;
 - £5k overspend relating to a number of small variances including recharge to Streetscene for grounds maintenance works;
- £61k overspend for Primrose Retirement Living (Q1 £51k) - this includes;
 - £19k overspend on staffing, mainly due to an additional half post that is temporarily 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;
 - £55k overspend on repairs and maintenance, largely due to costs to re-decorate as well as repairs and maintenance spends relating previous years;
 - £41k net increase in service charge and rental income;
 - £14k net underspend relating to various small variances across several budget lines;
- £141k overspend for Strawberry Meadows (Q1 £114k) - this includes;
 - £134k reduced rental income due to the timing of the letting of several of the units compared to budget, along with marketing concessions made. 88% of the floor space is now occupied and discussions are in train to fill the remaining floor space;
 - £7k overspend on electricity costs, promotional expenses;
- £177k overspend for Tatton Gardens (Q1 £51K) - this includes;
 - £41k overspend due to maintenance costs incurred as part of the contract and the purchase of fixtures and fittings and tools and equipment;
 - £33k overspend on income due to the timing of the letting of the commercial units compared to the budget assumptions;
 - £91k overspend on rent and service charges on the residential properties compared to budget. This is in part due to the staggered nature of moving tenants into the facility following the building becoming operational, as well as unforeseen issues including tenants withdrawal from the tenancy the move-in dates. Also, we are currently forecasting a significant overspend (£49k) because of leaks in six of the flats leaving the rooms unlettable; options are being explored to recover the income;
 - £12k net overspend relating to various small variances across several budget lines;
- £86k overspend for Strawberry Fields (Q1 £88k) - this includes;

- £22k overspend on staffing due to staff cover provisions and the proposed pay award for 2023/24 compared to the 5% budget provision;
- £28k overspend on reactive and planned maintenance, together with various other smaller variances;
- £6k net underspend due to small variances on various codes including promotional expenses and professional fees;
- £42k net reduction in rental income from the offices, meeting rooms, hot desks and pods and from service charges, compared to budget. 98% of the offices are occupied with a further office expected to be filled in November; this equates to 87% of the floor space. New glass offices are now complete and available to let with tenants expected to start moving in from November.

25. Financing and Other Budgets – forecast £607k underspend (Month 4 - £507k underspend)

- This includes a £100k underspend on interest payable; given the 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. £10m of short-term borrowing was taken in March 2023 and further borrowing of £10m is anticipated before year end.
- Due to further Bank of England interest rate increases since the budget was set, Interest receivable is over-recovered against the budget by £280k due to a better rate of return on cash balances. 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 changes made after the budget was set for the mix of funding used to finance capital schemes in 2022/23, and also 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.

Funding – forecast £119k underspend

- £119k Revenue Support Grant income compared to budget.

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 £4.202m.
30. The forecast is based on the actual income received and expenditure incurred for the 6 months to 30th September 2023 and on assumptions and projections made for these over the remaining 6 months of the year. As is expected, 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. 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 and the transfer to General Fund identifies that the General Fund closing balance will be £4.202m 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 2023/24 outturn revenue budget (surplus) / deficit	0.569
Movement from Earmarked Reserves to General Fund	(0.500)
General Fund Reserve Closing Balance 2023/24	(4.202)

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 30th September 2023 is £5.410m 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
Transfer from Ear-Marked Reserve to General Fund Reserve re: remaining balance on the Business Rates Exceptional Payments Reserve no longer required (see point 37 below)	0.500
Transfers to Ear-Marked Reserves	(0.054)
Use of other specific Earmarked Reserves	1.007
Earmarked Reserves Closing Balance 2023/24	(5.410)

35. The £1.007m 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.
 - £442k provision of extra support to Chorley Leisure Limited
 - £49k use of Climate Change reserves.
 - £89k use of Communities reserves.
 - £35k use of NHS CCG Covid Support reserves.
 - £81k 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 into ear-marked reserves of £54k 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.
38. Movement in Reserves – the Business Rates Exceptional Payments Reserves was created in 2020/21 to hold the funding provided by the Government during the Covid pandemic to offset the Business Rates deficit for 2020/21 that was brought forward on the Collection Fund into 2022/23. Adjustments for the smoothing of the 2020/21 deficit over a 3-year period have been made over the last couple of years in the accounts, resulting in a balance on the reserve of £1.222m. Of this, the current estimate for the final year of the smoothing adjustment is approximately £312k, however a contingency has been made for a further £210k, leaving a balance of £700k. It is proposed to reallocate this balance with a transfer of £200k to the Change Management Reserves to support review and restructure costs, and £500k to General Fund Reserves.

Climate change and air quality

39. 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

40. Not applicable.

Risk

41. The forecasts above are based upon six 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.
42. 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

43. The Financial implications are contained within this report.

Comments of the Monitoring Officer

44. None

Background documents

There are no background papers to this report.

Appendices

Appendix 1 – Revenue 2023/24 - position as at 30th September 2023

Appendix 2 – Revenue Budget Movements at 30th September 2023

Appendix 3 – 2023/24 Reserves Programme position at 30th September 2023

Appendix 4 – 2023/24 Major Projects position at 30th September 2023

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