

Report of	Meeting	Date
Director (Finance) (Introduced by Executive Member (Resources))	Executive Cabinet	13/06/2024

## 2023/24 Corporate Budget Monitoring Report and Reserves Provisional Outturn at 31<sup>st</sup> March 2024

Is this report confidential?	No
------------------------------	----

Is this decision key?	No
-----------------------	----

### Purpose of the Report

1. This report sets out the provisional outturn for revenue and reserves for 2023/24 for the Council.

### Recommendations to Executive Cabinet

2. To note the 2023/24 provisional outturn for revenue and reserves, based on the position at 31<sup>st</sup> March 2024.
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, it is a requirement to report quarterly on the Revenue Budget monitoring and Reserves.

### Executive summary

6. Based on the position at 31<sup>st</sup> March 2024, the provisional outturn, including the unfunded budget pressure of £0.146m following the payment of the 2023/24 pay award in November 2023, is an overspend of £1.170m, as detailed in **Appendix 1**.
7. The Council's Medium-Term Financial Strategy approved in February 2023, 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 provisional outturn overspend, the level of General Fund balances as at 31<sup>st</sup> March 2024 is £4.092m at 31<sup>st</sup> March 2024.

## Corporate priorities

The report relates to the following corporate priorities:

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

## Background to the report

9. The current net revenue budget for 2023/24 is £15.488m.
10. **Appendix 3** provides further information about the specific earmarked reserves that the Council holds at 31<sup>st</sup> March 2024.

## Current Outturn Position – Revenue

11. The provisional revenue outturn, based on the position at 31<sup>st</sup> March 2024, shows a provisional overspend against the Council's budgets of £1.170m. 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**.
12. The forecast outturn position reported to Executive Cabinet for Quarter 3, the 9 months to 31<sup>st</sup> December 2023, was an overspend of £0.780m. The increase in the overspend by £0.390m between the Quarter 3 forecast and the provisional outturn of £1.170m above, is detailed below and can be summarised as follows:

- £504k increase in the overspend on the Customer and Digital directorate, including; an £87k increase in IT costs over and above the level of expenditure forecast at Quarter 3, a reduction of £85k in Court Summons income, a shortfall of £67k in Local Council Tax Support Admin grant which has now been rolled into the Revenue Support Grant as detailed at point 24, and a £279k overspend on Housing Benefit related costs;
- An increase in the overspend on Major Projects of £567k which is in the main due to the increase in the bad debt provision at Market Walk and a reduction in rent and service charge income following the negotiation of new lease agreements, including the impact of back-dated rents, offset by the use of £104k of the Capital Bad Debt Reserve and £146k of the Market Walk Income Equalisation Reserve.

This increase in the overspend has been offset by;

- A reduction in the level of the Property directorate overspend of £66k;
- An increase in the level of the Communities and Leisure underspend by £307k, primarily relating to additional income over and above that forecast at Quarter 3, including; £41k contribution from the Household Support Fund, £55k increase in DFG and Adaptation contributions to cover the costs of the Handyman service, £78k additional homelessness prevention grant, £19k Housing Benefit income and other income streams detailed further in the report, along with a £46k increase in the underspend on temporary accommodation.

- An additional underspend of £126k in Quarter 4 in the Planning directorate compared to the forecast at Quarter 3, including a reduction in the forecast level of overspend on consultant and professional fees and an increase in the level of planning application fee income, Building Control and inspection income and CIL admin fees.
- A reduction in the level of the forecast overspend on the Policy and Governance directorate of £76k comprising of various small variances across the budget cost centres;
- £105k increase in the underspend above the Quarter 3 forecast in net interest payable/receivable, as the Bank of England did not reduce interest rates as was anticipated therefore additional income was earned on council investments, and slippage in the capital programme into 2024/25 has meant that loan drawdowns were not required with cash balances held at a higher level than expected.

### 13. Variations from Budget

Directorate	Budget 2023/24 £'000	Outturn 2023/24 at 31 <sup>st</sup> March 2024 £'000	Variance (Under)/ Overspend £'000
Property	832	1,435	603
Communities and Leisure	2,946	2,570	(376)
Customer and Digital	6,296	6,790	494
Planning	861	758	(103)
Policy and Governance	6,069	6,261	192
Major Projects	(5,149)	(3,838)	1,311
Financing and Other Budgets	3,633	2,802	(831)
<b>Total Net Expenditure</b>	<b>15,488</b>	<b>16,778</b>	<b>1,290</b>
Funding	Budget 2023/24 £'000	Outturn 2023/24 at 31 <sup>st</sup> March 2024 £'000	Variance (Under)/ Overspend 2023/24 £'000
Council Tax	(7,807)	(7,807)	0
Business Rates	(6,119)	(6,119)	0
Funding Guarantee	(1,146)	(1,147)	(1)
New Homes Bonus	(297)	(297)	0
Government Grants	(119)	(238)	(119)
Reserves	0	0	0
<b>Total Funding</b>	<b>(15,488)</b>	<b>(15,608)</b>	<b>(120)</b>
<b>Net Outturn</b>	<b>0</b>	<b>1,170</b>	<b>1,170</b>

14. The National Employers pay offer of £1,925 on all NJC pay points 1 and above for the period 1 April 2023 to 31 March 2024 was accepted and payment (including arrears) made in November 2023. The table below shows the overall implications of the pay award for 2023/24 compared to the provision of 5% included in the base budget.

Directorates	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
<b>Total</b>	<b>797,593</b>	<b>651,651</b>	<b>145,942</b>

15. With regard to utilities, based on the provisional outturn, there are pressures on gas, electricity, and water across all of our properties, resulting in an overspend of £720k (Qtr 3 - £614k). The overspend includes a £99k of costs from the previous year for increases in utilities that had not been accrued for in 2023/24. 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 would not be 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.
16. The Council has variable rate energy contracts meaning that financial forecasting has been difficult given the turbulence in utility costs over the past couple of years. The most recent indications received are that prices should substantially reduce from April 2024, and this was reflected in the 2024/25 budget setting process by assuming a return to budgets at a level that is already significantly increased from 2021/22 levels.
17. A proportion of the overall increase in utility costs, and therefore of the overspend, will be recovered as these costs are recharged to our tenants where applicable (£269k); this is reflected in the figures in the table at point 13 above.

**Explanation of key variances by Directorate are as follows:**

**18. Property – £603k overspend (Month 9 - £669k overspend)**

The key variances to note are:

- £43k net overspend on staffing costs across the directorate. The overspend is mainly due to use of agency staff (£133k) that is partially offset by net increased recharges to South Ribble Council (£81k). The figure also reflects a reduction in the level of Service Level Agreement income from Chorley Leisure Ltd and South Ribble Leisure Ltd (£17k combined) given the reduction in services provided. The overspend includes the cost of the pay award for 2023/24 (£21k) compared to the 5% provision included in the base budget (£20k).
- £42k reduction in market rental income due to vacant units, particularly in the food and beverage area. This has been addressed in 2024/25 budget setting process.
- £208k overspend on utility costs as noted in point 15 above. As stated, the council is currently on variable rates and the overspend is based on these rates. There have

also been a number of unexpected invoices that have come through for previous years (£17k), particularly in respect of Market Walk.

- £369k 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.
- £35k overspend due to the purchase of new Christmas lights, including set-up and storage for the year. This overspend has been offset by the utilisation of repair and maintenance related reserves of £35k.
- £91k 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, thereby creating an underspend.
- £39k reduction in investment property income due to void units (both full and part year) and a reduced level of rental income secured on one particular site.
- £94k net increase in income relating to recharges above those budgeted for on heating and lighting, as well as grants received in respect of Cotswold Supported Housing, and an increase in rental income for general let/affordable housing.
- £40k net overspend at Cotswold House due to the increase in the cost of the security contract, the internal recharges for grounds maintenance and laundry expenses and various other non-staffing costs.
- £86k underspend due to unbudgeted income relating to Capacity and Capability grant funding received in March 2024, specifically for 2023/24.
- £49k net underspend relating to various small variances within the directorate.
- Bus Station – A payment of £650k was received from LCC as part of the handover of the bus station. This £650k has been retained within ear-marked reserves to be utilised on improvement and maintenance work on the bus station. £78,244 of this reserve has been utilised during 2023/24 on this work.

#### 19. **Communities and Leisure – £376k underspend (Month 9 - £69k underspend)**

The key variances to note are:

- £15k net underspend on staffing costs across the directorate compared to budget. This includes agency staff costs offset by a member of staff moving to an externally funded post and includes the costs of the pay award for 2023/24 compared to the 5% provision included in the base budget (£7k).
- £107k underspend on temporary accommodation compared to budget as there has been a reduction in the demand on the homelessness budget and Cotswold House has been used to meet demand. This underspend is largely due to the additional £70k, non-recurring budget uplift provided for in 2023/24 for homelessness.
- £41k underspends relating to Core Funding and Commissioning grant compared to budget due to a contribution from the Household Support Fund.

- £55k underspend due to a reduction in minor adaptation costs, and an increase in Disability Facilities Grant and Adaptation contributions to cover Handyman costs.
- £78k net underspend compared to budget due to the receipt of additional Homelessness Prevention Grant income, an element of which has been utilised to meet additional costs, with the balance allocated to cover costs already incurred over budget.
- £19k of unbudgeted Housing Benefit income relating to claims made by service users following support provided by the Housing Team.
- £16k underspend due to a recharge of 50% of the costs of air quality software and an increase in licence fee income.
- £19k reduction in the cost of external contractors for pest control services as a result of the new Shared Services team put in place.
- £26k underspend relating to various small variances within the directorate.
- The Communities and Leisure directorate is carrying forward various significant grants into 2024/25, including grants received in year, totalling £1.144m. The actual grants utilised in 2023/24 amounts to £400k, leaving grant balances carried forward to 2024/25 of £744k (Homes for Ukraine £268k, Asylum Dispersal £237k and UKRSP/Syrian Refugee £239k).

## 20. Customer and Digital – £494k overspend (Month 9 - £10k underspend)

The key variances to note are:

- £128k net underspend on staffing costs across the directorate. This is mainly due to the staff vacancy savings within ICT Services offsetting 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 pay award for 2023/24 (£97k) compared to the 5% provision included in the base budget for this.
- £51k unbudgeted income received in respect of New Burdens funding and DWP (Department for Works and Pensions) payments.
- £85k under-recovery of Court Summons income compared to budget. This is partly due to the withdrawal of some Court Summonses (£48k) and the write-off of others (£8k).
- £67k shortfall in the Local Council Tax Support Admin grant which has now been rolled into the Revenue Support Grant.
- £279k overspend on Housing Benefit; this comprises an increase in prior year costs of £50k and £229k relating to the under recovery of Housing Benefit and Discretionary Housing overpayments and adjustments in the bad debt provision, compared to the budget set for this for the year. Work is underway to review and assess the adequacy of the budget for 2024/25 given the increasing cost pressure in this area.

- £21k overspend on external audit due to the additional costs of the Housing Benefit Subsidy Audit for 2022/23 and 2021/22. The cost of the HB Subsidy audit in 2022/23 is £43k.
- £248k net 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, some of this is non-recurring expenditure for as contracts have expired, 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. This overspend already reflects the utilisation of reserve of £157k, without which, this particular expense type would have overspent by £405k.
- £65k underspend in the FCC waste contract compared to budget as there has been a reduction in the payments made across the year in line with the terms of contract.
- £28k overspend in relation to additional costs on Streetscene transport, specifically fuel and new contract lease for the sweepers.
- £10k overspend relating to multiple variances within the directorate.

#### 21. Planning – £103k underspend (Month 9 - £23k overspend)

The key variances to note are:

- £23k net underspend on staffing costs across the directorate compared to the budget for 2023/24. This is mainly due to staffing vacancies (£275k) offset by the use of agency staff (£241k) within Enforcement Services and Development Control. The forecast also includes the pay award for 2023/24 compared to the 5% provision included in the base budget (£4k).
- £105k 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 £64k income for Neighbourhood Planning and Bio-Diversity Net Gain grant and the utilisation of £50k of the Planning Appeals ear-marked reserve in relation to costs incurred within Planning Services, specifically related to appeals.
- £17k reduced level of income compared to budget on pre-plan applications, as the service is not fully operational.
- £12k reduction in external contractors cost compared to budget for Allotments and Nature Reserves.
- £46k increase in planning application fees compared to budget.
- £102k reduction in Building Control plan fees and Inspection income.
- £129k CIL Administration fee greater than anticipated.
- £3k underspend relating to various small variances within the directorate.

## 22. Policy and Governance – £192k overspend (Month 9 - £268k overspend)

The key variances to note are:

- £262k 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 (£27k) and the Corporate Policy and Partnership Team (£111k). 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 pay award for 2023/24 compared to the 5% provision included in the base budget.
- £64k overspend in relation to the members allowance salary uplift, as agreed by the Council, for the percentage increase in 2022/23 and 2023/24 of 5.95% and 5.62% respectively.
- £188k net overspend due to the increased cost of utilities in council buildings, as referred to in point 15 above. As stated, the council is currently on variable rates and the overspend is based on these rates. There have also been a number of unexpected invoices that have come through for previous years (£15k), particularly in respect of the Town Hall, Union Street Offices and Astley Park Coach House. This cost is partly offset by the increase in the costs recovered from the Astley Park Coach House Tenant.
- £227k net overspend across the Events and Tourism budgets, comprising of several net overspends on expenditure and some under-recoveries against the income budgets on events including Winter Wonderland, Chorley Flower show (£66k) and on Tourism including Astley Hall. This has been offset in part by the use of £13k reserves for Check out Chorley.
- £16k increase in income compared to budget due to the support provided by central government towards the increase in external audit fees following the Redmond Review, offset by a further increase in the external audit fee of £13k as the scale fee for 2023/24 has increased.
- £99k net increase in costs over the amount budgeted within Human Resources due to an increase in council wide recruitment fees, PAYE settlement agreements covering several years paid over to HMRC relating to the tax on employee benefits, together with additional IT software annual licence costs following re-procurement of contracts and a subsequent overlap in the running of the contracts.
- £33k increase in income relating to the new lease for office space at the Union Street office.
- £19k of additional income over budget relating to work carried out within the Corporate Policy Team for the Primary Care Network.
- £11k underspend on General Insurance due to unbudgeted income from Chorley Leisure.



- £16k underspend on non-staffing cost compared to budget within the Finance Team, following the cancellation of publications and general subscriptions.
- £29k net underspend relating to various other small variances within the directorate.

### 23. Major Projects – forecast £1,311k overspend (Month 9 - £744k 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:

- £598k provisional overspend on the Market Walk investment (Q3 - £69k overspend). The overspend includes;
  - £6k overspend on staffing due to the level of the pay award for 2023/24 compared to the 5% provision included in the base budget, and the fact that the staff vacancy rate provision of 2.5% has not been achieved;
  - £49k forecast increase in electricity costs;
  - £685k overspend due to an increase in the provision for bad debts in line with the council's accounting policy, this overspend is offset in the main by utilisation of reserves – Market Walk Income Equalisation reserves of £521k and the Capital Bad Debt Reserve of £104k. The overall increase in the year in the Market Walk bad debt provision is made up of £259k general bad debt provision, £327k of additional specific bad debt provision (including £183k for one specific debtor), and an accounting provision for the write off of a capital incentive of £486k;
  - £406k net under-recovery of rent, service charge income and insurance recharges compared to budget. This figure includes an under-recovery of rental income of £286k, which reflects reduced rental values following the renegotiation of some leases, incorporating backdated adjustments to the effective lease renewal date, as well as a £128k under recovery of service charge income due to management fee caps, temporarily void units and, following negotiation on some tenancies, the exclusion of some elements of service charges from the agreed tenancy agreements, such as seasonal decorations. The remaining income variance relates to insurance recharges and settlements;
  - £50k 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;
  - £27k overspend on non-domestic rates due to vacant units;
- £89k overspend for Primrose Retirement Living (Q3 £103k overspend) - this includes;
  - £26k overspend on staffing, mainly due to an additional part-time post that is temporarily over and above the budgeted establishment, the pay award for 2023/24 compared to the 5% included in the base budget and non-achievement of the staff vacancy rate provision of 2.5%;
  - £44k overspend on utility costs;
  - £72k overspend on repairs and maintenance, largely due to costs to re-decorate as well as repairs and maintenance spends relating to previous years;
  - £28k net increase in service charge and rental income;

- £25k net underspend relating to other income streams such as hire of rooms and commercial tenants, settled insurance claims and various small variances across several budget lines;
- £9k overspend for Investment Properties (Q3 £0.2k overspend) - this is due to the reduction in ground rent income for units at Common Bank Industrial Estate, following the purchase of the site by the council in December 2023
- £179k overspend for Strawberry Meadows (Q3 - £183k overspend) - this includes;
  - £193k reduced rental income due to the timing of the letting of several of the units compared to budget, along with marketing concessions made. 93.82% of the floor space is now occupied and discussions are ongoing to fill the remaining floor space;
  - £18k overspend on electricity costs, salting and gritting and promotional expenses;
  - £30k underspend on repairs and maintenance and grounds maintenance cost compared to budget;
  - £2k underspend on various small variances.
- £1k overspend for TVS logistics (Q3 Nil variance) - this reflects a reduction in rental income compared to budget.
- £274k overspend for Tatton Gardens (Q3 - £241K overspend) - this includes;
  - £15k overspend on a general maintenance contract in excess of budget and the purchase of fixtures and fittings and tools and equipment;
  - £15k overspend on income due to the timing of the letting of the commercial units compared to the budget assumptions;
  - £144k overspend on electricity costs largely due to a number of high-cost invoices coming through relating to 2022/23 and bills covering the winter period that were much higher than anticipated;
  - £91k under-recovery of rent and service charge income on the residential properties compared to budget. This is in part due to the staggered nature of moving tenants into the facility once the building became operational, as well as unforeseen issues including tenants withdrawing just prior to the agreed move-in dates. The overspend also includes leaks in seven of the flats leaving the rooms unlettable until January 2024;
  - £14k overspend on security costs due to an increase in the value of the contract;
  - £5k net underspend relating to various small variances across several budget lines;
- £161k overspend for Strawberry Fields (Q3 £148k overspend) - this includes;
  - £8k overspend on staffing due to the provision of staff cover and the pay award for 2023/24 compared to the 5% budget provision;
  - £48k overspend on electricity due in part, to several invoices relating to previous years coming through that had not been accrued for;
  - £66k overspend on reactive and planned maintenance;
  - £35k net reduction in rental income from offices, meeting rooms, hot desks, pods, and from service charges, compared to budget. 92% of the offices are occupied and this equates to 93% of the floor space. This is partly due to delays completing the works on the new glass offices, as well as refunds issued and some new tenants agreeing rent free periods and/or stepped rent charges on a short-term basis. The work on the new glass office accommodation is complete, and they are now occupied.

- £23k overspend on non-domestic rates, offset by a £19k underspend on internet charges due to reduced monthly costs.

**24. Financing and Other Budgets – £831k underspend (Month 9 - £726k underspend)**

- This includes a £176k underspend on interest payable due to slippage in the capital programme in 2023/24 which has deferred the need for additional borrowing until 2024/25.
- Due to further Bank of England interest rate increases since the budget was set, Interest receivable is over-recovered against the budget by £380k due to a better rate of return on cash balances and higher cash balances than expected due to slippage in the capital programme referred to above.
- There is also an underspend of £88k on the Minimum Revenue Provision as a result of changes made after the budget was set for the mix of funding used to finance some 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. This offsets some of the overspends noted in the individual directorates above.
- £111k overspend due to a required increase in the Bad Debt Provision in line with the council's accounting policy for bad debts.
- £13k increase in compensatory added years pension payments now that invoices have been received after considerable delay from Lancashire Pensions.
- £125k underspend due a budget no longer required relating to LCC transition funding for an independent highways consultant.

**Funding – £120k underspend (Month 9 - £119k underspend)**

- £119k additional Revenue Support Grant income received compared to the budget. This is offset by the £67k reduction in the Local Council Tax Support Admin grant noted in point 20 above.

**Other supporting information**

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

**Appendix 4 – Property - Major Projects**

**26. Planned Reserves movement**

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

## General Fund Resources and Balances

27. 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 forecast level of general fund balances as at 31<sup>st</sup> March 2024 based on the detail covered in this report will be £4.092m.

28. 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 provisional outturn for 2023/24 and the transfer to General Fund during the year identifies that the General Fund closing balance will be £4.092m as detailed below:

### Movement in General Fund Reserve

Summary of Movement in General Reserves	£'m
General Fund Reserves at 1 <sup>st</sup> April 2023	(4.271)
Forecast 2023/24 outturn revenue budget (surplus) / deficit	1.170
Movement from Earmarked Reserves into General Fund	(0.991)
<b>General Fund Reserve Closing Balance at 31 March 2024</b>	<b>(4.092)</b>

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

### Movement in Earmarked Reserves

30. Taking account of the adjustments highlighted in **Appendix 3**, the level of Earmarked reserves held for discretionary use by the Council at 31 March 2024 is £6.091m compared to a balance of £8.059m at 31 March 2023.

<b>Summary of Movement in Earmarked Reserves</b>	<b>£'m</b>
Earmarked Reserves at 1 <sup>st</sup> April 2023	(8.059)
<b>Transfers (to)/from Earmarked Reserves</b>	
£1.191m of the balance of the S31 grant received in 2020/21, (and held in reserves) to facilitate the three year smoothing of the impact of Business Rates reliefs provided to businesses by the government at the start of the pandemic, has been released during the year (£0.200m to other earmarked reserves and £0.991m to General Fund Reserves (see below). An element of the reserve has been retained however to manage the impact of surpluses and deficits on the Collection Fund in future years. The adjustment to the reserve of £0.469m reflects the surplus on the Collection Fund transferred to reserves for 2023/24.	(0.469)
Use of revenue reserves for Capital Financing	0.622
Transfer from Ear-Marked Reserve to General Fund Reserve re: remaining balance on the Business Rates Exceptional Payments Reserve no longer required (see reference above and point 34 below)	0.991
Transfers to Ear-Marked Reserves	(0.934)
Use of other specific Earmarked Reserves	1.758
<b>Earmarked Reserves Closing Balance at 31 March 2024</b>	<b>(6.091)</b>

31. The £1.758m use of other specific Earmarked Reserves shown in the table above includes the following items:

- £87k use of Business Investment for Growth, Retail grant programme and Choose Chorley grant.
- £85k use of Capital repairs and maintenance reserves.
- £442k provision of extra support to Chorley Leisure Limited
- £50k use of Climate Change reserves.
- £33k use of Social Prescribing reserves.
- £80k use of Apprentices and Graduates reserves.
- £9k use of Customer & Digital reserves.
- £62k use of ICT/Streetscene Modernisation reserves.
- £59k use of Elections reserves.
- £50k use of the Planning Appeals reserve.
- £78k use of Bus Station – Transition of service reserves.
- £521k use of Market Walk Income Equalisation reserves to offset the bad debt provision within Market Walk Investment.
- £104k use of the Capital Bad Debt Reserve to offset in part the bad debt provision on the capital incentive debtor.
- The remainder of the movements are various, smaller adjustments related to revenue spending.

32. The £934k transfer into ear-marked reserves comprises of £284k due to increases in transfers in 2023/24 from Communities, Planning appeals, Mayoral Charities, Handyman Service and Local Plan budgets. There is also a transfer of £650k for the operation of Chorley Bus Station following transfer to the council from LCC.

33. The use of earmarked reserves shown in the table above is reflected in the revenue budget monitoring position detailed in this report.
34. As noted in the table above, the Business Rates Exceptional Payments Reserve was created in 2020/21 to hold the specific S31 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 have been made over the years since then, resulting in a balance on the reserve of £1.222m at 1<sup>st</sup> April 2023. On review of the reserve during the year, it was identified that the carrying value of the reserve was higher than necessary given the balance required beyond 2023/24, and as such, £1.191m was released with a transfer of £200k to the Change Management Reserves to support review and restructure costs, and £991k to General Fund Reserves. At Quarter 4, following the finalisation of the Collection Fund account, a surplus of £0.469m has been identified for 2023/24 and has been transferred to this reserve from the Collection Fund. The reserve has been renamed to the Collection Fund Surplus/Deficit Adjustment Reserve so that the balance on this reserve can be used to manage and mitigate any deficit on the Collection Fund in future years.
35. Other reserve reallocations already reported during the year include;
- a transfer of £543k from the 'VAT Shelter Income – capital/revenue financing reserve', the 'Neighbourhood Working reserve', and the 'Market Walk – Asset Management reserve', into the 'Capital Repairs and Maintenance Reserve', to consolidate these related reserves.
  - Given the inflationary, cost and demand pressures faced by the council, alongside the uncertainty of future government funding, we have established a 'Budget Equalisation Reserve' from the reserves previously established to support the recovery from the pandemic and cost of living crisis, in recognition of the fact that the potential financial challenges and risk presented are wider than these alone. In doing so we have amalgamated reserves that are already established for a similar purpose e.g £137k 'Policy and Governance General reserve'. Several other reserves have been consolidated into a 'Customer and Digital Reserve' (i.e. £30k 'Government & other Grant Funding', £67k 'Waste Mobilisation', £35k 'Maintenance of Grounds').
  - As part of our regular review of reserves, we have transferred £189k of funding from the 'Income generation reserve' to our 'Income Equalisation Reserve' to mitigate against any future potential risk for property investment income.
36. Some reserves have been renamed as below:

<b>Original Description</b>	<b>New Description</b>
IDOX Migration	Civica Property Management
NHS CCG Covid Support Project	Social Prescribing
Communities - Neighbourhood	Refugees/Asylum Seekers Funding
Change Management Reserve	Delivery of the Transformation and Savings Programme Reserve
Business Rates Exceptional Payment Reserve	Collection Fund Surplus/Deficit Adjustment Reserve

### **Climate change and air quality**

37. 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**

38. Equality and diversity implications are considered within the budgets approved by Council as at 28 February 2023.

## **Risk**

39. The report refers to the monitoring and refinement of the 2023/24 revenue budget forecast over the course of the year. Inflation, uncertainty around funding and interest rates changes have all contributed to the risk and volatility in the forecasting over the 12 month period. The risks have been and will continue to be managed through budget monitoring and reporting going forward.

## **Comments of the Statutory Finance Officer**

40. The financial implications are contained within this report.

## **Comments of the Monitoring Officer**

41. There are no concerns with this report from the Monitoring Officers perspective.

## **Background documents**

There are no background papers to this report.

## **Appendices**

Appendix 1 – Revenue 2023/24 - position as at 31<sup>st</sup> March 2024

Appendix 2 – Revenue Budget Movements at 31<sup>st</sup> March 2024

Appendix 3 – 2023/24 Reserves Programme position at 31<sup>st</sup> March 2024

Appendix 4 – 2023/24 Major Projects position at 31<sup>st</sup> March 2024

Report Author:	Email:	Telephone:	Date:
Hemangini Chevli, Neil Halton	Hemangini.Chevli@chorley.gov.uk, Neil.Halton@chorley.gov.uk	01257 515151	20/05/24