

Report of	Meeting	Date
Director (Finance) (Introduced by Executive Member (Resources))	Executive Cabinet	10/10/2024

## 2024/25 Corporate Budget Monitoring Report and Reserves for the 4 months to 31<sup>st</sup> July 2024

Is this report confidential?	No
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Is this decision key?	No
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### Purpose of the Report

1. This report sets out the provisional outturn for revenue and reserves forecast for 2024/25 for the Council, based on the position as at 31<sup>st</sup> July 2024.

### Recommendations to Executive Cabinet

2. To note the 2024/25 forecast outturn for revenue and reserves, based on the position at 31<sup>st</sup> July 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> July 2024, the forecast outturn is for an overspend of £0,215m, as detailed in **Appendix 1**. The most significant factor within this overspend is related to the ongoing income pressures at Market Walk as detailed below and in the outturn report presented to cabinet in June 2024. A cautious approach has been taken to income forecast and these will be revised in year as updates occur.
7. The Council's Medium-Term Financial Strategy approved in February 2024, 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 forecast outturn overspend, the level of General Fund balances as at 31<sup>st</sup> March 2025 will be £3,877m, however we will monitor the position during the year and report to members accordingly.

## 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 2024/25 is £16,839m.
10. **Appendix 3** provides further information about the specific earmarked reserves that the Council holds at 31<sup>st</sup> July 2024.

## Current Outturn Position – Revenue

11. The forecast revenue outturn, based on the position at 31<sup>st</sup> July 2024, shows a provisional overspend against the Council's budgets of £0,215m. 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;

### 12. Variations from Budget

<b>Directorate</b>	<b>Budget 2024/25 £'000</b>	<b>Forecast Outturn 2024/25 at 31<sup>st</sup> July 2024 £'000</b>	<b>Variance (Under)/ Overspend £'000</b>
Property	967	1,044	77
Communities and Leisure	2,944	2,873	(71)
Customer and Digital	8,061	7,990	(71)
Planning	907	959	52
Policy and Governance	6,380	6,341	(39)
Major Projects	(5,408)	(5,168)	240
Financing and Other Budgets	2,988	3,015	27
<b>Total Net Expenditure</b>	<b>16,839</b>	<b>17,054</b>	<b>215</b>
<b>Funding</b>	<b>Budget 2024/25 £'000</b>	<b>Forecast Outturn 2024/25 at 31<sup>st</sup> July 2024 £'000</b>	<b>Variance (Under)/ Overspend £'000</b>
Council Tax	(8,058)	(8,058)	0
Business Rates	(6,870)	(6,870)	0
Funding Guarantee	(1,624)	(1,623)	1
New Homes Bonus	(141)	(141)	0
Revenue Support Grant	(127)	(127)	0
Services Grant	(19)	(20)	(1)
<b>Total Funding</b>	<b>(16,839)</b>	<b>(16,839)</b>	<b>0</b>
<b>Net Outturn</b>	<b>0</b>	<b>215</b>	<b>215</b>

13. The National Employers pay has not been agreed for 2024/25, however a provision of 5% pay award have been included in the base budget.
14. The utilities costs are broadly in line with the budgets for 2024/25 compared to 2023/24 due to the reduction in price as of April 2024, however some variances noted below are due to budget issues or other reason which will be explained under each directorate.
15. Explanation of key variances by Directorate are as follows:
16. **Property – forecast £77k overspend**

The key variances to note are:

- £11k net underspend on staffing costs across the directorate. The underspend is mainly due to vacant posts within CCTV (104k) and increased shared services recharges, that is partially offsetting use of agency staff cost (£80k) within Property Services. 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.
- £84k overspend on utility costs for Car Parks and some vacant units. EV charging points at Market Walk are currently not chargeable resulting in a £52k forecast overspend. Work is ongoing to replace the current chargers which may reduce this forecast if it takes place before 31<sup>st</sup> March 2025.
- £21k increase in income within Property directorate in relation to overachieved car park and Market income compared to budget.
- £16k overspend on external contractors which includes processing costs for car park income and enforcement activity.
- £9k net overspend 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 and a further forecasted cost of £238,120 will be utilised for the works in 2024/25 leaving the remaining reserves balance of £333,636 in reserves. Work is ongoing to develop the budget model and understand possible costs and income streams.

17. **Communities and Leisure – forecast £71k underspend**

The key variances to note are:

- £65k net underspend on staffing costs across the directorate compared to budget. The underspend is mainly due to various vacant posts within Communities and Housing including agency staff cost within Public Protection Team. The staffing forecast includes assumptions that the vacant posts will be filled following the Communities and Housing Service reviews.
- £15k net overspend on temporary accommodation compared to budget following an inspection in a block of flats which will involve an emergency prohibition notice resulting in additional cost of temporary accommodation.

- £31k of unbudgeted Housing Benefit income relating to claims made by service users following support provided by the Housing Team.
- £10k overspend on Professional fees including Public Health funerals within the Neighbourhoods.
- The Communities and Leisure directorate is carrying forward various significant grants into 2024/25, including grants received in year, totalling £744k (Homes for Ukraine £268k, Asylum Dispersal £237k and UKRSP/Syrian Refugee £239k). The actual grants likely to be utilised in 2024/25 amounts to £119k, leaving grant balances carried forward to 2025/26 of £625k.

#### **18. Customer and Digital – forecast £71k underspend**

The key variances to note are:

- £26k net underspend on staffing costs across the directorate. This is mainly due to the savings achieved from Shared Head of Service post and Digital Services staff vacancies. This also includes the recently approved Shared Streetscene and Waste Services Phase 2 structure.
- £29k overspend on non-staffing Digital Services expenditure due to various IT costs such as computer software purchases, annual licences, maintenance, security and support services. Majority of the overspend reflects inflationary pressures following retender exercises, as contracts have expired.
- £48k underspend compared to budget across waste and recycling contracts. This will be monitored in year alongside performance on the waste contract and potential further inflationary pressures.
- £11k overspend on hired vehicle used for household waste bin deliveries. In view of ongoing need for this type of vehicle options are being explored for future procurement.
- £5k forecast overspend on LCC clinical waste collection costs.
- £17k forecast additional income for Land Charges as Land Registry have put back to 2025/26 collection the Local Land Charges element of the income. Chorley Council will continue to collect this element for 2024/25.
- £25k underspend relating to various other smaller variances across the directorate.

#### **19. Planning – forecast £52k overspend**

The key variances to note are:

- £60k net underspend on staffing costs across the directorate compared to the budget for 2024/25. This is mainly due to staffing vacancies within Enforcement Services and Building Control and Planning Services offset by the use of agency staff (£178k).
- £41k forecast overspend on legal fees, statutory notices, and refunds applied within the Planning Services budget.

- £8k reduction in the level of income compared to budget on pre-plan applications, which has shown a slight improvement in collection of income in 2024/25 compared to 2023/24, however the target income level has yet to recover.
- £10k reduction in external contractors cost compared to budget for Allotments and Nature Reserves.
- £61k reduction in Building Control plan fees and Inspection income partly due to a vacant post within Building Control as noted above which is having an impact on income and the position should improve as staff are in place.
- £12k overspend relating to various smaller variances within the directorate.

## 20. Policy and Governance – forecast £39k underspend

The key variances to note are:

- £149k net underspend on staffing across the directorate compared to the budget for 2024/25. The underspend is primarily due to vacant posts within Corporate Admin Team (£26k) and Corporate Policy & Partnership Team (£138k) and the timing of vacant posts being filled within Shared Financial Services (£45k) including shared services recharges. These underspends are offset by agency staff costs within the Legal and Procurement team.
- £20k forecasted overspend in relation to the members allowance as an assumption of 5% salary uplift has been applied for 2024/25 based on the agreed previous years percentage uplift.
- £26k net overspend forecasted for utilities in Council buildings. The overspend is significantly less compared to 2023/24 due to the reduction in prices as of April 2024. This cost is partly offset by the increase in the costs recovered from the Astley Park Coach House tenant.
- £14k forecast increase in non-domestic rates compared to budget for Chorley Town Hall and Union Street offices.
- £35k forecasted net overspend relating to Chorley Flower show against a budget provision of £73k. The forecasted level of income is similar to 2023/24. There are some uncertainties in the level of expenditure.
- £27k net increase in costs over the amount budgeted within Human Resources due to the PAYE settlement agreements paid over to HMRC relating to the tax on employee benefits, together with additional IT software annual licence costs and general subscriptions.
- £10k overspend relating to the subsidised bus services partly due to the under accrual of the final quarter in 2023/24.
- £30k underspend relating to unused consultancy and events budget within Business Engagement Teams as UKSPF funds are being utilised.
- £22k underspend on General Insurance due to unbudgeted income from Chorley Leisure.

- £12k overspend on non-staffing costs compared to budget within the Finance Team partly due to increase in Apprentice Levy cost (£7k) and reduction in non-staffing recharge income.
- £18k net overspend relating to various other small variances within the directorate.

## 21. Major Projects – forecast £240k 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:

- £291k forecast overspend on the Market Walk investment - this includes;
  - £13k underspend on staffing due to a vacant post within market walk
  - £7k forecast increase in electricity costs;
  - £29k forecast increase in repairs and maintenance costs.
  - £310k net under-recovery of rent, service charge income and insurance recharges compared to budget. This figure includes an under-recovery of rental income of £167k, due to vacant units, zero forecast for a tenant, as well as a £143k 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;
  - £10k underspend for window cleaning and pest control compared to budget;
  - £32k underspend on various small variances;
- £20k forecast overspend for Primrose Retirement Living - this includes;
  - £15k overspend on staffing, mainly due to an additional part-time post over and above the budgeted establishment.
  - £60k overspend on repairs and maintenance, largely due to security repair work and general reactive repairs and maintenance;
  - £15k overspend on security services;
  - £57k net increase in service charge, rental income and hire of rooms and commercial tenants;
  - £13k underspend on various small variances;
- £35k forecast overspend for Strawberry Meadows - this includes;
  - £23k reduced rental income due to a vacant unit and agreement of stepped rents compared to budget;
  - £12k overspend on electricity (related to vacant units) and water costs including salting and gritting expenses;
- £40k forecast over recovery of income from Chorley BC Property Ltd in respect in of Logistics House.
- £80k forecast underspend for Tatton Gardens - this includes;
  - £24k forecast increase in on electricity costs;
  - £110k over-recovery of rent and service charge income on the residential properties compared to budget;
  - £12k overspend on income compared to budget due to a recently vacated commercial unit;
  - £7k overspend on security costs compared to budget;

- £13k net underspend relating to various small variances across several budget lines;
- £14k forecast overspend for Strawberry Fields - this includes;
  - £31k overspend on staffing due to the provision of staff cover
  - £66k overspend on reactive and planned maintenance;
  - £73k net increase in rental income from offices, meeting rooms, hot desks, pods, and from service charges, compared to budget. 96% of the offices are occupied and this equates to 97% of the floor space;
  - £10k overspend on non-domestic rates, offset by a £14k underspend on internet charges due to reduced monthly costs;
  - £6k net underspend relating to various small variances across several budget lines;

## 22. **Financing and Other Budgets – forecast £27k overspend**

- This includes a £290k overspend on interest payable due to interest rates being higher than anticipated.
- Interest receivable is over-recovered against the budget by £330k due to interest rates higher than anticipated.
- £43k overspend 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 2023/24, and also to reflect the slippage in the capital programme in 2023/24 as reported to Executive Cabinet in the 2023/24 Revenue Outturn Report in June 2024.
- There is a small overspend of £4k due to Council Tax overpayment income not being achieved.
- £20k increase in compensatory added years pension payment compared to budget due to the inflationary uplift paid on pensions.

### **Other supporting information**

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

#### **Appendix 4 – Property - Major Projects**

## 24. **Planned Reserves movement**

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

### **General Fund Resources and Balances**

25. 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.
26. The forecast level of general fund balances as at 31<sup>st</sup> March 2025 based on the detail covered in this report will be £3,877m, however we will monitor the position during the year and report to members accordingly.

27. As detailed at **Appendix 3**, as at 1 April 2024 the Council held a £4,092m in General Fund reserves to manage budget risks not covered by earmarked reserves or provisions within the budget. The forecast outturn for 2024/25 identifies that the General Fund closing balance will be £3,877m as detailed below:

#### **Movement in General Fund Reserve**

<b>Summary of Movement in General Reserves</b>	<b>£'m</b>
General Fund Reserves at 1 <sup>st</sup> April 2024	(4,092)
Forecast 2023/24 outturn revenue budget (surplus) / deficit	0,215
<b>General Fund Reserve Closing Balance at 31 March 2025</b>	<b>(3,877)</b>

28. **Appendix 3** provides further information about the specific earmarked reserves and provisions available for use throughout 2024/25.

#### **Movement in Earmarked Reserves**

29. Taking account of the adjustments highlighted in **Appendix 3**, the level of Earmarked reserves held for discretionary use by the Council at 31 March 2025 is £5,116m compared to a balance of £6,091m at 31 March 2024.

<b>Summary of Movement in Earmarked Reserves</b>	<b>£'m</b>
Earmarked Reserves at 1 <sup>st</sup> April 2024	(6,091)
<b>Transfers (to)/from Earmarked Reserves</b>	
Use of revenue reserves for Capital Financing	0,321
Use of other specific Earmarked Reserves	0,654
<b>Earmarked Reserves Closing Balance at 31st March 2025</b>	<b>(5,116)</b>

30. The £0,654m use of other specific Earmarked Reserves shown in the table above includes the following items:

- £46k use of Climate Change reserves.
- £69k use of Apprentices and Graduates reserves.
- £74k use of Income Generation reserves.
- £30k use of Civica Property Management reserve.
- £19k use of Social Prescribing reserves.
- £117k use of Refugee/Asylum Seekers Funding reserve.
- £238k use of Bus Station – Transition of service reserves.
- £36k use of Handyman reserves.
- The remainder of the movements are various, smaller adjustments related to revenue spending.

31. The use of earmarked reserves shown in the table above is reflected in the revenue budget monitoring position detailed in this report.



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

32. 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**

33. Equality and diversity implications are considered within the budgets approved by the Council as at 27<sup>th</sup> February 2024.

### **Risk**

34. The report refers to the monitoring and refinement of the 2024/25 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**

35. The financial implications are contained within this report.

### **Comments of the Monitoring Officer**

36. 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 2024/25 - position as at 31<sup>st</sup> July 2024

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

Appendix 3 – 2024/25 Reserves Programme position at 31<sup>st</sup> July 2024

Appendix 4 – 2024/25 Major Projects position at 31<sup>st</sup> July 2024

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