

Report of	Meeting	Date
Director (Finance) (Introduced by Executive Member (Resources))	Executive Cabinet	23/02/2023

2022/23 Corporate Budget Monitoring Report and Reserves for the 9 months to 31st December 2022

Is this report confidential?	No
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Is this decision key?	Yes
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Savings or expenditure amounting to greater than £100,000	Significant impact on 2 or more council wards
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Purpose of the Report

1. This report sets out the revenue and reserves forecast for 2022/23 for the Council, based on the position as at 31st December 2022.

Recommendations to Executive Cabinet

2. To note the forecast outturn for revenue and the level of reserves based on the position as at 31st December 2022.
3. To note the virements made to and from the revenue budget during the period, as detailed in **Appendix 2** of the report.

Reasons for recommendations

4. To ensure the Council's budgetary targets are achieved.

Other options considered and rejected

5. None

Executive summary

6. Based on the position at 31st December 2022, the forecast outturn would be for an underspend of £0.273m however as previously reported, the £0.597m unfunded cost pressure in respect of the 22/23 pay award, i.e. the cost over and above the 2% budgeted pay award, has resulted in a forecast overspend of £0.324m, as detailed in **Appendix 1**.
7. The Council's Medium-Term Financial Strategy recommends that General Reserves are maintained at a minimum of £4.0m to mitigate against any unforeseen financial

risks that may present in the future. Based on the above, the forecast level of general fund balances at 31st March 2023 is £3.816m; if necessary, drawdown will be recommended from ear-marked reserves to ensure general fund balances remain above £4.0m.

Corporate priorities

8. The report relates to the following corporate priorities:

Involving residents in improving their local area and equality of access for all	A strong local economy
Clean, safe and healthy communities	An ambitious council that does more to meet the needs of residents and the local area

Background to the report

9. The current net revenue budget for 2022/23 is £14.553m.
10. **Appendix 3** provides further information about the specific earmarked reserves that the Council holds at 31st December 2022.

Current Forecast Position – Revenue

11. The forecast revenue outturn, based on the position at 31st December 2022, shows a provisional overspend against the Council's budgets of £0.324m. 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.

Variations from Budget

Directorate	Budget 2022/23 £'000	Forecast 2022/23 at 31 st December 22 £'000	Variance (Under)/ Overspend 2022/23 £'000
Commercial Services	348	1,156	808
Communities	1,862	1,890	28
Customer and Digital	5,521	5,513	(8)
Planning and Development	772	809	37
Policy and Governance	5,119	5,461	342
Major Projects	(3,786)	(3,787)	(1)
Financing and Other Budgets	4,717	3,775	(942)
Total Net Expenditure	14,553	14,817	263
Funding	Budget 2022/23 £'000	Forecast 2022/23 at 31 st December 22 £'000	Variance (Under)/ Overspend 2022/23 £'000
Council Tax	(7,554)	(7,554)	0
Business Rates	(5,293)	(5,293)	0
New Homes Bonus	(886)	(886)	0
Government Grants	(709)	(709)	0
Reserves	(111)	(50)	61
Other	0	0	0
Total Funding	(14,553)	(14,492)	61
Net Outturn	0	324	324

12. The National Employers pay offer of £1,925 on all NJC pay points 1 and above for the period 01st April 2022 to 31st March 2023 was accepted, and payment (including arrears) made in December 2022. The table below shows the overall implication of the pay award for 2022/23 compared to the provision of 2% included in the base budget.

Directorates	Total Pay Award including NI & Pension	Pay Award Budget at 2%	Net increase in Budget
Communities	132,256	32,370	99,885
Commercial Services	86,869	28,597	58,271
Policy & Governance	121,816	92,186	29,630
Customer & Digital	370,674	10,105	360,569
Planning & Development	70,604	27,418	43,186
Major Projects	52,810	46,859	5,951
Total	835,028	237,536	597,492

13. There are pressures on gas, electricity and water across all of our properties resulting in a forecast overspend £498k. Some of this increase in costs will be recharged to our tenants, where applicable; this is reflected in the figures in point 11. There are no other significant inflationary cost pressures identified at present, but this will be monitored and reported if such changes are identified.

UK Shared Prosperity Fund (UKSPF)

14. In December, the council received confirmation of the award of grant funding from the UK Shared Prosperity Fund (UKSPF); the table below shows the allocation awarded over a three-year period. The conditions attached to the grant funding are that it is to be utilised in areas such as Community Grants Funds, Business Grants and provision of management capacity, which the council has previously funded from reserves.

UKSPF Grant Allocation	Capital Funding £'000	Revenue Funding £'000	Capacity Funding £'000
2022-23	109	402	20
2023-24	-	1,023	-
2024-25	-	2,679	-
Total	109	4,104	20

15. Areas of expenditure within the revenue budgets and reserves have been identified that the UKSPF is designed to fund, and as such there are significant projects already underway that can be attributed to this funding. The proposed allocation of the 2022-23 fund is as per the table below, which will alleviate the need to utilise reserves for these purposes:

UKSPF Grant Revenue Spend allocation 22-23	Amount £'000
Change Management	63
Capital Expenditure	213
Support for Apprentices, Graduates, Training Posts	55
Business Investment for Growth (BIG) Grants	40
Choose Chorley Grants	40
Retail Grants Programme	90
Check Out Chorley	30
Total	531

Explanation of key variances by Directorate are as follows:

16. Commercial Services – £808k overspend

The key variances to note are:

- £265k net overspend on staffing costs across the directorate. This overspend includes the cost of the pay award (£58k) for 2022/23 compared to the provision included in the base budget of 2%, but in the main, the overspend is due to the additional costs of using agency staff. Given the recruitment difficulties in this area, e.g. surveyors, and the review and move to the Shared Service model, agency staff are providing the necessary support to the team in the interim, however the market for such staff is challenging, with significant increases in the salaries required by

available candidates. This is a national issue and is also being felt in other areas of operation across the council.

- £218k overspend relating to the delay in the opening of Tatton Gardens. This has been offset by a reduction in financing costs as described below at point 21.
- £76k reduced income from market rents due to the renovation works for the new food and beverage area resulting in fewer market traders and some vacant stalls in the Cabin/Covered Markets that are not expected to be filled until later in the year.
- £77k reduction in income from car parking fees and charges compared to budget, reflecting the impact of the recovery from the pandemic on the Town Centre.
- £127k overspend due to the increase in utility costs, based on the current price increases.
- £22k forecast overspend due to increased legal fees on planning matters.
- £23k overspend relates to reduced rental income and other non-staffing variances.

17. **Communities – £28k overspend**

The key variances to note are:

- £83k net overspend on staffing cost across the directorate compared to the budgets for 2022/23 due to the timing of vacant post being filled and use of agency staff. This also includes the pay award for 2022/23 compared to the provision in the base budget of 2%.
- £50k overspend compared to budget; this is a reduction of £40k from the previous year's overspend, achieved as we transition to the new shared services in Pest Control.
- £15k reduction in cost for grant payments supported from other external funding this year.
- £60k reduction in income as it has been confirmed by the NHS and Lancashire Constabulary that they will not be funding a contribution to the 21/22 and 22/23 salary costs within the Communities team. This under recovery of income for 22/23 is partially offset by an underspend on staffing cost (contained within the first bullet point above).
- £89k use of reserves required due to overspends on Temporary Accommodation, although reflecting £25k additional Homelessness prevention grant income received within Housing Options.
- £37k unbudgeted grant income in respect of weight management.

18. **Customer and Digital – £8k underspend**

The key variances to note are:

- £10k net overspend on staffing costs across the directorate compared to the budget for 2022/23. This reflects the timing of various vacant post being filled within Customer Transformation and ICT Services, and also includes costs for agency staff alongside the pay award for 2022/23 compared to the 2% included in the base budget for this.
- £85k increase in the bad debt provision for Housing Benefits based upon an increase in the level of outstanding balances.
- £83k unbudgeted income received for New Burdens grants and DWP payments.
- £15k underspend relating to an overprovided budget for professional fees for the Empty Homes Review.
- £19k increase in the Leisure SLA recharge income compared to budget within ICT Services, which is linked to the staff costs associated with the provision of services to the Leisure company.
- £16k reduction in income compared to budget in respect of the sale of wheeled bins.
- £25k increase in income from various areas including Cemetery, bulky waste and Streetscene public realm income.
- £39k overspend relating to the repairs of footpaths, external contractors, and various other small variances within the directorate.

19. **Planning and Development – £37k overspend**

The key variances to note are:

- £62k net underspend on staffing costs across the directorate compared to the budget for 2022/23. This is mainly due to various vacant posts within Enforcement Services; however, some vacant posts are being covered by agency staff. This also includes the pay award for 2022/23 compared to the set base budget of 2%.
- £147k overspend on professional fees, statutory notices, and legal fees within Planning Services.
- £150k additional income from Planning Application fees.
- £17k reduced income on pre-plan applications, as the service is still suspended.
- £78k reduced income is forecast on Inspection and Building Control Planning fee.
- £7k overspend due to various small variances within the directorate.

20. **Policy and Governance – £324k overspend**

The key variances to note are:

- £76k net staffing overspend across the directorate compared to budget for 2022/23. This is mainly due to vacancies and a higher level of staffing recharges to SRBC and

the Leisure company compared to budget, offset by the pay award for 2022/23 compared to the budget provision for this of 2%.

- £175k overspend due to the forecast increase in utility costs, based on the current price increases.
- £64k underspend due to an over provision in the Members Allowance budget, as previously reported.
- £64k overspend due to the increase in Audit fees for 2019-20 and 2020-21 which have been approved by Governance Committee.
- £76k increase in cost within Human Resources due to the increase in recruitment and associated costs across the organisation e.g. advertising costs, along with increases in the costs of Occupational Health, IT software and Legal costs.
- £30k net increase in costs on Chorley Events due to the additional cost for Christmas activities and other Chorley Events.
- £33k underspend due to various small variances within the directorate.

21. Major Projects – £1k underspend

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

The key variances to note are:

- £44k underspend for Market Walk – This includes; a £37k staffing overspend due to overtime and the pay award for 2022/23 compared to the set base budget of 2%, an £11k overspend due to a forecast increase in the cost of utilities based on the current price increases, and a £27k overspend due to various small variances within Market Walk. This is offset by a £119k net increase in income compared to budget as rental income has exceeded forecast which had factored in a more cautious and pessimistic impact for Covid, however some uncertainty still remains due to expired leases and reduced service charge income on vacant units.
- £10k overspend for Digital Office Park - This includes an overspend of £23k on staffing due to agency staff cover and the pay award for 2022/23 compared to the set base budget of 2%, along with a £45k forecast overspend on electricity cost due to the rise in current prices and a £28k overspend due to various small variances; offset by a £86k increase in various income streams (office rent, service charge, meeting rooms hot desk and pods).
- £32k overspend for Strawberry Meadows – This is mainly due to reduced rental and management fee income compared to that budgeted for in this first part-year of operation.

22. Financing and Other Budgets – £942k underspend

The key variances to note are:

- This includes a £194k underspend on interest payable; whilst £10m of borrowing was taken in March 2022, further borrowing has been deferred until required due to the timing of capital spend.
- Interest receivable is showing an underspend, or over-recovery against budget, of £44k due to interest rate increases which are providing a better rate of return on cash balances.
- There is also a £345k underspend on the Minimum Revenue Provision as a result of changes in the mix of funding used to finance capital schemes in 2021/22 compared to that budgeted, along with slippage in the capital programme in that year, as reported at outturn. This reduction in MRP includes Tatton Gardens which offsets the overspend detailed in point 15 above, as MRP repayments have not yet started as the asset has not yet become operational.
- The revenue budget for 2022/23 included a provision of £100k for the Council to take ownership and responsibility for the management of Chorley Bus Station. As this has not yet been agreed, the £100k underspend remains. The figures do include £21k in respect of the cost of bus service due to an unpaid and unaccrued invoice relating to 21/22.
- £280k reflects the introduction of the corporate contingency budget.

23. Covid-19

- Some residual Covid 19 and COMF funding is remaining in 22/23. It is expected this will all be spent in line with original approvals and at year end there will be no remaining balances.

Other supporting information

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

Appendix 4 – Commercial Services - Major Projects

25. Planned Reserves movement - £61k Overspend

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

General Fund Resources and Balances

26. As detailed at **Appendix 3**, the Council holds £4.140m in General Fund reserves to manage budget risks not covered by earmarked reserves or provisions within the budget. The forecast outturn for 2022/23 identifies that the General Fund closing balance will be £3.816m as detailed below.

Movement in General Fund Reserve

Summary of Movement in General Reserves	£'m
General Fund Reserves at 1 st April 2022	(4.140)
Transfers (to)/from General Reserves	
Forecast outturn revenue budget (surplus) / deficit	0.324
Other reserves Movement	0.000
General Fund Reserve Closing Balance 2022/23	(3.816)

27. We will monitor the position over the remainder of the year and if necessary, drawdown will be recommended from ear-marked reserves to ensure general fund balances remain above £4.0m.

Movement in Earmarked Reserves

28. Taking account of the adjustments highlighted in **Appendix 3**, the forecast level of Earmarked reserves held for discretionary use by the Council at 31st March 2023 is £6.956m compared to a balance of £11.805m at 31st March 2022.

Summary of Movement in Earmarked Reserves	£'m
Earmarked Reserves at 1 st April 2022	(11.805)
Transfers (to)/from Earmarked Reserves	
Release of S31 grant received and held in reserves in respect of Business 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)	2.347
Use of revenue reserves for Capital Financing	1.298
Transfers to reserves as per point 29 below	(0.638)
Use of other specific Earmarked Reserves	1.842
Forecast Earmarked Reserves Closing Balance 2022/23	(6.956)

29. The £1.842m forecast use of other specific Earmarked Reserves shown in the table above includes the following items:

- £197k utilisation of reserves that were established in the quarter 3 revenue monitoring report in 2021/22.
 - £769k provision of extra support to Chorley Leisure Limited.
 - £63k use of the Restructure Reserve following the staff review in the Procurement Team and other staffing restructures.
 - £135k use of Market Walk Income Equalisation Reserves.
 - £120k use of Income Generation reserves.
 - £107k use of Covid support funding reserves within the Communities directorate.
 - £89k use of Homelessness Prevention Grant reserves.
 - £142k use of reserves within Commercial Services directorate.
 - £129k use of specific reserves within the Policy and Governance directorate.
 - £57k use of the Local Plan reserve.
 - £29k use of the Planning Appeals Reserve
 - The remainder of the movements are various, smaller adjustments related to revenue spending.
30. Transfers to reserves of £107k relate to the balance of the underspend on the mayoral charities and the Market Walk cost centres reported in this period, and £0.531m use of 2022/23 UKSPF funding.
31. The use of earmarked reserves shown in the table above are reflected in the revenue budget monitoring position detailed in this report.
32. During the quarter, following a review of ear-marked reserves held, the following re-allocations have been made within reserve categories as follows;

Movement from	£'000	Movement to	£'000
Market Walk/Digital Office Park works	184	Capital Expenditure Reserves	184
Capital Bad Debt Reserve	178	Capital Expenditure Reserves	178
Arts Development	9	Policy and Governance General	9
Shared Services Implementation Reserve	8	Policy and Governance General	8
Shared Financial Services - slippage and other transfers to reserves	44	Policy and Governance General	44
LCC transition fund	50	Support for recovery from pandemic and cost of living crisis – communities and businesses, including support for leisure	50
S31 grant – Empty properties/small BRR	29		29
S31 - EU Exit Preparation	35		35
BRR – surplus on levy payment	1,415		1,415
Covid Recovery Reserve	300		300
Future High Street Funds	26		26
Markets and Town Centre – slippage and other transfers to reserves	20		20
Home Improvements – Housing Affordable Warmth Grant	14	Communities - Neighbourhoods	14
Buckshaw Youth Development Grants	1	Communities - Neighbourhoods	1
Investment Budgets	35	Communities - Neighbourhoods	35
Syrian Refugee Funding	52	Communities - Neighbourhoods	52
Planning – slippage and other transfers to reserves	5	Planning Appeal Costs	5
National Graduate Scheme	4	Policy and Governance General	4
Transformation Challenge funding	34	Policy and Governance General	34
Public Service Reform funding	11	Policy and Governance General	11

Digital Access and Inclusion	10	Policy and Governance General	10
Boundary Commission Electoral Review	12	Elections	12
	2,476		2,476

Climate change and air quality

33. 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

34. N/A

Risk

35. There are significant risks due to rising costs especially in relation to utility bills. This is likely to be felt most by the Council's Leisure company. Forecasting of costs across the year have been undertaken and a report is expected to be made to November Council.
36. There are also some risks around Housing Benefit overspends due to the opening of schemes related to Exempt Accommodation. The cost will be incorporated into future reports.

Comments of the Statutory Finance Officer

37. The Financial implications are contained within this report.

Comments of the Monitoring Officer

38. None

Background documents

There are no background papers to this report.

Appendices

Appendix 1 – Revenue 2022/23 - position as at 31st December 2022

Appendix 2 – Revenue Budget Movements at 31st December 2022

Appendix 3 – 2022/23 Reserves Programme position at 31st December 2022

Appendix 4 – 2022/23 Major Projects position at 31st December 2022

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