

Report of	Meeting	Date
Director (Finance) (Introduced by Executive Member (Resources))	Executive Cabinet	15/06/2023

2022/23 Corporate Budget Monitoring Report and Reserves Provisional Outturn at 31st March 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 provisional outturn for 2022/23 for the Council, based on the position as at 31st March 2023.

Recommendations to Executive Cabinet

2. To note the 2022/23 provisional outturn for revenue and the level of reserves, based on the position as at 31st March 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 at 31st March 2023, the provisional outturn would have been an underspend of £0.728m 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 provisional underspend of £0.131m, 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 and the amalgamation of reserves, the level of general fund balance is £4.271m at 31st March 2023.

Corporate priorities

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

8. The current net revenue budget for 2022/23 is £14.553m.
9. **Appendix 3** provides further information about the specific earmarked reserves that the Council holds at 31st March 2023.

Current Outturn Position – Revenue

10. The provisional revenue outturn, based on the position at 31st March 2023, shows a provisional underspend against the Council's budgets of £0.131m. 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;

11. Variations from Budget

Directorate	Budget 2022/23 £'000	Outturn 2022/23 at 31 st March 23 £'000	Variance (Under)/ Overspend 2022/23 £'000
Commercial Services	348	1,285	937
Communities	1,862	1,734	(128)
Customer and Digital	5,521	5,486	(35)
Planning and Development	772	849	77
Policy and Governance	5,119	5,306	187
Major Projects	(3,786)	(3,796)	(10)
Financing and Other Budgets	4,717	3,498	(1,219)
Total Net Expenditure	14,553	14,362	(191)
Funding	Budget 2022/23 £'000	Outturn 2022/23 at 31 st March 23 £'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)	(710)	(1)
Reserves	(111)	(50)	61
Other	0	0	0
Total Funding	(14,553)	(14,493)	60
Net Outturn	0	(131)	(131)

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 an overspend £497k. Some of this increase in costs will be recharged to our tenants, where applicable; this is reflected in the figures in the table at point 11.

14. UK Shared Prosperity Fund (UKSPF)

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 Grant Funds, Business Grants and provision of management capacity, which the council had 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

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 have been attributed to this funding. The allocation of the 2022-23 fund is as per the table below, which has alleviated the need to utilise reserves for these purposes and a balance of £31k has been carried forward to 2023-24:

The £109k Capital grant was used to replace existing funding within the Astley Hall scheme.

UKSPF Grant Revenue Spend allocation 22-23	Amount £'000
Change Management	63
Capital Expenditure	73
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	391

Explanation of key variances by Directorate are as follows:

15. Commercial Services – £937k overspend

The key variances to note are:

- £200k 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.

- £250k 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.
- £73k 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.
- £48k 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. This is an improvement of £29k from the previous forecast reflecting the changes to charges following the implementation of the car parking strategy from February 2023.
- £195k overspend due to the increase in utility costs, based on the current price increases.
- £25k overspend due to increased legal fees on planning matters.
- £67k overspend due to increased spend on non-domestic rates due to backdated bills received late in the year for properties within the Markets & Investment Portfolio.
- £30k overspend due to an increase in the provision for bad debts.
- £18k overspend due to increased costs of the Christmas lights.
- £31k overspend relates to reduced rental income and other non-staffing variances.

16. **Communities – £128k underspend**

The key variances to note are:

- £59k 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%.
- £22k overspend compared to budget for Pest Control contracted services, however savings will be achieved as we transition to the new shared service for Pest Control.
- £15k underspend on commissioned services as costs have been covered by other external funding this year.
- £59k 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.

- £45k management fee contribution from various grants offsetting increase in staffing cost.
- £27k increase in contribution from LCC and grants received to support staffing cost within Home improvement grants.
- £89k use of reserves required due to overspends on Temporary Accommodation, although reflecting £25k of additional Homelessness Prevention Grant income received within Housing Options.
- £37k unbudgeted grant income in respect of weight management.
- £30k increase in rental income at Cotswold House in excess of budget.
- £25k underspend relates to various other non-staffing variances.

17. Customer and Digital – £35k underspend

The key variances to note are:

- £145k net underspend on staffing costs across the directorate. This reflects the fact that some posts have remained vacant within Customer Transformation and ICT Services, offset to some extent by the costs of agency staff and the pay award for 2022/23 compared to the 2% included in the base budget for this.
- £92k reduction in provision for Council Tax bad debts offsetting shortfall in recovery of Council Tax summons income of £39k.
- £41k unbudgeted income received for New Burdens grants and DWP payments.
- £36k increase in the bad debt provision for Housing Benefits, based upon an increase in the level of outstanding balances.
- £116k overspend due to a reduction in Housing Benefit overpayments recovered.
- £21k underspend on professional fees as the review of Empty Homes was not undertaken in 22/23.
- £55k additional postage cost for Council Tax and Energy Rebate and other leaflets, offset by the New Burdens funding noted above.
- £140k overspend due to various IT cost such as computer software purchases, annual licences, maintenance security and support services. There have been substantial changes to contracts and services in 2022/23 and as a result, there has been some overlap in costs in moving from one contract to another, and also in respect of one-off set up costs. This is not anticipated to continue in 2023/24.
- £25k 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.

- £39k underspend in the FCC waste contracts due to a decrease in the additional bin collections.
- £16k reduction in income compared to budget in respect of the sale of wheeled bins.
- £58k increase in income from various areas including private works income, income from the Cemetery and Streetscene public realm income.
- £16k underspend relating to various small variances within the directorate.

18. Planning and Development – £77k overspend

The key variances to note are:

- £26k net overspend on staffing costs across the directorate compared to the budget for 2022/23. This is mainly due to various vacant posts that have been covered by the use of agency staff within Enforcement Services and Development Control. The overspend also includes the pay award for 2022/23 compared to the base budget set of 2%.
- £154k overspend on professional fees, statutory notices, and legal fees within Planning Services.
- £46k use of the Planning appeals reserve to offset various overspends within Planning Services.
- £148k additional income from Planning Application fees.
- £18k reduced income on pre-plan applications, as the service is still suspended.
- £89k reduced income on Inspection and Building Control Planning fee.
- £16k underspend due to various small variances within the directorate.

19. Policy and Governance – £187k overspend

The key variances to note are:

- £48k net staffing underspend across the directorate compared to the budget for 2022/23. This is mainly due to vacancies and a higher level of staffing recharge to South Ribble Borough Council and the Leisure company compared to that budgeted, offset by the pay award for 2022/23 compared to the budget provision for this of 2%.
- £223k overspend due to the increase in utility costs, based on the current price increases.
- £22k underspend on IT software licences.
- £50k underspend as a result of a reduction in the provision for bad debts and the insurance claim provision.

- £32k underspend due to an over provision for Members Allowances in the budget, as previously reported.
- £53k net overspend due to the increase in External Audit fees for 2019-20 and 2020-21, which have been approved by Governance Committee. This increase in costs is offset in part from grant income received as a result of the Redmond Review into External Audit costs.
- £62k net increase in costs over budget within the Human Resources Team due to the increase in recruitment and associated costs across the organisation e.g. advertising costs (£36k), along with increases in the costs of Occupational Health (£14k), IT software (£40k) and Legal costs (£27k); these overspends have been partly offset by costs recharged £55k.
- £38k net increase in costs on Chorley Events due to the additional cost for Christmas activities and other Chorley Events, offset by some underspends on the Queen's Jubilee Celebration budget and the Check Out Chorley budget.
- £37k underspend in respect of professional services income for staffing support to the NHS relating to 2021/22 and 2022/23 (£19k) and various small variances within the directorate.

20. Major Projects – £10k 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:

- £88k underspend on the Market Walk investment – This includes;
 - a £57k staffing overspend due to overtime and the pay award for 2022/23 compared to the base budget set of 2%;
 - £12k overspend due to various small variances within Market Walk;
 - £45k overspend due to a reduction in the income from tenant's service charges and costs relating to market walk marketing and promotions expenses;
 - There is a further increase in costs related to backdated non-domestic rates of £88k;
 - Rental income is underspent by £120k following the provision of £200k for anticipated lease reduction. The Market Walk income equalisation reserve has been utilised to the value of £170k to partially offset these lease reductions.
- £106k overspend for Primrose Retirement Living - This includes;
 - an overspend of £5k on staffing mainly due to under-achievement of the staffing vacancy rate budget adjustments and the pay award for 2022/23 compared to the base budget set of 2%;
 - a £43k overspend on electricity costs due to the rise in current prices;
 - a £40k increase in the cost of backdated non-domestic rates;
 - a £36k repairs and maintenance overspend;
 - offset by an £18k increase in income for casual hire of rooms and various small variances.
- £33k underspend for Digital Office Park - This includes;

- an overspend of £12k on staffing due to agency staff cover and the pay award for 2022/23 compared to the base budget set of 2%;
 - a £34k overspend on electricity cost due to the rise in current prices;
 - a £19k overspend due to various small variances;
 - offset by a £98k increase in various income streams (office rent, service charge, meeting rooms hot desk and pods).
- £9k 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.

21. **Financing and Other Budgets – £1,219k underspend**

The key variances to note are:

- This includes a £391k underspend on interest payable; given slippage in the capital programme, borrowing has been deferred over the course of the year compared to the cashflow forecast on which the interest payable budget was constructed. Whilst £10m of borrowing was taken in March 2022, further borrowing has been deferred until required.
- Interest receivable is over-recovered against the budget, by £117k due to interest rate increases which are providing a better rate of return on cash balances and includes £24k in respect of finance leases.
- There is also a £348k underspend on the Minimum Revenue Provision as a result of changes made during the year 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 2021/22 which was reported in the outturn for that year. This reduction in MRP includes Tatton Gardens, which offsets the under-recovery of income on that scheme as detailed in point 15 above.
- 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.
- £280k reflects the introduction of the corporate contingency budget.

22. **Covid-19**

- The residual Covid 19 and Contain Outbreak Management Funding (COMF) remaining from 2021/22 has now been spent in line with original approvals, with no remaining balance.

Other supporting information

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

Appendix 4 – Commercial Services - Major Projects

24. **Planned Reserves movement - £61k underutilised from the level budgeted**

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

General Fund Resources and Balances

25. As detailed at **Appendix 3**, the Council has held £4.140m in General Fund reserves over the course of the year to manage budget risks not covered by earmarked reserves or provisions within the budget. The provisional outturn for 2022/23 identifies that the General Fund closing balance will be £4.271m 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	
Provisional outturn revenue budget (surplus) / deficit	(0.131)
General Fund Reserve Closing Balance 2022/23	(4.271)

Movement in Earmarked Reserves

26. Taking account of the adjustments highlighted in **Appendix 3**, the level of Earmarked reserves held for discretionary use by the Council at 31st March 2023 is £7.979m 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	0.650
Transfers to reserves as per point 28 below	(1.025)
Use of other specific Earmarked Reserves	1.854
Earmarked Reserves Closing Balance 2022/23	(7.979)

27. The £1.854m use of other specific Earmarked Reserves shown in the table above includes the following items:

- £258k 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.

- £75k use of the Restructure Reserve following the staff review in the Procurement Team and other staffing restructures.
- £205k use of Market Walk Income Equalisation Reserves.
- £129k use of Income Generation reserves.
- £96k use of Covid support funding reserves within the Communities directorate.
- £89k use of Homelessness Prevention Grant reserves.
- £104k use of specific reserves within the Policy and Governance directorate.
- £42k use of the Local Plan reserve.
- £46k use of the Planning Appeals Reserve
- The remainder of the movements are various, smaller adjustments related to revenue spending.

28. Transfers to reserves of £634k include various community grants carried forward for use in 2023/24, increases in income generation reserves, and £391k in respect of previously budgeted costs that were instead funded through the 2022/23 UKSPF funding in line with the grant conditions.

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

30. During the 3rd quarter, following a review of ear-marked reserves held, the following re-allocations were 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
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Climate change and air quality

31. 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

32. N/A

Risk

33. There are potential 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

34. The Financial implications are contained within this report.

Comments of the Monitoring Officer

35. None

Background documents

There are no background papers to this report.

Appendices

Appendix 1 – Revenue 2022/23 - position as at 31st March 2023

Appendix 2 – Revenue Budget Movements at 31st March 2023

Appendix 3 – 2022/23 Reserves Programme position at 31st March 2023

Appendix 4 – 2022/23 Major Projects position at 31st March 2023

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