

REPORT FROM: DIRECTOR OF RESOURCES

TO: POLICY AND RESOURCES COMMITTEE

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QUARTER 2 – REVENUE AND CAPITAL BUDGET MONITORING 2022/23

PURPOSE OF REPORT

This report is provided to inform the Policy and Resources Committee of the Q2 Revenue & Capital Budget Monitoring position for 2022/23.

RECOMMENDATIONS

The Policy and Resources Committee is recommended to:-

- a) Note the Quarter 2 position on the Council's Revenue Budgets for 2022/23.
- b) Note the Quarter 2 position on the Council's Capital Programme for 2022/23.

REASON FOR RECOMMENDATIONS

To inform the Policy and Resources Committee of the Council's Quarter 2 position for revenue and capital budgets for 2022/23.

ISSUE

2022/23 Q2 Revenue Budget

1.0 The Net Cost of Services budget for 2022/23 is £14.987m. This includes the savings target of £0.500m agreed in March 2022. The following further growth items have also been agreed this year;

- a. £189,040 of budget slippage carried forward from the 2021/22 underspend
- b. £20,000 growth to reverse a previous Street Sweeping saving
- c. £170,000 growth to move Area Committee spend to revenue

2.0 A summary table showing the Quarter 2 is shown in the table below.

3.0

Table 1 – 2022/23 Q2 Revenue Budget Monitoring Summary

£'000	Full Year Budget	Budget to Date	Actual to Date	(Over)/Under Spend
Directorate (incl Covid-19)	242	121	25	96
Financial Services & Leisure	4,200	1,961	2,025	(65)
Democratic & Legal Services	967	484	496	(12)
Planning, Economic Development & Regulatory Services	804	394	298	96
Environmental Services	4,976	2,436	2,479	(43)
Housing, Health & Engineering	2,393	1,195	1,173	23
Liberata Services				
- Human Resources	134	67	47	20
- Information Technology	0	0	81	(81)
- Property Services	198	67	10	58
- Revenue Services	1,952	977	1,024	(48)
Corporate Savings Target *	(500)	0	0	0
Total Net Cost of Services	15,366	7,702	7,659	43

* - Allocated

4.0 The figures show an underspend position of £0.043m as at Quarter 2 which is a reduction on the Quarter 1 figure of £0.168m. Based on the movement between quarters and the likely further cost pressures moving forward in the year it seems more likely that an adverse position will come forward in Quarter 3 and beyond. Further details of budget pressures and risk areas are highlighted below.

Budget Pressures

5.0 Members are reminded of the financial pressures which the Council needs to deal with over the coming financial years;

- Inflationary pressures
- Pay award pressure and wider recruitment and retention pressure
- Increasing borrowing rates
- Current energy crisis and impact on contract renewals for Leisure
- Development of the Local Plan
- Capital Programme Review
- Legacy impact of Covid-19

6.0 The 2022/23 pay award has been budgeted at 2.25%. A final settlement has now been agreed as flat rate increase of £1,925 across all grades which averages out at 6.9% across the Council. The award also increases allowances by 4.04% and grants an additional day of annual leave to all employees placing further pressure on front line services in particular. This report shows an underspend on pay of £61k as at Q2 but this is before the pay award. The potential gap in budget could be as much as £250k for the full year. A more accurate position will be known by Quarter 3 when the full pay award including back pay is made. Reflecting this in the Table 1 would create an overspend position of £83k.

7.0 There is some upside in income collection within Building Control, Taxi Licenses and Commercial Property. Income collection is down in Planning with a smaller number of major planning applications coming through.

- 8.0 Environmental Services has some pressure around the use of Agency staff and the cost of bulky waste collections where demand is exceeding budget.
- 9.0 Financial Services is showing an overspend resulting from the use of Agency staff earlier in the year and an increase in insurance premiums.
- 10.0 Inflationary pressures are already being seen in the guise of the Liberata contract which increased with inflation by 5% in April 2022 which was 2% above budget. This is shown as an overspend of £50k within the figures.
- 11.0 The cost of delivering the £150 Energy Rebate scheme via Liberata was agreed at £112k in March 2022 by Council. However, Government have provided new burden funding of just £56k and this has resulted in a one-off overspend of £56k.
- 12.0 PLT Electricity contract was renewed from 1st September 2022. A 2 year extension was agreed which increased the cost from £200k annual to £700k per annum. This can be funded from the Energy Reserve which was agreed at the P&R Meeting in July 2022 but longer term consequences will need to be considered as part of the Medium Term Forecast for the Council as this increase represents a material risk to the financial viability of both the Leisure Trust and Pendle Borough Council. Note that the Business Energy price cap is expected to reduce the impact this financial year though there is no expectation of an extension to the scheme beyond April 2023.
- 13.0 Area Committee budgets of £170k are shown as being on target for the year but the outturn position is dependent upon the current year spend inclusive of the final carry forward budget within the capital programme of £544k. Members are aware of the revenue nature of this spend and therefore this spend (if achieved) will need to be funded by reserves.

Transformation Programme and Savings Target

- 14.0 Council set a savings target of £500k for 2022/23, pro rata £250k for Q2. The Q2 position shows that the savings target of £500k remains on track but is also subject to further pressures as highlighted in paragraph 3.
- 15.0 The Transformation Programme has enabled a number of detail service reviews to be carried out since the start of the financial year; Building Control, Planning, Pest Control, Environmental Services, Leisure, Liberata and Business Support have all been covered. This is in addition to the work done by individual members of staff and managers to bring forward service developments in their own area. Additional work has also been done to deliver the Corporate Peer Challenge action plan and the Corporate Plan.
- 16.0 The reviews have consistently highlighted current service delivery models and associate resources base are insufficient to maintain acceptable level of service delivery. To address this it has been necessary for the Transformation Programme to initially stabilise service ahead of bringing forward re-designs. Further progress will be reported at Q3.
- 17.0 A saving of £250k has been identified and allocated across service budget. This has been achieved through the re-profiling of the capital programme and subsequent reduction in the cost of borrowing alongside increases in investment income as interest rates rise. The base budget review has identified other potential savings across the organisation totalling just over £130k though these savings are not reflected in the Q2 statement. Further work on these this will continue with further progress to be reported at Q3.

Use of Reserves

- 18.0 The 2022/23 budget requires a balancing contribution from reserves of £1.036m. Further items agreed increased the contribution to £1.415m. Any variance against the budget will increase or decrease this contribution.
- 19.0 Council agreed to set aside £0.250m towards Transformation Projects. Of this £59k has been spent in the first two quarters funding Service Reviews and other work.

2022/23 Q2 Capital Programme

- 20.0 A summary table showing the Quarter 2 position is shown in table 1 below.

Table 1 – 2022/23 Q2 Capital Programme

£'000	Opening Budget	Revised Budget	Spend to Date	Budget Remaining
Private Sector Housing	4,277	2,729	719	2,011
Environment	1,390	1,390	227	1,162
Waste Collection	70	70	35	35
Other General Capital Schemes	446	1,316	1	1,315
Area Committees	714	0	0	0
Regeneration Schemes	9,282	7,216	1,613	5,603
Corporate Property Maintenance	738	738	263	476
Parks and Recreations Services	390	198	200	-2
Total Capital Programme	17,308	13,658	3,058	10,600

- 21.0 Further details of the programme are shown in Appendix 1. Spend in the quarter totalled £1.708m.
- 22.0 There are no major changes in the programme during the quarter other than the re-profiling of the Levelling Up and Nelson Town Deal schemes to reflect the expected spend for the year.
- 23.0 Area Committee budgets have been moved in to revenue and are included in the revenue statement.

IMPLICATIONS

Policy: There are no policy implications arising directly from this report.

Financial: The financial implications are as given in the report.

Legal: There are no legal implications arising directly from this report.

Risk Management: There are no direct risk management implications arising directly from the contents of this report.

Health and Safety: There are no Health and Safety implications arising directly from this report.

Climate Change: There are no sustainability implications arising directly from this report.

Community Safety: There are no community safety issues arising directly from this report.

Equality and Diversity: There are no equality and diversity issues arising from the contents of this report.

APPENDICES

Appendix 1 – Q2 Capital Programme Monitoring 2022/23

LIST OF BACKGROUND PAPERS