



REPORT FROM: DIRECTOR OF RESOURCES

TO: SPECIAL BUDGET POLICY AND RESOURCES COMMITTEE

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QUARTER 3 – REVENUE AND CAPITAL BUDGET MONITORING 2022/23

PURPOSE OF REPORT

This report is provided to inform the Policy and Resources Committee of the Q3 Revenue and Capital Budget Monitoring position for 2022/23.

RECOMMENDATIONS

The Policy and Resources Committee is recommended to:-

- 1) Note the Quarter 3 position on the Council's Revenue Budgets for 2022/23.
- 2) Note the Quarter 3 position on the Council's Capital Programme for 2022/23.
- 3) Approve the write off of debt totalling £8,199.06
- 4) To Recommend to Council to give approval for the Chief Executive to purchase the Pendle Rise shopping centre (subject to Government approval and financial envelope of the Revitalised Nelson Business Case)

REASONS FOR RECOMMENDATIONS

1 & 2 To inform the Policy and Resources Committee of the Council's Quarter 3 position for revenue and capital budgets for 2022/23.

- 3) To comply with Scheme of Delegation
- 4) To allow purchase of this strategically important site to allow the Revitalised Nelson project to proceed.

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;

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

2.0 A summary table showing the Quarter 1 is shown in the table below.

Table 1 – 2022/23 Q1 Revenue Budget Monitoring Summary

£'000	Full Year Budget	Budget to Date	Actual to Date	(Over)/ Under Spend
Directorate (incl Covid-19)	242	182	(26)	208
Financial Services & Leisure	4,200	3,067	3,146	(79)
Democratic & Legal Services	967	726	880	(154)
Planning, Economic Development & Regulatory Services	804	591	504	87
Environmental Services	4,976	3,668	3,896	(229)
Housing, Health & Engineering	2,393	1,792	1,791	1
Liberata Services				
- Human Resources	134	100	74	27
- Information Technology	0	(0)	(13)	13
- Property Services	198	101	34	67
- Revenue Services	1,952	1,338	1,355	(17)
Corporate Savings Target *	(500)	0	0	0
Total Net Cost of Services	15,366	11,565	11,641	(76)

* - Allocated

3.0 The figures show an overspend position of £0.076m as at Quarter 3. This is in line with expectation as the pay award for 2022/23 was paid in December. Further details of budget pressures and risk areas are highlighted below.

Budget Pressures

4.0 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

- 5.0 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 overspend on pay of £60k as at Q3 after the pay award. The potential gap in budget could be as much as £250k for the full year though the overspend is being reduced through the management of vacancies where this doesn't impact on front line services.
- 6.0 There is some upside in income collection within Planning, Building Control, Taxi Licenses and Commercial Property.
- 7.0 Environmental Services has pressure around the use of Agency staff within the grounds maintenance and waste collection team of £200k which is driven, in part, by sickness absence in the service. This is highlighted in the Strategic Monitoring Report. The service is looking to recruit permanent staff to reduce the need for agency workers.
- 8.0 The cost of bulky waste collections is an added pressure where demand is exceeding budget and further purchase of replacement bins costing £49k will also go through revenue in Q4. Both of these areas are referenced in the 2023/24 revenue budget where the introduction of a fees & charge is suggested to help manage demand and control costs.
- 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 £75k 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 has reduced the impact this financial year to approximately £125k 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.

Savings Target

- 14.0 Council set a savings target of £500k for 2022/23, pro rata £375k for Q3. 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.
- 15.0 Other savings are imbedded within the figures and not highlighted, for example renewal of the corporate mobile phone contract and holding back on filling vacant posts. A detailed list of transformation savings for the 2023/24 budget is included in the medium term forecast and shows in more detail the work that the transformation programme has achieved.

Use of Reserves

- 16.0 The 2022/23 budget requires a balancing contribution from reserves of £1.036m. Further items agreed shown in paragraph 1.0 increased the contribution to £1.415m. Any variance against the budget will increase or decrease this contribution. No outturn forecast is included in the report but it is likely that there will be an increase in this £1.415m figure.
- 17.0 Council agreed to set aside £0.250m towards Transformation Projects. Of this £159k has been spent in the first two quarters funding Service Reviews and other work.

Debt Write-offs Over £1,000

- 18.0 The following debt amounts over £1,000 require approval from P&R Committee for write off.

<u>Due Date</u>	<u>Invoice No</u>	<u>Debtor</u>	<u>Reason for Invoice</u>	<u>Amount Owed</u>	<u>Reason for write off</u>
11/07/2019	5074304	D1013380	Trade Waste Collection	1,067.11	Company dissolved
23/09/2021	5104751	D1015009	Footpath Diversion Order	1,905.95	Company in liquidation
07/12/2018	5065204	D1008382	Cemeteries Exclusive Right Of Burial - Interment Fee	3,483.00	Company dissolved
04/07/2018	5060137	D1008382	Cemeteries Exclusive Right Of Burial - Interment Fee	1,743.00	Company dissolved
				8,199.06	

Use of Emergency Powers – Sale of Lomeshaye

- 19.0 Further to the last P&R Meeting held on 15th December 2022, the Chief Executive, in consultation with The Leader of the Council agreed to defer the receipt of the sale of the land at Lomeshaye to PEARL2 Ltd. The sale subsequently completed on 16th January 2023 and the payment of £687,800 has been deferred until no later than 20th December 2023. This receipt forms part of the funding of the capital programme but as the payment is within the next 12 months this does not impact on the funding of the capital programme.

2022/23 Q2 Capital Programme

20.0 A summary table showing the Quarter 3 position is shown in Table 2 below.

Table 2 – 2022/23 Q3 Capital Programme

£'000	Opening Budget	Revised Budget	Spend to Date	Budget Remaining
Housing	3,747	2,366	880	1,487
Regeneration	11,224	13,596	3,233	10,363
Council Assets	685	685	245	439
Resources	367	238	-14	251
Environmental Services	383	1,368	110	1,258
Planning	187	10	0	10
Other	714	0	21	-21
Total Capital Programme	17,308	18,262	4,474	13,788

21.0 Further details of the programme are shown in Appendix 1. Spend in the quarter totalled £1.416m.

22.0 There are two material changes to the programme during the quarter.

- The Nelson Town Deal scheme has increased by the value of the revitalised nelson project as this has now been submitted to Government.
- The UKSPF (Shared Prosperity Scheme) has been added to the programme.

23.0 Purchase of the Halifax Road site is progressing with further due diligence work being carried out by the specialist Consultants and in agreement of Lancashire County Council. This work will be completed and reported on by 10th March and, subject to satisfactory outcome of this work, the site will be purchased on or before 17th March 2023.

24.0 Appendix 1 also shows funding for the programme with £34.6m of grant funding and £5.97, of prudential borrowing required to fund the programme.

25.0 In respect of the Revitalised Nelson scheme, work is progressing on the Compulsory Purchase Order and potential purchase of the Pendle Rise shopping centre. In order to progress this work, and subject to approval by DHLUC and within the financial envelope of the scheme, this report seeks delegated approval for the Chief Executive, in consultation with The Leader, to complete the purchase of the Pendle Rise shopping centre.

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 – Q3 Capital Programme Monitoring 2022/23

LIST OF BACKGROUND PAPERS

None