



REPORT FROM: DIRECTOR OF RESOURCES

TO: EXECUTIVE

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REVENUE AND CAPITAL OUTTURN 2022/23

PURPOSE OF REPORT

This report is provided to inform the Executive of the provisional Revenue & Capital Outturn position for 2022/23.

RECOMMENDATIONS

The Executive is recommended to:-

- 1) Note the Outturn position on the Council's Revenue Budgets for 2022/23 and the Reserve position as set out in Report.
- 2) Approve the proposals for revenue budget slippage of £170,000 from 2022/23 to 2023/24.
- 3) Note the Outturn position on the Council's Capital Programme for 2022/23.
- 4) Approve the proposals for capital budget slippage of £7.283m from 2022/23 to 2023/24.
- 5) Recommend Council approve the revised Capital Programme for 2023/24 as set out in Appendix C.

REASONS FOR RECOMMENDATIONS

- 1), 2) To inform the Executive of the Council of the provisional revenue and capital outturn
- 3) & 4) for 2022/23 and to approve the budget slippage for 2023/24.
- 5) To comply with the Constitution.

ISSUE

2022/23 Provisional Revenue Outturn

1. The Net Cost of Services budget for 2022/23 is £14.987m. This includes the savings target of £0.500m agreed in March 2022 plus the following further growth items were subsequently agreed taking the total Original Budget to £15.366m.
 - i. £189,040 of budget slippage carried forward from 2021/22,
 - ii. £20,000 growth to reverse the previous Street Sweeping saving,
 - iii. £170,000 growth to move Area Committee spend to revenue.
2. Adding in corporate Income and expenditure and further funded virements to the budget increases the revised budget to £16.220m. The virements are either funded from grant funding or Council reserves and shown in points (ii) to (v) below;
 - i. Corporate Income & expenditure
 - ii. Grant funding
 - iii. Use of Reserves
 - iv. Capital Adjustments
 - v. New Burdens funding
3. Members should be aware that a 'nil variance' budget still requires a drawdown of reserve of £1.415m. An underspend against budget reduces the call on reserves and an overspend increases the call on reserves.
4. A summary table showing the Outturn position is shown in the table below.

Table 1 – 2022/23 Revenue Outturn Summary

£'000	Original Budget	Revised Budget	Actuals	-Over/ Under Spend
Directorate (incl Covid-19)	242	72	22	50
Financial Services & Leisure	4,200	4,890	4,400	490
Democratic & Legal Services	967	1,381	1,438	-57
Planning, Economic Development & Regulatory Services	804	846	860	-14
Operational Services	4,976	4,969	5,582	-613
Housing, Health & Engineering	2,393	2,393	1,967	426
Liberata Services				0
- Human Resources	134	134	132	2
- Information Technology	0	0	0	0
- Property Services	198	198	67	131
- Revenue Services	1,952	1,827	2,135	-308
Corporate Income & Expenditure	-500	-490	-1,091	601
Total Net Cost of Services	15,366	16,220	15,511	709

5. The figures show an underspend position against budget of £0.709m. This includes the following;
 - i. Grant funding slippage of £0.980m will be carried over to 2022/23 in compliance with the terms of the grant.

- ii. A Voluntary Revenue Provision of £0.8m will be made (see para.17).
 - iii. Budget Slippage of £0.170m to be carried forward (see para.18)
6. The overall impact of the above is a net drawn down from Reserves of £1.130m. This reduction in Reserve whilst not unexpected still represents a shift in the Council's finances and signifies the need for careful planning in the future and a need either reduce demand or remove costs from Council services.

Budget Pressures

7. Members are reminded of the financial pressures which the Council has had to deal with over the previous 12 month and will continue to do so 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
8. General inflation exceeded 10% for the first time since the 1990's and continues to be well over the Bank of England (BoE) target rate of 2.0% for the first time since the financial crash in 2008. This has driven increases in the running costs of services with areas ranging from external services to insurance. The Liberata contract increased with inflation by 5% in April 2022 which was 2% above budget. This is shown as an overspend of £165k within the figures.
9. The 2022/23 pay award was budgeted at 2.25% with the final settlement 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. The report shows an overall overspend on pay of £0.250m, this despite the management of vacancies where this doesn't impact on front line services.
10. Operational Services also continue to incur pressure around the use of Agency staff £0.128m across all services. The services is looking to reduce the need for agency workers but the use of agency staff is required in order to maintain front line service delivery.
11. Transport costs within Operational Services contributed to an overspend of £0.233m which is drive by a mixture of increased cost of vehicles, fuel and insurance, the service will need to look to pass on these costs to customers where possible.
12. PLT Electricity contract was renewed from 1st September 2022. A 2 year extension was agreed which was estimated to increase the cost from £200k annual to £700k per annum. The Government business price cap reduced the in year impact to £0.125m and this was funded from the Energy Reserve which was agreed las year. The medium 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.

13. Detail variance across the Council are set out in Appendix A.

Savings & Underspends

14. During the year there were increases in income within Planning, Building Control, Taxi Licenses and Commercial Property. In Planning and Building Control, the transformation work in those service areas refocused resources to improve the offer to customers and also led to increases in income and a more favourable overall net revenue position. A detailed list of transformation savings for the 2023/24 budget is included in a separate report on this agenda and shows in more detail the work that the transformation programme has achieved.
15. As set out above, the Council set a savings target of £500k for 2022/23. This was achieved through the transformation work in Planning and Building Control leading to an improved income position (outlined above), as well as the re-profiling of the capital programme with subsequent reduction in the cost of borrowing and increases in investment income as interest rates rose. This generated additional income of £0.610m and has significantly reduced the required drawdown from reserves.
16. The savings in Financial Services are driven by one-off Government grant income and internal recharges.
17. The savings in Housing, Health and Engineering are driven by staff vacancies, additional grant funding and staffing charges to the capital programme, all of which should be one-off savings.
18. There is some upside in income collection within Planning, Building Control, Taxi Licenses and Commercial Property.
19. 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. Further information on the transformation savings for the 2023/24 budget is included in a separate report on this agenda and shows in more detail the work that the transformation programme has achieved.
20. The Council carried forward unspent, non ring-fenced Covid-19 grant in to 2022/23 in order to offset any potential liabilities arising during the year. These liabilities did not materialise and the total unspent grant being released in year is £0.8m and this has been used to make a voluntary revenue provision of the same amount. This will allow the Council to release future on going saving in the minimum revenue provision budget for 2024/25.

2023/24 Slippage

21. As a result of the overall adverse position, departments have been asked not to slip any budgets between years but to look to find efficiencies within during 2023/24 to fund any additional expenditure required. However, Members will be aware that the Area Committee budgets were moved from Capital to Revenue in 2023/24 and they collectively carried slippage of £0.544m. Council agreed to allow Area Committees to carry forward a maximum of 1 year budget of £170k and therefore this is the only request for Budget Slippage.

Use of Reserves

22. The 2022/23 budget estimated a balancing contribution from reserves of £1.036m. A breakdown of this is shown below;
- £0.234m has been funded from the Transformation Reserve,
 - £0.125m has been funded from the Energy Reserve,
 - £0.043m has been funded from the Local Plan Reserve,
 - £0.022m has been funded from the Kickstart Reserve,
 - The balance of £0.706m has been funded from the Revenue Expenditure Reserve.
23. The Council's total reserves as of 31 March 2023 are now £8.9m. This figure will be used to update the Council's medium term financial forecast.

2022/23 Capital Programme

24. A summary table showing the Outturn position is shown in Table 2 below.

Table 2 – 2022/23 Capital Programme

£'000	Opening Budget	Revised Budget	Spend to Date	Budget Remaining
Private Sector Housing	4,277	2,729	1,806	923
Environment Schemes	1,390	2,333	1,975	357
Waste Collection	70	119	95	24
Other General Schemes	367	214	148	66
Area Committees	714	0	0	0
Regeneration Schemes	9,282	9,696	3,069	6,627
Corporate Property Maintenance	738	421	195	225
Parks and Receptions	469	268	260	8
Total Capital Programme	17,308	15,799	7,550	8,230

25. Further details of the programme are shown in Appendix B, the key points are set out below;
- Disabled Facilities Grant**
Spend of £1.5m has reduced the backlog budget down to £0.7m and reflects the work that has been done to carry out additional DGF works.
 - Earby Flood Alleviation**
The Phase 2 works are now substantially complete.
 - Halifax Road**
The purchase of the Halifax road was completed prior to year end and the remaining budget is allocated for the build out phase.
 - Lomeshaye**
The Council works are now complete and the land has been sold to the PEARL joint venture company for final development.
 - Nelson Town Deal**
The bulk of the spend relates to the Business Resilience and Digital Skills Hib schemes with further projects coming on stream in future years.

- vi. **Levelling Up Fund**
The three Theatre schemes have either started or well on the way to being progressed and the Colne Market schemes is also being progressed.
- vii. **Corporate Property Maintenance**
Spend relates to essential works required on the Council and Leisure assets.
- viii. **Vehicle Replacement**
Reflects the need to replace key vehicles each year.

2023/24 Slippage and Programme

26. Slippage of £7.283m is required from 2022/23 to 2023/24. Full details of the slippage are shown on Appendix C, the major schemes are as follows;
- i. Disabled Facilities Grant
 - ii. Levelling Up Funding
 - iii. Nelson Town Deal
 - iv. New Cemetery Site at Halifax Road
27. Council approved a revised capital programme at its meeting in February 2023 for 2023/24 of £6.8m. There are £11.8m of adjustments set out in Appendix C of which £11.4m relates to grant funding and the majority of this increase relates to Nelson Town Deal. The 2023/24 budget is as per the latest Town Deal return but there is likely to be further slippage over the year. There is also an increase of £0.500m in respect of a Shareholder loan to PEARL Together which is set out in the PEARL Update Report also on this Agenda.
28. The total capital programme for 2023/24 is therefore set at £25.9m which is funded as follows;

2023/24 Capital Programme Funding

Capital Resourcing	£'m
Capital Receipts	0.595
Self Financing Receipts	0.400
Grant Funding	23.062
S106 Funding	0.378
Reserves	0.251
Prudential Borrowing	1.179
Funding Gap	0.040
Total	25.906

29. Note that due to the need to restrict future borrowing there is now a funding gap in the capital programme of £0.040m which will need to be funded from either slippage in the programme or by contribution from reserves.

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 A – Revenue Budget Outturn 2022/23

Appendix B – Capital Programme Outturn 2022/23

Appendix C – Capital Programme 2023/24

LIST OF BACKGROUND PAPERS

None