

REPORT FROM: DIRECTOR OF RESOURCES

TO: EXECUTIVE

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QUARTER 2 – REVENUE AND CAPITAL BUDGET MONITORING 2023/24

PURPOSE OF REPORT

To inform The Executive of the Q2 Revenue & Capital Budget Monitoring position for 2023/24.

RECOMMENDATIONS

The Executive is recommended to:-

- a) Note the Quarter 2 position on the Council's Revenue Budgets for 2023/24.
- b) Note the Quarter 2 position on the Council's Capital Programme for 2023/24.
- c) Note the requirement for a supplementary revenue estimate of £0.377m in respect of contract inflation as set out in a separate report.

REASON FOR RECOMMENDATIONS

To inform The Executive of the Council's Quarter 2 position for revenue and capital budgets for 2023/24.

ISSUE

2023/24 Q2 Revenue Budget

1. The net cost of service for 2023/24 as agreed at Council in March 2024 was £15.615m. This excludes the slippage included in the budget which was agreed at Executive in July 2023. Area Committee budget slippage of £0.171m was agreed at Executive in July 2023. This brings the total approved budget to £15.786m.
2. The figures show an underspend position of £0.192m as at the Quarter 2. This is a mid-year position and cannot be taken as an indicative outturn position. Although more certainty is coming through the overall picture of the position for the year will become clearer as we move through quarter 3 and beyond as the accounts are further refined. Further details of budget pressures and risk areas are highlighted overleaf.

Table 1 – 2023/24 Q2 Revenue Budget

£'000	Full Year Budget	Budget to Date	Actual to Date	(Over)/Under Spend
Directorate	(0)	0	26	(26)
Policy and Commissioning	15	8	(31)	39
Financial Services	5,163	2,582	2,659	(76)
Legal & Democratic Services	1,296	648	598	51
Planning, Building Control & Regulatory Services	553	276	229	47
Operational Services	5,216	2,609	2,782	(172)
Economic Growth	1,192	596	629	(33)
Housing and Environmental Health	1,057	529	504	25
Human Resources - Liberata	53	27	28	(2)
Information Technology - Liberata	0	0	(1)	1
Property Services - Liberata	190	95	97	(2)
Revenue Services - Liberata	1,651	826	826	0
Corporate Income & Expenditure	(601)	(301)	(640)	339
Total Net Cost of Services	15,786	7,897	7,705	192

3. There is an overspend of £0.020m in the Elections service due to the local and parish elections this year. Part of the cost has been recovered from Parish and Town Council's but there is still an additional cost to the Council.
4. The use of Agency staff to cover front line services in operational services and environmental health, with the Q2 impact showing as an overspend of £0.075m and £0.025m respectively.
5. Income from fees and charges is on or around budgets across the Council, the exception being in respect of;
 - a. taxi license which is £0.020m above target. This is driven by the Council's policy to allow older vehicles to apply for licences and this has resulting in the Council attracting demand from outside of the Borough.
 - b. Garden waste income which is £0.036m below target due to the reduction in the number of residents buying back the services.
6. There are additional costs within Operational Services in relation to the potential development of cemetery sites and costs associated with burial plots. In waste, there is a pressure around the cost of replacement bins and future pressure in respect of bulky waste charges which continue to increase.
7. Overspends in finance relate to payment of grants to voluntary bodies and the delayed implementation of TEAMS telephony which is now complete.

Recurrent Costs not yet reflected

8. The 2023/24 budget assumes a pay award based on the latest offer, equivalent to 7.0%. The Pay Award has not yet been agreed and therefore the figure reflects an underspend in the pay budgets. The impact of the pay award for the full year is expected to be £0.434m.
9. The 2023/24 ledger does not yet include provision for inflation on the Liberata contract. A separate report on this Agenda sets out a proposed agreement between both parties. As and when agreed the net impact of the inflation and savings will need to be approved by Council by way of a Supplementary Revenue Estimate. This is dealt with in the other report

but the figure is expected to be £0.377m and can be funded in year from the savings generated by investment income.

10. There is an increase in the Repairs and maintenance costs being incurred at leisure facilities. Under the lease arrangement with Pendle Leisure Trust, all repairs over £1,000 are borne by the Council and there has been an increase in the number of such repairs as reflected by the age of the buildings. This is estimated at an increase of £0.050m for the year and is also likely to continue in future years.
11. Energy costs for Pendle Leisure Trust are in line with the estimated £0.650m included in the 2024/25 budget with further increases due from 2024/25 once the full year effect of the new gas contract comes into force. PLT are projecting to draw down from their reserves
12. The Council has agreed to temporarily reduce rents at Colne market, this rent reduction will impact on the future income within Property Services.

One-Off Costs

13. Following the local election in May of this year, a petitioner's claim was brought against the Council to reverse the outcome of the Parish elections for Nelson Town Council. The cost of the petitioners claim was £0.0022m and this was borne by the Council as a cost of the election. The Council's costs will be covered by its insurers. Petitioners costs are not insurable and will be funded by Council reserves. The impact of this is reflected in the figures included in the report.
14. At its meeting in September 2023, Executive approved a Supplementary Revenue Estimate of £0.056m to be funded from Reserves in respect of the Leisure Review. Neither the budget nor cost are included in the report.

Savings

15. Council agreed a vacancy factor of 2.5% and this has been allocated out across all service budgets and is reflected in the Q2 figures. A further saving of £0.150m was also agreed at Council and this has been held centrally for now and not allocated out.
16. As the bank of England base rate has risen so has the average interest earned on Council investments. The Q2 figure shows an upside of £0.339m against budget and the total interest earned on investment is estimated to be well in excess of budget for the year. This will be used to meet the above pressures.
17. Pendle was successful in its application for the Swimming Pool Support Fund and was awarded £0.353m in funding. This is not yet reflected in the accounts but will be used to offset the in year costs of utilities across the leisure estate and will have the effect of reducing the drawdown on reserves.

Use of Reserves and projected Outturn

18. The 2024 budget requires a balancing contribution from reserves of £0.713m. Further items agreed increased the contribution to £0.941m. A further supplementary revenue estimate of £0.377m in respect of contract inflation will increase this to £1.318m for 2024/25. Any variance against the budget will increase or decrease this contribution.
19. Including the impact of the pay award (£0.220m) and contract inflation (£0.240) the adjusted outturn for quarter 2 becomes an overspend of £0.270m. The full year impact is likely to be significantly lower than the £1.318m set out above and after taking account of the SPSF

award and investment income should be no more than £0.500m. More certainty will be given as part of the Quarter 3 report.

20. Whilst this is a better than expected outcome for 2023/24, it is still concerning for 2024/25 onwards and Council will need to take steps to control existing spend as well as future growth.

Statement of Accounts 2021/22 and 2022/23

21. The 2021/22 Statement of Accounts are due to be signed off by the Accounts and Audit Committee on 7th November 2023.
22. The draft Statement of Accounts for 2023/23 were due to be produced by the revised deadline of 31st October 2023. There is a slight delay but a verbal update will be provided to the Accounts and Audit Committee on 7th November 2023.

2023/24 Q2 Capital Programme

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

Table 2 – 2023/24 Q2 Capital Programme 2023/24

£'000	Opening Budget	Revised Budget	Spend to Date	Budget Remaining
Housing	2,217	1,955	466	1,489
Regeneration	21,746	25,093	1,548	23,545
Council Assets	572	335	81	254
Resources	274	274	37	237
Environmental Services	719	829	196	633
Planning	388	388	156	232
Other	0	31	14	17
Total Capital Programme	25,906	28,906	2,499	26,407

24. The 2023/24 budget has increase from £25.906m to £28.906m, this mainly due to the following changes.
- The Colne LUF Scheme has been increased to reflect the latest expenditure forecast for 2023/24. The total scheme cost for the market hall is £4.762m which includes a capital receipt from the sale of the accommodation above the market hall, any shortfall in the receipt may affect the future viability of the programme.
 - The Vehicle Replacement programme has been increased to bring back the slippage from 2023/24 and to reflect the service needs for 2023/24.
 - The CPO budget has been reduced to reflect expected spend for the year.
25. Other minor changes have been made to reflect actual spend expected in year and to reflect grant claims made on some schemes. Full details are set out in Appendix A.
26. In total the capital programme for 2023/24 is funded by Prudential Borrowing of £1.605m.
27. Members should be aware that the existing programme is close, if not already beyond, the affordability limit for the Council and the existing gap in the programme of £0.040m whilst minor in the overall context does reflect the fact that further non funded schemes in the capital programme are likely to place direct burden on to the Council reserves.

Future Capital Programme

28. On completion of the draft Statement of Accounts for 2022/23 the Director of Resources will ask Pendle's Treasury management advisors (LINK) to carry out a Balance Sheet review to compare the value of the Council's assets with its borrowing. Alongside this, the updated Medium Term Forecast will consider the affordability of any future schemes to be funded by Pendle Borough Council through prudential borrowing.
29. Given the scarcity of capital receipts and the fact that the affordability of additional prudential borrowing is finite, it is likely that Members will need to restrict their aspirations unless other options are considered. The new Cemetery site at Halifax Road and the Leisure Review are both likely to require additional resources which may not be affordable. Examples for options which could be considered are;
- a. Re-scoping of projects or Council services
 - b. Other sources of funding such as fees & charges.
30. Council will need to consider future capital programme as part of the 2024/25 budget setting process.

IMPLICATIONS

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

Financial: The financial implications arising are as set out in the report.

Legal: The legal implications arising are as set out in this report.

Risk Management: There risk management implications are as set out in this report.

Health and Safety: There are no health and safety issues arising directly from the contents of this report.

Sustainability: There are no sustainability issues arising directly from the contents of this report.

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

Equality and Diversity:

There are no equality and diversity issues arising from this report.

APPENDICES

Appendix A – 2023/24 Q2 Capital Programme

LIST OF BACKGROUND PAPERS