

SCRUTINY ITEM

REPORT OF	MEETING	DATE	ITEM NO
MANAGEMENT TEAM	INTERNAL AFFAIRS SCRUTINY COMMUNITY	21st NOVEMBER 2023	xx
GENERAL FUND REVENUE BUDGET MONITORING REPORT 2023/24 - POSITION AS AT 30th SEPTEMBER 2023			

PUBLIC ITEM

This item is for consideration in the public part of the meeting.

PURPOSE OF THIS REPORT

The purpose of this report is to provide an update on the General Fund Revenue Budget of the Council as at 30th September 2023.

SOURCE OF REFERRAL

The terms of reference for this committee include receiving periodic update reports in respect of the Council's revenue and capital budgets. This report is based upon information extracted from the financial ledger system of the Council for the period to 30th September 2023 and feedback and commentary received from budget holders.

FURTHER INFORMATION

The General Fund Revenue Budget Monitoring report is included as an appendix to this report and is also available at the link below:

<http://www.fylde.gov.uk/council/finance/budget-monitoring/>

SUGGESTED RECOMMENDATIONS

The committee are requested to:

- Consider and scrutinise the General Fund Revenue Budget Monitoring report; and
- Note and accept the report.

REPORT

Summary

The purpose of this report is to provide an update on the council's General Fund Revenue Budget Monitoring as at 30th September 2023. The appendix shows the value of the most significant variances for all of the Council services by Portfolio Holder and provides a brief explanation for each variance.

1. Background

- 1.1 The Local Government Finance Settlement for 2023/24 was once again a single-year settlement intended as a holding position, designed for short-term stability and certainty for planning purposes and to promote financial sustainability within available resources - based on detailed allocations for 2023/24 and a fairly full set of policy principles for 2024/25. The broad approach was based on a uniform roll-over of the core elements of the settlement; additional resources for priority services (in particular social care for upper tier authorities); balancing service pressures with taxpayer concerns through council tax referendum principles; and a fallback, by way of a minimum funding guarantee, for outlying councils. Finance reform was deferred, once again, at least until 2025/26 and possibly even later.
- 1.2 Against this backdrop, the Council approved the 2023/24 budget at its meeting on 2nd March 2023. Subsequently on 25th May 2023 the Executive Committee approved the financial outturn position for 2022/23. The impact of those approvals, including growth items approved at the Council budget meeting, along with slippage from 2022/23 as approved by the Executive Committee, are now reflected in the financial ledger. Therefore, this report monitors expenditure and income against the updated approved budgets for 2023/24.
- 1.3 The Council operates a system of Revenue Budget Monitoring which revolves around the production of detailed monthly monitoring reports for budget holders. Significant variances from the expected budget position at the point of monitoring, both for expenditure and income, are summarised in monitoring reports which are periodically reported to Scrutiny Committee for consideration. This report therefore details the findings and issues emerging from budget monitoring carried out to 30th September 2023.
- 1.4 It should be noted that work continues on improving budget profiling across the Council in order that budget profiles more accurately reflect the spending pattern of individual budgets across the financial year. This serves to enhance budget monitoring and focus attention on true variances rather than budget profiling issues. This is a continuous process with budget holders so that the improved profiling continues to refine the budget monitoring system.

2. Budget Rightsizing Exercise

- 2.1 For a number of years the Council has carried out an annual budget rightsizing exercise to analyse underspends which have occurred over the last 3 financial years and to adjust current and future year budgets to better reflect the level of resource requirement in the context of current financial constraints. This process is currently being repeated during 2023/24 and the resulting changes will be reflected in the latest budgets and updates to the Councils Financial Forecast.

3. Conclusions

- 3.1 The Medium Term Financial Strategy (MTFS) report that was presented to Council in March 2023 sets out the full context of the financial landscape of the council at that time, including an assessment of the key financial risks which primarily relate to uncertainties around reviews of the future funding regime for local government and the ongoing impact of inflation. The report can be found at this link: [MTFS Report March 2023](#).
- 3.2 To try and bring inflation down to its 2% target, the Bank of England began raising interest rates from the historically low level of 0.1% in December 2021 by incremental increases in the intervening period to the current level of 5.25%. Further increases are possible as inflation remains stubbornly high.
- 3.3 Price inflation as measured by the Consumer Prices Index (CPI) has remained above the Bank of England target throughout the year to date. From a peak of an 11.1% annual increase in October 2022 the rate of inflation has fallen to 6.7% for September 2023. Initially driven by energy price effects and by inflation in sectors such as retail and hospitality which were re-opening after the pandemic lockdowns, inflation then was initially

expected to be temporary. Thereafter price rises slowly became more widespread during 2022/23, as a combination of rising global costs and strong demand which was exacerbated by supply shortages as a consequence of the ongoing conflict in Ukraine. The surge in wholesale gas and electricity prices during 2022/23 contributed significantly to overall cost pressures. Whilst the rate of increase may have slowed during the year to date, prices continue to rise month by month.

Provision for inflation within the revenue budget is limited to areas where the council has no choice but to pay increased prices, e.g. due to contractual terms. **Price increases represent a significant cost pressure to the council and increase the risk that existing budget provision is insufficient to cover the cost of service delivery. The position will be kept under continuous review by Management Team.**

- 3.4 As a result of the external pressures that are affecting all local authorities, instructions remain in place that officers should not commit to any unnecessary expenditure and should seek to maximise efficiencies wherever possible. Finance staff work continuously with budget holders across the Council and are heavily reliant upon budget-holders to be able to understand and quantify the potential impact of in-year budget variances within their areas of responsibility. In light of the potential for future general reductions in central government funding from 2024/25 onwards, the Council needs to continue with the approach to delivering savings and efficiencies which have helped deliver balanced budgets and provided contributions to reserves over recent years.
- 3.5 This report considers the revenue budget monitoring position at the mid-point of the 2023/24 financial year, and whilst much uncertainty exists with respect to the remainder of the year, it is clear at this point that inflationary pressures have resulted in an increased number of adverse variances as set out in the appendix to the report. The financial risks facing the Council, as set out in the MTFs report to Council in March 2023 remain. Instructions issued by Management Team that budget holders remain prudent are still in place, and the overall financial position of the council will be captured in the next update of the financial forecast in the MTFs report.

BACKGROUND PAPERS REVELANT TO THIS ITEM		
Name of document	Date	Where available for inspection
Medium Term Financial Strategy - 2022/23 to 2026/27	2 nd March 2023	Report to Budget Council March 2023

LEAD AUTHOR	CONTACT DETAILS	DATE
Paul O'Donoghue, Chief Financial Officer	paul.odonoghue@fylde.gov.uk	November 2023

Appendix A - General Fund Revenue Budget Monitoring report to 30th September 2023

REVENUE MONITORING 2023/24 - Period 6 to 30th September 2023 (Variances in excess of £5K)

NB: Some budget variances occurring as a result of budget profiling issues where no variance is expected to remain by year-end, or variances to be resolved by virements, are excluded from the list below.

Key

BLUE
GREEN
AMBER
RED

Variance currently showing but expected to be on target at year end
Favourable variance against latest budget
Adverse variance against latest budget
Projected adverse outturn variance

FINANCE & RESOURCES PORTFOLIO

Service Area	Detailed Description	Full Year Budget	Budget as at Period 6	Actual Spend & Commitments as at Period 6	Variance as at Period 6	ADVERSE / FAVOURABLE	Alert	Budget Holder	Budget Holder Comments
All Council services	Employee costs including basic pay, pension, NI, and overtime, plus agency costs	10,890,233	5,498,061	5,578,947	80,886	ADVERSE	RED	All Budget Holders	The budget forecast which was approved by Council in March 2023 assumed employee cost savings (including vacancy savings arising from delays in the recruitment to vacant posts) of £300,000 per annum from 2023/24 onwards. The budget also includes an estimate for pay award of 4% for the current year, and accordingly the actual spend to date figure includes an estimated commitment of pay award of 4% (pro-rata'd for the year to date) which is in line with the estimate. The adverse variance reflects increased costs of agency staff employed largely to deliver waste, parks, cemetery and crematorium and Fairhaven Lake services. The pay award has recently been settled at £1,925 per pay point which equates to c6.75% on the pay-bill. The employee cost budgets will be updated in the next update of the council's financial forecast to reflect the agreed pay award and updated estimates of agency labour costs.

CORPORATE AND ECONOMIC DEVELOPMENT PORTFOLIO

Service Area	Detailed Description	Full Year Budget	Budget as at Period 6	Actual & Commitments as at Period 6	Variance as at Period 6	ADVERSE / FAVOURABLE	Alert	Budget Holder	Budget Holder Comments
Development Management	Planning Application Fees	-550,000	-275,000	-235,254	39,746	ADVERSE	RED	Andrew Stell	There are two reasons for the current adverse variance. Firstly, application numbers have been slightly depressed over the normal average in the past few months which is not untypical for the summer quarter. Secondly, fees are set nationally and the government announced in spring 2023 that the fee levels would increase 'this summer' - but that promised increase has yet to be introduced. The submission of additional applications, both in number and scale, during the second half of the year may recover this position. This budget will be kept under review.
Planning Enforcement	Enforcement Costs	45,000	22,500	13,333	-9,167	FAVOURABLE	GREEN		A couple of cases that were expected to require external support and legal assistance were resolved without that being required, resulting in this favourable variance. The budget will be reviewed as part of the budget right-sizing exercise and adjusted as required.

Service Area	Detailed Description	Full Year Budget	Budget as at Period 6	Actual Spend & Commitments as at Period 6	Variance as at Period 6	ADVERSE / FAVOURABLE	Alert	Budget Holder	Budget Holder Comments
Development Management Team	Consultants Fees	5,000	2,500	29,070	26,570	ADVERSE	RED	Andrew Stell	As a consequence of staff departures, maternity leave and recruitment challenges consultants have been appointed to assist with caseload, focussing on delivering high-priority but long-standing applications to a decision. A bid for government funding to support this expenditure has been submitted, the outcome of which is awaited.
Local Plan	Consultants Fees	38,000	19,000	0	-19,000	FAVOURABLE	GREEN	Mark Evans	Consultants have been engaged to update the evidence base that will inform the review of the local plan. Work is ongoing with payment due on satisfactory completion of the work.
Planning Policy	Local Development Framework Costs	30,000	15,000	0	-15,000	FAVOURABLE	GREEN	Julie Glaister	Not all of these budget may be required for 2023/24. The budgets will be kept under review and updated as necessary,
Repairs and Maintenance Budget - Council owned assets	Other Miscellaneous Repairs	188,445	94,223	196,917	102,695	ADVERSE	RED	Peter Downs	There have been additional essential, but unbudgeted, works that have been required during the year, including works on St Annes Pool and the town hall basement. This budget will be reviewed as part of the budget right-sizing process and adjusted as necessary.
Business Rates - Council owned assets	Business Rates	224,856	224,856	247,116	22,260	ADVERSE	RED	Philip Haworth	There has been an increase in the level of business rates payable by the council as a result of a national revaluation by Valuation Office Agency. This budget will be adjusted as part of the budget right-sizing process.
North Beach Windsports Centre	Rent	-11,000	-5,500	0	5,500	ADVERSE	RED		Under the terms of the negotiated lease the tenant has been granted a rent-free period to April 2024. This budget will be adjusted as part of the budget right-sizing process.
St Annes Public Offices	Rent	-30,000	-15,000	0	15,000	ADVERSE	RED		Under the terms of the negotiated lease the tenant has been granted a rent-free period to April 2024. This budget will be adjusted as part of the budget right-sizing process.

CUSTOMER & OPERATIONAL SERVICES PORTFOLIO

Service Area	Detailed Description	Full Year Budget	Budget as at Period 6	Actual & Commitments as at Period 6	Variance as at Period 6	ADVERSE / FAVOURABLE	Alert	Budget Holder	Budget Holder Comments
Fylde Waste Schemes	Other Sales	-62,000	-31,000	-48,497	-17,497	FAVOURABLE	GREEN	Clare Blyth	There has been additional income arising from the increased sale of chargeable wheeled bins in respect of newly built properties. This budget will be reviewed and adjusted as appropriate as part of the budget right-sizing process.
	Household Refuse Special Collections	-42,000	-21,000	-26,926	-5,926	FAVOURABLE	GREEN		The increase in income is due to the increased demand for bulky household waste collections. This budget will be reviewed and adjusted as appropriate as part of the budget right-sizing process.
	Green Waste Subscription Charge	-673,400	-673,400	-683,720	-10,320	FAVOURABLE	GREEN		There has been an increase in income due to increased customer demand for the green bin subscription service. This budget will be reviewed and adjusted as appropriate as part of the budget right-sizing process.

Service Area	Detailed Description	Full Year Budget	Budget as at Period 6	Actual Spend & Commitments as at Period 6	Variance as at Period 6	ADVERSE / FAVOURABLE	Alert	Budget Holder	Budget Holder Comments
Trade Waste Service	Purchase of Bulk Recycling Containers	2,000	2,000	7,409	5,409	ADVERSE	RED	Clare Blyth	Due to an increase in demand from new commercial customers and contract amendments it has been necessary to purchase additional bulk bins. This adverse variance will be offset in due course by additional bin lease income from customers to whom the bins will be leased.
Public Conveniences	Miscellaneous Receipts	-51,000	-25,500	-16,500	9,000	ADVERSE	RED		Income for the first half of the year is below the budget, largely as a result of poor weather conditions during the summer months which has an adverse effect on visitor numbers. This budget will be reviewed and adjusted as appropriate as part of the budget right-sizing process.
Fleet & Plant	FMS Materials Cost	140,670	70,335	87,891	17,556	ADVERSE	RED		Essential vehicle repairs and maintenance costs are incurred to keep the fleet operational to support service delivery. There are a number of adverse variances in the year to date, including as a result of inflation. These budgets will be kept under review during the remainder of the financial year and adjusted as necessary as part of the budget right-sizing exercise.
	Repairs by Commercial Garages	43,400	21,700	40,666	18,966	ADVERSE	RED		
	Hire of Transport	63,357	31,679	41,851	10,173	ADVERSE	RED		
	Hire of Plant	0	0	10,470	10,470	ADVERSE	RED		
Off-Street Parking Enforcement	Penalty Charge Notices	-45,000	-22,500	-32,123	-9,623	FAVOURABLE	GREEN	Andrew Loynd	Penalty Charge Notice numbers are higher than anticipated and income is showing a favourable variance as a consequence.
Car Parking Charges	Car Parking Charges	-750,000	-375,000	-424,825	-49,825	FAVOURABLE	RED		Although income is currently in excess of the budget, the seasonal profile indicates that total income for the year is unlikely to meet the annual total budget. This is most likely due to poor weather during the summer months leading to a reduction in visitor numbers. The budget will be reviewed as part of the budget right-sizing process and adjusted as required.
Utilities	Water Charges - metered	89,900	44,950	39,071	-5,879	FAVOURABLE	GREEN		Metered water costs are lower than anticipated, possibly as a result of a wetter summer resulting in less watering of plants and open spaces being required.
Computer Services	Computer - Telephone Charges	20,000	10,000	0	-10,000	FAVOURABLE	BLUE	Ross McKelvie	This budget will contribute towards the development of the telephony infrastructure across the Council. This will offer resiliency ahead of future decommission of the current telephone connections system as part of the council's core communications infrastructure. It is anticipated that this budget will be used during the 2023/24 financial year.
	Computer - Program Licence Charges	129,000	64,500	54,524	-9,976	FAVOURABLE	BLUE		This budget will be fully spent by year end and will include expenditure on website development and the rollout of fully managed devices for business continuity.
	Computer Maintenance - Contract	10,000	5,000	0	-5,000	FAVOURABLE	BLUE		Expenditure on maintenance costs is based on demand and may increase with the upcoming projects due throughout the remainder of the year.
	Computer - Development Costs	247,000	123,500	106,561	-16,939	FAVOURABLE	BLUE		This budget will contribute towards the development of the telephony infrastructure across the Council, along with the rollout of fully managed devices which will reduce the current licensing costs.

Service Area	Detailed Description	Full Year Budget	Budget as at Period 6	Actual Spend & Commitments as at Period 6	Variance as at Period 6	ADVERSE / FAVOURABLE	Alert	Budget Holder	Budget Holder Comments
ENVIRONMENT PORTFOLIO									
Land Charges	LC - CON29 Fees	-60,000	-30,000	-19,895	10,105	ADVERSE	RED	Keith Vernon	There has been a reduction in income for the year to date as a result of lower customer usage for the service resulting from interest rate rises over the last year which is suppressing housing transactions and also as a consequence of outside competition from search providers who undercut the Council fee for the service.
Pollution Control	Works Completed in Default of Notice	-1,000	-500	-6,035	-5,535	FAVOURABLE	GREEN	David Kessack	Income from works completed in default is above the anticipated level. It is difficult to predict when enforcement action will be required and the scale of the works in default costs.
SOCIAL WELLBEING PORTFOLIO									
Service Area	Detailed Description	Full Year Budget	Budget as at Period 6	Actual & Commitments as at Period 6	Variance as at Period 6	ADVERSE / FAVOURABLE	Alert	Budget Holder	Budget Holder Comments
Cemetery and Crematorium	Medical Fees	13,000	6,500	13,206	6,706	ADVERSE	RED	Rebecca Riley	There has been a national increase in the statutory medical examination fees leading to this adverse variance. This budget will be revised as part of the budget rightsizing process.
	Interments	-201,792	-100,896	-122,502	-21,606	FAVOURABLE	GREEN		These variances are a result of the seasonal profile of the requirements for the services. The budgets will be reviewed as part of the budget rightsizing process and adjusted as necessary.
	Cremations	-1,176,039	-588,020	-530,193	57,827	ADVERSE	RED		
	Memorial Income	-50,000	-25,000	-16,705	8,295	ADVERSE	RED		
Homelessness	Temporary accommodation costs	220,089	110,072	228,968	118,896	ADVERSE	RED	Kirstine Riding	The high level of demand for this service experienced during 2022/23 continues into 2023/24. Increased costs are partially offset by additional income from Housing Benefit and Universal Credit contributions. The budgets will be reviewed as part of the budget rightsizing process and adjusted as necessary.
	Housing Benefit/Universal Credit Repayment Income	-45,000	-22,500	-55,455	-32,955	FAVOURABLE	GREEN		
	Miscellaneous Income - contributions towards interim accommodation costs	-2,000	-1,000	-16,804	-15,804	FAVOURABLE	GREEN		
Housing Standards	Contribution to Wyre - Care & Repair	30,000	15,000	8,851	-6,149	FAVOURABLE	GREEN	Kirstine Riding	Expenditure on this service is dependent on the number of clients accessing the support. It is possible that full budget for the year will not be required. The budget will be kept under review during the remainder of the year and adjusted as appropriate.
	Disabled Facilities Grant Fees	-160,000	-80,000	-97,887	-17,887	FAVOURABLE	GREEN		The level of revenue income is determined by the number and value of capital grants delivered during the year and those for which the 15% management fee is levied. The Council has received an additional allocation of capital grant for 2023/24 and consequently revenue income for the year is anticipated to be in excess of the budget. This budget will be reviewed as part of the budget right-sizing process.

Service Area	Detailed Description	Full Year Budget	Budget as at Period 6	Actual Spend & Commitments as at Period 6	Variance as at Period 6	ADVERSE / FAVOURABLE	Alert	Budget Holder	Budget Holder Comments
TOURISM, LEISURE & CULTURE PORTFOLIO									
Fairhaven Lake and Gardens	Adventure Golf	-164,000	-82,000	-105,139	-23,139	FAVOURABLE	RED	Tim Dixon	Although income is currently in excess of the budget, the seasonal profile indicates that total income for the year may not meet the annual estimate. This is most likely due to poor weather during the summer months leading to a reduction in visitor numbers. Additional marketing is being undertaken to promote the facility and the budget will be reviewed as part of the budget right-sizing process and adjusted as required.
Management of the Arts & Heritage Assets	Festival Support/Club Days	10,800	10,800	16,955	6,155	ADVERSE	RED		This budget is overspent as a result of the unbudgeted costs for the King's Coronation (banners, flags, bunting and lighting columns).
Fylde Tourism and Events	1940's Lytham Wartime Festival	35,000	35,000	49,645	14,645	ADVERSE	RED		The costs of the Wartime Festival have increased as the event has grown in popularity. This combined with the impact of inflationary increases on the overall costs of running the event have resulted in this overspend. The events programme is currently under review.
	Income - Kite Festival	-20,000	-20,000	-7,000	13,000	ADVERSE	RED	The event incomes and expenditure is under separate review.	
St. Annes-Parks (Strategic)	Irrigation Systems and Drainage	2,000	1,000	7,455	6,455	ADVERSE	RED	Lisa Foden	This budget overspend has occurred due to the unanticipated water pump failure at the Ashton Garden lake which required a new water pump to be fitted.
Splash and Paddling Pool	Splash Entry Fee	-65,000	-32,500	-18,603	13,897	ADVERSE	RED		The original income target for the facility has not been met for 2023/24. The adverse weather conditions over the main summer period adversely impacted user attendance, as did snagging issues with the booking and payment system.