

<b>REPORT TO:</b>		Resources Overview and Scrutiny Committee	
<b>DATE:</b>		10 December 2024	
<b>PORTFOLIO:</b>		<b>Councillor Noordad Aziz/Councillor Vanessa Alexander - Finance and the Budget Process</b>	
<b>REPORT AUTHOR:</b>		Jody Spencer-Anforth, Head of Finance	
<b>TITLE OF REPORT:</b>		Revenue Budget Monitoring 2024/25 – Quarter 2 to end of September 2024	
<b>EXEMPT REPORT (Local Government Act 1972, Schedule 12A)</b>	<b>No</b>	Not applicable	
<b>KEY DECISION:</b>	<b>No</b>	If yes, date of publication:	

## 1 **Purpose of Report**

- 1.1 The report informs the Resources Overview and Scrutiny Committee of the financial spending of the Council up to the end of the September 2024 for the financial year 2024/25 and the forecast impact on the Council’s Medium Term Financial Strategy for 2024/25 to 2026/27.

## 2 **Recommendations**

- 2.1 The Committee notes the report.

## 3 **Revenue Budget Forecast 2024/25**

- 3.1 At the Full Council meeting on 27<sup>th</sup> February 2024, Council agreed the General Fund Revenue Budget for 2024/25. This set a budget for the Council’s total spend in 2024/25 of £16.122M.
- 3.2 The current forecast spend to the end of the financial year in March 2025 is £16.037M. This brings the forecast underspend for the year against the budget to £0.085M. Further analysis of changes in forecast spend are shown in section 4 of the report.

**Table 1: Forecast Performance Against Budgets**

Department	Original Budget £'000	In Year Budget Changes £'000	Working Budget £'000	Forecast Outturn £'000	Forecast Outturn Variance to Working Budget £'000
Environmental Health	793	-	793	823	30
Environmental Services	5,491	18	5,509	5,552	43
Legal and Democratic	1,834	-	1,834	1,811	(23)
Planning and Transportation	725	-	725	701	(24)
Regeneration and Housing	1,496	(48)	1,448	1,483	35
Resources	4,651	-	4,651	5,524	873
<b>Net Cost of Services</b>	<b>14,990</b>	<b>(30)</b>	<b>14,960</b>	<b>15,894</b>	<b>934</b>
Non-Service	1,238	30	1,268	143	(1,125)
Cabinet Approved Contributions	-	-	-	-	-
Corporate Savings Target	(106)	-	(106)	-	106
<b>Total Net Expenditure</b>	<b>16,122</b>	<b>-</b>	<b>16,122</b>	<b>16,037</b>	<b>(85)</b>
Funding	(16,122)	-	(16,122)	(16,122)	-
<b>(Under)/Overspend</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(85)</b>	<b>(85)</b>

- 3.3 The current forecast spend to the end of the financial year shows a reduction of £0.099M from the last report at QTR1, this brings the forecast underspend for the year against the budget to £0.085M. The table below details the changes by service from the last report at QTR1.

**Table 2: Movements in Forecast During Quarter**

Department	Quarter 1 Forecast Outturn £'000	Changes in Forecast Outturn During £'000	Forecast Outturn Quarter 2 £'000
Environmental Health	793	30	823
Environmental Services	5,569	(17)	5,552
Legal and Democratic	1,844	(33)	1,811
Planning and Transportation	725	(24)	701
Regeneration and Housing	1,532	(49)	1,483
Resources	4,719	805	5,524
<b>Net Cost of Services</b>	<b>15,182</b>	<b>712</b>	<b>15,894</b>
Non-Service	756	(613)	143
Cabinet Approved Contributions	-	-	-
Corporate Savings Target	-	-	-
<b>Total Net Expenditure</b>	<b>15,938</b>	<b>99</b>	<b>16,037</b>
Funding	(16,122)	-	(16,122)
<b>(Under)/Overspend</b>	<b>(184)</b>	<b>99</b>	<b>(85)</b>

3.4 Details of the most significant changes in the forecast variance are shown in the table below.

**Table 3: Main Changes in Forecast Variance**

Main Variances / Movements	Changes Since Last Report - Quarter 1		
	Quarter 1 Forecast Variance	Forecast (Under)/Over Spend	Movement in Variance
	£'000	£'000	£'000
Staffing Costs	10	(433)	(443)
Additional Utility Costs	17	10	(7)
Increased Costs for New Crematorium Depot Building	22	22	-
Cleaning contract costs	10	10	-
Appointment of Aldermen - Medals	10	10	-
Huncoat Garden Village Project Costs	53	53	-
Legal Costs - Council Tax and NNDR Recovery	40	50	10
Legal Costs - Council Tax and NNDR Recovery - Use of Reserve	-	(50)	(50)
Finance - Collection Fund Accounting Advice	10	13	3
Additional Cost of Housing Benefits Exempt Properties	-	284	284
Support to Hyndburn Leisure	-	850	850
Planning Legal Fees - Judicial Review	-	18	18
Past Service Pension Contributions	-	44	44
Other	20	53	33
<b>Total Net Cost of Services</b>	<b>192</b>	<b>934</b>	<b>742</b>
<b><u>Non-Service</u></b>			
Additional Investment Income	(409)	(971)	(562)
Reduction in Interest Payable	(73)	(76)	(3)
Reduction in Minimum Revenue Provision	-	(78)	(78)
<b>Total Non-Service</b>	<b>(482)</b>	<b>(1,125)</b>	<b>(643)</b>
<b>Total Corporate Savings Target</b>	<b>106</b>	<b>106</b>	<b>-</b>
<b>Total (Under)/Overspend</b>	<b>(184)</b>	<b>(85)</b>	<b>99</b>

#### **Variance by Service**

4.1 The narrative below provides more detail on the variances from the original budget and the forecast outturn at Quarter 2.

#### **Environmental Health**

4.2.1 The forecast outturn position for Environmental Health is an overspend of £0.030M.

**Table 4: Environmental Health – Forecast Outturn 2024/25 Quarter 2**

Department	Working Budget £'000	Quarter 1 Forecast Outturn £'000	Changes in Forecast Outturn During Quarter £'000	Forecast Outturn Quarter 2 £'000	Forecast Outturn Variance to Working Budget £'000
Environmental Health	343	343	-	343	-
Environmental Protection	450	450	30	480	30
<b>Total Environmental Health</b>	<b>793</b>	<b>793</b>	<b>30</b>	<b>823</b>	<b>30</b>

4.2.2 Environmental Protection are forecasting a £30,000 overspend which is mainly due to spending on agency staff to cover a vacancy. This vacancy is expected to be filled on a permanent basis from January 2025.

### 4.3 Environmental Services

4.3.1 The forecast outturn position for Environmental Services is an overspend of £0.043M.

**Table 5: Environmental Services – Forecast Outturn 2024/25 Quarter 2**

Department	Working Budget £'000	Quarter 1 Forecast Outturn £'000	Changes in Forecast Outturn During Quarter £'000	Forecast Outturn Quarter 2 £'000	Forecast Outturn Variance to Working Budget £'000
Environmental Maintenance	(33)	(33)	(8)	(41)	(8)
Levelling Up	-	-	-	-	-
Other Environmental Services	127	103	30	133	6
Parks and Cemeteries	1,200	1,284	6	1,290	90
Town Centre and Markets	610	610	(40)	570	(40)
UK Shared Prosperity Funding	-	-	-	-	-
Waste Services	3,605	3,605	(5)	3,600	(5)
<b>Total Environmental Services</b>	<b>5,509</b>	<b>5,569</b>	<b>(17)</b>	<b>5,552</b>	<b>43</b>

The main reasons for this forecast variance are as follows:

4.3.2 Environmental Maintenance are forecasting an underspend of (£8,000) due to savings from staffing vacancies.

4.3.3 Other Environmental Services are forecasting an overspend of £6,000 due to an increase in animal kennelling costs.

4.3.4 Parks and Cemeteries are forecasting an overspend of £90,000. This is due to higher than expected inflationary increases on contracts and utility services provided in the cemetery and crematorium.

- 4.3.5 Town Centre and Markets are forecasting an underspend of (£40,000) due to savings from staffing vacancies.
- 4.3.6 Waste Services are forecasting an underspend of (£5,000) which is mainly due to staffing savings of (£18,000) from unfilled posts, offset against an increase of £13,000 in vehicle hire costs and the cost of vehicle fuel.

#### 4.4 Legal and Democratic Services

- 4.4.1 The forecast outturn position for Legal and Democratic Services is an underspend of £0.023M.

**Table 6: Legal and Democratic Services – Forecast Outturn 2024/25 Quarter 2**

Department	Working Budget £'000	Quarter 1 Forecast Outturn £'000	Changes in Forecast Outturn During Quarter £'000	Forecast Outturn Quarter 2 £'000	Forecast Outturn Variance to Working Budget £'000
Democratic Services	809	818	(25)	793	(16)
Human Resources and Policy	644	645	(7)	638	(6)
Legal	265	265	(6)	259	(6)
Management - Legal and Democratic	116	116	5	121	5
<b>Total Legal &amp; Democratic</b>	<b>1,834</b>	<b>1,844</b>	<b>(33)</b>	<b>1,811</b>	<b>(23)</b>

The main reasons for this forecast variance are as follows:

- 4.4.2 Democratic Services are forecasting an underspend of (£16,000). This is mainly due to staffing savings from vacancies of (£36,000), offset by additional costs of delivering elections of £10,000 and additional costs of £10,000 in relation to medals for the new Aldermen of the Borough.
- 4.4.3 Human Resources and Policy are forecasting an underspend of (£6,000). This is due to savings from staffing vacancies.
- 4.4.4 Legal are forecasting an underspend of (£6,000). This is due to savings from staffing vacancies.
- 4.4.5 Management – Legal and Democratic is forecasting an overspend of £5,000 due to the Deputy Head of Paid Service role now being attached to the Executive Director (Legal and Democratic) role. This additional cost is offset by savings within the Resources directorate.

#### 4.5 Planning and Transportation

- 4.5.1 The forecast outturn position for Planning and Transportation is an underspend of £0.024M.

**Table 7: Planning and Transportation – Forecast Outturn 2024/25 Quarter 2**

Department	Working Budget £'000	Quarter 1 Forecast Outturn £'000	Changes in Forecast Outturn During Quarter £'000	Forecast Outturn Quarter 2 £'000	Forecast Outturn Variance to Working Budget £'000
Building Control	7	7	(21)	(14)	(21)
Engineers and Transportation	257	257	-	257	-
Green Infrastructure	70	70	(4)	66	(4)
Planning	391	391	1	392	1
Section 106	-	-	-	-	-
<b>Total Planning &amp; Transportation</b>	<b>725</b>	<b>725</b>	<b>(24)</b>	<b>701</b>	<b>(24)</b>

The main variances are as follows:

- 4.5.2 Building Control are forecasting an underspend of (£21,000) and Green Infrastructure are forecasting an underspend of (£4,000) as a result of savings on staffing costs due to vacancies within the teams.
- 4.5.3 The overspend forecast within Planning is in relation to £18,000 of costs incurred as part of a judicial review in respect of a planning decision, this is partially offset by staffing savings in respect of vacant posts of (£17,000).

#### 4.6 Regeneration and Housing

- 4.6.1 The forecast outturn position for Regeneration and Housing is an overspend of £0.035M.

**Table 8: Regeneration and Housing – Forecast Outturn 2024/25 Quarter 2**

Department	Working Budget £'000	Quarter 1 Forecast Outturn £'000	Changes in Forecast Outturn During Quarter £'000	Forecast Outturn Quarter 2 £'000	Forecast Outturn Variance to Working Budget £'000
Economic Development	-	53	-	53	53
Facilities	614	645	(31)	614	-
Haworth Art Gallery	183	183	1	184	1
Housing Advice	250	250	(19)	231	(19)
Property	182	182	-	182	-
Selective Licensing	-	-	-	-	-
Strategic Housing	219	219	-	219	-
<b>Total Regeneration &amp; Housing</b>	<b>1,448</b>	<b>1,532</b>	<b>(49)</b>	<b>1,483</b>	<b>35</b>

The main variances are as follows:

- 4.6.2 Economic development is forecasting to spend an additional £53,000 in respect of costs for Huncoat Garden Village. This spend may be recoverable should the Cabinet agree to accept the Brownfield Infrastructure and Land Fund (BIL) grant offer from Homes England.
- 4.6.3 Haworth Art Gallery is forecasting a small overspend of £1,000. This is mainly due to staffing savings from vacancies of (£5,000), offset by additional gas and electricity costs of £6,000.
- 4.6.4 Housing Advice are forecasting an underspend of (£19,000) due to savings as a result of vacant posts.

## 4.7 Resources

- 4.7.1 The forecast outturn position for Resources is an overspend of £0.873M.

**Table 9: Resources – Forecast Outturn 2024/25 Quarter 2**

Department	Working Budget £'000	Quarter 1 Forecast Outturn £'000	Changes in Forecast Outturn During Quarter £'000	Forecast Outturn Quarter 2 £'000	Forecast Outturn Variance to Working Budget £'000
Assurance	569	569	14	583	14
Benefits and Customer Contact	1,019	1,066	148	1,214	195
Finance	1,196	1,210	(111)	1,099	(97)
ICT	751	751	(112)	639	(112)
Leisure	212	212	854	1,066	854
Management - Resources	904	911	12	923	19
<b>Total Resources</b>	<b>4,651</b>	<b>4,719</b>	<b>805</b>	<b>5,524</b>	<b>873</b>

The main variances are as follows:

- 4.7.2 Assurance is forecasting an overspend of £14,000 due to a proposed 9.5% increase in the external audit fees charged to local authorities for 2024/25. These fees are determined by the Public Sector Audit Appointments (PSAA) arm of the Local Government Association (LGA).
- 4.7.3 Benefits and Customer Contact are forecasting a net overspend of £195,000. There are forecast underspends on staffing costs due to vacancies of (£89,000), but these are offset by a net overspend on Housing Benefit payments of £284,000.

The Council processes Housing Benefit claims on behalf of the Department for Work and Pensions (DWP), the majority of which it recovers through subsidy grant funding. However, there are certain categories of benefit claims which the Council is unable to recover. The Council has seen a significant increase over the last quarter in claims related to the 'exempt properties' category of which the Council is unable to recover. A working group has been established to address this issue and future updates will be provided to Cabinet.

- 4.7.4 The forecast underspend in Finance is (£97,000). Additional costs of £13,000 were incurred in relation to year end collection fund accounting assistance for 2023/24, however, this is offset by forecast savings of (£110,000) from staffing vacancies.
- 4.7.5 ICT are forecasting an underspend of (£112,000). This is due to staffing savings of (£103,000), as a result of vacant posts, and costs of supplies and services expected to be below budget by (£9,000).
- 4.7.6 An overspend of £854,000 is forecast in relation to Leisure Services, which is mainly due to the expected level of financial support which will be required by Hyndburn Leisure for the current financial year.
- 4.7.7 Management – Resources is forecasting an overspend of £19,000. This is due to staffing savings of (£25,000) offset by an additional £44,000 for pension contributions in respect of past service remaining at a higher level than was forecast in the budget. These are related to pension payments for some past officers and are payable as long as the individuals continue to receive their pension.

#### 4.8 Non-Service and Corporate Savings Target

- 4.8.1 The forecast outturn position for Non-Service income and expenditure is an underspend of £1.125M.
- 4.8.2 When Council set the budget for 2024/25 in February 2024, savings of £106,400 were required to be able to set a balanced budget. In the forecast outturn any underspends are included in the department areas and therefore no figure should be included in the savings target line.

**Table 10: Non-Service – Forecast Outturn 2024/25 Quarter 2**

Department	Working Budget £'000	Quarter 1 Forecast Outturn £'000	Changes in Forecast Outturn During Quarter £'000	Forecast Outturn Quarter 2 £'000	Forecast Outturn Variance to Working Budget £'000
Interest	152	(329)	(565)	(894)	(1,046)
Minimum Revenue Provision	1,085	1,085	(79)	1,006	(79)
Revenue Contribution to Capital	31	-	31	31	-
Movement in Bad Debt Provision	-	-	-	-	-
<b>Total Non-Service</b>	<b>1,268</b>	<b>756</b>	<b>(613)</b>	<b>143</b>	<b>(1,125)</b>
Corporate Savings Target	(106)	-	-	-	106
<b>Total Corporate Savings Target</b>	<b>(106)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>106</b>

The main variances are as follows:

- 4.8.3 The Council is currently forecasting to receive additional treasury investment income of (£971,000). This is due to interest rates remaining higher for longer than was forecast



when preparing the budget. Also, cash levels have remained higher than expected due to slippage in the capital programme.

4.8.4 Interest payable is expected to be under budget by (£76,000), this is due to the Council now not expecting to need to borrow any additional funds during 2024/25.

4.8.5 The minimum revenue provision is forecast to be (£78,000) lower than the budget which is mainly as a result of new vehicles being delivered later than was forecast when the budget was produced.

## 4.9 Funding

4.9.1 There are currently no expected variances on the Council's funding.

**Table 11: Funding – Forecast Outturn 2024/25 Quarter 2**

Department	Working Budget £'000	Quarter 1 Forecast Outturn £'000	Changes in Forecast Outturn During Quarter £'000	Forecast Outturn Quarter 2 £'000	Forecast Outturn Variance to Working Budget £'000
Council Tax	(5,931)	(5,931)	-	(5,931)	-
Non-Domestic Rates	(7,803)	(7,803)	-	(7,803)	-
Government Grants	(2,388)	(2,388)	-	(2,388)	-
<b>Total Funding</b>	<b>(16,122)</b>	<b>(16,122)</b>	<b>-</b>	<b>(16,122)</b>	<b>-</b>

## 4.10 Reserves

4.10.1 The Council is currently forecasting a reduction of £14.383M in its usable reserves during the year, bringing them to £11.721M at the end of the year. Forecast movements in reserves are shown in the table below.

**Table 12: Reserves – Forecast Outturn 2024/25 Quarter 2**

Reserve	Opening Balances £'000	Transfers to/From Reserves £'000	Capital Contributions £'000	Used for Capital Financing £'000	Closing Balances £'000
General Fund - Unallocated	1,868	-	-	-	1,868
<b>Total Unallocated Reserves</b>	<b>1,868</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,868</b>
Planning S106 Fund	364	-	-	(119)	245
Invest to Save	616	(233)	-	-	383
Communities for Health Funding	54	(46)	-	-	8
Dilapidations Reserve	4	-	-	-	4
Revenue Funding for Capital Schemes	2,638	7	-	(657)	1,988
Collection Fund Volatility Reserve	455	90	-	-	545
Climate Change Reserve	750	(154)	-	(72)	524
Balances Set Aside to Fund Specific Future Expenditure	3,549	430	-	-	3,979
Levelling Up and Leisure Investment	10,608	(272)	-	(9,459)	877
<b>Total Earmarked Reserves</b>	<b>19,038</b>	<b>(178)</b>	<b>-</b>	<b>(10,307)</b>	<b>8,553</b>
Capital Receipts Reserve	2,746	-	181	(2,458)	469
Capital Grants Unapplied	2,452	-	19,558	(21,179)	831
<b>Total Reserves</b>	<b>26,104</b>	<b>(178)</b>	<b>19,739</b>	<b>(33,944)</b>	<b>11,721</b>

4.10.2 As shown in the table above, the most significant movements in reserves are the forecast spending on the capital programme.

## **5 Potential Pressures and Risks in Year**

5.1 Although the forecast underspend at Quarter 2 stands at £0.085M, there are some further pressures and risks that need to be considered, some of which are not currently built into any financial forecasts.

5.2 The main pressures/risks to be considered are detailed below:

5.2.1 **Waste Disposal Site/Transfer Station** – Negotiations are underway with Lancashire County Council regarding their contract situation for the disposal of waste at the Whinney Hill site. This may require Hyndburn and the other East Lancashire districts to find alternative sites to dispose of their residual household waste. It is not known to date the additional costs that may be incurred by the Council, but initially these may involve surveys and legal fees around potential site options and once determined they will be report in due course. Cabinet put £500,000 into reserves in 2023/24 to be used for this purpose, and a further contribution of £200,000 is included in the budget for 2024/25.

- 5.2.2 **Oswaldtwistle Civic Theatre** – The closure of the theatre and return of the lease to the Council has resulted in the need to undertake surveys and compliance works to understand the condition of the building, prior to it being ready for potential future occupation. The facilities management team will report back the potential costs once the surveys are complete. The Council approved £120,000 in the budget for 2024/2025 to cover any associated costs.
- 5.2.3 **Crematorium/Cremators** – There is a risk that there may be a change in legislation to enforce new systems for mercury abatement to be installed/retro fitted to the current incinerators at the crematorium. It is expected that these changes may come into place in 2 to 3 years' time and there will be a significant capital cost for works to ensure compliance. The parks team are currently investigating this further and will inform cabinet of the requirements as soon as the information is available. Possible considerations could be the set aside of income/surplus from the service and/or further investigation into the charging/pricing structure for cremations. Cabinet put £50,000 into reserves in 2023/24 to be used for this purpose, and a further contribution of £150,000 is included in the budget for 2024/25.
- 5.2.4 **Food Waste Collections** – From April 2026 the Council must provide a food waste collection for residents. A grant has been received from DEFRA to be used towards the capital costs of implementing the new collection (e.g. purchasing new vehicles, bins and food caddies), however the estimates of the capital costs exceed the grant which has been provided. It is expected that a further grant will be provided to assist with the additional ongoing revenue costs, but there have been no confirmations of how much this grant will be or how long it will be provided for. A report was presented to Cabinet in June 2024 detailing the most up to date position on this issue.
- 5.2.5 **Hyndburn Leisure** – The Council is currently undertaking an external review to determine the best service model for delivering its Leisure provision, with the recommendations expected to be reported to Cabinet at its meeting in November. As detailed in the paragraphs above, £850,000 of financial assistance for Hyndburn Leisure has been included in the forecasts for the current financial year to support the trust with the impact of inflationary increases in staffing and utility costs. These financial pressures are consistent with those being experienced across the Leisure sector and the Council applied but was unsuccessful in achieving additional revenue funding to ease the pressure on current operational costs but was successful in achieving a capital grant award of £241,447 to install energy efficiency systems at Hyndburn Leisure centre, which will reduce the costs in future years.
- 5.2.6 **Housing Benefit Supported / Exempt Accommodation** – The additional pressure of these unrecoverable benefit payments are expected to be managed in 2024/2025 largely due to the additional investment income returns, although for future years, the Council will need to take action to try to reduce these costs through introducing planning restrictions and supporting housing regulation unless there is additional support from the government to address this issue nationally.
- 5.2.7 **Pay Award** – The pay award for the current financial year has still not been agreed, and union strike ballots are currently being undertaken. A pay award offer has been put forward by the National Employers. This is a flat rate of £1,290 (pro-rata for part time

employees) for NJC scale points 2 to 43 inclusive and 2.5% for all other employees. For the Council this represents an average increase of just under 4%, compared to a 5% estimate included in the budget. Due to the uncertainty, no changes in relation to the pay award have been included in these forecasts. The Chief Officers pay award was agreed in July 2024, this was at a flat rate of 2.5%. Therefore, this is reflected in the forecast figures in this report.

- 5.3 These pressures/risks will need to be considered over the course of the Medium-Term Financial Strategy along with an appropriate action plan to ensure the Council can meet any future predicted budget gaps.

**6 Alternative Options considered and Reasons for Rejection**

- 6.1 Not Applicable. This report is for information purposes only.

**7 Consultations**

- 7.1 None applicable in this instance.

**8 Implications**

<b>Financial implications (including any future financial commitments for the Council)</b>	As outlined in the report
<b>Legal and human rights implications</b>	Not applicable
<b>Assessment of risk</b>	Not applicable
<b>Equality and diversity implications</b> <i>A <a href="#">Customer First Analysis</a> should be completed in relation to policy decisions and should be attached as an appendix to the report.</i>	None

**9 Local Government (Access to Information) Act 1985: List of Background Papers**

- 9.1 General Fund – Revenue Budget, Council Tax Levels and Capital Programme 2024/25 – Council 27th February 2024

## **10 Freedom of Information**

- 10.1 The report does not contain exempt information under the Local Government Act 1972, Schedule 12A and all information can be disclosed under the Freedom of Information Act 2000.