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**Report of: Director of Finance & Resources**

**Relevant Lead Member: Councillor Mark Anderson - Lead Member for Finance**

**Contact for further information:**

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**SUBJECT: GRA 2024/25 Q1 BUDGET MONITORING**

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Wards affected: (All Wards);

## **1.0 PURPOSE OF THE REPORT**

- 1.1** To provide a summary of the General Revenue Account (GRA) position for the 2024/25 financial year based upon Quarter 1 monitoring (Q1).

## **2.0 RECOMMENDATIONS TO POLICY & RESOURCES COMMITTEE**

- 2.1** That the GRA Q1 revenue position be noted.

## **3.0 BACKGROUND**

- 3.1** In order to set a balance budget for 2024/25 GRA Council approved in February the use of £1.1m of revenue reserves, despite achieving savings and efficiencies of £1.2m in 2023/24 which were included in the 2024/25 budget setting. Had these savings and efficiencies not been achieved the use of reserves would have been £2.4m in 2024/25.
- 3.2** The Medium-Term Financial Strategy (MTFS) which was also approved by Council in February identified a gap of £1.8m for 2025/26 and £1.5m in 2026/27 without the use of revenue reserves.

- 3.3 The use of reserves in 2024/25 would allow sufficient time for transformation during the year to ensure that the identified revenue budget gaps in 2025/26 and 2026/27 would be closed and a balance budget achieved. The use of reserves in order to balance the revenue budget has been a reoccurring element of budget setting not only at WLBC but at many councils across the country for a number of years
- 3.4 Reserves are an important part of the resourcing available to local authorities and are held for a variety of purposes. Some reserves are held as a general cushion against uneven cashflows and a contingency against unexpected expenditure; these are referred to in the revenue outturn as unallocated reserves. Other reserves are earmarked by an authority for specific purposes, such as to mitigate specific risks or to build up funds for known or anticipated future expenditure. These are known as earmarked reserves.
- 3.5 The current level of WLBC unallocated revenue reserves available of £6.3m indicates that the continual of use of reserves to balance the budget is unsustainable. Many councils are finding that they are facing a similar situation.
- 3.6 According to the Local Government Association (LGA), in 2022/23 local authorities faced significant financial pressures due to inflation, particularly in relation to pay and energy. These additional financial pressures were estimated at £6.9 billion. Provisional information published by the government show that in the same year councils used £2.3 billion from their reserves. This was followed by funding gap of £2.4 billion in 2023/24 and a further £1.6 billion in 2024/25 both of which were funded by reserves. Over 90% of council had lower reserves in 2023/24 when compared to 2022/23.
- 3.7 One of the major sources of income is central government grants which according to the National Audit Office (NAO) has reduced from a total of £46.5 billion in 2009/10 to £28 billion in 2023/24, a reduction of 40% leading to a total spending power falling by 50%.
- 3.8 Budget savings, efficiency, and income opportunity proposals are being prepared by officers for Member decision later in the year in order to resolve the funding gaps identified and restore reserves to an appropriate level.

#### **4.0 GRA – 2024/25 Q1 Position and projected Outturn**

- 4.1 A summary of the Q1 GRA revenue position and projected outturn against budget is set out in the table below. The GRA Q1 forecast is around £1.72m (10%) over budget. Given the funding gaps and use of reserves described above an overspend of £1.72m is of significant concern as it would not only require further use of reserves in 2024/25 but also effectively increase the funding gaps in future years where the overspend is ongoing rather than a one-off.

Quarter One monitoring and forecast outturn	Quarter 1 actuals	Full	Forecast	Variance	Explanation for variance
		Year	Outturn		
		Revised Budget	Outturn		
	£'000	£'000	£'000	£'000	
Corporate & Customer Services	(747)	5,067	5,067	-	
Environmental Services	1,151	6,547	7,177	630	Staff & agency costs after vacancy factor Fleet damage & repair costs
Finance and Corporate Resources	(141)	1,804	2,029	225	£70k Finance savings target across the organisation £157k Procurement savings target across the organisation
Housing Services	(777)	(922)	(922)	-	
Legal and Democratic Services	455	1,332	1,372	40	Staff costs after vacancy factor
Planning and Regulatory	(1,208)	1,871	2,071	200	Planning & Building Control Income below budget CIL admin income below budget, reflecting current CIL forecast Continued issues with agency in hard-to-fill permanent posts
Wellbeing and Place	585	1,213	2,083	870	Leisure centre membership attrition affecting income Exacerbated by Burscough closure - assuming no income and reduced but not zero costs
Chief Officers	112	288	328	40	Ongoing expenditure pressures since bringing in-house Car park and market income below budget Interim Head of Economic Development & Regeneration to end of June 2024
Other Budget Items	374	901	626	(275)	£235k balance of employers superannuation adjustment (superannuation savings over assumed credit) £40k contingency to offset Head of Economic Development Remaining budget contingency assumed to be used in year
<b>Total Net Budget</b>	<b>(196)</b>	<b>18,101</b>	<b>19,831</b>	<b>1,730</b>	
Treasury Management	(13)	(397)	(407)	(10)	
Capital Charges	-	532	532	-	
Contribution to / (from) reserves	-	(1,100)	(1,100)	-	
<b>Total Net Budget</b>	<b>(209)</b>	<b>17,136</b>	<b>18,856</b>	<b>1,720</b>	
Council Tax	-	(8,886)	(8,886)	-	
Business Rates (NNDR)	2,621	(7,035)	(7,035)	-	
Government Grants and Contributions	(292)	(1,215)	(1,215)	-	
<b>Total Funding</b>	<b>2,329</b>	<b>(17,136)</b>	<b>(17,136)</b>	<b>-</b>	
<b>Total Overspend</b>	<b>2,120</b>	<b>-</b>	<b>1,720</b>	<b>1,720</b>	

4.2 The main forecast pressures are in Wellbeing and Place, Environmental Services, and Planning and Regulatory Services. They are a continuation of the budget pressure themes identified in 2023/24, namely:

- Pressures on leisure centre services.
- Staff & agency costs in Environmental Services after the vacancy factor.
- Fleet damage and repair costs within Environmental Services.
- Income pressure relating to Planning; Building Control; car parks and markets.

4.3 At budget setting, employers superannuation contributions were budgeted within services at 20.4% whereas the actuarial calculation confirmed them to be 16.7%. There was a credit budget of around £450k within 'Other Budget Items' that partially offset the difference. Given the budget pressures indicated above, a technical adjustment has been made in Q1 to all service budgets so that they accurately reflect the true (lower) superannuation cost of each service. This in turn gives a truer picture of service-specific budget pressures and/or favourable positions.

4.4 The net effect at the bottom line is budget neutral because a favourable position of around £235k in Other Service Budgets, relating to this technical adjustment, is now expected.

4.5 In light of ongoing reliance on reserves in the MTFs, the budgeted use of £1.1m of reserves to deliver a balanced GRA budget in 2024/25, and the additional Q1

forecast budget pressure of £1.72m, the Executive Management Team (EMT) have put in place a number of actions to improve the in-year financial position.

- A freeze on recruitment of vacant posts (non HRA), requiring a satisfactory business case to justify recruitment.
- A freeze on the use of further agency staff, requiring a satisfactory business case to justify recruitment.
- All services that are forecasting an overspend are to provide a recovery plan for EMT review.
- A freeze on all other non-essential expenditure.

4.6 In parallel with this, CMT are preparing a series of proposals to remove the need for using reserves to prop-up the MTFS in future years. Where possible this transformation will be accelerated in order to achieve savings within the current financial year. These will be presented to Members as part of the budget setting process.

4.7 The above measures along with close monitoring of all income and expenditure are expected to mitigate some but not all of the overspend forecast therefore some transformation or use of reserves will be required in 2024/25. This is being taken into account when planning for future years to ensure a reset and recovery.

## **5.0 SUSTAINABILITY IMPLICATIONS**

5.1 There are no significant sustainability impacts associated with this report and, in particular, no significant impact on crime and disorder.

## **6.0 FINANCIAL AND RESOURCE IMPLICATIONS**

6.1 There are financial implications arising from this report in respect of the matters discussed throughout.

## **7.0 RISK ASSESSMENT**

7.1 This item is for information only and makes no recommendations. It therefore does not require a formal risk assessment and no changes have been made to risk registers.

## **8.0 HEALTH AND WELLBEING IMPLICATIONS**

8.1 There are no health and wellbeing implications arising from this report.

## **Background Documents**

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this Report.

### **Equality Impact Assessment**

The decision does not have any direct impact on members of the public, employees, elected members and / or stakeholders. Therefore no Equality Impact Assessment is required.

### **Appendices**

*None*