

Blaby District Council

Cabinet Executive

Date of Meeting	7 November 2022
Title of Report	Quarter 2 Budget Review 2022/23 This is a Key Decision and is on the Forward Plan.
Lead Member	Cllr. Maggie Wright – Finance, People & Performance (Deputy Leader)
Report Author	Accountancy Services Manager
Corporate Priority	Medium Term Financial Strategy (MTFS)

1. What is this report about?

- 1.1 The report gives Members an overview of the financial performance against the budget for the second quarter of 2022/23.

2. Recommendation(s) to Cabinet Executive

- 2.1 That the financial performance against the budget for the quarter ending 30th September 2022 is accepted.
- 2.2 That the forecast contribution of £455,800 from General Fund balances is accepted.

3. Reason for Decisions Recommended

- 3.1 The Council's performance up to 30th September 2022, together with the anticipated impact on the Council's services due to the cost-of-living crisis and the increase in inflation, is giving rise to significant pressure on reserves and balances.

However, the Council has been able to mitigate the impact of rising inflation on the budget by revising the Minimum Revenue Provision (MRP) Policy and taking advantage of higher investment returns.

4. Matters to consider

4.1 Background

The Council's original budget was approved on 24th February 2022. The approved budget before contributions from reserves and government grants was £13,484,546. It was agreed that the budget would be supported by a contribution of £397,563 from the General Fund Balance and a contribution of £230,940 from earmarked reserves, resulting in a net expenditure budget of £12,856,043.

The 1st quarterly report was presented to Cabinet Executive in September, and noted that, based on information available at the time a contribution from General Fund Balances of £975,735 was required, with a likelihood that this could increase further due to the impact of the cost-of-living crisis and rising inflation.

Since then, there have been some further changes made to the budget.

The following table sets out the movement in the Working Budget between 30th June and 30th September.

	£
Approved budget before contributions from reserves and government grant	16,724,209
Additional funding from Earmarked Reserves	
Unspent budget provision carried forward from prior years	69,300
Additional Funding from General Fund Balances	
Urgent Health and Safety works required	50,000
Legal Costs	89,850
Asset Review work	20,000
Solar Farm Application	6,600
Net impact of revised Key Income budgets	(390,618)
	16,569,341

Unspent budget specifically transferred to Earmarked reserves in previous years for the Housing Enablement Team, and for the Local Development Framework has been transferred to the Service.

A Tree Survey was carried out on some of the Council's strategic sites to identify any dead, dying, diseased and dangerous trees. Following the survey, urgent Health and Safety works were required and, although an element of the cost can be met from existing budget, an additional £50,000 was required in

order to make these sites safe. The additional cost was approved by the Chief Executive under delegated authority.

Additional Budget has been added for legal costs associated with the Cork Lane Appeal. The budget is specifically for a Contaminated Land Consultant, Planning Consultant and Legal Representative required.

Approval was given at Council in November 2021 for £100,000 revenue funding to commission an options appraisal to best meet the Councils Accommodation needs and any associated development opportunities. £50,000 was added in 2021/22 and £50,000 in 2022/23. Any unspent funding unused in 2021/22 was to be carried forward to be used in 2022/23, this amount was not included at year end, so has been added from General Fund balances.

Budget has been added for external landscape advice required on two solar farm applications.

Appendix A shows the net service expenditure to 30th September 2022 compared with the profiled budget and reflects a positive variance to date of £225,665. This is due in part to assumptions made about the pattern of expenditure and income when the profiled budget was compiled and does not necessarily give an accurate representation of the forecast outturn. If there are any known variances these are reflected in column F to give an indication of the possible outturn.

The budgets for the year are currently being reviewed as part of the budget setting process for the next financial year. Whilst this exercise is still in progress details of the proposed budget amendments for the Council's Key Income Streams are detailed within the table of section 4.3.

4.2 Establishment

As at 30th September, at an overall level, establishment costs were £6,788,869, against a profiled budget of £7,153,414, i.e. £364,544 under the profiled budget. The variances are shown in the table below:

Portfolio	(Under)/Over £	Note
Planning Delivery and Enforcement and Corporate Transformation	(114,911)	1
Neighbourhood Services & Assets	(86,604)	2
Health, Wellbeing, Community Engagement & Business Support	(57,943)	3
Leader	(17,030)	4
Housing, Community and Environmental Services	(27,233)	5
Finance, People and Performance	(24,287)	6
Total Variance	(364,544)	

Reasons for variances

1. The underspend is mainly due to vacant posts within Customer Services and Communications. Two posts have now been recruited to within Customer Services, and three posts within the Communications team.
2. The underspend is due to vacant posts within Parks and Open Spaces, Waste Operations Management and Vehicle Maintenance. The vacancies within Parks and Open Spaces and Vehicle Maintenance have both been filled.
3. The underspend is mainly due to vacancies within Building Control and the Community, Development, Work & skills team. Two of these posts have now been filled.
4. The main variance is due to a vacant post within the Corporate Health and Safety team, and vacant posts in the Information Governance team. Two vacancies have now been filled.
5. The variance is mainly due to the vacant posts within the Environmental Health team and Environmental Services team. The post in Environmental Health has been recruited to and interviews have been held for the posts in the Environmental Services team.
6. The variance is due to a vacant post within the Performance Management team, which has filled, and 2 vacant posts within the Recovery team, which have both been filled.

The gross establishment variance at 30th September was £364,544 as set out in the table above. However, this does not consider the vacancy savings provisions. When this is taken into account, establishment is showing a net variance of £ £164,544.

The approved establishment budget made provision for a 2% pay award. The National Employers have put forward a pay offer of £1,950 across all pay grades which, if accepted, could add another £488,000 to the pay bill in 2022/23. The trade unions are currently consulting their members before deciding whether to accept or decline the offer. The potential additional cost is not yet reflected in the budget but has been provisionally allowed for when considering the forecast contribution from General Fund balances.

The HR team are working with Service Managers to assist in recruiting to vacant posts throughout the Council. Where we are able temporary measures are put in place to cover positions, but with the external skills shortage this isn't always possible. At the time of writing the report, a number of vacancies within departments had been filled.

The vacancy numbers impact on services in a number of ways:

- Loss of skill and expertise
- Pressure on existing staff
- Additional time taken to recruit

The Finance team is working with Service Managers through their monthly monitoring meetings to remove any confirmed vacancy savings from service

budgets. In the first instance any such savings will be offset against the vacancy savings provision of £200,000 that is included within the overall establishment budget.

4.3 Key Income

	Working Budget	Proposed Revised Budget	Profiled Budget	Actual to Date	(Surplus)/ Shortfall
	£	£	£	£	£
Planning Fees	(560,000)	(560,000)	(280,000)	(234,453)	45,547
Building Control Fees	(1,212,000)	(1,212,000)	(606,000)	(553,986)	52,014
Building Control Partnership	(99,313)	(99,313)	(49,657)	(49,657)	0
Land Charges	(247,000)	(247,000)	(123,500)	(114,969)	8,531
Investment Interest	(100,000)	(409,902)	(50,000)	(182,007)	(132,007)
Refuse and Recycling	(1,686,000)	(1,648,000)	(1,564,500)	(1,524,035)	40,465
Car Parks	(160,000)	(245,500)	(80,000)	(60,008)	19,992
Leisure Income	(267,334)	(300,550)	(133,667)	(154,331)	(20,664)
Total	(4,331,647)	(4,722,265)	(2,887,324)	(2,873,446)	13,878

As can be seen in the table above, a number of the Key Income Streams were performing below target at the end of the second quarter of the year. Some of the shortfall is attributable to the profiling of the income budgets because many of our main income streams have peaks and troughs throughout the year.

As part of the budget setting process, the Key Income budgets are reviewed, and the proposed revised budgets are shown in the table above.

The Planning Fees budget has not been updated at this point although there are some potential large-scale applications in the pipeline that might have a positive impact on the income position.

Building Control Income is running behind profile at the half year point. This has a potential impact on the overall performance of the Building Control Partnership, although vacancy savings will partially offset any deficit. The

income budget remains unchanged at this point in time but is under review in conjunction with the Building Control Partnership Manager.

The Refuse and Recycling income has fallen below the budget target for the 2nd quarter of the year, this is mainly due to a shortfall in Garden Bin income and Trade Refuse income. However, we have seen an increase in mixed trade Recycling. The budgets are proposed to be revised in line with actuals to date and estimated income to the end of the year. It is thought the dry summer may have resulted in a lower take up of Garden waste bins.

The Car Parking Strategy was approved at Council on 19th July 2022. The changes, which included amendments to the fees and charges came into effect on 5th October 2022. The forecast budget reflects the additional income expected to be generated from the increased fees. Early indications are that, whilst footfall has declined following the introduction of new charges, income has increased.

Land charges income has fallen just below profile during the 2nd quarter of the year. At this point the income budget has not been adjusted but there may be a small impact if the proposed migration of LLC1 searches goes ahead this financial year. This is likely to take place in the final quarter unless implementation is delayed.

Investment rates have begun to rise following increases in base rate introduced by the Monetary Policy Committee. The Council has been able to take advantage of rising interest rates more recently, and investment income has already exceeded the full year budget. Based on expectations for interest rates in the coming months, coupled with the Council's current and forecast cash flow, a revised budget of £400,000 is proposed.

The revised position for leisure centre income is based on the proposals contained in the Council report in July.

As the Budget review process is currently ongoing, the proposed income budgets are subject to change, and a further update will be given in the Quarter 3 report.

4.4 Earmarked Reserves

In addition to the General Fund balance the Council also maintains a number of Earmarked Reserves. Some of these are set aside for specific purposes whilst others have been created to mitigate the uncertainties that still surround local government funding. A detailed breakdown of the movement on Earmarked Reserves during the 2nd quarter of the financial year and the forecast to the end of the year appears at Appendix B.

£4,270,355 of the balance is technically not available for use as it is set aside to offset the NNDR Collection Fund deficit.

4.5 Forecast Outturn

The budget changes referred to in the table in paragraph 4.1 have reduced the call on General Fund balances to £751,567, when compared with the previous quarterly report. However, this does not include the potential impact of the 2022/23 pay offer or the change in policy relating to Minimum Revenue Provision (MRP) approved by Council in September.

The latest forecast, when taking these factors into account, is as follows:

	£
Current budget gap	751,600
Add increased cost of pay offer (if accepted)	488,000
Less savings arising in year from change in MRP Policy	(783,800)
Forecast budget gap	455,800

This results in a forecast contribution from General Fund Balances of £455,800, which is within £60,000 of the approved contribution when the budget was set In February.

Further work is being undertaken, as part of the latest budget cycle, to identify further savings and to formulate measures to address the current and future years budget gaps. These measures include the potential investment in regeneration activities and actions listed within the plan appended to the Commercial Strategy; budget challenges to services and future transformational activity to drive efficiencies.

5. What will it cost and are there opportunities for savings?

5.1 Not applicable.

6. What are the risks and how can they be reduced?

6.1

Current Risk	Actions to reduce the risks
Net expenditure may exceed the approved budget due to shortfall in income or overspending arising from the current economic situation.	Ongoing budget monitoring to highlight variances, income generation activities (including a review of fees and charges), and transformation of services.
The change in MRP policy, whilst generating short-term savings, will result in increased MRP charges in the medium to longer term.	The Council can consider the use of additional voluntary revenue provision to smooth the profile of future year's charges. The existing and proposed capital programme will be reviewed to identify alternative sources of finance, and opportunities to defer and/or downscale projects.

7. Other options considered

7.1 None

8. Environmental impact

8.1 In preparing this report, the author has considered the impact on the Environment, and there are no areas of concern.

9. Other significant issues

9.1 In preparing this report, the author has considered issues related to Human Rights, Legal Matters, Human Resources, Equalities, Public Health Inequalities, and Climate Local and there are no areas of concern.

10. Appendix

10.1 Appendix A – Budget Monitoring Statement to 30th September 2022

10.2 Appendix B – Reserves Position as at 30th September 2022

10. Background paper(s)

10.1 None

11. Report author's contact details

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