

Blaby District Council

Cabinet Executive

Date of Meeting	20 February 2023
Title of Report	Quarter 3 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	Finance Group Manager
Corporate Priority	Medium Term Financial Strategy (MTFS)

1. What is this report about?

- 1.1 This report gives Members an overview of the financial performance against the budget for the third quarter of 2022/23

2. Recommendation(s) to Cabinet Executive

- 2.1 That the financial performance against the budget for the quarter ending 31st December 2022 is accepted.
- 2.2 That the forecast contribution of £715,058 from General Fund balances is accepted.

3. Reason for Decisions Recommended

- 3.1 The Council's performance up to 31st December 2022 together with the impact on the Council's services due to the current cost-of-living crisis has given rise to significant pressure on reserves and balances.

4. Matters to consider

4.1 Background

The Council's original budget, approved in February 2022, was £13,484,546 before contributions from reserves and Government grants. The budget was supported by contributions of £397,563 and £230,940 from General Fund balances and earmarked reserves respectively, resulting in a net expenditure budget of £12,856,043.

The last quarterly report presented to Cabinet in November noted that the budget gap at that point was £751,600. The estimated impact of the annual pay award was an additional £488,000 but this could be mitigated by the

change to the Minimum Revenue Provision (MRP) policy, bringing the forecast contribution to balances back down to £455,800.

Since the last report, a review of all budgets has been carried out by the Finance Team in conjunction with Budget Managers based on expenditure to date and forecast expenditure to the end of the financial year. Further cost pressures were identified through this process, including an additional £70,000 in respect of HVO fuel prices, and the loss of £84,000 rent income due to vacant units at Enderby Road Industrial Estate. These changes have increased the estimated call on balances to £992,000 as at 31st December 2022. However, a further review of establishment vacancies, referred to in paragraph 4.2 below, has brought this back down to £715,058.

Appendix A shows the net service expenditure to date compared with the profiled budget. Although a positive variance is shown, this does not reflect a likely outturn position due to the impact of profiling assumptions, and the fact that it is shown on a cash basis rather than an accruals basis.

4.2 Establishment

As at 31st December 2022 establishment costs were £10,851,428, against a profiled budget of £11,232,354, £380,926 less than the profiled budget. The variances are shown in the table below:

Portfolio	(Under)/Over £	Note
Leader	(109,456)	1
Finance, People & Performance	17,704	2
Neighbourhood Services	(106,094)	3
Health, Wellbeing, Community Engagement & Business Support	(43,410)	4
Housing, Community and Environmental Services	(15,786)	5
Planning Delivery and Enforcement and Corporate Transformation	(146,240)	6
Central Provisions	22,355	7
Total Variance	(380,926)	

Reasons for variances

1. The main variance is due to a vacancy within the Corporate Health & Safety team (now filled), along with a number of vacancies in the Democratic Services and Governance area, some of which remain unfilled.
2. The overspend is due to the ongoing reliance on agency staff within the Finance team to fill a vacant post and to provide interim cover for maternity leave. This is offset by vacancy savings within Performance, Income & Collections, and the Council Tax & Benefits team.

3. The underspend here is due to a number of vacancies across most of the depot-based services, as well as the Property Services team (Facilities Management).
4. Vacant posts within Building Control (Team Leader and Trainee Building Surveyor) and a vacant Community Development Officer post.
5. Due to vacancies within Environmental Services and Environmental Health, offset by ongoing cost of agency staff in the Housing team. It is expected that the agency costs can be met from the homelessness grant allocation.
6. The most significant vacancies in this group are in Customer Services, and Communications, most of which are now filled.
7. Central provisions include statutory maternity pay, statutory sick pay, and the apprenticeship levy. Against this there is a £200,000 vacancy savings provision which reduces the extent of the underspend.

The figures in the table above have been updated to reflect the backdated pay award effective from 1st April 2022.

During January, the Finance team has worked with budget holders to identify and remove any guaranteed vacancy savings from establishment budgets. As a result of this exercise, we have been able to reduce the expected contribution from balances by just over £277,000.

4.3 Key Income

	Working Budget	Profiled Budget	Actual to Date	(Surplus)/ Shortfall
	£	£	£	£
Planning Fees	(560,000)	(420,000)	(313,627)	106,373
Building Control Fees	(1,212,000)	(909,000)	(711,090)	197,910
Building Control Partnership	(99,313)	(74,485)	(68,216)	6,269
Land Charges	(247,000)	(185,250)	(163,261)	21,989
Investment Interest	(400,000)	(300,000)	(467,663)	(167,663)
Refuse and Recycling	(1,665,000)	(1,614,250)	(1,588,913)	25,337
Car Parks	(245,500)	(162,750)	(109,761)	52,989
Leisure Income	(300,550)	(225,413)	(221,741)	3,672
Total	(4,729,363)	(3,891,148)	(3,644,272)	246,876

Planning Fees

Whilst the volume of planning applications remains high, there have been very few of significant value in the period to 31st December. There is the possibility of a larger scale application in relation to a proposed solar farm but there is no guarantee that it will come forward before the year end.

Building Control

Building control income is also significantly below profile, perhaps not surprisingly in the context of the current economic climate. The loss in income will be offset by expenditure savings in relation to the establishment and other running expenses. Any shortfall in the overall Building Control Partnership budget at year end will be shared amongst partners in accordance with the agreement.

Investment income

This is the one key income stream that is performing in excess of the budget, due to the significant increases in the Bank Rate in recent months. Whilst interest is likely to fall back over the last quarter, due to the cash flow profile, it is expected that the positive variance will still grow.

Refuse & Recycling

Refuse and recycling income, whilst running below profile, is expected to end the financial year at around target.

Car Parks

The new charging order was introduced on 5th October 2022 and the income figures above reflect the increased fees and charges applicable between that date and 31st December 2022. Income levels have noticeably increased since the introduction of the new charges, on average from around £8,300 per month to around £17,500 per month. However, the budget was increased based on the figures in the Car Park Strategy report to Council in July 2022 without any reduction for the potential impact of the tariff increases on ticket sales. Ticket sales have reduced, which is reflected in the figures, but this has been further affected in quarter 3 by Blaby and Narborough Parish Councils requesting two of their four free parking days in the run up to Christmas, the reduction in train services affecting Narborough Station car park, the impact of the cost of living crisis, and some operational implementation issues. Ticket sale reductions of approximately 20% are in line with neighbouring authorities, even those that have not increased their charges. However, officers continue to work to the strategy recommendation of delivering at least cost neutrality for the car parking account and will provide details as part of the year end accounting process.

Leisure Income

Income since August 2022 is in line with the management fee agreed by Council. The variance against profile stems from the results of the open book accounting arrangements that were in place up until 31st July 2022.

General

Future reports will cover the full financial position at the end of each quarter for both Building Control and Car Parking, rather than focusing only on the income stream. This will give Members a more rounded picture of the performance for both of these key operations.

4.4 Earmarked Reserves

In addition to the General Fund balance the Council also maintains several Earmarked Reserves. Some of these have been set aside for specific purposes, others have been created to mitigate the uncertainties that continue to surround local government funding. A breakdown of the movement on Earmarked Reserves during the 3rd Quarter of the financial year appears at Appendix B.

£4,270,355 of the balance is not available for distribution as it is set aside specifically to offset the NNDR Collection Fund deficit. This is in line with the Government ruling that the deficit on 31st March 2021 could be spread across three financial years (2021/22 to 2023/24), rather than the hit being taken in one year as is the usual case.

4.5 Forecast of Outturn

As mentioned in paragraph 4.1 the call on General Fund Balances has increased to £992,101 as at 31st December 2022. This does not include savings of £273,712 arising from vacant posts, which will bring the gap down to £715,058. One of the main risks to this forecast is key income which is currently running significantly below the profiled budget. Whilst there is the possibility that some income streams may perform better in the final quarter there is a strong likelihood of a shortfall at year end. At this point it is difficult to predict the final position for key income as it is reliant on demand which, in the current economic climate, is lower than normal levels.

Other budget commitments:

HR Advisor position – the Council has supplemented the HR team with a HR advisor position on a fixed term basis for several years. Given the continued demands on the HR team there is a need to retain the expertise and resource for this position. This position has been included in this financial year and the proposed budget for 2023/24. This note is therefore to recognise formally the addition of this position permanently to the establishment of the Council; a requirement given the length of time the current post holder has been in post.

IT Programme Manager - Members will be aware of the delegated service arrangement with Hinckley & Bosworth Borough Council to provide ICT services to the Council. Given the nature of the arrangement and the increased focus on ICT for the Council's transformation programme it is proposed that a post be added to the Blaby establishment to bring ICT

expertise directly into the Council providing a dedicated resource and a subject matter expert to ensure Blaby's future ICT capability is maximised. The costs for this post (estimated to be £70,000) have been included within the budget proposals for 2023/24.

Extended resource to support Strategic Asset Review - Members will recall that authorisation was given to commission specialists to provide options for the Council's future accommodation needs and to consider the Council's strategic assets. This work is progressing, however further expenditure is needed to progress this work and ensure that the Council is best considering the use of the Council's assets. It is estimated that further expenditure of £50,000 is required in this financial year to progress this work and that a further £25,000 may be required that extends into 2023/24 and will be required to be added to the budget proposals.

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 a 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 the 31st December 2022

10.2 Appendix B – Reserves Position as at 31st December 2022

11. Background paper(s)

11.1 None

12. Report author's contact details

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