

Blaby District Council

Cabinet Executive

Date of Meeting	18 September 2023
Title of Report	Quarter 1 Budget Review 2023/24 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 provides Members with an overview of the financial performance against the revenue budget for the quarter ending 30th June 2023.
- 1.2 The report also seeks approval for an increase in establishment in the Finance, and Neighbourhood Services groups.

2. Recommendation(s) to Cabinet Executive

- 2.1 That the financial performance against the budget for the quarter ending 30th June 2023 is accepted.
- 2.2 That the forecast contribution of £489,416 from General Fund balances is accepted.
- 2.3 That additional establishment budget in the sum of £69,743, as set out in paragraph 4.2, is approved.
- 2.4 That the irrecoverable debts set out in paragraph 4.5 are authorised to be written off.

3. Reason for Decisions Recommended

- 3.1 It is good practice that Members have oversight of the Council's financial performance at regular points during the financial year.
- 3.2 To recognise movements in the call on reserves and balances to date, along with potential variances in establishment costs and key income streams that may arise between now and the end of the financial year.
- 3.3 To recognise demand pressures and additional resource requirements within the Finance and Neighbourhood Services teams.

- 3.4 The debts listed in paragraph 4.5 are uncollectable. Where applicable, all available means of recovery has been explored.

4. Matters to consider

4.1 Background

The Council's original budget was approved on 22nd February 2023. The approved budget before contributions from reserves and government grants was £15,072,200. It was agreed that the budget would be supported by a contribution of £166,007 from the General Fund Balance and a contribution of £241,017 from earmarked reserves, resulting in a net expenditure budget of £14,665,176.

Since February, several changes have been made to the budget, most notably to bring forward unspent budget provision from last financial year, and these are reflected in the working budget shown in column B of Appendix A.

The following table sets out the movement between the original Approved Budget and the latest Working Budget.

	£
Approved budget before contributions from reserves and government grant	15,072,200
<u>Additional funding from Earmarked Reserves</u>	
Unspent budget provision carried forward from 2022/23	3,608,253
Mobile working project	10,000
Expenditure funded from Local Plan Reserve	7,600
Additional laptops and headsets for Members	5,020
<u>Additional Funding from General Fund Balances</u>	
Revision of expected income from fees and charges	105,000
Budget correction between financial years relating to Whetstone Garden Village & Hinckley National Rail Freight Interchange (HNRFI) costs	52,140
Additional Funding for HNRFI project	50,000
Garden Waste collection during industrial action	27,000
Contaminated Land budget agreed by Cabinet 5 th April 2022	15,000
Removal of Band Hut from rear of Huncote Leisure Centre	13,000
Other one-off budget increases, individually £10,000 or under	26,900
<u>Closing the Gap – Savings Identified</u>	
Customer Services salaries	(94,374)
	18,897,739

A total of £3,608,253 has been carried forward from 2022/23, of which £3,255,290 relates to ring-fenced external funding. This is unusually high and

includes two significant grants, £728,822 from Defra (Particulates Matter and Let's Go Electric) and £675,000 for green grants from the Better Care Fund. In addition to this was £245,695 in relation to the UK Shared Prosperity Fund.

Whetstone Garden Village/HNRFI – the original budget made certain assumptions around the level of funding available from Planning Performance Agreements, both newly arising in 2023/24 and unspent balances to be carried forward from 2022/23. In light of the outturn for 2022/23 and latest cost expectations, the budget for both of these schemes has been reassessed, leading to a net increase in budget of £52,140.

At the Council meeting held on 25th July 2023, Members agreed a £50,000 increase in the sum available for specialist consultancy and technical studies in connection with the HNRFI response.

During the recent industrial action at the depot, the Council used an external supplier to support the collection of garden waste. An additional £27,000 was added to the Refuse and Recycling budget to facilitate this. The final cost is not yet known but will be partially offset by salary reductions arising from the action.

On 5th April 2022, Council received an update on the Huncote landfill site management plan. One of the recommendations approved by Council was that an annual revenue budget for contaminated land works of £15,000 should be implemented. This amount was inadvertently excluded from the 2023/24 budget and has since been reinstated.

As part of the future site management at Huncote Leisure Centre, it is necessary to remove the Enderby Band Hut. The cost of demolition, removal and disposal of site materials is £13,000, including preparation of an asbestos report.

As part of the exercise to close the budget gap, some establishment savings have been identified in Customer Services, which lead to an annual reduction of £94,374. These measures include reducing headcount by 1.95 full time equivalents (FTEs), converting a vacant Customer Service Advisor post to an apprenticeship position, and two post holders reducing their working hours.

Appendix A shows the net service expenditure to 30th June 2023, compared with the profiled budget, and reflects a positive variance of £3,034,315 to date. This is due to a combination of reasons, including the pay award not yet having been settled, and the profiling of budgets being an imprecise science. Column F in Appendix A gives an indication of any known or likely variances between the current budget and forecast outturn.

4.2 Establishment

At the end of quarter 1, at an overall level, establishment costs amounted to £3,755,975 against a profiled budget of £3,812,890, i.e., under profile by £59,415. Currently, only the pay award for Chief Officers (Directors and Group Managers) has been settled, and this was agreed at 3.5% compared with the 3% budgeted. The offer made to officers on grade 1 to 9 is a flat rate of £1,925 per annum across all scale points, the same as agreed in 2022/23. Unions have balloted their members with GMB's ballot being the last expected to close in October. Chief Executives have rejected an offer of 3.5%.

The following table shows variances to 30th June 2023.

Portfolio	(Under)/Over £	Note
Leader	(12,774)	1
Finance, People & Performance	(9,491)	2
Neighbourhood Services & Assets	4,798	3
Health, Wellbeing, Community Engagement & Business Support	9,197	4
Housing, Community and Environmental Services	(10,305)	5
Planning Delivery and Enforcement and Corporate Transformation	(59,295)	6
Central Provisions	18,455	7
Total Variance	(59,415)	

Reasons for Variances

1. Largely due to the vacant post of Democratic Services and Governance Manager.
2. Vacancies in Benefits, Income and Collections, and HR are offset by agency costs incurred in Finance to backfill maternity and sickness absence.
3. Additional costs incurred in Refuse and Recycling in relation to agency staff, overtime, and casual employees. This is mostly covered by vacancy savings in other teams.
4. Vacant posts within Building Control. External funding for Housing Enablement Team to be added to budget following new agreement with health bodies. The new funding agreement also allows for a £74,000 contribution towards overheads, which will result in a budget saving for 2023/24 and future years covered by the agreement.
5. Vacancies in Community Services and Environmental Health teams.
6. Three vacant Planning Officer posts in Development Services, plus Senior Planning Enforcement Officer post frozen.
7. This represents the vacancy savings provision, net of central provisions for statutory sick pay, statutory maternity pay, and the apprenticeship levy.

Further work is required to identify the precise implications of the pay award on the budget, since negotiations are still ongoing. However, as an indication, for every 1% above the budgeted pay award there will be an additional call on reserves of approximately £145,000.

Additional Resource Requirements

Cabinet Executive is also asked to approve the following requests for permanent additions to the establishment due to new and increasing pressures arising.

Finance – over several years the establishment in the Exchequer Services team within Finance has reduced from 4 FTEs to the current level of 2.59 FTEs following the introduction of new ways of working. This team performs a key transactional role within the Council, looking after purchase ledger, sales ledger, and payroll functions. Growth in the establishment, on the back of Blaby's role as lead authority for key partnerships such as Lightbulb and Building Control, has led to an increase in the number of new suppliers, new customers, and additional staff, all of which constitutes new demand on a small team. The impact has been felt in recent months whilst the team has had to manage the long-term absence of key members of staff, leading to delays in paying suppliers, a reduction in the timely posting of payments received, and the issuing and recovery of sundry debtor invoices. Whilst those absences are not permanent, there is evidence there has been an underlying lack of resource within the team for some time, and demand is not expected to reduce in the short to medium-term. Approval is, therefore, sought to recruit an additional Finance Assistant on Grade 3 to mitigate this ongoing demand. The additional full year cost of the additional post is estimated at £34,238, subject to the outcome of the pay award, with a part year cost of £19,972 in this financial year.

Waste Management – when fortnightly refuse and recycling collections were introduced in 2018, collections were configured based on a requirement for 7 rounds. Since then, the number of households in the district has increased from 40,000 to 45,000 with the vast majority falling within the new Lubbesthorpe development. More recently, the refuse and recycling service has been remodelled to take account of the latest housing numbers, as well as the likely collection requirements if food waste collections are introduced. Taking these changes into account, officers consider that an extra round is required and, since March 2023, crews have been operating 8 rounds on a trial basis, using agency staff to ensure that the workload is manageable and to give time to review and rationalise the rounds if necessary.

The trial has supported the need for an additional round and has demonstrated that, to continue operating 8 rounds going forward, 3 additional refuse loaders are required on a permanent basis. There are currently 3 spare vehicles which are used as cover for breakdowns but, given the garage team's track record for keeping vehicles in operation, it is considered that one of those spare vehicles could be used to facilitate the 8th round. The

additional cost of employing 3 loaders is £87,831 including on costs in a full year, and £43,916 in 2023/24.

It is also proposed to increase the post of Transport Services Support Officer from 22.5 hours per week to 37 hours per week. This post provides support to the Transport Services Manager who is responsible for the safe operation and upkeep of the Council's fleet operations in accordance with the operator's licence issued by the Traffic Commissioner's Office. The volume of compliance work has increased considerably in recent years, and this supports the need for a full-time post. The full year cost of this proposal is £11,711 (£5,855 in 2023/24).

4.3 Key Income

	Working Budget	Profiled Budget	Actual to Date	(Surplus)/ Shortfall
	£	£	£	£
Planning Fees	(560,000)	(140,000)	(99,922)	40,078
Building Control Fees	(1,285,480)	(321,370)	(288,828)	32,542
Building Control Partnership	(121,987)	(30,497)	(90,357)	(59,860)
Land Charges	(247,000)	(61,750)	(47,407)	14,343
Investment Interest	(360,000)	(90,000)	(341,976)	(251,976)
Refuse and Recycling	(1,722,500)	(1,441,800)	(1,418,822)	22,978
Car Parks	(226,000)	(56,500)	(53,872)	2,628
Leisure Income	(544,268)	0	0	0
Total	(5,067,235)	(2,141,917)	(2,341,184)	(199,267)

Both Planning and Building Control fee income fell below profile in the first quarter of 2023/24. Whilst there is still time for this position to recover, based on last financial year's performance, there is every likelihood that it will continue to struggle in the current financial climate. In the case of Building Control, this needs to be considered in the context of the whole service, with any shortfall at year end being shared amongst partners.

Building Control Partnership contributions are based on the budgeted shortfall for the year. Invoices have, with one exception, been raised for the full year in advance, hence the surplus against profile.

Investment income continues to perform well against profile in view of the continuing increases in the Bank of England Base Rate. This income is currently offsetting any losses suffered through other key income streams and is expected to reach a similar level to that achieved in 2022/23 as a minimum (around £800,000).

Leisure income is profiled to be received from quarter 2 onwards and is expected to come in on budget.

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 1st quarter of the financial year and the forecast to the end of the year appears at Appendix B.

£1,516,792 of the balance is technically not available for use. This is the balance set aside to offset the NNDR Collection Fund deficit and is expected to be substantially utilised in 2023/24.

At the last Cabinet meeting in July, it was agreed that the former Covid Support Reserve would be redesignated as the Contractual Losses Support Reserve, and that £445,000 of the balance would be returned to General Fund Balances.

Changes to funding from earmarked reserves highlighted in the table in paragraph 4.1 are reflected in Appendix B.

The balance remaining on the Huncote Major Incident Reserve relates to capital expenditure funded through borrowing. This balance will be amortised in line with Minimum Revenue Provision charges to General Fund.

4.5 Write-off of Irrecoverable Debt

The following debts are presented for write-off subject to the approval of Cabinet Executive. Whilst there is delegated authority in place for the Executive Director (Section 151), in consultation with the Portfolio Holder, to write off debts of this nature at an individual level, given the magnitude of the overall total, for transparency purposes it is considered more appropriate for Cabinet to approve the write offs.

As is evident from the following table, there are a number of reasons for the debt being considered to be irrecoverable, including the existence of a debt relief order, individual voluntary arrangements, and all the usual recovery routes having been attempted without success. Where the table indicates that recovery action has been exhausted this means that we are unable to obtain a charging order or attachment of earnings, and the use of

enforcement agents and other legal means of recovery have proven unsuccessful. Naturally, if any further information presents itself the debt can still be written back onto the account and collected.

Debt Category	Amount	Reason for Write-off
Business Rates	£98,526.09	Company in administration
Council Tax	£24,119.91	Debt Relief Order granted
Council Tax	£13,253.88	Deceased
Council Tax	£49,626.06	Individual Voluntary Arrangement granted
Council Tax	£173,656.12	Recovery action exhausted
HB Overpayment	£3,885.00	Debt Relief Order granted
HB Overpayment	£22,088.25	Deceased
HB Overpayment	£4,803.17	Individual Voluntary Arrangement granted
HB Overpayment	£17,728.09	Local authority error
HB Overpayment	£4,744.13	Recovery action exhausted
Total	£412,430.70	

If approved, the above debt will be written off against the existing bad debt provision. Council tax and business rates write offs will flow through the Collection Fund and will impact on the surplus or deficit for the year. Blaby's share of the cost of writing off the debt is approximately 12% for council tax and 40% for business rates.

4.6 Forecast Outturn

The approved budget allowed for a contribution of £166,007 to be taken from General Fund Balances. As shown in Appendix A and taking into account the known movements listed in paragraph 4.1, the required contribution has increased to £360,673.

The following table provides a high-level estimate of potential movements in income and expenditure to the end of the financial year. Given the early stage of the financial year this is only an indicative forecast and further refinement will be undertaken during the forthcoming budget cycle.

	£
Approved contribution from General Fund Balances	166,007
Increases in budget to date	289,040
Savings identified to close the budget gap	(94,374)
Latest contribution from General Fund Balances	360,673
Estimated impact of pay award (assuming average 5%)	290,000
Estimated shortfall in Planning fee income	100,000
Estimated shortfall in Building Control fee income	100,000
Estimated additional investment income	(431,000)
Establishment increase – Finance	19,972
Establishment increase – Waste Management	49,771
Forecast Outturn	489,416

Until the outcome of the pay negotiations is complete it is difficult to give a precise assessment of the financial impact. For 2022/23, where the award was £1,925 across all pay grades, the average increase worked out at

around 4%. Given that separate pay deals have been or are in the process of being negotiated for grades 11 to 16, the average increase is likely to be slightly higher.

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

5.1 Officers continue to seek savings and implement measures designed to reduce the budget gap that is forecast in the Medium-Term Financial Strategy. To date, confirmed savings amount to £94,374 in respect of the reduction in Customer Services establishment costs identified in paragraph 4.1.

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	Ongoing budget monitoring to highlight variances.

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 June 2023.

10.2 Appendix B – Forecast Reserves Position to 31st March 2024.

11. Background paper(s)

11.1 None

12. Report author's contact details

Nick Brown Finance Group Manager
Nick.Brown@blaby.gov.uk 0116 272 7625