

Blaby District Council
Cabinet Executive

Date of Meeting 6 November 2023
Title of Report **Quarter 2 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 Accountancy Services 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 September 2023.

2. Recommendation(s) to Cabinet Executive

- 2.1 That the financial performance against the budget for the quarter ending 30th September 2023 is accepted.
- 2.2 That the forecast contribution of £250,773 from General Fund balances is accepted.

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.

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.

The 1st quarter report was presented to Cabinet in September, several changes had been made to the budget since February, most significantly the addition of the unspent budget of £3,608,253 carried forward from 2022/23. The approved budget before contributions from reserves and government grants increased to £18,897,739. After taking into consideration the anticipated shortfall in Key Income streams and the estimated impact of the pay award, the forecasted contribution from General fund balances increased from £166,007 to £489,416.

The following table sets out the movement in the Working Budget, showing the changes that have been made in the 2nd quarter of the year.

	£
Approved budget before contributions from reserves and government grant	18,897,739
<u>Additional funding from Earmarked Reserves</u>	
Expenditure funded from Local Plan Reserve	3,000
<u>Additional Funding from General Fund Balances</u>	
Legal costs	35,000
Other one-off budget increases, individually £10,000 or under	22,200
Establishment Increase – Waste Management	
Establishment Increase - Finance	49,771
	19,972
<u>Transfers to General Fund Balances</u>	
DEFRA funded Establishment post	(17,851)
	19,009,831

Additional budget has been required to cover court fees, as these were not known at the time of setting the original budget, they have been added to the Legal Services budget to cover the costs incurred.

Approval was given at Cabinet in September for an increase in the Waste Management Establishment. This was required following the need to increase the collection rounds from 7 to 8. An additional 3 loaders have been added to the Council's Establishment and an increase in hours for the Transport Services Support Officer was also approved.

Approval was also given in September for the addition of a Finance Assistant within the Exchequer team due to the increasing demand on the service. The team undertake key transactional roles, looking after the purchase ledger, sales ledger, and payroll functions.

Funding has been secured to cover an Established post, as this was already included within the original budget, the funding enables the salary and on costs to be transferred back to General Fund Balance as a saving.

Appendix A shows the net service expenditure to 30th September 2023, compared with the profiled budget, and reflects a positive variance of £5,619,542 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 2, at an overall level, establishment costs amounted to £7,584,608 against a profiled budget of £7,806,201, i.e., under profile by £221,593. 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 September 2023.

Portfolio	(Under)/Over £	Note
Leader	(27,034)	1
Finance, People & Performance	(56,491)	2
Neighbourhood Services & Assets	24,562	3
Health, Wellbeing, Community Engagement & Business Support	(81,033)	4
Housing, Community and Environmental Services	(31,736)	5
Planning Delivery and Enforcement and Corporate Transformation	(105,471)	6
Central Provisions	55,610	7
Total Variance	(221,593)	

Reasons for Variances

1. Largely due to the vacant post of Democratic Services and Governance Manager.
2. Mainly due to the vacant HR Manager post, and vacancies in Benefits and Income & Collections.
3. Additional costs incurred in Refuse and Recycling in relation to agency staff, overtime, and casual employees. Approval was given at Cabinet in September for 3 additional posts within Neighbourhood Services to be

added to the Establishment, these will be reflected following completion of the Budget Setting process.

4. Largely due to vacant posts within Building Control and the Community Development, Work and Skills team.
5. Vacancies in Community Services and Environmental Health teams.
6. Vacant post within Communications, vacant Planning Officer post 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.

4.3 Key Income

	Working Budget	Profiled Budget	Actual to Date	(Surplus)/ Shortfall
	£	£	£	£
Planning Fees	(560,000)	(280,000)	(164,966)	115,034
Building Control Fees	(1,285,480)	(630,240)	(519,022)	111,218
Building Control Partnership	(121,987)	(60,994)	(102,454)	(41,460)
Land Charges	(247,000)	(123,500)	(96,488)	27,012
Investment Interest	(360,000)	(180,000)	(793,459)	(613,459)
Refuse and Recycling	(1,722,500)	(1,559,000)	(1,542,502)	16,498
Car Parks	(226,000)	(112,992)	(122,087)	(9,095)
Leisure Income	(544,268)	(272,134)	(336,630)	(64,496)
Total	(5,067,235)	(3,218,860)	(3,677,608)	(458,748)

Following the same pattern as was seen in the Quarter 1 report, both Planning and Building Control fee income have fallen below profile. 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. At the time of writing the report the Department for Levelling Up, Housing and Communities had proposed an increase in Planning fees, which was awaiting Parliamentary approval.

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 extremely 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. Expectation in the first quarter of the year, was that the income stream would reach a similar level to last financial year, however it is now expected to surpass £800,000, and a revised estimate of £1,000,000 has been included as part of the budget setting process.

The budget for car parking income has been reduced from £331,000 to £226,000. This represents a more realistic level in line with current footfall and, as can be seen in the table, at the end of the second quarter there is a small surplus compared to profile.

Leisure income is showing positively and above profile due to an increase in the inflation rate this year.

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.

£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.

It was agreed at July Cabinet 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.

4.6 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 £469,765.

The following table provides a high-level estimate of potential movements in income and expenditure to the end of the financial year.

	£
Approved contribution from General Fund Balances	166,007
Quarter 1 budget adjustments	194,666
Quarter 2 budget adjustments (para 4.1)	109,092
Latest contribution from General Fund Balances	469,765
Estimated impact of pay award (assuming average 5%)	290,000
Estimated shortfall in Planning fee income	60,000
Estimated shortfall in Building Control fee income	200,000
Estimated additional investment income	(640,000)
Impact of inflation on Leisure income	(128,992)
Forecast Outturn	250,773

In the Quarter 1 report approved by Cabinet in September, it was estimated that a reduction to the Planning Fees income budget of £100,000 would be required. Following a review of the Planning Fee work expected to be received during the year, and the anticipated increase in Planning Fees as proposed by the Department for Levelling Up, Housing & Communities a revision has been proposed to reduce the income from £560,000 to £500,000.

Building control fee income is not expected to achieve the budgeted target, a reduction of £200,00 has been proposed.

As can be seen in the table above, included in the forecasted contribution is an estimation of the impact that the pay award will have. 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.

The Accountancy team are working with the Budget Holders to review and revise all budgets in line with spend to date and anticipated expenditure to the end of the year. Included within this is a review of all Income budgets. At the time of writing this report, meetings were still being held and work to revise the budgets is still being undertaken, therefore detail will be provided to members in the Quarter 3 Cabinet Report.

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.

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 September 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

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