



Policy, Finance and Development Committee	Tuesday, 13 September 2022	Matter for Information and Decision
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Report Title: **Budget Monitoring Report (Q1 2022/23)**

Report Author(s): **Rashpal Sohal (Finance Manager)**

Purpose of Report:	To provide the Committee with an update on the forecast financial position for the Council for the financial year 2022/23, as at the end of the first quarter.
Report Summary:	The Q1 forecast position for the year on the General Fund is a deficit of £644k compared to a budgeted balance position. Actions to address and mitigate the overspend position are presented within the report. The Q1 forecast for the HRA is a deficit of £22k, compared to a budgeted balanced position. Spending on the Council's HRA and General Fund Capital Programmes are making good progress.
Recommendation(s):	That the Committee notes: A. The contents of the report and appendix; and B. That the Council Senior Leadership Team will carry out actions to mitigate inflationary-linked and other pressures on the General Fund.
Senior Leadership, Head of Service, Manager, Officer and Other Contact(s):	Tracy Bingham (Strategic Director / Section 151 Officer) (0116) 257 2690 tracy.bingham@oadby-wigston.gov.uk Tony Gwam (Interim Head of Finance / Deputy Section 151 Officer) (0116) 257 2713 tony.gwam@oadby-wigston.gov.uk Rashpal Sohal (Finance Manager) (0116) 257 2705 rashpal.sohal@oadby-wigston.gov.uk
Corporate Objectives:	Providing Excellent Services (CO3)
Vision and Values:	"A Stronger Borough Together" (Vision) Accountability (V1)
Report Implications:-	
Legal:	There are no implications arising from this report.
Financial:	The implications are as set out throughout the report.
Corporate Risk Management:	Decreasing Financial Resources / Increasing Financial Pressures (CR1) Reputation Damage (CR4) Economy / Regeneration (CR9)
Equalities and Equalities Assessment (EA):	There are no implications arising from this report. EA not applicable

Human Rights:	There are no implications arising from this report.
Health and Safety:	There are no implications arising from this report.
Statutory Officers' Comments:-	
Head of Paid Service:	Click to select comment.
Chief Finance Officer:	The report is satisfactory.
Monitoring Officer:	The report is satisfactory.
Consultees:	Senior Leadership Team.
Background Papers:	None.
Appendices:	1. Capital Programme (2022/23)

1. Introduction

- 1.1 In February 2021, the Council approved its revenue and capital budgets, with additional changes to the General Fund Capital Programme approved by Council in July to facilitate additional fleet requirements and the Council accommodation move to Brocks Hill.
- 1.2 Since then economic conditions have changed dramatically, with inflation continuing to increase which is putting pressure on the Council budget achieving a balanced position at the year end.

2. General Fund Summary Position

- 2.1 Across the departments as a whole, the Council, as at Quarter 1 is expecting to report a net £643K overspend which represents 10% variance of the overall Council Revenue budget (£6.408m). The majority of this forecast overspend is attributed to inflationary pressures. All local authorities are being affected by similar inflationary pressures.

3. Financial Overview

- 3.1 Inflationary pressures have affected all services across the Council such as substantially increased costs for contracts, utility costs, fuel, supplies and services, building material and repair costs. Certain key service areas have been particularly significantly affected.
- 3.2 The cost of diesel fuel for the Council's fleet of vehicles based at the Depot for refuse and recycling has increased by more than 50%, resulting in a £66K forecast overspend pressure. Staffing and agency cost for the Depot have increased with a current forecast overspend of £96k to facilitate the operation of the waste collection service.
- 3.3 Leisure Services are facing financial expenditure pressures which has an affect on the management fee payable to the Council. There is a potential forecast of £220k in additional spending, partly due to a forecast reduction in the management fee receivable, pending contract negotiations. The Council has mitigated some of this by reducing cost within the Leisure services so the net loss affect is £122k.
- 3.4 Forecast staffing cost budget pressures have also been identified at £198K above the 2% that was budgeted for Employees salaries, as a result of the National Joint Council (NJC) proposed pay award of £1,925 per full time employee. The latest position is that this offer

was rejected buy Unions. Negotiations remain ongoing and a further update is expected in October.

- 3.5 The Council has limited general fund reserves of £1.182m at 31 March 2022. The forecast Q1 2022/23 overspend would need to be resourced from the Council reserves. Low reserves would make the Council vulnerable to any future budget deficit or overspends which highlights the importance to take action to reduce the forecast overspend before the year end 31 March 2023. At the time of writing this report, a new Medium Term Financial Strategy is timetabled for review by the Committee on the same agenda as this report. The strategy presents a risk-based assessment of the Council's general fund reserves and proposes a strategy of bolstering reserves.
- 3.6 Internally within the Council, Officers are taking various actions to ensure good financial control. The Finance service continues to implement the finance business partner approach which enables greater engagement with budget holders across the Council. This result in improved financial control and enables improved service delivery with the available resources.
- 3.7 Other major service pressures include the cost of agency staff to enable the Council to provide statutory functions that have proven nationally difficult to recruit for such as in Planning. Throughout the Council there are other roles where recruiting appropriately skilled staff has proved difficult.

4. Actions

- 4.1 The Council will continue to look at ways to mitigate the forecast £643k overspend reported for Quarter 1.

5. Forecast for Each Service Area

- 5.1 **Senior Leadership Team (SLT) - Forecast Overspend (£9K).** This is mainly due to legal fees related to Bushloe Developments. The intention is recover £70k and the Court hearing is listed for November 22.

Service	Variance £'000	Reason for variance	Actions to mitigate Variances where relevant
SLT	9	Legal fees related to recovering £70k of council funds that previously were held by Bushloe Developments Ltd.	

- 5.2 **Finance and Resources – Forecast Underspend (£30K).** The main factors contributing to the department's net underspend are set out in the table below.

Service	Variance £'000	Reason for variance	Actions to mitigate Variances where relevant
Inflation - Pay	42	These are costs of the potential pay award, relating to the Finance service.	
Revenue and Benefits – salary savings	(25)	Salary savings for vacant position for Senior Revenues Officer which is due to be filled in September.	
Council Tax	(30)	This refund is for overcharged magistrate court fees paid	

		for council tax and non-domestic rate (business rate) liability orders applied for between 22 nd April 2014 and 24 th July 2018. Further work will be undertaken to credit this amount to the accounts of council tax payers who continue to reside in the Borough. Any refund that cannot be credited to an account because the council tax account no longer exists will be retained by the Council.	
HR	(13)	Salary savings as a result of vacant posts within the HR team, these are net of hired staff costs.	
	(4)	Other	
Total	(30)		

5.3 **Law & Democracy – Forecast Overspend (£9K).** The main factors contributing to the department's net overspend are set out in the table below.

Service	Variance £'000	Reason for variance	Actions to mitigate Variances where relevant
Inflation - Salary	17	These are the potential pay award costs relating to the Law and Democracy service area.	
Legal & Admin Service	25	This relates to legal fees on an ongoing litigation case, which has the potential to recover £15k of costs for works in default and £30k in legal costs. This £25k adverse position is the worse cast scenario where we may have to bear all the legal charges if we don't win.	
Health and Safety	(9)	There is vacancy saving on H&S Resilience manager. The position was filled in June.	
Licensing Service	(24)	There is a vacant position for a solicitor that still has not been filled since April therefore forecasting savings. This post is expected to be filled from 1 October.	
Total	9		

5.4 **The Built Environment – Forecast Overspend (£164K).** The main factors contributing to the department’s net overspend are set out in the table below.

Service	Variance £'000	Reason for variance	Actions to mitigate Variances where relevant
Inflation - Salary	32	These are the potential pay award costs relating to the Built Environment service area.	
Planning Control	70	There have been savings on vacant positions of (£53k) however `hired staff costs have been £104k for agency staff covering the vacant posts. There is a national shortage of experienced planning officers which is being felt widely by councils and which has significantly driven up the hourly rate required to be paid for agency staff.	During Quarter 1 and the first part of Quarter 2 we have managed to reduce the backlog of planning applications and by Quarter 3 we will be able to release one member of agency staff. We have also restructured the planning team using succession planning to make the best use of the skills of our existing staff and during Quarters 2 and 3 will be launching a recruitment campaign relating to the vacant posts. If successful, this will allow us to release the remaining agency staff.
Economic Development	(45)	There is savings here as one regeneration manager post will be capitalised to Brocks Hill Project. This post was originally included in the budget to be revenue funded and therefore there is a revenue saving.	
Homelessness	34	£66k Increase in emergency accommodation costs over recovery via housing benefit due to greater demand and price increases. We have received (£32k) Safe Accommodation Support Grant to offset this against.	
Belmont House Hostel	37	Reduction in housing benefit income unlikely to be achieved due to changes of the use of the hostel during the pandemic.	
	36	Other	
Total	164		

5.5 **Community & Wellbeing – Forecast Overspend (£444K).** The forecast overspend in this department is mainly due to the items set out in the table below.

Service	Variance £'000	Reason for variance	Actions to mitigate Variances where relevant
Inflation - Pay	79	These are the potential pay award costs relating to the Community and Wellbeing service area.	
Inflation - Diesel	66	This is the forecasted increase in costs for diesel used to run our fleet to the end of the year (Mar 23)	
SLM contractual variance	122	This includes £220K additional costs largely due to an anticipated reduction in the management fee receivable for the running of the leisure centres, offset by £100K budget for external contractors will not be spent.	An independent leisure contract specialist has been engaged to assist the Council in negotiating the most advantageous contractual position for the remainder of the leisure services contract.
Cemeteries	34	£34K loss of income due to low bookings. Budget was based on previous years income but this was already inflated due to the pandemic and increase in deaths. The service have adopted payments in advance and total income generated to date is £1,250, with more anticipated.	
Car Parks	38	Transactional fees and other running costs of scheme exceeding budget. There has been some fees relating to car parking that was estimated and the actual charges are much higher (NPU Levy £10k adverse, Metric fees to date £10k and there was no budget for this). Fees are higher than estimated due to the success of the scheme.	

Grounds Maintenance	41	Salary cost for Grounds Maintenance Operative that wasn't budgeted for.	
Domestic Refuse Collection	96	Overspend forecasts to end of year on hired staff. This has been based on previous years.	A review of the requirements for hired staff will be undertaken. This will ensure the forecast position reflects the level of staff needed to maintain service delivery.
Garden Waste Collection	(56)	Additional green waste collection income forecast for the year due to demand being better than expected.	
Recreation & Leisure	16	Mainly salaries in this area are funded by external grants. Anticipated overspend for the year is based on new grants not received to cover these costs in full.	Work to review external grant funding for post and make contact with existing funding suppliers with regards to the increased inflationary pressures of providing services, largely around the impending pay award.
Crime and Disorder Partnership	11	In the past HRA contributions used to be received in this area. Therefore income budget of £15k was cancelled down to zero.	A wider review of charges between the General Fund and HRA is planned to be undertaken to ensure that charges are appropriate, reflective of all services consumed and in line with the HRA ringfence regulations.
	(3)	Other	
Total	444		

5.6 **Customer Services and Transformation – Forecast Overspend (£47K).** This service area includes Customer Services, System Support and Transformation Services including the newly-created in-house IT team. The forecast overspend is due to the following items set out in the table below.

Service	Variance £'000	Reason for variance	Actions to mitigate Variances where relevant
Inflation - Pay	33	These are the potential pay award costs relating to the Customer Services and Transformation service area.	
Customer Services	10	£6k Software license cost increase and £5k	

		telephony costs not within budget.	
	4	Other	
Total	47		

5.7 A summary of the overall General Fund Budget and Forecast Outturn at service level is set out in **Table 2**.

Table 2 - General Fund Budget Monitoring

Service	Revised Budget 2022/23	YTD	Forecast Outturn	Variance
	£	£	£	£
Senior Leadership Team	427,730	102,542	436,913	9,183
Covid 19 Funding	0	78,076	0	0
Finance & Resources (Including Corporate Budgets)	2,517,063	2,160,207	2,486,611	(30,452)
Law & Democracy	654,170	503,170	663,118	8,948
The Built Environment 1 & 2	966,020	395,105	1,130,029	164,009
Community & Wellbeing (inc Depot)	1,039,727	86,826	1,484,178	444,451
Customer Service & Business Transformation	1,391,416	379,456	1,438,677	47,261
HRA Recharge	(1,240,435)	(1,240,435)	(1,240,435)	0
Capital Financing	720,900	720,900	720,900	0
	6,476,591	3,185,847	7,119,991	643,400

6. Housing Revenue Account (HRA)

- 6.1 The Housing Revenue Account opening balance as at 1st April 2022 on its main reserve was £1.155m. In 2022/23 the account has been forecast to have a budget deficit of £22K leaving an estimated HRA Reserve balance of £1.133m.
- 6.2 The position on the account as the end of Quarter 1 is set out in **Table 4** below.

Table 4 - HRA Position Quarter. 1

	Revised Budget 2022/23	Forecast Outturn 2021/22
	£'000	£'000
Net Cost of Services on the HRA	(575)	(603)
Capital Charges	625	625
Revenue Contributions to Capital Appropriations to Earmarked Reserves	0	0
	50	22
Actual Balance b/f HRA a/c	(1,155)	(1,155)
Budget Deficit in the Year	50	22
Balance c/f HRA a/c	(1,105)	(1,133)

HRA

Service	Variance £'000	Reason for variance	Actions to mitigate Variances where relevant
Estate Management	(55)	Saving on salaries due to restructure of Housing Options post budget-setting.	
Estate Management	35	Costs of managing Housing IT system	
Communal Areas	17	Forecast inflationary linked increased in respect of Electricity	
Repairs & Maintenance	(30)	Saving in revenue staffing costs as a result of capitalisation of staff time across all appropriate schemes.	
	(1)	Other	
Total	(28)		

7. Capital Programme

- 7.1 The 2022/23 Capital Programme was set at Full Council in February 2022 and amended in June 2022. **Table 3** shows a summary of the 2022/23 capital programme and the full capital programme is shown in **Appendix 1**.

Table 3 - Capital Programme Summary

Fund	Revised Budget 2022/23	Spend To Date	Variance to Budget
	£'000	£'000	£'000
General Fund	4,344	234	(4,110)
Housing Revenue Account	6,561	1,191	(5,370)
Total	10,905	1,425	(9,480)

General Fund Capital Programme

- 7.2 At Quarter 1, £234k of the annual £4.344m budget has been spent, representing just 5%. However, a large part of these funds relates to the forecast costs of the Council office relocation which have increased to £3.61m and which will not start to be spent until the works commence in September 2022.
- 7.3 Additionally, an additional £400K was added to the capital programme in June to fund vehicle fleet replacement and these orders were not made in Q1.
- 7.4 The Laptop Renewal project (£74K) is being restructured from a standing per year budget, to a larger amount every three years. As such, the current budget will be withdrawn, and a larger bid put in for 2024/25.
- 7.5 Within the General Fund there are commitments relating to Section 106 funding, including:

- The Coombe Park Pavilion Extension project - £170K remains part of the Capital Programme, and will progress on receipt of the relevant S106 funding from the Cottage Farm development.
- Sports Facility Improvement Programme (£220k) remains part of the Capital Programme. The decision to transfer the funding was approved in November 2021 to replace Private Sector Sports Grants Scheme and Pitch Improvement Programme due to extremely poor take-up of the scheme.

HRA Capital Programme

- 7.6 At Quarter 1, good progress has been made on capital spend on the HRA, with £1.191m of the annual £6.561m spent, representing 18%.
- 7.7 The modular housing development scheme at Horsewell Lane (£2.33m) HRA is currently underway, but it is forecast that the bulk of the expenditure (£1.83m) will fall into 23/24.