



<b>Policy, Finance and Development Committee</b>	<b>Tuesday, 06 December 2022</b>	<b>Matter for Information and Decision</b>
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**Report Title:** **Budget Monitoring (Q2 2022/23)**

**Report Author(s):** **Tracy Bingham (Strategic Director / Section 151 Officer)**

<b>Purpose of Report:</b>	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 second quarter.
<b>Report Summary:</b>	<p>The Q2 forecast position for the year on the General Fund is a deficit of £611k compared to a budgeted balance position (using £125k reserves). Actions undertaken to address and mitigate the overspend position are presented within the report.</p> <p>The Q2 forecast for the HRA is a total deficit of £204k, compared to a budgeted balanced position (using £50k of reserves).</p> <p>Spending on the Council's HRA and General Fund Capital Programmes continue to make good progress. However, slippage has now been identified to be carried into 2023/24.</p>
<b>Recommendation(s):</b>	<p><b>That the Committee:</b></p> <p><b>A. Notes the contents of the report and appendix; and</b>  <b>B. Ratifies the decisions of the S151 Officer to repurpose earmarked reserves back to General Unallocated General Fund and HRA reserves as set out in section 6 of the report.</b></p>
<b>Senior Leadership, Head of Service, Manager, Officer and Other Contact(s):</b>	<p>Tracy Bingham (Strategic Director/ Section 151 Officer)  (0116) 257 2690  <a href="mailto:tracy.bingham@oadby-wigston.gov.uk">tracy.bingham@oadby-wigston.gov.uk</a></p> <p>Tony Gwam (Head of Finance/Deputy Section 151 Officer)  (0116) 257 2713  <a href="mailto:tony.gwam@oadby-wigston.gov.uk">tony.gwam@oadby-wigston.gov.uk</a></p> <p>Rashpal Sohal (Finance Manager)  (0116) 257 2705  <a href="mailto:Rashpal.Sohal@oadby-wigston.gov.uk">Rashpal.Sohal@oadby-wigston.gov.uk</a></p>
<b>Corporate Objectives:</b>	Providing Excellent Services (CO3)
<b>Vision and Values:</b>	"A Stronger Borough Together" (Vision)
<b>Report Implications:-</b>	
Legal:	There are no implications arising from this report.
Financial:	The implications are as set out in this 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.
<b>Statutory Officers' Comments:-</b>	
Head of Paid Service:	The report is satisfactory.
Chief Finance Officer:	As the author, the report is satisfactory.
Monitoring Officer:	The report is satisfactory.
<b>Consultees:</b>	None.
<b>Background Papers:</b>	None.
<b>Appendices:</b>	<b>1.</b> Capital Programme (2022/23)

## **1. Introduction**

- 1.1 In February 2022, 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 the last report to members on the financial performance of the Council at Quarter 1, economic conditions in the UK have continued to worsen. Despite this, the Council has managed to maintain its forecast outturn position and has not seen further dramatic movements on the General Fund.
- 1.3 Actions undertaken as part of the mitigations set out at Quarter 1 in response to the forecast outturn position are detailed below, along with one new action. Officers will continue to report progress on actions within forthcoming quarterly reports.

## **2. Financial Overview**

- 2.1 Inflationary pressures continue to affect all services across the Council such as substantially increased costs for contracts, utility costs, fuel, supplies and services, building material and repair costs.
- 2.2 As at Quarter 2 is expecting to report a net £611K overspend on its General Fund. Like the position at Quarter 1, the majority of this forecast overspend is attributed to inflationary pressures. The position remains in the region of 10% of the council's overall net revenue spend budget. The position has moved favourably, by £32k, from the forecast £643k overspend at Quarter 1.
- 2.3 On the Housing Revenue Account, the position has worsened since Quarter 1, with a deficit of £204k now projected (from £22k forecast at Quarter 1). This is largely due to an increased revenue charge because of a statutory accounting adjustment that at the same

time increases the capital funding by the same amount – it relates to depreciation and the revenue charge in respect of garages.

### 3. Forecast for Each Service Area

3.1 **Senior Leadership Team (SLT) - Forecast Overspend (£15K).** As per the Quarter 1 position, this is mainly due to legal fees related to Bushloe Developments. The intention is to recover £80k and the initial Court hearing to grant permission to reinstate the company to the Company Register was listed for November 22. At the time of writing the report no update had been received.

Service	Variance £'000	Reason for variance	Mitigation Actions update
SLT	15	Also, the report also says "As per the Quarter 1 position, this is mainly due to legal fees related to Bushloe Developments. The intention is to recover £80k and the Court hearing is listed for November 22, with no update available at the time of writing this report.	

3.2 **Finance and Resources – Forecast Overspend (£162K).** The main factors contributing to the department’s net underspend are set out in the table below.

Service	Variance £'000	Reason for variance	Mitigation Actions update
Inflation - Pay	33	These are inflation costs of the pay award to be paid in year.	
Finance Systems	35	This overspend relates to the annual charges for the Civica income management system for which there was insufficient budget provision overall. This has now been corrected as part of the proposed budget position for 2023/24.	
Corporate Management Non-Financial	20	Increase in interest due to current climate and as a result interest rates have gone up.	NEW ACTION: Additional meetings scheduled with the Council’s treasury management advisors Arlingclose Ltd will be taken forward to ensure officers remain agile in managing the council’s treasury position and minimising resultant net interest charges.
Net Cost of Benefit	66	This deficit relates to the reduction in income estimated on the recovery of Benefit over payments and is based on the actuals to date compared to budget, forecast to the end of the year.	
	8	Other	
Total	162		

3.3 **Law & Democracy – Forecast Underspend (£82K).** The main factors contributing to the department’s net underspend are set out in the table below.

<b>Service</b>	<b>Variance £'000</b>	<b>Reason for variance</b>	<b>Mitigation Actions update</b>
Inflation - Salary	18	These are inflation costs of the pay award to be paid in year.	
Election expenses	-61	£48k Savings confirmed in relation to the Democratic Services Manager post salary after the vacancy was merged with another post and now filled by the Legal and Democratic Services Manager and Deputy Monitoring Officer and £13k income received higher than accrued on election expenses claimed.	
Legal & Admin Service	-20	This position is made up of a number of movements, including: <ul style="list-style-type: none"> <li>• Legal costs of £25k included in here for recovery of the costs of works in default at a premises in Long Street. The Court case concluded and the defendants were ordered to pay the principal debt of £18k plus costs of circa £50k with £25k as an interim payment.</li> <li>• £35k compensation arising from a fraud case.</li> </ul>	
Taxi Licences	30	The forecasts for this income budget have been revised using historical figures in mind and the current economical situation, and the resultant position is that the Council expects to recover less in income than was budgeted.	
Licensing Service	-52	This savings relates to £30k salary capitalised for LAD2 & 3 work and £22k vacancy savings yet to be filled.	
	3	Other	
Total	-82		

3.4 **The Built Environment – Forecast Overspend (£228K).** The main factors contributing to the department’s net overspend are set out in the table below.

<b>Service</b>	<b>Variance £'000</b>	<b>Reason for variance</b>	<b>Mitigation Actions update</b>
Inflation - Salary	32	These are inflation costs of the pay award to be paid in year.	

Economic Development	-51	This forecast underspend is as a result of £31k vacancy savings and a grant of £20k to support the preparatory work to submit the UKSPF bid.	
Planning Control	179	<p>There have been savings on vacant positions of (£100k) however 'hired staff' costs have been £279k 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.</p>	<p>In the Q1 mitigation commentary it was noted that we would release one member of agency staff during quarter 2. However, a subsequent analysis of the pipeline of planning applications due to be received during the rest of 22/23 indicated that a number of major planning applications are expected, such as the Wigston Phase 2 Direction for Growth reserved matters (which will be accompanied by a fee of circa £105,000) and land at Oadby Grange. In the past the Council has procured consultancy support to determine these. Given that the team has remained stable during 2022 and is performing well (93% of applicants happy with the decision time and 98% applicants considered they were fairly treated in October 2022) it has been agreed by SLT that it would be more effective to retain the team at its current size until the end of 22/23 and to determine these major applications 'in house'. The cost of an agency member of staff is circa £19,000 per 13 week period and would be off-set by the fee income associated with major planning applications. Progress is continuing to be made with permanent recruitment to vacant posts with roles due to be advertised before the end of this year.</p>
Planning Control	-90	Improvement in forecasted outturn of planning application fees income.	
Homelessness	68	Net overspend as a result of a number of changes including: - Domestic Abuse Safe Accommodation Support funding received which wasn't budgeted for	

		originally; £46k Increase in emergency accommodation costs over recovery via housing benefit due to greater demand and price increases; salary savings originally forecast not coming to fruition and the non-renewal on a lease of temporary accommodation property.	
Belmont House Hostel	33	Housing benefit income unlikely to be achieved due to essential changes of the use of the hostel during the pandemic.	
	57	Other	
Total	228		

3.5 **Community & Wellbeing – Forecast Overspend (£135K).** The forecast overspend in this department is mainly due to the items set out in the table below.

Service	Variance £'000	Reason for variance	Mitigation Actions update
Inflation - Pay	33	These are inflation costs of the pay award to be paid in year. This forecast has reduced due to vacant posts in the team.	
SLM contractual variance	62	This includes £220K costs due to reverting to 19/20 management fees, offset by £100K budget for external contractors that is not expected to be spent. This position has moved favourably by £60k since the Quarter 1 update.	The favourable movement is based on the revised SLM proposal for the year have been delivered – this is as a result of the direction action taken by officer to renegotiate the contractual position and engage specialist support to do so.
Cemeteries	26	This position has moved favourably since Quarter 1 (where the position reported was £34k income reduction). The reason for the forecast under achievement in income is due to there being an assumption that service use would be maintained as per last year and that is not the case.	
Car Parks	22	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). This forecast has moved favourably since Quarter 1. This is offset by increased income generated by a higher level of usage than anticipated.	
Recreation & Leisure	-12	Forecast underspend because of a number of vacant posts within the Communities and Wellbeing team. This position is a favourable movement compared to that reported in Quarter 1, which had showed a forecast deficit based on grants not covering costs in full.	The Work to review external grant funding for posts has now been undertaken and reflected in the revised position.
Crime and Disorder Partnership	-15	In the past HRA contributions used to be received in this area. This had been budgeted and this has not been happening now for a while. 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.
	4	Other	
Total	135		

### 3.6 Waste Service – Domestic, Recycling & Green Waste - Forecast Overspend (£149K).

Service	Variance £'000	Reason for variance	Mitigation Actions update
Inflation - Pay	41	These are inflation costs of the pay award to be paid in year.	
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)	
Domestic Refuse Collection Staffing	47	Hired staff cost forecast net of salary savings, based on actuals in first third of the year. Unplanned B/H due to Queen's death & reliance on agency to cover long term sickness &	A review of the requirements for hired staff has been undertaken – the resultant forecast position reflects the level of staff needed to maintain service delivery.

		days off in lieu of working over BH.	
Domestic Refuse Collection	-10	There has been an increase in white goods collection income this year and the forecast has been revised to reflect this.	
Garden Waste Collection	-56	There has been an increase in garden waste collections permits sold this year, resulting in additional income.	
Recycling Collection	55	Hired staff cost forecast based on actuals to Quarter 2. Unplanned B/H due to Queen's death & reliance on agency to cover long term sickness & days off in lieu of working over BH.	
Mechanics Workshop	16	Actual salary spend not in line with legacy budget which was insufficient – this has now been remedied.	
	-9	Other	
<b>Total</b>	<b>149</b>		

3.7 **Customer Services and Transformation – Forecast Overspend (£5K).** 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.

<b>Service</b>	<b>Variance £'000</b>	<b>Reason for variance</b>	<b>Mitigation Actions update</b>
Inflation - Salary	28	These are inflation costs of the pay award to be paid in year.	
Customer Services Improvement	-13	This is a salary saving for the first quarter of the year when the Customer Service Improvement Manager position was vacant. The post has now been filled.	
Customer Services	-20	Vacancy savings on a technical officer position due to difficulties with recruitment and the phased employment of new starters.	
ICT	-13	Salary savings due to challenges with recruitment in this sector. IT manager position due to be filled in Jan 23.	
	23	Other	
<b>Total</b>	<b>5</b>		

3.8 A summary of the overall General Fund Budget and Forecast Outturn at service level is set out below.



**Table 1 - General Fund Budget Monitoring**

<b>Service</b>	<b>Revised Budget 2022/23</b>	<b>YTD</b>	<b>Forecast Outturn</b>	<b>Variance</b>
	£	£	£	£
<b>Senior Leadership Team</b>	427,730	214,701	443,071	15,341
<b>Covid 19 Funding</b>	0	454,376	0	0
<b>Finance &amp; Resources (Including Corporate Budgets)</b>	2,333,583	3,761,970	2,474,463	140,880
<b>Law &amp; Democracy</b>	669,270	636,553	587,313	(81,957)
<b>The Built Environment 1 &amp; 2</b>	980,020	606,502	1,207,568	227,548
<b>Community &amp; Wellbeing</b>	(21,005)	525,681	114,403	135,408
<b>Community &amp; Wellbeing Depot</b>	1,050,370	157,594	1,199,770	149,400
<b>Customer Service &amp; Business Transformation</b>	1,677,858	894,462	1,682,385	4,527
<b>HRA Recharge</b>	(1,240,435)	(1,240,435)	(1,240,435)	0
<b>Capital Financing</b>	720,900	720,900	741,300	20,400
	<b>6,598,291</b>	<b>6,732,303</b>	<b>7,209,837</b>	<b>611,546</b>

## 5.0 Housing Revenue Account (HRA)

5.1 The Housing Revenue Account opening balance as at 1<sup>st</sup> April 2022 on its main reserve was £1.155m. In 2022/23 the account has been forecast to have a budget deficit of £204K leaving an estimated HRA Reserve balance of £0.951m.

### HRA

<b>Service</b>	<b>Variance £'000</b>	<b>Reason for variance</b>
Housing Revenue Account	159	This is a statutory accounting adjustment for depreciation (£159k) and is based on the asset values and useful life from most recent annual accounts.
Estate Management	8	Compensation amounting to £8K paid for 2 housing disrepair claims.
Communal Areas	20	Sharp increase in electricity charges for the year.

Repairs & Maintenance	74	Outturn for this year is based on actual spend each month while considering commitments on Orchard. The Council continues to see an increase in expenditure as a result of a backlog of work due to the pandemic. We've also seen an increase in the cost of repairs and maintenance due to high inflation.
Capital Charges	(113)	This favourable movement in interest costs is based on our capital programme and current borrowing requirement, which will not reach the levels budgeted for.
	56	Other
<b>Total</b>	<b>204</b>	

5.2 The position on the account as the end of Quarter 2 is set out in Table below.

**Table 2 - HRA Position Quarter 2**

	<b>Original Budget 2022/23</b>	<b>Forecast Outturn 2022/23</b>
	<b>£'000</b>	<b>£'000</b>
Net Cost of Services on the HRA	(575)	(307)
Capital Charges	625	511
Revenue Contributions to Capital Appropriations to Earmarked Reserves	0	0
	50	204

Actual Balance b/f HRA a/c	(1,139)	(1,155)
Budget Deficit in the Year	50	204
<b>Balance c/f HRA a/c</b>	<b>(1,089)</b>	<b>(951)</b>

## 6.0 Reserves

6.1 The Council holds reserves for a manner of reasons.

6.2 Since 2012, the Council's reserves have reduced in comparison to its spending. Whilst the position has stabilised since 2016, the Council has set its intentions in its Medium Term Financial Strategy to preserve and bolster its reserves to ensure it is equipped to manage changes to the local government funding regime, the current economic conditions and any unforeseen financial challenges.

6.3 The review of the Council's reserves has now been undertaken by the Section 151 Officer who has reviewed the appropriateness of specific reserves set aside. As such, several repurposing proposals are proposed.

6.4 The following table sets out the current level of reserves for each of the council's revenue accounts: the General Fund and the Housing Revenue Account. It also sets out the

proposed reserves to be reallocated to the General Fund Reserve and HRA reserve respectively. Members are reminded that the Resident Forums funds are within the council's General Fund capital programme.

**Table 3 – General Fund reserves**

<b>Reserve</b>	<b>Purpose</b>	<b>Balance @ November 2022 £</b>	<b>Proposed to be reallocated?</b>
General Fund Reserve @ 31/3/22		-1,144,118	
<b>Earmarked Reserves</b>			
Contingency Reserve	To safeguard against budget risk and for one off Priming initiatives.	-42,930	Yes
Budget Carried Forward	Contains authorised budget carry forwards from this year, to be used in the next financial year.	0	
Homelessness Reserve	Fund to mitigate the increased incidence of homelessness within the borough.	-50,000	
Cost of Living reserve	Fund designated for supporting residents and businesses through the Cost of Living crises. Agreed by Council 15 November 2022.	-80,000	
Disabled Facilities	Monies put aside specifically to fund Disabled Facilities Grants.	-22,450	
ERDF	Originally monies put aside specifically to provide matched funding for European Regional Development Fund schemes. Now contains residue of unilateral undertaking from Waitrose development being used to fund Oadby Town Center WiFi capital scheme	-15,816	
Greening the Borough	Resources available to improve the environment of the Borough and well-being of residents.	-120,550	
Budget Equilibrium Reserve Reserve Balance	To safeguard against changes in Council funding.	-29,050	Yes
Land Valuation Reserve Reserve Balance	To allow the Council to value land within the Borough with a view to selling.	-16,563	
Borough Events Reserve Reserve Balance	To fund commemorative events held in the borough by the Council or other grant assisted groups.	-5,538	
COVID-19 Reserve Balance	To hold unspent grant funding received from central government for the financing of COVID-19 business support grants. This is a temporary reserve, with the expectation that all funding will	-364,355	

	either be granted or reclaimed by central government.		
Elections Reserve	To balance the budget for the four-yearly borough election cycle. Contributions of one quarter of the anticipated cost of the election are appropriated into the reserve in each of years 1-3, and then the balance is appropriated out in the year of the election.	-50,000	
Business Rates Retention Reserve	To hold the amounts required to fund the anticipated reserve deficit on business rates collection over the following three financial years.	-350,000	Yes
Corporate Peer Challenge Reserve	For the purpose of resourcing the recommendations as set out in the Corporate Peer Challenge	-900	
Other Earmarked reserve	Reserves containing the proceeds of revenue grants and Contributions rants and other external contributions that are yet to be used.	-122,568	
PDG Reserve Balance	Formerly Housing and Planning Delivery Grant Reserve and will be used to fund the development of the Local Plan in future years.	-269,563	
Grounds Maintenance Reserve Balance	This reserve holds commuted lump sums received from a developer earmarked for the maintenance of a specific green space.	-291,280	
<b>Total General Fund</b>		<b>-2,975,682</b>	

**Table 4 – HRA reserves**

<b>Reserve</b>	<b>Purpose of reserve</b>	<b>Balance @ November 2022 £</b>	<b>Proposed to be reallocated ?</b>
HRA Reserve @ 31/3/22		-1,154,961	
Major Repairs Reserve Balance	Resources available to meet capital investment in council housing.	-449,473	
Regeneration	Additional reserve set aside for regeneration and new build of council housing.	-361,443	
Housing Voids Levy Reserve	To mitigate the impact of any levy imposed by the Government in relation to the sale of high value void dwellings.	-220,000	Yes
Cost of Living	Fund designated for supporting tenants through the Cost of Living crises. Agreed by Council 15 November 2022.	-30,000	

Universal Credit HRA Reserve	To fund if necessary the impact of Universal Credit on the level of rent arrears and therefore income to the HRA.	-110,000	Yes
Budgets Carried Forward HRA Reserve Balance	Contains authorised budget carry forwards from this year, to be used in the next financial year.	-8,500	
<b>Total General Fund</b>		<b>-2,334,377</b>	

6.5 Assuming the proposals are approved, the revised General Fund and HRA reserves would be -£1,550,826 and -£1,484,961 respectively.

## 7.0 Capital Programme

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

7.2 The forecast outturn for the General Fund capital programme is £5.553m. A number of changes have been forecast since Quarter 1 and these include slippage in the following areas:

- 7.2.1 Council Office Refurbishment (£22.8k) and Bushloe House Car Park Resurfacing (£28k) – both of these schemes will not go ahead. The budgetary provision has been reprofiled to form a new capital maintenance provision for Brocks Hill of £10k per annum from 2023/24.
- 7.2.2 New Council Offices – £300k of the £3.3m scheme is expected to slip into 2023/24;
- 7.2.3 Invest to save £350k. There are no schemes identified against this provision currently.
- 7.2.4 £80k Finance system upgrade.
- 7.2.5 Coombe Park Pavilion project (£170k) removed until s106 funding received. Expect funding in 2-3 years' time at which project will be re-bid.

7.3 The forecast outturn for the HRA capital programme is £2.514m. A number of changes in respect of forecast slippage into 2023/24 have been forecast and include:

- 7.3.1 £35k on Doors and £65k on windows;
- 7.3.2 £514k Social Housing Decarbonisation Fund;
- 7.3.3 A significant amount (£1.83m) of the £2.33m provision for Horsewell Lane.

**Table 5 - Capital Programme Summary**

Fund	Revised Budget 2022/23	Spend To Date	Variance to Budget	Forecast Outturn
	£'000	£'000	£'000	£'000
General Fund	6,561	4,093	(2,468)	5,553
Housing Revenue Account	4,344	276	(4,068)	1,900
Total	10,905	4,369	(6,536)	7,453