



<b>Policy, Finance and Development Committee</b>	<b>Tuesday, 12 September 2023</b>	<b>Matter for Information</b>
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**Report Title:** **Budget Monitoring Report (Q1 2023/24)**

**Report Author(s):** **Andrew Kidder (Interim Finance Manager)  
Bev Bull (Head of Finance/Acting Chief Finance Officer / S151 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 2023/24, as at the end of the first quarter.
<b>Report Summary:</b>	<p>The Q1 forecast position for the year on the General Fund is a deficit of £282k compared to the revised budget for 2023/24. Actions to address and mitigate the forecast overspend position are presented within the report.</p> <p>The Q1 forecast for the HRA is a surplus of £9k, compared to a budgeted balanced position.</p> <p>Spending on the Council's HRA and General Fund Capital Programmes currently show significant slippage.</p>
<b>Recommendation(s):</b>	<p><b>That the Committee:</b></p> <p><b>A. Note the contents of the report and appendix;</b></p> <p><b>B. To approve the additions to the Capital Programme as detailed at paragraph 9.5.</b></p>
<b>Senior Leadership, Head of Service, Manager, Officer and Other Contact(s):</b>	<p>Sal Khan (Interim Strategic Director) (0116) 257 2690 <a href="mailto:sal.khan@oadby-wigston.gov.uk">sal.khan@oadby-wigston.gov.uk</a></p> <p>Bev Bull (Head of Finance /Acting Chief Finance Officer / S151 Officer) (0116) 257 2649 <a href="mailto:bev.bull@oadby-wigston.gov.uk">bev.bull@oadby-wigston.gov.uk</a></p> <p>Andrew Kidder (Interim Finance Manager) (0116) 257 2694 <a href="mailto:andrew.kidder@oadby-wigston.gov.uk">andrew.kidder@oadby-wigston.gov.uk</a></p>
<b>Strategic Objectives:</b>	Our Council (SO1)
<b>Vision and Values:</b>	"Our Borough - The Place To Be" (Vision) Resourceful & Resilient (V4)
<b>Report Implications:-</b>	
Legal:	There are no implications directly 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 directly arising from this report.
Human Rights:	There are no implications directly arising from this report.
Health and Safety:	There are no implications directly arising from this report.
<b>Statutory Officers' Comments:-</b>	
Head of Paid Service:	The report is satisfactory.
Chief Finance Officer:	The report is satisfactory.
Monitoring Officer:	The report is satisfactory.
<b>Consultees:</b>	Senior Leadership Team
<b>Background Papers:</b>	<a href="#">Office Relocation Project Closure Report -Capital Projects Sub Committee 30<sup>th</sup> June 2023</a>
<b>Appendices:</b>	Appendix 1 – Capital Programme 2023/24 Appendix 2 - Summary of the total amount invested in 2023/24 Appendix 3 – Prudential indicators 2023/24

## 1. Introduction

- 1.1 In February 2023, the Council approved its revenue and capital budgets for the general fund and the HRA.
- 1.2 This is the first monitoring report for the 2023/24 financial year and the report details the forecast financial outturn position based on actual financial activity to the 30 June 2023 and forecast costs and income from 31 July 2023 to 31 March 2024. Although economic conditions and inflationary pressures have started to ease there is still considerable pressure being felt on the Council's budgets and therefore the ability to achieve a balanced position at year-end.
- 1.3 This report also includes information on Treasury Management activities for 2023/24 to date at Section 10.

## 2. General Fund Forecast Outturn Position 2023/24

- 2.1 As at Quarter 1 (April to June 2023) the forecast outturn position for 2023/24 is £282K overspend which represents a 4.1% variance of the revised revenue budget (£7.602m). See **Table 1** below.

**Table 1 - General Fund Budget Monitoring Position By Service**

Service	Original Budget 2023/24	Revised Budget 2023/24	Forecast Outturn	Variance
	£	£	£	£
<b>Senior Leadership Team</b>	482,350	482,350	482,351	0
<b>Finance &amp; Resources (Including Corporate</b>	2,390,454	2,390,454	2,492,710	102,256

Budgets)				
<b>Law &amp; Democracy*</b>	757,652	754,437	813,740	59,303
<b>The Built Environment</b>	1,258,986	1,315,247	1,273,731	-41,516
<b>Community &amp; Wellbeing (inc Depot)*</b>	1,088,928	1,088,928	1,338,018	249,090
<b>Customer Service &amp; Business Transformation</b>	1,970,768	1,987,635	2,032,872	45,237
<b>HRA Recharge</b>	-1,433,803	-1,433,803	-1,433,803	0
<b>Capital Financing</b>	1,017,100	1,017,100	885,100	-132,000
<b>Net Revenue Expenditure</b>	<b>7,532,435</b>	<b>7,602,348</b>	<b>7,884,718</b>	<b>282,370</b>
Financed by:				
Funding	6,959,048	6,959,048	6,959,048	0
Earmarked Reserves	143,200	178,246	178,246	0
General Fund Reserve	430,187	465,054	747,424	282,370

\*£83k of the £249k pressure on Community and Wellbeing and £32k of the £59k pressure on Law and Democracy relate to original budget setting errors and are shown in Table 2 below. The true budget pressure attributable to the respective service is therefore only £193k of the £282k for these two Services identified above.

2.2 The principal reasons for the £282k variance are summarised below in **Table 2**

**Table 2 – Principal Variances in General Fund Budget Monitoring Position**

Issue	Q1 Forecast Variance	Major Reason for variance
	£	
<b>Swimming Pools &amp; Leisure Centre</b>	241	Leisure management fee income is forecast under budget by £233k. Negotiations are ongoing with SLM the operator, with open book in place until the 1 August. £8k cost pressure for external contractors.
<b>Corporate Management (Non-Financial)</b>	106	Unachievable annual vacancy management savings target.
<b>ICT</b>	68	£46K for Uniform software not budgeted. £30k forecast under achievement of capitalisation of salaries for project work, £19k net overspend on computer hardware. Off-set by £27k saving on vacant System Support post until March 2024.
<b>Non-Service specific</b>	115	There was a £83k error in the detailed budget setting when the transfer of the Community Wellbeing function to Blaby was reflected (the cost of transferring the service to Blaby remains as previously presented and agreed by members). The full cost of staff in the Environmental Health Admin & Enforcement budget was also not

		fully reflected £32k
<b>Selective Property Licensing Scheme</b>	83	Budget for Private Landlord licence income set too high.
<b>Capital Financing</b>	-132	Savings in capital financing charges of £132k due to significant slippage in capital programme funding requirements.
<b>Economic Development</b>	-62	Vacant Economic Regeneration Manager post
<b>Crime and Disorder Partnership</b>	-43	Unexpected CSP funding.
<b>Environmental Health</b>	-42	Unanticipated external funding to fund post.
<b>NNDR</b>	-39	Vacant Business Rates Officer post.
<b>Net of other smaller variances</b>	-13	
	<b>-282</b>	

- 2.3 Inflationary pressures although easing slightly 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. Certain key service areas have been particularly significantly affected.
- 2.4 The largest major variance forecast to date is the shortfall in fee income for the Leisure management fee, which is forecast to result in significant shortfall in 23/24 of approximately £233k. Negotiations are ongoing with the operator SLM and consequently we continue to operate on an open book basis until August 2023. The open book basis resulted in a shortfall of £300k compared to budget at the financial year-end for 2022/23.
- 2.5 A second significant budget pressure arises from the likely non-achievement of the corporate vacancy provision set at £106k. Whilst vacancies do arise and there may be a vacant period, in some areas additional costs are incurred for agency staff, use of agency staff is on an exceptional basis only.
- 2.6 In year actions are being identified and implemented to reduce the forecast overspend for 2023/24. SLT have agreed the following actions to be taken to reduce the level of forecast overspend for 2023/24;
- Vacancy freeze on non-essential posts
  - A freeze on non-essential, non-contractual, non-invest to save spend freeze.

Request for essential posts and spend are approved by SLT.

- 2.7 The Business Rates Officer, Systems Support Officer and Economic Regeneration Manager posts are currently being held as vacancies; the current forecast assumes this will be for the remainder of the year – this will be kept under review.
- 2.8 Internally within the Council, Officers are taking various actions to ensure good financial control. Communication and engagement with the Senior Leadership Team and Corporate Management Team in respect of the budget position is on-going and the Finance service continues to implement the finance business partner approach which enables greater engagement with budget holders across the Council.
- 2.9 **Tables 3 i) to vi)** below analyse the above overall £282,370 variance with Service level and explanatory note details.

**i) Senior Leadership Team**

<b>Service</b>	<b>Variance</b>	<b>Reason for variance</b>
	£000	
Senior Leadership Team	0	Not applicable – balanced position

**ii) Finance & Resources (Including Corporate Budgets)**

<b>Service</b>	<b>Variance</b>	<b>Reason for variance</b>
	£000	
Corporate Management (Financial)	12	Strategic Treasury Management advisors, spend is as per the contract. £8.5k additional costs relating to final accounts and external audit work.
Corporate Management (Non-Financial)	106	Unachievable annual vacancy management savings target.
NNDR	-39	Permanent staff savings from vacant post
Net cost of benefits	16	Estimated under-recovery of over-payments
Head of Finance, Revenues & Benefits	-7	Data sharing New Burdens Grant income
	14	
<b>Total</b>	<b>102</b>	

**iii) Law and Democracy**

<b>Service</b>	<b>Variance</b>	<b>Reason for variance</b>
Legal & Admin Service	2	Costs award made insufficient to fully recover of costs of action associated with Works in Default.
Democratic Representation & Management	7	Staff costs budget pressure
Taxi Licences	4	Level of license refunds paid higher than anticipated.
Alcohol and Entertainment Licences	-27	Excess income on Premises new applications and annual charges
Selective Property Licensing Scheme	83	Budget for Private Landlord licence income set too high.
Environmental Health	-42	Unbudgeted income from external funding.
<b>Total</b>	<b>27</b>	(Excludes £32k budgeting error detailed in table 2 above)

**iv) The Built Environment 1 & 2**

<b>Service</b>	<b>Variance</b>	<b>Reason for variance</b>
	£000	
Building Control Section	3	Due to economic downturn and cost of living crisis there is an increase in funding contributions required to meet the anticipated costs of the delegated Leicestershire Building Control Partnership
Planning Control	12	Net budget pressure arising from permanent staff salaries underspend and agency planning enforcement officer support for a fixed 3 month period to update planning enforcement policies and procedures
Planning Policy	-3	Excess of grant income funding
Planning Section	2	Perm staff salaries pressure
Economic Development	-62	Vacant economic regeneration post
RentPlus	5	Legal costs associated with a claim for disrepair.
Cleaning	2	Unbudgeted travel costs
Other	1	Other
<b>Total</b>	<b>-41</b>	

**v) Community & Wellbeing (inc Depot)**

<b>Service</b>	<b>Variance</b>	<b>Reason for variance</b>
	£000	
Swimming Pools & Leisure Centre	241	Leisure management fee income is forecast under budget by £233k. Negotiations are ongoing with SLM the operator, with open book in place until the 1 August. £8k cost pressure for external contractors.
Crime and Disorder Partnership	-43	Unexpected CSP funding.
Refuse Collection	4	Cost pressure on hired plant for Persistent Organic Pollutants (POPs) vehicle.
Oadby Depot	10	Business rates cost pressure (£10k).
Sports Grounds	-5	Excess income from reimbursements partially off-set by utility cost pressures
Cemeteries	-6	Forecast under-spend on

		salaries staff budget
Car Parks	-19	Small excess in fee income - £15k (based on 22/23 levels) and savings on expected repair costs.
Street Cleansing	12	Unrealisable income budget off-set by staff salaries saving
Facilities Management Holding Account	-9	Current under-spend on staffing
Bushloe House Offices and Grounds	9	Net overspends forecast on the Bushloe House building. The sale is now not expected until 2024/25 resulting in additional property costs . These are largely being off-set by additional savings against those provided for in the budget.
Fleet Management	-28	Curent forecast fuel price saving. Fuel prices are volatile, and this forecast may change.
Other	-2	
<b>Total</b>	<b>135</b>	(Excludes £83k budgeting error detailed in table 2)

**vi) Customer Service & Business Transformation**

<b>Service</b>	<b>Variance</b>	<b>Reason for variance</b>
Customer Services	2	Room hire costs and customer signage for Hubs
ICT	68	£46K for Uniform software not budgeted. £30k forecast under achievement of capitalisation of salaries for project work, £19k net overspend on computer hardware. Off-set by £27k saving on vacant systems admin post until March 2024.
Corporate Projects	-17	Staff cost saving.
Telephones	-4	Net overspend of telephone services.
Mechanics Workshop	-4	
<b>Total</b>	<b>45</b>	

**HRA Recharges**

<b>Service</b>	<b>Variance</b>	<b>Reason for variance</b>
	£000	
HRA Recharges	0	Not applicable – balanced position

**vii) Capital Financing**

<b>Service</b>	<b>Variance</b>	<b>Reason for variance</b>
	£000	
Capital Financing	-132	Savings in capital financing charges of £132k due to significant slippage in capital programme funding requirements
<b>Total</b>	<b>-132</b>	

**3. Bushloe House**

- 3.1 The impact of the direct costs of the delay in the sale of **Bushloe House** are shown under the Community and Well-Being Service at **Table v)**. This forecasts the net impact as an additional £9k of costs over budget. The costs of the delay are being mitigated due to the original budgeted costs for Bushloe Houe being set at a higher level than would have been needed.
- 3.2 In addition, at a Council wide level there are other costs being incurred by other service areas due to the delay in the sale of Bushloe House, such as dual-running IT and increased debt borrowing. These are approximately £91k (£21k for IT costs and £70k debt charges). The former is an additional budget pressure on the IT budget shown under Table vi) above. The latter is a budget pressure in the capital charges budget and is being offset by general slippage in the borrowing requirements for the capital programme in 2023/24 shown under (viii) above.
- 3.3 The current assumption is that there will be a full-year of residual operating costs at Bushloe House, with sale completion not expected until after the financial year.

**4. Sustainability Programme 2023/24**

- 4.1 The budget for 2023/24 included the following savings in respect of the sustainability programme approved as part of the MTFS.

**Table 5 - Sustainability Programme Savings**

	<b>2023/24</b>
Service Reviews	50,000
Income Generation	15,000
<b>Total 2023/24 Sustainability Programme Savings</b>	<b>65,000</b>

- 4.2 The 2023/24 saving targets have been achieved. £50k was achieved through Regeneration Team Restructuring/review and £15k additional income has been achieved through licensing income process improvements.

**5. Repayment of Sales, Fees and Charges compensation 20/21**



5.1 A reconciliation has been required by Central Government in relation to Sales, Fees and Charges compensation claimed for 20/21. The scheme requires Council's to only claim their actual income losses incurred in 2020/21. This has identified an overclaimed amount of £199k, this will be required to be repaid. It will need to be met from the general fund reserve.

## 6. Business Rates Pool Return

6.1 The amount we are due to receive from the business rates pool for 2020/21 and 2021/22 has been finalised at £732,194. The agreement for acceptance of the return from the pool is that the funding is to be used for activities that fall within a broad definition of Economic Regeneration agreed by all pool members. As we can demonstrate that we have incurred costs up to the value of our return from pool on activities that meet the broad definition of Economic Regeneration in 2020/21 and 2021/22, the return from the pool will be added to the General Fund Reserve

## 7. Impact on General Fund Reserve

7.1 The table below forecasts the General Fund Balance as 31 March 2024 based on the latest quarter 1 forecast and other known impacts on the reserve.

**Table 6 - Forecast General Fund Reserve 31 March 2024.**

<b>Opening Balance</b>	<b>(1,450,858)</b>
Use of reserve in setting the budget for 23/24	430,187
Supplementary Budget	33,000
Forecast overspend Q1	282,370
Sales Fees and Charges clawback	198,670
Return from the Business Rates Pool 20/21 and 21/22	(732,194)
<b>Estimated Closing Balance</b>	<b>(1,238,825)</b>

7.2 The above table demonstrates the Council has limited general fund reserves, the use of reserves in setting the budget, and using the reserve to fund the in-year overspend is not sustainable. Both these actions reduce reserves further making the Council vulnerable to any future unforeseen budget pressures. This highlights the importance to take action to reduce the forecast overspend before the year end 31 March 2024 and the importance in setting a budget within the resources available for future years.

## 8. Housing Revenue Account (HRA)

8.1 The Housing Revenue Account opening balance as at 1st April 2023 on its main reserve was £1.418m. In 2023/24 the account has been forecast to have a budget deficit of £370K leaving an estimated HRA Reserve balance of £1.048m.

8.2 The position on the account as the end of Quarter 1 is set out in **Table 7** below.

**Table 7 - HRA Position Quarter. 1**

	<b>Revised Budget 2023/24</b>	<b>Forecast Outturn 2023/24</b>
	£'000	£'000
<b>Net Cost of Services on the HRA</b>	-356	-378
<b>Capital Charges</b>	747	747
<b>Revenue Contributions to Capital Appropriations to Earmarked Reserves</b>	0	0
	391	370
<b>Actual Balance b/f HRA a/c</b>	-1,418	-1,418
<b>Budget Deficit in the Year</b>	391	370
<b>Balance c/f HRA a/c</b>	<b>1,027</b>	<b>1,048</b>

8.3 The variance to budget at the end of Quarter 1 is a £9k under-spend compared to budget and **Table 8** below shows the principal reasons for this performance.

**Table 8 HRA Variance to Budget at Quarter 1 23/24**

<b>Service</b>	<b>Variance</b>	<b>Reason for variance</b>
Rents and Service Charges	13	Income from garage rents expected to be lower than budgeted. A review of our garage stock and how we can maximise this income is expected to be completed before the end of the year.
Computer Software	11	This is due to inflationary linked increases to our annual licences and maintenance of our Housing IT system.
Housing Tenancy Management posts	-26	Saving on salaries due to a small restructure post budget-setting.
Estate Management	23	Horsewell Lane development project management costs of £49K, offset against savings of £17K from our consultancy budget, and £9K new burdens grant income
Communal Heating Charges	14	Expected income from heating charges for all 3 schemes is not enough to cover our costs. The next review will coincide with the release of our new gas price contract where a further assessment will be carried out to determine whether an increase to the charge is required.
Repairs & Maintenance	-51	Savings in void maintenance

		costs based on the projected number of voids and the average costs per property.
	-5	Other
<b>Total</b>	<b>-21</b>	

## 9. Capital Programme

- 9.1 The 2023/24 Capital Programme was set at Full Council in February 2023 Table 9 below shows a summary of the 2023/24 capital programme and the full capital programme is shown in Appendix 1.
- 9.2 The forecast outturn for the General Fund capital programme is £2.289m with significant slippage of £626k estimated by outturn. A significant reason for that will be the £263k under-spend on the vehicle refurbishment project with the long-lead in times for procurement causing the delay in the programme and the new sports facilities schemes now being re-programmed for 24/25 - £495k.
- 9.3 The forecast outturn for the HRA capital programme is £1.532m. with significant slippage of £3.505m estimated by outturn. The New Housing Initiatives and Decarbonisation of Housing Stock schemes shown in the Table below account for £2.957m (84%) of that anticipated slippage with explanations provided.
- 9.4 There is a potential for this position to change in 23/24 and this will be closely monitored as the impact on Council borrowing requirements could be considerable if planned spend does increase. This will be identified at the earliest opportunity.

**Table 9 – Capital Programme Summary**

Fund	Revised Budget 2023/24	Spend and Commitments to Date	Forecast Outturn	Forecast Variance to Budget	Explanation
	£'000	£'000	£'000	£'000	
<b>General Fund Schemes</b>					
New Council Offices	563	807	925	362	Overspend as per report to Capital Sub Committee.
Vehicle Refurbishment	583	70	320	(263)	Order placed. Long lead time on vehicles, so delivery expected in the current FY, about December 2023
Sports Facilities	495	0	0	(495)	Scheme will slip to 24/25
Other	1,274	548	1,054	(220)	
<b>Total</b>	<b>2,915</b>	<b>1,425</b>	<b>2,299</b>	<b>(616)</b>	
Housing Revenue Account					

					Unlikely to commence works this financial year. But project management costs of £49k are showing in HRA Estate Mngt currently until scheme commences.
New Housing Initiatives	2,443	0	0	(2,443)	
Decarbonisation of Housing Stock	514	0	0	(514)	
Housing Block Improvements	469	47	450	(19)	Expected spend level
Other	1,611	441	1082	(529)	
HRA Scheme Total	<b>5,037</b>	<b>488</b>	<b>1,532</b>	<b>(3,505)</b>	
Total	<b>7,952</b>	<b>1,913</b>	<b>3,831</b>	<b>(4,121)</b>	

9.5 Committee are asked to approve:

- An addition to the capital programme of £20k for essential Health and Safety works at the Depot. This will be required to be funded as prudential borrowing. A recent inspection of the vehicle workshop at the Depot has identified that staff are exposed to high levels of atmospheric contaminants which are likely to be injurious to health if not properly managed. The report recommended the installation of a mechanical extraction system to minimise the risk of long-term health problems to staff employed within the workshop.
- An increase to the Decarbonisation of Housing Stock scheme on the HRA capital programme to recognise the successful bid to Department for Energy Security and Net Zero (DESNZ) for Social Housing Decarbonisation Fund. The increases required are £277k for 2023/24 and £302k for 2023/24. A report on the Social Housing Decarbonisation Fund was presented to Services Committee on the 5<sup>TH</sup> September 2023.

## 10. Treasury Management

- 10.1 The report includes an update on Treasury Management activities to 30 June 2023. This is required to comply with both the "Code of Practice on Treasury Management in Local Government" and the Council's own Treasury Management Policy Statement.
- 10.2 The Code requires the Section 151 Officer to ensure that the treasury management function operates in accordance with treasury management practices adopted by Council. There are no issues of non-compliance with these practices that need be brought to Member's attention.
- 10.3 As at the 30<sup>th</sup> of June 2023, the total debt portfolio of the Council (including HRA debt) is £34.025m offset by investments of £3.0m, resulting in an overall net debt position of £31.025m.

<b>External Borrowing</b>	<b>As At 31/03/23 £m</b>	<b>As At 30/06/23 £m</b>
Fixed Rate PWLB	19.069	19.025
Other Local Authorities	15.000	15.000
<b>Total Gross</b>	<b>34.069</b>	<b>34.025</b>

<b>External Debt</b>		
Investments	0.000	(3.000)
<b>Total Net External Debt</b>	<b>34.069</b>	<b>31.025</b>

10.4 The total interest receivable to 30 June 2023 on temporary investments is £29,702 (2022/23 full year interest was £92,465). A summary of the total amount invested in 2023/24 to date is given at **Appendix 2**.

10.5 **Prudential Indicators**

The Local Government Act 2003 requires Councils to comply with the Prudential Code for Capital Finance in Local Authorities when carrying out their budgeting and treasury management activities. Fundamental to this is the calculation of a number of prudential indicators which provide the basis for management and monitoring of borrowing and investments. These indicators were agreed by Council on 7 February 2023. An update on the indicators is provided at **Appendix 3**