



<b>Policy, Finance and Development Committee</b>	<b>Tuesday, 05 December 2023</b>	<b>Matter for Information and Decision</b>
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**Report Title:** **Budget Monitoring Report (Q2 2023/24)**

**Report Author(s):** **Deborah Proctor (Interim Finance Manager)**

<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 second quarter.
<b>Report Summary:</b>	<p>The Q2 forecast position for the year on the General Fund is an overspend of £488K compared to the revised budget of £7,586K for 2023/24. Actions to address and mitigate the forecast overspend position are presented within the report.</p> <p>The Q2 forecast for the HRA is an underspend of £73K, compared to a budgeted deficit of £391K.</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> <ol style="list-style-type: none"> <li>1. Notes the contents of the Quarter 2 report and Appendices; and</li> <li>2. Approves a supplementary budget for the essential temporary resources in the Finance Team (section 2.8).</li> </ol>
<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 /Section 151 Officer) (0116) 257 2649 <a href="mailto:bev.bull@oadby-wigston.gov.uk">bev.bull@oadby-wigston.gov.uk</a></p> <p>Deborah Proctor (Interim Finance Manager) (0116) 257 2823 <a href="mailto:deborah.proctor@oadby-wigston.gov.uk">deborah.proctor@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. EA not applicable
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>	1. 2023/24 Revenue Budgets, Medium Term Financial Plan 2023/24 – 2027/28 Capital Programmes – Full Council 23 February 2023 2. Budget Monitoring Report (Q1 2023/24) – PFDC 12 September 2023
<b>Appendices:</b>	A1. Reserves Movements A2. Capital Programme 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 second monitoring report for the 2023/24 financial year and the report details the forecast financial outturn position for the year. Although economic conditions and inflationary pressures have started to ease, there is still considerable pressure on the Council's budgets and therefore the ability to deliver services within the revised budget.

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

- 2.1 At Quarter 2 (April to September 2023) the forecast outturn position for 2023/24 is a **£488K** overspend which represents a 6.4% variance of the revised revenue budget of £7.586m as shown in **Table 1** below.
- 2.2 It is important to note the 2023/24 budget was set utilising **£430K** of general reserve to balance the budget. Therefore, in total **£879K** use of general reserve is forecast in managing the 2023/24 budget position, demonstrating the Council's budget is not sustainable. Its expenditure is exceeding its funding on an ongoing basis. The budget setting 2024/25 and Medium-Term Financial Plan show this is forecast to continue each year. Urgent action is needed to address this position.

**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	465,210	(17,140)
<b>Finance &amp; Resources (Including Corporate Budgets)</b>	2,390,454	2,390,454	3,075,706	685,252
<b>Law &amp; Democracy*</b>	757,652	730,162	808,875	78,713
<b>The Built Environment</b>	1,258,986	1,315,247	1,111,416	(203,831)
<b>Community &amp; Wellbeing (inc Depot)*</b>	1,088,928	1,088,928	1,416,679	327,751
<b>Customer Service &amp; Business Transformation**</b>	1,970,768	1,995,186	2,029,327	34,141
<b>HRA Recharge</b>	(1,433,803)	(1,433,803)	(1,433,803)	-
<b>Capital Financing</b>	1,017,100	1,017,100	600,595	(416,505)
<b>Net Revenue Expenditure</b>	<b>7,532,435</b>	<b>7,585,624</b>	<b>8,074,005</b>	<b>488,381</b>
Financed by:				
Funding	6,959,048	6,959,048	6,959,048	-
Earmarked Reserves	143,200	163,389	163,389	-
General Fund Reserve	430,187	463,187	951,567	488,381
<b>Total Financing</b>	<b>7,532,435</b>	<b>7,585,624</b>	<b>8,074,005</b>	<b>488,381</b>

\*£32K of the £79K pressure on Law and Democracy and £118K of the £328K pressure on Community and Wellbeing relate to original budget setting errors and are shown in Table 2 below totalling £150K. Law & Democracy is showing a true budget pressure of £47K and Community & Wellbeing is showing a true budget pressure of £210K.

\*\*ICT, Systems Admin & Corporate Projects are currently within Customer Services but will be reallocated within Finance & Resources for the Q3 report. The true budget pressure for Customer Services is £12K.

2.3 The principal reasons for the variances are summarised below in **Table 2**.

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

Service	Variance £'000	Reason for variance
Net cost of benefits	397	Mainly homeless costs for temporary accommodation plus other small movements on net cost of benefits
Swimming Pools & Leisure Centre	254	<b>£243K</b> income shortfall on the leisure management fee income as reported at Q1 and a <b>£11K</b> overspend external contractor costs.
Non service-specific	150	There was a £118k 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. This was reported at Q1.
Pay Award	147	Pressure from Pay Awards being higher than budgeted.
Vacancy Target	119	Unachievable vacancy saving as reported at Q1.
Finance	123	Permanent salary staff savings off-set by interim agency costs on essential posts.
Selective Property Licensing Scheme	109	<b>£100K</b> overbudgeted for Private Landlord Property licences identified in Q1, <b>£10K</b> pressure from staff salaries, <b>£1K</b> overspend on supplies and services.
Brocks Hill Move	70	Moving costs, utilities and maintenance of new conferencing system compensated by savings in Bushloe.
Homelessness	(206)	<b>£160K</b> increased demand and cost pressures with emergency accommodation, <b>£22K</b> increased staff and misc. costs to provide the service, <b>£(169)K</b> additional grant funding (£144K Homelessness prev. Grant, £52K Homes For Ukraine, £39K Home Office Full Dispersal Grant), <b>£(197)K</b> increased Housing Ben receipts and recovery, <b>£(22)K</b> increased rental income.
Capital Financing	(417)	Savings in capital financing charges due to <b>£(343)K</b> MRP savings, <b>£(29)K</b> savings from interest payable due to slippage, <b>£(45)K</b> additional interest receivable due to interest rate increases. Increasing from £132K savings reported at Q1.
Other	(258)	Other variances under £70K (see Tables below).
<b>Total</b>	<b>488</b>	

- 2.4 Although easing, inflationary pressures continue to affect all services across the Council, such as substantially increased costs for contracts, utility costs, supplies and services, building material and repair costs.
- 2.5 The largest major variance is within the service area "Net Cost of Benefit" which is forecast an overspend of £397K. This variance is mainly homeless costs for temporary accommodation plus other small movements on net cost of benefits.
- 2.6 The Swimming Pools and Leisure Centre are expected to see a fall in income due to an income shortage and increased costs to run the Service by the contractor.
- 2.7 Another significant budget pressure of £123K has arisen within the Finance Service; most of this pressure is from agency costs in the provision of essential resources needed within the finance team.
- 2.8 In year actions are being identified and implemented to reduce the forecast overspend for 2023/24. SLT have agreed actions to be taken to reduce the level of forecast overspend for 2023/24: A vacancy freeze on non-essential posts and a freeze on non-essential, non-contractual, non-invest to save spend freeze.

- 2.9 The Business Rates Officer, System Support Officer, Regeneration Project Officer and Economic Regeneration Manager posts are currently vacant; the current forecast assumes this will be for the remainder of the year.
- 2.10 Internally within the Council, officers are taking various actions to maintain 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.
- 2.11 A supplementary budget is requested for the £123K cost of agency staff within the finance team for essential posts to meet the overspend identified. The supplementary budget was initially discussed and agreed with the PFD Chair, however following the recruitment process the costs are now over £50K for each post and therefore committee approval is required. The additional resources are required to enable the Council to meet its statutory financial responsibilities and provide additional support in managing the challenging financial position.
- 2.12 **Tables 3 i) to vii)** below analyse the variances at the Service level with explanatory notes.

**i) Senior Leadership Team**

<b>Service</b>	<b>Variance £'000</b>	<b>Reason for variance</b>
Senior Leadership Team	(17)	Savings from both Strategic Director posts.
<b>Total</b>	<b>(17)</b>	

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

<b>Service</b>	<b>Variance £'000</b>	<b>Reason for variance</b>
Net cost of benefits	397	Mainly homeless costs for temporary accommodation plus other small movements on net cost of benefits.
Finance	147	Mainly due to agency staff cost pressures (essential posts).
Vacancy Target	119	Unachievable vacancy savings.
<b>Service</b>	<b>Variance £'000</b>	<b>Reason for variance</b>
Brocks Hill Move	70	Moving costs, utilities and maintenance of new conferencing system compensated by savings in Bushloe.
Head of Finance, Revenues & Benefits	(24)	Due to New Burdens income and savings in admin post.
Corporate Management	4	Strategic Treasury management advice costs over budget.

Council Tax Support	4	Pressure from Pay Award.
Non-Domestic Rates	(31)	Staff vacancies saving on Business Rates post <b>£(34)K</b> and <b>£3K</b> pressure from Pay Award.
<b>Total</b>	<b>685</b>	

iii) **Law and Democracy**

Service	Variance £'000	Reason for variance
Selective Property Licensing Scheme	111	Mainly from underachieved income from Private Landlord Property licences.
Non service-specific	32	The full cost of staff in the Environmental Health Admin & Enforcement budget was also not fully reflected. As reported at Q1.
Election Expenses	16	Increased staff costs at polling station to assist with introduction of voter ID offset by gov't grants provided elsewhere (Finance).
Democratic Representation & Management	10	<b>£8K</b> Pay Increase Manager post, <b>£3K</b> Pay Award pressure, partly mitigated by <b>£(1)K</b> savings in supplies and services.
Environmental Health Administration / Enforcement	2	<b>£5K</b> House Cleaning & Clearance costs, <b>£3K</b> Pay Award pressure, partly mitigated by <b>£(3)K</b> Pub clearance recovery costs, <b>£(3)K</b> funeral costs recovered.
Health and Safety	2	<b>£1,000</b> Pay Award pressure, <b>£900</b> overspent on first aid mitigated by a small <b>£(105)</b> underspend on salaries because more first aiders recruited than expected.
Service	Variance £'000	Reason for variance
Licensing Service	(39)	<b>£1K</b> Pay Award pressure, <b>£(35)K</b> salary recharged to grant funded housing insulation improvement scheme, <b>£(5)K</b> savings on software.
Alcohol and Entertainment Licences	(29)	<b>£(7)K</b> excess income on Premises new applications and <b>£(22)K</b> from annual charges.
Register of Electors	(16)	Savings achieved from postage recharges.
Taxi Licences	(7)	<b>£(5K)</b> higher than expected licence competency fee income and <b>£(1)K</b> income from HPI checks and <b>£(1)K</b> licence plate bracket sales.
Legal & Admin Service	(3)	Costs of legal costs offset by costs award made.
<b>Total</b>	<b>79</b>	

**iv) The Built Environment**

<b>Service</b>	<b>Variance £'000</b>	<b>Reason for variance</b>
Planning Control	30	Net budget pressure arising from agency support to update planning enforcement policies and procedures.
Building Control Section	15	Due to economic downturn and cost of living crisis there is a shortfall in anticipated costs resulting from contributions to the delegated Leicestershire Building Control Partnership.
<b>Service</b>	<b>Variance £'000</b>	<b>Reason for variance</b>
Planning Section	3	Negligible overspend (permanent staff).
Other	2	Small value variances across the Built Environment.
Cleaning Contract	2	Unbudgeted travel costs in between council sites.
Homelessness	(204)	Mainly from additional homeless grants. (See Net Cost of Benefits in Finance where the impact of increased homelessness creates a budget pressure.)
Economic Development	(30)	<b>£109K</b> adverse due to salaries, some capitalisation not achieved, <b>£5K</b> projected overspend from Christmas lights costs (electricity), <b>£4K</b> pressure from Pay Award. These costs were mitigated by <b>£(130)K</b> vacancy savings on Economic Regeneration Manager and 2x Economic Project Managers, and <b>£(18)K</b> savings from Manager salary costs charged elsewhere.
Planning Policy	(21)	Overspend due to <b>£37K</b> Agency costs and shared salary costs, <b>£4K</b> pressure from Pay Award, mitigated by <b>£(31)K</b> savings in salaries from vacancies and <b>£(31)K</b> unbudgeted Grant income.
<b>Total</b>	<b>(204)</b>	

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

<b>Service</b>	<b>Variance £'000</b>	<b>Reason for variance</b>
Swimming Pools & Leisure Centre	254	<b>£243K</b> income shortfall on the leisure management fee income as reported at Q1 and a <b>£11K</b> overspend external contractor costs.
Non service-specific	118	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). This was reported at Q1.
Refuse Collection	11	Cost pressure on hired plant for POPs vehicle.
Recycling Collection	10	<b>£16K</b> overspend in contractual overtime/agency costs, <b>£10K</b> Pay Award pressure, mitigated by <b>£(16)K</b> savings in supplies and services.

Garden Waste Collection	8	<b>£20K</b> unachieved income from Garden waste collections mitigated by <b>£(12)K</b> savings in stationery costs.
Street Cleansing	1	<b>£(26)K</b> salary cost saving vacant post, <b>£21K</b> unmatched income budget needs to be removed, <b>£6K</b> Pay Award pressure.
Fleet Management	(27)	<b>£6K</b> overspends in tyre costs from damage at recycling facility mitigated by <b>£(33)K</b> savings from lower fuel costs.
Facilities Management Holding Account	(21)	<b>£(24)K</b> Salary savings through vacancies and <b>£3K</b> pressure from Pay Awards.
Car Parks	(16)	Overachievement in income.
Grants	(11)	Fewer than expected grant payments to 3rd parties.
Crime and Disorder Partnership	(10)	Unbudgeted cumulative CSP funding for 2021-24 and <b>£(84)K</b> and <b>£73K</b> expenditure for OPCC Youth prevention work.
Other	11	A number of smaller variances.
<b>Total</b>	<b>328</b>	

#### vi) Customer Service & Business Transformation

Service	Variance £'000	Reason for variance
ICT	66	<b>£46K</b> unbudgeted "Uniform" software, <b>£30K</b> for salaries that could not be capitalised, <b>£18K</b> overspend on hardware, <b>£6K</b> Pay Award pressure, partly mitigated by <b>£(20)K</b> savings on contractors costs, <b>£(14)K</b> misc. supply costs.
Human Resources	11	<b>£11K</b> overspend for professional services.
Service	Variance £'000	Reason for variance
Head of Customer Services & Transformation	8	Pressure from salary costs.
Customer Service Improvement	2	Pressure from Pay Awards.
Systems Administration	(29)	<b>£(32)K</b> vacancy saving System Support Officer, <b>£3K</b> Pay Award pressure.
Corporate Projects	(15)	<b>£(15)K</b> staff savings.
Customer Services	(8)	Vacancy savings.
<b>Total</b>	<b>34</b>	

#### HRA Recharges

Service	Variance £'000	Reason for variance
HRA Recharges	-	Not applicable – balanced position



## vii) Capital Financing

Service	Variance £'000	Reason for variance
Capital Financing	(417)	Savings in capital financing charges due to <b>£(343)K</b> MRP savings, <b>£(29)K</b> savings from interest payable due to slippage, <b>£(45)K</b> additional interest receivable due to interest rate increases.
<b>Total</b>	<b>(417)</b>	

### 3. Sustainability Programme 2023/24

3.1 The budget for 2023/24 included the following savings in respect of the sustainability programme approved as part of the MTFs.

**Table 4 - Sustainability Programme Savings**

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

3.2 The 2023/24 saving targets have been achieved as reported at Quarter 1. £50K was achieved through Regeneration Team Restructuring/review and £15K additional income has been achieved through licensing income process improvements.

### 4. Impact on General Fund Reserve.

4.1 The table below forecasts the General Fund Balance at the year-end based on the latest quarter 2 forecast and other known impacts on the reserve.

**Table 5 - Forecast General Fund Reserve 31 March 2024.**

<b>Opening Balance</b>	<b>(1,412,772)</b>
Use of reserve in setting the budget for 23/24	430,187
Supplementary Budget	33,000
Forecast overspend Q2	488,381
Sales Fees and Charges clawback as per Q1 report	198,670
Return from the Business Rates Pool 20/21 and 21/22 as per Q1 report	(732,194)

Re-purposing of earmarked reserves	(72,912)
<b>Estimated Closing Balance</b>	<b>(1,067,640 )</b>

4.2 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 urgency and importance to take action to reduce the forecast overspend before the year ending 31 March 2024 and the importance in setting a budget within the resources available for future years. Further detailed analysis of Reserves movements are shown in **Appendix 1**.

## 5. Housing Revenue Account (HRA)

5.1 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 £318K leaving an estimated HRA Reserve balance of £1.100m.

5.2 The position on the account as the end of Quarter 2 is set out in **Table 6** below.

**Table 6 - HRA Position Quarter 2**

	<b>Revised Budget 2023/24 £'000</b>	<b>Forecast Outturn 2023/24 £'000</b>
<b>Net Cost of Services on the HRA</b>	(356)	(388)
<b>Capital Charges</b>	747	706
<b>Revenue Contributions to Capital Appropriations to Earmarked Reserves</b>	-	-
	391	318
<b>Actual Balance b/f HRA a/c</b>	(1,418)	(1,418)
<b>Budget Deficit in the Year</b>	391	318
<b>Balance c/f HRA a/c</b>	<b>1,027</b>	<b>1,100</b>

5.3 The variance to budget at the end of Quarter 2 is a **£73K** underspend (£318K forecast spend against a budget of £391K). **Table 7** below shows the principal reasons for this performance.

**Table 7 HRA Variance to Budget at Quarter 2**

<b>Service</b>	<b>Variance £'000</b>	<b>Reason for variance</b>
Estate Management	20	Horsewell Lane development project management costs of <b>£37K</b> offset against savings of <b>£(17)K</b> from the consultancy budget.
Rents and Service Charges	19	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.

Communal Heating Charges	14	Expenditure on heating for sheltered scheme is higher than expected. Review of existing heating charges is ongoing.
Gas Service Repairs Contract	14	This is due to an inflationary linked increase to the annual contract from October.
Computer Software	11	Overspend due to inflationary linked increases to the annual licences and maintenance of the Housing IT system.
Repairs & Maintenance	(52)	Savings in void maintenance costs.
Capital Charges	(41)	Savings on capital charges.
Housing Tenancy Management posts	(37)	Saving on salaries after a restructure, vacancies which have now been recruited to.
Housing Maintenance posts	(14)	Savings from vacancies.
Communal Areas	(8)	Higher than expected electricity costs of <b>£4K</b> . Savings from day to day repairs of speech call door entry system of <b>£(12)K</b> .
<b>TOTAL</b>	<b>(73)</b>	

## 6. Capital Programme

- 6.1 The 2023/24 Capital Programme was set at Full Council in February 2023. Table 8 below shows a summary of the 2023/24 capital programme; the full capital programme is shown in **Appendix 2**.
- 6.2 The forecast outturn for the General Fund capital programme is £2.350m with significant slippage of £585K estimated by outturn. A significant reason for that is the new sports facilities schemes now being re-programmed for 24/25 - £495K.
- 6.3 The forecast outturn for the HRA capital programme is £2.311m with significant slippage of £3.004m estimated by outturn. The New Housing Initiatives scheme shown in the Table below accounts for £2.423m (81%) of the anticipated slippage with explanations provided.
- 6.4 There is a potential for this position to change in 23/24. This will be closely monitored, as the impact on Council borrowing requirements could be considerable if planned spend increases. This will be identified at the earliest opportunity.

**Table 8 – Capital Programme Summary**

Fund	Revised Budget 2023/24 £'000	Spend and Commitments to Date £'000	Forecast Outturn £'000	Forecast Variance to Budget £'000	Explanation
<b>General Fund Schemes</b>					
New Council Offices	563	881	925	362	Overspend as per report to Capital Sub Committee.
Vehicle Refurbishment	952	653	903	(49)	Order placed. Long lead time on vehicles, so delivery expected in the

					current FY, about December 2023
Sports Facilities	495	-	-	(495)	Scheme will slip to 24/25
Other	905	667	502	(403)	
<b>Total</b>	<b>2,935</b>	<b>2,201</b>	<b>2,350</b>	<b>(585)</b>	
<b>Housing Revenue Account</b>					
New Housing Initiatives	2,423	-	-	(2,423)	Unlikely to commence works this financial year. But project management costs of £49k are showing in HRA Estate Mngt currently until scheme commences.
Decarbonisation of Housing Stock	791	-	791	0	£277K of grant funding received for 23/24. £277K of Council funding required to match.
Housing Block Improvements	450	334	450	-	Expected to spend in full
Other	1,651	457	1,070	(581)	
<b>HRA Scheme Total</b>	<b>5,315</b>	<b>791</b>	<b>2,311</b>	<b>3,004</b>	
<b>Total</b>	<b>8,250</b>	<b>2,992</b>	<b>4,661</b>	<b>(3,859)</b>	