



**Policy, Finance and  
Development  
Committee**

**Tuesday, 06 February  
2024**

**Matter for  
Information**

**Report Title: Budget Monitoring Report (Q3 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, at the end of Quarter 3 (Q3).
<b>Report Summary:</b>	<p>The Q3 forecast position for the year on the General Fund is an overspend of <b>£563K</b> compared to the revised budget of £7,709K for 2023/24. Actions to address and mitigate the forecast overspend position have been presented within the report.</p> <p>The Q3 forecast for the HRA is an underspend of <b>£44K</b>, 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> <ul style="list-style-type: none"><li><b>a) Note the contents of the Quarter 3 report and the Appendices;</b></li><li><b>b) Approve the movement of capital budget from the New Housing Initiative scheme to create the new Purchasing Existing Properties scheme;</b></li><li><b>c) Approve the delegated authority for the purchase of a suitable dwelling to add to the HRA housing stock;</b></li><li><b>d) Approve the reduction of the 2023/24 capital programme budgets by the forecast slippage amounts and the increase of the capital programme budgets for 2024/25 to reflect the slippage; and</b></li><li><b>e) Approve the creation of an NNDR Equalisation Reserve to hold income over budget created in one year so it can fund a deficit in a future year.</b></li></ul>
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<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 3. Budget Monitoring Report (Q2 2023/24) – PFDC 5 December 2023
<b>Appendices:</b>	1. Variance Analyses of Services 2. Reserves Movements 3. Capital Programme 2023/24 4. Treasury Management Report 5. MEMORANDUM Capital Programme Q3 2023/25 – Table 8

## 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 third 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 3 (December 2023) the forecast outturn position for 2023/24 is a **£563K** overspend which represents a 7.3% variance of the revised revenue budget of £7.709m as shown in **Table 1** below.
- 2.2 The revised revenue budget has increased since Quarter 2 by £123K to £7.709m to reflect the supplementary budget approved by this committee at the meeting on 5 December 2023. This was for an increase to the Finance budget to cover agency costs for essential posts within the finance team.
- 2.3 As reported previously, the 2023/24 budget was set utilising **£430K** of general reserve to balance the budget. Therefore, in total **£1.149m** 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. Members and Officers are continuing to work together on the budget setting 2024/25 and Medium-Term Financial Plan to develop plans to move away from the reliance on reserves to balance the budget.

**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	416,813	(65,537)
<b>Finance &amp; Resources (Including Corporate Budgets)</b>	2,390,454	3,344,202	3,835,398	491,196
<b>The Built Environment</b>	1,258,986	1,315,247	1,106,923	(208,324)
<b>Law &amp; Democracy*</b>	757,652	730,162	795,715	65,553
<b>Community &amp; Wellbeing, Corporate Assets, Depot**</b>	1,088,928	1,088,928	1,818,891	729,963
<b>Customer Service &amp; Business Transformation</b>	1,970,768	1,164,438	1,130,573	(33,865)
<b>HRA Recharge</b>	(1,433,803)	(1,433,803)	(1,433,803)	-
<b>Capital Financing</b>	1,017,100	1,017,100	601,372	(415,728)
<b>Net Revenue Expenditure</b>	<b>7,532,435</b>	<b>7,708,624</b>	<b>8,271,883</b>	<b>563,259</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	586,187	1,149,446	563,259
<b>Total Financing</b>	<b>7,532,435</b>	<b>7,708,624</b>	<b>8,271,883</b>	<b>563,259</b>

NOTE TO TABLE 1

\* Law and Democracy: £32K of the £66K variance relates to budget setting errors; budget pressure is £34K

\*\* Community and Wellbeing, Corporate Assets, Depot: £118K of the £730K variance relates to budget setting errors; budget pressure is £612K.

2.4 The major variances at quarter 3 are summarised in Table 2 below. Further detailed analysis of the variances in each Service with explanatory notes is provided in **Appendix 1.1**.

2.5 **Table 2 – Major Variances over £30K**

Service Area	Team	Variance (under)/over-spend	Key reasons for forecast variance
		£'000	
SLT	Corporate Costs	(34)	Savings from costs over-accrued from previous year.
	Senior Leadership Team	(42)	Savings on Strategic Director posts due to changes in post holders.
Finance & Resources	ICT	34	UNIFORM software: unbudgeted spend.
	Net Cost of Benefit	355	Mainly homeless costs for temporary accommodation plus other small movements on net cost of benefits.
	Non-Domestic Rates	(39)	£(32)K Vacancy savings: Bus Rates Officer post frozen. £(7)K underspend professional fees.
	Systems Administration	(33)	Vacancy savings (post frozen from August 2023).
	Vacancy Target	119	Corporate vacancy savings target removed.
The Built Environment	Economic Development	(87)	£(74)K due to some salary capitalisation not achieved, pressure from Pay Award mitigated by vacancy savings on Economic Regeneration Manager and 2x Officers, £5K overspend from Christmas lights costs (electricity), and £(18)K savings from costs charged elsewhere.
	Homelessness	(227)	Mainly from additional homeless grants income and housing benefit receipts.
	Planning Control	68	Mostly £45K from unachieved planning income, and £23K salary pressures and minor variances.
Law & Democracy	Alcohol and Entertainment Licences	(30)	Mostly due to recovery of historical uncollected premises licences.
	Licensing Service	(45)	Mostly due to £(40)K salary and £(5)K subscription changes being recharged elsewhere.
	Non service-specific	32	The full cost of staff in the Environmental Health Admin & Enforcement budget was not fully reflected, as reported previously.
	Selective Property Licensing Scheme	110	Mainly from underachieved income from Private Landlord Property licences.

Community & Wellbeing	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.
	Swimming Pools & Leisure Centre	260	Income shortfall on the leisure management fee income previously reported an overspend on external contractor costs.
Corporate Assets	Brocks Hill Move	72	Moving costs, utilities and maintenance of new conferencing system.
	Bushloe House Offices and Grounds	70	Delays in sale, incurred utility costs (under investigation).
	Cemeteries	55	Mostly from reduced fees income.
Depot	Domestic Refuse Collection	51	£6K cost pressure on hired plant, £34K overspent due to contractual payments for working bank holidays, £11K unachieved income from collection of white goods.
	Fleet Management	39	Unexpected vehicle repairs.
Capital Financing	Capital Financing	(416)	Savings in capital financing charges due to £(343)K MRP savings, £(29)K savings from interest payable due to slippage, £(45)K additional interest receivable due to interest rate increases.
All	Pay Award	147	Pressure from Pay Awards being higher than budgeted.
	Other	(14)	Smaller variances
	Forecast	563	(Under) /Overspend

- 2.6 Although easing, inflationary pressures continue to affect all services across the Council, such as substantially increased costs for salaries, contracts, utility costs, supplies and services, building material and repair costs.
- 2.7 The largest major variance is within the Finance service area: "Net Cost of Benefit". This variance is mainly homeless costs for temporary accommodation plus other small movements on net cost of benefits. Since Q2, the forecast year-end variance has reduced from £397K to £355K. This £42K movement is largely due to an increase in sundry debtors raised for overpayments.
- 2.8 Further analysis of the major movement in the forecast outturn position between quarter 2 and quarter 3 can be found in **Appendix 1.2**.

### 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 3 - Sustainability Programme Savings**

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

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

#### 4. Business Rates

4.1 The only element of the Council Funding that is not fully fixed for the year at budget stage is Business Rates. The table below shows the latest forecast in respect of Business Rates for 2023/24.

**Table 4 – Business Rates Forecast 2023/24**

	Budget 2023/24	Forecast Outturn 2023/24	Variance
NNDR Income	(4,947,649)	(4,947,649)	-
Tariff	3,745,755	3,745,755	-
Section 31 Grants - Funded Reliefs	(1,406,489)	(1,343,611)	62,878
Levy	315,693	61,088	(254,605)
Renewable energy	(8,564)	(8,564)	-
Previous year's (surplus)/deficit	113,886	113,886	-
	<b>(2,187,368)</b>	<b>(2,379,095)</b>	<b>(191,728)</b>

4.2 Due to the complexities of the Collection Fund, it is important to note that the largest element of this position 'NNDR income' is fixed based on the amount forecast at budget setting, any variance from the actual NNDR income impacts on the budget in 24/25 in the form of the surplus/deficit for the previous year. The forecast cumulative deficit at the end of 2023/24, that will impact on the budget in 2024/25 is £594K. An element of this deficit is the result of additional reliefs given by central government. There is Section 31 grant being held as an earmarked reserve of £306K to off-set this element of this deficit. This results in a requirement to fund the remaining £288K deficit. Therefore, it is recommended that an **NNDR equalisation reserve** is created and NNDR income over budget for 2023/24 is moved to the reserve to fund the deficit in the following year.

4.3 A forecast has now been received for the return from the business rates pool for 2022/23. The indication is that we will receive £525K back from the return for 2022/23. Previous general fund reserve projections have been based on the assumption £300K would be received from the pool and placed in the general fund reserve. Therefore, it is recommended that the additional £225K is moved the NNDR equalisation reserve to fund the NNDR deficit in 2024/25 and provide resilience against NNDR income fluctuations in the future.

## 5. Impact on General Fund Reserves

5.1 The table below forecasts the General Fund Balance at the year-end based on the latest Quarter 3 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	156,000
Forecast overspend Q3	563,259
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)
Estimate of return from the Business Rates Pool 22/23 and 23/24	(600,000)
<b>Estimated Closing Balance</b>	<b>(1,469,762)</b>

5.2 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. As noted in paragraph 2.3 Members and Officers are continuing to work together to move away from the reliance on reserves to balance the budget.

5.3 Further detailed analysis of Reserves movements is shown in **Appendix 3**.

## 6. Housing Revenue Account (HRA)

6.1 At the end of Quarter 3 the HRA is showing a favourable variance of **£44K** (£347K forecast deficit against a budgeted deficit of £391K).

6.2 The Housing Revenue Account opening balance on 1st April 2023 on its main reserve was £1.418m. The estimated balance for the HRA Reserve as at 31 March 2024 is £1.071m, taking into account the quarter 3 forecast outturn for 2023/24 of a budget deficit of £347K.

6.3 The position on the account as the end of Quarter 3 is set out in **Table 6** below.

**Table 6 – HRA Position at Quarter 3**

	Revised Budget	Forecast Outturn
	2023/24	2023/24
	£'000	£'000
<b>Net Cost of Services on the HRA</b>	(356)	(368)
<b>Capital Charges</b>	747	715

<b>Revenue Contributions to Capital Appropriations to Earmarked Reserves</b>	-	-
<b>Total</b>	391	347
<b>Actual Balance b/f HRA a/c</b>	(1,418)	(1,418)
<b>Budget Deficit in the Year</b>	391	347
<b>Balance c/f HRA a/c</b>	<b>(1,027)</b>	<b>(1,071)</b>

6.4 **Table 7** below shows the principal reasons for this reduced overspend.

**Table 7 HRA Variance to Budget at Quarter 3**

<b>Service</b>	<b>Variance (underspend) /overspend £'000</b>	<b>Reason for variance</b>
Estate Management	20	Horsewell Lane development project management costs of £37K offset against savings of £(17)K from the consultancy budget. At present, there are 3 options. The development costs will be capitalised.
Rents and Service Charges	19	£15K variance due to lower-than-expected income from garage rents. A review of our garage waiting list has now concluded with vacant garages now allocated to those who qualify. £4K variance due to a lease on a shop ending. A new lease agreement is now in place with a new tenant.
Communal Heating Charges	(57)	Heating costs were overbudgeted and following a renewal of our contract from October, we are now working on a full cost recovery basis for heating costs.
Computer Software	11	Overspend due to inflationary linked increases to the annual licences and maintenance of the Housing IT system.
Gas Service Repairs Contract	74	£11K overspend is due to an inflationary linked increase to the annual contract from October onwards. Remaining £63K overspend due to the temporary boiler plant installation and hire costs for Chartwell House. Work is currently ongoing to purchase a new boiler unit.
Repairs & Maintenance	(50)	Savings on voids is due to some of the costs being capitalised and average cost per void being lower than budgeted.
Capital Charges	(32)	Savings on interest paid on loans: £(6)K and interest received on balances: £(26)K.
Legal Fees	11	Expected to spend £11K on legal fees relating to a repair claim at a property with this work still ongoing.
Compensation	(8)	Councils managing a housing stock expect to pay compensation on occasion. However, this financial year has seen fewer instances of compensation being paid following improvements to our processes.
Housing Tenancy Management posts	(29)	Saving on salaries after a restructure, vacancies which have now been recruited to.

Housing Maintenance posts	(10)	Vacancy savings of £(48)K offset by £38K hired staff covering the post. This is due to the Property Services Manager post being vacant approx. 3 months.
Communal Areas	(4)	Savings of £(12)K from day-to-day repairs and maintenance of speech call systems being offset by a £8K increase in electricity charges for the year.
PCN site	11	Reduction in income due to the telephone mast lease ending at one of our estates.
	<b>(44)</b>	

## 7. Capital Programme

- 7.1 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 4**.
- 7.2 The forecast outturn for the **General Fund capital programme** is £2.628m with significant slippage of £696K estimated by outturn. A significant reason for that is the new sports facilities schemes now being re-programmed for 2024/25 - £495K.
- 7.3 The forecast outturn for the **HRA capital programme** is £1.765m with significant slippage of £3.520m estimated by outturn. The New Housing Initiatives scheme shown in the Table below accounts for £2.178m (62%) of the anticipated slippage with explanations provided. Another £0.761m (22%) is due to the Decarbonisation scheme.
- 7.4 Approval is requested to reduce the capital budgets for 2023/24 and increase the 2024/25 by the reported slippage amounts for the general fund and HRA. Capital spend against the revised budgets will be monitored for the remainder of the financial year.
- 7.5 Approval is requested for the creation of a new HRA Scheme "Purchasing Existing Properties". This scheme has been created by moving a portion of the £2.423m budget from "New Housing Initiatives" and does not increase the overall capital programme. The scheme will allow for the purchase of a dwelling to add to the HRA Housing stock. The authority has an agreement with Central Government to retain Right to Buy (RTB) receipts providing they are spent on new affordable or social housing within five years of receipt, if they are not spent within the timescale, they are clawed back with interest. Purchasing existing properties is allowed under the scheme. The purchase of this property will be funded by 40% RTB receipts (the maximum allowed) and 60% from Major Repairs Reserve. The creation of this scheme and the purchasing of a property will ensure RTB receipts are not returned to Central Government, and we do not incur interest costs.
- 7.6 It is requested that the Committee give delegated authority to the S151 Officer, the Monitoring Officer and the Head of Service of the Built Environment to approve the purchase of a suitable property within the "Purchasing Existing Properties" Scheme. This is due to the speed needed to complete the transactions once a suitable property is identified. Delays in the process could result in a property being sold before an offer can be made and we will need to resume a search for other suitable properties. Initial due diligence has been undertaken in terms of identifying a suitable property that is aligned with our demand for properties and a financial appraisal has been completed to ensure payback within a maximum period of 40 years, considering the rental income, the repairs and maintenance costs and the borrowing costs. Further due diligence will then be undertaken before a sale completes.

**Table 8 – Capital Programme Summary**

<b>Fund</b>	<b>Revised Budget 2023/24 £'000</b>	<b>Spend and Commitments to Date £'000</b>	<b>Forecast Outturn £'000</b>	<b>Forecast Variance to Budget £'000</b>	<b>Explanation</b>
<b>General Fund Schemes</b>					
New Council Offices	563	881	925	362	Overspend as per report to Capital Sub Committee.
Vehicle Refurbishment	952	654	904	(48)	Order placed. Long lead time on vehicles, so delivery expected near the end of the financial year.
Sports Facilities Improvement Programme	495	0	0	(495)	Scheme will slip to 24/25
Other	815	343	799	(216)	
<b>Total</b>	<b>2,825</b>	<b>1,878</b>	<b>2,628</b>	<b>(197)</b>	
<b>Housing Revenue Account</b>					
New Housing Initiatives	2,178	-	0	(2,178)	Main project unlikely to commence works this financial year. But project management costs of £49K are showing in HRA Estate Management currently until scheme commences.
Purchasing Existing Properties	245	0	245	0	Purchase of a single existing property.
Decarbonisation of Housing Stock	761	-	-	(761)	£277K of grant funding received for 23/24. £514K of Council funding already allocated. Uncertain what exact spend will be in-year.
Housing Block Improvements	450	341	450	-	Expected to spend in full
Other	1,651	692	1,070	(581)	
<b>HRA Scheme Total</b>	<b>5,315</b>	<b>1,033</b>	<b>1,765</b>	<b>(3,520)</b>	
<b>Total</b>	<b>8,110</b>	<b>2,911</b>	<b>4,393</b>	<b>(3,717)</b>	

## 8. Treasury Management as at Quarter 3

- 8.1 This report includes an update on Treasury Management activities to 31 December 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.
- 8.2 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.
- 8.3 On the 31st of December 2023, the total debt portfolio of the Council (including HRA debt) is £31.981m offset by investments of £3.728m, resulting in an overall net debt position of £28.253m.

<b>External Borrowing</b>	<b>As At 31/03/23 £m</b>	<b>As At 31/12/23 £m</b>
Fixed Rate PWLB	19.069	18.981
Other Local Authorities	15.000	13.000
<b>Total Gross External Debt</b>	<b>34.069</b>	<b>31.981</b>
Investments	(3.763)	(3.728)
<b>Total Net External Debt</b>	<b>30.306</b>	<b>28.253</b>

- 8.4 The total accrued interest received to 31 December 2023 on temporary investments amounted to £123,089 (2022/23 full year interest was £92,465). A summary of the total amount invested in 2023/24 to date is given at **Appendix 4.1**.

### 8.5 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 in February 2023. An update on the indicators is provided at **Appendix 4.2**.