

General Fund Financial Monitoring Quarter 1 2023/24

Mid Suffolk District Council
September 2023



1. Background

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2. The General Fund Budget for 2023/24 was approved by Council in February 2023. After the easing of COVID pressures on the Council's budget new challenges are being driven by the economic effects of the War in Ukraine and the Cost of Living crisis, with inflationary pressures on costs and reductions in expected income. The impact of these factors across the whole organisation is projected to result in overspends.
 3. Inflation, measured by the Consumer Price Index (CPI) remains high into the 2023/24 financial year, and while it is assumed to have reached a peak, continuing pressures on the cost of fuel, materials and services has been reflected in the forecast variances for 2023/24.
 4. The Bank of England base rate is currently at 5.25% (Aug. 2023) and is expected to rise further during the year before falling back, monitoring continues to identify any risk to the Council's position.
 5. Employee costs are approximately 40% of the Councils revenue expenditure budget and an increase of 4% was included in the budget. The pay award for the 2023/24 year has yet to be settled but it may be in excess of the budgeted 4%. Recruitment remains difficult and cost pressures on the budget are being mitigated in part by savings on vacant positions. A pay and reward review is underway and expected to conclude in late Q2.
- ## 6. Forecast position for 2023/24
7. Budget monitoring is a key tool and indicator on the delivery of the Council's plans and priorities for the year. There will, of course, always be reasons why there are variances such as the current inflationary pressures.
 8. Based upon financial performance and discussions with budget managers and the Senior Leadership Team, key variations on expenditure and income compared to budget have been identified.
 9. The overall position of the Council's Revenue General Fund for 2023/24 is forecast to be a surplus of £2.502m, £1.076m less than budgeted. This is a projection based on current trends, which may fluctuate as the year progresses.
 10. A net overspend on services against budget of £1.761m is mitigated by an increase of £0.696m in transfers from reserves. These two factors must be considered jointly as the projected overspends in Communities & Wellbeing and Economic Growth & Climate Change are being driven by the inclusion of additional schemes funded from the priorities reserves.
 11. The key variances that make up this overspend are shown in the following sections of this report. The largest single variance is on planning income which has been reduced by £824k from the original estimate of £1.570m to a new projection of £746k.
 12. Recruitment remains challenging and the Council continues to experience gaps between people leaving the organisation and these posts being filled. The budget includes a £0.644m savings contingency on salaries centrally held outside of the service areas. The pending national pay award and the results of the Pay & Rewards project being undertaken will add pressure to staffing costs. At Q1 the cost pressures and anticipated savings have balanced employee costs overall to a figure close to budget.

2. General Fund Revenue – Forecast

Service Area		Budget	Full Year Forecast	Variance to Budget (favourable) / adverse	Variance as % of Budget
		£'000	£'000	£'000	
Net Service Costs	Assets & Investments	449	381	(68)	-15%
	Communities & Wellbeing	1,011	1,543	532	53%
	Corporate Resources	2,137	2,744	606	28%
	Customers, Digital Transformation & Improvement	2,395	2,259	(135)	-6%
	Economic Growth & Climate Change	664	965	301	45%
	Operations	4,174	4,048	(126)	-3%
	Housing	785	859	74	9%
	Law & Governance	1,010	1,109	99	10%
	Planning & Building Control	1,630	2,059	429	26%
	HR & Organisational Development	733	783	50	7%
	Senior Leadership Team	736	736		0%
Housing Benefits	HB Transfer Payments	9,239	9,239		0%
	HB Grants and Contributions	(9,366)	(9,366)		0%
Net expenditure on services as above		15,599	17,360	1,761	11%
Recharges	Charge to HRA/Capital	(1,761)	(1,750)	11	-1%
Capital Financing Costs	Interest Payable - CIFCO	416	416		0%
	Interest Payable - Other	1,090	1,090		0%
	Minimum Revenue Provision (MRP)	1,475	1,475		0%
Investment Income	Pooled Funds Net Income	(566)	(566)		0%
	Interest Receivable - CIFCO	(1,144)	(1,144)		0%
	Interest Receivable - CIFCO Further Investment	(1,043)	(1,043)		0%
	Interest Receivable - Gateway 14	(97)	(97)		0%
	Interest Receivable - Other	(31)	(31)		0%
Reserves	Transfers to / (from) Reserves	(1,499)	(2,195)	(696)	46%
Total Net Cost of Services		12,441	13,517	1,076	9%
Government Grants	New Homes Bonus	(1,427)	(1,427)		0%
	Revenue Support Grant (RSG)	(132)	(132)		0%
	Services Grant	(92)	(92)		0%
	Rural Services Delivery Grant	(508)	(508)		0%
	Funding Guarantee	(450)	(450)		0%
Business Rates	Baseline Business Rates	(2,316)	(2,316)		0%
	S31 Business Rates Grant	(3,416)	(3,416)		0%
	Business Rates - Renewable Energy	(767)	(767)		0%
	Growth / Pooling Benefit	(678)	(678)		0%
	B/R Prior Year Deficit/(Surplus)	790	790		0%
Council Tax	Council Tax	(6,846)	(6,846)		0%
	Council Tax Prior Year Deficit/(Surplus)	(177)	(177)		0%
Total Funding		(16,019)	(16,019)	-	0%
Net Position Before Reserves		(3,578)	(2,502)	1,076	-30%
Movement in Reserves	Strategic Transformation Infrastructure Fund	2,830	1,754	(1,076)	
	General Fund Working Balance	248	248		
	Community Development Fund	500	500		
		-	0	(0)	

3. General Fund Revenue – Major Variances

Mid Suffolk District Council					
Area	Full Year Net Budget £'000	Full Year Forecast £'000	Variance Total £'000	Comments	% Variance
Assets & Investments	449	381	(68)		-15%
Strategic Property	375	302	(72)	£27K overspend on utilities reflects contingency risk of utility costs split being negotiated with operator. (£80K) income over budget from Co-operative store in Needham Market contributing a receipt of (£20k) per quarter. (£21k) income over budget from tenant at Needham Lake - Duck & teapot café restaurant contributing rent receipts at £5K per quarter.	-19%
The Councils' Companies	75	79	4		6%
Communities & Wellbeing	1,011	1,543	532		53%
Communities	1,087	1,579	492	£70k spend on Youth Social Prescribing funded by Care Commissioning Group , £360k Spend on identified priorities funded by Reserves and not core budget. £60k on 2 year Development positions funded by Business Rates Retention Pilot.	45%
Leisure Contracts	(76)	(36)	40	Ongoing negotiations with management company have highlighted potential for additional costs.	-52%
Corporate Resources	2,011	2,617	606		30%
Finance, Commissioning & Procurement	2,011	2,617	606	Central Salaries contingency saving balanced with actual savings in the service areas.	30%
Customers, Digital Transformation & Improvement	2,395	2,259	(135)		-6%
Communications	235	229	(5)		-2%
Customer Operations	735	683	(52)	(£46k) underspend due to vacancies in Q1 & Q2, there has been a high turnover in staff at beginning of the year. £10k unused budgeted reserve movement due to reserve funded post not likely being recruited to till end of the year.	-7%
ICT	977	954	(24)	Underspend due to SCC contract being less than budgeted for and vacant Digital Support Analyst post for first half of the year.	-2%
Strategic Policy, Performance & Improvements	448	394	(55)	(£54k) underspend due to budget savings/vacancy savings throughout the year and £24k unused budgeted reserve movement due to reserve funded post not likely being recruited to till end of the year.	-12%
Economic Growth & Climate Change	664	965	301		45%
Climate Change	135	137	3		2%
Economic Growth & Climate Change	529	827	298	There is only a minor variance on the core budget. The overspend shown is spend against strategic priorities reserves, this includes £110k approved spend for Cross Street redevelopment, £28k on business case for skills and innovation centre, £13k on sustainable travel and £135k for the SHELF.	56%
Housing	785	859	74		9%
PV Panels	(114)	(116)	(3)		2%
Housing Solutions	899	976	76	Overspends against budget covered by reserves and not core budget.	8%
HR & Organisational Development	733	783	50		7%
HR & OD	733	783	50	Overspend on staffing and SCC advertising costs. £20k of the overspend is reserve funded costs related to the Pay & Reward project.	7%
Law & Governance	1,010	1,109	99		10%
Electoral Services & Land Charges	49	134	84	Additional staffing costs and election costs to be invoiced to Parishes during Q2.	171%
Governance & Civic Office	466	478	12	Overspend on travel costs, budget for future years will need to be adjusted to reflect previous budgets covering lock down periods.	3%
Internal Audit, Risk & Data	93	96	3		3%
Shared Legal Service	401	401	0		0%

3. General Fund Revenue – Major Variances cont.

Mid Suffolk District Council					
Area	Full Year Net Budget £'000	Full Year Forecast £'000	Variance Total £'000	Comments	% Variance
Operations	4,174	4,048	(126)		-3%
Car Parking	(198)	(207)	(9)		5%
Health & Safety, Business Continuity and Emergency Planning	264	294	30	Consultancy support at Corporate Manager Level to update Health & Safety requirements organisationally while substantive post is recruited. Additionally employee costs incurred for long term absence and severance.	11%
Public Protection	729	667	(63)	Transitional vacancies, job adverts out with a view of full establishment from Q03. Employee costs for backlog COVID works funded by additional income from prior years deferred Contain Outbreak Management Funding (COMF) contributions. Incentives being funded in year across Operations and Communities teams to reduce health inequalities in our district due to the fallout of the COVID pandemic.	-9%
Public Realm	1,649	1,697	48	£24K overspend on equipment costs and staff Protective clothing overspend including wild seed sowing for biodiversity and hire of vehicle. Additionally, white diesel fuel forecast overspend of £31K. Full review taken place to optimise use of fuels and mitigation in place to address overspend. Additional -£14K reserve drawdown on commuted sums.	3%
Recycling, Waste & Fleet	1,694	1,588	(106)	Major variances include Serco waste Contract for the year (£50K); Garden Waste income growth (£7K); Transitional officer vacancies (£25K); Materials Recovery Facility (MRF) costs (£13K) ; Trade waste income growth (£11K).	-6%
Service Improvement (Environment & Community Services)	35	9	(27)	Current employee resource seconded to Corporate Services.	-75%
Planning & Building Control	1,630	2,059	429		26%
Building Control	245	178	(67)	Staff savings and small increase in income (larger market share in MSDC)	-27%
Development Management, Heritage & Enforcement	887	1,437	550	Vacancy savings offset by >50% reduction in income levels	62%
Service Improvement (Sustainable Communities)	38	39	0		0%
Strategic Planning	459	405	(54)	Staff vacancies	-12%
Senior Leadership Team	736	736	0		0%
Senior Leadership Team	736	736	0		0%
Grand Total	15,599	17,360	1,761		11%

4. Use of General Fund Reserves

Service Areas	Budgeted Movement (From) / To £'000	Forecast Movement (From) / To £'000	Sum of Q1 Forecast Variance £'000	Major Movements from Budget
Communities & Wellbeing	(345)	(842)	(497)	£70k spend on Youth Social Prescribing funded by Care Commissioning Group, £360k Spend on identified priorities funded by Reserves and not core budget. £60k on 2 year Development positions funded by Business Rates Retention Pilot. Balances reported overspend against core budget in service area.
Corporate Resources	(33)	25	59	Commissioning & Procurement roles and Corporate Manager to be funded within service area instead of reserves and added to core budget from 2024/25
Customers, Digital Transformation & Improvement	(108)	(72)	36	Funding for Fixed Term Executive Assistant posts and Apprenticeship Costs.
Economic Growth & Climate Change	(169)	(468)	(299)	£110k Cross Street Costs - Aspiration and Inspiration, £28k Skills & Innovation Centre, £13k Sustainable Travel spend, £135k SHELF project all funded from the Council's Priorities Reserves and not core budget.
Housing	(243)	(320)	(77)	
HR & Organisational Development	(39)	(61)	(22)	Reserve funding for pay & reward project resource
Law & Governance	20	20	-	
Operations	(355)	(256)	99	Funding for Fixed Term Contract positions
Planning & Building Control	(227)	(222)	5	
Grand Total	(1,499)	(2,195)	(696)	

5. General Fund Capital

1. Use of capital and one-off funds is critical and needs to be linked into our future delivery plans.

2. With complex capital schemes it is difficult to accurately assess the level of payments that will be made during the financial year. The Council continues to embark on new projects where it is difficult to accurately predict how payments will fall. Councillors should therefore focus on whether overall outcomes are being achieved because of the capital investment rather than variances against the plan for a particular year.

3. No significant variances are currently anticipated so capital expenditure for 2023/24 is forecast on budget at £30.250m.

CAPITAL PROGRAMME 2023/24	Cfwd 22/23	Budget Book 23/24	Revised Budget 23/24	Actual Spend	Contractual Commitments	Forecast at Q1	Variance
GENERAL FUND	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund Housing	939	898	1,837	191	-	1,837	-
Operations	725	545	1,270	121	-	1,270	-
Public Realm	308	285	593	33	-	593	-
Communities & Wellbeing	243	240	483	107	183	483	-
Leisure Contracts	1,972	-	1,972	(18)	-	1,972	-
Assets and Investments	18,875	4,995	23,870	426	-	23,870	-
Corporate Resources	-	75	75	97	196	75	-
Customers, Digital Transformation and Improvement	-	150	150	-	-	150	-
General Fund Capital Spend	23,062	7,188	30,250	957	379	30,250	-