

General Fund Financial Monitoring Quarter 2 2023/24

Mid Suffolk District Council
December 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 there continue to be economic challenges of higher interest rates, inflation and the resulting cost of living crisis. With higher 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. Uncertainty over the continuing war in Ukraine and the developing situation in the Middle East have the potential to prolong or worsen fuel inflation.
4. The Bank of England base rate is currently at 5.25% (Oct. 2023) having levelled out slightly, monitoring continues to identify any risk to the Council's position.
5. **Forecast position for 2023/24**
6. Budget monitoring is a key tool and indicator on the delivery of the Council's plans and priorities for the year. There will be operational reasons for variances as well as the current inflationary pressures.
7. 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.
8. Additional unbudgeted income, in the form of investment dividends, is due to be received in 2023/24 however the amount of income and the date at which it will be received have not yet been confirmed. Similarly statutory increases to planning fees will take effect in year reducing the deficit, the effects of which will be reported in Q3
9. The overall position of the Council's Revenue General Fund for 2023/24

is forecast at Q2 to be a surplus of £2.878m, £700k less than budgeted. Finance is currently reviewing all corporate expenditure and income budgets, such as financing charges and interest income, given the current macro-economic situation and as part of the 2024/25 budget setting exercise..

10. 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 is £689k below budget, it is proposed that this will be funded from earmarked reserves.
11. Employee costs are approximately 50% of the Council's expenditure and an increase of 4% was included in the budget. The pay award for the 2023/24 year has yet to be settled but is likely to be in excess of the budgeted 4%. 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 vacancy management factor of 5% on salaries centrally held outside of the service areas. The pending national pay award and the results of the Pay & Rewards project being undertaken have added pressure to staffing costs. At Q2 overall Salary costs are projected to be 3% below budget after use of the contingency, with some costs in Public Realm being reallocated to Babergh following a review of staff and asset utilisation.

2. General Fund Revenue – Forecast

Service Area		Budget	Full Year Forecast	Variance to Budget	Variance as % of
		£'000	£'000	£'000	
Net Service Costs	Assets & Investments	449	362	(88)	-20%
	Communities & Wellbeing	666	758	91	14%
	Corporate Resources	2,104	2,287	183	9%
	Customers, Digital Transformation & Improvement	2,287	2,222	(65)	-3%
	Economic Growth & Climate Change	496	496	1	0%
	Operations	3,819	3,692	(127)	-3%
	Housing	542	398	(145)	-27%
	Law & Governance	1,030	1,221	191	19%
	Planning & Building Control	1,403	2,022	619	44%
	HR & Organisational Development	694	727	33	5%
Senior Leadership Team	736	733	(3)	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		14,100	14,791	691	5%
Recharges	Charge to HRA/Capital	(1,761)	(1,751)	9	-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%
Total Net Cost of Services		12,441	13,141	700	6%
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)	(2,878)	700	-20%
Reserves	Strategic Transformation Infrastructure Fund	2,830	2,130	(700)	
	General Fund Working Balance	248	248		
	Community Development Fund	500	500		
		0	0	0	0

3. General Fund Revenue – Major Variances cont.

Service Area	Full Year Budget £'000	Full Year Forecast £'000	Variance Total £'000	Comments for variances over £10k	% Variance
Assets & Investments	449	362	(88)		-20%
Strategic Property	375	297	(78)	Major variances include £27K overspend on utilities from Wingfield Barns contingency risk. Currently being negotiated with operator. £80K income over budget from Co-operative store in Needham Market. £21k income over budget from tenant at Needham Lake - Duck & teapot café.	-21%
The Councils' Companies	75	65	(10)		-13%
Communities & Wellbeing	666	758	91		14%
Communities	742	794	51	£51k less than budgeted being taken from reserves for vacant post that will not be filled until Q4.	7%
Leisure Contracts	(76)	(36)	40	Negotiations ongoing with Management Company resulting in a risk of £40k overspend to budget due to lease receipts being reprofiled.	47%
Corporate Resources	1,881	2,064	183		10%
Finance, Commissioning & Procurement	1,881	2,064	183	Overspend represents recognition of vacancies in service areas against centrally held budgeted vacancy management factor. Overspend on Agency staffing to cover various vacancies in the team due to difficulty with recruitment and under budgeted on insurance premiums due to inflationary increases. Some overspends on resources will be offset by capitalisation of costs through Finance Transformation and new Financial Management System implementation.	10%
Customers, Digital Transformation & Improvement	2,287	2,222	(65)		-3%
Communications	235	230	(5)		-2%
Customer Operations	692	666	(26)	Underspend due to vacancies in Q1 & Q2. High turnover in staff at beginning of the year.	-4%
ICT	977	952	(25)	Underspend due to SCC contract being less than budgeted for and vacant Digital Support Analyst post for majority of the year.	-3%
Strategic Policy, Performance & Improvements	384	374	(9)		-2%
Economic Growth & Climate Change	496	496	1		0%
Climate Change	96	96	0		0%
Economic Growth & Climate Change	399	400	1		0%
Housing	542	398	(145)		-27%
PV Panels	(114)	(116)	(3)		2%
Housing Solutions	656	514	(142)	Underspend on salaries due to vacancies including Housing Needs and Standards Manager which has not been filled.	-22%
HR & Organisational Development	694	727	33		5%
HR & OD	694	727	33	Overspend due to additional resource in team brought in that wasn't budgeted for; approx. £18.5k. £5k overspend on recruitment advertising costs due to an increase in vacancies and £7.5k increase in Legal Expenses.	5%

3. General Fund Revenue – Major Variances cont.

Service Area	Full Year Budget £'000	Full Year Forecast £'000	Variance Total £'000	Comments for variances over £10k	% Variance
Law & Governance	1,030	1,221	191		19%
Electoral Services & Land Charges	69	173	104	Overspend on May 23 Elections of £37k. Land Charge income is forecast to be £55k under budget. £16k to be paid back to Elections Claim Unit (ECU) for 2021 Election underspend.	150%
Governance & Civic Office	466	540	74	£35k overspend due to an increase payable to each Councillor agreed after 22/23 budget was set. £10k estimate forecast for a Political Assistant role. £6k overspend on Car Mileage Allowances. £13k overspend on training & Materials. £8k overspend forecast on postage	16%
Internal Audit, Risk & Data	93	97	3		4%
Shared Legal Service	401	411	10	£10k overspend due to implementation costs for new Case Management System (CMS)	2%
Operations	3,819	3,692	(127)		-3%
Car Parking	(198)	(234)	(37)	£37K reduction on business rates costs for the year.	-19%
Health & Safety, Business Continuity and Emergency Planning	214	195	(19)	Costs from consultancy support at Corporate Manager Level to update Health & Safety requirements organisationally is being offset from substantive staffing vacancies resulting in a £19K underspend.	-9%
Public Protection	729	634	(95)	£98K of 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. Therefore budgeted substantive posts that are vacant in the year has resulted in the underspend. There is an expectation to be at full establishment during Quarter 03 of the financial year.	-13%
Public Realm	1,564	1,623	59	£51K overspend on vehicle fuels from inflationary fuel increase, £37K overspend on equipment and tools due to backlog of works, £31K overspend on vehicle costs and maintenance, £16K overspend on horticultural expenses and wild seed sowing for biodiversity, £15K overspend on tree felling costs, £15K overspend on protective clothing. £92K underspend on employee costs following review and correct allocations of resources, budgets to be amended next year to reflect.	4%
Recycling, Waste & Fleet	1,474	1,474	0		0%
Service Improvement (Environment & Community Services)	35	0	(35)	Current employee resource seconded to Corporate Services.	-100%
Planning & Building Control	1,403	2,022	619		44%
Building Control	245	176	(70)	Increased levels of income relating to House Name and Numbering as a result of development in the District.	-28%
Development Management, Heritage & Enforcement	684	1,325	641	50% reduction in income partially offset by staff vacancies.	94%
Service Improvement (Sustainable Communities)	38	39	0		0%
Strategic Planning	435	483	48	Shortfall in income due to claim window timings partially offset by staff vacancies.	11%
Senior Leadership Team	736	733	(3)		0%
Senior Leadership Team	736	733	(3)		0%
Grand Total	14,003	14,694	691		5%

4. Earmarked Reserves

Reserve	Opening Balance as at 31/03/23	Budget Movement From Reserve	Budget Movement To Reserve	Budget Balance as at 31/03/24	Actual Movement From Reserve 2023/24	Actual Movement To Reserve 2023/24	Further Commitments / Forecast 2023/4	Closing Balance as at 31/03/24	Committed 2024/25	Committed 2025/26	Committed 2026/27	Balance as at 31st March 2027
Business Rates & Council Tax	5,201,905	-	-	5,201,905	-	-	1,119,985	4,081,920				4,081,920
Business Rates Retention Pilot (BRRP)	482,883	- 88,548	-	394,335	-	-	12,390	381,945	- 28,978	- 19,319		333,648
Carry Forwards	128,799	-	-	128,799	-	-	29,496	99,303				99,303
Climate Change and Biodiversity	887,980	- 38,547	-	849,433	-	-	195,026	654,407				654,407
Commercial Development Risk Management	5,364,025	-	-	5,364,025	-	-	5,364,025	-				-
Community Housing Fund	165,759	- 24,932	-	140,827	-	-	-	140,827	- 34,416			106,411
Commuted Maintenance Payments	474,929	- 84,606	-	390,323	-	-	45,757	436,080				436,080
COVID 19	980,220	- 138,596	-	841,624	-	-	69,121	772,503				772,503
Elections Equipment	35,000	-	-	35,000	-	-	-	35,000				35,000
Elections Fund	138,895	-	20,000	158,895	- 138,895	-	-	20,000				20,000
Government Grants	346,736	- 19,885	-	326,851	-	-	-	326,851				326,851
Thriving Communities Fund	5,456,089	- 591,701	3,674,839	6,539,227	- 250,000	-	4,653,678	10,942,905	- 258,192	- 250,000	- 250,000	10,184,713
Insulation Project Reserve	-	-	-	2,000,000	-	-	2,000,000	-				-
Homelessness	408,050	- 71,031	-	337,019	-	-	41,105	378,124				378,124
Joint Local Plan	100,000	-	-	100,000	-	-	-	100,000				100,000
Neighbourhood Planning Grants	96,562	- 26,523	2,484	72,523	-	-	256	72,267				72,267
Planning (Legal)	1,366,913	- 107,000	-	1,259,913	- 3,822	-	-	1,256,091				1,256,091
Planning Enforcement	45,000	-	-	45,000	-	-	-	45,000				45,000
Repair & Renewals	292,690	-	-	292,690	-	-	-	292,690				292,690
Rough Sleepers	25,665	-	-	25,665	-	-	-	25,665				25,665
Strategic Planning	210,715	-	-	210,715	-	-	29,058	181,657				181,657
Strategic Priorities Housing	1,578,000	- 158,713	-	1,419,287	-	-	154,271	1,265,016	- 313,000	- 250,000	- 200,000	502,016
Strategic Priorities Economy	984,759	-	-	984,759	-	-	541,253	443,506	- 316,976			126,530
Strategic Priorities - Wellbeing	870,178	-	-	870,178	- 360,000	-	166,171	344,007	- 42,806			301,201
Strategic Priorities - Communities	290,701	- 76,735	-	213,966	-	-	199,468	14,498	- 17,564			- 3,066
Strategic Priorities Corporate Services	200,000	-	-	200,000	-	-	-	200,000				200,000
Strategic Priorities Project Feasibility	250,000	-	-	250,000	-	-	-	250,000				250,000
Temporary Accommodation	327,195	- 52,460	87,850	362,585	-	-	-	362,585				362,585
Waste	406,516	- 220,368	-	186,148	-	-	-	186,148				186,148
Welfare Benefits Reform	6,573	-	-	6,573	-	-	-	6,573				6,573
Well-being	95,605	- 6,218	-	89,387	- 70,000	-	624	18,763				18,763
TOTAL	27,218,342	- 1,705,863	3,785,173	29,297,652	- 822,717	-	5,140,606	23,334,330	- 1,011,933	- 519,319	- 450,000	21,353,078

5. General Fund Capital

1. Background

2. Use of capital and one-off funds is critical and needs to be linked into our future delivery plans.
3. 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.

4. Forecast position for 2023/24

5. The £19.8m variance on the budget of £31.4m is primarily influenced by two projects;
 - Gateway 14 (budget of £10.75m)
 - Mid Suffolk Growth (budget of £9.15m)
6. Details of the variances to budget are shown on the following slides.

5. General Fund Capital

CAPITAL PROGRAMME 2023/24	Revised Budget 23/24	Actual Spend	Contractual Commitments	Forecast at Q2	Budget Variance	Expected Carry Forward to 24/25	Explanation of Major Variances
GENERAL FUND	£'000	£'000	£'000	£'000	£'000		
General Fund Housing							
Mandatory Disabled Facilities Grant	899,882	279,552	170,620	697,965	(201,917)	(201,917)	We are planning to spend the Grant allocation received from County of £697,965. Policies are being reviewed to increase Minor Adaptation grants from £7.5k to £15k and Discretionary Funding Grants from £10k to £20k. Cabinet will need to approve these increases for 2024/25.
Renovation/Home Repair Grant	128,175	26,706	20,000	120,000	(8,175)	(8,175)	Corporate Manager advised to forecast on 22/23 outturn. Currently loans are offered to ensure properties meet required legal standards, discussions are being had with Landlords to get traction for a new scheme to improve the fabrics of a property, waiting for feedback. Also looking at shortening the terms of the loans made.
Empty Homes Grant	469,000	-	29,800	29,800	(439,200)	(439,200)	Unspent budget will be c/f to next financial year
Grants for Affordable Housing	340,000	-		340,000	-	-	Forecast to budget whilst further detail is obtained
Total General Fund Housing	1,837,057	306,258	220,420	1,187,765	(649,292)	(649,292)	
Operations							
Replacement Refuse Freighters - Joint Scheme	370,220	161,880		161,880	(208,340)	(208,340)	Total of ten vehicles have now been delivered and Purchase Order Complete. One vehicle out of ten was completed in 2023/24. Remaining budget currently not in plan to be utilised however if a replacement vehicle is commissioned then the remaining budget is sufficient.
Recycling Bins	100,000	117,472		168,000	68,000		Likely to require more bins to accommodate housing growth.
Electric Buses	560,000	-		-	(560,000)		The bulk of this funding (£600k) will be spent via a rural transport grants scheme. £170k of the funding is ringfenced for a joint/partnership bid with SCC to the ZEBRA2 funding scheme to provide the local match funding required for the procurement of two electric minibuses and EV charge points. Remaining £50k is contingency. These costs are therefore entirely revenue in nature.
New Joint Depot	1,200,000	-	-	1,200,000	-	-	The creation of a joint depot was approved by Council in February 2023, with forecasted expenditure of £1.2m in 23/24 and £2.4m in the two subsequent years
EV Charging Points	240,000	73,934		222,255	(17,745)	(17,745)	Variance due to costs for installed of Charge Point in Mid Suffolk being less than expected due changes in Phase 1b and Phase 2. OZEV (DfT) grant funding of £316k received which is 75% of the overall project costs. 25% coming from Climate Change Reserve. To date 75% of £316k has been received
Total Operations	2,470,220	353,286	-	1,752,135	(718,085)	(226,085)	

5. General Fund Capital

CAPITAL PROGRAMME 2023/24	Revised Budget 23/24	Actual Spend	Contractual Commitments	Forecast at Q2	Budget Variance	Expected Carry Forward to 24/25	Explanation of Major Variances
GENERAL FUND	£'000	£'000	£'000	£'000	£'000		
Communities and Public Access							
Streetcare - Vehicles and Plant Renewals	90,000	64,535		90,000	-	-	Scheme is replacing old for new trailer (normally 8 years shelf life). Full budget to be utilised this financial year. Funded by borrowing.
Needham Lake Footpath - Planned Maintenance	83,000	-		-	(83,000)	(83,000)	Budget is for the refurb of toilets. Deferred to 24/25.
Parking Strategy Implementation	115,000	-		15,000	(100,000)	(100,000)	Carry forward expected for Car Park Strategy implementations including signage and meter equipment to bring improved enforcement.
Planned Maintenance / Enhancements - Car Parks	305,000	18,486		50,000	(255,000)	(255,000)	Car Park Strategy implementations including signage and meter equipment to bring improved enforcement. Carry forward expected in line with Car Parking Strategy. Awaiting for the EV projects to be completed to prevent duplication of works undertaken.
Total Community Services	593,000	83,021	-	155,000	(438,000)	(438,000)	
Sustainable Communities							
Play Equipment	250,000	-		50,000	(200,000)	(200,000)	Budget is remaining funds from previous years. Works undertaken are to be developed. Funding by borrowing.
S106 Open Spaces Grants	-	115,500		115,500	115,500		Forecast to budget whilst further detail is obtained
Community Development Grants	232,628	82,614	183,000	232,628	0	0	C/f from 22/23 continues to be drawn down by applicants. The second window closed on Friday 6 September, and we are currently going through the process of assessment prior to awards. The final window for applications is between 4 December 2023 and 31 January 2024. The grant is oversubscribed and on this basis, we expect to be fully allocated across the windows. The first application round we allocated £74,469. Whilst all funding will be allocated this financial year, applicants are given 6 months to spend from award. As such full spend will not be achieved within the same financial year and carry forward will be requested for those grants awarded.
Total Sustainable Communities	482,628	198,114	183,000	398,128	(84,500)	(200,000)	

5. General Fund Capital

CAPITAL PROGRAMME 2023/24	Revised Budget 23/24	Actual Spend	Contractual Commitments	Forecast at Q2	Budget Variance	Expected Carry Forward to 24/25	Explanation of Major Variances
	£'000	£'000	£'000	£'000	£'000		
GENERAL FUND							
Leisure Contracts							
Stowmarket Leisure Centre - Repairs and Renewals	1,426,000	-		130,000	(1,296,000)	(1,296,000)	Awaiting costings on improvement works - anticipated delay in works to 2024/25 where agreed timetable of works can be produced.
Stradbroke Pool - Repairs and Renewals	546,000	183		16,000	(530,000)	(530,000)	
Total Leisure Contracts	1,972,000	183	-	146,000	(1,826,000)	(1,826,000)	
Assets and Investments							
Other Corporate Buildings	266,629	17,742		60,000	(206,629)	(206,629)	Costs include scoping work on touch down points and new depot. The carry forward budget of unspent capital is to make more semi-permanent enhancements to ageing depots should there be a substantial delay in sourcing a new depot such as drainage improvements, roof enhancements.
CIL Funded Infrastructure Grants	-	1,832,937		4,127,821	4,127,821		Difficult to forecast what expenditure will be as recipients have a 2 year window to claim funds.
Strategic Investment Fund	2,826,000	190,078		2,826,000	-	-	Forecast to budget whilst further detail is obtained
Regeneration Fund - Former Council Offices	513,213	1,822		200,000	(313,213)	(313,213)	Delays to project and uncertain output for financial year.
Gateway 14	10,750,000	-			(10,750,000)		The scheme is to be funded from the sale of development land and no borrowing required as yet and not expecting any further drawdown.
Mid Suffolk Growth	9,150,000	-			(9,150,000)	(9,150,000)	Budget earmarked as below: £2.5m for purchase of land for construction of open market housing has been refreshed. £1.75m bfwd and £3.5m for the construction of 25 open market units on land at Elmswell - scheme has been referred back to cabinet. £1.5m for the construction of open market units on land at De Saumarez Drive, Barham No movement undertaken on any of the proposals above.
CIFCO - further investment	-	-			-	-	
Wingfield Barns	34,000	-		34,000	-	-	Heritage asset. Currently occupied by tenant. Improvements to be carried out so that Tenant will continue occupation. Build works (exterior on property) to be completed by end of this financial year.
Business Hub Cross Street, Eye	330,000	145,119		442,024	112,024		Project complete, overspend due to additional works carried out for Low Carbon opportunities that weren't in the original budget. This overspend is being funded by the Climate Change Reserve.
Total Assets and Investments	23,869,842	2,187,697	-	7,689,845	(16,179,997)	(9,669,842)	

5. General Fund Capital

CAPITAL PROGRAMME 2023/24	Revised Budget 23/24	Actual Spend	Contractual Commitments	Forecast at Q2	Budget Variance	Expected Carry Forward to 24/25	Explanation of Major Variances
	£'000	£'000	£'000	£'000	£'000		
GENERAL FUND							
Corporate Resources							
Replacement Finance Management System	75,000	96,534	196,000	292,534	217,534		Forecast to budget whilst further detail is obtained
Total Corporate Resources	75,000	96,534	196,000	292,534	217,534	-	
Customers, Digital Transformation and Improvement							
ICT-Hardware/Software Refresh	150,000	-		48,125	(101,875)	(101,875)	API/Web Services – no costs to be incurred for 23/24. Digital Platform - £60k bill received, unlikely any further costs. 8*8 Replacement – pushed back a year, to carry forward full budget to 24/25. Intranet – to spend around 25% of budget in 23/24 and carry forward the rest to 24/25. Collaboration Hardware/Hybrid Working – to spend around 50% of budget in 23/24, no need to carry forward remaining budget as already a budget set for next year.
Public Protection - Verso Software Upgrade Project		-		30,000	30,000		£60K set-up costs split 50:50 for new licence software.
Total Customers, Digital Transformation and Improvement	150,000	-	-	78,125	(71,875)	(101,875)	
Total General Fund Capital Spend	31,449,747	3,225,095	599,420	11,699,533	(19,750,214)	(13,111,094)	