



General Fund Financial Monitoring Quarter 3 2022/23

Babergh District Council
March 2023



1. Background

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2. The General Fund Budget for 2022/23 was approved by Council in February 2022. In previous years, worst-case scenarios were typically used when putting budget proposals together. Amalgamating these assumptions across the whole organisation has resulted in underspends.
3. For 2022/23 stretching, but realistic, assumptions were used when putting budget proposals together across both expenditure and income. However, global events, rising inflation and interest rates have created an unprecedented financial challenge for the Council resulting in a likely overspend position.
4. Inflation, measured by the Consumer Price Index (CPI) increased significantly during 2022, reaching a peak of 11.1% in October before dropping to 10.7% in November. The increased cost of fuel, materials and services has been reflected in the forecast variances for 2022/23.
5. Attempting to curb inflation, the Bank of England has increased the base rate from 1.75% at the start of 2022/23 to 3.5% in December. These increases have been much greater than expected when the budget was approved and therefore an overspend on interest payable is forecast for 2022/23.
6. Employee costs are approximately 40% of the Council's revenue expenditure budget and an increase of 2.2% was included in the budget. A national pay award offer for 2022/23 of £1,925 from 1 April 2022 has been agreed for all staff. This equates to an increase of approximately 8% and an additional cost of £580k.
7. **Forecast outturn position 2022/23**
8. 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.
9. Based upon financial performance and information from April to September (with emerging trends extrapolated to the end of the financial year) and discussions with budget managers and the Senior Leadership Team, key variations on expenditure and income compared to budget have been identified.
10. A net overspend of £667k is forecast for 2022/23 at the end of Quarter 3. The forecast overspend was £693k at the end of Quarter 2.
11. The key projected variances that make up this overspend are shown in the following sections of this report.
12. Recruitment remains challenging and the Council continues to experience a significant delay between people leaving the organisation and these posts being filled. However, underspends resulting from vacancies have been offset by the £1,925 pay award and temporary cover for vacant posts.

2. General Fund Revenue – Forecast

		Revised Budget £'000	Forecast at Q3 £'000	Forecast Variance £'000
<i>Net Service Costs</i>	Assets & Investments	461	548	88
	Communities & Wellbeing	879	873	(6)
	Corporate Resources	1,589	2,251	662
	Customer Operations	1,910	1,878	(32)
	Economic Growth & Climate Change	301	305	4
	Operations	3,658	3,373	(285)
	Housing	559	419	(140)
	Law & Governance	918	991	74
	Planning & Building Control	1,218	1,257	39
	HR & Organisational Development	461	489	28
	Senior Leadership Team	692	746	54
Net Service Expenditure		12,645	13,131	486
<i>Recharges</i>	Recharge to HRA/Capital	(1,347)	(1,359)	(12)
<i>Capital Financing</i>	Interest Payable	440	547	107
	Minimum Revenue Provision (MRP)	1,445	1,462	17
<i>Investment Income</i>	Pooled Funds Net Income	(569)	(500)	69
	Interest Receivable	(2,184)	(2,184)	-
Total Net Cost of Services		10,430	11,097	667
<i>Government Grants</i>	New Homes Bonus	(802)	(802)	-
	S31 Business Rates Grant	(1,486)	(3,153)	(1,667)
	Services, Rural Services & Lower Tier Grants	(481)	(481)	-
<i>Business Rates</i>	Baseline Business Rates less Levy	(1,555)	(409)	1,146
	Growth / Pooling Benefit	(333)	(342)	(10)
	Enterprise Zone income	(216)	(216)	-
	Prior Year Deficit/(Surplus)	218	2,040	1,822
<i>Council Tax</i>	Council Tax	(6,185)	(6,185)	-
	Prior Year Deficit/(Surplus)	(116)	(116)	0
Total Funding		(10,957)	(9,665)	1,291
Net Position Before Reserves		(527)	1,431	1,958
<i>Movement in Reserves</i>	Inflationary Pressures Reserve	-	(500)	(500)
	Council Tax & Business Rates Reserve		(1,291)	(1,291)
	Strategic Priorities Reserve	527	360	(167)
		0	0	0

Net Service Costs

- Explanations for these variances are provided in section 3, pages 4-11.

Capital Financing & Investment Income:

- A variance in interest payable costs is forecast due to an increase in rates for short-term borrowing. These have increased from an average rate of 0.2% in 21/22 to around 4% currently.
- Based on returns to date, returns on the pooled funds for 2022/23 are forecast to be lower than budget due to market conditions.

Business Rates:

- The Business Rates forecast reflects the NNDR1 figures for 2022/23. The prior year deficit will be met by S.31 grants received in 2022/23 and held in the Council Tax and Business Rates Reserve.
- At the end of January 2023 the collection rate was 89.95% compared with 87.09% for the same period the previous year

Council Tax:

- Council tax income is set as part of the budget with any variation in income recognised as a surplus or deficit to be carried forward in the Collection Fund and recognised in the following year.
- At the end of January 2023, the collection rate was 93.00%, compared with 93.25% for the same period the previous year.
- A surplus on the Collection Fund of £160k for Council Tax is forecast for 2022/23. Babergh's share of £21k would be realised in 2023/24 and has been built into the 2023/24 budget.

Reserves:

- A full breakdown of forecast reserve movements compared to the 2022/23 budget is shown in Section 4, page 12.
- £500k was put into an inflationary Pressures Reserve at the end of 2021/22 and this will be used to fund most of the forecast variance on the net cost of services.
- The Council Tax and Business Rates Reserve will be used to cover the timing differences between S.31 grants and gains/losses.
- A £527k transfer to the Strategic Priorities Reserve was included in the budget. This is forecast to reduce to £360k.

3. General Fund Revenue – Services Forecast Variance

	Variance To Budget £000's					Variance to Budget %	Commentary on Major Variances
	Employee Costs £'000	Operating Costs £'000	Income £'000	Movement in Reserves £'000	Total £'000		
Assets & Investments	(14)	83	18	-	88	19%	
Strategic Property	4	83	5	-	93	25%	<ul style="list-style-type: none"> • Completion date for surrendering Head Office floorplate later than budgeted - rent and service charges £49k overspend. • Reactive Chilton Depot repairs of £47k. • Overall electricity utility pressure on properties of £21k. • Consultancy on Asset Utilisation (£34k) underspend due to delay in Crown Commercial planning & mapping works which will now take place and have been budgeted for in 2023/24.
The Councils' Companies	(19)	0	13	-	(5)	-5%	
Communities & Wellbeing	(0)	320	(118)	(208)	(6)	-1%	
Communities	(0)	379	(161)	(208)	10	2%	<ul style="list-style-type: none"> • £145k additional income received from Suffolk County Council and £45k Warm Spaces funding. This is forecast to be spent this year on Holiday Activity & Food programme. Remaining costs relate to currently unallocated government funding for the Clinically Vulnerable. • Wellbeing Reserve funding of £200k for community projects approved as part of the budget and is expected to be spent in year.
Leisure Contracts	-	(59)	43	-	(16)	-6%	<ul style="list-style-type: none"> • The 22/23 budget was set with gas costs in expenditure and recharge income. The leisure provider procures gas directly, therefore budget shows variances to income and cost. • The (£16k) underspend is due to rates relief and below budgeted repairs for the year.

3. General Fund Revenue – Services Forecast Variance (Cont'd)

	Variance To Budget £000's					Variance to Budget %	Commentary on Major Variances
	Employee Costs £'000	Operating Costs £'000	Income £'000	Movement in Reserves £'000	Total £'000		
Corporate Resources	598	146	(83)	-	662	42%	
Finance, Commissioning & Procurement	598	146	(83)	-	662	42%	<ul style="list-style-type: none"> • Adverse variance due to budgeted Vacancy Management Factor of £500k, variances are shown in services. • Further cost pressure of £61k for interim staff to support the transformation project. • Bank charges for Pay 360 costs on customer transactions forecast to be £70k over budget based on costs to date. • Forecast overspend of £60k for insurance on assumption of a 10% inflationary increase on renewal in January 2023. • Broker fees for short-term borrowing have increased - £12k variance expected • £76k underspend forecast on security costs with work starting on former HQ building.
Customer Operations	(124)	60	(6)	38	(32)	-2%	
Communications	6	4	-	-	10	6%	
Customer Operations	(31)	41	-	(27)	(16)	-3%	<ul style="list-style-type: none"> • Underspend on employees costs due to vacancies in first half the of year. • £41k spend on Residents Survey & Inform Communications Subscription, partly funded by reserves.
ICT	48	5	(6)	(45)	2	0%	
Strategic Policy, Performance & Improvements	(148)	10	-	110	(27)	-10%	<ul style="list-style-type: none"> • Underspend on employee costs due to a team restructure. • Additional £10k costs for new performance software and citizen plan subscription. • Budgeted movement from reserves no longer required.
Economic Growth & Climate Change	(36)	258	(168)	(52)	1	0%	
Economy & Business	(36)	258	(168)	(52)	1	0%	<ul style="list-style-type: none"> • (£36k) under budget on salary costs with inflationary pressures being more than mitigated by some roles being funded from Covid reserve. • £258k of spend largely on Reopening of the High Streets Safely scheme funded by grant income and movement from reserves.

3. General Fund Revenue – Services Forecast Variance (Cont'd)

	Variance To Budget £000's					Variance to Budget %	Commentary on Major Variances
	Employee Costs £'000	Operating Costs £'000	Income £'000	Movement in Reserves £'000	Total £'000		
Housing	52	346	(583)	46	(140)	-25%	
PV Panels	-	(55)	63	-	8	6%	<ul style="list-style-type: none"> Increased Maintenance costs on Photo Voltaic Panels
Housing Solutions	52	400	(646)	46	(148)	-21%	<ul style="list-style-type: none"> Salary cost pressure due to pay award, mitigated by vacancies & one role moving to Planning. £90k overbudget on B&B costs due to an unexpected increase over winter months. There was a £43k cost pressure paying rent arrears, heating, court costs etc to prevent homelessness. Other overspends on operating costs are funded by grants or reserves. Additional income has been received in 2022/23: Favourable variance on Housing Benefit received in temporary accommodation (£84k), additional Homeless Prevention funding (£105k), agency funding from West Suffolk Council (£12k), HRA Year End Transfer (£101k), additional Rough Sleepers Grant (£61k), additional rents (£150k) expected and additional Household Support Grant of (£165k).
HR & Organisational Development	(18)	55	(1)	(9)	28	6%	
HR & OD	(18)	55	(1)	(9)	28	6%	<ul style="list-style-type: none"> Employee underspend due to vacancies. £55k over budget on centrally held recruitment & advertising costs for the council and additional costs on employee healthcare.
Law & Governance	(14)	79	9	-	74	8%	
Electoral Services & Land Charges	(17)	48	10	-	41	44%	<ul style="list-style-type: none"> Employee underspend due to vacancies in first half of year. £48k over budget as spend kicks in for May 2023 Elections. Funded by reserves. £60k under budget forecast for Land Charges mitigated by (£50k) Elections Funding.
Governance & Civic Office	1	29	(1)	-	29	8%	£29k overspend on postage due to apparent increase in volume, usage and costs are being reviewed with the service provider.
Internal Audit, Risk & Data	2	1	-	-	3	4%	
Shared Legal Service	-	-	-	-	-	0%	

3. General Fund Revenue – Services Forecast Variance (Cont'd)

	Variance To Budget £000's					Variance to Budget %	Commentary on Major Variances
	Employee Costs £'000	Operating Costs £'000	Income £'000	Movement in Reserves £'000	Total £'000		
Operations	(4)	(153)	(140)	12	(284)	-7%	
Car Parking	1	(28)	5	-	(21)	-7%	<ul style="list-style-type: none"> • (£28k) underspend on equipment and tools budgeted for implementing the car parking strategy approved by October 2022 Cabinet, mapped implementation expenditure has been budgeted in 2023/24. • £5k Income deficit from Civil Parking Enforcement contract, service manager reviewing actuals with service provider.
Health & Safety, Business Continuity and Emergency Planning	(58)	(14)	-	20	(52)	-12%	<ul style="list-style-type: none"> • Employee cost underspend due to long-term absence. • Operating cost savings have been made by changing supplier for lone working devices and licences, resulting in a re-current saving.
Public Protection	12	53	(129)	-	(64)	-11%	<ul style="list-style-type: none"> • £10k overspend on taxi testing. •£43k overspend represents contribution of Contain Outbreak Management Fund costs to Public Realm for Covid related activity. • (£103k) total Covid 'COMF' funding direct employee costs for COVID backlog work and above contribution to Public Realm. • (£26k) additional income from fees, charges, licences, enforcement and new burden funding.
Public Realm	43	(49)	(6)	(10)	(22)	-2%	<ul style="list-style-type: none"> • Overspend on employee costs due to pay award. • (£65k) savings from insourcing street and road maintenance services. Additional resources including Seasonal Rangers and Biodiversity Projects have been reserve funded.
Recycling, Waste & Fleet	6	(116)	(10)	2	(118)	-10%	<ul style="list-style-type: none"> • (£116k) saving from historically low costs for Materials Recovery Facility (MRF) which is set quarterly based on tonnage and overall market commodity value. Mitigated partly by inflationary pressures on disposals of other materials and contract revaluations and supplier cost pressures. It is proposed that any underspend will be transferred fully in the Waste reserve to stabilise the medium-term budget pressures on the service. • (£10k) Service income ahead of budget
Service Improvement (Environment & Community Services)	(7)	-	-	-	(7)	-22%	Due to employee costs transferred to Finance Transformation Project.

3. General Fund Revenue – Services Forecast Variance (Cont'd)

	Variance To Budget £000's					Variance to Budget %	Commentary on Major Variances
	Employee Costs £'000	Operating Costs £'000	Income £'000	Movement in Reserves £'000	Total £'000		
Planning & Building Control	(161)	(19)	302	(82)	39	3%	
Building Control	(10)	7	29	-	27	32%	<ul style="list-style-type: none"> Income down over the winter months but expected to come back in the Spring.
Development Management, Heritage & Enforcement	(100)	59	292	(123)	129	24%	<ul style="list-style-type: none"> Some employee underspend due to vacancies. Operating costs include (£40k) underspend on legal costs offset by payment of £110k for a partial refund on an application (offset by reserves) Planning income significantly lower than budgeted for due to downturn in market. 23/24 budgets have been adjusted accordingly.
Service Improvement (Sustainable Communities)	1	0	-	-	1	3%	
Strategic Planning	(53)	(86)	(20)	41	(118)	-21%	<ul style="list-style-type: none"> Employee underspend due to vacancies. Operating costs - £13k overspend on Community Infrastructure Levy legal costs (covered by 5% admin fee), (£100k) saving on Strategic Planning consultancy costs and (£25k) saving on legal costs this year, £29k higher costs on Neighbourhood Plan costs with some costs incurred sooner than expected. (£50k) extra income from 5% admin fee offset by £30k less on Neighbourhood Plan income, due to the timing of claim windows. £100k transfer from reserves not required due to savings in costs offset by increase to transfer to reserves of (£59k) for Neighbourhood Plan income.
Senior Leadership Team	83	0	(10)	(19)	54	8%	
Senior Leadership Team	83	0	(10)	(19)	54	8%	Overspend due interim cover and recruitment costs.
Grand Total	361	1,176	(779)	(274)	484	4%	

4. General Fund Revenue - Reserves

The projected balances for the Council's reserves, incorporating the forecasts in the previous section are shown below.

Reserves	Balance at 31st March 2022 £'000	Budget movement to reserves 22/23 £'000	Forecast movement to reserves 22/23 £'000	Budget movement from reserves 22/23 £'000	Forecast movement from reserves 22/23 £'000	Budget Balance 31st March 2023 £'000	Forecast Balance 31st March 2023 £'000	Committed funds £'000	Forecast Uncommitted Balance 31st March 2023 £'000
Business Rates & Council Tax	4,967		0	(2,471)	(3,438)	2,497	1,529	0	1,529
Business Rates Retention Pilot (BRRP)	812		35	(17)	(30)	795	817	(270)	546
Carry Forwards	420		0	(420)	(420)	0	0	0	0
Climate Change and Biodiversity	309		0	(92)	(54)	217	255	0	255
Community Housing Fund	140		0	(29)	(28)	111	113	0	113
Commuted Maintenance Payments	937		0	(16)	(110)	921	827	0	827
COVID 19	1,674		0	(141)	(113)	1,534	1,562	(340)	1,221
Elections Equipment	35		0	0	0	35	35	0	35
Elections Fund	70	20	20	0	0	90	90	0	90
Government Grants	259		3	(10)	(25)	249	237	0	237
Homelessness	277		0	(89)	(89)	188	188	0	188
Joint Local Plan	100		0	(100)	0	0	100	0	100
Neighbourhood Planning Grants	48	157	97	(29)	(29)	176	116	0	116
Planning (Legal)	668		0	0	(9)	668	659	0	659
Planning Enforcement	93	40	40	0	0	133	133	0	133
Rough Sleepers	88		0	0	0	88	88	0	88
Strategic Planning	93		0	0	0	93	93	0	93
Strategic Priorities	1,704	527	360	(171)	(507)	2,060	1,556	(775)	781
Temporary Accommodation	238		0	(43)	0	194	238	0	238
Waste	230		0	0	(19)	230	211	0	211
Well-being	176		0	(45)	(84)	131	93	0	93
Inflationary Pressures Reserve	500		0	0	(500)	500	0	0	0
TOTAL	13,838	744	555	(3,673)	(5,455)	10,909	8,937	(1,386)	7,552

5. General Fund Capital - Forecast

1. Background

- Use of capital and one-off funds is critical and needs to be linked into our future delivery plans.
- 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 relating to investments and commercial delivery where it is difficult to accurately predict how payments will fall. Members 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.

- Some items in the capital programme, such as the Strategic Investment Fund are unlikely to be fully spent in year, and some projects may be delayed due to the general supply and delivery issues, so the figures in Appendix B anticipate that a request will be made to carry forward some unspent balances at year-end. This reflects the review that was undertaken as part of the 2023/24 budget setting process, including whether all projects will be required.
- The budget, actual spend to 31st December 2022 and forecast spend for 2022/23 for the Capital Programme is shown below

BABERGH DC CAPITAL PROGRAMME 2022/23	Original Budget	Carry Forwards / Budget Adjustments	Current Budget	Actual Spend to date	Full Year Forecast at Q3	Expected Carry Forward	Full Year Forecast LESS Budget (favourable)/ adverse Variance	Comments
GENERAL FUND	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
General Fund Housing								
Mandatory Disabled Facilities Grant	760	937	1,697	416	560	-	(1,137)	The variance represents DFG funding received but not yet spent. It will be used in future years.
Renovation / Home Repair Grants (formerly Discretionary Housing Grants)	100	(10)	90	49	94	-	4	
Empty Homes Grant	100	241	341	-	-	341	-	New Empty Homes Officer progressing cases and applications expected for this grant.
Grants for Affordable Housing	-	400	400	-	-	400	-	Potential schemes being considered for support
Total General Fund Housing	960	1,568	2,528	464	653	741	(1,134)	

5. General Fund Capital – Forecast (Cont'd)

BABERGH DC CAPITAL PROGRAMME 2022/23	Original Budget	Carry Forwards / Budget Adjustments	Current Budget	Actual Spend to date	Full Year Forecast at Q3	Expected Carry Forward	Full Year Forecast LESS Budget (favourable)/ adverse Variance	Comments
GENERAL FUND	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Operations								
Replacement Refuse Freighters - Joint Scheme	2,060	-	2,060	1,987	1,989	71	(0)	10 of the 11 new refuse trucks ordered have been delivered. Additional truck to be delivered in 2023/24.
Recycling Bins	75	-	75	123	123	-	48	Higher demand due to development. More bins purchased at an agreed cheaper rate to guarantee availability and to protect against price increases.
Total Operations	2,135	-	2,135	2,110	2,112	71	48	
Public Realm								
Vehicle and Plant Renewals	100	144	244	247	247	-	3	Overspend due to the withdrawal of Welcome Back Funding for the purchase of 3 solar bins
Car Parks - Planned Maintenance / Enhancements	7	13	20	8	15	5	-	
Pin Mill - Planned Maintenance	115	-	115	-	10	105	-	Works now expected to take place in 2023/24
Total Public Realm	222	157	379	254	272	110	3	
Economic Development and Regeneration								
Belle Vue Refurbishment / Replacement	-	1,901	1,901	7	7	1,901	7	Belle Vue House is being marketed. The proceeds are to be used to partly fund the new park entrance which is on hold pending the sale of the house.
Total Economic Development and Regeneration	-	1,901	1,901	7	7	1,901	7	

5. General Fund Capital – Forecast (Cont'd)

BABERGH DC CAPITAL PROGRAMME 2022/23	Original Budget	Carry Forwards / Budget Adjustments	Current Budget	Actual Spend to date	Full Year Forecast at Q3	Expected Carry Forward	Full Year Forecast LESS Budget (favourable)/ adverse Variance	Comments
GENERAL FUND	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Communities								
Play Equipment	50	199	249	-	150	99	-	Tendering for the works to three play areas. Further works earmarked for completion in 2023/24
S106 Open Spaces Grants	-	-	-	27	27	-	27	To be financed from S106 monies
Community Development Grants	117	80	197	56	182	15	-	Expectation is that the budget will be fully allocated by the end of the financial year. Prioritising projects where expenditure will be incurred in 2022/23.
Total Communities	167	279	446	84	360	114	27	
Leisure Contracts								
Kingfisher Leisure Centre - Planned Maintenance	100	641	741	94	200	541	-	Survey commissioned to draw up list of required works
Hadleigh Pool & Leisure - Planned Maintenance	50	403	453	-	100	353	-	Survey commissioned to draw up list of required works
Kingfisher Leisure Centre Refurbishment	-	-	-	-	9	-	9	Final Consultancy Fees
Hadleigh Pool and Leisure - New Pool and Refurbishment	-	258	258	39	9	-	(249)	Final Consultancy Fees
Battery Storage and Solar Car Ports	-	-	-	7	10	-	10	Timescales slipped into 2022/23 due to component shortage. Now complete.
Total Leisure Contracts	150	1,302	1,452	140	328	894	(230)	

5. General Fund Capital – Forecast (Cont'd)

BABERGH DC CAPITAL PROGRAMME 2022/23	Original Budget	Carry Forwards / Budget Adjustments	Current Budget	Actual Spend to date	Full Year Forecast at Q3	Expected Carry Forward	Full Year Forecast LESS Budget (favourable)/ adverse Variance	Comments
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
GENERAL FUND								
Assets and Investments								
Corporate Buildings - Planned Maintenance / Enhancements	330	26	356	26	306	-	(50)	Includes planned Endeavour House refurbishment to complete before year end. Also to fix Chilton depot soakaway
CIL Funded Infrastructure Grants	-	-	-	92	93	-	93	To be financed from CIL
Strategic Investment Fund	-	2,906	2,906	129	200	2,706	-	There may be opportunities to buy property for income generation.
Regeneration Fund	64	6,528	6,592	89	412	0	(6,180)	Forecast relates to units brought back into use and initial works towards Hamilton Road project.
Regeneration Fund - Former Council Offices	-	2,841	2,841	990	2,841	-	-	
A1071 Roadside Commercial Workspace Development	1,075	(72)	1,003	8	100	903	-	Site to be developed for economic development purposes into a retail unit, office accommodation and business units.
Babergh Growth Ltd	500	-	500	-	-	500	-	
Total Assets and Investments	1,969	12,228	14,197	1,335	3,951	4,109	(6,137)	
Corporate Resources								
Replacement Finance Management System	325	-	325	67	175	150	-	Budget expected to be fully spent but implementation project running longer than originally anticipated
Total Corporate Resources	325	-	325	67	175	150	-	
Total Customers, Digital Transformation and Improvement	150	115	265	73	153	-	(112)	
Total General Fund Capital Spend	6,078	17,550	23,628	4,535	8,012	8,089	(7,528)	