

General Fund Financial Monitoring Quarter 1 2023/24

Babergh 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 deficit of £681k, £703k worse 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 £580k is compounded by a reduction of £111k in transfers from 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 reduced by £462k from the original estimate of £880k to a new projection of £418k.
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 £570k 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 (underspend) / overspend	Variance as % of Budget
		£'000	£'000	£'000	
Net Service Costs	Assets & Investments	301	318	16	5%
	Communities & Wellbeing	945	1,030	84	9%
	Corporate Resources	2,199	2,593	394	18%
	Customers, Digital Transformation & Improvement	2,312	2,183	(130)	-6%
	Economic Growth & Climate Change	516	510	(6)	-1%
	Operations	4,142	4,007	(134)	-3%
	Housing	885	872	(13)	-1%
	Law & Governance	1,059	1,116	57	5%
	Planning & Building Control	1,367	1,626	259	19%
	HR & Organisational Development	734	784	50	7%
	Senior Leadership Team	731	732	1	0%
Housing Benefits	HB Transfer Payments	11,769	11,769	-	0%
	HB Grants and Contributions	(11,885)	(11,885)	-	0%
Net expenditure on services as above		15,074	15,654	580	4%
Recharges	Charge to HRA/Capital	(1,937)	(1,925)	12	-1%
Capital Financing Costs	Interest Payable - CIFCO	208	208	-	0%
	Interest Payable - Other	1,271	1,271	-	0%
	Minimum Revenue Provision (MRP)	1,708	1,708	-	0%
Investment Income	Pooled Funds Net Income	(569)	(569)	-	0%
	Interest Receivable - CIFCO	(1,144)	(1,144)	-	0%
	Interest Receivable - CIFCO Further Investment	(1,043)	(1,043)	-	0%
	Interest Receivable - Other	(15)	(15)	-	0%
Reserves	Transfers to / (from) Reserves	(1,025)	(914)	111	-11%
Total Net Cost of Services		12,528	13,232	703	6%
Government Grants	New Homes Bonus	(825)	(825)	-	0%
	Revenue Support Grant (RSG)	(130)	(130)	-	0%
	Services Grant	(86)	(86)	-	0%
	Rural Services Delivery Grant	(266)	(266)	-	0%
	Funding Guarantee	(68)	(68)	-	0%
Business Rates	Baseline Business Rates	(705)	(705)	-	0%
	Growth / Pooling Benefit	(457)	(457)	-	0%
	S31 Business Rates Grant	(3,283)	(3,283)	-	0%
	Enterprise Zone income	(319)	(319)	-	0%
	B/R Prior Year Deficit/(Surplus)	25	25	-	0%
Council Tax	Council Tax	(6,416)	(6,416)	-	0%
	Council Tax Prior Year Deficit/(Surplus)	(21)	(21)	-	0%
Total Funding		(12,551)	(12,551)	-	0%
Net Position Before Reserves		(22)	681	703	
Movement in Reserves	Strategic Priorities Reserve	22	(681)	(703)	
		0	(0)	0	

3. General Fund Revenue – Major Variances

Babergh District Council					
Area	Full Year Net Budget £'000	Full Year Forecast £'000	Variance £'000	Comments	% Variance
Assets & Investments	301	318	16		5%
Strategic Property	219	246	27	£7K overspend on reactive soakaway repairs to depot. £11K overspend from writing off bad debt from prior tenant. New tenant in situ and payments up to date. £6K overspend Car Park rental of Corks Lane Hadleigh payable to Hadleigh Town Council.	12%
The Councils' Companies	82	71	(11)		-13%
Communities & Wellbeing	945	1,030	84		9%
Communities	717	775	58	£70k additional spend on Youth Social Prescribing funded from Care Commissioning Group and not Council Budget (recognised in movement to/from reserves).	8%
Leisure Contracts	228	255	27	Reactive repairs to Hadleigh Pool and Kingfisher Centre electrical repairs.	12%
Corporate Resources	2,083	2,477	394		19%
Finance, Commissioning & Procurement	2,083	2,477	394	Central Salaries contingency saving balanced with actual savings in the service areas.	19%
Customers, Digital Transformation & Improvement	2,312	2,183	(130)		-6%
Communications	235	229	(5)		-2%
Customer Operations	652	606	(46)	(£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 Suffolk County Council 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	516	510	(6)		-1%
Climate Change	134	134	(0)		0%
Economic Growth & Climate Change	382	377	(6)		-1%
Housing	885	872	(13)		-1%
PV Panels	(149)	(154)	(4)		3%
Housing Solutions	1,034	1,025	(9)		-1%
HR & Organisational Development	734	784	50		7%
HR & OD	734	784	50	Overspend on staffing and SCC advertising costs. £20k of the overspend is reserve funded costs related to the Pay & Reward project.	7%

3. General Fund Revenue – Major Variances cont.

Babergh District Council					
Area	Full Year Net Budget £'000	Full Year Forecast £'000	Variance £'000	Comments	% Variance
Law & Governance	1,059	1,116	57		5%
Electoral Services & Land Charges	103	161	58	Additional staffing costs and election costs to be invoiced to Parishes during Q2.	56%
Governance & Civic Office	462	458	(3)		-1%
Internal Audit, Risk & Data	93	96	3		3%
Shared Legal Service	401	401	0		0%
Operations	4,142	4,008	(134)		-3%
Car Parking	354	319	(35)	(£19K) underspend from increase on car park income with machines at Pin Mill back in use raising income. (£13K) underspend from savings expected on electricity budgeted from Light Emitting Diode (LED) lighting installation.	-10%
Health & Safety, Business Continuity and Emergency Planning	262	292	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.	12%
Public Protection	586	541	(46)	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.	-8%
Public Realm	1,409	1,475	65	Equipment costs and staff protective clothing overspent by £22k, remainder of overspend on fleet costs due to need for vehicle hire	5%
Recycling, Waste & Fleet	1,494	1,372	(122)	Favourable variances include Serco waste contract for the year (£45K); garden waste income growth (£34K); transitional officer vacancies (£23K); underspend to budget Materials Recovery Facility (MRF) costs (£12K) ; trade waste income growth (£8K).	-8%
Service Improvement (Environment & Community Services)	35	9	(27)	Current employee resource seconded to Corporate Services.	-75%
Planning & Building Control	1,367	1,626	259		19%
Building Control	139	167	27	Reduction in income levels. Construction industry affected by cost of living pressures.	20%
Development Management, Heritage & Enforcement	811	1,097	285	Vacancy savings offset by >50% reduction in income levels	35%
Service Improvement (Sustainable Communities)	38	39	0		0%
Strategic Planning	378	324	(54)	Staff vacancies	-14%
Senior Leadership Team	731	732	1		0%
Senior Leadership Team	731	732	1		0%
Grand Total	15,074	15,654	580		4%

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	(130)	(195)	(64)	Youth Social Prescribing
Corporate Resources	(143)	(66)	76	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	(103)	(68)	34	Funding for Fixed Term Executive Assistant posts and Apprenticeship Costs.
Economic Growth & Climate Change	(39)	(43)	(4)	
Housing	(207)	(209)	(2)	
HR & Organisational Development	(39)	(61)	(22)	Reserve funding for pay & reward project resource
Law & Governance	20	20	-	
Operations	(223)	(136)	87	Funding for Fixed Term Contract positions
Planning & Building Control	(162)	(156)	6	
Grand Total	(1,025)	(914)	111	

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 £18.062m.

CAPITAL PROGRAMME 2023/24	Last Years Budget	22/23 Outturn	Cfwd 22/23	Budget Book 23/24	Revised Budget 23/24	Actual Spend	Contractual Commitments	Forecast at Q1	Variance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
GENERAL FUND									
Total General Fund Housing	2,518	665	1,002	960	1,962	192	-	1,962	
Total Operations	2,135	2,140	59	407	466	73	-	466	
Public Realm	379	331	123	415	538	24	-	538	
Economic Development and Regeneration	1,901	(16)	1,917	-	1,917	10	-	1,917	
Sustainable Communities	446	183	253	170	423	83	81	423	
Leisure Contracts	1,452	236	992	150	1,142	10	-	1,142	
assets and Investments	8,008	1,908	6,476	4,915	11,391	246	-	11,391	
Corporate Resources	325	129	-	75	75	167	196	75	
Customers, Digital Transformation and Improvement									
Customers, Digital Transformation and Improvement	265	267	-	150	150	-	-	150	
Total General Fund Capital Spend	17,429	5,843	10,820	7,242	18,062	806	277	18,062	-