

General Fund Financial Monitoring Quarter 2 2023/24

Babergh 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 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. 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, of course, always be reasons why there are variances such 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. The overall position of the Council's Revenue General Fund for 2023/24 is forecast to be a deficit of £922k against a budgeted surplus of £22k. This is a projection based on current trends, which may fluctuate as the year progresses. Statutory increases to planning fees will take effect in

year, partly reducing the deficit, the effects of which will be reported in Q3. It is proposed that any shortfall against budget be funded from the Council's reserves. 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..

9. 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 £420k below budget, it is proposed that this will be funded from earmarked reserves.
10. 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 £0.550m 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 2% over 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 23/24	Full Year Forecast 23/24	Variance to Budget (underspend) / overspend	Variance as % of Budget
		£'000	£'000	£'000	
Net Service Costs	Assets & Investments	301	337	36	12%
	Communities & Wellbeing	815	868	53	7%
	Corporate Resources	2,056	2,532	476	23%
	Customers, Digital Transformation & Improvement	2,210	2,148	(62)	-3%
	Economic Growth & Climate Change	477	470	(7)	-1%
	Operations	3,919	3,811	(107)	-3%
	Housing	677	564	(114)	-17%
	Law & Governance	1,079	1,228	149	14%
	Planning & Building Control	1,205	1,619	414	34%
	HR & Organisational Development	695	727	32	5%
	Senior Leadership Team	731	729	(2)	0%
	Housing Benefits	HB Transfer Payments	11,769	11,769	-
HB Grants and Contributions		(11,885)	(11,885)	-	0%
Net expenditure on services as above		14,049	14,917	869	6%
Recharges	Charge to HRA/Capital	(1,937)	(1,883)	54	-3%
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%
Total Net Cost of Services		12,528	13,451	922	7%
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)	900	922	
Proposed Movement in	Budgeted Use of Reserves	22	(900)	(922)	
		0	0	0	0

3. General Fund Revenue – Major Variances

Service Area	Full Year Budget £'000	Full Year Forecast £'000	Variance £'000	Comments for Variances over £10k	% Variance
Assets & Investments	301	337	36		12%
Strategic Property	219	262	43	£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. £22K overspend on Car Park rental of Corks Lane Hadleigh payable to Hadleigh Town Council and the Business rates payable.	19%
The Councils' Companies	82	75	(7)		-8%
Communities & Wellbeing	815	868	53		7%
Communities	587	635	47	£48k less than budgeted being moved from reserves due to unfilled post	8%
Leisure Contracts	228	234	6		2%
Corporate Resources	1,940	2,416	476		25%
Finance, Commissioning & Procurement	1,940	2,416	476	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.	25%
Customers, Digital Transformation & Improvement	2,210	2,148	(62)		-3%
Communications	235	230	(5)		-2%
Customer Operations	614	592	(22)	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	477	470	(7)		-1%
Climate Change	95	95	0		0%
Economic Growth & Climate Change	382	375	(7)		-2%
Housing	677	564	(114)		-17%
PV Panels	(149)	(154)	(4)		3%
Housing Solutions	827	717	(109)	Underspend on salaries due to vacancies, including Housing Needs and Standards Manager which has not been filled.	-13%
HR & Organisational Development	695	727	32		5%
HR & OD	695	727	32	Overspend due to additional resource in team brought in (approx. £19k), £5k overspend on recruitment advertising costs due to an increase in vacancies and £8k increase in Legal Expenses.	5%

3. General Fund Revenue – Major Variances

Service Area	Full Year Budget £'000	Full Year Forecast £'000	Variance £'000	Comments	% Variance
Law & Governance	1,079	1,228	149		14%
Electoral Services & Land Charges	123	203	80	Overspend on May 2023 Elections of £30k. Land Charge income is forecast to be £42k under budget. £8k to be paid back to Elections Claim Unit (ECU) for 2021 Election underspend	65%
Governance & Civic Office	462	518	56	£34k overspend due to an increase payable to each Councillor agreed after 22/23 budget was set. £6k overspend on Car Mileage Allowances. £10k overspend on Training & Materials due to change in Cabinet members. £10k overspend forecast on postage costs.	12%
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	3,919	3,812	(107)		-3%
Car Parking	354	244	(110)	£55K Reduction in Business Rates costs for the year; £32K Underspend on contracted services for delivering Car Park Strategy where revenue budget was set to deliver revenue improvements. £10K 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.	-31%
Health & Safety, Business Continuity and Emergency Planning	212	193	(18)	Costs from consultancy support at Corporate Manager Level to update Health & Safety requirements organisationally is being offset from substantive staffing vacancies resulting in a £18K underspend.	-9%
Public Protection	586	508	(79)	£79K of Employee costs for backlog of 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 posts that are vacant in the year has resulted in the underspend. There is an expectation to be at full establishment during Quarter 3 of the financial year.	-13%
Public Realm	1,381	1,516	135	£75K overspend on employees following review and correct allocations of resources, budgets to be amended next year to reflect. Operating costs adverse overspends include: £40K on equipment and tools due to backlog of works, £22K on vehicle hire costs and maintenance from increased demand; £25K on vehicle fuels due to inflationary cost pressures; £23K on protective clothing; £10K on horticultural expenses and wild seed sowing for biodiversity, £10K on funding Grow Your Community incentive unbudgeted. £71k Drawdown of Commuted Maintenance reserve, £2k Drawdown from Environmental reserve.	10%
Recycling, Waste & Fleet	1,350	1,350	0		0%
Service Improvement (Environment & Community Services)	35	0	(35)	Current employee resource seconded to Corporate Services.	-100%
Planning & Building Control	1,205	1,619	414		34%
Building Control	139	133	(6)		-4%
Development Management, Heritage & Enforcement	624	1,000	375	45-50% reduction in income partially offset by staff vacancies.	60%
Service Improvement (Sustainable Communities)	39	39	0		0%
Strategic Planning	403	447	44	Shortfall in income due to claim window timings partially offset by staff vacancies.	11%
Senior Leadership Team	731	729	(2)		0%
Senior Leadership Team	731	729	(2)		0%
Grand Total	14,049	14,918	869		6%

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	3,545,890	-	-	3,545,890	- 1,313,501	-	- 2,163,685	68,704				68,704
Business Rates Retention Pilot (BRRP)	792,182	- 60,000	-	732,182	-	-	- 5,148	727,034	- 23,709	- 15,806		687,518
Carry Forwards	147,258	-	-	147,258	-	-	- 29,496	117,761				117,761
Climate Change and Biodiversity	249,507	- 66,827	-	182,680	-	-	- 57,921	124,759				124,759
Community Housing Fund	122,309	- 28,115	-	94,194	-	-	-	94,194	- 28,115			66,079
Commuted Maintenance Payments	1,346,309	-	-	1,346,309	-	-	38,522	1,384,831	- 30,000	- 30,000	- 30,000	1,294,831
COVID 19	1,501,470	- 133,618	-	1,367,852	-	-	-	1,367,852				1,367,852
Elections Equipment	35,000	-	-	35,000	-	-	-	35,000				35,000
Elections Fund	90,386	-	20,000	110,386	- 90,386	-	-	20,000				20,000
Government Grants	259,376	- 19,885	-	239,491	-	-	-	239,491				239,491
Homelessness	291,097	- 100,098	-	190,999	-	-	- 20,000	170,999				170,999
Joint Local Plan	100,000	-	-	100,000	-	-	-	100,000				100,000
Neighbourhood Planning Grants	48,711	- 26,523	51,230	73,418	-	-	29,277	102,695				102,695
Planning (Legal)	741,808	- 141,000	-	600,808	- 3,003	-	-	597,805				597,805
Planning Enforcement	92,848	-	-	92,848	-	-	-	92,848				92,848
Rough Sleepers	16,592	-	-	16,592	-	-	-	16,592				16,592
Strategic Planning	222,466	-	-	222,466	-	-	- 222,466	0				0
Strategic Priorities	1,871,206	- 310,988	22,268	1,582,486	- 64,000	-	- 331,567	1,186,919	- 72,192	- 64,000	- 64,000	986,727
Temporary Accommodation	220,138	- 59,157	-	160,981	-	-	60,000	220,981				220,981
Waste	380,056	- 144,124	-	235,932	-	-	-	235,932				235,932
Well-being	84,873	- 6,218	-	78,655	- 70,000	-	- 8,655	0				0
TOTAL	12,159,482	- 1,096,553	93,498	11,156,427	- 1,540,890	-	- 2,711,139	6,904,398	- 154,016	- 109,806	- 94,000	6,546,575

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 £9.4m variance on the budget of £19.3m is primarily influenced by four projects;
 - A1071 Roadside Commercial Workspace Development (slippage of £1.9m)
 - Regen Fund Former Council Offices (slippage of £2.8m)
 - Strategic Investment Fund (slippage of £2.8m)
 - Belle Vue (slippage of £1.5m)
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	£'000	
General Fund Housing							
Mandatory Disabled Facilities Grant	1,000,304	288,320	181,125	760,251	(240,053)		We are planning to spend the Grant allocation received from County of £760,251. 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 (formerly Discretionary Housing Grants)	120,557	14,078		70,000	(50,557)	(50,557)	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. Any underspend to be c/f.
Empty Homes Grant	441,000	-	38,286	441,000	-		Forecast to budget whilst further detail is obtained
Grants for Affordable Housing	400,000	-		400,000	-		Forecast to budget whilst further detail is obtained
Total General Fund Housing	1,961,862	302,398	219,411	1,671,251	(290,611)	(50,557)	
Operations							
Replacement Refuse Freighters - Joint Scheme	210,580	216,880		216,880	6,300		Total of ten vehicles have now been delivered and Purchase Order Complete. One vehicle out of ten was completed in 2023/24.
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
Recycling Bins	75,000	79,850		89,950	14,950		Scheme is hand in hand with Housing growth. Overspend due to a bulk order placed for the remainder of the Financial Year
EV Charging Points	180,000	54,421		202,973	22,973		Overspend due to changes in plans in Phase 1b and Phase 2 and costs at new sites costing more. This is 75% funded by the OZEF grant and the match funding from the Climate Change Reserve will cover any additional costs.
Total Operations	1,665,580	351,151	-	1,709,803	44,222	(0)	

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	£'000	
Public Realm							
Planned Maintenance / Enhancements - Car Parks	56,680	4,140		56,680	-	-	Car Park Strategy implementations including signage and meter equipment to bring improved enforcement.
Vehicle and Plant Renewals	120,000	74,828		120,000	-		Scheme is replacing old for new trailer (normally 8 years shelf life). Full budget to be utilised this Financial Year. Funded by borrowing.
Parking Strategy Implementation	165,000	-		15,000	(150,000)	(150,000)	Carry forward expected for further Car Park Strategy implementations including signage and meter equipment to bring improved enforcement.
Gaol Lane, Toilet Refurb	60,000	160		60,000	-		Works are in plan and full building works to be completed in-year.
Pin Mill - Planned Maintenance	136,000	-		36,000	(100,000)	(100,000)	Current investigations underway to plan enhancements of the hard at Chelmondiston. Scheme likely to complete in 24/25.
Total Public Realm	537,680	79,128	-	287,680	(250,000)	(250,000)	
Economic Development and Regeneration							
Belle Vue	1,916,730	10,046		435,046	(1,481,684)	(1,481,684)	Belle Vue lower spend as project only just starting after Cabinet approvals and securing supplier off of framework earlier this month. Spend will begin as per Cabinet approvals £150k plus capital receipt recycling from house sale – another £276k. Forecast includes £425k approved spend for Belle Vue Cafe.
Total Economic Development and Regeneration	1,916,730	10,046	-	435,046	(1,481,684)	(1,481,684)	

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	£'000	
Sustainable Communities							
Play Equipment	303,000	140,279		285,000	(18,000)	(18,000)	Budget is remaining funds from previous years. Works undertaken are to be developed. Currently the prioritisation is in Babergh as the planned works are overdue. Funding from borrowing.
S106 Open Spaces Grants	-	31,689		31,689	31,689		Forecast to actual + commitments whilst further detail is obtained
Community Development Grants	120,000	51,414	81,000	120,000	-		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 £37,662 . 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	423,000	223,381	81,000	436,689	13,689	(18,000)	
Leisure Contracts							
Kingfisher Leisure Centre - Repairs and Renewals	645,050	41,970		90,000	(555,050)	(555,050)	Carry Forward capital budget will be used as match funding against grants from Sport England to enhance the swim facilities of Leisure Centres in Babergh. Forecast differs from Q1 as there is more clarity towards the grant bid that has since been approved.
Hadleigh Pool and Leisure - Repairs and Renewals	497,000	9,711		18,500	(478,500)	(478,500)	
Total Leisure Contracts	1,142,050	38,949	-	108,500	(1,033,550)	(1,033,550)	

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
Assets and Investments							
Planned Maintenance / Enhancements - Corporate Buildings	182,375	17,892		182,375	(0)	(0)	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	-	523,336		935,800	935,800		Difficult to forecast what expenditure will be as recipients have a 2 year window to claim funds.
Strategic Investment Fund	2,777,000	-		-	(2,777,000)	(2,777,000)	C/f awaiting further investment opportunities
A1071 Roadside Commercial Workspace Development	2,078,000	-		200,000	(1,878,000)	(1,878,000)	Currently surveys and design work being carried. Once a programme of works has been agreed then the budget will be utilised in 24/25.
Regen Fund - Former Council Offices	2,765,976	(510,733)		-	(2,765,976)	(2,765,976)	Any unspent funds will be c/f to ensure completion of the site
Hamilton Road Regeneration	108,187	13,656		35,300	(72,887)		Current consultancy fees on regeneration project for the year. No further spend likely.
Borehamgate	255,000	-		145,000	(110,000)	(110,000)	Scheme is to refurb and bring up to standard vacant commercial units to be let. Currently the officers to deliver this scheme have been recruited and part delivery likely in 23/24 with remainder in 24/25. This includes works to Post Office Unit, office, Kings House Toilets.
Babergh Growth Ltd	3,224,000	390,364		3,224,000	-	-	Full budget to be used this financial year, works currently ongoing on former council offices
Total assets and Investments	11,390,538	434,515	-	4,722,475	(6,668,063)	(7,530,977)	

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
Corporate Resources							
Replacement Finance Management System	75,000	167,272	196,000	363,272	288,272		Forecast to actual + commitments whilst further detail is obtained
Total Corporate Resources	75,000	167,272	196,000	363,272	288,272	-	
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 BDC/MSDC for new licence software.
Total Customers, Digital Transformation and Improvement	150,000	-	-	78,125	(71,875)	(101,875)	
Total General Fund Capital Spend	19,262,440	1,606,840	496,411	9,812,841	(9,449,598)	(10,466,642)	