



**COMMITTEE TITLE:** Finance, Assets, Investments & Recovery Committee

**DATE:** 12<sup>th</sup> July 2023

<b>REPORT TITLE:</b>	Q1 2023/24 Budget Monitoring Report
<b>REPORT OF:</b>	Tim Willis, Interim Director - Resources

## REPORT SUMMARY

The purpose of this report is to set out the forecast revenue and capital budget positions as at quarter 1 for 2023/24 and to give an overall financial update for the Council.

The commentary of the report does not attempt to cover all budgetary changes but draws attention to the key factors affecting net expenditure differences.

The General Fund is forecasting a deficit of £554k, this is where there is more expenditure than income. The utilisation of reserves results in the working balance reducing by £443k to £2,431k. There is the option to utilise more earmarked reserves to keep the working balance higher.

The Housing Revenue Account (HRA) is currently forecasting a deficit position of £113k. In year pressures associated with the cost-of-living crisis in respect of repairs and maintenance have resulted in a negative forecast.

The majority of projects are forecast to complete with an expected delay in some projects resulting in a budgetary impact of £18.643m below the budget. At this stage, this underspend will be considered as slippage into next year's programme.

The current financial backdrop poses further financial risks to the Council's budget. It should be noted that the Local Government Association has issued a warning that 'soaring inflation, energy prices and National Living Wage pressures are putting council services at risk'. For Brentwood, there is further financial risks to pay inflation forecasts as well as cost pressures from the current high rates of inflation that cannot be quantified at this stage. The high inflation rates, increasing bank rates and national living wage pressure will have further impact onto the ongoing budgets.

Whilst the Council is not anticipating the need to reduce any services, the financial position will have to be monitored over the year and will make the Medium Term Financial Strategy (MTFS) even more of a challenge to deliver.

## **RECOMMENDATIONS**

**The recommendation is for the report to be noted.**

## **SUPPORTING INFORMATION**

### **1.0 REASONS FOR RECOMMENDATIONS**

Financial monitoring of the budget throughout the year complies with the duties under the Local Government Act 2003, the Housing Act 1985, the Local Government and Housing Act 1989 and the Local Government Finance Act 1992 and subsequent legislation.

### **2.0 BACKGROUND INFORMATION**

1. The report provides a financial update for the General Fund, Housing Revenue Account (HRA) and Capital Budgets for 2023/24, based on operational and financial impacts for the period April to June 2023.
2. On 1st March 2023 Ordinary Council set a budget for the General Fund that forecast a £111k deficit, with this deficit to be funded from earmark reserves. To date as at quarter 1 monitoring, it is expected the deficit will increase further to £554k for 2023/24.
3. At the same meeting, the HRA budget was agreed at a net surplus of £26k. Currently the projection is that the HRA will generate a deficit of £87k.
4. A total capital commitment of £58.340m was approved at the same meeting. The updated forecasts shows that it is expected £39.697m will be committed this financial year.

### **Issue, Options and Analysis of Options**

#### **General Fund**

5. Based on the activity to the end of June 2023, the General Fund revenue forecast is a deficit position attributable to the ongoing pressures from higher inflation. Appendix A & B provides a detailed analysis of the activity making up the variance compared to the surplus originally set.
6. The General Fund working Balance is forecast to drop to £2.431m as of 31<sup>st</sup> March 2024.

## General Fund Forecast

	2023/24 Current Budget £'000	2023/24 Forecast Outturn £'000	2023/24 Variance £'000
Total General Fund Net Expenditure	6,953	7,421	468
Net Non Service	2,895	2,870	(25)
Total Funding	(9,737)	(9,737)	0
<b>General Fund (Surplus)/Deficit</b>	<b>111</b>	<b>554</b>	<b>443</b>
Working Balance B/fwd	2,874	2,874	0
Surplus/(Deficit) in year	(111)	(554)	(443)
Earmark Reserve Drawdown	111	111	0
<b>Working Balance C/fwd</b>	<b>2,874</b>	<b>2,431</b>	<b>443</b>

7. To analyse the variances a subjective analysis per cost centre under each corporate strategy heading has been produced and can be found within Appendix A.
8. In summary the £443k variance caused within the General fund was associated with the following:

## Growing Our Economy

9. There is a total budget pressure of £97k. This is attributed to an overspend in Planning development and planning enforcement of £267k. This is partly offset by an underspend in Planning policy.
10. Planning enforcement have an additional temporary agency post and planning development are paying a premium for the agency staff. There is a national shortage of town planners.
11. As in 2022/23, significant expenditure is also projected on consultancy fees and other professional fees.

## Protecting Our Environment

12. The Q1 forecast is projecting a 421k overspend for protecting our environment.

13. Some £240k is attributable to staffing costs. Street services are currently relying on significant numbers of agency staff, as well as substantial overtime being paid to permanent staff to keep up with demand.
14. There is a 142k pressure for premises expenditure and supplies and services. This is for water bills, repairs and maintenance, protective clothing, uniforms, sacks & bins.
15. Building control are forecasting a pressure for meeting their budgeted income target. There will be a shortfall of £30k. The rest is made up of a number of small variances across Protecting Our Environment.

#### Developing Our Communities

16. There is a total pressure of 67k, and this is due to increased expenditure and not achieving the budget income for community halls.

#### Delivering an Efficient and Effective Council

17. Delivering an Efficient and Effective Council is forecasting a 114k underspend which is attributed to employee costs, representing a total underspend of £271k. The vacancies are in Finance, Legal services and ICT services.

#### Improving Housing

18. A small underspend is projected on Improving Housing of £3k due to a 3k underspend on supplies and services.

#### Net Non-Service Expenditure

19. Investment properties are projecting to generate the council an extra £25k that is not budgeted.

#### Funding

20. Currently for Q1 there are no forecasted changes to funding.

#### **Cost of Living Crisis**

21. The financial backdrop of the UK economy is volatile, with inflation well above the targeted 2%. Latest figures from Bank of England show inflation is still at 8.7%. The Bank of England on Thursday 22<sup>nd</sup> June raised rates, by 0.5% to 5% in its efforts to reduce inflation.

22. Inflation has begun to fall, and the Bank of England expect it to continue to significantly fall this year due to a various reasons including:
- Wholesale energy prices have fallen.
  - Fall in the price of imported goods. Some of the production difficulties businesses have faced are starting to ease.
  - People have less money to spend, there will be less demand for goods and services in the UK.
23. Forecasters agree that inflation will start to ease in 2023 and the Chancellor of the Exchequer is aiming to halve the inflation figure by the calendar year-end. More generally, however, there is less consensus about the size and speed of any reduction. It is unlikely that the inflation target of 2% will be achieved until 2024 at the earliest.
24. National Living Wage negotiations are underway with the National Joint Committee (NJC) and unions. Brentwood have budgeted for a 4% pay rise. It has been reported that the independent board for some public sectors have recommended between 6-6.5%. However, there have been reports as to whether or not this will be approved by Government, as it could create inflationary pressure.
25. This Council sets its pay locally and therefore does not have to follow the NJC. However, the Council bases any pay award offered against NJC's proposals. In addition to this, as Brentwood has now partnered with Rochford who do follow the NJC pay awards, there must be careful consideration regarding how both authorities decide any pay award. Any award above 4% will further increase the budget deficit.
26. The current proposal tabled is similar to 2022/23, a fixed increase of £1,925. This has been rejected by the unions.

### **Savings & Initiatives**

27. The savings initiatives built into the MTFs are set out in the table below. They are RAG rated, Red being unachieved, and green being achieved at the time of reporting and based on current forecasts. These initiatives are monitored through the Council's budget monitoring process and reviewed regularly.

### Proposed Saving Targets

<b>Proposed Saving Targets</b>	<b>2023/24 £'000</b>	<b>2024/25 £'000</b>	<b>2025/26 £'000</b>
Corporate Vacancy Factor	(673)	(686)	(700)
Capitalisation Staff Costs *	(50)	(50)	(50)
One team savings	(224)	(808)	(846)
<b>Total Efficiency Targets</b>	<b>(947)</b>	<b>(1,544)</b>	<b>(1,596)</b>
Leisure Strategy Income	(175)	(175)	(175)
Service Income Generation	(80)	(80)	(80)
<b>Total Income Generation Targets</b>	<b>(255)</b>	<b>(255)</b>	<b>(255)</b>
<b>Total Saving Targets</b>	<b>(1,202)</b>	<b>(1,799)</b>	<b>(1,851)</b>

28. The savings marked amber are yet to be achieved for the following reasons:

- Inflationary increases preventing any saving.
- Delay in service delivery generating efficiencies.
- Decrease in income targets due to cost-of-living crisis.

### One Team Strategic Partnership

29. A OneTeam Strategic Partnership was agreed at an Extraordinary Council on 25 January 2022 and led to a Joint Chief Executive/Head of Paid Service being appointed across Rochford District Council and Brentwood Borough Council with effect from 1 February 2022. A savings ambition for the Partnership has been estimated at £846k by 2025/26.

30. The first activity for the OneTeam Transformation Programme was the review of the senior leadership structure at Tier 2 (Strategic Director) and Tier 3 (Assistant Director/Corporate Director) levels. Appointments for new Tier 3 Director roles were made by the Chief Officer Appointments Committee on 16 June, with further appointments in November 2022 and June 2023. There are still two vacancies, but these are being covered by internal arrangements and Agency.

31. The services within the council are currently being reviewed, with Phase 1 nearing completion and Phase 2 beginning. As savings are finalised, these will be reflected in future budget monitoring and setting reports.

### Collection Fund

32. The Council has a statutory requirement to operate a Collection Fund as a separate account to the General Fund. The purpose of the Collection Fund is to isolate the income and expenditure relating to Council Tax and National Non-

Domestic Business Rates (NNDR). The administrative costs associated with the collection process are charged to the General Fund.

### **Council Tax**

33. For 2023/24 the Council's precept upon the collection fund is £6.929m, representing 10.3% of the total Council Tax precepts upon the Collection Fund of £67.355m.
34. The collection rate is currently running at 97.2%. This will be monitored closely during the year for any reduction resulting from the ongoing increases in the cost of living. A significant drop in the collection rate could result in a deficit on the Collection Fund, which would be a cost to the General Fund in 2024/25.

### **NNDR**

35. The funding regime from NNDR income has become increasing complex in recent years. This is partly due to the granting of a range of business rates reliefs by central government, which are reimbursed to the Council via S31 grant. The reliefs include support for local businesses to help them recover from the impact of the COVID-19 pandemic.
36. In addition, the Council has seen a significant decline in its NNDR tax base in recent years, due to the closure of the Ford site and the trend of office space being converted to flats.
37. The Council's forecast share of NNDR income for 2023/24, including S31 grants and "safety net" payment from the Essex Business Rates pool, is £1.535m
38. The NNDR collection rate will be monitored closely during the year. Any reduction in collection rates would result in a deficit on the Collection Fund, but the impact of this upon the General Fund would be offset by additional safety net payments.

### **Earmarked Reserves**

39. The detailed earmarked reserve balances are enclosed in Appendix E. A summary is provided in the table below

	2023/24 Opening Balance £'000	2023/24 Forecast Balance £'000	2023/24 Movement £'000
Mitigation Reserves	6,207	6,194	(13)
Service Reserves	1,932	1,895	(37)

Specific Reserves	960	948	(12)
COVID-19 Reserves	373	0	(373)
<b>Total Reserves</b>	<b>9,472</b>	<b>9,037</b>	<b>(435)</b>

### **Housing Revenue Account – HRA**

40. The Council approved an HRA budget and net surplus of £26k for 2023/24, and an HRA working balance of £2.311m as of 31st March 2023.

41. The HRA in year variances for 2023/24 and resulting working balance forecast is summarised below, with further variance detail reported in Appendix A & C.

#### HRA Forecast

	Budget £'000	Forecast £'000	Variance £'000
Total Expenditure	12,148	12,245	97
Total Income	(14,447)	(14,431)	16
Non-Service Costs	2,273	2,273	0
Appropriations	0	0	0
<b>(Surplus)/Deficit on HRA</b>	<b>(26)</b>	<b>87</b>	<b>113</b>
<b>Working Balance B/fwd</b>			
Working Balance B/fwd	2,311	2,311	0
Surplus/(Deficit) in year	26	(87)	(113)
<b>Working Balance Cfwd</b>	<b>2,337</b>	<b>2,224</b>	<b>113</b>

42. The main variances contributing to the revised forecast of £87k deficit, variance to budget of £113k are:

43. Budget pressure of 40k for repairs and maintenance specifically for emergency lighting and fire maintenance.

44. Staffing pressure of £70k. This is due to currently projecting the HRA will not be able to meet their vacancy factor target. As vacancies in the General Fund are so large, there should be a reduction in the GF recharge to HRA.

45. Saving of 23k from consultancy fees.

46. Small pressure of rental income not achieving budgeted target of 15k. The rest comprises small variances throughout the HRA which are detailed in Appendix A.



## **Capital Programme**

47. The current capital budget totals £58.340m and the detail capital programme is in Appendix D.
48. Currently there is £20.885m of identified slippage within the current programme.
49. Major build work has been delayed in relation to the Strategic Housing Development Programme.
50. The Football Hub project continues, and conversations continue with the football foundation regarding options available to the Council. A full appraisal on any scheme is required before further commitment is made.
51. Works for stage 1 of the Baytree Centre are delayed, as are the works at Childerditch, with contractors required to be procured.
52. Regarding the decent homes programme, works are progressing well. The forecast shows the budget and slippage from 2022/23 is forecast to be fully utilised. Slippage was not automatically carried forward, therefore this programme is currently showing an overspend. Spending in 2023/24 is being monitored and budgets will be adjusted if necessary in future monitoring reports.

## **Budget setting Guidelines**

53. Budget setting guidelines for 2024/25 to 2026/27 are set out in Appendix F.

### **3.0 FINANCIAL IMPLICATIONS**

**Name & Title: Tim Willis, Director – Resources & Section 151 Officer**  
**Tel & Email: 01277 312500 / tim.willis@brentwood.rochford.gov.uk**

The financial implications are contained within this report.

### **4.0 LEGAL IMPLICATIONS**

**Name & Title: Claire Mayhew, Joint Acting Director – People & Governance**  
**Tel & Email 01277 312500 / Claire.Mayhew@brentwood.gov.uk**

The Council has a variety of statutory duties which it must fulfil by law. Including setting a balanced budget for each fiscal year and must take steps to monitor income and expenditure against the budget set. It cannot lawfully not to carry out those duties. Financial monitoring of the budget throughout the year complies with the duties under the Local Government Act 2003, the Housing Act 1985, the Local Government and Housing Act 1989 and the Local Government Finance Act 1992 and subsequent legislation. For other activities, the Council provides services in pursuance of a statutory power rather than a duty, and though not bound to carry out

those activities, decisions about them must be taken in accordance with the decision-making requirements of administrative law

## **5.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS**

The resource implications are contained within the report.

## **6.0 RELEVANT RISKS**

The relevant risks are contained in the report.

## **7.0 ENGAGEMENT/CONSULTATION**

The report has been presented to the corporate leadership team, the leader and the Chairs of Committees.

## **8.0 EQUALITY & HEALTH IMPLICATIONS**

**Name & Title: Kim Anderson, Corporate Manager - Communities, Leisure and Health**

**Tel & Email 01277 312500 kim.anderson@brentwood.gov.uk**

The Public Sector Equality Duty applies to the Council when it makes decisions. The duty requires us to have regard to the need to:

- a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act. In summary, the Act makes discrimination etc. on the grounds of a protected characteristic unlawful
- b) Advance equality of opportunity between people who share a protected characteristic and those who do not.
- c) Foster good relations between people who share a protected characteristic and those who do not, including tackling prejudice and promoting understanding.

The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership, race, religion or belief, gender, and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).

The proposals in this report will not have a disproportionate adverse impact on anybody with a protected characteristic.

## **9.0 ECONOMIC AND CLIMATE IMPLICATIONS**

**Name & Title: Phil Drane, Director - Place**

**Tel & Email 01277 312500 / phil.drane@brentwood.rochford.gov.uk**

There are no direct economic implications, although it is important that the Council maintain a robust budget to inform how the Council interacts with residents, businesses, partners and customers through the provision of certain services.

**REPORT AUTHOR:**           **Name:** Sam Wood  
**Title:** Q1 2023/24 Budget Monitoring Update Report  
**Phone:** 01277 312866  
**Email:** sam.wood@brentwood.gov.uk

**APPENDICES**

- A. Revenue - estimated outturn report
- B. GF 2023.24 - Estimated outturn
- C. HRA 2023.24 - Estimated outturn
- D. Capital 2023.24 - Estimated outturn
- E. Earmarked reserves - 2023.24 estimated outturn
- F. Budget guidelines for 2024/25 to 2026/27

**BACKGROUND PAPERS**

- 1. Budget 2023/24 and Medium-Term Financial Strategy – 01/03/2023
- 2. 2022/23 Financial Outturn – 12/07/2023

**SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>
PRED: 2022-23 Budget update	23/11/2023
PRED: 2022-23 Budget update	14/09/2023
PRED: 2022-23 Budget guidelines & forecasts	13/07/2022