



COMMITTEE TITLE: Finance, Assets, Investments & Recovery Committee

DATE: 7 February 2024

REPORT TITLE:	P9 2023/24 Budget Update Report
REPORT OF:	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 period 9 for 2023/24 and to give an overall financial update.

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 balanced budget, this means the income generated covers the council's expenditure. The result of a balanced budget is the general fund working balance will remain unchanged.

The Housing Revenue Account (HRA) is currently forecasting a surplus position of £756k. The main cause of this underspend is due to utility bills falling. We are predicting an underspend of £632k for premises related costs, £423k specifically for utility bills. If this £756k underspend materialises it will increase the HRA's working balance or stored in to reserves to pay for future developments. The director of Housing and CLT are exploring ways to prioritise some urgent works in 2023/24 to reduce this underspend by 31st March 2024.

The overall capital programme is forecast to underspend by £40.7mil. £20mil of this is due to the delays around the regeneration fund. The total 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 statement "The lack of funding for local services in the Autumn Statement has left councils facing a growing financial crisis and 1 in 5 council leaders & CEO are very or fairly likely to issue a section 114 in this or next financial year". This statement can be found on LGA website: www.local.gov.uk.

For Brentwood, there are further financial risks to pay inflation forecasts as well as cost pressures from the current high rates of inflation. 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 MTFs for 2024/25 and beyond even more of a challenge.

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 OTHER OPTIONS CONSIDERED

N/A

3.0 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 December 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 earmarked reserves. To date as at period 9 monitoring, it is now expected for there to be no deficit.
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 surplus of £729k.
4. A total capital commitment of £58.340m was approved at the same meeting. The updated forecasts shows that it is expected £17.5m will be committed this financial year.

Issue, Options and Analysis of Options

General Fund

5. Based on the activity to the end of December 2023, the General Fund revenue forecast is a balanced position. Appendix A & B provides a detailed analysis of the activity making up the variance compared to the surplus set originally.
6. The General Fund working Balance is forecast to remain at £2,874m as of 31st 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	7,425	472
Net Non-Service	3,576	2,828	(748)
Appropriations	(110)	165	275
Total Funding	(10,308)	(10,418)	(110)
General Fund (Surplus)/Deficit	111	(0)	(111)
Working Balance			
B/fwd	2,874	2,874	2,874
Surplus/(Deficit) in year	(111)	(0)	111
Earmark Reserve Drawdown	111	0	(111)
Working Balance C/fwd	2,874	2,874	0

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 variances within the General fund are associated with the following:

Growing Our Economy

9. There is a total overspend of £70k within growing our economy. This is attributed to overspends within Planning development, planning enforcement & Land charges totalling £304k. 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, we are also projecting similar large expenditure on consultancy fees and other professional fees.

Protecting Our Environment

12. Protecting our environment overspend has increased from P8 from £198k to £240k.

13. Parking services are forecast to not achieve their income targets by £115k. King George's playing fields income for 2023 summer was less than 2022. This could be attributed to the wet summer. Generally, throughout the year so far, activity for car parks is down on last year. There have also been issues with the car parking system at the multi storey car park and we will monitor how the new scheme performs. Parking have managed to partially mitigate some of this loss by finding in year efficiencies to reduce the overspend to £49k.

14. There is a forecast overspend of £66k for Building control. This is due to not achieving their income targets for building reg applications.

15. There have also been pressures across waste management and street services. Street services are currently relying on agency staff as well as overtime being paid to permanent staff to keep up with demand. There are also pressures for premises expenditure (water bills) and supplies and services (repairs and maintenance).

16. There have been underspends within protecting our environment for Asset management & grounds maintenance.

Developing Our Communities

17. Developing our communities are forecasting an overspend of £92k.

18. £100k is attributed to not achieving income targets for sport and social venues including the community hubs.

19. Golf course £26k pressure, £19k for water and then other smaller R&M pressures.

20. Savings within utilities amount to £73k which has offset some of the overspends above.

Delivering an Efficient and Effective Council

21. There is a forecast overspend of £395k.
22. The cause of this overspend is mainly attributable to an increase in agency costs for Interim staff, a one-off credit has been received regarding service charges, this has offset the overspend that had previously been forecast in office accommodation.

Improving Housing

23. Improving housing is now forecasting an underspend of £155k compared to a small overspend of £29k in P8.
24. There has been a revision of the grant income expected for homelessness which is predicted to be greater than previously forecast.
25. This is also attributed to homelessness and an underspend on staffing as we have been able to capitalise staffing costs for supporting the capital programme.

Net Non-Service Expenditure

26. Due to the capital programme slipping, the cash we had borrowed at 2.058% to fund the programme has been invested and we are estimating an extra £700k from Interest receivable.

Funding

27. Currently for P9 the only change is there is a small surplus for the collection fund.

Cost of Living Crisis

28. The financial backdrop of the UK economy is volatile, with inflation still above the targeted 2%. Latest figures from the office of national statistics show inflation is still at 4.7%. Even though inflation has fallen, it is still above the target and therefore the Bank of England have kept the base interest rate at 5.25%
29. The Bank of England have stated higher interest rates reduce inflation by making it more expensive for people to borrow money to drive demand. Higher interest rates also encourage people who can save, to save rather than spend. Together, these mean there will be less spending in the economy overall.
30. This Council can set it's pay locally however it has followed the national joint council's pay offer of £1,925 for all staff and 3.88% on salaries above approximately £50k. The reason for this is so staff on these salaries received a

slightly higher percentage than chief officers who received 3.5% earlier in the year.

31. This was a similar offer to 2022/23. Only difference being the 3.88% for £50k and above plus there was no additional annual leave days.

Savings & Initiatives

32. The Savings initiatives built within 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 periods forecasts. These initiatives are monitored through the Council's budget monitoring process and reviewed regularly.

Proposed Saving Targets

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

33. 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.

34. The proposed savings targets for OneTeam savings for 24/25 & 25/26 have been removed while the processed is reviewed.

One Team Strategic Partnership

35. 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.

36. 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.
37. There has recently been a recruitment process to fill all the remaining vacancies in CLT. When writing this report, it is still yet to be confirmed the outcome of that recruitment.
38. The tier 4 recruitment is underway and appointments will follow in the coming months.

Collection Fund

39. 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, therefore, is to isolate the income and expenditure relating to Council Tax and National Non-Domestic Business Rates. The administrative costs associated with the collection process are charged to the General Fund.

Council Tax

40. 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.
41. 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

42. The funding regime from NNDR income has become increasingly 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.

43. 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.
44. The Council's forecast share of NNDR income for 2023/24, including S31 grants and "safety net" payment, is £1.535m
45. 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

46. The detailed earmarked reserve balances 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	6,207	(0)
Service Reserves	1,932	1,795	(147)
Specific Reserves	960	677	(283)
COVID-19 Reserves	373	0	(373)
Total Reserves	9,472	8,669	(803)

Housing Revenue Account – HRA

47. The Council approved a HRA budget and net surplus of £26k for 2023/24, and an HRA working Balance of £2.311m as of 31st March 2023.
48. The HRA in year variances for 2023/24, and resulting working balance forecast is summarised below, with further variance detail reported in Appendix A & B.

HRA Forecast

	Budget £'000	Forecast £'000	Variance £'000
Total Expenditure	12,148	11,490	(658)
Total Income	(14,447)	(14,519)	(72)
Non-Service Costs	2,273	2,273	0
Appropriations	0	0	0
(Surplus)/Deficit on HRA	(26)	(756)	(730)

Working Balance B/fwd	2,311	2,311	0
Surplus/(Deficit) in year	26	756	802
Working Balance Cfwd	2,327	3,067	802

49. The main variances contributing to the revised forecast of £756k, variance to budget of £730k are:
50. £643k of the variance is in relation to premises related expenditure, £423k utility bills, £157k for council tax bills, £134k on fixtures and fittings R&M. There is a £37k overspent in relation to premises insurance premiums. There are also some smaller overspends on maintenance of grounds and building repairs.
51. There is also a small increase for income generated through rent and fees and charges, this variance is £69k.
52. All the other smaller variances are shown in appendix A & B.

Capital Programme

53. The current capital budget totals £58.340m the detail capital program is disclosed in Appendix D.
54. Currently there is £44m of identified potential slippage within the current programme.
55. Major build work has been delayed in relation to The Strategic Housing Development Programme.
56. Conversations continue with the football foundation regarding options available to the Council regarding the Football Hub project. A full appraisal on any scheme is required before further commitment is made.
57. Works for stage 1 in the Baytree centre are delayed. We still need to go through procurement for a contractor for the works, as is the case for the works at Childerditch.
58. Regarding the decent homes programme, works are progressing well. The forecast shows the budget and slippage from 22/23 to be fully utilised. Slippage was not automatically carried forward. Therefore, this programme is currently showing an overspend on this programme. The slippage was not carried forward as the council would need to realign and adjust the cost-of-living crisis and rising rates. We are currently monitoring and reviewing the 23/24 and we be adjusting for future reports.

4.0 FINANCIAL IMPLICATIONS

The financial implications are contained within this report.

5.0 LEGAL IMPLICATIONS

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

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

The resource implications are contained within the report.

7.0 RELEVANT RISKS

The relevant risks are contained in the report.

8.0 ENGAGEMENT/CONSULTATION

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

9.0 EQUALITY & HEALTH IMPLICATIONS

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.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

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.

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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. 2024/25 Budget and MTFS
2. P8 2023.24 Budget Update Report
3. Q1 2023.24 Budget Update Report
4. Budget 2023/24 and Medium-Term Financial Strategy – 01/03/2023
5. 2022/23 Financial Outturn – 12/07/2023

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
FAIR: 24/25 budget and MTFS	07/02/2024
FAIR: P8 2023.24 budget update	20/12/2023
FAIR: Q1 2023.24 budget update	12/07/2023
PRED: 2022-23 Budget update	23/11/2023
PRED: 2022-23 Budget update	14/09/2023
PRED: 2022-23 Budget guidelines & forecast	13/07/2022