

Title: Q1 Budget Update 2023/24  
Lead Officer: Steven Leathley (01926 456843)  
Portfolio Holder: Councillor Chilvers  
Wards of the District directly affected: All

<b>Approvals required</b>	<b>Date</b>	<b>Name</b>
<b>Portfolio Holder</b>	26/07/23	Councillor Chilvers
<b>Finance</b>	26/07/23	Steven Leathley
<b>Legal Services</b>		
<b>Chief Executive</b>	26/07/23	Chris Elliot
<b>Director of Climate Change</b>	26/07/23	Dave Barber
<b>Head of Service(s)</b>	26/07/23	Andrew Rollins
<b>Section 151 Officer</b>	26/07/23	Andrew Rollins
<b>Monitoring Officer</b>	26/07/23	Graham Leach
<b>Leadership Co-ordination Group</b>		
<b>Final decision by this Committee or rec to another Cttee / Council?</b>	Yes	
<b>Contrary to Policy / Budget framework?</b>	No	
<b>Does this report contain exempt info/Confidential? If so, which paragraph(s)?</b>	No	
<b>Does this report relate to a key decision (referred to in the Cabinet Forward Plan)?</b>	1,383	
<b>Accessibility Checked?</b>	Yes	

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## Summary

The report provides an update on the current financial position as at 30th June 2023, providing a full year forecast for the 2023/24 financial year, and for the medium term through the Financial Strategy. Key variances and changes are highlighted to inform members, with some recommendations also being put forward for their consideration.

The Medium-Term Financial Strategy shows that the Council is still reliant on making further changes to ensure that the Council operates within a balanced sustainable budget in future years, in addition to delivering the service initiatives previously agreed in December 2020, and last updated as part of the 2023/24 Budget Setting. With the significant risks facing the Council's finances in future years, it is important that officers and members take all actions to ensure that the change management programme is developed to enable the Council to achieve this objective.

## Recommendation(s)

- (1)** That Cabinet notes the latest current year financial position for (General Fund £0.572m Adverse and Housing Revenue Account £0.420m Adverse), with the key variations that drive these positions.
  - (2)** That Cabinet notes the impact on the Medium Term Financial Strategy (MTFS) due to changes detailed within the report, and how these changes are expected to be accommodated.
  - (3)** That the Council agrees the ongoing forecast deficit outlined in the MTFS is reviewed further as part of a later report to Cabinet once proposals for tackling the deficit have been developed.
  - (4)** That Council agrees the Capital Slippage from 2022/23 into the 2023/24.
  - (5)** The Cabinet notes the current capital variations for schemes originally approved in February 2023 and approves all changes.
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## 1 Current year variances - General Fund

A full review and full year forecast have been completed by all Cost Centre Managers to estimate the total financial commitment for this current year. Accountancy has supported managers in the preparation of these figures. As at 30<sup>th</sup> June (end of Quarter One) there is an adverse forecast variance of £0.572m for the 2023/24 financial year to 31<sup>st</sup> March. A summary is provided below:

Service (General Fund) 2023/24	Variation Description	2023/24 Variance £000	
		Adverse	Favourable
Employee Costs		£122	
Customer & Digital Services	- Increase in unfunded Housing Benefits for Homelessness	£230	
Finance	- Release off Contingency Budgets to off-set Overspends (as outlined in the report)		£722
Housing Services - GF	- Service Charges and recovery of additional costs to external company - Increase in Government Grant (Ring Fenced)		£122 £134
Neighbourhood & Assets	- Car Parking. Closure of Covent Garden Multi-story Car Park Closure of Linen Street Car Park - Relocation of Riverside House - Waste Contract - Street Cleaning	£160  £322 £377 £140	
People and Communication	- Reduction of Income in Media Team - Increase in cost for Apprenticeship Levy - Occupational Health - Reduction in Apprenticeship Costs (New starters)	£32 £31 £29	£73
Place, Arts & Economy	- Increase in Box Office sales at Royal Spa Centre - Decrease in Fees earned for Planning - Building Control - Town Hall loss income due to closure for redevelopment - Women's Cycle Tour cancelled in 2023/24	£230 £39 £55	£134  £30
Safer Communities, Leisure & Environment	- Green Spaces - Outdoor Recreation	£33 £39	
Strategic Leadership	- Elections, Voter ID income offset by increase in Postage - Chief Executive - Climate Change	£22	£60  £14
<b>Sub Total</b>		<b>£1,861</b>	<b>£1,289</b>
<b>TOTAL</b>		<b>£572</b>	

### 1.1.1 Salary Costs (General Fund).

- 1.1.1.1 At Cabinet in February 2023, a Contingency Budget was approved for £0.900m to fund the Working for Warwick award and the national pay award (which remains subject to final approval). The contingency budget has now been distributed to all relevant Cost Centers based on Establishment requirements.
- 1.1.1.2 Continuing with the Salary Vacancy Factor process established during 2021-22, a full assessment of vacancies has been completed at Quarter One (Q1). These are offset against a pre-determined value agreed at budget setting of expected levels of savings driven by gaps in establishments throughout the year, which was set at 6%. This is an increase from previous years target of 3.6% based on the underspend during last year, to better reflect the current challenges the organisation is facing relating to recruitment and retention. The Vacancy Factor for the General Fund in 2023/24 was set at £1.132m.
- 1.1.1.3 As part of the Vacancy Factor process for Q1, a full year forecast for all salary budgets has been completed, with the Vacancy Factor being offset against forecast underspends in salary budgets. This forecasts that 89.2% of the General Fund Vacancy Factor (£1.010m) will be met, leaving a further £0.122m outstanding. This will be reassessed in Q2 and further adjustments to be made to reflect any future changes in establishment spend.
- 1.1.1.4 Agency use is currently forecast over budget by £0.396m. This has been offset as part of the Vacancy Factor calculations. A further review on the use of agency staffing will be carried out as part of a wider review into long-term vacancies held by the Council, forming part of the ongoing work in improving recruitment.

#### 1.1.2 Customer & Digital Services.

- 1.1.2.1 An increase in Homelessness Rent Rebates for which the authority does not receive full government subsidy. The number of residents claiming this allowance, and the duration for which they claim it, has increased in recent years, while the subsidy has remained at a level set back in 2011 (Local Housing Allowance Rate). Further work will take place to look at the accommodation in which people are placed, and whether there is more that can be done to reduce durations, particularly in accommodation such as hotels and B&B's which are not fully reimbursed by the subsidy.

#### 1.1.3 Finance.

- 1.1.3.1 At budget setting in February 2023, contingency budgets were set to mitigate the unknown rising costs of contracts linked to inflation. These are held and managed centrally by the Head of Finance. In Q1, the contingency budgets have been forecast to offset some of the increased expenditure reflected in this report.

#### 1.1.4 Housing Services – General Fund.

- 1.1.4.1 A Service level agreement (SLA) is in place between Warwick District Council (WDC) and Milverton Homes, covering the cost of staff time and consultancy work. This income was not budgeted for at budget setting. The costs relating to this SLA will continue to be updated on an annual basis.

1.1.4.2 The Council has received an increase in grant for Homelessness Advice, which will be used in conjunction with previously allocated budgets within the homelessness service. The grant is ring-fenced to support the delivery of this specific service.

#### 1.1.5 Neighborhood & Assets.

1.1.5.1 Car Parking. There has been a loss of income due to the closure of Covent Garden Car Park (only the surface car park remains open) of £0.230m. The closure of Linen Street car park means no charges will be made in year, but there are still an ongoing cost for the car park of £0.050m as the basement is still used by tenants. Other car parks in Leamington have had their income projections increased, totaling £120k, as part of assessing data from this year to date and last year, with a driver of this being the displacement of vehicles from Covent Garden. As part of the 2024/25 fees and charges process due to commence at the start of September, a comprehensive review of our Car Parking portfolio will be carried out.

1.1.5.2 The original budget set in February 2023 estimated that WDC would move out of Riverside House in June 2023. The additional running costs for continuing to occupy Riverside House is estimated at £0.322m for this financial year.

1.1.5.3 When setting the budget for the Waste Contract, it was expected that the Council would continue to receive income from the sale of dry recycling. As part of the new contract, the income from sales of dry waste is now offset against the per ton price, and therefore this cost had already been incorporated into the core Waste Contract budget. Late receipt of invoices for the service towards the end of the last financial year meant that this was unable to be reflected when the budget was set in February 2023. No changes have been made to the MTFS for this as yet, noting that updated contract values should be available in August, with the contract value driven by a number of metrics weighted across key components, including staffing and vehicle running costs. Any changes to this from current forecasts will be reflected within the Q2 budget review report in December.

1.1.5.4 Increase in the annual cleaning contract not known at budget setting, to be offset against the release of contingency as discussed in section 1.1.4.1.

#### 1.1.6 People & Communications.

1.1.6.1 Reduced external printing income and reduced internal income from printer clicks estimated in year, this has been partially offset by reduced printing expenditure.

1.1.6.2 The centralised Occupational Health Budget is showing a forecast over budget of £0.029m, this estimate is based on the costs for last financial year, which were higher than agreed budget.

1.1.6.3 The Apprenticeship Levy forecast has been based on actual costs from 2022/23. As this is calculated at year end, it was not reflected in setting the budget for 2023/24, an increase of £0.031m.

1.1.6.4 Due to the profile of current Apprentices, there is a surplus forecast within apprenticeship salaries of £0.073m. This relates to new apprentices being employed at initial programme rates.

1.1.7 Place, Arts & Economy.

- 1.1.7.1 Planning fees reduced income based on current performance at Q1. This will continue to be assessed and may improve if larger planning applications are received during the year.
- 1.1.7.2 Building control reduction of income due to the service provision provided for Daventry returning to West Northamptonshire Council. This has been partially offset by a reduction in service delivery costs.
- 1.1.7.3 There has been an increase in income generated at the box office for the Spa Centre for events, which has produced an over recovery of fees against Budget of £0.134m. It is expected that we will continue to see strong delivery over the Christmas period, when the Pantomime, our largest event, takes place.
- 1.1.7.4 Due to the partial closure of the Town Hall for development, a loss of income has been forecast of £0.055m as the Council is unable to hire space out during this time.
- 1.1.7.5 The Women’s cycle tour due to take place in 2023 was unfortunately cancelled. Therefore the £0.030m budget in place will not be used in year. The event is scheduled to go ahead in 2024, and so it is expected that the budget will be carried forward to support this taking place.

1.1.8 Safer Communities, Leisure & Environment.

- 1.1.8.1 Green Spaces - Extensive works required in the maintenance of our outdoor paddling pools. £0.021m reduction of income from sponsorships and sales of hanging baskets.
- 1.1.8.2 Electricity Costs for CCTV are still difficult to estimate due to issues with our supplier providing accurate bills. This is being further investigated by Officers within the authority.
- 1.1.8.3 Loss of income as Castle Farm is closed and an increase in the contract cleaning costs in year. Bowls income budget unachievable, this will be reviewed at budget setting 2024/25.

1.1.9 Strategic Leadership.

- 1.1.9.1 Grant received for Voter ID’s not budgeted for offset against increase postage, staff promotion and services costs relating to Elections.
- 1.1.9.2 Advertisement costs for the Deputy Chief Executive Post.

1.2 **Current year variances – Housing Revenue Account (HRA).**

1.2.1 Variations have been identified by the Accountancy Team in conjunction with the relevant budget managers, giving a full year adverse variance of £0.420m. A summary is provided below:

Service (Housing Revenue Account) 2023/24	Variation Description	2023/24 Variance £000	
		Adverse	Favourable
	- Employee Costs	£84	

	- HRA Stock Conditional Surveys	£185	
	- Housing Services Strategy Development Consultancy	£138	
	- Building & Estates Management	£13	
<b>Sub Total</b>		<b>£420</b>	<b>£0</b>
<b>TOTAL</b>		<b>£420</b>	

1.2.2 As part of the Vacancy factor process for Q1, A full year forecast of all Salary budgets has been completed and the Vacancy factor calculations have been made. This forecasts 64.33% of the for HRA Vacancy Factor (£0.151m) has been met, leaving a further £0.084m to be completed during the financial year. This will be reassessed in Q2 and further adjustments to made to reflect any future slippage in vacancies.

1.2.3 HRA Stock Conditional Surveys estimated to be completed in year. These are continuous surveys completed each year, an earmarked reserve request to fund this from previous year underspend is currently being reviewed.

1.2.4 Housing Development Consultancy expenditure including Leyes & Rouncil Lane developments. An earmarked reserve request to fund this from previous year underspends is expected to be recommended for approval by Cabinet in the final accounts report in September.

1.2.5 Building & Estates Management overspend to make small Estate improvements to the external communal areas of our low mid and high rise blocks and gardens across the district. An earmarked reserve request to fund this from previous year underspends is expected to be recommended for approval by Cabinet in the final accounts report in September.

### 1.3 Medium Term Financial Plan (MTFS). Recommendations 2 & 3

1.3.1 The MTFS was last formally reported to members in February as part of the Budget setting and Council Tax setting reports. At that stage the profile of revenue savings to be found was as follows:

	2023/24	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000	£'000
Deficit-Savings Req (+)/Surplus (-) future years	0	4,334	2,476	1,525	1,501
Change on previous year	0	4,434	-1,858	-951	-24

1.3.2 In light of the variations highlighted in this report, the MTFS has been updated as outlined below:

	2023/24	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000	£'000

Deficit-Savings Req (+)/Surplus (-) future years	572	4,334	2,476	1,525	1,501
Change on previous year	572	3,762	-1,858	-951	-24

1.3.3 It is expected that some of the variances highlighted at Q1 may become recurrent (housing benefits / waste contract), or are linked to ongoing decisions (Relocation project). Further work will be undertaken to assess their future impact and will be reflected in the Q2 budget review MTFs update.

1.3.4 Officers are continuing to review ways of reducing the deficit, including income generation, service efficiency and cost saving schemes, with the expectation that an update will be provided within the Q2 report in December, and help inform decisions for the budget setting process 2024/25.

#### 1.4 **Capital Slippage and Forecast 2023/24. Recommendation 4 & 5.**

1.4.1 Capital slippage requested from 2022/23 to 2023/24 ranges across 15 General Fund and 15 HRA projects. The total amount slippage requested is £7.602m General Fund, and £20.565m HRA. A breakdown of all projects requesting slippage and a review of 2022/23 final position for these projects is shown in Appendix 1.

1.4.2 Capital forecast (including slippage budgets added above), currently forecasts an additional funding requirement in year of £0.556m for General Fund and £0.103m for HRA. A full breakdown of Capital Variances is shown in Appendix 2.

#### 1.5 **Reserves**

1.5.1 The below table presents the latest summary of available reserves as at Q1. This reflects non committed, and non-ringfenced balances up to 1 April 2027 (the period covered by the current MTFs). This is subject to the final outturn of 2022/23 financial position, which is being completed as part of the draft statement of accounts process and will be reported to Cabinet in September 2023. The adjustments reflect approvals made since Budget Setting by Cabinet. A full breakdown of reserves is shown in Appendix 3.

Reserve	Notes	Approved Feb 23 £000	Adjustments in Year £000	Revised Total £000
General Fund	Minimum agreed balance £1.5m	1,509	(11)	1,498
Capital Investment Reserve	Minimum agreed balance £1.0m	1,383	0	1,383
Services Transformation Reserve		1,022	(226)	796
Community Projects Reserve		291	(145)	146
ICT Replacement Reserve	Demand on reserve greater than available balance. Future budget top-ups will be required	(684)	92	(592)



Business Rate Retention Volatility Reserve	£10m Agreed Balance ahead of anticipated Business rate reset in 2025/26 is achieved.	7,874	(484)	7,390
<b>Total General Fund Reserves</b>		<b>19,813</b>	<b>(795)</b>	<b>19,018</b>
- Other Reserves forecast to be utilised				

## 2 Alternative Options

2.1 No alternative options are presented.

## 3 Legal Implications

3.1.1 The proposals are in line with current legislation where applicable.

## 4 Financial Services

4.1.1 Officers review current year budgets against outturn on a monthly basis at the same time as considering their implications for the medium term. Members are updated on a quarterly basis. As part of this process budget managers are asked to review both their salary position and revenue position through returns with Accountancy, and update / comment as necessary. This process has been strengthened over the last few years through increased formalisation. Further reviews and changes to this process will be implemented through utilisation of the new Financial Management System (FMS).

4.1.2 The Budget Review Process provides a planning tool to ensure resources are directed to the Council's priorities. Alongside the Council's own activities, external factors influencing its finances are also taken into consideration, for example Central Government Financing, the Business Rates Retention scheme, changes in legislation and the economy.

4.1.3 The Council maintains its Reserves to deliver Capital and other projects, and to ensure that there are sufficient resources available to manage unforeseen demands and continue to deliver its services. Close monitoring of these Reserve balances and Capital Programme, together with plans to replenish them will preserve the financial stability of the organisation for future years.

4.1.4 Members will note the significant change in the profile of the Medium Term Financial Strategy as a result of developments within Q1. Therefore, it is essential that the Council continues to work towards delivering new proposals in addition to the proposals agreed in December 2020, and updated as part of the Q1 Budget Report. This will ensure the Council is not being run at a deficit on the provision of services, and can continue to deliver a balanced budget.

## 5 Business Strategy

5.1 In respect of Warwick District Council's Business Strategy this proposal will have the following relevance and impact as set out below

5.1.1 People – Health Homes, Communities

5.1.2 Services – Green, Clean, Safe

5.1.3 Money – Infrastructure, Enterprise, Employment

5.1.4 People – Effective Staff

5.1.5 Services – Maintain or Improve Services. The Council’s Budget seeks to allocate the Council’s financial resources to ensure the Council’s services continue to be provided in accordance with Council policies and priorities, and resources for projects are similarly prioritised.

5.1.6 Money - Firm Financial Footing over the Longer Term. The Council’s Medium Term Financial Strategy seeks to allocate the Council’s financial resources to ensure the Council’s services continue to be provided in accordance with Council policies and priorities, and resources for projects are similarly prioritised.

## **6 Environmental/Climate Change Implications**

6.1 WDC has a budget of £500,000 per annum for Climate Change. It is proposed to utilise this for 2022/23 and 2023/24 to support a number of priorities within the Climate Change Action programme.

## **7 Analysis of the effects on Equality**

7.1 Not relevant.

## **8 Data Protection**

8.1 Not relevant.

## **9 Health and Wellbeing**

9.1 Not relevant.

## **10 Risk Assessment**

10.1 The February Budget report detailed the main financial risks facing the Council. Many of these related to local authority funding, notably Business Rate Retention.

10.2 Many controls and mitigations are in place to help manage the financial risks facing the Council. These include:

10.2.1 The comprehensive Budget Review process. This entails all budget managers reviewing their budgets on at least a monthly basis, considering previous, current, and future years, along with any possible issues that may impact upon their budgets. As part of this process, regular Budget Review reports are issued to Cabinet and the Senior Leadership Team.

10.2.2 Financial Planning with the MTFS / financial projections, bringing together all issues that will impact on the Council’s finances in the medium term.

10.2.3 Financial controls, including the Codes of Financial and Procurement Practice, system controls, reconciliations, audit (internal and external).

10.2.4 Project Management and associated controls.

10.2.5 Trained staff and access to appropriate professional advice (e.g. Legal).

10.2.6 Implementation and continued development of the new Financial Management System.

10.2.7 Risk Management process across the Council, including the on-going review and maintenance of risk registers.

10.2.8 Scrutiny by members of the Council’s finances, including Budget Reports, and the financial implications of all proposals.

- 10.2.9 Reserves – The Council holds a number of reserves, with each being allocated for specific purposes. Whilst much of these reserves have already been earmarked for agreed projects, it is important that reserves are held for any unforeseen demands. The use of the Business Rate Retention Volatility Reserve does reduce the forecast balance on this reserve to around £10m. It was agreed as part of budget setting in February that the balance should not go below this amount ahead of the business rate reset expected in 2025/26. Therefore any changes to this assumption would require the risks to be analysed.
- 10.2.10 The General Fund Balance is available to accommodate any unplanned expenditure, or to make up any shortfall in income. However, the Council should seek to maintain the balance of at least £1.5m.
- 10.2.11 The specific causes of reductions to income or increased expenditure should continue to be managed by the relevant Service Area as part of managing the risks within each Service Risk Register. Each Service Area's Risk Register is presented to Finance and Audit Scrutiny Committee annually on a rolling basis.

**Background papers:**

Budget setting 23-24 Report (Cabinet 9 February 2023 – Item 7)

Housing Revenue Account (HRA) Budget 2023/24 and Housing Rent Setting (Cabinet 9 February 2023 – Item 8)

**Supporting documents:**

Appendix 1 – Capital Slippage 2022/23 to 2023/24.

Appendix 2 – Capital Variations 2023/24.

Appendix 3 - Reserves