

Cabinet

Draft excerpt minutes of the meeting held on Wednesday 6 December 2023 in Shire Hall, Warwick at 6.00pm.

Present: Councillors Davison (Leader), Billiald, Chilvers, J Harrison, Kennedy, King, Roberts, Sinnott and Wightman.

Also Present: Councillors: Dickson (Liberal Democrat Group Observer), Day (Conservative Group Observer), Margrave (Whitnash Residents Association Group Observer), and Milton (Chair of Overview & Scrutiny Committee).

Part 1

(Items upon which a decision by the Council was required)

65. Q2 Budget Update 2023/24

The Cabinet considered a report from Finance which provided an update on the current financial position from 30 September 2023. It also provided a full year forecast for the 2023/24 financial year, and for the medium term through the Financial Strategy. Key variances and changes were highlighted to inform Members, with some recommendations also put forward for consideration.

The Medium-Term Financial Strategy showed that the Council was still reliant on making further changes to ensure that the Council operated within a balanced sustainable budget in future years, in addition to delivering the service initiatives that were 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 was important that officers and Members took all actions to ensure that the change management programme was developed to enable the Council to achieve this objective.

A full review and full year forecast had been completed by all Cost Centre Managers to estimate the total financial commitment for this current year. Accountancy had supported managers in the preparation of these figures. As of 30 September (end of Quarter Two (Q2)) there was an adverse forecast variance of £0.600m for the 2023/24 financial year to 31 March.

A summary by Portfolio of major variances was provided in the report. As part of the Vacancy Factor process for Q2, a full year forecast for all salary budgets had been completed, with the Vacancy Factor offset against forecast underspends in salary budgets. This forecast that 100% of the General Fund Vacancy Factor (£1.132m) had been met. This would be reassessed in Quarter three if any further savings against establishment would be reported.

Agency use was forecast over budget by £0.464m. A further review on the use of agency staffing would 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.

As reported in Quarter one (Q1), there was an increase in Homelessness Rent Rebates for which the authority did not receive full government subsidy. The number of residents that claimed this allowance, and the duration for which they claimed it, had increased in recent years, while the subsidy had remained at a level set back in 2011 (Local Housing Allowance Rate). Further work would take place to look at the accommodation in which people were placed, and whether there was more that could be done to reduce durations, particularly in accommodation such as hotels and B&Bs which were not fully reimbursed by the subsidy. The original plan to introduce the Arcus system with the authority had been withdrawn as agreed by Committee report completed by the Head of Service.

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

The increased cost of External Audit for the completion of the 2021/22 Statement of Financial Accounts was partly due to the additional work required because of the change of Financial System mid-year of 2021/22, and extra scrutiny required from the Council's External Auditors.

In terms of Housing Services, a Service level agreement (SLA) was in place between Warwick District Council (WDC) and Milverton Homes, to cover the cost of staff time and consultancy work. This income was not budgeted for at budget setting. The costs relating to this SLA would continue to be updated on an annual basis.

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

The reduced Move on & Prevention Grant received in year was offset against reduced expenditure in donations and expenses.

In terms of Neighbourhood and Assets, there had been a loss of income due to the closure of Covent Garden Car Park (only the surface car park remained open) of £0.230m. The closure of Linen Street car park meant no charges would be made in year, but there were still ongoing costs for the car park of £0.050m, as the basement was still used by tenants. Other car parks in Leamington had their income projections increased, totalling £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 the Council's Car Parking portfolio would be carried out.

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 were estimated at £0.322m for this financial year.

Revised income projection for crematorium fees were based on current activity. This adjustment had been reflected within the Fees & Charges report for 2024/25 and was more realistic to the income the service would receive in this financial year and next.

It had been confirmed that WDC would receive Dry Waste Income from the new Sherbourne MRF. This would come into effect in the last quarter of the year. A prediction of income had been incorporated into the Forecast for Q2, once sales were made this would be reviewed and adjusted if required. At Budget setting, the overall budget was not set high enough, based on information received from third parties, thus showing an overspend. This service was expected to match estimated cost within the year. The Budget issue should be resolved in Budget setting 2024/25.

There was a reduced external printing income and reduced internal income from printer clicks estimated in year, this had been partially offset by reduced printing expenditure. Additional costs after HAY review had been included in the forecast and would be revised in Budget Setting 2024/25.

The centralised Occupational Health Budget was showing a forecast over budget, this estimate was based on the costs for last financial year, which were higher than agreed budget.

Due to the profile of the current apprentices, there was a surplus forecast within apprenticeship salaries. This related to new apprentices being employed at initial programme rates.

In terms of Place, Arts and Economy, planning fees had a reduced income based on current performance at Q2. This had not improved from Q1 and a lack of larger planning applications through the first half of the year had reduced the Outturn forecast. From 1 April 2024, new legislation which allowed the increase in planning fees of 25% for small applications, and 35% for larger application would increase the value of planning income, although the current predictions showed this would not meet Budget and would still show under achieved. Within the service area, large agency staff costs continued, which compounded the financial position with the reduction in income. Further review within this service was required for Budget Setting 2024/25 on both cost and income to ensure that it was with Budget constraints.

Building control reduction of income due to the service provision provided for Daventry returning to West Northamptonshire Council had been partially offset by a reduction in service delivery costs.

Due to the partial closure of the Town Hall for development, a loss of income had been forecast of £0.055m as the Council was unable to hire space out during this time.

The Women's cycle tour, which was due to take place in 2023, was unfortunately cancelled. Therefore the £0.030m budget that was in place would not be used in year. The event was scheduled to go ahead in 2024, and so it was expected that the budget would be carried forward to support this taking place.

New contract for Softcat install equipment and managements fees were included within this forecast. This would be reviewed for budget setting 2024/25. There was a loss of rent and ability to relet space at the Creative Quarter.

Extensive works were required in the maintenance of WDC outdoor paddling pools. There was a £0.021m reduction of income from sponsorships and sales of hanging baskets.

Regarding Abbey Field Cycle Track, the budget from New Homes Bonus in 2023/24 would not be used, this was to be deferred to 2024/25. Community Safety caused increase in staffing costs which were approved by ERF to cover sickness. There was also increase in Consultancy and staffing costs within the Service.

The bowls income budget was unachievable and this would be reviewed at budget setting 2024/25.

In terms of the Strategic Leadership portfolio, there was an increase in costs relating to the new Voter ID. This had now been realised after final payroll costs, and was partially offset by an increase in external grant received.

Funding was provided to address the most complex barriers to tree planting, including access to land. To date, no land had been purchased (although progress was being made via work with Forestry England) and the approach to the tree project was being reviewed to ensure alignment with the new Corporate Strategy (and linked to Biodiversity Action Programme). Whilst land purchase might be required (depending on the review), it was unlikely that this would be required in 2023/24 thus leading to the projected underspend.

There staffing cost increased to include Climate Change Projects and Delivery Officer. This post and overspend was to be funded by approved S106 funds.

Anticipated costs of the basic allowance showing a forecasted overspend in year. The Service Manager, supported by Accountancy would review and improve the monitoring process for future forecasts, and incorporate this into Budget setting for 2024/25.

Variations had been identified by the Accountancy Team in conjunction with the relevant budget managers, giving a full year adverse variance of £0.436m. A summary of the variations was included at section 1.2.1 in the report.

As part of the Vacancy factor process for Q2, a full year forecast of all Salary budgets had been completed and the Vacancy factor calculations had been made. This forecast that 100% of the for HRA Vacancy Factor (£0.235m) had been met. This would be reassessed in Q3 and if any, further savings against establishment would be reported.

Rent Rebates received from Beauchamp House were higher than the original Budget which was consistent with previous years income. This would be reviewed and updated as part of the Budget Setting 2024/25. Warwick Response- income received from HEART funding in 2022/23 and accounted for and used within 2023/24. This had been offset against increase to staffing costs within the team, including the use of Agency. Increased equipment costs were not budgeted (Income received in year but expenditure not budgeted high enough).

Increase in expenditure relating to Cleaning Contract i.e., communal areas were not Budgeted in year.

Increase in costs of Garage repairs in year compared to budget, estimated based on spend to date and known costs to the end of the Financial Year. The MTFS was last formally reported to Members in February as part of the Budget setting and Council Tax setting reports. In light of the variations highlighted in this report, the MTFS had 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	600	4,334	2,476	1,525	1,501
Change on previous year	600	3,734	(1,858)	(951)	(24)

It was expected that some of the variances highlighted at Q2 might become recurrent (housing benefits / waste contract) were linked to ongoing decisions (Relocation project). Further work would be undertaken to assess their future impact and would be reflected in the Q3 budget review MTFS update.

It should be noted that the above revised MTFS did not include any provision for additional costs associated with the Abbey Fields Leisure Centre Project. Once confidential negotiations were concluded, all Councillors would be informed. If the decision was to then proceed with the project, the MTFS would be updated accordingly. It was expected that this decision should be made in time for inclusion in the MTFS as part of the 2024/25 Budget report in February.

Officers were continuing to review ways of reducing the deficit, including income generation, service efficiency and cost saving schemes, with the expectation that an update would be provided within the Q3 report in March, and help inform decisions for the budget setting process 2024/25. Capital had currently forecast a reduction in funding requirement in year of £12.662m for General Fund and £7.437m for HRA. A full breakdown of Capital Variances was shown in Appendix 1 to the report.

The table in the report presented the latest summary of available reserves as at Q2. This reflected non-committed, and non-ringfenced balances as at Budget Setting reports approved at Cabinet February each Financial Year, and ranged from 1 April 2020 (showing previous three years and current year) up to 1 April 2027 (the period covered by the current MTFs). This was subject to the final outturn of 2022/23 financial position, which was being completed as part of the draft statement of accounts process and to be reported to Cabinet.

The adjustments reflected approvals made since Budget Setting by Cabinet, showed those approved and reported in Q1, and those approved between Q1 reporting and now.

The Members allowances scheme defined that “[...] shall be increased by the annual local government pay percentage increase as agreed each April (linked to spinal column point 38 of the JNC scheme) to be implemented the following May in that year from the date of the Council Annual Meeting”.

This year, the pay award for all JNC scale points was £1,925. Following consultation with the Leadership Co-ordination Group, it was proposed that 3.8% should be the increase for this year. This was based on the basic allowance and how that equated to salaries for officers. The Independent Remuneration Panel for the Council were consulted on this proposal and raised no objections. This would have an adverse effect on the budget of over £16,000 before any on costs (national insurance contributions) were included.

In 2023/24, this would be funded from existing staffing budgets, and would be built into future budgets as baseline growth.

No alternatives were presented in the report.

The Overview & Scrutiny Committee noted the report and thanked officers for their work on it, especially for including the summary of reserves. The Committee asked that in the future, more work should be done on how the Council monitored its budgets on an ongoing basis, so that there was a lesser discrepancy between projections and the actuals.

The Overview & Scrutiny Committee asked for an update from the Portfolio Holder in relation to the underspent capital budget for disabled playground facilities, and what the plan for spending this budget was. The Committee asked for future reports to bring forward comments in the situations of underspend.

Councillor Chilvers proposed the report as laid out.

Recommended to Council that the Members allowance and allowance for the Chairman and Vice-Chairman of the Council up rating for 2023/24 be 3.8%, be approved.

Resolved that:

- (1) the latest current year financial position for (General Fund £0.600m Adverse and Housing Revenue Account £0.436m Adverse), with the key variations that drive these positions, be noted;
- (2) 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, be noted;
- (3) 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, be noted; and
- (4) the current capital variations for schemes originally approved in February 2023, be noted, and all changes approved.

(The Portfolio Holder for this item was Councillor Chilvers.)
Forward Plan Reference 1,386

CHAIRMAN
8 February 2024