



REPORT TO:	South Holland District Council
DATE:	Wednesday, 24 January 2024
SUBJECT:	Report from Cabinet meeting on 12 December 2023
PURPOSE:	To consider the recommendations of the Cabinet in respect of: <ul style="list-style-type: none">• 2023/24 Quarter Two Finance update – To set out the current financial position for the Council at the end of the second quarter of 2023/24 (Cabinet minute 38) (Cabinet agenda item 3)
KEY DECISION:	No
PORTFOLIO HOLDER:	Portfolio Holder for Finance, Commercialisation, UKSPF and Levelling Up
REPORT OF:	Cabinet
REPORT AUTHOR:	Christine Morgan
WARD(S) AFFECTED:	
EXEMPT REPORT?	No

SUMMARY

This report provides Members of the Council with details on issues considered by the Cabinet at its meeting on 12 December 2023, which require decisions by Full Council. Relevant extracts from the Cabinet minute are detailed at Section 2 below, and the relevant Cabinet report and appendices are attached as appendices to this report.

RECOMMENDATIONS

2023/24 Quarter Two Finance update

- 1) That Full Council approves the use of New Homes Bonus (NHB) from reserves of £300,000 to alleviate in year budget pressures.
- 2) That Full Council amends the Capital Programme at Appendix A – Table 4 to take into account the changes set out in this report.

REASONS FOR RECOMMENDATIONS

The reasons for recommendation are detailed within the individual report attached and are summarised in the relevant Cabinet minute below.

OTHER OPTIONS CONSIDERED

Other Options considered are detailed within the individual report attached and are summarised in the relevant Cabinet minute below.

1. BACKGROUND

- 1.1** Article 4 of the Council's Constitution provides that only the full Council may exercise the functions of approving, adopting or amending the policy framework and budget, adopting or changing the Constitution. Staffing matters are also a Council function. The Cabinet however has responsibility for advising the Council on such matters. At its meeting on 12 December 2023, the Cabinet made recommendations to Council in respect of the above item which may affect budget and policy framework, constitution or compromise staffing issues.
- 1.2** The remainder of this report details the recommendations of the Cabinet which must be read in conjunction with the individual report to Cabinet, a copy of which is attached as appendices.

2. 2023/24 QUARTER 2 FINANCE UPDATE (Report submitted to Cabinet – Agenda item 3 attached)

Consideration was given to the report of the Deputy Chief Executive Corporate (S151) which set out the current financial position for the Council at the end of the second quarter of 2023/24.

The Portfolio Holder for Finance, Commercialisation, UKSPF and Levelling Up presented the report.

With the agreement of the Leader, a Special Cabinet meeting was being held for this item as additional time was required to consider all aspects of the report and to review some of the variances in more detail. This work had now been completed.

Throughout the year quarterly monitoring reports were completed, forecasting the expected year end outturn compared to the approved budget. The report provided information on the forecast full year financial performance as at 30 September 2023.

This year continued to be challenging with high inflation impacting on contract uplifts, power, pay and fuel. Pressures within homelessness continued to be an area of concern, and market downturn generally as the economy reacted to high interest rates and the cost of living increase impact fed through. In addition, the impact of the pay award, which was not reflected in the report but would be in Quarter 3, was likely to surpass the budget allowance despite budgeting very prudently at 5% across the workforce.

Revenue Outturn

The revenue outturn forecasted a deficit position of £338,000 at the year-end – Table 1 within Appendix A laid out the detail. The following matters were raised for Cabinet’s attention:

- The largest change since Q1 was within the Finance area of the budget. A movement of £381,000 had taken place in respect of Finance – this related mainly to £186,000 rent allowances, and £80,000 rent rebates as a result of not being able to reclaim full subsidy for Homelessness cases in particular Bed and Breakfast. The Portfolio Holder for this area had been supporting the officer team to investigate opportunities for minimising and mitigating this impact. It was also noted that these movements were due to using the mid-year estimates and could be subject to further change. In addition, there had been some duplication of income streams that were previously separately funded, totalling £98,000, that had now been adjusted for. Also, there had been an increase in external audit fees, and this was an increase being seen across all audit areas.
- In relation to General Fund Assets, car parking income was not performing as well as expected. However, with changes to working practices in the service and the procurement of new car parking machines, improvement was expected going forward. Work was currently being undertaken to look at garage sites and their income generally and new tenants for the Priory Road offices were being investigated.
- In Leisure and Culture, there was a pressure from the loss of a tenant at the South Holland Centre and again the service was looking at options for addressing this budget impact.
- With regard to Neighbourhoods, there had been additional pressures from Agency Staff and this had been offset by unbudgeted income. The service continued to look at options for managing Agency Staff pressures.
- With regards to Planning, members were advised that that there had been some recent increases in fees and charges. This income stream was always an area that struggled during an economic downturn, and monitoring was therefore required.
- Homelessness continued to be an area of significant focus and attention.
- Investment Income continued to over-perform due to better than anticipated interest rates.
- Adjustments for Minimum Revenue Provision relating to vehicles had been made.

As members were aware, the 2023/24 budget included a savings efficiency target of £887,000, savings achieved to date could be found in table 1b, totalling £611,000. Further work was planned to look at other opportunities to address the £276,000 outstanding.

In addition, in order to assist the budget, a release from reserves of £300,000 of the New Homes Bonus received (currently in reserves) was being requested. The reserves position in Table 2 did not include this request. Once approved, the table would be updated for Quarter 3 to reflect the increased forecast use of reserves.

HRA

With regard to the HRA, Table 3a showed that there were budget variances taking place again due to inflationary pressures, demand for services, and due to new more demanding statutory responsibilities, in addition to some budget adjustments that were taking place. The overall position was a surplus of £1.620 million.

Capital: General Fund/HRA

For Capital, Tables 4 and 7 provided details of all capital schemes. The revised capital budget as at Q2 was £27.081 million for the General Fund and £23.897 million for the HRA. The LUF funded Health and Wellbeing hub represented the largest area of spend for the General Fund and a detailed note was set out below that table in terms of the current position. Changes to the capital programme were now also being clearly tracked to provide transparency of changes between one report to another. Slippage continued to be carefully monitored and considered and budgets refined as the budget setting process was progressed.

Treasury

With regards to Treasury Management the Council's cash continued to perform well with £168,000 achieved in excess of budget.

After presentation of the report, the following points were raised:

- It was noted that there were many references to misalignment of budgets within the report – what was the reason for this frequency?
 - Officers responded that as a result of staff turnover over the past year, and the reduction in detailed scrutiny of the 2023/24 budget, there had been more misalignment than in previous years. However, a new team was in place and would ensure that scrutiny of the 2024/25 budget and future budgets would take place. The issues resulting from a difficult year were currently being worked through.
- Members asked whether, once the misalignments had been taken into account, there was any impact on the budget?
 - Officers responded that there was a net adverse variance as a result of misalignment. The budget going forward had been adjusted to take account of this.
- Members asked what the amount of the impact on the budget was.
 - The Portfolio Holder for Finance, Commercialisation, UKSPF and Levelling Up was not able to provide a figure to members immediately and would advise in due course. He had confidence in the team going forward.
- Members asked whether, with regard to homelessness the authority was underproviding in this area, given the increase in demand. Was the authority confident that there was sufficient resource and money to address a situation which would only become worse in the new year?
 - The Portfolio Holder for Communities and Operational Housing commented that she was happy from a resources perspective that the issue could be addressed. The team was now fully staffed and improvements could be seen, resulting in a lot of preventative work avoiding the risk of homelessness in some cases. There had been a reduction in the use of Bed and Breakfast accommodation, the stress on the budget was moving in the right direction. The Deputy Chief Executive - Corporate (£151) would be able to ascertain whether the budget around Homelessness and Housing was sufficient. The Portfolio Holder felt that over the year, the budget would be exceeded however, there was confidence going forward.

- The Deputy Chief Executive Corporate (S151) stated that the support being requested for 2024/25 was less than 2023/24, a positive direction of travel. Regarding turnaround times for Benefit claims the process was being sped up, a significant improvement from the last year.
- With regard to the six-monthly figures and projections relating to the Capital Programme, it appeared that there would be a substantial underperformance around capital expenditure. If this was due to a lack of resource, could this potentially have an impact on the replacement of the leisure provision in Spalding.
 - The Deputy Chief Executive - Corporate (S151) advised that there was a detailed note at the foot of table 5 within Appendix A. The MoU from Government had been signed off but this process often took some time. Members were assured that a project board had been set up for this project, and that there were also project sponsor board meetings taking place and there was a sufficient resource around the project.
- Members asked if there was also sufficient resource around other capital projects?
 - As part of the budget setting process, work would be undertaken with managers for the next year. It was important to develop a more pragmatic approach regarding budgeting to ensure that the profiling of the spends matched the timelines.
- Members asked whether any conclusions could be drawn/lessons learned from the report going forward?
 - The Leader commented that there had been technical issues around software being used, and relevant staff getting the most use out of it. Accuracy of reporting was also important. Some issues could still arise over the next few months however, many had now been rectified. With regard to the Finance team, much work had been undertaken to ensure the correct profile for the new team going forward. It was also important to understand what the administration wanted to achieve, and also to remove errors around duplication and the budget setting process.
 - The Portfolio Holder for Finance, Commercialisation, UKSPF and Levelling Up commented that with regard to lack of scrutiny and visibility of information, it was important to consider the language used regarding information, and how it was to be presented. This was necessary in order that good, informed decisions could be made. A strong team was now in place which would provide all teams within the authority the opportunity to have foresight and visibility in decisions they were making.
- Members commented that there were a large amount of different systems used across the Council – it was important to rationalise and simplify this going forward.

DECISION:

- 1) That Cabinet notes the forecast revenue position of a £338,000 overspend for 2023/24 as detailed in Table 1.
- 2) That Cabinet notes the forecast revenue position of the HRA for 2023/24 (surplus of £1.620m) as detailed in Table 3a.
- 3) That Cabinet approves the amendment to the HRA Capital Programme at Appendix A – Table 7 to take into account the changes set out in the report.

(Other options considered:

- To not approve the reserve movements outlined within the report.*

Reasons for decision:

- To ensure the Council's forecast financial position for 2023/24 is considered and related decisions approved. It is important that the Cabinet are aware of the financial position of the General Fund to ensure that they can make informed decisions that are affordable and financially sustainable for the Council.)*

APPENDICES

Appendices are listed below and attached to the back of the report: -

APPENDIX A	Cabinet Agenda Item 3 - 2023/24 Quarter Two Finance update (Cabinet covering report)
APPENDIX B	Cabinet Agenda Item 3 - 2023/24 Quarter Two Finance update (Appendix A to original Cabinet report)

BACKGROUND PAPERS

No background papers as defined in Section 100D of the Local Government Act 1972 were used in the production of this report.

CHRONOLOGICAL HISTORY OF THIS REPORT

Name of body	Date
Cabinet	12 December 2023

REPORT APPROVAL

Report author:	Christine Morgan cmorgan@sholland.gov.uk
Signed off by:	The individual report has previously been signed off by the relevant Director and Portfolio Holder
Approved for publication:	As above.