

Quarter 2 2023-24 – Financial and Performance Report

Relevant Portfolio Holder	Councillor Hotham – Portfolio Holder for Finance and Governance
Portfolio Holder Consulted	Yes
Relevant Head of Service	Michelle Howell Deborah Poole
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Wards Affected	All Wards
Ward consulted	Councillor(s) No
Relevant Purpose(s)	Strategic All
Key Decision	
If you have any questions about this report, please contact the report author in advance of the meeting.	
This report contains exempt information as defined in Paragraph(s) 2, 3 & 6 of Part I of Schedule 12A to the Local Government Act 1972, as amended	

1. RECOMMENDATIONS

The Cabinet is asked to RESOLVE that:

- The current overspend position in relation to Revenue and Capital Budgets for the period April to September and the full year revenue overspend position of £464k after applying £351k from the Utilities Reserve as approved at Quarter 1 be noted.
- The present status of the Asset Strategy.
- There is no change to the procurements over £200k due to be delivered during 2023/4 from those listed in Quarter 1.
- The Q2 Performance data for the Period April to September 2023 be noted.
- The application of £50k from the General Fund for Enforcement Action to be taken at a site in Alvechurch as detailed in Appendix F.

That Cabinet is asked to Recommend to Council:

- Changes to the Capital Programme in relation to ICT are actioned, bringing forward Cyber Security linked Tape Drive replacements forward from 2024/5 into 2023/4, and increasing the budget in 2023/4 to ensure the continuation of the Civica OpenRevenues system for the administration of council tax, business rates and housing benefits as detailed in Appendix F.

2. BACKGROUND

- 2.1 This report presents at Quarter 2 (April – September) 2023/24
- the Council’s forecast outturn revenue monitoring position for 2023/24 based on data to the end of Quarter 2
 - An update on progress on the 2023/24 budget process
 - Procurement pipeline projects (over £50k)
 - The organisations performance against the strategic priorities outlined in the Council Plan Addendum, including operational measures to demonstrate how the council is delivering its services to customers.

3. DETAILED PERFORMANCE

Financial Performance

- 3.1 As part of the monitoring process a detailed review has been undertaken to ensure that issues are considered, and significant savings and cost pressures are addressed. This report sets out, based on the position at the end of Quarter 2, the projected revenue outturn position for the 2023/24 financial year and explains key variances against budget.
- 3.2 The £13.8m full year revenue budget included in the table below is the budget that was approved by Council in February 2023. The table also includes the forecast outturn position for the year.

	2023/24 Approved Budget	2023/24 Forecast Outturn	2023/24 Forecast Variance to Budget
Business Transformation and Organisational Development	1,745,422	1,720,614	(24,808)
Community and Housing GF Services	1,058,122	1,094,576	36,454
Corporate Budgets	1,455,265	1,455,265	-
Corporate Services	1,378,418	1,496,668	118,250
Environmental Services	3,598,710	4,023,426	424,716
Financial and Customer Services	1,214,717	1,559,175	344,458
Legal, Democratic and Property Services	1,727,443	1,681,696	(45,747)
Planning, Regeneration and Leisure Services	1,384,644	1,373,713	(10,931)
Regulatory Client	259,337	231,981	(27,356)
Net Budget	13,822,078	14,637,114	815,036
Corporate Financing	(13,822,078)	(13,822,078)	-
Overall Total	-	815,036	815,036
Utilities Reserve		(351,000)	(351,000)
Overall Total	-	464,036	464,036

Budget Variances

- 3.3 During August and September 2023, budget managers were invited to budget monitoring training which focused on how to predict their

financial position for the 2023/24 financial year, as well as how to input that forecast into the TechOne financial system. This is the first time that budget managers have been asked to directly input their forecast financial positions into the system since the implementation of TechOne, and budget managers have been supported by the Finance Team throughout this process. This is the start of a journey for budget managers, but one that we hope in time will form part of regular financial monitoring reported to Members. A detailed review of the financial position input to TechOne has been undertaken by the Finance management team with some adjustments to assumptions reflected. This has included updating forecasts where they have been inadvertently omitted, updating signage, reviewing the forecast position per nominal code and verifying the salary costs including pay award included in the financial position.

3.4 Overall, the Council is currently forecasting a revenue overspend for 2023/24 in the region of £815k, before the application of £351k from the Utilities Reserve as approved at Quarter 1. This forecast overspend is predominantly due to:

- the implications of the 2023/24 pay award - £1,925 level per pay point plus on costs has been offered by the Employers and was agreed on 1st November 2023. This will be paid in the December payroll and backdated to 1st April 2023.
- temporary and interim staff requirements - whilst there are a number of vacancies within teams across the Council, some posts are being covered by temporary staff and this has therefore resulted in some cost pressures.
- additional fuel and fleet hire costs within the Place and Waste Teams.
- the impact of homelessness and the cost of temporary accommodation costs.

This overspend is offset in part by:

- a forecast underspend against the utilities budget provision due to utilities inflation running at 70%. In the 2023/24 budget we assumed a 100% increase in budget and also set up a reserve for the same amount.
- anticipated additional income across various Waste Services.

This position will continue to be reviewed particularly given the impact of the increasing costs linked to inflation, and further updates will be provided to Members throughout 2023/24.

3.5 As previously reported in the Quarter 1 report, vehicle hire will put a pressure on the revenue budgets this year, as the refurbishment project on the Refuse fleet is requiring vehicles on hire to continue the

work. There have also been issues with the fleet unrelated to the refurbishment project that has resulted in higher rental costs as well. Overall, it is anticipated that this will result in a cost pressure in the region of £300k for the year.

- 3.6 This in-year budget forecast reflects the best information available at the present time, however it is important to note that there are a number of key factors that may impact upon the financial position which are not yet reflected fully within the forecast, including:
- The present cost of living crisis and the impact that this may have upon demand for council services throughout the winter period, including the impact of homelessness and the cost of bed and breakfast temporary accommodation costs.
 - Inflationary increases – general inflation is coming down but is still running at 6.8% and will impact upon transport costs, utilities and contracts in particular.
- 3.7 The full year effect of a £815k overspend will be mitigated in part by the application of £351k from the Utilities Reserve as approved at Quarter 1. **This leaves a £464k overspend position.** The ongoing 2023/24 pay increases position has been reflected as a budget pressure in the 2024/25 MTFP process.
- 3.8 As previously reported, it is important to note that the Council is yet to close its accounts for the 2020/21, 2021/22 and 2022/23 financial years. This could therefore result in adjustments to the actual expenditure/income and forecast outturn positions as reported in the table above. Further updates will be provided to Members throughout the financial year (this work is being led by the Audit Standards and Governance Committee).

Additional Funding Requirements

- 3.9 There are no revenue based additional funding requests in Q2.

Capital Monitoring

- 3.10 A capital programme of £10.9m was approved in the Budget for 2023/24 in March 2023. Many of these schemes are already in partial delivery in the 2022/23 financial year. By approving this list, the Council also agreed sums not spent in 2022/23 (and 2021/22 by default if schemes originated earlier than 2022/23 as sums have been carried forward through to the 2021/22 MTFP Report) to be carried forward into 2023/4. The table also splits amounts by funding Source, Council or third party.

Financial Year	Total Budget £000	Council Funded £000	External Funded £000
2021/22	16,511	12,146	4,366
2022/23	8,126	1,485	6,641
2023/24	10,852	1,694	9,158
2024/25	4,921	2,224	2,697
2025/26	3,156	1,558	1,598

3.11 Included in this funding the Council also have the following Grant Funded Schemes which are being delivered in 2023/24:

- The two Levelling Up schemes – Old Fire Station and Market which are funded via £14.5m of Government Funding, and the Council is funding £1.6m of works.
 - The Market Street budget has reduced in overall terms to £10.4m. Following a set of meetings in July and August an initial £12.2m the estimated spend has been value engineered down to £11.4m – a £1m overspend. The timetable for delivery has been revised and the application went to planning on the 13th October. There is a significant risk that the project will be delivered at least 6 months late. Under the present funding rules the Council would be liable for funding the project, and not the Government, during this period. The Council are in negotiation with DLUHC on a funding extension (as these are now being awarded to New High Street Fund).
 - Windsor Street demolition tenders in process although this may now start in September not June. This is due to “unlawful access” issues to the building. There is additional levels of pollution which are being assessed and new Environment Agency rules are needing to be delivered to in terms of removal of this type of polluted materials.
 - Public realm, though is projected to be underspent by £700k which mitigates a significant amount of the Market Hall £1m overspend.
- UK Shared Prosperity Schemes totalling £2.8m (although it should be noted that these grant funded schemes are a mix of capital and revenue).
- The Burcot Lane development at £10.275m.

3.12 The spend at Quarter 2 is £1.654m (£0.720m Q1) against the overall 2023/24 capital budget totalling £10.851m is detailed in Appendix A. It

should be noted that as per the budget decision carry forwards of £2.843m will be added to this figure to take account of slippage from 2022/23.

3.13 The following changes are requested for approval (allowing for slippage as set out in 3.11 above):

- That in year 3, as per the MTFP Papers the Barnt Green Toilet has been removed.
- ICT have a capital bid for £177,500 at each council in 2024-25 for Server Replacement. We would like to bring £50k of that money forward to this year if possible, as our Tape Backup server/library is beginning to fail quite often and this is the most important part of the Cyber Security attack response, as well as providing day to day backups of our data.

BDC Capital Bid							Capital Implications			
Department	Strategic Purpose	Description	Funding Source I.e. Grant, Borrowing, Reserve, S106	Bid/Saving Form Submitted (Y/N)	Reference as per form	2022-23 £	2023-24 £	2024-25 £	2025- 26 £	
ICT	Enabling the Authority	Cisco Network Update		Y	ICT08	5,717	11,574	0	34,877	
ICT	Enabling the Authority	Server Replacement		Y	ICT10	83,250	2,000	177,500	18,500	
ICT	Enabling the Authority	Laptop Refresh		Y	ICT12	5,000	25,000	150,000	5,000	
TOTAL						93,967	38,574	327,500	58,377	

- An increase to the capital programme totalling £410k in 2023/24 to ensure the continuation of the Civica OpenRevenues system for the administration of council tax, business rates and housing benefits as detailed in Appendix F. The system is shared between Bromsgrove District and Redditch Borough Councils; therefore, half of this expenditure will be recharged to Redditch Borough Council under the shared service arrangement. The cost to the council, a £205k increase over 5 years at an interest rate of 5.04% is a cost of (MRP £41k interest £10k) £51k per year.

3.14 The detailed Capital Programmes (21/22 to 2025/26) are set out in **Appendix A**.

Earmarked Reserves and their application

3.15 The position as reported to Council in February 2023 as per the 2023/24 – 2025/26 Medium Term Financial Plan is shown in **Appendix B**.

3.16 As was noted in paragraph 3.7 above, £351k of the Utilities Reserve was approved by Council to mitigate the impact of the increased costs arising from the 2023/24 pay award. However, this still leaves £464k to be funded from the general fund to bring the overall position back to break even.

- 3.17 There is the Request to fund £50,000 from the General Fund for Enforcement Action to be taken at a site in Alvechurch as detailed in Appendix F.

Asset Strategy Update

- 3.18 The Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 set out the minimum level of energy efficiency required to let non-domestic properties in England and Wales.
- 3.19 The Property Services Team continue to undertake various works across our property portfolio to contribute to improvements in the energy rating and performance of our buildings. Works are necessary at various sites to meet Part 3 of the Regulations, which contains the minimum level of energy efficiency provisions, which is currently set at an energy performance certificate (EPC) rating of at least band E. The Authority recognises the significant increases in energy costs and must act, as Landlord, to install energy efficiency improvements above the current requirement to make energy savings.
- 3.20 Recent works have been undertaken at various sites within the Public Building property portfolio. These include the full LED lighting upgrades at Parkside Offices; the completion of upgrade works to the library space in Parkside are imminent. A successful Listed Building planning application was submitted for the installation of solar PV was submitted for Parkside, with installation works beginning in September 2023.
- 3.21 The minimum level of energy efficiency provisions will mean that, subject to certain requirements and exemptions, from 1 April 2023, as Landlord, we must not continue letting a non-domestic property which is already let if that property has an EPC rating of band F or G. Where a landlord wishes to continue letting property which is currently sub-standard, they will first need to ensure that energy efficiency improvements are made which raise the rating to a minimum of E.
- 3.22 When an EPC is lodged on the EPC register it is then valid for a ten-year period. A new EPC is not required each time there is a change of tenancy, provided it is no more than ten years old. As Landlord, we have the option to have an EPC renewed, which is beneficial where we have undertaken or implemented significant energy saving measures.
- 3.23 The rolling programme of Condition Surveys and Energy Improvement Audits of the Council property portfolio is in progress and is in progress and will continue over the next 2 years. The findings of these surveys are providing essential data to enable us to fully evaluate the extent of works and investment required.

- 3.24 Work continues on the asset register to identify properties that no longer meet the objectives identified in the Asset Management Strategy.

The Artrix

- 3.25 The Property Services and Facilities Team have been managing the Artrix site as a void premises since the building closed (excluding the time of NHS occupation for delivering Covid vaccinations). The future of the site and its intended use has been unknown, therefore reinstatement works have not been taken, to avoid misdirected spend or allocation of resources.
- 3.26 The Holding Trust has recently been approached by a Theatre provider with a proposal to temporarily relocate a theatre, potentially affected by RAAC, into the Artrix, which would determine the length of any lease agreements. There is a considerable amount of spend required to reinstate the building and ensure that all compliance documentation is current and the building fit for use. The costs of enabling this will be borne in part by the Council and in part by the Artrix Holding Trust and the income that they have or stand to achieve for rental of the building. The services of Framework contractors where possible will require instruction and lead times factoring existing workloads will need to be considered. Initial enquiries have been made and cost estimates are in progress, but due consideration must be given to a realistic timescale for delivery and execution of the required works, offset against the income that will be generated. While the team are working to produce the relevant information and potential programme of works and costs, other works will put on hold across the portfolio to release the resources required to achieve this.
- Reinforced autoclaved aerated concrete (RAAC)
- 3.27 The Property Services team are conducting a desktop study to rule out the presence of RAAC within RBC / BDC properties. Using construction drawings where available and historic knowledge of the buildings we are working through the portfolio; to date, no areas of concern have been identified. The process should be completed shortly and finding will be presented at the next CMT meeting. If any issues are identified, these will be flagged, and the senior management team notified immediately.
- 3.28 If the team suspect the presence of RAAC planks we will seek guidance from a competent structural engineer to assess it and develop a management plan.
- 3.29 Reinforced autoclaved aerated concrete (RAAC) is a lightweight material that was used mostly in flat roofing, but also in floors and walls, between the 1950s and 1990s and it is believed that prominent use was within school construction in these periods.

- 3.30 It is less durable than traditional concrete and there have been problems as a result, which could have significant safety consequences, that is, its liable to collapse.
- 3.31 It is a cheaper alternative to standard concrete, is quicker to produce and easier to install, but has a typical lifespan of 30 years. It is an aerated product and has a 'bubbly appearance', and when exposed to moisture or polluted air over a prolonged period, the strength of the materials can be compromised. The aeration allows the moisture to penetrate the material, which in turn rusts the steel and compromises the integrity of the reinforcing bars. Concern also relates to the internal reinforcement steel, as it does not span the full length of the panels / planks, insufficient to withstand the weight and any additional load.
- 3.32 Because of this, RAAC is often coated with another material, such as bitumen on roofing panels. But this material can also degrade, further compromising the strength and performance of the RAAC.
- 3.33 The Health and Safety Executive states RAAC is now beyond its lifespan and may "collapse with little or no notice".

Procurement

- 3.34 The Q1 Finance and Performance Report set out the initial set of procurements to be delivered by the Council over the next year. Following this initial report:
- On a quarterly basis a report "the Approval to Spend Report" will be provided to Cabinet which sets out the Council's Procurement Pipeline for approval to be included on the forward plan and an analysis of spending over the past 4 years to identify spending with suppliers over the £50k limit to ensure this spending is converted to properly contracted expenditure.
 - That items from the initial pipeline report at the appropriate Key Decision level, as set out in **Appendix C**, are added to the forward plan.
- 3.35 The table in **Appendix C** sets out those procurements (Capital and Revenue) over £50k which are delegated for approval to Cabinet or Officers over the next year. It is proposed that these are added to the forward plan. There are 8 contracts over £50k in value that will be entered onto the forward plan. For full transparency, 4 contracts under the £50k value are also shown as are 6 contracts where the full value is still being evaluated.

- 3.36 As the Council runs a shared service, a number of procurements that impact on Bromsgrove will be procured through Redditch. For reference these are also included in **Appendix D**.

Performance Report

- 3.37 The first section of this report shows the organisations performance against the strategic priorities outlined in the Council Plan Addendum. Additional comments and updates have been provided for the success measures to explain progress/activity. The final section of the report includes some operational measures to demonstrate how the council is delivering its services to customers.
- 3.38 The process of performance reporting will develop iteratively; however this document is a snapshot in time and very much a temperature check of the organisation, the layout comprises:
- Strategic Priorities – success measures
 - Operational Measures – by service area
 - Financial Data (separate report on this occasion)
 - Corporate Projects (by exception)
- 3.39 The Council has an approved Council Plan in place that was completed before the Covid-19 outbreak, the Council then developed the Council Plan Addendum to take the potential shift in priorities brought about by the pandemic into consideration. The current key priorities are:
1. Economic Development and Regeneration
 2. Housing Growth
 3. Work and Financial Independence
 4. Improved Health and Wellbeing
 5. Community Safety and Anti-Social Behaviour
 6. Green Thread
 7. Financial Stability
 8. Organisational Sustainability
 9. High Quality Services
- 3.40 **Appendix E** sets out the Strategic Priorities and Performance Measures in detail. For the 9 priorities there is data contained in the Appendix on:
- The Performance Measure being used.
 - An update on how it is being used.
 - Where relevant, contextual information.
- 3.41 In addition, **Appendix E** also sets out Operational Service Measures.

4. FINANCIAL IMPLICATIONS

4.1 The financial implications, are set out within this report.

5. LEGAL IMPLICATIONS

5.1 There are no direct legal implications arising as a result of this report.

6. STRATEGIC PURPOSES - IMPLICATIONS

Relevant Strategic Purpose

6.1 The Strategic purposes are included in the Council's corporate plan and guides the Council's approach to budget making ensuring we focus on the issues and what are most important for the district and our communities. Our Financial monitoring and strategies are integrated within all of our Strategic Purposes

Climate Change Implications

6.2 The green thread runs through the Council plan. The Financial monitoring report has implications on climate change and these will be addressed and reviewed when relevant by climate change officers to ensure the correct procedures have been followed to ensure any impacts on climate change are fully understood.

7. OTHER IMPLICATIONS

Equalities and Diversity Implications

7.1 There are no direct equalities implications arising as a result of this report.

Operational Implications

7.2 Managers meet with finance officers to consider the current financial position and to ensure actions are in place to mitigate any overspends.

8. RISK MANAGEMENT

8.1 The financial monitoring is included in the corporate risk register for the authority.

9. APPENDICES and BACKGROUND PAPERS

Appendix A – Capital Programme

- Appendix B – Reserves Position
- Appendix C – Procurement Pipeline (over £50K)
- Appendix D – Procurement Pipeline (procured in Redditch for Shared Services with Bromsgrove)
- Appendix E - Strategic and Operational Performance Measures
- Appendix F – Supporting Information

10. REPORT SIGN OFF

Department	Name and Job Title	Date
Portfolio Holder	Councillor Charlie Hotham,	17/11/2023
Lead Director / Head of Service	Peter Carpenter, Interim Director of Finance	17/11/2023
Financial Services	Michelle Howell, Head of Finance and Customer Services	17/11/2023
Legal Services		
Policy Team (if equalities implications apply)		
Climate Change Officer (if climate change implications apply)		