

CABINET
9 NOVEMBER 2021

REVENUE BUDGET MONITORING – QUARTER 2

**Responsible Cabinet Member -
Councillor Scott Durham, Resources Portfolio**

**Responsible Director -
Elizabeth Davison, Group Director of Operations**

SUMMARY REPORT

Purpose of the Report

1. To provide an early forecast of the 2021/22 revenue budget outturn as part of the Council's continuous financial management process.

Summary

2. This is the second revenue budget management report to Cabinet for 2021/22. The latest projections show an overall improvement of £4.610m. This is due to £2.317m of additional balances following the 2020/21 outturn, £0.993m of resources returned to reserves, £0.185m of projected departmental overspend in 2021/22, a £0.570m increase in corporate resources and a net £0.915m required from the CV19 reserve (a total drawn down from the reserve of £1.385m to fund the departmental CV19 costs and £0.470m to refund the shortfall in government grant for Sales, Fees and Charges in corporate resources).

Recommendations

3. It is recommended that:-
 - (a) The forecast revenue outturn for 2021/22 be noted.
 - (b) Further regular reports be made to monitor progress and take prompt action if necessary.
 - (c) The carry forwards requested are agreed.

Reasons

4. The recommendations are supported by the following reasons:
 - (a) To continue effective management of resources.
 - (b) To continue to deliver services to agreed levels.

Elizabeth Davison
Group Director of Operations

Background Papers

No background papers were used in the preparation of this report.

Brett Nielsen : Extension 5403

S17 Crime and Disorder	There are no specific crime and disorder implications in this report.
Health and Wellbeing	There are no issues relating to health and wellbeing which this report needs to address.
Carbon Impact and Climate Change	There are no specific carbon impact issues in this report.
Diversity	The report does not contain any proposals that impact on diversity issues.
Wards Affected	All wards are affected.
Groups Affected	No specific groups are particularly affected.
Budget and Policy Framework	This decision does not represent a change to the budget and policy framework.
Key Decision	The report does not require a key decision.
Urgent Decision	The report does not require an urgent decision.
Council Plan	The subject matter of the report, the Council's financial standing and financial management, is critical to delivery of the Council Plan, but this report does not contain new proposals.
Efficiency	The report contains updated information regarding efficiency savings contained in the MTFP.
Impact on Looked After Children and Care Leavers	This report has no impact on Looked After Children or Care Leavers

MAIN REPORT

Information and Analysis

5. This is the second revenue budget management report to Cabinet for 2021/22 and provides a mid-year forecast of the 2021/22 revenue position as part of the Council's continuous financial management process.
6. To enable timely information to be presented and in accordance with the report publication requirements, this report has been completed before the end of the second quarter. As the Council operates frequent, regular and predictive budget management processes, including quarterly reports to Cabinet, changes in projected outturn, which are inevitable in a large and complex organisation, will be reported to future meetings.
7. The information in this report has been taken from the financial records for August and managers' projections for the remainder of the year, using their knowledge of events affecting the services they manage.
8. As has been the case in the last few years, a review of the 2021/22 budgets has been undertaken during April and May and managers have been proactive in scrutinising their budgets considering the 2020/21 outturn position. £0.993m of savings have been identified, which can be removed from budgets into reserves without impacting on service delivery.
9. Overall, the projected General Fund reserves position at 31 March 2022 is £29.536m, which is an improvement of £4.610m on the planned balances in the 2021-25 MTFP. This improvement relates to £2.317m underspend in the Council's 2020/21 financial results, £0.993m of funds returned to reserves from the rebasing exercise, £0.185m projected departmental overspends in the 2021/22 financial year, a £0.570m improvement in corporate resources and a net draw down from the CV19 reserve of £0.915m.

COVID - 19

10. The impact of CV19 has had a significant bearing on the Council's financial position. Members will recall that in the 2021/22 MTFP, CV19 pressures were built into the plan to be funded in part by government grant and the Sales, Fees and Charges scheme. Additional CV19 pressures over those included within the MTFP are detailed in **Appendix 4** these pressures are to be offset through the use of the CV19 reserve.
11. There is however still uncertainty about how, when and if services will return to normal and what the impact of CV19 will be on our communities and the wider economy, as the country comes out of the pandemic. There remains therefore the potential for further impacts of increased demand for services and council tax and business rate income reductions, which could increase pressures on the 2021/22 final position.
12. The Government has supported Local Authorities funding for CV19, with £2.958m of CV19 grant and £0.616m of Sales Fees and Charges scheme income being built into the 2021/22 budget. Should any further grant be received this will offset any additional CV19 expenditure not in the budget or be transferred into the earmarked CV19 reserve to fund any ongoing pressures in future years.

13. The actual expenditure on CV19 is higher than shown in Appendix 4, as the Council has received specific grants from government to fund those areas of expenditure. This expenditure is therefore excluded from this budget monitoring report as it has no direct effect on the Council's reserves. Examples of the specific grants received are Contain Outbreak Management Fund (COMF), and Covid Local Support Grant.

Departmental Resources

14. Departmental resource projections are summarised in **Appendix 2** and detailed in **Appendices 2(a) to 2(e)**. Even without the CV19 implications it is difficult to predict year end positions at this early stage and therefore management projections indicate budgets to be online, except for those stated in the following paragraphs.
15. The **People Group** budget is projected to be overspent by £0.482m at the end of the financial year, after carry forwards into 2022/23 of £144k. This is an adverse position of £0.370m on that reported at Q1. The main changes to the previously reported position are detailed below:
 - (a) **Children & Adults** are projecting an underspend of £0.093m which is made up of the following areas:
 - (i) The Transformation and Performance team is projected to be underspent by £0.050m, which is funding brought forward from 2020/21 for use in 2022/23. This underspend is therefore to be carried forward.
 - (ii) The Business Support team is projected to be underspent by £0.043m from staff turnover and savings on printing as staff continue to work remotely.
 - (b) **Children's Services** are projecting an underspend of £0.046m which includes the following:
 - (i) Assessment and Care Planning is projected to be overspent by £0.178m at the end of the year. This overspend is the result of a continuing independent living arrangement and the cost of supporting children who are not looked after. Whilst this budget is overspending the pressure is significantly less than the cost of formally looking after the children, should they end up in the care of the Local Authority.
 - (ii) First Response and Early Help is projected to be underspent by £0.151m at the end of the financial year. This underspend has resulted from a number of posts being vacant during the first half of the year across all areas of the service.
 - (iii) Adoption and Placements budgets are projected to be overspent by £0.066m at the year end. The Special Guardianship placements budget is overspent by £0.390m which is a continuation of 2020/21 pressure, this budget will be realigned from other placement budgets as more children are now accommodated through this route. Residential placements are projected to overspend by £0.565m which results from a small number of recent complex, very expensive placements. Although these pressures have been offset by

savings in other placements budgets, it should be noted that one complex case can make a major impact upon the overall budget position. Therefore, the placements budget is subject to further pressure during the remaining six months of the year.

- (iv) Disabled children's budgets are projected to be underspent by £0.114m based on placements to date and take up of respite, day care and direct payments. Again, due to the nature of the children accessing these services a small number of complex placements can make a significant change on the final budget outturn position.
- (v) The Quality Assurance & Practice Improvement team is projected to be underspent by £0.094m, which is funding brought forward from 2020/21 for use in 2022/23. This underspend is therefore to be carried forward.
- (c) **Development & Commissioning** are projecting an underspend of £0.178m at the end of the financial year. This underspend mainly arises from savings in the housing related support budgets where a number of services are demand led and take up has been reduced through CV19 and a reduction in the number of direct payments packages. Savings have arisen due to staff turnover and also savings have been made in the home improvement grants budget as alternative funding has been identified.
- (d) Overall the Council's **Education** budget is projected to be overspent by £0.215m at the year end. This overspend results from a provision of £0.350m being set aside for the potential recovery of DFE grant funding. Cabinet agreed in December 2019 to set aside £0.400m into general fund reserves to cover a potential claw back of grant following proposals to use the former Haughton Children's centre for special education needs purposes, however implementation was put on hold due to CV19. This revised reserve is based on the current estimated value, should claw back be made. This provision is offset by savings of £0.135m resulting mainly from vacant posts during the first half of the financial year across a number of teams and a projected lower costs of historic pension contributions for former teachers.
- (e) The transport budget is currently projected to be underspent by £0.016m which arises from lower usage of casual staff during the summer term. Although the transport budget is projected to be underspent at this point, there are a number of unknowns with regard to the remainder of the year, due to ongoing national driver shortages, which may have an impact on the service and therefore the final cost.
- (f) **Adult Social Care and Health** is projected to be overspend by £0.455m at the year end, which is a decline of £0.343m Q1.
 - (i) CV19 costs have increased by £0.228m following additional sustainability payments made to residential homes, due to the impact of CV19.
 - (ii) External Purchase of care budgets have increased expenditure from that projected at quarter one. We have seen an increase of 33 residential/nursing placements which has given a pressure of £0.125m. Domiciliary Care has increased by £0.158m which equates to 371 hours of care.

- (iii) There have been staffing savings due to staff vacancies within the Learning Disability long term conditions teams which has increased the underspend by £0.080m. The Mental Health long term condition team has had maternity vacancies, which has resulted in savings of £0.080m.
 - (iv) Within the Older People long term conditions budget there is a £0.025m pressure within the advocacy budget due to increased usage and there has been savings in court costs and running costs of £0.034m within Service Development and Integration.
16. The **Services Group** is projecting an underspend of £0.729m after taking into account the anticipated impact of CV19. This is broken down into pressures of £0.199m related to CV19 and an operational underspend of £0.928m. This is an improvement of £0.537m from the position reported at Q1.
17. The **Services Group** projected position for CV19 related pressures of £0.199m is detailed below:
- (a) Waste disposal costs continue to be impacted by CV19 and are expected to cost the council £0.350m. Of this additional cost £0.225m had been budgeted for as part of the MTFP which leaves an additional pressure £0.125m as reported at Q2.
 - (b) There is also an expected pressure on taxi licensing as the number of drivers registering with the authority has fallen significantly which will result in a shortfall of income in the region of £0.044m.
 - (c) Losses in income for general licensing, Head of Steam, libraries, and the bowling centre accounts for pressures of £0.030m.
18. The **Services Group** projected operational position is an underspend of £0.928m. The headline areas are detailed below:
- (a) **Capital Projects, Transport & Highways Planning** is currently expected to have an operational overspend of £0.236m. The main elements of this overspend is broken down into:
 - (i) Highways – there is a projected net pressure of £0.124m within highways. This is mainly linked to a £0.200m pressure on responsive repairs due to historical demand on road repairs including pot holes. This pressure has been managed in the past from additional fee generation, however, for 2021/22 fee levels are not expected to be sufficient alone to offset the cost, although in year savings of £0.055m on street lighting repairs and £0.021m in engineering should be available to offset part of the pressure.
 - (ii) Highways DLO – slippage on several large capital schemes into 2022/23 is likely to see a fall of over £2.5m in turnover for the section which will be see a pressure against the surplus target of £0.147m.
 - (iii) Concessionary fares are expected to have a small underspend of £0.035m.

- (b) **Community Services** is expected to have an operational underspend of £0.824m after excluding CV19 pressures of £0.150m. While many of the services continue to be impacted by CV19 their recovery has been stronger than anticipated and this is reflected in the operational underspend.
- (i) The performance of the council's Leisure facilities has not been as severely impacted by CV19 at the start of 2021/22 compared to what was originally projected in the 2021/22 MTFP. Net losses for the year linked to CV19 were originally anticipated to be £1.209m for the Dolphin Centre and Eastbourne Complex but are now only expected to be £0.523m which is better than budget by £0.686m.
 - (ii) Winter Maintenance is projected to overspend by £0.040m based on analysis of previous year's salt usage. This position may change once the season gets fully underway from October 2021.
 - (iii) When we exclude the impact of CV19 on household waste disposal we would expect Waste Management to underspend by £0.031m because of having 2 less collection days in the budgeted year. This is simply due to how the calendar year falls and is not linked to operational decisions.
 - (iv) There is also officer time associated with activities funded by the COMF of £0.032m.
- (c) **Community Safety** overall is expected to be operationally underspent by £0.336m after excluding CV19 pressures of £0.049m.
- (i) Parking performance outside of the 2-hour free parking offer is forecast to be better than expected which should contribute to an anticipated underspend of £0.284m.
 - (ii) There are some pressures in CCTV of £0.027m which includes professional fees linked with a service review.
 - (iii) There is also officer time associated with activities funded by the COMF of £0.073m.
- (d) **Building Services** is expected to meet its income targets for 2021/22, however, turnover will continue to be monitored as any slippages will impact on the service's ability to maintain its projected surpluses.
19. The **Operations Group** is projecting a year end budget overspend of £0.416m, this is an increase of £0.358m on the position reported at Q1. However, it should be noted that £0.427m of this overspend and increase since Q1 relates to Corporate Landlord which now forms part of the Operations Group.
20. The impact of CV19 is still impacting upon the Council and the workloads of a number of teams. Within Operations a significant amount of time is being spent supporting the

Council's response to CV19, which is being funded through the COMF grant (a specific grant from the Department for Health (DoH)), therefore resulting in underspends in core budgets. There could be further savings within the core budget over the winter/spring period dependent on the ongoing response to the pandemic.

21. Based on current expectations the following pressures and savings are projected within the group;

(a) **Assistant Director Resources** is projecting an underspend of £0.170m which is made up of the following:

- (i) Financial Services are projected to be underspent by £0.045m at the end of the financial year. This arises from staff turnover within the Finance team where a number of posts have been vacant until new members of staff commenced in post (£0.033m) and savings in centrally funded pension costs.
- (ii) Human Resources are projected to be underspent by £95k at the year end. A net saving of £25k results from staff working on CV19 charged to the COMF grant. In addition it is projected that additional income of £70k will accrue from staff advertising based upon the first 5 months of the financial year.
- (iii) The Health & Safety team have been at the forefront of the Council's response to CV19 throughout the pandemic and this has continued in this financial year. As staff have been working on CV19 they have been funded through the COMF grant, which along with staff turnover has resulted in a projected saving of £0.037m.

(b) **Head of Strategy, Performance & Communications** is projecting an underspend of £0.031m which is made up of the following:

- (i) The Communications & Engagement team has been working on the Council's response to CV19 during the first half of the year which has been funded through the COMF grant from the DoH. This along with turnover of staff has led to a projected year end underspend of £0.111m.
- (ii) The Systems team has a projected overspend of £0.080m for this financial year. This overspend has resulted from increased license fees and additional support costs for new ICT software packages as the Council has implemented more electronic systems to provide more efficient and accessible service access.

(c) **Assistant Director Law & Governance** is projecting an overspend of £0.258m which is made up of the following:

- (i) The Administration budgets are projected to be underspent by £0.050m. This underspend is as a result of vacant posts mainly within the Secretarial Services team.
- (ii) Legal & procurement is projected to be overspent by £0.262m at the year end. This overspend has been incurred as the Council has had to employ specialist agency legal staff to undertake complex commercial legal work and to cover for

maternity staff absence (£0.102m). The Council has had to incur specialist legal advice and counsel for a number of children care proceedings which is projected to lead to an overspend on the children's legal fees budget of £0.140m at the year end.

- (d) **Corporate Landlord** which now forms part of the Operations Group is projecting an overspend of £0.427m which is due to a significant increase in electric and gas charges. Electric is expected to increase by 20% whilst gas by 79%, compared to 20/21.
 - (e) **Housing general fund** is projecting an underspend of £0.078m. This is due to savings on salary costs due to vacant posts not being filled.
22. The **Chief Executive & Economy Group** is projecting an overspend of £0.016m after taking into account the anticipated impact of CV19. This is a variance of £0.016m from the position reported at Q1. Operationally the group is projected to be £0.025m underspent when the impact of CV19 is excluded.
23. Based on current expectations the following pressures and savings are projected within the group:
- (a) **Property Management and Estates** is expected to have a net pressure of £0.040m which is predominately linked with lower than anticipated rental income levels which are due to the natural ending of some tenancies which have not been renewed or extended. Finding tenants in the current climate is proving challenging but the estates continue to work with the market to remedy this situation.
 - (b) Underspends arising from vacant posts and officer time associated with activities funded by the COMF grant within the **Economy Group** is delivering savings of £0.063m which are helping to reduce the overall net pressure.
24. The School balances and allocations are shown in **Appendix 2(f)**.

Council Wide and Corporately Managed Resources

25. The Council Wide and Corporately Managed Resources budgets are projected to be £0.570m underspent at year end.
26. There is a £0.306m underspend in financing costs due to the Council's property fund investment dividends returning to the pre CV19 levels, as well as an increase in joint venture investment returns of £0.248m with dividends being realised earlier than expected due to accelerated house sales.
27. The 2021/22 MTFP assumed a pay award offer of 2%, however, the current national employers offer of 1.75% has been rejected by the trade unions. If a pay award above 2% is agreed this will add a pressure to the budget.

Housing Revenue Account

28. HRA projections are shown in **Appendix 3** with an overall projected balanced budget. Income from rents is anticipated to be £0.277m lower than budget due to delays in the new build programme resulting in a reduction in rental income. There has also been a reduction in garage rentals of £0.051m due an increase in voids. There are additional costs of £0.018m in management, due to a reduction in the amount of commission received from the collection of charges and £0.099m projected overspend on maintenance due to an increase in the number of responsive repairs.
29. Due to CV19 some areas of the Housing Capital Programme have been delayed in particular the new build programme and will slip into the new financial year giving a reduction in financing costs of £0.350m. These changes are being programmed into the revenue account going forward and do not fundamentally change the business plan position.

Conclusion

30. The Council's projected revenue reserves at the end of 2021/22 are £29.536m, a £4.610m improvement on the initial 2021-25 MTFP position. This improvement in reserves includes a brought forward amount of £2.317m from 2020/21, £0.185m of projected departmental overspend, the rebasing exercise of £0.993m, a £0.570m increase in corporate resources and £0.915m required from the CV19 reserve (a total drawn down from the reserve of £1.385m to fund the departmental CV19 costs and £0.470m to refund the shortfall in government grant for Sales, Fees and Charges in corporate resources).
31. Of the £29.536m projected reserves, we have a risk reserve balance of £5.350m and a commitment to use £15.838m to support years 2 – 4 of the current MTFP, which leaves £8.348m of unallocated reserves.

Outcome of Consultation

32. No external consultation has been carried out in preparing this report.