

**CABINET
8 FEBRUARY 2022**

REVENUE BUDGET MONITORING – QUARTER 3

**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 a forecast of the 2021/22 revenue budget outturn as part of the Council's continuous financial management process.

Summary

2. This is the third revenue budget management report to Cabinet for 2021/22. The latest projections show an overall improvement of £4.847m. This is due to £2.317m of additional balances following the 2020/21 outturn, £0.993m of resources returned to reserves, £0.196m of projected departmental overspends in 2021/22, a £0.729m increase in corporate resources and a net £1.004m required from the Covid 19 reserve (a total drawn down from the reserve of £1.474m to fund the departmental covid costs and £0.470m to refund the shortfall in government grant for Sales, Fees and Charges in corporate resources).

Recommendation

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.
 - (d) That a ring fenced reserve be created for a 2025 Rail Heritage fund.

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 Councils 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 third revenue budget management report to Cabinet for 2021/22 and provides a three quarter 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 third 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 November and managers' projections for the remainder of the year, using their knowledge of events affecting the services they manage.
8. Overall, the projected General Fund reserves position at 31 March 2022 is £29.773m, which is an improvement of £4.847m 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, £0.196m projected Group overspends in the 2021/22 financial year and a £1.733m improvement in corporate resources.

COVID - 19

9. 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.
10. There is still uncertainty regarding CV19 in particular with the impact of the Omicron variant. Questions remain 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, over the remainder of the financial year and future years. Therefore there remains 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.
11. 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

12. Departmental resource projections are summarised in **Appendix 2** and detailed in **Appendices 2(a) to 2(e)**.

13. The **People Group** budget is projected to be overspent by £0.556m at the end of the financial year, after carry forwards into 2022/23 of £0.906m. This is a slight increase in overspend of £0.074m on the position reported at Q2. The main changes to the previously reported position are detailed below:
- (a) **Children & Adult Services** are projecting an underspend of £0.051m of after carry forward requests which is a change of £0.008m on the position reported at Q2. £0.076m of carry forward to cover future staffing requirements have previously being approved. An additional carry forward of £0.045m is detailed in paragraph 25.
 - (b) **Children's Services** are projecting an operational overspend (excluding Covid 19 costs) of £0.183m after carry forwards, an increase of £0.149m on Q2. The mains changes since Q2 include the following:
 - (i) Adoption and Placements are projected to be overspent at year end by £0.288m, an increase of £0.222m from the Q2 report. This is mainly due to 3 new high-cost residential placements of £0.144m, increased numbers in the staying put scheme £0.042m and increased numbers of children receiving standard allowance foster payments, £0.187m. However, there has been a projected reduction in the Community Houses budget of £0.143m, due to recharges to another Local Authority for a child's attendance.
 - (ii) Assessment and Care Planning services overspend has increased from Q2 by £0.173m after carry forward requests to £0.351m, this is mainly due to delays in recruitment meaning that posts have had to be backfilled with more expensive agency staff of approximately £0.094m. There has also been an increase in Section 17 and other child support expenses of £0.079m.
 - (iii) Disabled Children is showing an underspend of £0.131m which is a reduction of £0.017m from the last report, this is due to a reduction in demand led services particularly day care of £0.067m, whilst staffing costs have increased by £0.050m.
 - (iv) First Response & Early Help is currently projecting an under spend of £0.399m, which is a further underspend of £0.248m from the previous report. This is due to staffing recruitment delays and running costs.
 - (v) Management and Other services have a projected overspend of £0.093m an increased cost of £0.048m from Q2. This increase has arisen from increased investigation costs for stage 2 complaints.
 - (c) The **Development & Commissioning** budget is projected to be underspent by £0.310m after carry forward requests. This is an increase of £0.132m on the position reported at Q2. This increased projected saving arises from a reduction in charges across several Housing Related Support services, due to lower demand for these services during the pandemic.
 - (d) Overall the Council's **Education** budget is projected to be overspent by £0.217m after carry forwards at the year end, which is a change of £0.002m from the Q2 report.

- (e) **Adult Social Care and Health** is projected to be overspend by £0.078m at the year end, an improvement of £0.377m on Q2. This is predominantly in the External purchase of care budget as follows:
- (i) 578 individuals have not used all their commissioned care as expected, generating a saving of £0.380m.
 - (ii) Additional income of £0.047m has been received from reclaims from 9 direct payment accounts,
 - (iii) A net increase of packages has given a budget pressure of £0.177m from 46 residential/nursing placements and 138 additional hours of domiciliary support.
 - (iv) Due to the changes to the packages of care, £0.137m additional income is projected.
14. The **Services Group** is projecting an underspend of £0.850m after taking into account the anticipated impact of CV19 and carry forward requests of £0.020m. This is an improvement of £0.121m from the position reported at Q2.
15. The projected underspend of £0.850m is broken down into pressures of £0.190m related to CV19 and an operational underspend of £1.040m.
16. The **Services Group** projected position for CV19 related pressures of £0.190m is detailed below:
- (a) Waste disposal costs continue to be impacted by CV19 and are expected to cost the council £0.303m. Of this additional cost £0.225m had been budgeted for as part of the MTFP which leaves an additional pressure £0.078m. It is anticipated this pressure will increase over the next few months given the current government advice to work from home where possible.
 - (b) The pressure on taxi licensing due to the reduced number of drivers registering with the authority at the start of the year has seen some improvement since Q2 and is now expected to be £0.037m.
 - (c) Losses in income for general licensing, libraries, and the bowling centre accounts for pressures of £0.025m.
 - (d) The consequences of Building Services & Highways operatives needing to self-isolate has also generated unrecoverable overheads and this equates to £0.050m.
17. The **Services Group** projected operational position is an underspend of £1.040m after carry forward. This is an improvement of £0.112m since Q2. The headline areas for the improvement are detailed below:

- (a) **Capital Projects, Transport & Highways Planning** the overall projected operational overspend of £0.339m (excluding CV19) which has changed by £0.103m from Q2. The main elements of this movement are broken down into:
- (i) Highways – there is a projected net pressure of £0.149m within highways which is an increase of £0.025m from Q2. The increase in the net pressure is mainly due to a reduction in previously reported savings in street lighting repairs.
 - (ii) Highways DLO -there is a projected pressure of £0.250m which is an increase of £0.103m from Q2. The increased pressure is due to slippage on several large capital schemes leading to a fall in turnover.
 - (iii) Car Parking R&M – non-domestic rates associated within the off-street car parks is £0.040m greater than budget but this is has been offset by £0.010m savings in repairs and supplies giving a net pressure of £0.030m.
 - (iv) Concessionary fares – the projected underspend has increased by £0.030m following a reduced need to use additional occupational health services.
 - (v) Sustainable transport – due to alternative funding being utilised for timetabling the service should see a saving of £0.015m as well as savings in past service pension costs of £0.010m.
- (b) **Community Services** is expected to have an operational underspend of £0.780m after excluding CV19 pressures of £0.098m. This is a reduction of £0.044m since Q2. 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 strong recovery of the Council's Leisure & Cultural facilities has continued, with patronage remaining high during the autumn. Leisure and Cultural facilities have not been as severely impacted by CV19 during 2021/22 compared to original 2021/22 budget projections. There remains uncertainty around the impact of the Omicron variant which could see a change in position over the last quarter of the year. The net losses have improved during Q3 by £0.496m. It is proposed that this additional income is moved into a ring-fenced 2025 Rail Heritage Fund reserve to be utilised for the refurbishment of the Loco No. 1 replica.
 - (ii) Savings in staffing due to vacancies in Street Scene has released an underspend of £0.033m.
 - (iii) Winter Maintenance is now projected to overspend by £0.102m based on analysis of previous year's salt usage and considering the cold start in April and May. This is £0.062m worse than what was reported at Q2.
 - (iv) Cemeteries is now expected to have an overspend of £0.016m due to lower than anticipated income levels.

- (c) **Community Safety** overall is expected to be operationally underspent by £0.423m (after carry forward) after excluding CV19 pressures of £0.042m. This is an improvement of £0.087m since Q2.
 - (i) Parking patronage is currently at average for the year at 86% of pre-Covid levels and for November was at 94% which is above the anticipated levels of 80%. As a result of this, the anticipated underspend has increased by £0.087m.
 - (d) **Building Services** overall is expected to be operationally underspent by £0.145m after excluding CV19 pressures of £0.039m. This is an improvement of £0.145m since Q2.
 - (i) Construction DLO is now expected to be better than budget by £0.100m, while turnover is down due to slippage on several work streams compared to target the release of historical provisions has offset the projected loss of profits.
 - (ii) Maintenance DLO has seen an increase in response repair works being ordered by Housing and as a result of this additional works is now expected to be £0.045m better than budget.
 - (e) **General Support Services** is anticipated to be £0.027m better than budget due to reduced pension costs.
18. The **Operations Group** is projecting a year end budget overspend of £0.406m, after carry forward requests of £0.425m. This is an improvement of £0.010m on the position reported at Q2.
19. The main changes to the previously reported position are as follows:
- (a) **Assistant Director Resources** is projecting an underspend of £0.284m after carry forward requests of £0.253m, which is an improvement of £0.114m on Q2.
 - (i) £0.193m, of funding was brought forward from 2020/21 into this year to facilitate the Agile Working project. Due to the onset of the Omicron variant and the Governments "Plan B" the agile working pilot has been put on hold and hence the funding will need to be rolled forward into 2022/23. £0.060m of resources to cover the ongoing pressures in Occupational Health is also to be carried forward to cover additional costs in the service brought about by increased demand arising during the pandemic.
 - (ii) Several services within the Resources area have been at the front of the Council's response to the ongoing pandemic with Human Resources and Health & Safety continuing to work on the Council's response. This work has been funded using the Department for Health's COMF grant and hence has resulted in savings within the Council's base budget for those service areas (£0.073m).
 - (iii) Additional savings have been made across a number of areas from staff turnover and savings within supplies and services budgets, £0.041m.

- (b) **Head of Strategy, Performance & Communications** is projecting an overspend of £0.074m after carry forward requests of £0.172m, this is an increase in of £0.105m on Q2.
 - (i) ICT software packages costs have increased the overspend in the Systems Team by a further £0.054m from Q2. This includes the cost of the Verint system and additional service pack days to deliver system enhancements and improvements. This increase has been offset by savings in staffing budgets as staff have been working on the Council's CV19 response and therefore have been charged to the Departments for Health COMF grant.
 - (ii) The Council has invested in a range of interventions to support local young people to give them great prospects of securing work. The estimated costs of £0.070m will be taken from the CV19 reserve.
 - (c) **Assistant Director Law & Governance** is projecting an overspend of £0.301m which is an increase of £0.043m on the position reported at Q2. This includes:
 - (i) An increased pressure in legal services of £0.139m, from additional specialist legal advice and counsel for additional children's care proceeding (£0.082m) and the continued use of specialist professional fees (£0.063m) for complex cases.
 - (ii) An underspend within Administration of £0.110m which is a further reduction of £0.060m from the Q2 report, this is due to lower postage costs of £0.040m and delays in recruitment and reduced supplies and services costs of £0.020m within Secretarial Support.
 - (iii) The Registrar's section is reporting an increased underspend of £0.024m of which £0.016m is due to the end of prudential borrowing and leasing costs. The remaining £0.008m reduction relates to lower usage of supplies and services.
 - (d) **Corporate Landlord** projected operational overspend has not changed since Q2 and is £0.427m which is due to a significant increase in electric and gas charges. Electricity is expected to increase by 20% whilst gas by 79%, compared to 20/21. There is some anticipated slippage on major revenue works which will likely be requested as carry forwards at the end of the year when the actual position is clear.
 - (e) **Housing general fund** is projecting an underspend of £0.128m. This is an improvement of £0.050m on the Q2 position, which is due to a delay in recruiting to staff vacancies and savings on supplies and services and court fees.
20. The **Chief Executive & Economy Group** is projecting an overspend of £0.084m after taking into account the anticipated impact of CV19. This is a variance of £0.068m from the position reported at Q2.

21. The **Chief Executive & Economy Group** projected position for CV19 related pressures is £0.060m, which has increased by £0.019m since Q2. This pressure is linked to the impact of CV19 on rental income from the estates portfolio.
22. Operationally the group is projected to be £0.024m overspent when the impact of CV19 is excluded. This is an increase of £0.049m since Q2.
23. Based on current expectations the following operational pressures and savings are projected within the group:
 - (a) **Property Management and Estates** is expected to have a net pressure of £0.097m, which is an increase of £0.057m from Q2. While we have seen savings arising from the removal of some properties from the rating system for non-domestic rates there is a potential additional cost of £0.100m for back dated service charges. The Estates Team is working to resolve this potential cost and it is hoped that these additional charges can be avoided.
 - (b) Underspends arising from vacant posts and supplies within the **Economy Group** is delivering savings of £0.015m which are helping to reduce the overall net pressure.
24. The School balances and allocations are shown in **Appendix 2(f)**.

Carry Forward Requests

25. People Group are requesting approval to carry forward the following:
 - (a) An additional £0.045m from Performance & Transformation to fund a Project Officer post within the Business Team. This post will be temporary and will be used to strengthen quality assurance processes whilst a review of the service is undertaken. This post will link into the Strengthening Families project.
 - (b) £0.006m to fund increased capacity and extend a temporary contract to the end of the academic year within Education Early Years.
 - (c) £0.446m – To cover the implementation costs of the new Education Case Management System. The detail of the request to procure a new software support and maintenance contract is covered under another item on this agenda. Savings across the People Services Group have been identified for carry forward to facilitate the procurement and implementation of this system.
26. Services Group are requesting approval to carry forward the following:
 - (a) £0.020m to support the fixed term Business Support Analyst in the Private Sector Housing team. This is due to slippage on recruitment.
27. Operations Group are requesting approval to carry forward the following:
 - (a) £0.042m to continue a Business Analyst post within Communications and Engagement that is currently funded through CV19 grant. The impact of CV19 has continued to

impact, particularly with the emergence of the new Omicron variant. This post will enable existing work to continue in 2022/23 once CV19 funding has stopped.

Council Wide and Corporately Managed Resources

28. The Council Wide and Corporately Managed Resources budgets are projected to be £0.729m underspent at year end, increase of £0.159m on the Q2 report.
29. The 2021/22 MTFP assumed a pay award offer of 2%, however, the current national employers pay award offer is 1.75%, this has resulted in a potential saving of £0.132m. This saving is subject to change, should the national employers revise their offer to employees.

Housing Revenue Account

30. HRA projections are shown in **Appendix 3** with an overall projected balanced budget. There has been a movement of £0.239m from the Q2 projection which is primarily due an increase in repairs and maintenance. During the pandemic there was a hold on planned maintenance works, whilst they are now up and running the delays have impacted on day to day repairs with increased numbers seen. Furthermore there has also been a UK wide increase in material prices which is feeding through and putting pressure on the budget. Conversely a saving has been achieved in management costs due to staff vacancies and savings on supplies and services which is reducing the impact.

Conclusion

31. The Council's projected revenue reserves at the end of 2021/22 are £29.773m, a £4.847m improvement on the initial 2021-25 MTFP position. This improvement in reserves includes a brought forward amount of £2.317m from 2020/21, £0.196m of projected departmental overspends, the rebasing exercise of £0.993m, a £0.729m increase in corporate resources and net £1.004m required from the Covid 19 reserve (a total drawn down from the reserve of £1.474m to fund the departmental covid costs and £0.470m to refund the shortfall in government grant for Sales, Fees and Charges in corporate resources).
32. Of the £29.773m 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 £8.585m of unallocated reserves.

Outcome of Consultation

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