

CABINET
5 JULY 2022

REVENUE BUDGET MONITORING 2022/23 – QUARTER 1

**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 2022/23 revenue budget outturn as part of the Council's continuous financial management process.

Summary

2. This is the first revenue budget management report to Cabinet for 2022/23. The latest projections show an overall improvement of £0.206m on the 2022-26 Medium Term Financial Plan (MTFP). This is due to £0.216m of additional balances following the 2021/22 outturn, £0.513m of projected departmental overspends in 2022/23 and a £0.503m increase in corporate resources.

Recommendation

3. It is recommended that:-
 - (a) The forecast revenue outturn for 2022/23 be noted.
 - (b) Further regular reports be made to monitor progress and take prompt action if necessary.

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 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 first revenue budget management report to Cabinet for 2022/23 and provides an early forecast of the 2022/23 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 first 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 April 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 as at the 31 March 2023 is £24.219m, which is an improvement of £0.206m on the planned balances in the 2022-26 MTFP. This improvement relates to £0.216m additional underspend in the Council's 2021/22 financial results, £0.513m projected departmental overspends in the 2022/23 financial year and a £0.503m improvement in corporate resources.
9. The 2022/23 MTFP assumed a pay award of 3%, however at the time of writing no agreement has been made regarding this year's pay award. Due to the increase in the cost of living there is likely to be a pressure on the pay increase included within the budget, therefore any agreed pay award over 3% will add a pressure to the budget, which is not included within this report.
10. Carry forward requests have been made within the 2021/22 revenue budget outturn to assist with pressures arising from utility costs in 2022/23, it is assumed that these have been approved within the projected quarter 1 outturn, included within this report.

Departmental Resources

11. Departmental resource projections are summarised in **Appendix 2** and detailed in **Appendices 2(a) to 2(e)**. 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.
12. The **People Group** budget is projected to be overspent by £0.381m at the end of the financial year. The main changes to the MTFP position are detailed below:
 - (a) **Children's Services** are projecting an overspend of £0.706m at year end from within Adoption and Placements Budgets. This is mainly due to one complex high needs case (£0.461m) and the ongoing increase in Special Guardianship Orders from 2021/22 (£0.245m). There are four additional residential placements, which could increase the pressure further if these remain in place throughout the year, however these placements are offset by expected savings within fostering budgets based upon the 2021/22 outturn.

- (b) The **Education** budget is projected to be on budget overall. The School Transport budget is projected to be overspend at the yearend by £0.060m due to increased contract hire costs in relation to fuel and staffing. This is offset by departmental costs budgets which are projected to be underspent at the year-end by £0.060m from reduced pension costs based on the 2021/22 outturn position.
- (c) **Adult Social Care and Health** is projected to be underspent by £0.325m at the year end. This is predominantly from estimated savings in the External Purchase of Care budget, which are a continuation of 2021/22 resulting from changes in assessed care needs. In previous years this underspend would have been clawed back into reserves, however given the position in children's services budgets, this has not been undertaken as the saving assists in reducing the overall pressure across the People Group.

13. The **Services Group** is projecting an underspend of £0.003m. The headline areas are detailed below:

(a) **Capital Projects, Transport & Highways Planning** the overall projected overspend is £0.020m. The main elements of this movement are broken down into:

- (i) Highways DLO – there is a projected shortfall in the surplus for the DLO, due to lower than expected turnover, following slippage on a number of major schemes of £0.080m.
- (ii) Concessionary fares – the projected underspend of £0.200m follows a review of the concessionary scheme by TVCA which reflects the taper-down arrangements proposed by the DfT.
- (iii) Building Design Services expects fee levels to be £0.140m lower than budget on some major capital schemes.

(b) **Community Services** is expected to be underspent by £0.028m as detailed below:

- (i) Street Scene is expected to be overspent by £0.070m due to the rising cost of fuel. Last year saw fuel rise by over 42% from the prices paid in April 2021 and this trend is expected to continue into 2022/23. The cumulative increase in fuel was 15% and it is anticipated that prices will increase by a minimum of 10% during 2022/23.
- (ii) The Waste Disposal position is overall expected to be better than budget by £0.098m which is made up of a projected inflationary pressure of £0.070m being offset by an improved position of £0.168m linked to lower household waste tonnages that were anticipated to be higher due to the continued impact of CV19 and the subsequent increase in homeworking.

14. The **Operations Group** is projecting a year end budget overspend of £0.135m. The main changes to the MTFP position are detailed below:

(a) **Assistant Director Law & Governance** is projecting an overspend of £0.135m. This includes:

- (i) Increased costs of the Coroners Service of £0.035m, based upon the 2021/22 outturn.
- (ii) Legal costs of £0.100m, based on recurring pressures seen in the 2021/22 outturn report regarding specialist legal advice and counsel for children's care proceedings and specialist professional fees.

15. The **Chief Executive & Economy Group** is on target and not projecting any over/underspend.
16. The School balances and allocations are shown in **Appendix 2(f)**.

Council Wide and Corporately Managed Resources

17. The Council Wide and Corporately Managed Resources budgets are projected to be £0.503m underspent at year end, which is due the Government extending the Strengthening Families grant again in 2022/23. As we had budgeted for the loss of this grant, the funding received will be transferred into reserves.

Housing Revenue Account

18. HRA projections are shown in **Appendix 3** with an overall projected balanced budget. Void work is higher than the budget figure at this time, and there have been more right to buys than anticipated in the budget, resulting in £0.222m pressure in rental income. Garage income has reduced due to programmed work to reduce the number of garages, which was not included within the budget. These reduced incomes are offset by increased income in the main from furnished tenancies, where the number of tenancies has continued to be higher than projected.

Conclusion

19. The Council's projected revenue reserves at the end of 2022/23 are £24.219m, a £0.206m improvement on the initial 2022-26 MTFP position. This reduction in reserves includes a brought forward amount of £0.216m from 2021/22, £0.513m of projected departmental overspends and a £0.503m increase in corporate resources.
20. Of the £24.219 projected reserves, we have a commitment to use £22.490m to support years 2 – 4 of the current MTFP, which leaves £1.729m of unallocated reserves.

Outcome of Consultation

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