

**CABINET
8 NOVEMBER 2022**

REVENUE BUDGET MONITORING 2022/23 – 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 2022/23 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 2022/23. The latest projections show an overall decline of £1.351m on the 2022-26 Medium Term Financial Plan (MTFP). This is due to £0.384m of additional balances following the 2021/22 outturn, £0.539m of projected departmental overspends in 2022/23 and a £1.196m decline 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 second revenue budget management report to Cabinet for 2022/23 and provides a mid-year 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 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. Overall, the projected General Fund reserves position as at the 31 March 2023 is £22.662m, which is a decline of £1.351m on the planned balances in the 2022-26 MTFP. This decline relates to £0.384m additional underspend in the Council's 2021/22 financial results, £0.539m projected departmental overspends in the 2022/23 financial year and a £1.196m decline in corporate resources.
9. The 2022/23 MTFP assumed a pay award of 3%, however due to the increase in the cost of living, the current proposed pay award is for an increase of £1,925 for all pay scales, which equates to an average increase of 6.5% for employees. Although at the time of writing this pay award has not been formally agreed, it has been assumed that this pay award will be approved and therefore creates a pressure to the budget of £2.079m. This pressure has been included within the Council Wide budget pending agreement and payment through the departmental budgets.

Departmental Resources

10. Departmental resource projections are summarised in **Appendix 2** and detailed in **Appendices 2(a) to 2(e)**. Due to the nature of the services, there are difficulties in predicting the final year end positions at this stage of the year, therefore management projections indicate budgets to be online, except for those stated in the following paragraphs.
11. The **People Group** budget is projected to be overspent by £1.054m after previously approved carry forwards, which is an increase of £0.673m on the position reported at Quarter 1. The main changes to the budget position since Quarter 1 are detailed below:
 - (a) **Children's Services** are projecting an overspend of £1.558m at year end, which is a decline in the position reported at Quarter 1 of £0.852m. This increase in expenditure is mainly from the Adoption and Placements budget, that is projected to be overspent by £1.712m at the year end, a movement of £1.006m from Quarter 1. Children's Residential placements costs have increased due to 5 additional complexed residential placements, (4 of which were noted as a potential pressure at Quarter 1)

equating to £1.016m. There are additional costs of accommodating children within our own homes (£0.175m) and Independent Fostering Agencies (£0.159m), however these pressures have been offset by savings in Fostering and other placements budgets (£0.344m).

- (b) The **Education** budget is projected to be underspent by £0.123m at the year end, this is mainly due to savings in pension costs (£0.128m) and an expected reduced clawback regarding the former Haughton Children's Centre (£0.265m). However, there continues to be increased pressures within the school transport provision from increased routes and route costs (£0.274m).
- (c) **Adult Social Care and Health** is projected to be underspent by £0.316m at the year end, which is a movement of £0.009m on the position reported at Quarter 1. The main elements of this movement are broken down into:
 - (i) There is a projected saving of £0.179m from the External Purchase of Care budget areas, a reduction in saving from that reported at Quarter 1 of £0.175m. This comprises savings of £0.231m due to movements in care activity and a number of changes to packages, including attrition which has given a saving of £0.029m. An additional £0.112m of recovery from closed/ended Direct Payment packages and an additional £0.293m of income from health towards packages. There has been a pressure of £0.790m for children transitioning into the adult social care and a movement of £0.050m for the provision of independent complaints.
 - (ii) An exercise has been undertaken to identify savings in the adult social care budget, with supplies and services and premises budgets anticipating a saving of £0.074m. There are staff vacancies within this budget area and maternity savings which is projecting an underspend of £0.103m.

12. The **Services Group** is projecting an underspend of £0.533m, an improvement of £0.530m from the reported position at Quarter 1. The headline areas are detailed below:

- (a) **Capital Projects, Transport & Highways Planning** the overall projected underspend is £0.130m, this is an improvement of £0.150m from Quarter 1. The main elements of this movement are broken down into:
 - (i) Highways – Inflationary pressures of £0.178m are now projected for the service. There is a projected pressure of £0.065m within street lighting due to the anticipated increase in electricity prices for 2022/23 and £0.100m inflationary pressure on responsive repairs due to material and labour costs inflation.
 - (ii) Concessionary fares – following the ENCTS settlement for 2022/23 the saving in concessionary fares has risen by a further £0.405m. This figure includes over £0.180m relating to 2021/22. Work continues within the service to identify future travel needs.
- (b) **Community Services** is expected to be underspent by £0.203m an improvement on Quarter 1 of £0.175m as detailed below:

- (i) Cemeteries is expected to be overspent by £0.036m which is in part due to a small fall in burials in the first half of the year.
 - (ii) Dolphin Centre and Eastbourne Complex– while income continues to recover there are still challenges for leisure services post covid. Staff recruitment can be a challenge but any impact on delivery is being mitigated. Due to staff and supplies savings, the services are expected to underspend by £0.132m.
 - (iii) As work progresses at the Railway Heritage Quarter ahead of the bicentenary celebrations, the Head of Steam has incurred forward planning costs associated with bringing the rich heritage of the site to the fore. A pressure of £0.032m is projected.
 - (iv) Increased fuel costs had originally been expected to impact negatively on the Street Scene service, however, current projections have not seen fuel prices rise as severely as expected. Overall the service is now expected to slightly underspend by £0.037m from staff savings. This is an improvement of £0.107m on the position reported at Q1.
- (c) **Community Safety** is expected to be underspent by £0.200m, an improvement of £0.205m from Quarter 1. Car Parking and Enforcement overall is expected to underspend by £0.230m which is mainly due to better than budgeted income with patronage levels close to pre covid levels.
13. The **Operations Group** is projecting a year end budget overspend of £0.078m, after previously approved carry forwards. This is an improvement of £0.057m on the position reported at Quarter 1. The main changes to the MTFP position are detailed below:
- (a) **Assistant Director Resources** is projected an underspend of £0.170m after previously approved carry forwards. This is mainly due to lower than estimated premium costs for insurance following the completion of the tender, staffing and running cost savings, as well as additional income from staff advertising.
 - (b) **Head of Strategy Performance & Communications** is projected an overspend of £0.086m after previously approved carry forwards. This new pressure has arisen from increased system costs, resulting from additional systems to enhance the Council's digital offer and inflationary costs.
 - (c) **Assistant Director Law & Governance** is projecting an overspend of £0.170m, which is a movement of £0.035m from the Quarter 1 report. The main movements are an increase in Children's legal costs due to demand of £0.061m and an increase in complaints and archiving costs of £0.015m. These have been partly offset by savings in postage costs of £0.040m.
 - (d) **Assistant Director Xentrall Services** is projecting an overspend of £0.050m due to increased mobile data costs. These costs were funded through Covid funding in previous years.

(e) **Corporate Landlord** is projected to underspend by £0.090m as the projected rise in utility charges is not as great as previously calculated at the start of the year. The latest figures based on NEPO estimates show the position has improved by £0.140m, however, inflationary rises impacting on responsive repairs has seen this figure reduced by £0.050m

14. The **Chief Executive & Economy Group** is expected to underspend by £0.060m for 2022/23 which is mainly due to savings arising from several vacant posts spread across the group and projected underspends within supplies.

15. The School balances and allocations are shown in **Appendix 2(f)**.

Council Wide and Corporately Managed Resources

16. The Council Wide budgets are projected to be £1.426m overspent at year end, which is a decrease of £1.929m on the position reported at Quarter 1. This is mainly due to the proposed pay award being £2.079m higher than the budgeted amount in the current MTFP (paragraph 9). This has been offset in part by an estimated saving of £0.150m following the recent decision to remove the increase in National Insurance which was budgeted from April 2022.

17. Corporately Managed budgets have improved by £0.230m on the position reported at Quarter 1. This improvement results mainly from the release of additional income received by the Council over that included within the current MTFP, for services delivered through existing expenditure budgets.

Housing Revenue Account

18. HRA projections are shown in **Appendix 3** with an overall projected balanced budget.

(a) The rental income budget is projected to be short by £0.167m which is an improvement of £0.055m on the position reported at Quarter 1. This improvement has resulted from changes to voids and new properties being let ahead of previous projections.

(b) The operational (management) budget is projected to be overspent by £0.336m at the end of the financial year. This budget projection reflects the rising utilities costs of circa £0.133m, a pressure identified of £0.050m for the cost of council tax/rent for voids. Updated IT software has led to a variance of circa £0.114m and changes in the Lifeline staffing areas has increased by £0.047m.

(c) Repairs and maintenance projected spend has increased by £0.803m this is mainly due to the increased inflationary pressures on cost of goods and services, with small increases due to cyclical maintenance costs for new build properties.

(d) The Revenue Contribution to Capital Outlay (RCCO) projected spend includes capital expenditure that was approved as part of previous years capital programmes, which has slipped into the current year.

- (e) The bad debt provision has been reduced by £0.100m to reflect the reduction in outstanding debt.
- (f) The capital financing budget has been amended to reflect the amount of borrowing required in this financial year following updates to the Housing capital programme projections.

Conclusion

- 19. The Council's projected revenue reserves at the end of 2022/23 are £22.662m, a £1.351m decline on the initial 2022-26 MTFP position. This reduction in reserves includes a brought forward amount of £0.384m from 2021/22, £0.539m of projected departmental overspends, and a £1.196m decrease in corporate resources.
- 20. Of the £22.662m projected reserves, we have a commitment to use £22.490m to support years 2 – 4 of the current MTFP, which leaves a £0.172m in unallocated reserves.

Outcome of Consultation

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