

EXECUTIVE BOARD DECISION



REPORT OF: Executive Member for Finance and Governance

LEAD OFFICER: Director of Finance

DATE: 8th September 2022

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

KEY DECISION: Y

TITLE OF REPORT: Corporate Revenue Budget Monitoring 2022/23 – Quarter 1

1. EXECUTIVE SUMMARY

1.1 The purpose of this report is to provide the Executive Board with an update on the Council's Revenue Budget for 2022/23 on the basis of a budget monitoring exercise undertaken at the end of June 2022.

2. RECOMMENDATIONS

2.1 It is recommended that Executive Board:-

- a) give approval to the Portfolio Cash Limit Adjustments as outlined in Appendix 1;
- b) note the General Fund Budget Summary position as at 30th June 2022;
- c) in view of the forecast overspend of £8.154m, the Executive Board request Portfolio Holders to review their budgets for the remainder of 2022/23 with a view to addressing the issues identified and limiting the amount of monies that would be required to be taken from reserves at financial year end.
- d) note the Earmarked Reserves and General Fund Balance position as at 30th June 2022.

3. BACKGROUND

3.1 In accordance with the Council's Financial Procedure Rules, all Portfolios are required to examine their revenue budget position on a monthly basis. Quarterly reports are submitted to the Executive Board for review and action as necessary along with a final report, detailing the financial outturn for the year.

4. RATIONALE

- 4.1 The development of the budget is a key element of the Council's financial governance processes. The requirement for the Council to monitor its budget during the year is set out in s28 of the Local Government Act 2003 with s28(3) requiring the Council to take action, as it considers necessary, if there has been a deterioration in its financial position.

5. KEY ISSUES

Portfolio Cash Limits - Adjustments

- 5.1 At the meeting of Council on 28th February 2022, the Council agreed the General Fund Revenue Budget for 2022/23.
- 5.2 As Councillors will be aware, the budget is subject to changes for a range of reasons as the financial year progresses. **Appendix 1** provides a detailed analysis of those budget adjustments that have occurred during the period to 30th June 2022. The impact of these adjustments on the Council's Budget for 2022/23 is summarised in Table 1 below:-

Table 1: Working Budget 2022/23 (as at 30th June 2022)

	Original Budget 2022/23 £000	Adjustments*1 £000	Working Budget at 30 th June 2022 £000
Portfolio Budgets	129,997	7,206	137,203
Other Corporate Income and Expenditure	(6,143)	(2,423)	(8,566)
Net Revenue Expenditure	123,854	4,783	128,637
Less Core Funding	(49,618)	-	(49,618)
Less Council Tax	(61,090)	-	(61,090)
Shortfall before Reserves	13,146	4,783	17,929
Change in Specific Reserves	(13,146)	(4,783)	(17,929)
Change in GF Balance	-	-	-
Funding 'Gap'	-	-	-

*1 – See Appendix 1

- 5.3 The Executive Board is asked to approve these budget adjustments (where they haven't already been approved in accordance with Financial Procedure Rules).

Performance against Controllable Budgets

- 5.4 Table 2 below provides a summary of the forecast outturn position on the Council's General Fund Revenue Budget for 2022/23 compared to the Working Budget referred to in Table 1 above. As the table indicates, on the basis of the Quarter 1 budget monitoring position there is a forecast overspend of £8.154m. A more detailed analysis is provided at **Appendix 2:-**

Table 2: Forecast Performance against Controllable Budgets

	Working Budget at 30 th June 2022 £000	Forecast Outturn £000	Variation £000
Portfolio Budgets	137,203	142,857	5,654
Other Corporate I & E	(8,566)	(6,066)	2,500
Net Revenue Expenditure	128,637	136,791	8,154
Less Core Funding	(49,618)	(49,618)	-
Less Council Tax	(61,090)	(61,090)	-
Shortfall before Reserves	17,929	26,083	8,154
Change in Specific Reserves	(17,929)	(17,929)	-
Change in GF Balance	-	-	-
Funding 'Gap'	-	8,154	8,154

*1 – See Appendix 2

- 5.5 Councillors should note that this is a forecast outturn position for the year based on the Quarter 1 monitoring position. Further budget monitoring exercises will be undertaken during the year and these will be reported to the Executive accordingly.

Portfolio Budgets

- 5.6 As indicated in Table 2 above, the forecast outturn position on the Portfolio Budgets is an overspend of £5.654m. An analysis of this position by Portfolio is shown in the Table 3 below:-

Table 3: Portfolio Forecast Performance against Controllable Budgets

	Working Budget at 30 th June 2022 £000	Forecast Outturn £000	Variation £000
Adults Social Care and Health	61,116	61,321	205
Children, Young People and Education	35,323	38,376	3,052
Public Health, Prevention and Wellbeing	3,418	3,992	575
Environment and Operations	13,840	14,020	180
Growth and Development	7,122	8,609	1,487
Finance and Governance	10,816	10,971	155
Digital and Customer Services	6,509	6,509	-
Schools and Education (DSG)	(941)	(941)	-
Portfolio Budgets	137,203	142,857	5,654

*1 – As per Portfolio Budgets in Table 1

- 5.7 The narrative below provides more details of these forecast variances.

Adult Social Care and Health

- 5.8 The forecast outturn position for Adult Social Care and Health is an overspend of £205k. This is summarised in the table below

Table 4: Adult Social Care and Health – Forecast Outturn 2022/23

	Working Budget at 30 th June 2022 £000	Forecast Outturn £000	Variation £000
Independent Sector Other	510	636	126
Independent Sector	47,031	46,861	(170)
ASC and Social Work	2,498	2,884	387
Day Services	866	838	(29)
In House Residential	10	2	(9)
Independent Living	1,921	1,830	(91)
Integrated Commissioning	2,437	2,447	10
Mental Health	1,505	1,428	(77)
Safeguarding	814	908	95
Shared Lives	630	572	(57)
Strat Gov & Bus Support	528	481	(47)
Supporting People	1,069	1,147	78
Transport	313	245	(67)
Prevention, Neighbourhoods & Learning	549	597	48
Social Integration	332	339	7
Community Assets	105	107	2
Adult Social Care and Health	61,116	61,321	205

5.9 The key variances to note include:-

- on the basis of current levels of demand and information presently available, net spend for the portfolio for 2022/23 is predicted to be an overspend of £205k. However the portfolio is expecting to be able to manage these pressures through the year and reach a breakeven position at year end;
- included within the net portfolio position are increased demand pressures of around £2.807m on external commissioning budgets partly due to the uplift of care provider fees from April 2022. However these have been mitigated by an expected transfer of £2.979m from contingencies to fund the provider fee increases as reflected in the current Medium Term Financial Plan. The forecast also includes an estimated increase for winter demand pressures, including the potential to enhance commissions to meet demand and workforce pressures over the festive season and for transitions from Children’s Services. This will be subject to review and confirmation as the year progresses;
- the financial envelope for Albion Mill and future model for operating the Intermediate Care Unit is currently being reviewed. Although, an assessment of the financial position for this budget is ongoing, it is proposed at this point that a budget transfer of £400k for leasing costs takes place from the external commissioning budgets area to mitigate some of the potential pressures for Albion Mill within the Better Care Fund pool with Health. Once the review is completed, SPT would be informed as to the best options to manage the financial position;

- the increased demand pressures in Extra Care and Domiciliary Care as well as the cost of individual care packages due to acuity of needs should be noted as it is likely these pressures will impact on the 2022/23 budget as one off income streams received in the last financial year may no longer be available;
- Social Care government reforms, new responsibilities under the Care Act, and the review of Fair Cost of Care including Market Sustainability will result in increased costs for the Authority. These potential pressures are difficult to determine or quantify at this stage and further updates will be reported in due course;
- pressures within Neighbourhoods and Prevention Services are expected to be managed through the year to achieve a break even position at financial year end.

Children, Young People and Education

5.10 The forecast outturn position for Children, Young People and Education is an overspend of £3.052m. This is summarised in the table below:-

Table 5: Children, Young People and Education – Forecast Outturn 2022/23

	Working Budget at 30 th June 2022 £000	Forecast Outturn £000	Variation £000
Strategic Social Work	6,394	6,042	(353)
Permanence	18,541	21,451	2,910
Adolescent Services	3,815	3,571	(244)
Strategy, Policy and Performance	374	482	108
Education	3,148	3,268	120
Early Years	837	978	141
Directorate	2,214	2,584	370
Children, Young People and Education	35,323	38,376	3,052

5.11 The key variances to note include:-

- significant pressures on the commissioned placement budget which is currently forecasting an overspend of £2.555m. This is largely due to an increase in the number of Looked After Children. The other significant forecast overspends relate to the Fostering Service, Strategy, Education Transport and unachievable savings targets;
- these pressures are currently being offset to some degree by underspends elsewhere, the largest being Assessment and Safeguarding, Leaving Care and Pupil Support team;
- the projected position includes an estimated £258k of income from Blackburn with Darwen CCG in relation to the joint funding of externally commissioned placements. This figure covers agreed cases for the period from April to June. From July onwards the joint commissioning panel will operate using a different model and all currently approved cases will need to be taken back to the Joint Panel for a funding review. In view of this, no income is assumed beyond 30th June;

- the budget increase associated with the post Ofsted inspection improvement plan has now been allocated against the relevant budgets. For certain elements of the plan the assumption is that they will be spent in full, however this is not the case for those elements associated with the Leaving Care service, and this explains the underspend currently reported. As newly created posts are filled and the uptake of the revised offer is known, we would expect to see this underspend reduce considerably.

Public Health, Prevention and Wellbeing

5.12 The forecast outturn position for Public Health, Prevention and Wellbeing is an overspend of £575k. This is summarised in the table below:-

Table 6: Public Health, Prevention and Wellbeing – Forecast Outturn 2022/23

	Working Budget at 30 th June 2022 £000	Forecast Outturn £000	Variation £000
Leisure Services	518	1,219	700
Parks and Open Spaces	32	26	(6)
Healthy Lifestyle	200	2	(198)
Public Health	1,172	1,196	23
Community Asset Management (incl CCTV)	714	753	39
Housing Needs	430	443	13
Directorate	351	354	3
Public Health, Prevention and Wellbeing	3,418	3,992	575

5.13 The key variances to note include:-

- an anticipated overspend on the provision of leisure services which, in the last two years, have been significantly impacted by Covid-19 restrictions and closures. Income generation has seen unprecedented losses and these were partially mitigated by the allocation of Covid grants in 2021/22 which is no longer available.
- the impact of Covid has continued into this financial year; however, the cost of living crisis is also starting to impact on disposable incomes leading to pressure on memberships/attendances at Leisure Centres. The extent to which this will continue to impact will depend largely on the Government's continuing response to the crisis. Meetings are taking place with budget holders to gain an understanding of their budget assumptions and expected performance for the remainder of the year. As the year progresses, the forecasts will be refined and updated taking the latest developments and requirements into consideration;
- Public Health budgets are forecasting a break even position for the year.

Environment and Operations

5.14 The forecast outturn position for Environment and Operations is an overspend of £180k. This is summarised in the table below:-

Table 7: Environment and Operations – Forecast Outturn 2022/23

	Working Budget at 30 th June 2022 £000	Forecast Outturn £000	Variation £000
Corporate Property	2,690	2,525	(165)
Markets	950	848	(102)
Business/Enterprise Centres	(110)	(62)	48
Housing Services	84	142	58
Management Overhead	1,447	1,352	(95)
Grounds Maintenance	318	383	65
Neighbourhood Health	265	195	(70)
Transport	(399)	(420)	(21)
Cleansing Services	3,247	3,031	(215)
Parking Services	(1,054)	(599)	455
Waste Disposal	6,297	6,271	(25)
Public Protection Service	128	227	99
Witton Park Cafe	(167)	(19)	148
s106 Agreements (Expenditure)	145	145	-
Environment and Operations	13,840	14,020	180

5.15 The key variances to note include:-

- the continuing impact of the pandemic and the emerging effects of the cost of living crisis which are manifested in reduced commercial income from services such as the Witton Park Cafe, Markets and Car Parks, particularly as footfall continues to be below pre-pandemic levels;
- at this stage it is anticipated that these income shortfalls will be offset in part by savings on Property budgets and waste disposal income from recycling.
- and, although offset by other variances, Councillors should note that the cost of fuel is expected to be higher than budgeted given the sharp increase in the price of fuel during the year.

Growth and Development

5.16 The forecast outturn position for Growth and Development is an overspend of £1.487m. This is summarised in the table below:-

Table 8: Growth and Development – Forecast Outturn 2022/23

	Working Budget at 30 th June 2022 £000	Forecast Outturn £000	Variation £000
Commercial Investment/Tenanted Estate	(2,411)	(1,863)	548
Highways Maintenance	3,173	3,293	120
Strategic Transport/Co-ordination	2,315	2,549	234
Directorate/Growth Team	3,037	3,359	322
Building Control	118	118	-
Development Control/Planning	(427)	(450)	(24)
Town Centre Regeneration	80	171	91
RPL Office Accommodation	132	132	-
Parks and Open Spaces	(67)	(75)	(7)
Halls and Entertainment	340	492	152
Library Services	1,257	1,262	5
Museum Services	329	374	45
Arts Services	30	30	-
s106 Agreements (Income)	(783)	(783)	-
Growth and Development	7,122	8,609	1,487

5.17 The key variances to note include:-

- as per the Environment and Operations Portfolio, the impact of the Covid-19 pandemic and the cost of living crisis continue to have a significant impact on the Council's income streams. Indeed, income has still to return to pre-pandemic levels. Services impacted include the Mall, the Mall Car Park and cultural services including King Georges Hall
- the Growth management restructure has led to additional costs causing a further pressure which if not addressed will need to be funded from reserves in the first instance.

Finance and Governance

5.18 The forecast outturn position for Finance and Governance is an overspend of £155k. This is summarised in the table below:-

Table 9: Finance and Governance – Forecast Outturn 2022/23

	Working Budget at 30 th June 2022 £000	Forecast Outturn £000	Variation £000
Financial Support Services	3,843	3,843	-
Democratic Services	1,250	1,360	110
Legal Support Services	1,874	1,874	-
Chief Executive, Policy and Support	799	799	-
Human Resources and Training	1,970	2,015	45
Other Non Distributable Costs	1,079	1,079	-
Finance and Governance	10,816	10,971	155

- 5.19 The key variance to note is a forecast overspend of £110k on Conduction Elections. This has arisen from the election cycle in 2022/23 where it was assumed the Council would receive grant income for the conduct of elections. However, no grant is receivable for the year.

Digital and Customer Services

- 5.20 The forecast outturn position for Digital and Customer Services is breakeven. This is summarised in the table below:-

Table 10: Digital and Customer Services – Forecast Outturn 2022/23

	Working Budget at 30 th June 2022 £000	Forecast Outturn £000	Variation £000
Coroners Services	260	260	-
IT Management and Governance	6,249	6,249	-
Digital and Customer Services	6,509	6,509	-

- 5.21 There are no variances to note at this time.

Schools and Education (DSG)

- 5.22 The forecast outturn for the Schools and Education (DSG) portfolio is breakeven. Services in Schools and Education (DSG) are currently forecast to spend the funding available in 2022/23 through the DSG and Pupil Premium. Schools and Education funding from DSG is monitored by the Schools Forum and reports are considered on a regular basis.

Other Corporate Income and Expenditure Budgets

- 5.23 The forecast outturn position for Other Corporate Income and Expenditure Budgets is an overspend of £2.5m. This is summarised in the table below

Table 11: Other Corporate Income and Expenditure Budgets – Forecast Outturn 2022/23

	Working Budget at 30 th June 2022 £000	Forecast Outturn £000	Variation £000
RCCO	7,813	7,813	-
School Contribution to Capital	(333)	(333)	-
Contingencies	4,561	7,061	2,500
Debt Charges	18,987	18,987	-
Other Non-Ringfenced Grants	(39,786)	(39,786)	-
Town and Parish Council Precepts	192	192	-
Other Corporate Income and Expenditure	(8,566)	(6,066)	2,500

5.24 The key variance to note at this time is an additional estimated cost of £3.5m for the national pay offer made to the Local Government workforce. On average, the pay offer is equivalent of a pay increase of c7 whereas the budgeted provision for the pay award is 2.0%. The Council does have a contingency of £1m for unforeseen costs which, when applied to the pay offer, leaves an estimated residual cost of £2.5m. It should be noted that the outcome of the pay negotiations is unlikely to be known until October 2023 at the earliest.

Savings Agreed for 2022/23 – Progress on Implementation

5.25 As part of the approved budget for 2022/23, the Council agreed a range of savings proposals. Delivery of the savings is fundamental to a sustainable budget. The table below highlights the forecast outturn position with the implementation of the savings agreed (the forecast impact of savings not being achieved is picked up in the variations reported in each of the Portfolios referred to above).

Table 12: Achievement of Savings Agreed for 2022/23

	Working Budget at 30th June 2022 £000	Forecast Outturn £000	Variation £000
Adult Social Care and Health	0.750	0.750	-
Children, Young People and Education	0.320	0.054	(0.266)
Environment and Operations	0.205	0.205	-
Digital and Customer Services	0.100	0.100	-
Finance and Governance	0.690	0.690	-
Total Savings	2.065	1.799	(0.266)

5.26 The monitoring of the implementation of savings will continue to be a feature of subsequent quarterly monitoring reports.

Reserves and Balances

5.27 At the start of the financial year, the Council has Reserves and Balances totalling of £76.901m. This includes a General Reserve of £7.718m (which includes the Minimum Working Balance of £6.000m)

5.28 In approving the Budget for 2022/23, the Council agreed to use £13.146m from Reserves in support of the budget. Taking into account the various adjustments referred to elsewhere in this report, the estimate of Balances and Reserves as at 30th June 2022 is £58.972m, a reduction of £17.929m. A detailed analysis of these changes is provided at **Appendix 3**.

5.29 Given the forecast outturn position set out in this report, and in the absence of actions to mitigate the overspend reported, the Council would need to draw an additional £8.154m from its Reserves and Balances to achieve a balanced budget. The extent to which this will be necessary will be subject to regular review as part of the regular budget monitoring reports presented to the Executive Board.

6. POLICY IMPLICATIONS

6.1 There are no policy implications arising directly from this report.

7. FINANCIAL IMPLICATIONS

7.1 The financial implications are as given in the report.

8. LEGAL IMPLICATIONS

8.1 There are no legal implications arising directly from the contents of this report.

9. RESOURCE IMPLICATIONS

9.1 There are no other resources implications arising from the contents of this report.

10. EQUALITY AND HEALTH IMPLICATIONS

10.1 There are no equality and health implications arising from the contents of this report.

11. CONSULTATIONS

11.1 None arising from the contents of this report.

12. STATEMENT OF COMPLIANCE

12.1 None arising from the contents of this report.

Appendices

Appendix 1 – Portfolio Cash Limit Adjustments

Appendix 2 – Summary General Fund Revenue Account – Forecast Outturn Position at 30th June 2022

Appendix 3 – Earmarked Reserves and General Fund Balance – Position as at 30th June 2022

VERSION:	1
CONTACT OFFICER:	Dean Langton
DATE:	August 2022
BACKGROUND PAPERS:	None