

# EXECUTIVE BOARD DECISION



**REPORT OF:** Executive Member for Finance and Governance

**LEAD OFFICER:** Director of Finance

**DATE:** 10th November 2022

**PORTFOLIOS AFFECTED:** All

**WARDS AFFECTED:** All

**KEY DECISION:** Y

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**TITLE OF REPORT:** Corporate Revenue Budget Monitoring 2022/23 – Quarter 2

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## 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 September 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 30<sup>th</sup> September 2022;
- c) in view of the forecast overspend of £7.590m, 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 30<sup>th</sup> September 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 28<sup>th</sup> 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 30<sup>th</sup> September 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 30<sup>th</sup> September 2022)**

	Working Budget at 30 <sup>th</sup> June 2022/23 £000	Adjustments*1 £000	Working Budget at 30 <sup>th</sup> Sept 2022 £000
Portfolio Budgets	137,203	(501)	136,702
Other Corporate Income and Expenditure	(8,566)	196	(8,370)
<b>Net Revenue Expenditure</b>	<b>128,637</b>	<b>(304)</b>	<b>128,333</b>
Less Core Funding	(50,373)	-	(50,373)
Less Council Tax	(60,335)	-	(60,335)
<b>Shortfall before Reserves</b>	<b>17,929</b>	<b>(304)</b>	<b>17,625</b>
Change in Specific Reserves	(17,929)	304	(17,625)
Change in GF Balance	-	-	-
<b>Funding 'Gap'</b>	<b>-</b>	<b>-</b>	<b>-</b>

\*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 2 budget monitoring position there is a forecast overspend of £7.590m (compared to £8.154m at June 2022). A more detailed analysis is provided at **Appendix 2:-**

**Table 2: Forecast Performance against Controllable Budgets**

	Working Budget at 30 <sup>th</sup> September 2022 £000	Forecast Outturn £000	Variation £000
Portfolio Budgets	136,702	141,152	4,450
Other Corporate I & E	(8,370)	(6,571)	1,799
<b>Net Revenue Expenditure</b>	<b>128,333</b>	<b>134,581</b>	<b>6,249</b>
Less Core Funding	(50,373)	(50,373)	-
Less Council Tax	(60,335)	(60,335)	-
<b>Shortfall before Reserves</b>	<b>17,625</b>	<b>23,874</b>	<b>6,249</b>
Change in Specific Reserves	(17,625)	(17,625)	-
Change in GF Balance	-	1,341	1,341
<b>Funding 'Gap'</b>	<b>-</b>	<b>7,590</b>	<b>7,590</b>

\*1 – See Appendix 2

- 5.5 Councillors should note that this is a forecast outturn position for the year based on the Quarter 2 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 £4.450m (compared to £5.654m at 30<sup>th</sup> June). 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 <sup>th</sup> Sept 2022 £000	Forecast Outturn £000	Variation £000
Adults Social Care and Health	61,116	60,786	(330)
Children, Young People and Education	35,538	38,378	2,840
Public Health, Prevention and Wellbeing	3,418	4,199	782
Environment and Operations	13,844	14,213	370
Growth and Development	6,438	7,535	1,097
Finance and Governance	10,816	10,587	(229)
Digital and Customer Services	6,474	6,394	(80)
Schools and Education (DSG)	(941)	(941)	-
<b>Portfolio Budgets</b>	<b>136,703</b>	<b>141,153</b>	<b>4,450</b>

\*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 underspend of £330k. This is summarised in the table below

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

	Working Budget at 30 <sup>th</sup> Sept 2022 £000	Forecast Outturn £000	Variation £000
Independent Sector Other	510	1,024	114
Independent Sector	47,031	46,332	(300)
ASC and Social Work	2,498	2,775	278
Day Services	866	832	(34)
In House Residential	10	(9)	(9)
Independent Living	1,921	1,902	(19)
Integrated Commissioning	2,437	2,426	(11)
Mental Health	1,505	1,212	(293)
Safeguarding	813	902	89
Shared Lives	630	593	(36)
Strat Gov & Bus Support	527	420	(118)
Supporting People	1,069	1,144	75
Transport	313	242	(71)
Prevention, Neighbourhoods & Learning	549	597	48
Social Integration	332	287	(45)
Community Assets	105	107	2
<b>Adult Social Care and Health</b>	<b>61,116</b>	<b>60,786</b>	<b>(330)</b>

#### 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 underspend of £330k;
- included within portfolio position is a net underspend forecast of £300k on external commissioning budgets; including £245k as a result of one off receipts agreed by Health for complex cases. 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, the above forecast includes a budget transfer of £400k for leasing costs from the external commissioning budgets area to mitigate some of the potential pressures for Albion Mill within the Better Care Fund pool with Health;
- 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. Pressures in year are beginning to escalate and it is likely these pressures will impact on the 2022/23 budget as one off income streams for hospital discharge received in the last financial year may no longer be available and the impact of the current cost of living crisis is felt by service users. It is expected that this can be contained within our provision for winter pressures highlighted above;

- Social Care government reforms, new responsibilities under the Care Act, and the review of Fair Cost of Care including Market Sustainability will also 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;
- The forecast net spend in the area of non-commissioning budgets includes savings in staffing as a result of the challenges faced by all Local Authorities in recruiting and retaining care staff workforce. Detailed review of staffing budgets is currently ongoing and the monitoring position will be updated in the next monitoring report;
- 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 £2.840m. This is summarised in the table below:-

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

	<b>Working Budget at 30<sup>th</sup> Sept 2022 £000</b>	<b>Forecast Outturn £000</b>	<b>Variation £000</b>
Strategic Social Work	6,303	5,999	(303)
Permanence	18,586	21,552	2,966
Adolescent Services	3,822	3,380	(442)
Strategy, Policy and Performance	380	477	97
Education	3,197	3,227	30
Early Years	835	1,033	198
Directorate	2,415	2,709	294
<b>Children, Young People and Education</b>	<b>35,538</b>	<b>38,378</b>	<b>2,840</b>

5.11 The key variances to note include:-

- significant pressures on the commissioned placement budget which is currently forecasting an overspend of £2.499m (and is part of the overspend on Permanence). This is due mainly to an increase in the number of Children subject to Out of Borough Placements;
- the other significant forecast overspends relate to Fostering and Adoption services, Education Transport, Children’s Centre Network 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 £265k 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. Following the structural changes with the Health Service, with the creation of the Lancashire and South Cumbria Integrated Care Board, from July onwards a Joint Commissioning Panel will operate using a different model and all currently approved cases will need to be taken back to the 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 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 majority of 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. The remaining underspend on the service is due to additional grant income relating to Unaccompanied Asylum Seeking Children.

*Public Health, Prevention and Wellbeing*

5.12 The forecast outturn position for Public Health, Prevention and Wellbeing is an overspend of £782k. This is summarised in the table below:-

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

	Working Budget at 30 <sup>th</sup> Sept 2022 £000	Forecast Outturn £000	Variation £000
Leisure Services	518	1,434	916
Parks and Open Spaces	32	32	(0)
Healthy Lifestyle	200	8	(192)
Public Health	1,173	1,196	23
Community Asset Management (incl CCTV)	714	732	19
Housing Needs	430	443	13
Directorate	351	354	3
<b>Public Health, Prevention and Wellbeing</b>	<b>3,418</b>	<b>4,199</b>	<b>782</b>

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 and the resilience of the Borough's residents;
- 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 £370k. This is summarised in the table below:-

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

	Working Budget at 30 <sup>th</sup> Sept 2022 £000	Forecast Outturn £000	Variation £000
Corporate Property	2,688	2,673	(15)
Markets	950	932	(18)
Business/Enterprise Centres	(110)	(57)	54
Housing Services	84	146	61
Management Overhead	1,447	1,366	(81)
Grounds Maintenance	318	428	109
Neighbourhood Health	265	206	(59)
Transport	(399)	(427)	(28)
Cleansing Services	3,258	3,204	(54)
Parking Services	(1,054)	(784)	270
Waste Disposal	6,146	6,144	(2)
Public Protection Service	128	231	103
Witton Park Cafe	(48)	(19)	29
s106 Agreements (Expenditure)	171	171	-
<b>Environment and Operations</b>	<b>13,844</b>	<b>14,214</b>	<b>370</b>

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 income from services such as the Witton Park Cafe, Taxi Licensing and Car Parks, particularly as footfall continues to be below pre-pandemic levels. Similarly, there is a shortfall in income in the Council's Bereavement Services;
- at this stage it is anticipated that these income shortfalls will be offset in part by savings on budgets across the portfolio.
- 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 £1.097m. This is summarised in the table below:-

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

	Working Budget at 30 <sup>th</sup> Sept 2022 £000	Forecast Outturn £000	Variation £000
Corporate Property	(1,061)	(1,166)	(105)
Commercial Investment/Tenanted Estate	(1,351)	(844)	507
Highways Maintenance	3,173	3,618	445
Strategic Transport/Co-ordination	2,315	2,360	45
Directorate/Growth Team	3,072	3,057	(15)
Building Control	118	118	-
Development Control/Planning	(427)	(201)	226
Town Centre Regeneration	80	121	41
RPL Office Accommodation	132	132	-
Parks and Open Spaces	(67)	(67)	-
Halls and Entertainment	220	151	(69)
Library Services	1,257	1,250	(7)
Museum Services	329	358	29
Arts Services	30	30	-
s106 Agreements (Income)	(1,383)	(1,383)	-
<b>Growth and Development</b>	<b>6,438</b>	<b>7,535</b>	<b>1,097</b>

5.17 The key variances to note include:-

- as with 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, and the Mall Car Park;
- Increasing energy costs on Street Lights and Traffic Signals in particular represent almost half of the forecast overspend on the Highways budgets;
- the pressure on the Development Control Service of £226k represents an anticipated shortfall in income. The pipeline of developments generated by the Growth team continue across the Borough but the timing of major planning applications and therefore receipt of significant income can impact on in year forecasts.

### *Finance and Governance*

5.18 The forecast outturn position for Finance and Governance is an underspend of £229k. This is summarised in the table below:-

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

	Working Budget at 30 <sup>th</sup> Sept 2022 £000	Forecast Outturn £000	Variation £000
Financial Support Services	3,740	3,460	(280)
Democratic Services	1,250	1,152	(98)
Legal Support Services	1,890	2,138	248
Chief Executive, Policy and Support	799	747	(52)
Human Resources and Training	2,058	2,052	(6)
Other Non Distributable Costs	1,079	1,038	(41)
<b>Finance and Governance</b>	<b>10,816</b>	<b>10,587</b>	<b>(229)</b>

5.19 The key variances to note are:-

- a forecast underspend of £280k in Financial Support Services is due in part to vacancy management;
- a shortfall in grant income on Conducting Elections of £110k (as previously reported) where it was assumed the Council would receive grant income but for which no grant income is receivable;
- an anticipated overspend on the Legal Support Services which is mainly due to additional Childcare Legal Costs. This accounts for the bulk of the expected overspend in this Service and reflects a rising number of Children’s cases being subject to court proceedings;

### *Digital and Customer Services*

5.20 The forecast outturn position for Digital and Customer Services is an underspend of £80k. This is summarised in the table below:-

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

	Working Budget at 30 <sup>th</sup> Sept 2022 £000	Forecast Outturn £000	Variation £000
Coroners Services	260	312	52
IT Management and Governance	6,214	6,082	(132)
<b>Digital and Customer Services</b>	<b>6,474</b>	<b>6,394</b>	<b>(80)</b>

5.21 The key variances to note are:-

- a forecast overspend of £52k reflecting an expected additional cost of the Council's contribution to the Coroners Services; and
- an underspend of £132k on the IT Management and Governance Service reflecting primarily the impact of vacancy management in the service.

*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 <sup>th</sup> Sept 2022 £000	Forecast Outturn £000	Variation £000
RCCO	7,860	7,860	-
School Contribution to Capital	(333)	(333)	-
Contingencies	4,711	7,851	3,140
Debt Charges	18,987	17,646	(1,341)
Other Non-Ringfenced Grants	(39,786)	(39,786)	-
Town and Parish Council Precepts	192	192	-
<b>Other Corporate Income and Expenditure</b>	<b>(8,370)</b>	<b>(6,571)</b>	<b>1,799</b>

5.24 The key variance to note at this time are:-

- 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 around 7% 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 November 2022 at the earliest;
- In addition, given the significant pressure on utility prices associated with both the global demand for energy and the impact of the war in Ukraine, estimated energy costs are expected to be around £640k more than the £1m contingency set aside for energy inflation. The Council's procurement strategy for energy has recently been reviewed to ensure the Council is best placed to manage the impact of volatile energy prices although
- estimated savings of £1.341m on the Council's Debt Charges (including additional income from investments).

## 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 30 <sup>th</sup> Sept 2022 £000	Forecast Outturn £000	Variation £000
Adult Social Care and Health	750	750	-
Children, Young People and Education	320	54	(266)
Environment and Operations	205	205	-
Digital and Customer Services	100	100	-
Finance and Governance	690	690	-
<b>Total Savings</b>	<b>2,065</b>	<b>1,799</b>	<b>(266)</b>

- 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 Taking into account the various adjustments referred to in this report, the estimate of Balances and Reserves as at 30<sup>th</sup> September 2022 is £59.275m. 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 £7.590m 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 as at 30<sup>th</sup> September 2022

Appendix 2 – Summary General Fund Revenue Account – Forecast Outturn Position at 30<sup>th</sup> September 2022

Appendix 3 – Earmarked Reserves and General Fund Balance – Position as at 30<sup>th</sup> September 2022

<b>VERSION:</b>	1
<b>CONTACT OFFICER:</b>	Dean Langton
<b>DATE:</b>	November 2022
<b>BACKGROUND PAPERS:</b>	None