

EXECUTIVE BOARD DECISION



REPORT OF: Executive Member for Finance and Governance

LEAD OFFICER: Director of Finance

DATE: 9th February 2023

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

KEY DECISION: Y

TITLE OF REPORT: Corporate Revenue Budget Monitoring 2022/23 – Quarter 3

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 December 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 31st December 2022;
- c) in view of the forecast overspend of £5.670m, 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 31st December 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 31st December 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 31st December 2022)

	Working Budget at 30 th Sept 2022 £000	Adjustments*1 £000	Working Budget at 31st Dec 2022 £000
Portfolio Budgets	136,703	2,830	139,533
Other Corporate Income and Expenditure	(8,368)	(4,041)	(12,409)
Net Revenue Expenditure	128,335	(1,211)	127,124
Less Core Funding	(50,373)	-	(50,373)
Less Council Tax	(60,335)	-	(60,335)
Shortfall before Reserves	17,627	(1,211)	16,416
Change in Specific Reserves	(17,627)	1,211	(16,416)
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 3 budget monitoring position there is a forecast overspend of £5.670m (compared to £6.149m at September 2022). A more detailed analysis is provided at **Appendix 2:-**

Table 2: Forecast Performance against Controllable Budgets

	Working Budget at 31 st Dec 2022 £000	Forecast Outturn £000	Variation £000
Portfolio Budgets	139,533	144,006	4,473
Other Corporate I & E	(12,409)	(11,212)	1,197
Net Revenue Expenditure	127,124	132,794	5,670
Less Core Funding	(50,373)	(50,373)	-
Less Council Tax	(60,335)	(60,335)	-
Shortfall before Reserves	16,416	22,086	5,670
Change in Specific Reserves	(16,416)	(20,368)	(3,952)
Change in GF Balance	-	(1,718)	(1,718)
Funding 'Gap'	-	-	-

*1 – See Appendix 2

- 5.5 Councillors should note that this is a forecast outturn position for the year based on the Quarter 3 monitoring position. Further budget monitoring exercises will be undertaken during the final quarter of the year and the outcome of 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 £4.473m (compared to £4.450m at 30th September). 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 31 st Dec 2022 £000	Forecast Outturn £000	Variation £000
Adults Social Care and Health	61,000	59,749	(1,251)
Children, Young People and Education	35,700	39,388	3,688
Public Health, Prevention and Wellbeing	3,533	3,886	353
Environment and Operations	13,872	14,614	742
Growth and Development	6,438	7,811	1,373
Finance and Governance	13,467	13,115	(352)
Digital and Customer Services	6,464	6,368	(96)
Schools and Education (DSG)	(941)	(941)	-
Portfolio Budgets	139,533	144,006	4,473

*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 £1.251m. This is summarised in the table below

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

	Working Budget at 31 st Dec 2022 £000	Forecast Outturn £000	Variation £000
Independent Sector Other	910	1,084	174
Independent Sector	46,631	45,594	(1,038)
ASC and Social Work	2,498	2,751	254
Day Services	866	848	(18)
In House Residential	-	10	10
Independent Living	1,921	1,677	(243)
Integrated Commissioning	2,437	2,449	12
Mental Health	1,505	1,118	(386)
Safeguarding	814	943	130
Shared Lives	630	591	(39)
Strat Gov & Bus Support	538	391	(146)
Supporting People	1,069	1,157	88
Transport	313	256	(56)
Prevention, Neighbourhoods & Learning	549	574	25
Social Integration	321	321	(0)
Community Assets	-	(16)	(16)
Adult Social Care and Health	61,000	59,749	(1,251)

5.9 The key variances to note include:-

- on the basis of current levels of demand and information presently available, the portfolio is predicted to underspend by £1.251m.
- the current underspend on commissioning includes the release of winter demand pressures provision of approx. £300k. This has been made possible due to the maximisation of the Discharge Funding of £641k that was announced in December 2022 enabling some winter pressures to be funded via the grant rather than using our provision. A contingency of £500k has been retained as it is anticipated some winter pressures could still materialise for December/January due to timings of transactions coming through our systems and processes;
- 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 are likely to 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 on a recurring basis, and the impact of the current cost of living crisis is felt by our service users. It is possible that this may be contained within our provision for winter pressures highlighted above;
- In the Autumn Statement, the Government announced that Social Care Charging Reforms have been delayed by two years. The Care Cap and the New Means Test which were due to be implemented in October 2023 have been delayed until October 2025. However, further information is anticipated in respect of DHSC requirements for the Fair Cost of Care (FCoC) outcome and Market Sustainability plans;

- the FCoC work is being scaled back, however the market intelligence gathered from the FCoC exercise will be factored into the work required to negotiate provider fees for 2023/24. This work is ongoing and will likely result in significant increased costs for 23/24 which are to be determined. The Government have announced an extension on some of the Reforms funding and we await further announcement with more detail;
- challenges faced by all Local Authorities in recruiting and retaining care staff workforce is documented nationally and this equally applies to this Council. Detailed reviews of staffing budgets is continuing and the monitoring position set out here will be updated over the course of future months reporting as required;
- Neighbourhoods and Prevention Services are expected 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 £3.688m. This is summarised in the table below:-

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

	Working Budget at 31 st Dec 2022 £000	Forecast Outturn £000	Variation £000
Strategic Social Work	6,303	6,294	(9)
Permanence	18,693	22,577	3,884
Adolescent Services	3,822	3,422	(400)
Strategy, Policy and Performance	380	428	47
Education	3,197	3,353	156
Early Years	835	962	126
Directorate	2,469	2,352	(117)
Children, Young People and Education	35,700	39,388	3,688

5.11 The key variances to note include:-

- significant pressures on the commissioned placement budget which is currently forecasting an overspend of £3.315m (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 and the Children's Centre Network. 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 overspend 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 2022. 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 has operated using a different model and all currently approved cases are being taken back to the Panel for a funding review. In view of this, no income has been 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.

Public Health, Prevention and Wellbeing

5.12 The forecast outturn position for Public Health, Prevention and Wellbeing is an overspend of £353k. This is summarised in the table below:-

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

	Working Budget at 31st Dec 2022 £000	Forecast Outturn £000	Variation £000
Leisure Services	518	1,128	610
Parks and Open Spaces	32	28	(4)
Healthy Lifestyle	200	(36)	(236)
Public Health	1,172	1,172	-
Community Asset Management (incl CCTV)	829	867	37
Housing Needs	430	381	(49)
Directorate	351	346	(5)
Public Health, Prevention and Wellbeing	3,533	3,886	353

5.13 The key variances to note include:-

- the portfolio is predicting an overspend of £353k at the end of December 2022. In the main, the forecast overspend for the year is in respect of 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 are 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;
- the overspend in Leisure Services has reduced from £840k to £609k after a detailed review of the budgets with Budget Holders. Included in the overspend is a predicted additional cost of £287k for energy costs at the Leisure Centres and Witton Arena. Housekeeping measures to reduce this are being considered but without drastic measures, for example reducing the operating hours of the Centres, there are unlikely to impact on the overspend significantly;
- the increase to the fees and charges from the 1st January along with a review of the school swimming will result in additional income in the service. Once agreed, these will be included in the forecasts and should reduce the overspend further in the Leisure Centres. Equally, the new year is likely to see an increase in new members signing up in the new year which again we expect to give us an injection of income;

- Meetings are continuing with Budget Holders to gain an understanding of their budget assumptions and expected performance for the remainder of the year. The current forecast for the year includes estimated increases in energy costs based on the best information available at this time. Work is continuing with Blackburn College to try and reduce energy costs in Blackburn Leisure centre – the contract for utilities is with the College so the Council has limited options for this;
- Public Health budgets are forecasting a break even position for the year.
- Community Safety and Housing Services are expected to be managed through the year to achieve a break even position at financial year end.

Environment and Operations

5.14 The forecast outturn position for Environment and Operations is an overspend of £742k. This is summarised in the table below:-

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

	Working Budget at 31st Dec 2022 £000	Forecast Outturn £000	Variation £000
Corporate Property	2,688	2,773	84
Markets	950	936	(14)
Business/Enterprise Centres	(110)	(37)	73
Housing Services	84	124	40
Management Overhead	1,447	1,371	(76)
Grounds Maintenance	318	353	35
Neighbourhood Health	265	244	(21)
Transport	(399)	(396)	3
Cleansing Services	3,258	3,468	211
Parking Services	(1,054)	(750)	304
Waste Disposal	6,147	6,112	(34)
Public Protection Service	128	237	109
Witton Park Cafe	(48)	(19)	29
s106 Agreements (Expenditure)	199	199	-
Environment and Operations	13,872	14,614	742

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.
- The pressures on Cleansing services arising from increases in fuel costs and a shortfall on Trade Waste income.

Growth and Development

5.16 The forecast outturn position for Growth and Development is an overspend of £1.373m. This is summarised in the table below:-

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

	Working Budget at 31 st Dec 2022 £000	Forecast Outturn £000	Variation £000
Corporate Property	(1,061)	(1,166)	(105)
Commercial Investment/Tenanted Estate	(1,351)	(824)	527
Highways Maintenance	3,173	3,676	503
Strategic Transport/Co-ordination	2,315	2,360	45
Directorate/Growth Team	3,072	3,072	-
Building Control	118	118	-
Development Control/Planning	(427)	(201)	226
Town Centre Regeneration	80	171	91
RPL Office Accommodation	132	132	-
Parks and Open Spaces	(67)	(38)	29
Halls and Entertainment	221	195	(26)
Library Services	1,257	1,295	38
Museum Services	329	373	44
Arts Services	30	30	-
s106 Agreements (Income)	(1,383)	(1,383)	-
Growth and Development	6,438	7,811	1,373

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 £352k. This is summarised in the table below:-

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

	Working Budget at 31 st Dec 2022 £000	Forecast Outturn £000	Variation £000
Financial Support Services	6,391	5,976	(115)
Democratic Services	1,250	1,142	(108)
Legal Support Services	1,890	1,931	41
Chief Executive, Policy and Support	799	772	(27)
Human Resources and Training	2,058	1,955	(103)
Other Non Distributable Costs	1,079	1,039	(40)
Finance and Governance	13,467	13,115	(352)

5.19 The key variances to note are:-

- the forecast underspend of £115k in Financial Support Services and £103k on Human Resources 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 overspend on the Legal Support Services which is mainly due to additional Childcare Legal Costs.

Digital and Customer Services

5.20 The forecast outturn position for Digital and Customer Services is an underspend of £96k. This is summarised in the table below:-

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

	Working Budget at 31 st Dec 2022 £000	Forecast Outturn £000	Variation £000
Coroners Services	295	312	17
IT Management and Governance	6,169	6,055	(114)
Digital and Customer Services	6,464	6,368	(96)

5.21 The key variances to note are:-

- a forecast overspend of £17k reflecting an expected additional cost of the Council's contribution to the Coroners Services; and
- an underspend of £114k 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 £1.197m. This is summarised in the table below

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

	Working Budget at 31st Dec 2022 £000	Forecast Outturn £000	Variation £000
RCCO	3,819	3,819	-
School Contribution to Capital	(333)	(333)	-
Contingencies	4,711	7,851	3,140
Debt Charges			-
<i>Interest and Investment Income</i>	(25)	(937)	(912)
<i>Debt interest payable</i>	12,590	11,720	(870)
<i>MRP</i>	6,422	6,261	(161)
Other Non-Ringfenced Grants	(39,786)	(39,786)	-
Town and Parish Council Precepts	192	192	-
Other Corporate Income and Expenditure	(12,410)	(11,213)	1,197

5.24 The key variance to note (as previously reported) are:-

- an additional estimated cost of £3.5m for the national pay offer made to the Local Government workforce. On average, the pay award 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 a residual cost of £2.5m;
- 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 been reviewed to ensure the Council is best placed to manage the impact of volatile energy prices; despite this, the cost of energy continues to increase hence the estimated variance here.
- estimated savings of £1.943m on the Council's Debt Charges (including additional income from investments). This is primarily due to the graduated increase in interest rates during the year combined with higher than expected cash balances leading to increased investment income.

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 th 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	-
Total Savings	2,065	1,799	(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). In view of the forecast overspend report above, £1.718m of the General Reserve is expected to be used to support the budget. This would reduce the General Reserve to the level of the Minimum Working Balance.

- 5.28 The balance of the forecast overspend totalling £3.952m will be met from Specific Reserves.

- 5.29 Taking into account the various adjustments referred to in this report, and the forecast use of reserves to deal with the forecast overspend, the estimate of Balances and Reserves as at 31st December 2022 is £67.450m. A detailed analysis of these changes is provided at **Appendix 3**.

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 31st December 2022

Appendix 2 – Summary General Fund Revenue Account – Forecast Outturn Position at 31st December 2022

Appendix 3 – Earmarked Reserves and General Fund Balance – Position as at 31st December 2022

VERSION:	1
CONTACT OFFICER:	Dean Langton
DATE:	February 2023
BACKGROUND PAPERS:	None