

EXECUTIVE BOARD DECISION



REPORT OF: Executive Member for Finance and Governance

LEAD OFFICER: Strategic Director of Finance and Resources

DATE: 8th February 2024

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

KEY DECISION: Y

TITLE OF REPORT: Corporate Revenue Budget Monitoring 2023/24 – 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 2023/24 on the basis of a budget monitoring exercise undertaken at the end of December 2023 (Quarter 3).

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 2023;
- c) note the current forecast overspend of £932k at the end of Quarter 3 and request Portfolio Holders to continue reviewing their budgets for the remainder of 2023/24 with a view to identifying potential mitigating actions;
- d) note the Earmarked Reserves and General Fund Balance position as at 31st December 2023.

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 Finance Council on 27th February 2023, the Council agreed the General Fund Revenue Budget for 2023/24.
- 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 2023. The impact of these adjustments on the Council's Budget for 2023/24 is summarised in Table 1 below:-

Table 1: Working Budget 2023/24 (as at 31st December 2023)

	Working Budget at 30 Sept 2023 £000	Adjustments*1 £000	Working Budget at 31 Dec 2023 £000
Portfolio Budgets	161,121	4,537	165,658
Other Corporate Income and Expenditure	(17,908)	(9,531)	(27,439)
Net Revenue Expenditure	143,213	(4,994)	138,219
Less Core Funding	(62,268)	-	(62,268)
Less Council Tax	(64,861)	-	(64,861)
Shortfall before Reserves	16,084	(4,994)	11,090
Change in Specific Reserves	(16,084)	4,994	(11,090)
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 2023/24 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 £932k (compared to £1.450m at Quarter 2). A more detailed analysis is provided at **Appendix 2**:-

Table 2: Forecast Performance against Controllable Budgets

	Working Budget at 31 Dec 2023 £000	Forecast Outturn £000	Variation £000
Portfolio Budgets	165,654	170,902	5,248
Other Corporate I & E	(27,439)	(31,755)	(4,316)
Net Revenue Expenditure	138,219	139,151	932
Less Core Funding	(62,268)	(62,268)	-
Less Council Tax	(64,861)	(64,861)	-
Shortfall before Reserves	11,090	12,022	932
Change in Specific Reserves	(11,090)	(11,090)	-
Change in GF Balance	-	(932)	(932)
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 will continue for the remainder of the financial year prior to the final outturn position being reported to Executive Board.

Portfolio Budgets

- 5.6 As indicated in Table 2 above, the forecast outturn position on the Portfolio Budgets is an overspend of £5.248m. An analysis of this position by Portfolio is shown in the Table 3 below:-

Table 3: Forecast Performance of Portfolios against Controllable Budgets

	Working Budget at 31 Dec 2023 £000	Forecast Outturn £000	Variation £000
Adults Social Care and Health	70,392	69,882	(510)
Children, Young People and Education	42,331	47,097	4,768
Public Health, Prevention and Wellbeing	5,343	5,278	(65)
Environment and Operations	12,084	12,652	568
Growth and Development	15,993	16,374	381
Finance and Governance	12,522	13,001	479
Digital and Customer Services	7,677	7,304	(373)
Schools and Education (DSG)	(686)	(686)	-
Portfolio Budgets	165,654	170,902	5,248

*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 £510k. This is summarised in the table below:-

Table 4: Adult Social Care and Health – Forecast Outturn 2023/24:-

	Working Budget at 31 Dec 2023 £000	Forecast Outturn £000	Variation £000
Independent Sector Other	379	646	267
Independent Sector	52,613	53,201	588
ASC and Social Work	3,148	2,934	(214)
Day Services	2,200	1,978	(222)
In House Residential	0	0	0
Independent Living	1,728	1,255	(473)
Integrated Commissioning	4,387	4,095	(292)
Mental Health	1,290	1,326	36
Safeguarding	1,105	1,009	(96)
Shared Lives	799	714	(85)
Strat Gov & Bus Support	635	544	(91)
Supporting People	946	1,267	321
Transport	346	243	(103)
Prevention, Neighbourhoods & Learning	654	593	(61)
Social Integration	42	42	0
Community Development Management	120	35	(85)
Adult Social Care and Health	70,392	69,882	(510)

5.9 The key variances to note include:-

- The area of external commissioning budgets is forecasting an overspend of £588k largely due to the cost and demand for care packages. This is subject to change during the remaining months of the financial year give both costs and demand remain difficult to predict;
- In the area of non-commissioning budgets, the current predicted position is an underspend of £953k. Although a number of remodels have taken place across Adults Social Care teams in 2023-24, further remodelling work is still ongoing. There are still a number of vacancies which is a major contributory factor for the underspend position;
- Neighbourhood and Prevention Services are forecasting an underspend of £146k for the year. Of this, £85k has arisen as a consequence of the review of the Community Assets area. The Community Safety Unit (CSU) is likely to have an underspend of £61k; two posts have been vacant for much of the year and the existing structure is still under review so little spend has been incurred. Finally, the Social Integration area will be carrying forward grant funding; this may be in the region of £75k dependent upon whether prospective spend comes to fruition.

Children, Young People and Education

5.10 The forecast outturn position for Children, Young People and Education is an overspend of £4.768m. This is summarised in the table below:-

Table 5: Children, Young People and Education – Forecast Outturn 2023/24

	Working Budget at 31 Dec 2023 £000	Forecast Outturn £000	Variation £000
Strategic Social Work	6,540	7,023	483
Permanence	21,658	23,347	1,689
Adolescent Services	4,521	4,287	(234)
Strategy, Policy and Performance	430	403	(27)
Education	3,851	6,845	2,994
Early Years	2,267	1,800	(467)
Directorate	3,062	3,392	330
Children, Young People and Education	42,329	47,097	4,768

5.11 The key variances to note include:-

- As per the position at quarter 2, there are continuing demand and cost pressures associated with commissioned placements for Looked After Children. At the end of Quarter 3 the forecasted overspend against this budget has now increased to £1.5m;
- The Council had been requested by the Education and Skills Funding Agency (ESFA) to undertake a review of the charges to the High Needs Block (HNB) of the Dedicated Schools Grant. Further analysis has identified an additional £878k of expenditure that was previously funded from the HNB that should be funded from the Council's General Fund and this has now been built into the forecasted outturn position. In addition to the previous adjustment of £1.650m, this brings the total additional cost to the Council's General Fund in 2023/24 to £2.528m. Whilst this is an additional cost to the Council's General Fund, there is no loss of funding to the Council; it this does mean that an equivalent amount of funding has been retained within the High Needs Budget, more details of which are provided below.

Schools and Education (DSG)

5.12 As Councillors may be aware, the Schools and Education DSG comprises four funding blocks – Schools, Central Services, Early Years and High Needs. The forecast outturn for the Schools and Education DSG portfolio is breakeven (reflecting that any variance will be taken from or added to the Dedicated Schools Grant reserve at financial year end).

5.13 Services in Schools and Education (DSG) are currently forecast to spend the funding available in 2023/24 through the DSG and Pupil Premium. Schools and Education funding from DSG is monitored by the Schools Forum and financial monitoring reports are considered on a regular basis.

5.14 The High Needs DSG funding block is forecast to underspend by £382k in 2023/24. This position is after taking into account the additional retained funding of £1.650m (referred to in the Quarter 2 Monitoring position). During the year, there has been a significant demand increase for Social, Emotional and Mental Health (SEMH) places for children. In Blackburn with Darwen there is currently insufficient SEMH provision to cover the level of need, which means that the Council has had no choice but to place a number of additional children in Independent Special Provision (ISP). This had led to a 21% increase in the amount of children in ISP in 2023/24 compared to the previous year which has led to an estimated overspend of £1.5m (a 33% increase in costs compared to the budget) in this area. Subject to this position being maintained to the year end, it is intended to hold this balance of funding plus the additional £878k of unallocated funding in reserve to mitigate against the risk of additional unbudgeted costs in the next financial year.

Public Health, Prevention and Wellbeing

5.15 The forecast outturn position for Public Health, Prevention and Wellbeing is an underspend of £65k. This is summarised in the table below:-

Table 6: Public Health, Prevention and Wellbeing – Forecast Outturn 2023/24

	Working Budget at 31 Dec 2023 £000	Forecast Outturn £000	Variation £000
Leisure Services	1,524	1,261	(263)
Parks and Open Spaces	(48)	(51)	(3)
Healthy Lifestyle	88	152	64
Public Health	1,248	1,248	0
Community Asset Management (incl CCTV)	1,135	1,290	155
Community Safety	404	404	0
Housing Needs	539	530	(9)
Directorate	453	444	(9)
Public Health, Prevention and Wellbeing	5,343	5,278	(65)

5.16 The key variances to note include:-

- Strategic Leisure is currently forecasting a saving of £263k. Income across the service is up 7.1% across the three Leisure centres for this financial year. The recent New Year promotion of Free Leisure until February 2024 has seen 311 additional people sign up to this and it is forecast that around 60% of these people will continue onto full membership;
- Following the Health and Wellbeing restructure all posts are expected to be filled by around mid-February 2024. The full team structure will use a larger spend on salary budget, however due to the delays in recruitment there are salary underspends in this year. The current forecast for the year includes an adjustment of £100k for Social Determinants of Health income for the Wellbeing Service. Ongoing discussions are taking place with Public Health to gain agreement to return the £100k to Public Health and then re allocate to the Health and Wellbeing budget in 2024/25 to deliver a targeted physical activity programme. There is a similar adjustment of £80k in the latest monitoring in respect of community cardiac rehabilitation income from the Better Care Fund;

- In the Community Safety service area, Blackburn CCTV continues to have an ongoing budget pressure of £37,000. The Community Safety mainstream budget has an indicative underspend of £40,000 after reflecting the staffing changes agreed to date. In addition to these, the Domestic Violence budget is forecasting an overspend of £158k however, there is a level of uncertainty of committed spend which is being reviewed so this figure may vary. Within Housing Needs there is a projected underspend of £9,000 arising on Council funded areas, mainly arising from Supplies and Services related costs on the Housing Needs costs centre;
- It is anticipated that the entirely grant funded areas under the Housing Needs umbrella namely Asylum Dispersal, Homes For Ukraine, Afghan Scheme and Rough Sleepers Initiative are to carry forward significant amounts of funding; the exact amounts will be reported at outturn. Currently the positions are £706k Asylum Dispersal, £248k Homes for Ukraine, £123k Afghan Scheme and £58k for the Rough Sleeping Initiative.

Environment and Operations

5.17 The forecast outturn position for Environment and Operations is an overspend of £568k. This is summarised in the table below:-

Table 7: Environment and Operations – Forecast Outturn 2023/24

	Working Budget at 31 Dec 2023 £000	Forecast Outturn £000	£000
Housing Services	(8)	278	286
Management Overhead	1,631	1,559	(72)
Grounds Maintenance	514	564	50
Neighbourhood Health	298	260	(38)
Transport	(208)	(269)	(61)
Cleansing Services	3,284	3,455	171
Parking Services	(938)	(972)	(34)
Waste Disposal	7,267	7,524	257
Public Protection Service	244	253	9
s106 Agreements (Expenditure)	0	0	0
Environment and Operations	12,084	12,652	568

5.18 The key variances to note include:-

- As a result of the fire and subsequent closure and gradual re-opening of the Crematorium the Portfolio is currently receiving less income from the site and the above forecast reflects this. If this pressure cannot be contained within the overall portfolio, corporate funding will be requested at a later Executive Board;
- The forecast variance on Housing Services is a result of lack of staffing resource to establish a new Selective Licensing area. The Portfolio is working to enable this to be taken forward and a new Selective Licensing area established in due course;

- There are also pressures on Waste Disposal (volumes are higher) and Taxi Licensing (income is lower) which the Portfolio is monitoring closely and will seek to manage across the financial year. The pressures previously reported on Parking Services have successfully been addressed and contribute to the reduced overspend now reported when compared with Quarter 2 monitoring.

Growth and Development

5.19 The forecast outturn position for Growth and Development is an overspend of £381k. This is summarised in the table below:-

Table 8: Growth and Development – Forecast Outturn 2023/24

	Working Budget at 31 Dec 2023 £000	Forecast Outturn £000	£000
Markets	1,414	1,229	(185)
Business/Enterprise Centres	64	(36)	(100)
Corporate Property	1,844	1,582	(262)
Commercial Investment/Tenanted Estate	(690)	(250)	440
Highways Maintenance	4,403	4,948	545
Strategic Transport/Co-ordination	2,145	2,091	(54)
Directorate/Growth Team	3,895	4,145	250
Building Control	157	142	(15)
Development Control/Planning	(268)	(343)	(75)
Central Services	391	391	0
Town Centre Regeneration	95	260	165
RPL Office Accommodation	73	73	0
Parks and Open Spaces	0	0	0
Halls and Entertainment	475	306	(169)
Library Services	1,513	1,378	(135)
Museum Services	414	390	(24)
Arts Services	30	30	0
s106 Agreements (Expenditure)	38	38	0
Growth and Development	15,993	16,374	381

5.20 The key variances to note include:-

- As reported in Quarter 2 there are pressures across the Highways Maintenance budgets (additional demand over and above what has been budgeted) and Commercial Investment/Tenanted Estate, which includes the Mall (anticipated shortfall in income from the profit share arrangement). These are offset to an extent by savings across the remainder of the portfolio.
- A “Deep Dive” review of the Highways budgets is going to be undertaken to review processes, procedures across Highways with the purpose of creating working efficiencies and options for budget savings going forward.

Finance and Governance

5.21 The forecast outturn position for Finance and Governance is an overspend of £479k. This is summarised in the table below:-

Table 9: Finance and Governance – Forecast Outturn 2023/24

	Working Budget at 31 Dec 2023 £000	Forecast Outturn £000	£000
Financial Support Services	4,117	4,517	400
Democratic Services	1,625	1,460	(165)
Advice Services	117	148	31
Legal Support Services	2,215	2,167	(48)
Chief Executive, Policy and Support	1,361	1,433	72
Human Resources and Training	1,808	2,018	210
Other Non Distributable Costs	1,279	1,258	(21)
Finance and Governance	12,522	13,001	479

5.22 The key variances to note include:-

- an overspend on Financial Support Services of £400k. This is as a result of a projected shortfall on Housing Benefit Subsidy of £480k due to a reduction in subsidy received by the Council because of the amount of temporary accommodation being used for the Homelessness Service and the Exempt/Supported Accommodation provided by Private Landlords in the Borough. In both cases, the subsidy payable by Government is reduced resulting in additional costs for the Council. As Councillors may be aware, the Council is one of a small number of Councils participating in the Supported Housing Improvement Programme (SHIP) being co-ordinated by the Department of Levelling Up, Communities and Housing (DLUCH) which is considering how better to regulate Supported Accommodation to ensure that it is of acceptable quality although this may not impact on the subsidy loss to the Council;
- a saving on Democratic Services which is mainly made up of staff vacancies;
- an overspend on Human Resources which is largely due to the cost of apprentices. These costs have been charged centrally to Human Resources but should actually be charged to other Portfolios where the budgets for these costs are held. This adjustment will be undertaken as part of the closure of the Council's Accounts for the year;

Digital and Customer Services

5.23 The forecast outturn position for Digital and Customer Services is an £373k underspend. This is summarised in the table below:-

Table 10: Digital and Customer Services – Forecast Outturn 2023/24

	Working Budget at 31 Dec 2023 £000	Forecast Outturn £000	£000
Coroners Services	315	380	65
IT Management and Governance	7,362	6,924	(438)
Digital and Customer Services	7,677	7,304	(373)

5.24 The key variance is a forecast underspend of £438k which is expected to arise from the underspend on staffing due to vacancies in IT Management and Governance.

Other Corporate Income and Expenditure Budgets

5.25 The forecast outturn position for Other Corporate Income and Expenditure Budgets is a saving of £4.316m.

Table 11: Other Corporate Income and Expenditure Budgets – Forecast Outturn 2023/24

	Working Budget at 31 Dec 2023 £000	Forecast Outturn £000	Variation £000
RCCO	1,771	1,771	-
School Contribution to Capital	(266)	(266)	-
Contingencies	2,458	2,458	-
<u>Debt Charges</u>			
<i>Interest and Investment Income</i>	(1,300)	(4,219)	(2,919)
<i>Debt interest payable</i>	12,760	11,566	(1,194)
<i>MRP</i>	6,565	6,362	(203)
Other Non-Ringfenced Grants	(49,619)	(49,619)	-
Town and Parish Council Precepts	193	193	-
Other Corporate Income and Expenditure	(27,438)	(31,754)	(4,316)

5.26 The key variances to note include:-

- Forecast additional investment income of £2.919m. This is a consequence of both a higher balance of cash for investment (largely due to less than expected expenditure on the Capital Programme, the early payment of grant funding from Government for some significant projects and the good management of the Council's cash resources) and higher than expected interest rates;
- A forecast underspend of £1.397m on the Council's debts charges due to lower than expected borrowing in the year and lower than expected expenditure on the Council's Capital Programme in the last financial year leading to less than budgeted Minimum Revenue Provision.

Savings Agreed for 2023/24 – Progress on Implementation

- 5.27 As part of the approved budget for 2023/24, 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 2023/24

	Working Budget at 31st Dec 2023 £000	Forecast Outturn £000	Variation £000
Adult Social Care and Health	1,447	1,447	-
Children, Young People and Education	367	217	(150)
Public Health, Prevention & Wellbeing	207	207	-
Environment and Operations	447	447	-
Growth and Development	150	150	-
Digital and Customer Services	167	167	-
Finance and Governance	411	411	-
Total Savings	3,196	3,046	(150)

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

Reserves and Balances

- 5.29 At the start of the financial year, the Council had Reserves and Balances totalling of £74.216m. This included a General Reserve of £6.941m (which includes the Minimum Working Balance of £6.000m). In approving the Budget for 2023/24, the Council agreed to use £10.250m from specific earmarked reserves in support of the budget.
- 5.30 Quarter 1 monitoring allocated £6.734m from earmarked reserves which arose from carrying forward grants and other contributions into specific reserves at the end of the financial year 2022/23. Quarter 2 forecast an overspend of £1.450m being funded from Unallocated Reserves of £941k and a further £511k from the Future Demand pressures reserve. The Quarter 3 forecast outturn position presented in this report is an overspend of £932k; this will be funded entirely from the Unallocated Reserves estimates with no requirement to drawdown any funding from the Future Demand Pressure Reserves as at Quarter 2.
- 5.31 Subject to the Executive Board's agreement, an amount of £4.994m (net) will be added back to Earmarked Reserves. This comprises £4.499m to S106 Developers Contributions, £330k to St John's reimbursement, £226k to Digital Transformation and £133k to Social Integration Funding Reserve less £45k allocated from Support for Future Redundancy Costs, £109k from the Youth Investment Fund and £40k from the Fitness for Life Grant.
- 5.32 Taking into account the various adjustments referred to elsewhere in this report, the estimate of Balances and Reserves as at 31st December 2023 is £62.194m. 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

Appendix 2 – Summary General Fund Revenue Account – Forecast Outturn Position at 31st December 2023

Appendix 3 – Earmarked Reserves and General Fund Balance – Position as at 31st December 2023

VERSION:	1
CONTACT OFFICER:	Dean Langton
DATE:	January 2024
BACKGROUND PAPERS:	None