

CABINET

21 February 2022

Title: Revenue Budget Monitoring 2021/22 (Period 9, December 2021)	
Report of the Cabinet Member for Finance, Performance and Core Services	
Open Report	For Information
Wards Affected: None	Key Decision: No
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Accountable Director: Philip Gregory, Finance Director	
Accountable Strategic Leadership Director: Claire Symonds, Interim Chief Executive and Managing Director	
Summary <p>This report sets out the Councils budget monitoring position for 2021/22 as at the end of December 2021, highlighting key risks and opportunities and the forecast position.</p> <p>The Council's General Fund budget for 2021/22 is £173.614m. The current forecast outturn position is £181.361m which would be an overspend of £7.747m or £7.227m once income is considered. This is an improvement in the position by around £0.74m compared to last month. This can be managed by use of the budget support reserve which was £11.433m at the end of the previous financial year however this will deplete the reserve increasing the risk in future years. At this late stage in the year the forecasting is becoming less volatile, and risks and opportunities are beginning to crystallise and be quantifiable. The position will continue to be closely monitored and risks and opportunities recognised as soon as certain.</p>	
Recommendation(s) <p>Cabinet is recommended to:</p> <ul style="list-style-type: none">(i) Note the projected revenue outturn forecast for the 2021/22 financial year as set out in sections 2 and 3 and Appendix A of the report; and(ii) Note the update on savings proposals, as set out in section 4 of the report.	
Reason(s) <p>As a matter of good financial practice, the Cabinet should be informed about the Council's financial risks, spending performance and budgetary position. This will assist in holding officers to account and inform further financial decisions and support the objective of achieving Value for Money as part of the Well Run Organisation.</p>	

1. Introduction and Background

- 1.1 This is the penultimate budget monitoring report to Cabinet for the 2021/22 financial year. The financial outturn for the previous financial year was a net underspend after transfers to and from reserves of £1.951m (subject to finalisation of the external audit). This was the net result of a large overspend of £26.13m offset by additional in year grant income from the Government of £28.02m. The grant income was provided to meet the financial challenges to Local Government from the Covid pandemic and the lockdown/other measures taken to contain it. The overspend was driven by a range of factors including underlying demographic pressures, additional costs and demands arising from Covid and delays in making savings and income.
- 1.2 There has been a net £17.817m of growth added to the budget for 2021/22 as part of the Council's budget setting process in February in order to meet the then known pressures especially those in Care and Support. This was funded from Council tax increases, commercial returns and government grants including special grants to meet additional Covid related costs in the first quarter of the year.
- 1.3 Despite the growth this year has a high level of financial risk including the continuing impact of the Covid pandemic and its aftermath, the potential impacts of Brexit, the long-standing pressures that impact across the Local Government sector and the high levels of deprivation and disadvantage that already existed for residents of the borough.
- 1.4 As part of our ongoing improvement programme a more streamlined budget monitoring process has been introduced. This has resulted in some changes to the format of the budget monitoring report. This report is now a high-level summary with key information and action points with more detailed being contained within the appendices.

2. Overall Financial Position

- 2.1 The 2021/22 budget was approved by the Cabinet in February and is £173.613m – a net increase of £17.817m from last year. Growth funding was supplied for Care and Support (to meet demographic and cost pressures), Community Solutions (for Homelessness, Temporary Accommodation and the Creation of a Customer Experience Team), Inclusive Growth (Economic Development Team), Legal and Finance (Counter Fraud), Participation and Engagement and Council-wide (Staff Pay award and non-staff inflation) It also includes £8.201m of savings plans – most of which were brought forward from previous years.
- 2.2 As the table below shows the expenditure forecast is £181.361m. This is a movement from Period 6 of £10.187m overspend to £7.747m at Period 9. This is a prudent estimate and there are still risks and opportunities yet to be realised. There is still the possibility that this overspend can be managed down further. This level of overspend can be fully met from the budget support reserve without the need for recourse to the General Fund which will remain at £17m. However, this would reduce the Council's ability to absorb further financial risks or support new investment in transformation in future years.

- 2.3 A proportion of the additional pressures are driven by the Covid epidemic – however as time has passed some of the additional costs have now become the “new normal” and it is becoming increasingly hard to draw a sharp distinction between covid costs and business as usual. Additional government support has been provided for the first quarter of the year and this has already been built into the forecasts.

Table 1.	NET FULL YEAR BUDGET	Full Year Forecast inc. Reserve Movements	Variance
COMMUNITY SOLUTIONS	24,775	26,258	1,483
CORPORATE MANAGEMENT	4,417	1,758	(2,659)
INCLUSIVE GROWTH	1,342	1,868	526
LAW AND GOVERNANCE	(1,304)	(1,466)	(162)
MY PLACE	16,589	18,134	1,546
PEOPLE AND RESILIENCE	124,179	128,232	4,053
STRATEGY & CULTURE	3,617	6,577	2,960
TOTAL EXPENDITURE	173,614	181,361	7,747
FUNDING	(173,614)	(174,134)	(520)
TOTAL NET POSITION	0	7,227	7,227

3. Key Variances

- 3.1 This section provides a high-level summary of the main variances. The overall position has continued to move in the right direction with the overall pressure reducing month on month. This has been driven by a combination of one-off grants received that were not budgeted for and in year management actions to reduce spend. The two biggest pressure areas are Care and Support and Strategy and Culture. More detail on all Council services is given in Appendix A.
- 3.2 **Community Solutions.** This service is facing a range of different financial risks and pressures including demand and cost pressures that may be partly covid driven in Homelessness, NRPF and the contact centre, additional costs from Digitalisation and the Innovate IT system and the loss of some external grant funding. In response a range of mitigation actions have already been put in place and the service continues to work on new grant bids to replace lost funding and long-term strategies to manage homelessness. The position remains static from last month, but a further £800k of opportunities is being worked on to reduce the pressure further.
- 3.3 **Corporate Management.** There is a forecast underspend of £1.4m in central expenses from provisions and corporate contingencies. This effectively serves as a buffer against service overspends. It should be noted that this is a much lower figure than in previous years as more funding has been moved into service department budgets. There is also an underspend on the ELWA levy budget.
- 3.4 **Inclusive Growth** There is an overspend in this area from income shortfalls - £394 for historic grants no longer being received which needs to be corrected in the MTFs and £145k from the Film Unit where income generation is still being adversely affected by the impact of Covid. A further £36k in unfunded Added Years Compensatory costs, offset by a £49k underspend in commercial services.

- 3.5 **Law and Governance.** Following the introduction of new CPZs and increased traffic as the lockdown has eased there has been an increase in Parking income since last year. This can be volatile and will be monitored throughout the year. Currently it is assumed that any additional income will be transferred to the ringfenced Parking Account reserve at year end. The income can be used for a range of specified purposes that support improved transport within the borough and proposals will be developed for how it can be invested most effectively in future years. The overall position has remained stable within this period.
- 3.6 **My Place.** There are long standing pressures in this service in both Homes and Assets and Public Realm including staffing and agency costs (which have been exacerbated by Covid and the self-isolation rules), transport costs and income from the HRA and commercial rents. The service is undertaking an in-depth review of its operating model to identify its true funding needs and where there is scope for cost reductions. The position has improved further this month due to income forecasts within Public Realm, mainly within pest control.
- 3.7 **People and Resilience.** There has been a very substantial increase in the Children's Care and Support caseload in the past year which is thought to be linked to Covid and lockdown. In addition, the number of children requiring residential care placements and the cost of that provision has also risen. Altogether there is an overspend of £2.6m in Children's Care and Support as a result of these two issues. This area has seen an increase in pressure of £481k in this month. In addition, there are similar pressures in Disabilities for Children with Disabilities, with a £2.2m overspend, a reduction of £243k as a result of one-off Workforce Fund. Adults' care and support is reporting an underspend of £1.8m, a reduction in spend of £7301k, driven by an exercise to reconcile Controcc with Oracle. Overall People and Resilience is forecasting a £4m overspend, and improved position of £599k in Period 9.
- 3.8 **Strategy and Culture.** The main pressure in this area is the loss of the Leisure concession income and financial support to the provider directly linked to Covid. In addition, there are income shortfalls across heritage and leisure and historic pressures in the ICT budget. The forecast has remained static this month.

4. Savings and Commercial Income

- 4.1 There is a savings target of £8.210 m for 2021/22 – of which £2.641m are new savings approved in the MTFs, £5.033m are unachieved A2020 brought forward from the previous year(s) and £0.536m are Transformation programme savings in Care and Support. £4.799m of these savings depend on efficiencies and cost reductions and £3.411m are based on new or increased income. £5.278 of the Council's total commercial income saving has also been included in the tables as this is the incremental increase expected.
- 4.2 Currently around £7m of these savings are regarded as high or medium risk. High risk savings include the contact centre restructure, savings on the Foyer lease arrangements and £2.2m relating to debt and income improvements. The Central Parks relandscaping income is now not expected to be delivered this year.

- 4.3 The budget also includes a target of £12.4m returns from the Council's subsidiary companies – part of which is also reflected in the savings tables. At present there is good confidence that this can be met through dividends paid by Be First for the financial years 2019/20 and 2020/21. (Dividends are paid in arrears following the audit of the accounts and may be delayed in times of uncertainty.) There is no dividend expected from BDTP.

5. Financial Implications

Implications completed by: Katherine Heffernan, Head of Service Finance

- 5.1 This report is one of a series of regular updates to Cabinet about the Council's financial position.

6. Legal Implications

Implications completed by: Dr Paul Feild, Senior Governance Lawyer

- 6.1 Local authorities are required by law to set a balanced budget for each financial year. During the year, there is an ongoing responsibility to monitor spending and ensure the finances continue to be sound. This does mean as a legal requirement there must be frequent reviews of spending and obligation trends so that timely intervention can be made ensuring the annual budgeting targets are met.
- 6.2 Nevertheless, the unique situation of Covid 19 presents the prospect of the need to purchase additional supplies and services with heavy competition for the same resources together with logistic challenges which is causing scarcity and rising costs. Still, value for money and the legal duties to achieve best value still apply. There is also the issue of the Councils existing suppliers and service providers also facing issues of pressure on supply chains and staffing matters of availability. As a result, these pressures will inevitably create extra costs which will have to be paid to ensure statutory services and care standards for the vulnerable are maintained. We must continue careful tracking of these costs and the reasoning for procurement choices to facilitate grounds for seeking Covid 19 support funds.

7 Other Implications

- 7.1 **Risk Management** – Regular monitoring and reporting of the Council's budget position is a key management action to reduce the financial risks of the organisation.
- 7.2 **Corporate Policy and Equality Impact** – regular monitoring is part of the Council's Well Run Organisation strategy and is a key contributor to the achievement of Value for Money.

Public Background Papers used in preparation of this report

- The Council's MTFs and budget setting report, Assembly 3rd March 2021
<https://modgov.lbbd.gov.uk/Internet/documents/s144013/Budget%20Framework%202021-22%20Report.pdf>

List of appendices:

- Appendix A: Revenue Budget Monitoring Pack (Period 9)