

## CABINET

18 October 2022

<b>Title:</b> Revenue Budget Monitoring 2022/23 (Period 5, August 2022) and Q1 Capital Programme Update	
<b>Report of the Cabinet Member for Finance, Growth and Core Services</b>	
<b>Open Report</b>	<b>For Decision</b>
<b>Wards Affected:</b> None	<b>Key Decision:</b> Yes
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<b>Accountable Strategic Leadership Director:</b> Philip Gregory, Strategic Director, Finance & Investment	
<b>Summary</b> <p>This report sets out the Councils revenue budget monitoring position for 2022/23 as at the end of August 2022, highlighting key risks and opportunities and the forecast position. This is the first budget report of this financial year.</p> <p>The Council's General Fund budget for 2022/23 is £183.060m – a net increase from the previous year's position of £9.4m. The current forecast outturn position including movements to and from reserves and the income position is £200.290m which would be an overspend of £17.590m. This is a significant overspend in the period and is driven by significant cost pressures such as the potential Local Government pay award and the increasing costs of social care. In addition, there is the impact of a changing balance of costs between the HRA and the General Fund.</p> <p>There is potential for risks and opportunities to materialise and for management action to be taken to reduce overspends. Furthermore, the overspend can be managed by use of the budget support reserve. However, the current level of overspend would deplete the reserve, increasing the risk in future years. The position will continue to be closely monitored and risks and opportunities recognised as soon as certain.</p> <p>This report also presents an update on the Capital Programme for 2022/23 and the first quarter monitoring position for the year. The revised programme is £417.05m – of which £315.5m is the Investment and Acquisition Strategy (IAS), £70.5m General Fund and £31.1m Housing. Total spend to the end of Quarter 1 is £40.803m.</p> <p>Finally, the report sets out details of funding allocations, via the GLA, from the Government's UK Shared Prosperity Fund (UKSPF) towards various projects over the next three years.</p>	

<p><b>Recommendation(s)</b></p> <p>Cabinet is recommended to:</p> <ul style="list-style-type: none"> <li>(i) Note the projected revenue outturn forecast for the 2022/23 financial year as set out in section 2 and Appendix A of the report;</li> <li>(ii) Approve the revised Capital Programme for 2022/23, including carry forwards to 2022/23, as set out in section 4 and Appendices B and D of the report;</li> <li>(iii) Note the capital expenditure at 30 June 2022 (Quarter 1) as set out in Appendix C of the report; and</li> <li>(iv) Endorse the Council's submission for UKSPF funding as set out in section 5 of the report and delegate authority to the Strategic Director, Inclusive Growth, in consultation with relevant Cabinet Members and the Strategic Director, Finance and Investment, to allocate and oversee spending in line with the Council's priorities.</li> </ul>
<p><b>Reason(s)</b></p> <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 second revenue budget monitoring report to Cabinet for the 2022/23 financial year. There has been a net £9.4m of growth added to the budget for 2022/23 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.
- 1.2 Despite the growth, this year has a high level of financial risk including inflation and the cost-of-living crisis, the 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.
- 1.3 As part of our ongoing improvement programme, a new financial system and budget monitoring process was introduced in April 2022. This has resulted in some changes to the format of the budget monitoring report. This report is 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 2022/23 budget was approved by the Assembly in March 2022 and is £183.060m – a net increase of £9.4m from last year. Growth funding was supplied to most services to meet known demand and cost pressures and a central provision

was made for the expected Local Government pay award. In addition, there were £5.3m of savings included in the budget.

2.2 As **Appendix A** shows, the expenditure forecast is £201.953m or £198.555m after planned transfers to and from reserves. Income forecast is £180.965m resulting in a net overspend of £17.590m. There are still risks and opportunities that could be realised, as well as the possibility that this overspend can be managed down further. This level of overspend can be fully met from the reserves without taking the General Fund below the minimum level of £12m. 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 pandemic. 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. There are now increasing pressures from the impact of inflation including pay inflation and the cost-of-living crisis. In addition, there has been a review of costs recharged to the HRA which has resulted in a reduction of income from the HRA to the General fund.

### **3. Savings and Commercial Income**

3.1 There is a new savings target of £6.219m for 2022/23 including those brought forward from previous years. £3.600m of these savings are either fully achieved or expected to be achieved in year. £2.354m are at high risk of not being achieved at all with the remaining £0.265m being uncertain or only part achieved in year.

### **4. Capital Programme**

4.1 A provisional capital programme for 2022/23 was submitted to Cabinet in June 2022 which, including slippage, was estimated at £667.31m split into £533.6m for the Investment Strategy (IAS), £70.5m for General Fund (GF) and £60m for HRA.

4.2 The Outturn has since been finalised resulting in revisions to slippage and budgets being profiled for Quarter 1 with a capital programme of £417.05m split into £315.5m for the Investment Strategy (IAS), £70.5m for General Fund (GF) and £31.1m for HRA. Further details are given in **Appendix B** and **Appendix D**.

4.3 The Q1 spend totalled £41.27m, including £463k of DSG, with the spend split into IAS - £34.30m, EYC - £1.46m and the HRA - £3.24m, including estate renewal and New Build costs. This is net of £19.3m accrual reversals. Further details are given in **Appendix C**.

### **5. UK Shared Prosperity Fund Allocation 2022 - 2025**

5.1 The UK Shared Prosperity Fund (UKSPF) was launched by the Government in April 2022 as part of its 'levelling up' agenda, providing funding between April 2022 to March 2025 for a national Multiply scheme to improve adult numeracy – delivered by further education and community colleges - and other activities across three themes:

- **Community and Place:** strengthening social fabric and fostering a sense of local pride and belonging, through investment in activities that enhance physical, cultural and social ties, and access to amenities, such as community infrastructure and local green space, heritage and culture projects and community-led projects; and building resilient, healthy and safe neighbourhoods through investment in quality places in which people want to live, work, play and learn, through targeted improvements to the built and natural environment, and support for volunteering.
- **Supporting Local Business:** enabling places to fund interventions that support local businesses to thrive, innovate and grow; with a view to improving pay, employment, productivity and investment in R&D.
- **People and Skills:** reducing the barriers some people face to employment and supporting them to move towards employment and education and/or funding high quality skills training to support employment and productivity growth. This replaces European employment and skills funding previously available.

5.2 For London, the GLA has developed the investment priorities and borough allocations within these themes. Its plan was submitted in August and includes a mix of cross-borough programmes, direct borough allocations and open calls.

5.2 The GLA has only allocated about half of the London allocation directly to boroughs and has set the priority interventions and outputs this is expected to deliver.

5.3 The levels of funding for each intervention are small and heavily prescribed. Therefore, it is proposed to build the capacity of existing projects and programmes rather than establish a lot of small new projects with limited impact.

5.4 Each London Borough was asked to submit proposals by 7 October 2022 and the LBBB submission includes:

- £350k for the Adult College to deliver numeracy courses as part of the national 'Multiply' scheme.
- £1.4m of mostly capital funding to support six interventions under the theme 'communities and place': enabling us to make improvements and generate footfall to Valence House Museum Gardens, Eastbury Manor House and gardens, and Greatfields Park; boost training resources for volunteers; create a small campaign budget for the Youth Mayor; and invest in the planned 'locality' model to support residents with the cost of living.
- £440k of funding to 'strengthen local entrepreneurial ecosystems': allowing us to build the capacity of our existing/planned business support programmes in the priority areas and sectors where we currently have no or limited alternative sources of funding, including food, social care and work to increase local spend among the council and its contractors.
- An indicative allocation of £840k to provide employment support for economically inactive people, although it should be noted that this funding is only available in year 3 (2024-25) and will be distributed via Local London, therefore the actual amount going directly to boroughs is uncertain.

## 6. Financial Implications

Implications completed by: Katherine Heffernan, Head of Service Finance

- 6.1 This report is one of a series of regular updates to Cabinet about the Council's financial position.
- 6.2 The introduction of the Suspension Service enhanced services will generate income to the Council. The reduction of the Low Emission Vehicle: Zero to 50 CO2 emission charge to zero will be minimal with no material impact on the financial position.

## 7. Legal Implications

Implications completed by: Dr Paul Feild, Senior Standards & Governance Lawyer

- 7.1 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.
- 7.2 Nevertheless, the unique situation of the aftermath of Covid 19 combined with the hostilities between the Russian Federation and the Ukraine presents the prospect of the need to purchase supplies and services with heavy competition for the same resources together with logistic challenges which is causing scarcity and inflationary 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 itemise and document the reasoning for procurement choices to facilitate grounds for seeking such additional support funds as the Authority may be able to access.

## 8. Other Implications

- 8.1 **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.
- 8.2 **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 2 March 2022

<https://modgov.lbbd.gov.uk/Internet/documents/s152346/BF%202022-23%20Report.pdf>

**List of appendices:**

- **Appendix A:** Revenue Budget Monitoring Pack (Period 5)
- **Appendix B:** Capital Programme
- **Appendix C:** Capital Programme Expenditure (Q1 2022/23)
- **Appendix D:** Capital Carry Forwards