

CABINET

13 December 2022

Title: Revenue Budget Monitoring 2022/23 (Period 7, October 2022) and Q2 Capital Programme	
Report of the Cabinet Member for Finance, Growth and Core Services	
Open Report	For Decision
Wards Affected: None	Key Decision: No
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Accountable Strategic Leadership Director: Philip Gregory, Strategic Director, Finance & Investment	
Summary <p>This report sets out the Councils revenue budget monitoring position for 2022/23 as at the end of September 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 £199.662m which would be an overspend of £16.603m. 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 provides the second quarterly update on the Capital Programme. Cabinet is asked to approve the increased capital programme of £452.611m made up of £66.419m General Fund, £31.060m HRA, £2.354m for Transformation and £352.779m Investment Strategy. At quarter two expenditure is only running at just over 31.5% of the programme but the IAS and HRA are forecasting they will fully utilise this year's reprofiled budget while the General Fund is likely to see slippage into future years, especially in the Schools Programme.</p>	
Recommendation(s) Cabinet is recommended to:	

- (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; and
- (ii) Note the capital expenditure at 30 September 2022 (Quarter 2) and approve the revised Capital Programme for 2022/23, as detailed in section 4 and Appendices B and C of the report.

Reason(s)

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.

1. Introduction and Background

- 1.1 This is the fourth revenue budget monitoring report to Cabinet for the 2022/23 financial year. There was 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 £199.662m after planned transfers to and from reserves resulting in a net overspend of £16.603m. 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.
- 2.4 The position has improved since last month principally as the result of two things: a decision to use the Investment reserve to cover the lost income from dividends and a management action plan brought forward by Community Solutions to reduce their in year overspend by £2.4m.

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 revised capital programme for 2022/23 was submitted to Cabinet in June 2022, included slippage from the previous year’s outturn, and was estimated at £644.94m split into £513.0m for the Investment and Acquisitions Strategy (IAS), £68.1m for General Fund (GF), £59.8m for HRA and £4.1m for Transformation.
- 4.2 Since then the Outturn has been revised with a £2.2m increase of slippage from £108.3m to £110.5m and budgets have been reprofiled 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. The outturn position may still be adjusted due to delays in accruals for work carried out by BD Management Services and there are potentially adjustments to be made resulting from the transition from Oracle to E5. A more detailed summary of capital projects is set out at Appendix B and Appendix C.
- 4.3 Cabinet are asked to approve an increase in the capital programme by £35.556m from £417.05m to £452.611m. This is made up of £37.262m additional budget from the Investment and Acquisitions Strategy as a number of schemes have been added and £14.577m of carry forward and new schemes in the General Fund programme offset by £10.517m reduction in the in-year Education programme which has been reprofiled into future years. Details of the new schemes are set out in Appendix B. The programme is made up of £352.8m for the IAS, £82.3m for the GF, £2.4m transformation and £31.1m for HRA. The IAS is covered in detail in the regular Treasury Management reports to Cabinet and Assembly.
- 4.4 At quarter two expenditure is only running at just over 31.5% of the programme but the IAS and HRA are forecasting they will fully utilise this year’s reprofiled budget while the General Fund is likely to see slippage into future years especially in the Schools Programme. Further information about the Capital programme is provided in appendices B and C to this report.

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 Standards & 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 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.

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 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 7)
- **Appendix B:** 2022/23 Capital Programme Summary (Q2)
- **Appendix C:** Detailed Capital Programme 2022/23