

CABINET

22 March 2022

Title: Revenue Budget Monitoring 2021/22 (Period 10, January 2022)	
Report of the Cabinet Member for Finance, Performance and Core Services	
Open Report	For Decision
Wards Affected: None	Key Decision: No
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Accountable Director: Philip Gregory, Chief Financial Officer	
Accountable Strategic Leadership Director: Claire Symonds, Managing Director	
Summary <p>This report sets out the Councils budget monitoring position for 2021/22 as at the end of January 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 including movements to and from reserves is £178.118m which would be an overspend of £4.572m or £4.051m once income is considered. This is an improvement in the position by c£3.176m 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. This is a significant movement in the period and is driven by significant changes within Community Solutions, Law and Governance, Strategy and Culture and Corporate Management. There is still potential for risks and opportunities to materialise even at this late stage in the year. 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;(ii) Note the update on savings proposals, as set out in section 4 of the report; and(iii) Agree the introduction of charges for an enhanced parking bay suspension service, as detailed in paragraph 5.1 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 tenth 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 £178.118m. This is a movement from Period 6 of £10.187m overspend to £4.572m at Period 10. £5.052

including the forecasted increase in funding. There are still risks and opportunities that could 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.

Table 1.	NET FULL YEAR		
	BUDGET	Full Year Forecast	Variance
COMMUNITY SOLUTIONS	24,775	24,783	9
CORPORATE MANAGEMENT	4,417	1,304	(3,113)
INCLUSIVE GROWTH	1,342	1,642	300
LAW AND GOVERNANCE	(1,304)	(2,130)	(826)
MY PLACE	16,589	18,327	1,739
PEOPLE AND RESILIENCE	124,179	128,230	4,051
STRATEGY & CULTURE	3,617	6,029	2,412
TOTAL EXPENDITURE	173,614	178,186	4,572
TOTAL FUNDING	(173,614)	(174,134)	(520)

- 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 during the year and this has already been built into the forecasts.

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 ongoing risk with the movement is that many are the result of one off in year actions which are not necessarily repeatable. 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 has improved from last month by £1.475m. This is driven by receipt of works and skills grant, universal underspend, concessionary fares and underspend on staffing in customer contact make up the remainder of the movement. There is a further £400k of opportunities being worked through that could impact this position further and result in an underspend.
- 3.3 **Corporate Management.** There is a forecast underspend of £3.1 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. In this period the overspend has reduced because of an underspend on salaries, where vacancies have been held.
- 3.5 **Law and Governance.** Following the introduction of new CPZs and increased activity as the lockdown has eased there has been an increase in Parking income. This can be volatile and will be monitored throughout the year. Currently it is assumed to be transferred to the Parking Account reserve. There is also an underspend in the delivery of this service. Parking is working on developing strategies in response to borough needs including considerations of highways maintenance, mobility, and environmental factors. These proposals require further development, the income will therefore be transferred to reserves until they are crystallised.
- 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 worsened this month by £193k primarily due to the forecast of commercial rent being reduced.
- 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 because of these two issues. This area has held static 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. Adult's care and support is reporting an underspend of £1.19m, a reduction in spend of £9k. Overall People and Resilience is forecasting a £4m overspend.
- 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 reduced this month due to a reduction in the ICT forecast.

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. Fees and Charges Recommendations

- 5.1 At the Cabinet meeting on 16 November 2021 (Minute 57), Cabinet agreed the fees and charges schedule for 2022, which included charges to contractors that request the suspension of parking bays in order to carry out works. The utilities who predominantly use this service have requested that an enhanced service, which is chargeable, be offered. Therefore, in addition to the 'normal' service for which the fees were set in the November 2021 report, the three additional levels of Bronze, Silver and Gold are proposed for immediate implementation.

Normal Service – This service is the regular suspension service provided by The London Borough of Barking and Dagenham (The Council) to contractors that make suspension requests.

Contractors are only liable to pay for suspensions they have requested and there will be no additional charges.

The Council does not guarantee that suspended areas will be clear and free from obstructions at the time works are due to be carried out.

If there are contraventions in suspended area, The Council will enforce by issuing Penalty Charge Notices (PCNs) to contravening vehicles.

Bronze Star Service– Contractors that request this suspension service are liable to pay for the suspension they request and an additional charge of **£100.00 per day** to hire a lorry to remove and relocate contravening vehicles in the suspended area on weekdays.

The additional charge of £100.00 is reactive and will only be required if there is a need to remove obstructions from suspended area.

Lorries are available from Monday to Friday; 7:30am – 4:00pm.

Contractors are however required, if possible, to give 24 hours' Notice to The Council if this service is required.

Silver Star Service– Contractors who require suspension services may also proactively pre - book a lorry for **£500.00 per day** in case there is a need to remove obstructions from suspended areas.

There is therefore a liability to pay for the requested suspension as well as the pre-booked lorry.

There will be no refund available if a pre-booked lorry is not needed.

The lorry will be available and dedicated to these contractors from 7:30am to 4:00pm on each day required.

Gold Star Service – This is a weekend service, and it requires Contractors to pay for requested suspensions and an additional **£700.00 per day** to hire a Removals Lorry to remove and relocate obstructions to suspended areas on Saturdays and Sundays.

To make use of this service, Contractors are required to notify The Council by 1:00pm on the preceding Friday.

Clients can proactively specify at application stage what days they may want a removal vehicle on standby as this may not be for the whole duration of the suspension.

- 5.2 There is also a separate report on this Cabinet agenda (Air Quality Action Plan Delivery Update) in respect of removing certain charges to promote the use of electric and low emission vehicles with between 0 – 50 emissions (CO₂) g/km,

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 and 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 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.

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 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 10)