

CABINET

17 January 2023

Title: Revenue Budget Monitoring 2022/23 (Period 8, November 2022)	
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 November 2022, highlighting key risks and opportunities and the forecast position.</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 budget was set in March 2022 against an uncertain economic and funding climate which has progressively worsened during 2022/23. The Council, as with the rest of the country, has experienced significant inflationary pressures, which have impacted not only the Local Government Pay award but also the economic arena of service delivery as well, acutely in Social Services where market forces are inflating the cost and availability of placements. Energy costs have also increased for the Council. The Cost-of-Living Crisis has resulted in increased demand. This is against a backdrop of the fallout of the pandemic and the resource implications of Brexit. These are significant challenges being managed across the Council and the impact of these can be seen in overspends within each area. In addition, there is the impact of a changing balance of costs between the HRA and the General Fund.</p> <p>The Council has received no additional funding from Government to fund the increased costs and demand placing the burden on the Council.</p> <p>The current forecast outturn position, including movements to and from reserves and the income position, is £198.061m which would be an overspend of £15.001m, approximately a 7.5% overspend. This is a significant forecast overspend for the year, however the inflationary pressures are largely outside the control of the Council. It should be noted that this is an improvement since the previous month, largely as a result of management actions resulting in movements in Care and Support.</p> <p>There remains potential for risks and opportunities to materialise and for management action to be taken to reduce overspends in the remainder of the year. 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</p>	

<p>position will continue to be closely monitored and risks and opportunities recognised as soon as certain.</p>
<p>Recommendation(s)</p> <p>Cabinet is recommended to note the projected revenue outturn forecast for the 2022/23 financial year as set out in section 2 and Appendix A of the report.</p>
<p>Reason(s)</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 fifth 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 and March 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 £198.061m after planned transfers to and from reserves resulting in a net overspend of £15.001m. 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 budget support reserve 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. The largest movement is in Care and Support and is the result of several factors such as additional income and a review of placements data.

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. £3.408m 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 £0.457m being uncertain or only part achieved in year.

4. Financial Implications

Implications completed by: Katherine Heffernan, Head of Service Finance

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

5. Legal Implications

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

- 5.1 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.
- 5.2 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.

6. Other Implications

- 6.1 **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.
- 6.2 **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 8)