

CABINET

20 February 2023

Title: Revenue Budget Monitoring 2022/23 (Period 9, December 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 December 2022, highlighting key risks and opportunities and the forecast position.</p> <p>The Council's General Fund (GF) budget for 2022/23 is £183.060m – a net increase from the previous year's position of £9.4m.</p> <p>Like all local authorities across the country, Barking and Dagenham has been impacted by the significant financial and demand pressures that are resulting from the economic climate within England, the legacy of Covid and the uncertainty of funding and the political environment which has made long term planning incredibly difficult. As is evident within Appendix A, the Council has been extremely prudent in its approach to reserve levels to ensure financial stability. It is also proactive in driving through in-year management actions to drive down costs.</p> <p>Since the budget was approved in March 2022 the Council has faced significant increases in costs as a result of inflation, for example the cost of the Local Government pay award and higher energy costs, as well as increasing demand and costs for social care services. The Council has received no additional funding from Central Government to fund the increased costs and demand, placing the burden of meeting these unforeseen costs on the Council. The current forecast outturn position, including movements to and from reserves and the income position, is £195.062m which would be an overspend of £12.002m (a 6.56% overspend of budget) or £11.707m after an in-year increase in corporate funding is taken into account.</p> <p>This is a significant forecast overspend for the year. Key drivers linked to inflation are outside of the control of the Council and it must respond to the market in the same way as any other organisation. This is seen in the cost of provision, energy prices, and the pay award. In addition, a review of the charges between the HRA and GF has resulted in increased costs being felt within the General Fund.</p>	

Period 9 does continue the trend of management actions driving down the overspend and significant movements can be seen within Care and Support, My Place and Law and Governance.

There remains some potential for risks and opportunities to materialise and for management action to be taken to reduce overspends in the remainder of the year. In addition, as in recent years, Central Government has made additional funding available at short notice in the final quarter of the year – some short-term support for Adult Social Care has been announced and it is possible more may follow. 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.

The report also includes proposals relating to Car Club fees and charges, which were not included in the main Fees and Charges report to Cabinet in November. In addition, approval for a budget virement from Corporate Management to individual Directorates to address the in-year pay award is also included for approval.

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;
- (ii) Approve the pay award virement between Corporate Management and all other Directorates as set out in section 4 and Appendix B of the report; and
- (iii) Approve the proposed Car Club fees and charges as set out in section 5 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 sixth 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, which have all compounded the long-standing pressures that impact across the Local Government sector. These risk factors are beyond the Council's control and are being felt across all Local Authorities but they are at risk of

impacting LBBB more significantly as a result of 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 detail being contained within the appendices.
- 1.4 The implementation of the new finance system empowers budget holders to own their financial information and to work alongside finance. This has resulted in several deep dives and data cleanses, particularly within the area of People and Resilience creating a more robust data position from which to forecast and is allowing greater analysis of trends.

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 £195.062m after planned transfers to and from reserves resulting in a net overspend of £12.002m. In addition there is a small overachievement in income from additional section 31 grants of £0.294m giving a final variance of £11.707m. 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. Pay Award Virement

- 4.1 Within the 2022/23 Corporate Management Budget, a provision was created to address the in-year pay award in the sum of c£3m. The pay award was agreed and paid in the December payroll. All staff received a fixed amount increase in pay – which was on average around a 6% increase. The total cost across the Council was £6.7m. We therefore moved this amount out of Central Expenses (within Corporate Management) less an adjustment for the in-year reversal of the National Insurance increase.
- 4.2 The net amount of these two adjustments was £6.079m. As this was more than the budget available this has left a negative balance in Central Expenses. This gap is the main driver of the overspend within Corporate Management. However, this in-year pressure has been taken into account in budget setting for 2023/24 and is funded in that financial year.

5. Fees and Charges for Car Clubs

- 5.1 Cabinet approved parking fees and charges for 2023 at its meeting on 15 November 2022 (Minute 50 refers). Since then, it has been acknowledged that there is no clear permit structure agreed for car clubs operating in the borough. As we are expecting the number of car club bays to increase in the near future, due to many future developments being car-free but with planning obligations to provide car club spaces, it is important to rectify this omission. The table below sets out the proposed permit charging structure for car club bays. The Council and Be First will work together to ensure that new car club bays are located in appropriate locations, and each car club bay will have one permit.

Annual permit		Fee*
Car club operator (any location on public highway)		£470 (diesel £75 surcharge*)
Plus, emission fee	Band 1, 0 to 50 CO2 Emissions	£0
	Band 2, 51 to 100 CO2 Emissions	£120
	Band 3, 101 to 140 CO2 Emissions	£130
	Band 4, 141 to 160 CO2 Emissions	£140
	Band 5, 161 to 180 CO2 Emissions	£150
	Band 6, 181 to 255 CO2 Emissions	£160
	Band 7, Over 256 CO2 Emissions	£170

*Proposed fees are index linked.

**Diesel vehicles will not be permitted except in exceptional circumstances. Should an operator propose a car club 'van' it is likely that it will be a diesel vehicle - this will be assessed on a case-by-case basis and permitted if significant demand is proven, with low emission vehicles being strongly preferred.

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 on the Council's 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 continues to cause 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 Council's 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. There is a need to ensure sound audit trails as to management of costs and itemisation with documentary evidence to support the reasoning for procurement choices and to facilitate grounds for seeking such additional support funds as the Authority may be able from time to time, 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 9)
- **Appendix B:** Proposed Pay Award Budget Adjustment