CABINET

14 November 2023

Title: Revenue Budget Monitoring 2023/24 (Period 6, September 2023)	
Report of the Cabinet Member for Finance, Growth and Core Services	
Open Report	**For Information**
Wards Affected: None	**Key Decision:** No
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Summary

This report sets out the Council's revenue budget monitoring position for 2023/24 as at the end of September 2023, highlighting key risks and opportunities and the forecast position.

At the end of the last financial year, the Council was overspent across a range of service areas. Some of this was one-off in nature but there was an underlying permanent overspend of £8m, which continues to impact the current financial year. The factors contributing to this, especially increasing demand and costs of social care services, have continued and worsened into this financial year resulting in a further overspend forecast position.

The Council's General Fund budget for 2023/24 is £199.002m. Based on the information available at the end of August (Period 5) overall expenditure was forecast to be £210.4m with a planned drawdown from reserves of £5.818m making a forecast overspend of £11.037m. The Council saw an improvement in the forecast between Period 4 and Period 5 as a result of measures which included finding alternative sources of funding such as grant income, holding staff vacancies and delaying or reducing costs wherever possible. However, the Council continues to be impacted by demand pressures and increasing care costs related to social care. Continued mitigations and cost reductions will be pursued to ensure the Council limits the overspend by year end.

At the end of September (Period 6) forecast expenditure after transfers to and from reserves is now £211.654m resulting in a forecast overspend of £12.652m. This represents an adverse movement of £1.614m from Period 5 and would mean a large draw down on the Council's reserves, so work to reduce spending will need to continue further. This will be reported regularly throughout the year.

There is also the inherent risk that demand costs increase and other unforeseen costs materialise which result in additional expenditure or shortfalls of income not currently included within the Period 6 forecast.

There is also a projected overspend of £7.080m on the HRA, which is slightly higher than the position at Period 5 (£6.899m) but below the £7.50m overspend reported in P4. This level of overspend is not sustainable and work is currently underway to reduce this level of overspend going forward.

Currently corporate funding is expected to be in line with the budget but this year's dividend from Be First (estimated at c£10.4m) will be drawn down from reserves. Last year an exceptional return was made from the Muller deal, and it was agreed this could be spread over two years via a reserve.

There are a number of identified risks and opportunities which could have a beneficial or detrimental impact on the current forecast position. These need to be managed along with mitigating actions to sustainably reduce overspends in the remainder of the year.

If the forecast level of overspend continues, this could result in the requirement to draw funds down from the General Fund balance c£17m. The Council's current Reserves Policy has set the balance for the General Fund to be maintained at £12m.

Any amounts drawn down from the General Fund or earmarked reserves could significantly impact on the Council's financial sustainability. The position will continue to be closely monitored and risks and opportunities recognised as soon as certain.

Recommendation(s)

Cabinet is recommended to:

(i) Note the projected £12.652m revenue overspend forecast at Period 6 for the General Fund for the 2023/24 financial year, as set out in sections 2 and 3 and Appendix A of the report;

(ii) Note the projected £7.080m revenue overspend forecast for the Housing Revenue Account, as set out in section 4 and Appendix A of the report; and

(iii) Note the projected returns for the Investment and Acquisition Strategy as set out in section 5 and Appendix A 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.

Chapter 2 of Part 4 of the Council's Constitution requires regular reporting to Cabinet on the overall financial position of each service and the current projected year-end outturn together with corrective actions as necessary.

1. Introduction and Background

1.1 This budget monitoring report to Cabinet reflects the forecast position for the end of the 2023/24 financial year as at end of September 2023 (Period 6).

1.2 This financial year continues to see the high level of financial risk realised in 2022/23 outturn which feeds into 2023/24. The risk of inflation, and rising interest rates can not only drive increases in demand but directly impact the costs paid by the Council to staff and suppliers. The performance of Council's companies is also impacted and are unable to deliver on the dividends which requires the Council to drawdown on reserves.

1.3 The pressure identified in this report are significant and will be factored into the Council's MTFS Planning process to identify long term financial implications on the Council. It is important that the Council begins to significantly reduce the forecast overspend in order to ensure the Council remains financially sustainable over the coming years. The continued drawdown of reserves to support budget pressures is unsustainable and viable solutions will need to be identified to bring spend in line with allocated budgets.

1.4 The financial pressures are unsustainable and immediate action will need to be taken to bring the overspend down. The Council continues carry out monitoring monthly and forecast will be reviewed regularly.

2. Overall Financial Position - General Fund

2.1 The 2023/24 budget was approved by the Assembly in March 2023 and is £199.002m – a net increase of £16m 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 £7.049m of savings included in the budget.

2.2 As **Appendix A** shows, the expenditure forecast is £211.654m after planned transfers to and from reserves resulting in a net overspend of £12.652m. Approved transfers to and from reserves are not normally considered to be overspends since they are planned and agreed spending for which funding sources has been identified – often grant income brought forward from previous years. Table 1 below summarises the overall financial forecast for the Council followed by a narrative highlighting the key drivers behind the forecasts. More detail is given in Appendix A.

Table 1: Overall Financial Forecasted Position by Directorate

		This Years Budget	Actuals/Forecast		Reserves	Variances Inc Reserves			
	Outturn 2022/23	Revised	YTD Actuals	Current Forecast	Net Movement in Reserves	Variance	Last Period Variance	Movement from Last Period	
GENERAL FUND I&E	210,758,420	199,002,253	100,560,955	228,938,748	(17,284,620)	12,651,875	11,037,395	1,614,479	
PEOPLE & RESILIENCE	117,190,113	116,957,652	56,758,574	130,366,517	0	13,408,864	11,020,797	2,388,067	
CORPORATE MANAGEMENT	52,696,852	45,112,923	8,195,233	59,906,828	(12,161,574)	2,632,331	2,240,899	391,431	
LAW AND GOVERNANCE	(5,174,523)	(4,202,417)	916,060	(6,755,603)	1,455,000	(1,098,186)	(945,775)	(152,411)	
STRATEGY	3,546,790	9,755,640	5,437,282	9,791,675	(363,662)	(327,627)	(813,576)	485,949	
INCLUSIVE GROWTH	2,229,661	1,735,078	2,436,307	3,711,490	(1,765,298)	211,114	274,848	(63,734)	
COMMUNITY SOLUTIONS	25,021,966	14,461,470	7,267,630	17,165,392	(4,449,086)	(1,745,164)	(1,431,665)	(313,499)	
MY PLACE	15,247,563	15,181,907	19,549,868	14,752,450	0	(429,456)	691,867	(1,121,323)	

2.3 Key Organisational Risks contained within the forecast are outline below:

2.3.1 Temporary Accommodation rental properties available: We are currently at capacity within our own hostels and have received several hand backs requests for Private Sector Landlord's which may lead to moving tenants into more expensive accommodation such as into B&B's and Hotels. Modelling is being carried out against various assumptions which will enable a more robust forecast. This is a national issue. This will also impact support for Social Care clients with the immigration status of No Recourse to Public Funds (NRPF).

2.3.2 Social Care budgets are highly dependent on demand for services and effects of price rises on provision of care packages. As costs of care are very high even small changes in numbers of people needing support can cause large swings in the overall forecast. The Adult's service was holding some health funding in reserve to offset against potential winter pressures, but this has now been released to offset budget pressures much earlier than anticipated, which carries significant risk.

2.3.3 My Place is the managing agent for Reside properties. It therefore attracts expenditure which in turn must be passed to the relevant reside company. There is a risk of the current insufficient breakdown of the expenditure between HRA and Reside properties hindering My Place from being able to secure payment for invoices from the relevant company, leaving the service with an overspend.

2.3.4 Commercial Services – Leisure Income: Sports and Leisure Management has given notice that they will be terminating the Leisure contract from September 2024. It is assumed that SLM will continue to pay the concession fee up to the termination date. The assumed income is £665k in 2023/24. It is highly unlikely that the new leisure provider will be able to provide the same level of management fee income to the Council as factored into the MTFS.

2.3.5 Contaminated Land by Eastbrookend Park. Although a provision was made for this issue at the end of 21/22 until the matter is settled then there remains a risk.

2.3.6 HB subsidy and overpayments recovery, the forecasts are based on the current returns and are subject to change throughout the year. There are new players in the market that are claiming the Supported Exempt Status, this means they are exempt from Universal Credit and can claim HB. DWP will only pay the amount in rent to the LA that is advised by the rent officer. Where there are new entrants to the market there is no comparator for rent and therefore there are risks that the LA will be picking up the cost of the gap between the rent officer rate and the provider rate.

2.4 Key assumptions made within the Organisational Forecast are outlined below:

2.4.1 Forecasts are provided by budget holders and service managers with Finance advice and support.

2.4.2 Staffing costs are estimated within services at 22/23 pay rates. An estimate of the additional costs of a 6.5% pay increase has been included in Central Expenses resulting in a £3.7m overspend and forms part of the Corporate Management overspend.

2.4.3 There is an inflation provision held centrally of £5.5m for energy and contract costs. £2.7m has been distributed to services and a further £0.7m is shown as an underspend against declared service pressures leaving c£2m.

2.4.4 Care and Support figures are based on known clients and care packages held on CONTROC and does not factor in clients going through the onboarding process. Any increases in clients or shifts in types of placements above this assumption will create variances. Since individual clients can require very expensive packages these budgets can be very volatile. Further work is now being picked up to better forecast for placement spend with a clear model being developed by Finance, supported by Social Care.

2.4.5 Quarter two debt monitoring did not support an increase in bad debt provision as the increase in debt to date is attributed to seasonal effects so there is currently no forecast for this being required. Bad debt is revisited Quarterly and will be updated in P9 with a clearer position identified at year end.

2.4.6 It is assumed that the company dividends total of £12m will be drawn down from reserves and this position is factored within the Corporate Management Directorate. Be First £10m and BDTP £2m will be covered from the IAS reserve using the Mueller Profit in part as the companies are unlikely to deliver returns 23/24. Not drawing down these reserves will further add to the overspend by £12m.

2.4.7 Parking Income has been forecast to include the current trend. Currently forecasting additional income of £1.2m of which £0.2m will be transferred to Reserves and c£1m is included in the outturn position. There are schemes to come online in year that may increase the achieved income. We have been prudent in the income forecast. There is a potential uplift of c£0.3m up to c£.5m but this will depend on the timescales of delivering schemes.

2.4.8 There is no variance reported on borrowing and interest costs and income or the MRP budget – in previous years this has been managed by use of reserves.

3 Service Variances

3.1 People & Resilience – forecast overspend £13.4m

Income/Expenditure	Prior Year Outturn	Current Year Budget	Current Year Actual YTD	Current Year Forecast	Reserves Transfers To	Reserves Transfers From	Variance	Last Period Variance	Movement
Adult's Disabilities	20,056,478	19,878,126	11,980,552	22,979,582	0	0	3,101,456	2,853,564	247,891
Adult's Care and Support	22,025,777	23,535,403	9,701,446	27,576,830	0	0	4,041,427	2,137,009	1,904,418
Commissioning Care and Support	9,849,999	14,602,173	7,620,074	14,094,940	0	0	(507,233)	(667,622)	160,389
Public Health	(339,189)	(318,250)	(8,667,618)	(318,249)	0	0	1	1	0
Children's Care and Support	45,863,019	41,486,049	22,853,766	46,766,164	0	0	5,280,115	4,472,249	807,865
Education, Youth and Childcare	4,102,925	3,754,781	6,929,857	3,754,781	0	0	0	0	0
Early Help Service	2,876,729	3,391,965	60,402	2,811,661	0	0	(580,304)	(432,376)	(147,928)
Children's and Young People Disabilities	13,913,317	10,627,405	5,861,665	12,700,808	0	0	2,073,403	2,657,972	(584,569)
Grand Total	**118,349,054**	**116,957,652**	**56,340,145**	**130,366,517**	**0**	**0**	**13,408,864**	**11,020,797**	**2,388,067**

3.1.1 Overall, there is an overspend of £13.409m across the whole of People and Resilience. This is an adverse movement of £2.388m since last month.

3.1.2 This is largely due to new placements across both Children's and Adult's services and the cancelling of some Adult client debt, with some offsetting income from clawback of direct payments.

3.1.3 The underlying pressure is largely to the cost of implementing supplier uplifts and paying the London Living Wage to all providers, which had led to a pressure of £5.6m. The service is experiencing a significant rise in the number of Education, Health and Care plans, which has resulted in an increasing overspend on the Children with Disabilities budget. The impact of Young B&D is also significant. There are around 300 18-25s receiving care, who are causing a significant financial pressure as they transfer to Adults. The clients transferring are entering Adult care at far greater cost than those clients leaving. Given the numbers, this will have long-term financial implications for the authority.

3.1.4 Placement forecasts within Children's and Adults Services are based on actual client's full year costs as shown in the social care placements database (ControcCc). The service intends to move towards a position where the forecast incorporates estimated future activity, which should lead to less volatility in the monthly forecast. The current estimated outturn moving to this methodology is a likely year end overspend of approximately £16m. As this is work in progress, the forecast has not yet been updated to reflect this likely increase.

3.1.5 A review of Adult Social Care debt has identified 210 clients for whom a financial assessment has not been undertaken by the Financial Assessment Team within Community Solutions due to non-engagement or capability issues. To date, contributions totalling £4.3m have been assumed as income by the Council over a multi-year period. There is a risk that this income will have to be written off if these clients are subsequently found not to be liable for these charges.

3.2 **Corporate Management – forecast overspend £0.652m**

	This Years Budget			Actuals/Forecast		Transfers to/from Reserves		Variances Inc Reserves	
	Revised	Controlled	UnControlled	YTD Actuals	Current Forecast	Transfers to	Transfers from	Variance	Last Period
CORPORATE MANAGEMENT	1,962,734	1,962,734	0	632,331	2,776,768	0	(161,574)	652,460	(100,111)
STRATEGIC LEADERSHIP	425,369	425,369		198,715	477,237	0	(99,360)	(47,492)	(105,132)
FINANCE	12,859,478	12,859,478		11,709,508	12,680,454	0	(62,214)	(241,238)	(936,169)
WORKFORCE CHANGE / HR	1,917,111	1,917,111		2,073,484	2,809,802	0	0	892,691	892,691
LEADERS OFFICE	271,251	271,251		161,099	319,750	0	0	48,499	48,499
TECHNICAL - CORP MGMT	(13,510,475)	(13,510,475)		(13,510,475)	(13,510,475)	0	0	0	0

3.2.1 There is a forecast overspend of £0.6m in Corporate Management, an adverse movement of £752,000 from P5 mainly due to estimated additional audit fees to be accrued, relating to prior years, coupled with additional finance interim resource costs.

3.2.2 IT (within Finance) is reflecting an underspend of (£1.03m) with an increase in the underspend of (£77,000) is due to delayed recruitment to vacancies and the recent recruitment pause.

3.2.3 Workforce Change/HR and the Leader's Office have not shown any significant changes since P5. Therefore, the current forecast remains consistent, indicating an expected overspend of £950k. Within the HR department, re-evaluation of the Housing Revenue Account (HRA) recharge has led to an income deficit of £437k. This change, along with ongoing challenges, has made it impractical for HR to meet the originally projected savings of £577k in the 2023/24 financial year. The delays in implementing the ERP system and the Self-Service Manager model are contributing factors to this setback. Furthermore, the Leader's Office is grappling with a historical budget pressure of £50k.

Central Expenses – forecast overspend £2.025m

	This Years Budget			Actuals/Forecast		Transfers to/from Reserves		Variances Inc Reserves	
	Revised	Controlled	UnControlled	YTD Actuals	Current Forecast	Transfers to	Transfers from	Variance	Last Period
CENTRAL EXPENSES	47,252,029	47,315,029	(63,000)	9,011,114	61,277,539	0	(12,000,000)	2,025,510	2,431,013

3.2.4 A 2.7m inflation provision has been released to support services and a further £0.7m is offsetting overspends elsewhere. The assumption in the previous forecast was a pay award of 4% considering the offers to other Public Sector workers averaging over 6% the forecast has increased the pay award assumption to 6.5%. This is a change in assumption from last period. This is resulting in a net forecast overspend of £2.6m. There is a small underspend of £0.2m on MRP. This is a change in assumption from last period. This is resulting in a net forecast overspend of £2.6m. There is a small underspend of £0.2m on MRP.

3.2.5 A 2.7m inflation provision has been released to support services and a further £0.7m is offsetting overspends elsewhere. The assumption in the previous forecast was a pay award of 4%. Considering the offers to other Public Sector workers averaging over 6% the forecast has increased the pay award assumption to 6.5%.

3.2.6 There are £4.2m contingency budgets and provisions which are assumed to be fully spent including the redundancy provision (£1.3m) and the remaining inflation pot (£2m.) The biggest risk is bad debt provision as there is only £1.9m of budget. No pressure is currently being forecast. This will be reviewed at the end of quarter three. There is £110k overspend on HB Overpayment Recovery and Subsidy due to overpayment reclaims.

3.2.7 In previous years the Council has usually made a healthy underspend on net interest income and expenditure – up to £7m in a good year. However, this may not be so achievable in the current economic climate. This is currently not included in the forecast as it is generally taken to the IAS reserve to fund future borrowing/investment.

3.2.8 The £12m reserve drawdown reflects the fact that Be First and Reside, wholly owned Council companies, will fail to make dividend payments as budgeted. The Council will mitigate this pressure by drawing down a £12m investment reserve that was set aside last year from a one-off dividend received by the sale of the Muller site by Be First Muller development.

3.3 Law & Governance – forecast underspend £1.098m

	This Years Budget			Actuals/Forecast		Transfers to/from Reserves		Variances Inc Reserves	
	Revised	Controlled	UnControlled	YTD Actuals	Current Forecast	Transfers to	Transfers from	Variance	Last Period Variance
LAW AND GOVERNANCE	**(4,202,417)**	**(4,202,417)**		**916,060**	**(6,755,603)**	**1,485,000**	**(30,000)**	**(1,098,186)**	**(945,057)**
LEGAL	3,628,084	3,628,084		2,662,299	3,552,888		(30,000)	(105,196)	29,713
ENFORCEMENT	(7,830,501)	(7,830,501)		(1,746,239)	(10,308,491)	1,485,000		(992,990)	(974,770)

3.3.1 There is additional income being forecast for Off Street Parking (ie Car Parks) and Traffic Management Orders. These are not ringfenced and can be used to offset other council pressures. On Street Parking income surpluses will be taken to the reserves.

3.4 Strategy – forecast underspend (£0.327m)

	This Years Budget			Actuals/Forecast		Transfers to/from Reserves		Variances Inc Reserves	
	Revised	Controlled	UnControlled	YTD Actuals	Current Forecast	Transfers to	Transfers from	Variance	Last Period Variance
STRATEGY	**9,755,640**	**9,755,640**		**5,437,282**	**9,791,675**	**0**	**(363,662)**	**(327,627)**	**(813,576)**
STRATEGY & INSIGHT	8,392,400	8,392,400		4,573,272	8,288,696	0	(351,662)	(455,366)	(955,253)
COMMUNICATIONS	1,363,240	1,363,240		864,010	1,502,979	0	(12,000)	127,739	141,677

3.4.1 There are underspends across the following services, mainly due to vacancy savings: Customer Contact (£203k), Strategy (£139k), and Insight (£105k). Advertising is forecast to exceed the £236k income target by (£56k).

3.4.2 There are overspends within Communications and Events £128k and the PMO £38K. These overspends are in the main driven by a shortfall in HRA income: £112k in Comms and £116k in the PMO. These overspends are mitigated by holding vacant posts.

3.4.3 The underspend position has reduced by £486k since Period 5. This is due to a reduction in HRA income within Customer Contact.

3.4.4 The following sums are being drawn down from reserves: £283k growth funding for the Customer Experience team, £50k to Insight for One View, £19k for a salaries carry forward within Strategy and £12k Women's Empowerment funding to Events.

3.5 Inclusive Growth – forecast overspend £0.211m

	This Years Budget			Actuals/Forecast		Transfers to/from Reserves		Variances Inc Reserves	
	Revised	Controlled	UnControlled	YTD Actuals	Current Forecast	Transfers to	Transfers from	Variance	Last Period Variance
INCLUSIVE GROWTH	**1,735,078**	**1,735,078**		**2,436,307**	**3,711,490**	**154,342**	**(1,919,640)**	**211,114**	**274,848**
COMMERCIAL	(761,371)	(761,371)		61,091	(860,778)	154,342	(40,000)	14,935	45,733
INCLUSIVE GROWTH	2,496,449	2,496,449		2,375,216	4,572,267	0	(1,879,640)	196,178	229,115

3.5.1 This overspend is mainly due to a £500k income target (for 2023/24 only) for Soil Importation within Parks Commissioning which will not be met. This is being offset by holding vacancies and other management action.

3.5.2 The overspend has reduced by £63k since Period 5 due to the recruitment pause.

3.5.3 The key risk within this service area is income from the leisure contract, although the risk is from 2024/25 when the current leisure contract ends. The procurement process for a new leisure provider is underway, and it is not yet known what level of management fee income will be secured.

3.6 Community Solutions – forecast underspend of £1.745m

	This Years Budget			Actuals/Forecast		Transfers to/from Reserves		Variances Inc Reserves	
	Revised	Controlled	UnControlled	YTD Actuals	Current Forecast	Transfers to	Transfers from	Variance	Last Period Variance
COMMUNITY SOLUTIONS	**14,461,470**	**14,461,470**		**7,267,630**	**17,165,392**		**(4,449,086)**	**(1,745,164)**	**(1,431,665)**
SUPPORT AND COLLECTIONS	7,017,112	7,017,112		3,386,379	7,587,206		(1,511,164)	(941,070)	(657,756)
COMMUNITY SOLUTIONS	1,069,410	1,069,410		451,124	915,097		(156,000)	(310,313)	(316,010)
COMMUNITY PARTICIPATION & PREV	7,679,948	7,679,948		4,735,127	9,968,089		(2,781,922)	(493,781)	(457,898)
TECHNICAL - COMSOLS	(1,305,000)	(1,305,000)		(1,305,000)	(1,305,000)				

3.6.1 Within this forecast there is a financial pressure of £3.4m – mostly relating to services no longer being charged to the HRA. This is being managed in-year with a mitigation plan including holding vacancies and drawing heavily on reserves. The service has also been successful in increasing its income including grant income from the GLA, Health income and HRA recharges.

3.6.2 The key risks are Becontree Collection Service achieving the forecast income of £600k in 2023/24 and limiting the use of B&B's and Hostels for Temporary Accommodation.

3.7 My Place – forecast underspend of (£0.4m)

	This Years Budget			Actuals/Forecast		Transfers to/from Reserves		Variances Inc Reserves	
	Revised	Controlled	UnControlled	YTD Actuals	Current Forecast	Transfers to	Transfers from	Variance	Last Period Variance
MY PLACE	**15,181,907**	**15,181,907**	**0**	**19,549,868**	**14,752,451**	**0**	**0**	**(429,456)**	**691,867**
HOMES AND ASSETS	(1,145,987)	(1,145,987)	0	8,395,670	(28,583)	0	0	1,117,404	1,442,774
PUBLIC REALM	16,327,894	16,327,894	0	11,154,198	14,781,034	0	0	(1,546,860)	(750,907)

3.7.1 This is made up of an underspend in Public Realm of (£1.547m) offset by a £1.117m overspend in Homes and Assets. The Homes and Assets pressure results from a reduced ability to charge to the HRA and a shortfall on Commercial Property income while the Public Realm underspend relates to an increased recharge to HRA of appropriate costs following reviews and staffing vacancies being held ahead of a restructure and due to recruitment freeze.

3.7.2 Homes and Assets is currently forecasting a £0.790m overspend within the Commercial Portfolio, this is seen as an underlying pressure within the outturn. The Strategic Director has tasked the Commercial Lead with completing a full asset list and rent role to determine the recoverability of the pressure and support budget setting assumptions for 2024/25. This is expected to be completed by end of October.

3.7.3 One of the primary risks for Homes and Assets is its ability to recover costs in the role of the managing agent for the Reside group of entities. This raises several risks from identifying all reside related expenditure, aggregating it between the different blocks and companies, raising service charge invoices and managing the debt position of this all within the General Fund. The risk is that the service is left holding the expenditure.

3.8 Savings

	Savings Rated Green £ 000s	Savings Rated Amber £ 000s	Savings Rated Green £ 000s
Care and Support		237	500
Community Solutions	130	220	1,122
My Place	155		153
Inclusive Growth	500		370
Finance & IT			735
Law & Governance			2,300
HR	577		
Education	15		
EYCC		35	
Total	1,377	492	5,180

3.8.1 There is a new savings target of £7.049m for 2023/24. At P6:

- £1.377m (20%) are rated red, not being achieved; (HR £0.577m, Parks income £0.5m, My Place £0.15m, Valence library £0.13m)
- £0.492m (16%) are rated amber / green, forecast as uncertain and may only be part achieved
- £5.18m (64%) are rated green, fully achieved (either now or by year end) or expected to be achieved in year.

3.8.2 Red savings are reflected in the service overspends. Unachieved savings in the current financial year increases the risk to the medium-term financial strategy moving forward and will increase the budget gap unless viable alternative savings can be found.

4 Housing Revenue Account

4.1 The HRA is forecasting to overspend by £7.080m. The primary cause of the overspend is the significant increase in the BDMS contract for Housing Repairs and Maintenance which has increased from £15.670m to £25m, an agreed increase after budget setting. This movement is not like for like with some costs being removed and others added during the one-year contract extension. The overall increase, taking account of the DLO underspend is £9.907m across Repairs and Maintenance, Supervision and Management

4.2 These costs are being party mitigated by a slowdown in the capital programme leaving residual pressures of £7.080m. HRA reserves stand at £18m and may reduce by a further £1m once the HRA for 2022/23 is finalised. Drawing a further £7m from reserves will significantly deplete HRA reserves. It should also be noted that reducing capital spending may result in a further increase in reactive costs in future years vs planned.

4.3 There are a range of risks confronting the HRA totalling £2.040m together with at least 10 further areas that are non-quantified. The most significant quantified risk at this time is £1.5m relating to Fleet costs incurred within BDMS which they are seeking outside of the contract price. In terms of opportunities, there is upwards of (£1.5m) potentially from releasing Bad Debt Provision budget but currently being cautious with the cost of living and awareness that the other Disrepair Provision may require further funding in the current year.

5. Investment and Acquisition Strategy and Treasury Management

5.1 The Council has an Investment and Acquisition Strategy to achieve a financial return while supporting the regeneration of the borough. This is reported on in detail at regular intervals but a short summary of the current in-year forecast is provided in Appendix A.

5.2 Overall there is a shortfall of £3.7m on returns with only £3.2m being forecast to be achieved against a target of £6.9m. However, this is offset by a £4.5m net over achievement of income on borrowing and investment income creating a net surplus of £0.863m.

5.3 There is also a small surplus forecast of £0.943m on general treasury management activity. This has not been incorporated into the main budget forecast as the economic situation is volatile but it does represent an opportunity to decrease the overspend if returns remain favourable.

6. Financial Implications

Implications completed by: Nish Popat, Deputy Section 151 Officer

6.1 This report is one of a series of regular updates to Cabinet about the Council's financial position and the main body of the report provides key financial implications.

6.2 The overspends indicated within this report are unsustainable and places the Council's under increased risk of running out of reserves. The overspend of £12.652m is after a drawdown of £17m in reserves and therefore the true overspend, without reserve drawdown, is £29.5m which is over 10% of the net allocated services budget.

6.3 It is important that key actions are taken to bring the overspend down

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 In spite of inflationary pressures such as the Post covid and war in Eastern Europe shocks, the fiduciary duty to Council taxpayers and the Government for proper stewardship of funds entrusted to the Council together with ensuring value for money plus the legal duties to achieve best value still apply. Furthermore, there remains an obligation to ensure statutory services and care standards for the vulnerable are maintained.

7.3 We must continue careful tracking of all costs and itemise and document the reasoning for procurement choices to ensure expenditure is in line with the Local Government Act 1999 duty to secure continuous improvement in the way in which the Council's functions are exercised, having regard to a combination of economy, efficiency, and effectiveness. If there should be need to make changes in services provision, then there is a duty to carry out proper consultation and have due regard to any impact on human rights and the Council's Public Sector Equality Duty under the Equality Act 2010 before finalising any decision.

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 1 March 2023

Budget Framework 2023-24 Report (lbbd.gov.uk)

List of appendices:

- **Appendix A:** Revenue Budget Monitoring Pack 2023/24 (Period 6)