CABINET

19 December 2023

Title: Revenue Budget Monitoring 2023/24 (Period 7, October 2023)	
Report of the Cabinet Member for Finance, Growth and Core Services	
Open Report	**For Decision**
Wards Affected: None	**Key Decision:** Yes
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Summary

This report sets out the Council's revenue budget monitoring position for 2023/24 as at the end of October 2023 (Period 7), 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 needs 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 September (Period 6) overall expenditure was forecast to be £228.939m with a planned drawdown from reserves of £17.285m making a forecast overspend of £12.652m. The Council continues to be impacted by needs 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 October (Period 7) forecast expenditure after transfers to and from reserves is now £210.607m resulting in a forecast overspend of £11.605m. This represents a positive movement of £1.047m from Period 6. Work to reduce spending will need to continue further to reduce the draw down from Council's reserves. 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 include within the P7 forecast.

There is also a projected overspend of £7.080m on the HRA, which is consistent with Period 6, but slightly higher than the position at Period 5 (£6.899m). 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) is expected to 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.

If the forecast level of overspend continues, this could result in the requirement to draw funds down from the General Fund balance of c£17m. This will reduce the financial resilience of the Council and curtail future ability to meet cost pressures. It is important to maintain a strong level of the general balance to meet any unknown future risks and all efforts must be made to reduce in year overspends to nil and deliver services within exiting budgets. The position will continue to be closely monitored with a reserve position reported as part of the Budget Strategy report, which is elsewhere on this agenda.

Recommendation(s)

Cabinet is recommended to:

(i) Note the projected £11.605m revenue overspend forecast at Period 7 for the General Fund for the 2023/24 financial year, as set out in sections 2 and 3 and Appendix A of the report, and the net projected year-end drawdown of £4.888m to support the in-year position, as shown in Table 1 of the report;

(ii) Note the projected £7.08m revenue overspend forecast for the Housing Revenue Account, as set out in section 4 and Appendix A of the report;

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

(iv) Approve a virement of £10,733,468 from the Enforcement Service budget to the Public Realm budget to reflect the transfer of the Parking service to Public Realm during period 7; and

(v) Approve the re-appropriation of reserves of £3.684m to the Budget Support Reserve from other non-ringfenced reserves, as detailed in section 6 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 October 2023 (Period 7).

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.

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 £210.607m after planned transfers to and from reserves resulting in a net overspend of £11.605m. 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. The table 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	121,473,670	215,495,526	(4,888,291)	11,604,982	12,651,875	(1,046,893)	
PEOPLE & RESILIENCE	117,190,113	116,957,652	61,040,850	132,018,930	0	15,061,278	13,408,864	1,652,413	
CORPORATE MANAGEMENT	52,696,852	45,112,923	14,977,352	45,549,808	(161,574)	275,311	2,632,331	(2,357,020)	
LAW AND GOVERNANCE	(5,174,523)	6,531,051	1,812,729	4,886,054	1,245,000	(399,997)	(55,564)	(344,433)	
STRATEGY	3,546,790	9,755,640	5,894,153	9,792,615	(363,662)	(326,687)	(327,627)	940	
INCLUSIVE GROWTH	2,229,661	1,735,078	1,234,560	3,572,705	(1,713,969)	123,658	211,114	(87,455)	
COMMUNITY SOLUTIONS	25,021,966	14,461,470	8,280,948	16,786,943	(4,104,086)	(1,778,613)	(1,745,164)	(33,449)	
MY PLACE	15,247,563	4,448,439	28,233,078	2,888,471	210,000	(1,349,968)	(1,472,078)	122,110	

2.2.1 People and Resilience has a negative movement of £1.6m from period 6. The movement is largely due to new placements across Children's services and the cancelling of some Adult client debt.

2.2.2 Corporate Management has had a positive movement of £2.4m from period 6. The staff pay award for 2023/24 has been agreed and the average award is 5%. A provision of 6.5% was included in the forecast, this has now been adjusted, which has resulted in the positive movement.

2.2.3 Law and Governance has had a positive movemment of £0.3m from Period 6, this is due to suspending recruitment into vacant posts for remainder of this financial year.

2.2.4 My Place has had a negative movement of £0.1m from period 6. The change is due to recognising 100% bad debt provision for an invoice to BDTP Group relating to services delivered in 2022/23. This has been offset by reductions in forecast spend on maintenance costs and security on commercial properties.

2.3 **Key Organisational Risks**

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 (SLM) 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 2021/22 there remains a risk. Considerable progress has been made in implementing the decontamination Action Plan, and the immediate threat of prosecution by Thames Water has been withdrawn. However, long-term arrangements for the future of the effluent treatment plant and alternative measures to prevent the discharge of landfill leachate to the Thames Water drainage asset are yet to be identified and investigated. If the plant and equipment fail the Council could potentially breach its consent to discharge which may result in fresh prosecutory action.

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. The Department for Work and Pensions (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

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 2022/23 pay rates. An estimate of the additional costs, average 5% pay increase, has been included in Central Expenses resulting in a £2.7m positive movement from Period 6.

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.

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 final position identified and reported at year end.

2.4.6 It is assumed that the company dividends of £10.4m will be drawn down from reserves and this position is factored within Corporate Funding. Be First £10.4m will be covered from the IAS reserve using the Mueller Profit t as the company is unlikely to deliver returns 2023/24. Not drawing down these reserves will further add to the overspend by £10.4m.

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 £15.1m*

People and Resilience									
Income/Expenditure	Prior Year	Current Year			Reserves		Variances inc Reserves		
	Outturn	Budget	Actual YTD	Forecast	Transfers To	Transfers From	Variance	Last Period Variance	Movement
Adult's Disabilities	20,056,478	19,878,126	13,967,256	23,406,008	0	0	3,527,882	3,101,456	426,427
Adult's Care and Support	22,025,777	23,535,403	11,654,542	27,769,359	0	0	4,233,956	4,041,427	192,528
Commissioning Care and Support	9,849,999	14,602,173	8,842,484	14,095,686	0	0	(506,487)	(507,233)	746
Public Health	(339,189)	(318,250)	(12,575,420)	(318,249)	0	0	1	1	0
Children's Care and Support	45,863,019	41,486,049	26,152,766	47,182,251	0	0	5,696,202	5,280,115	416,088
Education, Youth and Childcare	4,102,925	3,754,781	5,313,055	3,754,781	0	0	(0)	0	(1)
Early Help Service	2,876,729	3,391,965	343,384	2,811,662	0	0	(580,303)	(580,304)	1
Children's and Young People Disabilitie	13,913,317	10,627,405	6,696,971	13,317,432	0	0	2,690,027	2,073,403	616,624
Grand Total	**118,349,054**	**116,957,652**	**60,395,038**	**132,018,930**	**0**	**0**	**15,061,278**	**13,408,864**	**1,652,413**

3.1.1 Overall, there is an overspend of £15.061m across the whole of People and Resilience. This is an adverse movement of £1.652m since last month.

3.1.2 This is largely due to new placements across Children's services and the writing-off of some Adult client debt.

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 (ContrOcc). 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. This work has commenced and has been partially incorporated into the P7 forecast.

3.1.5 A review of Adult Social Care debt identified 210 clients for whom a financial assessment had not been undertaken due to non-engagement or capability issues. £3.8m income has been forecast to be written off this financial year. It has been assumed that £2.6m of this amount can be met from the existing bad debt provision, so the revenue impact is expected to be £1.2m.

3.2 Corporate Management – forecast overspend £0.68m

	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
CORPORATE MANAGEMENT	**1,962,734**	**1,962,734**	**0**	**1,849,020**	**2,804,748**	**0**	**(161,574)**	**680,440**	**652,460**
STRATEGIC LEADERSHIP	425,369	425,369		279,737	472,426	0	(99,360)	(52,303)	(47,492)
FINANCE	12,859,478	12,859,478		12,514,501	12,696,836	0	(62,214)	(224,856)	(241,238)
WORKFORCE CHANGE / HR	1,917,111	1,917,111		2,377,640	2,826,211	0	0	909,100	892,691
LEADERS OFFICE	271,251	271,251		187,616	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 £680K in Corporate Management, an adverse movement of £28K from P6, which is due to additional staffing costs in Finance and Workforce Change/HR.

3.2.2 IT (within Finance) is reflecting an underspend of (£1.1m) with an increase in the underspend of (£69k) due to the recruitment pause.

3.2.3 Workforce Change/HR is forecast to overspend by £909k, an adverse movement of £16k from P6 which is due to an increase in staffing costs. The review of the 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.

Central Expenses – forecast underspend (£1.5m)

	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
CENTRAL EXPENSES	**48,406,094**	**48,469,094**	**(63,000)**	**15,394,980**	**46,892,539**	**0**	**0**	**(1,513,555)**	**871,445**
CENTRAL EXPENSES	48,406,094	48,469,094	(63,000)	15,394,980	46,892,539	0	0	(1,513,555)	871,445

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 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.

3.2.6 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.

3.3 Law & Governance – forecast underspend (£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
LAW AND GOVERNANCE	6,531,051	6,531,051		1,812,729	4,886,054	1,275,000	(30,000)	(399,997)	(55,564)
LEGAL	3,628,084	3,628,084		3,117,924	3,513,561	0	(30,000)	(144,523)	(105,196)
ENFORCEMENT	2,902,967	2,902,967		(1,305,195)	1,372,493	1,275,000	0	(255,474)	49,632

3.3.1 There was a favourable movement of c£0.3m from Period 6. The movement is largely within Enforcement.

3.3.2 Legal and Democratic services are reporting an underspend of c£145k, a favourable movement of c£39k from P6. This is primarily due to Grant income received for Electoral Registration. Democratic Services is forecasting underspend of £170k. The underspend is attributable to vacant posts within Democratic Services. It is worth noting Legal are forecasting an overspend of c£25k, this overspend is primarily due to the recalculation of the HRA recharge, resulting in an income shortfall of c£180k within Legal. In summary, while Legal and Democratic Services have experienced a favourable financial outcome due to the conversion of agency staff and staff resignations, Legal's overspend is partially offset by the ongoing vacancies in both departments.

3.3.3 The Enforcement P7 outturn position reflects an underspend of c£255k following the transfer of circa £1.275 million in PRPL income to reserves. The favourable movement of c£305k relates to the pause in recruitment to vacant positions. Currently, there are 59 vacant positions within Enforcement, with 29 of them being temporarily filled by agency staff. The Private Sector Property Licensing (PRPL) scheme income target will be met and a transfer of c£1.2m to reserve for future years.

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**		**5,894,153**	**9,792,615**	**0**	**(363,662)**	**(326,687)**	**(327,627)**
STRATEGY & INSIGHT	8,392,400	8,392,400		4,953,212	8,263,521	0	(351,662)	(480,541)	(455,366)
COMMUNICATIONS	1,363,240	1,363,240		940,941	1,529,094	0	(12,000)	153,854	127,739

3.4.1 The Directorate forecast underspend of (£326k) is unchanged from Period 6.

3.4.2 There are underspends across the following services, mainly due to vacancy savings: Customer Contact (£175k), Strategy (£148k), and Insight (£133k). Advertising is forecast to exceed the £236k income target by (£56k).

3.4.3 There are overspends within Communications and Events £154k and the PMO £31K. 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.

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

3.5 Inclusive Growth – forecast overspend £0.124m

	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**		**1,234,560**	**3,572,705**	**154,342**	**(1,868,311)**	**123,658**	**211,114**
COMMERCIAL	(761,371)	(761,371)		(1,401,291)	(883,647)	154,342	(40,000)	(7,934)	14,935
INCLUSIVE GROWTH	2,496,449	2,496,449		2,635,851	4,456,352	0	(1,828,311)	131,592	196,178

3.5.1 Inclusive Growth are forecast to overspend of £123k. The overspend is 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. The overspend has reduced by (£87k) from Period 6 due to the pause on recruitment.

3.5.2 The main risk within this service area is income from the leisure contract, although the risk is from September 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.

3.5.3 Drawdowns from Reserves consist of £1m of grant income, £648k from the Welfare reserve, and £221k from the Made in Dagenham film reserve. The £154k transfer to reserves is the balance from the Leisure contract termination fee.

3.6 Community Solutions – forecast underspend of (£1.778m)

	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**		**8,280,948**	**16,786,943**	**400,000**	**(4,504,086)**	**(1,778,613)**	**(1,745,164)**
SUPPORT AND COLLECTIONS	7,017,112	7,017,112		3,308,011	7,566,453	0	(1,511,164)	(961,823)	(941,070)
COMMUNITY SOLUTIONS	1,069,410	1,069,410		535,809	921,075	0	(146,000)	(294,335)	(310,313)
COMMUNITY PARTICIPATION & PREV	7,679,948	7,679,948		5,742,128	9,604,415	400,000	(2,846,922)	(522,455)	(493,781)
TECHNICAL - COMSOLS	(1,305,000)	(1,305,000)		(1,305,000)	(1,305,000)	0	0	0	0

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 £650k in 2023/24 and limiting the use of B&B's and Hostels for Temporary Accommodation.

3.7 My Place – forecast underspend of (£1.350m)

3.7.1 The Parking service transferred to Public Realm in Period 7. The total value of the budget transfer is a credit budget of £10,733,468.

	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	**4,448,439**	**4,448,439**	**0**	**28,233,078**	**2,888,471**	**210,000**	**0**	**(1,349,968)**	**(1,472,078)**
HOMES AND ASSETS	(1,145,987)	(1,145,987)	0	15,072,599	(296,626)	0	0	849,361	1,117,404
PUBLIC REALM	5,594,426	5,594,426	0	13,160,479	3,185,097	210,000	0	(2,199,329)	(2,589,482)

3.7.2 The Directorate underspend of (£1.35m) comprises an underspend in Public Realm of (£2.199m) offset by a £0.849m 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, staffing vacancies being held ahead of a restructure and due to recruitment pause and finally the Parking surplus (£1.0m) adjusted for £210,000 transfer to the Parking Reserve at year end.

3.7.3 Homes and Assets is currently forecasting a £0.643m 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 roll to determine the recoverability of the pressure and support budget setting assumptions for 2024/25. This is currently being validated.

3.7.4 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.

3.7.5 The position has slightly weakened this month by £122,000, with the main cause driven by a £318,000 Bad Debt Provision (BDP) adjustment for invoices raised by Public Realm to BDMS in Quarter 2. The company has outstanding fleet invoices owing since 2020/21.

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 The MTFS savings target for 20234/24 is £7.049m. At P7:

- £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.

3.8.3 The table below is a breakdown of the unachieved savings in 2023/24.

Service Area	Savings Proposal	2023/24 Target £'000	RAG RATING
P&P	FPN income	(15)	
Inclusive Growth	Parks Commissioning - Soil Importation	(500)	
HR	Restructure	(577)	
Community Solutions	Creation of Heritage site at Valence Library - 2.5FTE Sc5	(130)	
My Place	No longer have a dedicated Graffiti team	(75)	
My Place	Reduce the opening days and times of the Town Hall and other buildings	(50)	
My Place	Increase the commercial income	(30)	
		(1,377)	

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.

4.4 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 £6.201m on returns with only £660k being forecast to be achieved against a target of £6.861m. However, this is offset by a £6.9m net over achievement of income on borrowing and investment income creating a net surplus of £101k. The significant difference between the returns and the treasury outperformance reflects the reduced returns from commercial income but the increased return from Reside loans and from the impact of capitalised interest.

5.3 There is also a small surplus forecast of £246k on general treasury management activity. This has not been incorporated into the main budget forecast as the economic situation remains volatile but it does represent an opportunity to decrease the overspend if returns remain favourable.

6. Reserve Movements

6.1 A review of the reserves has been carried out and services have identified £3.684m which can be transferred to the Budget Support Reserve. This release of reserves by the services will help strengthen the Council's overall flexibility when applying new reserves.

6.2 Table of proposed transfer to Budget Support Reserve.

Reserve	Project Code	Current Balance	Release to BSR/GF Reserve	Current Balance	Comments
Budget Support Reserve	BR0008	(2,798,777.96)	(3,684,200.08)	(6,482,978.04)	
VAT Market Repayment Reserve	BR0027	(223,406.08)	223,406.08	0.00	Historic Reserve, no contractual commitment - Release to BSR
Parking (Off Street) Reserve	BR0042	(1,154,100.00)	1,154,100.00	0.00	Non-ring-fenced parking income - release to BSR
Service Grants C/F- Comm Sol	BR0057	(3,483,572.93)	155,794.00	(3,327,778.93)	Historic Grant from 2019/20 - Release to BSR
Welfare Reform Reserve	BR0043	(4,060,854.66)	1,363,900.00	(2,696,954.66)	Various cost of living projects reviewed - £1.36m To be released back to BSR
Departmental Reserve - Comm So	BR0053	(2,806,807.18)	300,000.00	(2,506,807.18)	Historic Reserve, no contractual commitment - Release to BSR
Departmental Reserve - My Place	BR0062	(287,000.00)	287,000.00	0.00	For modelling of waste strategy/cleaner communities campaign - Director has released to GF reserve.
Education Youth & Childcare	BR0009	(1,230,083.59)	200,000.00	(1,030,083.59)	£200k GF balance to be released to BSR - As per Star Chambers
		(16,044,602.40)	**0.00**	**(16,044,602.40)**	

6.3 The Section 151 Officer has reviewed the proposed transfer to Budget Support Reserve and recommends Cabinet approval.

7. Financial Implications

Implications completed by: Nish Popat, Deputy Section 151 Officer

7.1 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.

8 Legal Implications

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

8.1 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.

8.2 In spite of inflationary pressures arising from post covid and the war in Eastern Europe, 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.

8.3 The Council should 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 a 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.

9. Other Implications

9.1 **Risk Management –** Regular monitoring and reporting of the Council's budget position is a key management control to reduce the financial risks to the organisation and features on the Council's strategic risk register.

9.2 **Corporate Policy and Equality Impact –** Regular budget monitoring is key to the Council being a well-run organisation, which provides value for money for residents. It also ensures that the Council will be able to focus resources on delivering the priorities set out in the Corporate Plan 2023-26. Where any new savings proposals are put forward, or if there is need to make changes in services provision, the Council has a duty to carry out proper consultation and have due regard to any impact on people with protected characteristics, as part of the Council's Public Sector Equality Duty under the Equality Act 2010. The equality implications should be considered at the early stages of planning.

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 7)