

Report of	Meeting	Date
Director of Finance and Section 151 Officer (Introduced by Cabinet Member (Finance, Property and Assets))	Scrutiny Budget and Performance Panel Cabinet	Monday, 12 September 2022 Wednesday, 14 September 2022

Is this report confidential?	No
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Is this decision key?	Yes
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Savings or expenditure amounting to greater than £100,000	Significant impact on 2 or more council wards
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2022/23 Corporate Revenue Budget Monitoring Report and Reserves for the four months to 31st July 2022

Purpose of the Report

1. This report sets out the revenue and reserves forecast for 2022/23 for the Council, based on the position as at 31st July 2022.

Recommendations to Cabinet

2. To note the forecast outturn for revenue and the level of reserves based on the position as at 31st July 2022.
3. To note the virements made to and from the revenue budget during the period, as detailed in **Appendix 2** of the report.

Reasons for recommendations

4. To ensure the Council's budgetary targets are achieved.

Other options considered and rejected

5. None

Executive summary

6. Based on the position as at 31st July 2022, there is a forecast underspend of £0.276m however, based on the current position of the 2022/23 pay award negotiations, an

unfunded budget pressure is anticipated of £0.447m; this has been built into the figures presented below and as such the revised forecast outturn is for an overspend of £0.171m; as detailed in **Appendix 1**.

- The council's Medium-Term Financial Strategy recommends that General Reserves are maintained at a minimum of £4.0m to mitigate against any unforeseen financial risks that may present in the future. Based on the above, the level of general fund balances as at 31st March 2023 will be £3.970m however we will monitor the position during the year, particularly given the lobbying by local government for additional funding from central government to meet the additional costs of the pay award; if necessary, drawdown will be recommended from ear-marked reserves to ensure general fund balances remain above £4.0m.

Corporate priorities

- The report relates to the following corporate priorities:

An exemplary council	Thriving communities
A fair local economy that works for everyone	Good homes, green spaces, healthy places

Background to the report

- The current net revenue budget for 2022/23 is £15.546m.
- Appendix 3** provides further information about the specific earmarked reserves that the Council holds at 31st July 2022.

Current Forecast Position – Revenue

- The forecast revenue outturn, based on the position at 31st July 2022, shows a provisional overspend against the Council's budgets of £0.171m. A breakdown of this by department within the various directorates is detailed in **Appendix 1**, and the movement on reserves, and reserve balances, are outlined in **Appendix 3**. The main variances by directorate are detailed below.
- The National Employers has made a pay offer of £1,925 on all NJC pay points 1 and above for period 01st April 2022 to 31st March 2023. The table below shows the overall implications of the proposed pay award for 2022/23 compared to the provision of 2% included in the base budget.

Directorates	Total Pay Award including NI & Pension	Pay Award Budget at 2%	Net increase in cost
Commercial & Property	40,976	14,924	26,052
Communities	125,072	42,848	82,224
Customer & Digital	255,766	100,044	155,722

Governance	119,573	46,118	73,455
Planning & Development	83,543	29,542	54,001
Policy	75,376	20,178	55,198
Total	700,307	253,654	446,653

13. There are pressures on gas, electricity, and water across all of our properties resulting in a forecast overspend £179k. There are no other significant inflationary cost pressures identified at present, but this will be monitored and reported if such changes are identified.

Variations from Budget

Directorate	Budget 2022/23 £'000	Forecast 2022/23 31st July 22 £'000	Variance (Under)/Overspend 2022/23 £'000
Commercial & Property	877	1,262	385
Communities	1,737	1,876	139
Customer & Digital	6,090	5,983	(107)
Governance	1,862	1,895	33
Planning & Development	1,313	1,259	(54)
Policy	2,795	2,772	(23)
Budgets Not In Directorates	872	797	(75)
Covid-19	-	-	-
Total Expenditure	15,546	15,844	298
Funding	Budget 2022/23 £'000	Forecast 2022/23 31st July 22 £'000	Variance (Under)/Overspend 2022/23 £'000
Council Tax	(8,633)	(8,633)	-
Lower Tier Support Grant	(269)	(269)	-
New Homes Bonus	(802)	(802)	-
Reserves	127	-	(127)
Retained Business Rates	(3,201)	(3,201)	-
Section 31 Government Grants	(2,768)	(2,768)	-
Total Funding	(15,546)	(15,673)	(127)
Net Forecast	-	171	171

14. Commercial and Property – Overspend of £385k

The key variances to note are:

- £179k overspend due to increased gas, electricity and water costs, the forecast for which is based on the current price increases.

- £180k net overspend on staffing costs across the directorate compared to the budget for 2022/23. This is mainly due to the additional costs of using agency staff, both those employed covering existing posts and those employed to provide additional support to the team. Given the recruitment difficulties in this area, e.g surveyors, and the review and move to the Shared Service model, agency staff are providing the necessary support to the team in the interim, however the market for such staff is challenging, with significant increases in the salaries required by available candidates. This is a national issue and is also being felt in other areas of operation across the council. This also includes the costs of the proposed pay award (£26k) for 2022/23 compared to the provision included in the base budget of 2%.
- £13k net increase in income streams within Commercial services; whilst some income streams have decreased, such as room hire and rental income, others have increased, such as that generated through fees and charges.
- £37k increase in repairs and maintenance costs within the Moss Side Depot and other small variances.

15. Communities – Overspend of £139k

The key variances to note are:

- £139k net overspend on staffing costs across the directorate compared to the budget for 2022/23. This is mainly due to additional non budgeted hours within the Community Involvement team and regrades and increases in hours within the Homelessness Team. The forecast also includes the impact of the proposed pay award over and above the budget provision already made of 2%.
- The costs of both statutory and non-statutory Homelessness provision is forecast to overspend by £97k, however this has been offset by specific reserves ear-marked for this purpose, being brought into the revenue account.

16. Customer and Digital – Underspend of £107k

The key variances to note are:

- £85k net overspend on staffing costs across the directorate compared to the budget for 2022/23. This is mainly due to the timing of various vacant post being filled within Customer Services, Revenue and Benefits and ICT Services, offset by the costs of agency staff deployed within ICT services, along with the forecast for the pay award for 2022/23 compared to the 2% budget already provided in the base budget.
- £57k surplus on the Housing Benefit Administration cost centre due to additional grant funding.
- £130k reduction in bad debt provision for Housing Benefit based upon reductions in the level of outstanding balances.
- £37k additional New Burdens grant income and DWP income received during the year, along with additional land charges income of £12k
- £80k forecast underspend within the ICT supplies and services budget.

- £187k forecast overspend on waste and recycling. This reflects the increase in the hourly rates made by FCC just prior to the TUPE transfer. These were applied after the budget had been developed to support the recommendation to in-source the service and accounts for approximately £100k of the overspend, however given the savings made as a result of the in-sourcing, this can be accommodated in the budget moving forward. The forecast also reflects the increases in fuel costs accounting for approximately £50k of the overspend.
- £77k additional garden waste income if forecast to be achieved compared to the budget.

17. Governance – Overspend of £33k

- The underspend relates mainly due to underspends on staffing costs. This also includes the proposed pay award for 2022/23 compared to the provision included in the budget of 2%.

18. Planning and Development – Underspend of £54k

The key variances to note are:

- £125k net overspend on staffing costs across the directorate compared to the budget for 2022/23. This includes vacant posts within Licensing and Planning and vacant posts being covered by agency staff within Development Control Services. This also includes the proposed pay award for 2022/23 compared to the base budget of 2%.
- £245k increase in the forecast levels of income for planning applications.
- £35k reduced income on pre-plan applications, as the service is still suspended.
- £16k overspend across the Consultancy fees and the tools and equipment budget heads.

19. Policy – Underspend of £23k

The key variances to note are:

- £8k net staffing underspend across the directorate compared to budget for 2022/23. This is mainly due to higher level of staffing recharges compared to budget offset by the proposed pay award for 2022/23 compared to the provision in the base budget of 2%.
- £32k increase in leisure SLA recharge income compared to budget. This is linked to staff cost within the directorate.
- £22k overspend within the Corporate Management cost centre due to the increase in external audit fees, which has been reviewed and approved by Governance Committee.

20. Budgets Not In Directorates – Underspend of £75k

The key variances to note are:

- £199k underspend, or over-recovery, of Net Interest Receivable/Payable for 2022/23. Due to rising interest rates the income from investments has recovered and is £105k above that forecast. In addition, due to the Council's favourable cash position no borrowing is anticipated in this financial year so it is forecast that the budget of £94k for interest payable is not currently required.
- £86k savings target to be delivered in Shared Services.
- £38k overspend in the forecast level of the Minimum Revenue Provision (MRP); this is higher than the budget due to the profile of scheme expenditure funded by borrowing which is anticipated to be earlier than that included in the budget and MTFS.

21. Covid-19

- Some residual Covid 19 and COMF funding is remaining in 22/23. It is expected that this will all be spent in line with the original approvals.

22. Planned reserves movement – £127k Underspend

- Back in February when the 2022/23 Budget was approved by Council, a slight surplus of £127k was forecast which it was intended would be transferred to reserves. However, given the issues outlined above, the forecast outturn at this point in time is for a slight deficit and therefore a transfer is no longer envisaged.

General Fund Resources and Balances

23. As detailed in **Appendix 3**, the Council holds a £4.141m General Fund reserves to manage budget risks not covered by earmarked reserves or provisions within the budget. The forecast outturn for 2022/23 identifies that the General Fund closing balance will be £3.970m as detailed below.

Movement in General Fund Reserves

Summary of Movement in General Reserves	£m
General Fund Reserves as at 1 st April 2022	(4.141)
Forecast outturn revenue budget (surplus) / deficit	0.171
Forecast General Reserve Closing Balance 2022/23	(3.970)

24. **Appendix 3** provides further information about the specific earmarked reserves and provisions available for use throughout 2022/23.

Movement in Earmarked Reserves

25. Taking account of the adjustments highlighted in **Appendix 3**, the level of Earmarked reserves held for discretionary use by the Council at 31st July 2022 is £13.183m compared to a balance of £20.280m at 31st March 2022.

Summary of Movement in Earmarked Reserves	£m
Earmarked Reserves as at 1 st April 2022	(20.280)

Use of revenue reserves for capital financing	3.131
Release of S31 grant received in 2020/21 (and held in reserves) in respect of Business Rates reliefs provided to businesses by the government – this is offset against the deficit brought forward on the Collection Fund	2.024
Transfer to Reserves	-
Use of other specific Earmarked Reserves	1.942
Forecast Earmarked Reserves Closing Balance 2022/23	(13.183)

26. The £1.942m forecast use of other specific Earmarked Reserves shown in the table above includes the following items:

- £1.030k utilisation of approved reserves established in quarter 3 revenue monitoring report in 2021/22.
- £41k use of the Restructure reserve following the staff review in the Procurement Team.
- £177k use of Leisure reserves to fund the payment of the PAISA contract balance following the final contract reconciliation; this reserve included funding specifically earmarked for this purpose.
- £152k to fund costs associated with the Local Plan.
- £123k use of specific reserves within the Communities directorate.
- £80k use of specific reserves within the Customer and Digital directorate.
- £128k use of specific reserves within the Policy directorate.
- The remainder of the movements are various, smaller adjustments related to revenue spending.

27. There are no transfers to reserves reported in this period.

28. The use of earmarked reserves shown in the table above are reflected in the revenue budget monitoring position detailed in this report.

Climate change and air quality

29. The work noted in this report does not impact the climate change and sustainability targets of the Councils Green Agenda and all environmental considerations are in place.

Equality and diversity

30. None.

Risk

31. There is significant risks due to rising costs especially in relation to utility bills. This is likely to be felt most by the Council's Leisure company. Forecasting of costs across the year are underway and implications for the Council will be contained in future reports.

Comments of the Statutory Finance Officer

32. The financial implications are contained within this report.

Comments of the Monitoring Officer

33. None.

Background documents

34. There are no background papers to this report.

Appendices

Appendix 1 – Revenue 2022/23 - position at 31st July 2022

Appendix 2 – Revenue Budget Movements at 31st July 2022

Appendix 3 – 2022/23 Reserves Programme position at 31st July 2022

Appendix 4 – Current Staffing Vacancies

Report Author:	Email:	Telephone:	Date:
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