

CABINET	DATE 21.09.2022	ITEM NO 9
TITLE 2022/23 Revenue Budget Monitor Report Q1	WARD (S) All	
CHIEF OFFICER Director of Finance	CABINET MEMBER Finance, Resources and Social Value	
DECISION CLASSIFICATION Non- Key Decision Subject to call In Non – Exempt report	IS THE FINAL DECISION ON THE RECOMMENDATIONS IN THIS REPORT TO BE MADE AT THIS MEETING? Yes	

1. **Decision required**

This report makes the following recommendations to Cabinet:

- 1.1 Note early analysis of the revenue monitoring position based on period 3 end of June 2022 (quarter 1) data.
- 1.2 Note that management action will take place to contain expenditure pressures within existing resources wherever possible, to ensure that the Medium-Term Financial Strategy (MTFS) remains on track.
- 1.3 Note that after taking account of additional resources for Health & Adult Services from the Adult Social Care precept, but prior to the allocation of residual growth resources, agreed by Council, the General Fund budget is reporting a headline:
 - forecast service pressure of £23.4m (£10.1m after residual approved resources)
 - corporate pressure of £3.3m related to “No Recourse to Public Funds”
 - Treasury Management saving of £7.1m
 - Use of remaining Services Grant allocation of £4.9m
- 1.4 Note that the Housing Revenue Account (HRA) is currently reporting pressures of £4.0m.

2. **Links to the Royal Greenwich high level objectives**

- 2.1 This report relates to the Council’s agreed high-level objectives as follows:

- A Healthier Greenwich
- A Safer Greenwich
- A Great Place to Grow Up
- Delivering Homes Through Economic Growth
- A Cleaner, Greener Greenwich
- Economic Prosperity for All
- A Great Place to Be
- A Strong Vibrant and Well-run Borough

2.2 This report forms part of the reporting cycle for 2022/23 supporting the delivery of the Council's MTFs. As such the achievement of the budget is a key factor underpinning all aspects of the Royal Greenwich Strategy and in particular, to continue to achieve excellence and good governance in the management of public finances.

3. **Purpose of Report and Executive Summary**

3.1 This report provides an overview of the revenue budget monitoring of the Council and presents forecasts of the financial position for the year based on period 3 end of June 2022 data.

4. **Introduction and Background**

4.1 In overall terms, overspend pressures of £23.4m is forecast for the year, prior to support from additional resources.

4.2 The financial projection column in the table below, represents the view of the forecast outturn position.

Table 1 - Forecast Outturn Variance by Directorate

Directorate / Area	2022/23 Forecast Overspend/ (Underspend) £m
Health & Adults	3.9
Children's Services	2.4
Communities & Environment	4.9
Transportation & Parking	9.7
Housing & Safer Communities	2.7
Finance & Legal Services	(0.0)
Regeneration Enterprise & Skills	(0.2)
Gross Service Total	23.4
Residual approved resources	(13.3)
Net Service Total	10.1
<u>Corporate</u>	
No Recourse to Public Funds	3.3
Net GF Position	13.4
HRA	4.0

- 4.3 The Net General Fund Overspend of £13.4m can be partly offset by utilising the remaining one-off Services Grant of £4.9m and the Treasury Management Premium of £7.1m, which cannot be forecast to continue to deliver going forward. The £4.9m Services Grant was ring-fenced as part of the February Medium Term Financial Plan Report to support ongoing Covid financial pressures. This will be utilised to support the impact of Covid on services, in particular Social Care (Children's and Adults), including the impact of mental health and general health inequalities, as well as universal services such as Street Services. Utilisation of these one-off resources would bring the in-year General Fund position to an overspend of £1.4m.
- 4.4 The residual growth resources will be allocated and shown as part of the Q2 report later in the year.

4.5 Departmental Variances

4.5.1 Health and Adult Services +£3.9m (2020/21: +£2.6m)

The projected outturn for Health and Adult Services (HAS) at Quarter I indicates a forecast position of £3.9m overspend in the current year. This is £1.3m more than the outturn position for the previous financial year. We are seeing unprecedented demand for support from Hospital Discharge and our Community front door. We are also seeing demand from young people becoming adults needing ongoing support. Therefore, the main reason for the increase is as a result of a rise in Home Care expenditure where we have seen a 2% growth in home care hours following client care package reviews. In addition, we are providing care for 1% more clients in this area.

Uplifts and contract inflation amounting to approximately £1.5m as well as staffing costs and an increase LD supported living spend have also added to this pressure. However, some of the increase in pressure is offset by a significant reduction in residential costs (6% reduction in clients) across all client groups.

The Service continues to look at ways to reduce the current year pressure. HAS is working closely with Children's Services on a new operating model for clients transitioning to adult social care. It is planned that this will make the move from Children's to Adult's services more effective and efficient in terms of the impact on clients and care package budgets.

4.5.2 Children's Services +£2.4m (2021/22: -£0.2m)

Children's Services is projecting an outturn overspend of £2.4m at Quarter I. The main area of overspend is Transport costs of £2.6m. There is currently a review taking place on SEN Transport provision, this includes both contractual arrangements along with eligibility criteria. This element will continue to be closely monitored, especially as the overall number of pupils in schools within the borough continues to increase (some of whom may require SEN and associated transport support). There is a likelihood that demand will result in increased pressure, some of which will be mitigated by savings resulting from the review.

- There has been an adverse movement of £2.6m between the 2021/22 Outturn and the Quarter I position. The main reason is that there has been an increase in residential placement costs with numbers having increased by 6 since March. This is in line with what other local authorities

are seeing. We have also factored in some growth (demand) increases for placements.

- There has been additional staffing cost for the Adolescent Assessment Resource and Residential Centre (AARRC), benefits will be recognised later. The AARRC is a five-bedroom short stay adolescent residential assessment unit at Combewell Crescent. It is an integrated multi-disciplinary team working in a single space to deliver intensive interventions based on restorative and compassionate approaches with young people, families and foster carers.
- A number of vacant social worker posts have now been filled with agency staff because of the difficulty in recruiting and this bring a cost premium.
- Bridging work is progressing on the Building Better Outcomes Together Newton continuous improvement work and will be included in monitoring forecasts later on in the year. Bridging work is the linking and translation of service Case Management Systems that hold client activity data, into financial data on the general ledger. This means activity is converted into costs enabling the Service to have greater control over activity because they can see the direct cost implications.

4.5.3 Communities, Environment & Central +£4.9m (2021/22: +1.5m)

Main areas of overspend are: -

- Street Services £3.8m which is due to staff budget shortfall within Street Services, running expenses
- Waste Disposal contract inflation and other service pressures
- Sports and Community £0.4m comprising of contract inflation.

Overspends in other areas are Community & Environment Management £0.3m staffing pressure, Electoral Services £0.5m Local Election costs and staff budget shortfall and Design & Commercial £0.2m shortfall in income targets. This is offset by an underspend in Registrars £0.3m.

4.5.4 Transportation & Parking +£9.7m (2020/21: £5.1m)

Transportation is projecting a balanced position. The main area of pressure is Highways projecting a £459k overspent due to Street Lighting energy costs. This is offset by underspends in Transport and Traffic due to staff vacancies and additional income.

Parking is projecting an overspend of £9.7m The service is being reshaped following the increased workloads particular around Penalty Charge Notices

(more than doubling year on year). The increased workloads have resulted in an increase in costs in terms of enforcement activity, back-office support arrangements and System costs, however, further costs (staffing) will be incurred as the service is remodelled to ensure it can deal effectually with the current activity levels and position for future growth.

Installation and go live of the Phase 3 traffic cameras slipped from Quarter 1 due to the unviability of assets (particularly Lamp Columns) which was a global issue rather than RBG specific one. All Phase 3 installs are expected to be completed by end Quarter 3.

Traffic levels and general vehicle activity remains depressed on pre COVID levels, with twin key impacting factors being:

- The general slow return to the workplace across all industry sectors
- Cost of fuel

This is readily visible across many of our paid for parking sites and in activity on Traffic Enforcement Cameras where congestion is a impacting factor on non-compliance.

The delivery of parking design schemes was also delayed due to purdah, an interim programme has been agreed by the Cabinet Member and will be delivered subject to individual consultation on each project

This forces a necessarily prudent view at this early stage of the year ahead of a forthcoming transportation strategy, currently out to public consultation. The C,E&C directorate, Finance and Change & Improvement Teams are working together to keep this area under constant review.

4.5.5 Housing and Safer Communities +£2.7m (2021/22: +3.8m)

Main areas of overspend are Emergency Overnight Accommodation £1.2m, Homelessness Prevention (supporting residents in the private sector) £1.4m, Private Temporary Accommodation Leasing £0.4m and Council Owned Temporary Accommodation Properties £0.1m (which includes debt charges and repair costs). All of these costs are driven by increasing numbers of families presenting to the authority as homeless or at risk of homelessness; this trend is increasing as the courts 'unlock' after the pandemic. Underspends are Safer Communities £0.4m vacant posts which are likely to be filled later on in the year.

Housing Revenue Account +£4.0m (2021/22: - £1.1m)

Asset Management are projecting a £2.4m overspend which includes inflationary cost of sub-contractors and overtime and call out charges being paid to trade staff to reduce the number of voids and address other specific shortages of capacity in key trades. This is being addressed in the repairs investment programme. Repairs and investment are projecting an overspend of £0.7m due to increases in materials costs. Overspends in other areas include £1.9m rental loss due to voids. These are offset by underspends in various areas including Housing IT and project work £0.5m and Tenancy and Caretaking £0.5m.

4.5.6 Finance and Legal Services £0.0m (2021/22: -£0.1m)

Overall the directorate is in a balanced position for the current financial year. This includes a £0.5m contribution towards Rethinking Services savings for the current year.

4.5.7 Regeneration Enterprise and Skills -£0.2m (2021/22: -£0.9m)

The main budget pressure within this area relates to the Planning & Building Control service which is projecting to be overspent by £499k. This is due to a combination of issues including staffing costs arising from the volume of work being far greater than the staffing establishment budget as well as legal costs related to advice, responding to appeals and attendance at Planning Board meetings. This overspend pressure is offset by a projected over achievement of rental income of £500k for industrial estates and commercial properties as well as additional service charge income from the Eltham Centre.

4.6 Non-Departmental Variances

No Recourse to Public Funds

- 4.6.1 No specific funding has been provided to local councils in recognition of this demand, whereby vulnerable persons with no recourse to public funds approach the council as a last resort.

The forecast for this area at Quarter 1 is indicating an outturn pressure of £3.3m which is a reduction of £0.2m on the outturn pressure of £3.5m at the end of 2021/22.

Treasury Management

- 4.6.2 The main area of generating saving has been from the treasury policy of delaying external borrowing by temporarily using cash balances. The Authority had an under borrowing position of £289m at the end of 2021/22.
- 4.6.3 This approach has always been viewed as time limited and can only be applied whilst external economic conditions continue with interest rates remaining historically low, which have been for much of 2021/22. As borrowing rates are rising, there will be a need to consider undertaking external borrowing, in order to replace internal cash balances, thereby reducing the underspend in this area.
- 4.6.4 The point above highlights the refinancing risk associated with under borrowing and the greater the level of under borrowing, the greater the effect on the council's revenue position if borrowing rates were to rise sharply – this risk is kept under close review in the current economic environment.
- 4.6.5 This process, along with income from the Council's investment is expected to lead to the delivery of a £7.1m saving in 2022/23, although as noted above, this is unlikely to be sustainable at such levels into the future.

Services Grant

- 4.6.6 This was a new funding stream for 2022/23 and the new grant totalled £822m nationally. It was distributed via 2013/14 SFA shares and the Greenwich allocation was £5.755m. This means of distribution is for one year only and whilst the total national funding will remain in future years, its utilisation and distribution will change. The Government has confirmed that this sum will not form part of our baseline when the funding changes are announced. Therefore this grant is being treated as a one-off cash sum.

5. **Austerity Measures**

- 5.1 The monitoring position assumes the following controls will remain throughout the current year:
- Staffing (authorisations by directors):

- vacancy freeze on permanent posts unless authority given to proceed
- controls on agency engagement and other temporary appointments

- Value for Money:

- additional gatekeeping measures to achieve best value through adherence to Contract Standing Orders and financial regulations
- reviews of departmental budgets through the MTFs process to identify and capture saving opportunities

5.2 There is a requirement within the MTFs that budgets are adhered to. Any major variances could potentially de-stabilise the financial strategy. Hence there is a strong discipline required to meet budget targets.

6. **Financial Standing**

6.1 The Medium-Term Financial Strategy and overall financial standing has been presented in previous reports.

6.2 In compiling this monitoring report officers continue to be mindful of the risks faced by the borough, which could impact on budgetary control. This is evidenced in the detailed comments under each service directorate, primarily in respect of cost/demand pressures.

6.3 Notwithstanding the borough's commitment to manage the impact of uncertain economic conditions and demand led pressures within current budget levels, there remains an ongoing risk to this position. There is therefore a need for continued management action and close monitoring of the overall position.

6.4 This report demonstrates that there is a structural deficit within the Council's resources as we move into 2023/24.

7 **Available Options**

7.1 To note the decisions outlined in section 1.

8 **Preferred Option**

8.1 To note the decisions outlined in section 1.

9. **Reasons for Recommendations**

9.1 The revenue budget monitoring framework is essential to ensuring that service budgets are contained and ensure that issues are highlighted early so mitigation measures put in place to ensure that the MTFS is not at risk. The report sets out the revenue monitoring position based on period 3 to the end of June 2022 data.

10 **Consultation**

10.1 Not applicable

11. **Cross-Cutting Issues and Implications**

Issue	Implications	Sign-off
Legal	The report raises no legal issues.	Azuka Onuorah Head of Legal Services 31/08/2022
Finance	This report has been prepared by the Director of Finance and has no other financial implications.	Carolyn Knowles Head of Accounting and Business Change 24/08/2022
Equalities	The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no apparent equality impact on end users. Further, given the nature of the report it has a remote or low relevance to the Councils Equity and Equality Charter and the Council's Equality Objectives 2020-2024.	Carolyn Knowles Head of Accounting and Business Change – HAS & CS 24/08/2022
Climate change	This report does not make any direct contribution to the Greenwich Carbon Neutral Plan agreed by Cabinet 18 November 2020	Carolyn Knowles Head of Accounting and Business Change – HAS & CS 24/08/2022

Risk	The revenue budget monitoring framework represents a key mitigation measure against the risk that service budgets are not contained thereby placing the achievability and sustainability of the MTFS at risk.	Carolyn Knowles Head of Accounting and Business Change – HAS & CS 24/08/2022
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9. **Background Papers**

None

10. **Appendices**

None

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