
Budget Monitoring - Month 4 2021/22

Reason for the Scrutiny

1. To provide Members with an update on the Council's financial monitoring position as at Month 4 of 2022/23. This report will be considered by Cabinet at its meeting on 28 September 2022.

Background

2. The Policy Review and Performance Scrutiny Committee's Terms of Reference includes responsibility for monitoring the overall Council budget, both Revenue and Capital budgets, as well as responsibility for monitoring specific service areas. Those services include *Corporate Management*, *Economic Development* (County Estates, Facilities and Operational Management), *People & Communities* (Performance & Partnerships), *Governance & Legal Services*, and *Resources* (Finance, Digital Services, Customer Services, Human Resources, Commissioning & Procurement) budgets.

Structure of the Papers

2. To facilitate the scrutiny the following appendices are attached to this report:
Appendix A – Cabinet report – Budget Monitoring – Month 4 2022/23,
Attached to the Cabinet report are the following appendices
Appendix 1 – Revenue Monitoring Position
Appendix 2 – Directorate Commentaries
Appendix 3 – Directorate Budget Savings Position
Appendix 4 – Capital Programme
Appendix 5 – General Fund Capital Schemes Update

3. The report to Cabinet (**Appendix A**) sets out the Revenue Position and the Capital Position. It also sets out performance against savings targets. Members are reminded that the budget was set in March 2022, key sources of funding are the Revenue Support Grant from Welsh Government, Council Tax, income sources (plus fees and grants) and earmarked reserves. The Local Authority Hardship Fund has now closed, and any pandemic related pressures must be covered from the Council's own budget.

4. This report states that the Council's financial position is unprecedented as it faces the pressures of increased costs of living and energy pricing, added to the legacy of the pandemic. In summary Cabinet has been advised at month 4 that:
 - significant levels of in-year savings are required to mitigate overspend,
 - availability of funding to deal with further COVID and energy costs is a risk,
 - contingency budgets are already being used in full or part at month 4,
 - month 4 does not reflect any impact of pay awards to be agreed for 2022/23,
 - the flow through of current year issues into 2023/24 means that budget setting is going to be extremely challenging for next year.

Revenue budget

5. The 2022/23 month 4 budget monitoring report attached at **Appendix A** states that, at this point, a net overspend of **£7.368 million** on the revenue account is projected for the end of the 2022/23 financial year. This is comprised of Directorate projected budget overspends of **£11.253 million** and a projected Capital Financing underspend of **£1.7 million**, a projected underspend in the Summary Revenue Account of **£0.185 million** partially offset by the **£2 million** general contingency budget.

6. The service areas predicting the most significant overspends are Children's Services (£8.950 million), Education & Lifelong Learning (£5.424 million), and Economic Development (£2.860 million).

7. Members may wish to note the table at **point 7** of the report to Cabinet that shows each Directorate's position, underspends are reported in brackets. Further detail of the Revenue Monitoring position can be found in **Appendix 1**, and more detailed explanations of each Directorate's position are provided in **Appendix 2**.
8. The overspends are after the offset of £2 million general contingency and it is important that Directorates ensure tight financial control over the remainder of the year to reduce the projected overspend at year end.

Savings

9. At **Appendix 3** Members can find a progress report on the £5.558 million Directorate Savings Proposals for 2022/23. Savings are identified as being generated from *employees, external/other sources, or income*.

Capital

10. Members will find detail of the Council's Capital Programme in **Appendices 4 and 5** of the papers. The Council's Capital Programme is currently **£230.926 million** for 2022/23 including an indicative programme to 2026/27.
11. The projected outturn for the year is currently **£153.626 million** against a total programme of **£220.103 million** with a variance of £66.447 million, which is predominantly slippage. **Expenditure at Month 4 was £34.826 million** which represents **23% of the projected outturn**, however there are a number of large expenditure items which are anticipated to progress during the latter part of the year.
12. **Points 26-30** of the report present a picture of progress on Capital Schemes, stressing the essential role that the Council's capital investment programme plays in both stimulating the local economy and delivering local services during the post Covid-19 recovery period. There is reference to significant construction cost inflation and Directorates are reminded that effective contract management will be required. There is a need to allocate sufficient capacity and resource to ensuring projects progress in the timescales intended and consider opportunities to bring

forward expenditure where possible. The need to utilise grants awarded and ensure they are fully utilised in approved timescales is an important risk to be managed by directorates in the remainder of the year.

13. **Points 31-33** remind members that in February 2018 the Council set a target of **£40 million** non-earmarked General Fund Capital receipts. As at March 2022 **£10.060 million** had been received. The Annual Property Plan 2022/23 forecasts income at £5.5 million, receipts to date are £2.5 million.

14. At **points 34-48** Members will find details of the Housing Revenue Account position. This budget covers estate regeneration schemes; planned investment in the refurbishment of Council dwellings; disabled adaptations and expenditure on the development of new housing and other development projects. The programme of work for the Housing Revenue Account is £74.610 million and at month 4 expenditure was £23.592 million, circa 29% of the projected outturn.

15. Importantly the report highlights that the construction market continues to face supply shortages and rising material prices resulting in higher development costs. The Council is experiencing significant demand for affordable housing and without external grant funding sources in addition to the existing Welsh Government grant the HRA programme will need to be reviewed to ensure expenditure remains affordable.

Way Forward

16. Councillor Chris Weaver, Cabinet Member, Finance, Modernisation and Performance, Christopher Lee, Corporate Director Resources, and Ian Allwood, Head of Finance, will be in attendance to present the report and answer Members' questions.

Legal Implications

17. The Scrutiny Committee is empowered to enquire, consider, review, and recommend but not to make policy decisions. As the recommendations in this

report are to consider and review matters there are no direct legal implications. However, legal implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any legal implications arising from those recommendations. All decisions taken by or on behalf the Council must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers of behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. Scrutiny Procedure Rules; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances.

Financial Implications

18. The Scrutiny Committee is empowered to enquire, consider, review, and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct financial implications at this stage in relation to any of the work programme. However, financial implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any financial implications arising from those recommendations.

RECOMMENDATION

The Committee is recommended to:

- i. note the month 4 2022/23 budget monitoring report.
- ii. consider whether it wishes to make any comments to the Cabinet; and
- iii. consider whether it wishes to use information contained in the report to inform future scrutiny of items.

DAVINA FIORE

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20 September 2022