

Report to:	Cabinet	12 December 2022
Lead Cabinet Member:	Councillor John Williams, Lead Cabinet Member for Resources	
Lead Officer:	Peter Maddock, Head of Finance	

2022/2023 Revenue and Capital Budget Monitoring (Quarter 2)

Executive Summary

1. To consider the latest monitoring data and trends in respect of the 2022/23 General Fund revenue, Housing Revenue Account (HRA) and capital budgets and emerging budget issues.

Key Decision

2. No.

Recommendations

3. It is recommended that cabinet considers the report and, if satisfied, to:
 - (a) **Note the 2022/23 revenue position against the approved revenue budget to date shown in Appendix B, the projected major variances with reasons for these variances at Appendices C1 to C7 and the action being taken to address the underlying issues.**
 - (b) **Note the latest Capital Programme 2022/23 position [and variances, if any] as shown in Appendix D.**

Reasons for Recommendations

4. To advise the Cabinet of the latest monitoring information in respect of the 2022/23 revenue and capital budgets and emerging budget issues, for the second quarter period to 30 September 2022.

Details

2022/23 Revenue Budget Monitoring – Overview

5. Effective budget monitoring is a requirement of the Council's Financial Regulations and the Medium-Term Financial Strategy (MTFS) and is critical to sound financial management. This process enables the Cabinet to monitor the approved budget, to

identify emerging issues and, where appropriate, to put plans in place to address forecast budget issues.

6. A framework for budget monitoring has been established and this enables budgetary performance and agreed efficiency actions to be monitored through the use of performance flags (**Red**, **Amber** and **Green** – **RAG** Status) and Direction of Travel indicators. This provides a statement of financial health and an overview of how the Council is utilising its resources.
7. An integral part of the monitoring process is the regular meetings with Budget Holders to proactively monitor compliance with the approved budget. This enables the identification of potential risks and emerging budget pressures so that appropriate action can be taken at an early stage.
8. The monitoring process also needs to recognise since the budgets were approved at Council in February 2022 the costs associated with providing some of the Council services and functions have risen owing to a number of national and global factors: Brexit, the Covid-19 pandemic, global supplies production, rising inflation, the fuel crisis and Russian sanctions.
9. The Council like many other organisations will be affected by this in one way or another and the Council's planned income and expenditure could be impacted. Over the forthcoming months, there will be some significant financial challenges as a result of the cost of living crisis and the General Fund, by its nature, will have to bear the majority of the additional costs borne by the Council.

Revenue Budget Monitoring – 2022/23 Efficiency Assumptions

10. The ongoing process also includes the monitoring of compliance with the efficiency assumptions built into the 2022/23 revenue budget. The evaluation of the efficiencies has been made on the basis of a RAG rating using the following criteria:

The proposal has been implemented and is on target to achieve the budgeted saving.	Green
The proposal has or is being implemented but there is a delay on the delivery of the savings when compared to that in the budget	Amber
The proposed saving will now not be delivered or the level of saving is expected to be lower than that included in the budget.	Red

11. The original budget for 2022/23 included efficiency proposals totalling £1,558,000. The range of efficiency proposals are summarised at **Appendix A** the current status of these are shown in the appendix.
12. The areas of efficiency savings continue to be subject to ongoing review and there are no further areas of concern at this stage.

Revenue Budget Monitoring

13. This report represents the revenue monitoring information for the period 1 April 2022 to 30 September 2022.

14. A summary of budget variances is reported at **Appendix B**, with explanations for significant items of variance reported at Appendix C1 to C6 (General Fund) and Appendix C7 (Housing Revenue Account). The variances have been assigned a RAG status (Red, Amber and Green) based on the following:

Under spends and overspends up to 2% of the budget	Green
Overspends between 2% and 10% of the budget	Amber
Overspends greater than 10%	Red

15. It is to be noted where negative variances are shown in the appendices, they represent underspends against the budget or when income is greater than the budget.

Revenue Budget Monitoring –Variances

16. The ongoing monitoring and assessment of the 2022/23 revenue budget has identified a number of issues that require action to avoid budgetary pressures and issues that need to be kept under review. The key issues that require further reference are discussed in the following paragraphs:

Salary Budgets

The table below identifies the variance on salary budgets by service area as at 30 September 2022:

	2022/23			
	Budget to date (30 Sept 2022)	Actual to date (30 Sept 2022)	Variance	Variance %
Chief Exec Office	663,330	604,777	(58,553)	-9%
Climate, Environment & Waste	4,313,760	4,122,950	(190,810)	-4%
Finance	1,733,150	1,740,496	7,346	0%
Housing	2,939,466	2,601,605	(337,861)	-11%
Greater Cambridge Shared Planning	3,180,980	3,417,992	237,012	7%
Transformation, HR & Corporate	2,066,520	2,100,036	33,516	2%
Total	14,897,206	14,587,856	(309,530)	-2%

The analysis takes account of the cost of agency staff backfilling vacant permanent posts (with agency costs generally much higher than permanent appointment). The overall variance stands at -2%.

17. The area with the highest overspend comparative to the budget at the end of quarter two is Planning. Additional costs have been incurred in the short term due to the usage of agency and temporary staffing arrangements particularly in Development Management, Strategic Sites and the Technical Support Team which relates to vacant posts and growing

pressure of clearing the backlog of applications. The expenditure will be offset by £73,000 Planning Performance Agreement (PPA) income, £26,000 from Greater Cambridge Partnership and £96,000 will be funded from the Planning reserve. Work is underway to minimise the use of agency staff.

18. The Transformation, HR and Corporate service have recruited several agency staff to assist services to manage the various Ukraine Crisis schemes. The unbudgeted agency costs of £47,000 will be offset by grant funding.

Virement Movements

19. A virement is when a sum of money set aside in the budget for one purpose is then moved and used for another purpose. There have been no virement movements in the period 1 April 2022 to 30 September 2022.

Revenue Budget – Summary Position

20. The table below summarises the budgetary position relevant to each Service Area, with detailed information included at **Appendix B**, and further explanation of significant variances in **Appendices C(1) to C(7)**.

Directorate	Full Year Budget £'000	Budget to date £'000	Actual to date £'000	Variance to date £'000	Variance to date %
Chief Executives Office	2,899	1,623	1,297	(326)	-20%
Climate, Environment & Waste	9,703	3,033	2,391	(642)	-21%
Finance	3,970	1,767	1,320	(447)	-25%
Housing General Fund	2,585	225	54	(171)	-76%
Greater Cambridge Shared Planning	7,041	2,843	2,773	(70)	-2%
Transformation, HR & Corporate	3,546	1,770	1,348	(422)	-24%
Net Service Costs	29,744	11,261	9,184	(2,077)	-18%
Overheads	13,526	4,347	4,188	(159)	-4%

21. The Council has a current underspend position of £2.077 million (18%) on its net cost of service when compared to the budget. with some quite significant variances within the figures.
22. The Council received £555,000 income during quarter one above the reported budget. This comprises of a grant of £224,000 for fuel poverty and the cost of living crisis, £189,000 was received from the County Council for the Community Development Support contribution related to the Northstowe Phase 2 project and £117,000 for resident engagement at Northstowe using a digital platform was received. These sums will be spent on the projects in question over the remainder of the financial year. This has obviously had a significant impact on the figures presented in the above table. Whilst there are several large variances, some of these might be significant in percentage terms but are not significant in monetary terms and others are delays in income and expenditure.
23. The position at the end of September 2022 is not necessarily a good guide to the final outturn and needs to be treated as such. Any extrapolations of the figures over the whole

year will not give a true indication of the final outturn. The budgetary position relevant to each Service Area reported to Cabinet for quarter three will be against the revised estimate which will be further aligned to the actual outturn.

Energy Bills Support

24. During February 2022 the government announced a £15 billion package of support for rising energy bills worth up to £550 each for around 28 million households. This included:
- A £400 grant for all domestic energy customers which will appear as a credit from energy suppliers from October onwards.
 - A £150 non-repayable rebate for households in England in council tax bands A to D, known as the Council Tax Rebate.
 - £144 million of discretionary funding for billing authorities to support any household in needs, regardless of their council tax band, known as the Discretionary Fund.
25. On 30 March 2022 funding of £6.741 million was received by the Council in relation to the Council Tax Rebate Scheme. £6.531 million of this relates to non discretionary funding to support the main Council Tax Rebate scheme and £0.210 million discretionary funding to support the local scheme within the district.
26. The Council has paid out around £6.497 million to 43,315 households for the main scheme which is 99% of distribution from the Councils allocated funding and £0.187 million to 6,103 households for the local scheme which is 89% of the amount received by the government. The payments made under the local scheme are largely related to households in Bands A-D who do not fall within the criteria of the main scheme.

Crisis in Ukraine

27. The crisis in Ukraine is causing considerable volatility in the fuel markets and prices have been increasing substantially since the Autumn of 2021/22 when the budget was set for 2022/23. The most significant effect will be in shared waste where the latest price paid for diesel in September was up at £1.47 per litre – the average paid over the first half of the year was £1.46 compared to £1.16 assumed in the 2022/23 budget. In summary, every 10p increase in fuel price, equates to a spending pressure of £68,000 for the shared waste service, so currently if the cost of diesel stabilises at the current average rate, this will mean a forecast spending pressure of approximately £204,000 to be shared between the two partner Authorities.
28. Homes for Ukraine scheme was launched in March 2022 with funding of £10,500 per person made available to local authorities for the provision of wraparound service that also encompasses sponsors. South Cambridgeshire has been at the forefront of that scheme with nearly 700 people arriving in the district. Funding received from the government via Cambridge County Council to date amounted to £70,700 towards payments to hosts (£350 per dwelling) and £631,575 general funding. This has been used for several local initiatives, including host DBS checks, payments to new arrivals and funding for a grant scheme. There have been Guest Payments of £248,150 and £383,604 Host payments in the period 1 April 2022 to 30 September 2022.

Capital Budget Monitoring

29. The Cabinet monitors the performance of the capital programme by reviewing on a regular basis the progress of all schemes. Regular reports on the Capital Programme to the Cabinet should identify the following changes:
- any schemes that are not being progressed as originally envisaged or those that are no longer required;
 - the revised phasing of a scheme(s) having regard to the latest information and any changes in forecast funding;
 - changes in funding requirements of committed schemes and the reasons relating thereto;
 - any budget amendments.
30. The Capital Programme is summarised at **Appendix D**. It should be noted that the Capital Programme set out is that as approved by Council on 22 February 2022.

Options

31. The report provides monitoring information to ensure awareness of budget trends and emerging budget issues.

Implications

32. In the writing of this report, taking into account financial, legal, staffing, risk, equality and diversity, climate change, and any other key issues, the following implications have been considered:-

Financial

33. The financial implications are outlined in the details section of the report.

Legal

34. The legal position and relevant issues can be summarised as follows:

(a) Revenue Budget

The Council is required, by law, to set a balanced revenue budget each year which for 2022/2023 this was approved by Council on 22 February 2022. The purpose of this report in accordance with best financial management practice is to advise Cabinet of any significant variations from that budget.

(b) Capital Programme

Prudential Indicators that underpin the Council's capital investment demonstrate that the investment is prudent, sustainable and affordable. The Council is required, in compliance with the Code, to monitor and report performance against established Prudential Indicators. The ongoing review of the capital programme is required to effectively monitor

these indicators.

Risks/Opportunities

35. The risk implications can be summarised as follows:

(a) Revenue Budget

When the Council considers each revenue service and function budget it is important that endeavours are made to identify potential risks. Inevitably, during the course of the financial year, some of these risks will occur and impact on the budget by either requiring further expenditure or by reducing the Council's budgeted income.

The budget is monitored on a regular basis to identify risks and take action to mitigate the risks when they arise. The Council holds a contingency with regard to budgetary risk in year, together with a range of Reserves to deal with specific issues.

(b) Capital Programme

In relation to Capital resources, the following risks should be taken into account when considering this report:

- (i) Capital schemes can emerge at any time based on newly identified needs or changes in legislation which require funding to be identified;
- (ii) The forecast cost/timing of existing schemes may vary as implementation is undertaken;
- (iii) Forecast capital receipts may not be achieved which could result in some schemes not proceeding until other sources of capital finance become available or unless further recourse is made to borrowing;
- (iv) Key risks associated with the Capital Programme are that budgets are not adequate, leading to overspend with consequent financial implications or that the schemes will not meet the desired objectives.

Consultation responses

36. None

Alignment with Council Priority Areas

Growing local businesses and economies

37. The report provides an update on the latest budget position of those service areas who are providing extra support to local businesses adapting to Covid secure measures via several different grant schemes as directed by Central Government.

Housing that is truly affordable for everyone to live in

38. This report supports the Councils business plan by providing an update on the New Build Programme within the Capital Programme and HRA budgets for 2022/23.

Green to our core

39. The 2022/23 revenue and capital position provides reasons for variances on a number of schemes relating to the green to our core element of the Councils business plan.

A Modern and caring Council

40. The Council provides an update on the income position which was generated from investments and other commercial activities. In addition, the report supports the Councils business plan by providing an update on expenditure that it would not normally incur to support residents and businesses within the district especially those in hardship.

Background Papers

- Medium Term Financial Strategy – Report to Council: 23 September 2021
- Capital Programme Update – Report to Cabinet: 06 December 2021
- Budget Report – Report to Cabinet: 07 February 2022
- Business Plan 2020/2025 – Report to Council: 22 February 2022

Appendices

Appendix A: Service Efficiency/Income Generation Assumptions 2022/23: Update

Appendix B: Budget Monitoring by Service Area – Position as at 30 September 2022.

Appendix C: Explanation: General Fund & HRA Budget Variances – Position as at 30 September 2022.

Appendix D: Capital Programme – Financial Update Position as at 30 September 2022.

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