

<b>Report to:</b>	Cabinet	20 March 2023
<b>Lead Cabinet Member:</b>	Councillor John Williams, Lead Cabinet Member for Resources	
<b>Lead Officer:</b>	Peter Maddock, Head of Finance	

## 2022/2023 Revenue and Capital Budget Monitoring (Quarter 3)

### 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 revised 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 third quarter period to 31 December 2022. The comparison in the various appendices is against the revised estimate.

### 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 Council like many other organisations will be affected by the significant increase in inflation and cost of living in one way or another over the forthcoming months. there will be some significant financial challenges as a result, and this has had a more significant impact on the Housing Revenue Account than the General Fund.
9. These factors are reflected in the revised budget, which, as a result of the thorough review, produces very limited variances to actuals
10. Budgets were revised and updated for projected outturn based on the actuals as at 31 December 2022 to take into account known changes through the year and predict more accurately the final Outturn position. All figures are presented against the revised budget.

Revenue Budget Monitoring – 2022/23 Efficiency Assumptions

11. 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.	<b>Green</b>
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	<b>Amber</b>
The proposed saving will now not be delivered or the level of saving is expected to be lower than that included in the budget.	<b>Red</b>

12. 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.
13. 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

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

15. 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

16. 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

17. The ongoing monitoring and assessment of the 2022/23 revenue budget has not identified many issues that require action to avoid budgetary pressures and issues. The small number of 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 31 December 2022:

	<b>2022/23</b>			
	<b>Budget to date (31 Dec 2022)</b>	<b>Actual to date (31 Dec 2022)</b>	<b>Variance</b>	<b>Variance %</b>
Chief Exec Office	907,740	907,742	2	0%
Climate, Environment & Waste	6,670,110	6,672,827	2,717	0%
Finance	2,744,450	2,768,053	23,603	1%
Housing	4,155,750	4,165,339	9,589	0%
Greater Cambridge Shared Planning	5,406,320	5,406,545	225	0%
Transformation, HR & Corporate	3,467,932	3,489,377	21,445	1%
<b>Total</b>	<b>23,352,302</b>	<b>23,409,883</b>	<b>57,581</b>	<b>0%</b>

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 0% against the revised budget.

18. There are several small differences to the budget at the end of quarter three. This mainly relates to the timing difference in the billing for the usage of agency staffing. The actual and budget should be aligned in quarter four with salary budgets fully utilised.

### 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 31 December 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	Revised Full Year Budget £'000	Revised Budget to date £'000	Actual to date £'000	Variance to date £'000	Variance to date %
Chief Executives Office	2,271	1,033	1,035	2	0%
Climate, Environment & Waste	9,975	4,687	4,698	11	0%
Finance	3,786	5,951	6,055	104	2%
Housing General Fund	2,542	948	962	14	1%
Greater Cambridge Shared Planning	6,553	4,064	4,236	172	4%
Transformation, HR & Corporate	2,623	1,642	1,626	(16)	-1%
<b>Net Service Costs</b>	<b>27,750</b>	<b>18,325</b>	<b>18,612</b>	<b>287</b>	<b>2%</b>
Overheads	<b>13,619</b>	<b>6,657</b>	<b>6,776</b>	<b>120</b>	<b>2%</b>

21. The Council has a current overspend position of £0.287 million (2%) on its net cost of service when compared to the revised budget, with some variances within the figures.
22. The overspend sits mainly in Planning and arises due to Planning Performance Agreement (PPA) income totalling £142,360 not been invoiced as planned during quarter three to offset expenditure which has been incurred. The variance in Finance relates to a timing difference in the subsidy income from DWP to the profiled budget to date.
23. The budgetary position relevant to each Service Area reported for quarter three is against the revised estimate and is a good guide to the final 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 £6.511 million to 43,405 households for the main scheme which is 99% of distribution from the Councils allocated funding and £0.198 million to 5,942 households for the local scheme which is 94% 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. The scheme has now come to an end and any unspent funding by 30 November would be repaid to the government.

### Crisis in Ukraine

27. Homes for Ukraine scheme was launched in March 2022 with Government funding of £10,500 per guest arrival being made available to local authorities for the provision of wraparound service. From 1 January 2023, the Government tariff reduced to £5,900 per guest. South Cambridgeshire is the district area with the highest number of visas granted in the country. As of 20 February, 781 guests had arrived. Funding received from the government via Cambridgeshire County Council to date amounted to £331,100 towards payments to hosts (£350 per dwelling) £1,059,980 general funding and £1,599,050 towards homelessness prevention fund. This has been used for several local initiatives, including host DBS checks, payments to new arrivals, funding for a grant scheme and to put in place a moving on package of measures. There have been Guest Payments of £302,711 and £635,200 Host payments in the period 1 April 2022 to 31 December 2022.

### Capital Budget Monitoring

28. 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.
29. The Capital Programme is summarised at **Appendix D**. It should be noted that the Capital Programme is also reported against the revised budget.

## **Options**

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

## Implications

31. 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

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

### Legal

33. 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

34. 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**

35. None

## **Alignment with Council Priority Areas**

### **Growing local businesses and economies**

36. 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**

37. 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**

38. 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**

39. 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 31 December 2022.

Appendix C: Explanation: General Fund & HRA Budget Variances – Position as at 31 December 2022.

Appendix D: Capital Programme – Financial Update Position as at 31 December 2022.

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