

Cabinet Report

Report of Head of Finance

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To: CABINET

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Budget monitoring April 2022 – August 2022

Recommendation

Cabinet is recommended to note the contents of the report

Purpose of Report

1. To report the revenue and capital expenditure against budget for the period April 2022 to August 2022 and the latest year end outturns forecast by heads of service.

Corporate Objectives

2. The allocation of financial resources within the revenue and capital budgets needs to match the objectives agreed by the council. The budget monitoring report shows how these resources have been allocated during the first five months of the financial year.

Background

3. This report reviews the council's revenue and capital expenditure performance to the end of month five (August). Year-end outturn forecasts were worked on during September and are based on heads of service's best knowledge at that time.

Revenue budget monitoring

4. On 16 February 2022, Council agreed a net revenue budget for 2022/23 of £15.380 million. This has subsequently increased to £17.017 million. This reflects the carry

forward of unspent one-off project budgets from 2021/22 and additional grant funded budgets.

5. Table 1 below shows, summarised at service level, both the revenue position as at the end of August 2022 and the forecast position at year end.

Table 1: Revenue budget monitoring position as at August 2022

Service	Working budget year to date £000	Spend to Date £000	Variance £000	Working budget full year £000	Forecast spend for year £000	Variance £000
Strategic management team	328	279	(49)	767	725	(42)
Corporate services	1,195	1,045	(150)	2,819	2,795	(24)
Development and regeneration	832	1,524	692	902	1,431	529
Finance	215	1,553	1,338	295	617	322
Housing and environment	1,883	1,632	(251)	5,234	5,695	461
Legal and democratic	632	607	(25)	1,474	1,592	118
Partnerships	1,012	1,677	665	2,428	2,149	(279)
Planning	87	118	31	212	282	70
Policy and programmes	1,421	318	(1,103)	3,412	2,972	(440)
Contingency	0	0	0	(525)	0	525
Total	7,605	8,753	1,148	17,018	18,258	1,240

6. The forecast variance is further broken down in table 2 below.

Table 2: summary of forecast major variances against revenue budget

Service	Working budget full year £000	Working budget after carry forwards removed £000	Forecast spend for year £000	Variance £000	Employee costs £000	Other £000
Strategic Management	767	767	725	(42)	(47)	5
Corporate Services	2,819	2,819	2,795	(24)	(5)	(19)
Development & Corporate Landlord	902	902	1,431	529	136	393
Finance	295	295	617	322	(22)	344
Housing & Environment	5,234	5,234	5,695	461	(23)	484
Legal & Democratic	1,474	1,439	1,592	153	132	21
Partnerships	2,428	2,428	2,149	(279)	(68)	(211)
Planning	212	212	282	70	65	5
Policy & Programmes	3,412	3,128	2,972	(156)	(66)	(90)
Contingency	(525)	(525)	0	525	525	(0)
	17,018	16,699	18,258	1,559	626	933

7. Excluding carry forwards the projected overspend is forecast to be an overspend of £1.56 million. However, income from the council's treasury investments in 2022/23 is forecast to be £1.3 million higher than estimated when the budget was set. Due to the prevailing economic conditions, interest rates have risen far faster than anticipated when the budget was set and this additional income will in large part offset the forecast overspend shown above. Strategic Management Team will continue to monitor the forecast budget position during the year.

Budgets forecast to be carried forward to 2023/24

8. As shown in table 2, of the £0.93 million forecast variance to budget, £0.28 million represents slippage in one-off budgets. These will be requested as carry forwards at the end of the financial year. These carry forwards are shown in appendix 1.

Employee costs

9. Employee costs are forecast to be underspent by £101,000, not yet enough to cover the £625,000 managed vacancy factor set at the beginning of the year, giving a net overspend of £626,000. Key employee cost variances are as follows:
- Strategic management had a number of vacancies during quarter one, which have mostly now been filled.
 - Development and Corporate Landlord is showing a year end overspend as a result of salary costs that were expected to be funded from capital receipts, but it is now expected that they cannot be capitalised.
 - Legal and Democratic are using locum solicitors to cover vacancies. These costs are much higher than the salary budget, generating an overspend.

Service department variances over £50,000

10. Excluding carry forwards to 2023/24, grant income to be transferred to reserves and employee cost variances, net revenue expenditure is forecast to be £933,000 overspent against budget.
11. The significant forecast variations from budget are shown in table 2 above and are explained below.

Development and Corporate Landlord

12. Utilities budgets including those recharged from South Oxfordshire are expected to be inadequate due to the rising cost of fuel. It is expected that there will be a £269,985 overspend on these budgets broken down as follows:
- Facilities £87,880,
 - Property £86,415,
 - Beacon £55,570,
 - Car Parks and toilets £40,120.
13. Use of council car parks has increased since the ending of pandemic restrictions, however we are still not seeing usage back to pre-pandemic levels. It is predicted that there will be a £52,000 adverse variance on car parking income.
14. The grounds team are currently leasing vehicles until vehicles can be purchased. There is no budget for this, and we expect to spend £131,000 during the year on these vehicles and their associated fuel.
15. Costs for the Concerto upgrade are currently forecast to be £91,851 underspent.

Finance

16. Housing benefit costs have increased significantly due to the number of claimants in temporary accommodation. The current forecast is a £242,294 overspend.
17. Bank charges are forecast to be over budget by £100,000. A new contract is in place as of 31 August 2022 which will mitigate further overspends on this budget.

Housing and Environment

18. Homelessness costs are expected to be £164,390 over budget. Higher hotel placements and lower rental income as a result of one hostel being closed for refurbishment have contributed to this overspend.
19. Waste contract costs are expected to be over budget by £193,941. Indexation on the waste contract was underestimated when the budget was set and will be inadequate to cover actual costs this year. Contractual indexation is based on a number of factors, some of which, such as fuel, have been subject to significant price increases in recent months.

Partnerships

20. The costs associated with the Five Councils contract have been reprofiled and therefore an underspend of £275,000 is expected by the end of the year.

Capital budget monitoring

21. On 16 February 2022, Council agreed a capital programme for 2022/23 of £6.749 million.
22. At the end of August 2022, the capital programme had increased to £19.8 million. Details of the changes to the capital programme during the first five months are summarised in table 3 below:

Table 3: movement on capital programme

	2022/23 £000
Original capital budget 1 April 2021	6,749
Roll forward from prior years	13,233
Additions in year (externally funded)	26
Additions in year (other)	0
Schemes deleted	(208)
Slippage into future years	0
Working budget 31 March 2022	19,800

23. Capital budgets will be reviewed in the coming months to ensure that project spend is more accurately profiled.

Financial, legal and other implications

24. The financial implications are as set out in the body of the report. There are no other implications of this report.

Conclusion

25. At this stage of the financial year, for revenue an overspend is forecast. On capital, expenditure was under budget as at the end of August and an underspend is anticipated for the year.

Appendices

- 1) Revenue budget monitoring – carry forwards
- 2) Capital budget monitoring - summary

Background Papers

- Budget papers for 2022/23