



CABINET

Tuesday, 04 October 2022

Subject	Budget Monitoring Report Quarter 2 2022/23
Report by	Councillor Maurice Cook Cabinet Member with responsibility for Resources
Supporting Officer	Brian Mew Chief Finance Officer and Section 151 Officer Brian.Mew@east Suffolk.gov.uk

Is the report Open or Exempt?	OPEN
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Category of Exempt Information and reason why it is NOT in the public interest to disclose the exempt information.	Not applicable
Wards Affected:	All Wards

Purpose and high-level overview

Purpose of Report:

This report provides Cabinet with an overview of the Council's projected financial performance for the financial year 2022/23 in respect of the General Fund, Reserves, Housing Revenue Account (HRA) and the Capital Programme.

Options:

None.

Recommendation/s:

1. That the Council's financial position for the period April to September 2022 together with projections of the full year outturn and reserve balances be noted.
2. That the areas of financial risk identified, the impact of which will be reflected in the Draft Medium-Term Financial Strategy due to be considered by Cabinet in November, be noted.
3. That the additional financial commitments approved in the first half of the year and their impact on the General Fund and reserve levels be noted.

Corporate Impact Assessment

Governance:

As set out in the Council's Finance Procedure Rules, the Chief Finance Officer is responsible for preparing and submitting reports on revenue budget forecasts to Cabinet. This report to Cabinet is intended to facilitate monitoring of the council's financial performance.

ESC policies and strategies that directly apply to the proposal:

- East Suffolk Strategic Plan
- East Suffolk Medium Term Financial Strategy
- Capital Programme
- Housing Revenue Account
- East Suffolk Treasury Management Strategy and Treasury Management Policy
- Annual Governance Statement
- Finance Procedure Rules
- Financial Management Code

Environmental:

There are no environmental implications identified.

Equalities and Diversity:

An Equality Impact Assessment is not required as the recommendations of this report do not require changes in policy and service delivery.

Financial:
Detailed financial analysis and our commentary is included in Appendix A.
Human Resources:
There are no HR implications directly arising from this report.
ICT:
There are no ICT implications identified.
Legal:
There are no legal implications identified.
Risk:
There are no risks identified.

External Consultees:	None.
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Strategic Plan Priorities

Select the priorities of the Strategic Plan which are supported by this proposal: (Select only one primary and as many secondary as appropriate)		Primary priority	Secondary priorities
T01	Growing our Economy		
P01	Build the right environment for East Suffolk	<input type="checkbox"/>	<input type="checkbox"/>
P02	Attract and stimulate inward investment	<input type="checkbox"/>	<input type="checkbox"/>
P03	Maximise and grow the unique selling points of East Suffolk	<input type="checkbox"/>	<input type="checkbox"/>
P04	Business partnerships	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P05	Support and deliver infrastructure	<input type="checkbox"/>	<input type="checkbox"/>
T02	Enabling our Communities		
P06	Community Partnerships	<input type="checkbox"/>	<input type="checkbox"/>
P07	Taking positive action on what matters most	<input type="checkbox"/>	<input type="checkbox"/>
P08	Maximising health, well-being, and safety in our District	<input type="checkbox"/>	<input type="checkbox"/>
P09	Community Pride	<input type="checkbox"/>	<input type="checkbox"/>
T03	Maintaining Financial Sustainability		
P10	Organisational design and streamlining services	<input type="checkbox"/>	<input type="checkbox"/>
P11	Making best use of and investing in our assets	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P12	Being commercially astute	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P13	Optimising our financial investments and grant opportunities	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P14	Review service delivery with partners	<input type="checkbox"/>	<input type="checkbox"/>
T04	Delivering Digital Transformation		
P15	Digital by default	<input type="checkbox"/>	<input type="checkbox"/>
P16	Lean and efficient streamlined services	<input type="checkbox"/>	<input type="checkbox"/>
P17	Effective use of data	<input type="checkbox"/>	<input type="checkbox"/>
P18	Skills and training	<input type="checkbox"/>	<input type="checkbox"/>
P19	District-wide digital infrastructure	<input type="checkbox"/>	<input type="checkbox"/>

T05	Caring for our Environment		
P20	Lead by example	<input type="checkbox"/>	<input type="checkbox"/>
P21	Minimise waste, reuse materials, increase recycling	<input type="checkbox"/>	<input type="checkbox"/>
P22	Renewable energy	<input type="checkbox"/>	<input type="checkbox"/>
P23	Protection, education, and influence	<input type="checkbox"/>	<input type="checkbox"/>
XXX	Governance		
XXX	How ESC governs itself as an authority	<input checked="" type="checkbox"/>	<input type="checkbox"/>
How does this proposal support the priorities selected? The report forms an important element of good governance, ensure financial sustainability and putting our assets to good use. It highlights areas of financial risk which will impact on the Council's Medium Term Financial Strategy (MTFS).			

Background and Justification for Recommendation

1 Background facts	
1.1	In February 2022, the Council approved a balanced budget for the 2022/23 financial year and set the Band D rate of Council Tax.
1.2	During the last six months, to enable the Council to respond to changing circumstances, some variations to the approved General Fund budget, expenditure from earmarked reserves, and commitments to growth have been made by Cabinet and Council. These are detailed in Appendix A1.
1.3	The Council is facing unprecedented financial challenges and uncertainties due to rising utility and fuel costs and a Local Government pay award yet to be agreed.
1.4	Hybrid working of Council offices means utility costs for admin buildings have not significantly continue but will continue to be monitored.
1.5	Indoor Leisure has the greatest exposure to utility price increases. The Council works closely with its Leisure Partners to monitor performance and presently cost pressures are being managed within existing budgets. There is growing uncertainty however, as to how long this position can be maintained.
1.6	Exposure to rising fuel costs is via the Council's Operations Partnership. Presently this cost pressure is mitigated by savings on waste disposal costs.
1.7	A 2022/23 pay offer has been made by the National Employers for Local Government but has not yet been agreed. Budget pressures are calculated on the current pay offer.
1.8	To date there has been no confirmation of additional funding from Central Government to support Local Government with the above cost pressures.
1.9	The Prime Minister and the Chancellor will be delivering a 'mini budget' on Friday 23 September 2022 to set out the Government's plans to tackle the cost of living. This may have implications for the figures presented in Appendix A. Any significant items emerging from Friday and of relevance to this report will be provided ahead of the Cabinet meeting and appended to this paper.
1.10	The Council continues to face recruitment difficulties, particularly in areas of specialism, and some agency/contractor support is required. This is giving rise to a significant underspend on staff costs which will offset the cost pressure from the pending pay award. This is cover in Section 1.4 of Appendix A.

2 Current position	
2.1	As at Quarter 2, an increase of £1.297m is forecast on the General Fund budget.
2.2	The current year revenue budget pressure is primarily due to inflation and the pending pay award.
2.3	Additional interest income of £0.500m is anticipated due to increased rates and is significant to help alleviate identified budget pressures.
2.4	Fees and Charges income to Quarter 2 was £10.49m. This is a small favourable variance of £0.030m when compared to the budget, £10.52m.
2.5	Car parking income has not returned to pre-pandemic levels and a reduction in the baseline income is forecast. Subject to further analysis of this area, a reduction to the annual income budget of £0.200m is currently projected.
2.6	Planning and Building Control income is ahead of the budget profile to Quarter 2 by over £0.400m. However, the current year forecast remains cautious on projecting a surplus year end position.
2.7	There are items which have been identified as having potential revenue budget implications for this financial year and over the MTFS period but cannot yet be quantified or quantified with a degree of certainty but are important to be highlighted. These are covered in Section 4 of Appendix A. As far as future years and next year's budget are concerned, the Draft Medium Term Financial Strategy 2023/24 – 2026/27 will be considered by Cabinet at its meeting on 1 November 2022.
2.8	Section 5 in Appendix A continues to show the Council in a strong position in respect of its reserves and balances, and able to manage short-term budget fluctuations over the period of uncertainty.

3 How to address current situation	
3.1	Earmarked reserves intended to balance year-to-year fluctuations such as the In-Year Savings Reserve and the Business Rates Equalisation Reserve will be utilised if necessary to mitigate any further financial risks arising in the second half of 2022/23 and to ensure that the outturn position is balanced.

4 Reason/s for recommendation	
4.1	The key focus of the Financial Sustainability theme is the development, monitoring and achievement of the savings and income increases required to address the Council's projected budget gaps of the MTFS.

Appendices

Appendices:	
Appendix A	Financial Performance Monitoring Report Quarter 2 2022-23
Appendix A1	Approved Budget Changes as at Quarter 2
Appendix A2	Variances to the Approved Budget as at Quarter 2
Appendix B	Update – Government Announcements 23 September 2022

Background reference papers:
None