

**Report for: DECISION**

**Item Number:**

<b>Contains Confidential or Exempt Information</b>	No
<b>Title</b>	<b>Q2 BUDGET MONITORING REPORT 2023/24</b>
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<b>Portfolio</b>	Councillor Steve Donnelly, Cabinet Member for Inclusive Economy
<b>For Consideration By</b>	Cabinet
<b>Date to be considered</b>	8 November 2023
<b>Implementation Date if Not Called In</b>	21 November 2023
<b>Affected Wards</b>	All
<b>Area Committees</b>	All
<b>Keywords/Index</b>	Financial Monitor, DSG, Savings, Capital

**Purpose of Report**

This report provides the second financial update on the General Fund, Housing Revenue Account, Dedicated Schools Grant, and Capital budget positions for the financial year 2023/24 as at 30 September 2023.

The Council continues to face considerable financial pressures in managing the implications of external factors and the wider economic context including high levels of inflation, increases in demand and complexity of demand, social care and, increasingly, private sector leasing market pressures.

The General Fund forecast is a net overspend of £4.631m (1.62%). This forecast includes a number of financial risks as set out in the report.

The Council is continuing to identify, develop and monitor management action plans which address the pressures and financial risks to reduce and eliminate the forecast overspend. Progress of these will form part of the overall financial management strategy aiming to deliver a balanced budget position for the year-end.

## **1. Recommendations**

It is recommended that Cabinet:

- 1.1 Notes the estimated General Fund revenue budget outturn position of net £4.631m (1.62%) overspend for 2023/24 (section 4), and an overspend of £5.975m position on the Housing Revenue Account for 2023/24 (section 7).
- 1.2 Notes the in-year Dedicated Schools Grant (DSG) deficit forecast of £3.546m to be charged to the DSG account (section 6).
- 1.3 Notes the progress on delivering the 2023/24 savings programme (section 5).
- 1.4 Notes the 2023/24 capital programme forecast (paragraph 8.3).
- 1.5 Approves the re-profiling of 2023/24 capital programme net slippage of over £1m of £30.321m (Appendix 2) into future years.
- 1.6 Approves the decommissioning of £3.2m of capital schemes (paragraph 8.5.)

## **2. Reason for Decision and Options Considered**

- 2.1 To forecast the financial position for 2023/24 based on available information at the end of 30 September 2023. The report outlines the Council's forecast position on revenue, capital, income, and expenditure to the end of Quarter 2.

## **3. Key Implications**

- 3.1 In setting the budget for 2023/24, the Council supported significant growth in social care services that experience significant and continued demand and market/ cost pressures, and to prioritise its most vulnerable residents. Whilst these challenges continue in 2023/24, the Council is now experiencing additional pressures in demand for, availability and cost of temporary accommodation. Council services continue to operate in a challenging resource environment where demand and cost changes can lead to material budget variances with continued high levels of inflation and energy prices. The Council has undertaken and continues to undertake a number of projects and programmes to seek to manage and reduce demand, with some success. A programme of work is being scoped to respond to the increased costs being experienced in the market for placements, to develop a more commercial approach to negotiations, and identify and implement other market interventions.
- 3.2 The report presents the management accounts of the Council and provides information on the forecast financial position at 30 September 2023 (Quarter 2). The overall net general fund budget pressure forecast at the end of Quarter 2 is £4.631m overspend, a £3.5m improvement on the previous quarter (Quarter 1 £8.214m overspend). This compares to a forecast overspend of £5.739m in Quarter 2 of 2022/23 (Quarter 1 of 2022/23 £14.794m).
- 3.3 Councils are required to deliver a balanced budget each year ensuring that the projected expenditure and commitments can be matched by the available resources. Management have identified and are delivering mitigating actions and must continue to explore further measures as part of action plans to address the forecast overspend and the significant financial risks. Progress of these will be reported through the quarterly budget monitoring process and outturn report, and will form part of the overall financial management strategy to deliver a balanced position by year-end.

## **4. General Fund Revenue Forecast Position 2023/24**

- 4.1 The General Fund revenue outturn forecast for 2023/24 is £291.312m. This represents a net overspend of £4.631m (1.62%) against a General Fund net revenue budget of £286.681m. The net position is summarised in Table 1:

Table 1: Quarter 2 Summary of Net Revenue Budget Variance

Revenue Budget	2023/24 Revised Budget £m	2023/24 Full Year Forecast £m	Forecast Net Variance Quarter 2 £m	Forecast Net Variance Quarter 1 £m	Movement Quarters 1 - 2 £m
Adult Services & Public Health	100.765	112.484	11.718	15.465	(3.747)
Children's & Schools	74.429	84.354	9.925	7.594	2.331
Economy & Sustainability	5.061	5.746	0.685	0.549	0.136
Housing & Environment	13.602	18.206	4.604	3.812	0.792
Resources	36.993	34.306	(2.687)	(2.089)	(0.599)
Strategy & Change	8.562	9.093	0.531	0.797	(0.266)
<b>Net Cost of Services Subtotal</b>	<b>239.412</b>	<b>264.188</b>	<b>24.776</b>	<b>26.129</b>	<b>(1.353)</b>
Corporate budgets	47.269	27.124	(20.145)	(17.915)	(2.230)
<b>Total General Fund</b>	<b>286.681</b>	<b>291.312</b>	<b>4.631</b>	<b>8.214</b>	<b>(3.583)</b>

## 4.2 Budget Pressure

4.2.1 The Strategic Directors continue to review their departmental budgets and spending and are undertaking further work with their directorate management teams to improve their financial position with their portfolio holders for Quarter 3 reporting and beyond.

4.2.2 During the quarter, corporately held budgets for inflation and utilities have been allocated to services. Explanations for significant pressures, underspends and movements are set out below.

### Adult Services & Public Health

4.2.3 Adult Services & Public Health are reporting a significant gross pressure of £30.573m (Quarter 1 £29.907m). The gross budget pressure is off-set by significant in-year management actions of £10.164m (Quarter 1 £8.709m) and planned mitigations of £6.524m (Quarter 1 £3.684m), and reserves of £2.168m (Quarter 1 £2.048m) (for budgeted covid legacy pressures and support to the Homes for Ukraine scheme). These reduce the budget pressure to £11.718m (Quarter 1 £15.465m). Further action to reduce and eliminate this overspending is being developed by the department, this has included the introduction of a Resource Allocation Panel and identification of staff savings.

4.2.4 The net budget pressures as per Quarter 2 are driven by:

- a) £10.989m (Quarter 1 £14.726m) relating to the increasing cost of placements.
- b) £0.729m (Quarter 1 £0.739m) staffing pressures.

### Children's & Schools

4.2.5 Children's & Schools are reporting a significant gross pressure of £18.602m (Quarter 1 £14.826m) which includes a Dedicated Schools Grant (DSG) pressure

of £3.546m (Quarter 1 £3.049m). The gross budget pressure is offset by in-year management actions of £1.450m (Quarter 1 £1.350m) and further reduced by £7.227m (Quarter 1 £5.881m), a combination of transferring the DSG deficit into the DSG Reserve (Section 6), one-off use of reserves for support to the Homes for Ukraine scheme, and Public Health grant. The net budget pressure has increased at Quarter 2 to £9.925m (Quarter 1 £7.594m) as a result of new high-cost placements flowing from increased demand and level of need in the cohort and a paucity in the supply of fostering placements. Further work is planned to identify additional management actions to reduce the level of overspend by year-end, including reviews of the operation of high placement cost panels, supply of fostering placements and the establishment and workforce.

- 4.2.6 The net budget pressures as per Quarter 2 are driven by:
- a) £6.888m (Quarter 1 £3.339m) relating to Looked After Children demand and cost pressures (including Unaccompanied Asylum-Seeking Children).
  - b) £1.282m (Quarter 1 £1.345m) Home to School Transport demand and cost pressures.
  - c) £1.755m (Quarter 1 £2.910m) staffing cost pressures.
- 4.2.7 Key risks to this forecast include the impact of new placements and, resolving the waiting list for Children with Disabilities, which may increase costs.

#### **Economy & Sustainability**

- 4.2.8 Economy & Sustainability are reporting a pressure of £0.685m (Quarter 1 £0.549m) after £0.300m of mitigation actions to increase income across Planning, Regeneration, Economic Growth, Building Control Surveying and Art, Culture, Leisure, and Libraries.
- 4.2.9 The net forecast budget pressures at Quarter 2 are driven by:
- a) £0.008m pressure (Quarter 1 £0.439m) - mitigations have reduced the income pressure relating to Art, Heritage and Libraries, community centres and for festivals and events.
  - b) £0.152m (Quarter 1 £0.152m) includes repairs pressures from a gas explosion at Western Road Southall which the service is taking steps to recover.
  - c) £0.210m local land charges income pressures due to reduced demand.
  - d) £0.315m (Quarter 1 (£0.042m)) adverse variance from planning enforcement income pressures.
- 4.2.10 Key risks to this forecast include the impact of wider economic conditions on future planning application income, and the increased potential for abortive capital costs in light of current market conditions. The previously forecast increase in expected planning income has now been reduced as there has been a delay whilst the government finalises measures to increase fees.

#### **Housing & Environment**

- 4.2.11 Housing & Environment services include Housing Demand, Community

Protection, Parking, Environment, Waste Management, Street Care, Parking, Highways and Travellers' Warden. The department is reporting a gross forecast pressure of £4.440m (Quarter 1 £4.010m) with the use of reserves of (£0.198m) and placing a net £0.363m into the parking reserve, increasing the net forecast budget pressure to £4.604m.

- 4.2.12 The net forecast budget pressures in Quarter 2 are driven by:
- a) £2.424m (Quarter 1 £2.513m) temporary accommodation pressure mainly relating to housing benefit subsidy loss with increased demand, and cost of accommodation due to limited supply. The service is looking at options to increase value for money accommodation provision to reduce the increasing budget pressures.
  - b) £0.679m (Quarter 1 £0.869m) highways pressures for maintaining traffic signals and increased energy costs.
  - c) £0.755m (Quarter 1 £0.342m) street income and GEL contract pressure.
  - d) £0.105m (Quarter 1 £0.088m) utility pressures within the travellers' warden service.
  - e) £0.571m parking income pressure.
- 4.2.13 The housing benefit subsidy loss budget was transferred to Housing & Environment as part of the 2023/24 budget process, having previously been reported in Resources. The Quarter 1 monitoring report explains this movement and effect on the respective budgets.
- 4.2.14 Key risks to this forecast are the continued challenges of the availability and costs of temporary accommodation, particularly as a result of government policy and practice in relation to resettlement and asylum seekers, and the wider economic impact on private sector landlords.

### **Resources**

- 4.2.15 Resources are reporting a gross underspend of (£2.190m) (Quarter 1 (£1.227m)), and with in-year use of reserves the net underspend increases to (£2.687m) (Quarter 1 (£2.089m)). This includes a number of pressures offset by the housing benefit subsidy underspend and underspends in ICT due to issues recruiting staff.
- 4.2.16 The key drivers relating to the forecast are:
- a) Commercial Hub has a forecast pressure of £0.084m (Quarter 1 £0.084m) due to a shortfall in achieving the income target.
  - b) Net pressure of £0.253m (Quarter 1 £0.324m) pressure across Customer & Transaction services which is driven by increased staffing and agency costs.
  - c) Finance Service pressure of £0.190m (Quarter 1 £0.146m) due to staffing and agency costs.
  - d) ICT & Property Services includes a net underspend (£1.242m) (Quarter 1 £0.307m pressure), which includes an overspend of £0.144m (Quarter 1 £0.996m) for utility cost increases for Perceval House, Ealing Town Hall, and other properties; £0.354m (Quarter 1 £1.107m) pressures from planned and

- reactive maintenance services, and other pressures of £0.103m. These pressures are offset by reduced ICT staffing costs (£1.843m) (Quarter 1 (£1.899m)) due to vacancies and contract management.
- e) Strategic Property is forecasting a £0.317m overspend, which includes income pressures due to part year rent impacts and property costs relating to lettings. The service is working on options to increase income before year-end.
  - f) Housing Benefit subsidy is forecasting an underspend of (£3.255m) due to an increase in overpayment recovery.

### Strategy & Change

- 4.2.17 Strategy & Change are reporting a gross overspend of £0.766m (Quarter 1 £1.032m). The gross pressure is offset by reserves of £0.235m (Quarter 1 £0.235m), reducing the net budget pressure to £0.531m.
- 4.2.18 The main pressure within Strategy & Change relates to Human Resources staffing and agency pressure of £0.694m, reduced by an underspend in other areas (£0.163m). This position is being reviewed to reduce the overspend before year-end.

### Corporate Budgets

- 4.2.19 The Corporate Budget is reporting a net underspend of (£20.145m) (Quarter 1 (£17.915m)) driven by:
  - a) Increased forecast underspend on treasury management (£15.342m (Quarter 1 (£14.113m)) which reflects low Public Works Loan Board (PWLB) borrowing costs, and additional interest income from increased cash balances and higher interest rates.
  - b) Use of contingency to off-set service overspending (c.£2m).
  - c) Release of one-off funds of (£0.676m) by West London Waste Authority (WLWA) following WLWA board approval.
  - d) (£0.450m) underspend forecast on concessionary fares against budget allocations.
  - e) (£1.976m) forecast underspend of budgets relating to various other corporate budgets.

## 5. Achievement of 2023/24 Savings

- 5.1 Cabinet approved £9.578m of net savings of which £7.184m was approved in 2023/24 and £2.394m approved in previous MTFS periods. Table 2 below provides an overview summary of savings across the various funding sources.

Table 2: 2023/24 Approved Savings Summary by Funding

Savings Summary	General Fund	HRA	DSG	Total
	£m	£m	£m	£m
Gross saving	14.104	(0.003)	0.000	14.101
<i>Investment and funded by:</i>				
Digital programme	(0.192)	0.000	0.000	(0.192)

Savings Summary	General Fund	HRA	DSG	Total
	£m	£m	£m	£m
Cost avoidance	(4.199)	0.000	0.000	(4.199)
Investment	(0.135)	0.003	0.000	(0.132)
<b>Net approved saving</b>	<b>9.578</b>	<b>0.000</b>	<b>0.000</b>	<b>9.578</b>

- 5.2 At the end of Quarter 2, £1.312m (13.70%) of the savings have been achieved with £3.235m (33.77%) identified at being risk and the remaining in progress, as set out in Table 3 below.

Table 3: Quarter 2 2023/24 Savings Programme Delivery

Savings by Directorate	Total	Red	Amber	Green	% Savings Achieved (Green)
	£m	£m	£m	£m	
Adults Services & Public Health	1.206	2.383	0.477	(1.654)	(137.18%)
Children's & Schools	0.947	0.000	0.947	0.000	0.00%
Economy & Sustainability	2.203	0.096	1.905	0.202	9.16%
Housing & Environment	4.312	0.736	0.725	2.851	66.12%
Resources	0.412	0.142	0.357	(0.087)	(21.08%)
Strategy & Change	0.210	0.000	0.210	0.000	0.00%
Corporate	0.288	(0.122)	0.410	0.000	0.00%
<b>Total</b>	<b>9.578</b>	<b>3.235</b>	<b>5.030</b>	<b>1.312</b>	<b>13.70%</b>
Key:	<b>Red</b>	Savings at risk of not being achieved in-year and/or have not been replaced.			
	<b>Amber</b>	Savings forecast to be achieved; or are in progress to be delivered and/or potentially at risk of being delivered.			
	<b>Green</b>	Savings achieved			

## 6. Dedicated Schools Grant (DSG) Account

- 6.1 Dedicated schools grant (DSG) is paid in support of local authority schools and is the main source of income for school budgets. The terms and conditions allow the Council to carry forward any deficits and underspends to a ring-fenced reserve. This is separate from the General Fund, which cannot be used to subsidise the account.
- 6.2 At the end of 2022/23, the Council held a net surplus balance of £1.345m on its DSG account which includes a High Needs DSG deficit of £0.570m. At Quarter 2 the forecast is estimating a deficit of £2.201m, which is mainly due to an increase of £3.546m in High Needs overspend after mitigating by block transfer from the Schools Block to the High Needs block as agreed by the Schools Forum.



Table 4: Quarter 2 2023/24 DSG Account Summary Forecast

DSG Account	Quarter 2 Forecast £m				Q1 forecast £m
	Schools Block	Early Years Block	High Needs Block	Total	
Opening balance at 1 April 2023	(0.321)	(1.594)	0.570	<b>(1.345)</b>	<b>(1.345)</b>
2023/24 in-year movements	0.000	0.000	3.546	<b>3.546</b>	<b>3.049</b>
<b>DSG Deficit (+) / Surplus (-) balance at 31 March 2024</b>	<b>(0.321)</b>	<b>(1.594)</b>	<b>4.116</b>	<b>2.201</b>	<b>1.704</b>

6.3 The Council along with many other authorities continues to experience pressures on the High Needs Block due to increased demand for Education, Health, and Care Plans (EHCPs) and the level of need. The DSG High Needs Deficit Recovery Plan continues to be refined and the Council is working with London Councils to lobby for additional funding. However, in the absence of confirmation of additional funding the cumulative deficit on the High Needs Block is forecast to increase and the Council will be expected to recover the deficit from future allocations.

6.4 The Council continues to work with the Schools Forum to implement a DSG High Needs Recovery Plan in line with government directives to bring the High Needs Block into balance and recover the cumulative deficit. The Schools Forum continues to review the position on the other blocks.

## 7. Housing Revenue Account (HRA)

7.1 At Quarter 2, the HRA is forecasting an overspend of £5.975m and the additional funding required is to be drawn from reserves to balance the HRA. The main drivers for this are arising from increased responsive repairs costs due to the completion domestic electrical inspection reports (EICRs), cladding issues and fire damage works, utilities costs, the costs of implementing the building safety team and forecast cost of borrowing pressures resulting from the latest forecast capital expenditure and funding.

7.2 These pressures are being reviewed as part of the HRA business plan development to ensure sufficient provision is included in the budget to deliver the priorities considering the latest intelligence in price increases, volume of works to maintain the existing housing stock to required standards and the proposed regeneration capital programme.

Table 5: HRA Quarter 2 2023/24 Summary

HRA Budget	2023/24 Budget	2023/24 Full Year Forecast	Forecast Net Variance Quarter 2	Forecast Net Variance Quarter 1
	£m	£m	£m	£m
Income	(78.008)	(78.706)	(0.698)	(0.070)

HRA Budget	2023/24 Budget	2023/24 Full Year Forecast	Forecast Net Variance Quarter 2	Forecast Net Variance Quarter 1
	£m	£m	£m	£m
Expenditure	79.865	86.538	6.673	0.802
<b>Sub-total</b>	<b>1.857</b>	<b>7.832</b>	<b>5.975</b>	<b>0.732</b>
Contribution from Reserves	(1.857)	(7.832)	(5.975)	(0.732)
<b>Total HRA</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>

7.3 The table below shows a summary of the forecast position on the HRA reserves.

Table 6: HRA Reserves Summary Forecast

HRA Reserves	HRA Reserve	HRA Balance	Total HRA Reserves
	£m	£m	£m
Opening balance at 1 April 2023	11.941	4.925	16.866
2023/24 in-year movements (Q2 forecast overspend)	(7.832)	0.000	(7.832)
<b>Forecast HRA Reserve Balances at 1 April 2024</b>	<b>4.109</b>	<b>4.925</b>	<b>9.034</b>

## 8. Capital Programme

8.1 A summary of the capital programme is set out in the table below.

Table 7: Capital Programme Summary 2023/24 – 2027/28+ Movements

Capital Programme Summary	Budget 2023/24	Budget 2024/25	Budget 2025/26	Budget 2026/27	Budget 2027/28+	Total
	£m	£m	£m	£m	£m	£m
<b>Revised Programme at Quarter 2</b>						
General Fund	107.072	357.271	30.110	19.906	93.250	607.609
HRA	144.672	131.735	95.366	59.780	36.783	468.336
<b>Total</b>	<b>251.744</b>	<b>489.006</b>	<b>125.476</b>	<b>79.686</b>	<b>130.034</b>	<b>1,075.946</b>
<b>Revised Programme at Quarter 1</b>						
General Fund	342.381	158.222	55.668	21.349	92.695	<b>670.315</b>
HRA	146.383	153.790	111.058	62.452	61.201	<b>534.884</b>
<b>Total</b>	<b>488.764</b>	<b>312.012</b>	<b>166.726</b>	<b>83.801</b>	<b>153.895</b>	<b>1,205.199</b>
<b>Changes due to slippage, decommissioning, reprofiling and/or in-year additions</b>						
General Fund	(235.309)	199.048	(25.558)	(1.443)	0.556	(62.706)
HRA	(1.711)	(22.055)	(15.692)	(2.672)	(24.417)	(66.547)
<b>Total</b>	<b>(237.020)</b>	<b>176.994</b>	<b>(41.250)</b>	<b>(4.115)</b>	<b>(23.861)</b>	<b>(129.252)</b>

8.2 The revised Q2 capital programme reflects the following main changes since Q1:

- 2023/24 Q1 slippage of £212.351m, of which £204.280m (where the

slippage for each scheme is over £1m) was approved by Cabinet in September 2023. Total General Fund slippage was £224.194m.

- Additions to the capital programme of £18.935m mainly relating to works to improve energy efficiency at a Leisure Centre & Highways transport works.
- Decommissioned schemes totalling £148.252m, most significantly relating to the termination of the Perceval House redevelopment scheme – work is progressing on future plans for Perceval House and will be the subject of a future Cabinet report and capital budget approval.

8.3 The capital programme for 2023/24 is currently reporting an overspend position of £6m against the approved programme budget, as summarised in the table below.

Table 8: Capital Summary

2023/24 Capital Budget Summary	2023/24 Budget	Year to Date Actuals	Current Forecast	Slippage/ (Accelerated) Spend	Forecast Variance Under (-) / Over (+) spend	De commissioning	Forecast Variance (Under -) / Over spend after de commissioning
	£m	£m	£m	£m	£m	£m	£m
Adults Services & Public Health	0.531	0.000	0.231	0.300	0.000	0.000	0.000
Children's & Schools	20.070	4.889	16.225	3.846	0.000	0.000	0.000
Economy & Sustainability	44.397	8.370	45.054	2.182	2.840	3.201	6.040
Housing & Environment	27.328	5.311	26.328	1.000	0.000	0.000	0.000
Resources	14.625	3.916	14.554	0.071	0.000	0.000	0.000
Strategy & Change	0.000	0.039	0.000	0.000	0.000	0.000	0.000
Corporate	0.120	0.000	0.120	0.000	0.000	0.000	0.000
<b>Total General Fund</b>	<b>107.072</b>	<b>22.525</b>	<b>102.513</b>	<b>7.399</b>	<b>2.840</b>	<b>3.201</b>	<b>6.040</b>
HRA	144.672	32.626	118.109	26.563	0.000	0.000	0.000
<b>Capital Programme</b>	<b>251.744</b>	<b>55.151</b>	<b>220.622</b>	<b>33.963</b>	<b>2.840</b>	<b>3.201</b>	<b>6.040</b>

8.4 The recommendations seek approval to re-profile capital budgets that are in excess of £1m. The slippage over £1m totals £30.321m of the total slippage of £33.963m; details of these schemes are set out in Appendix 2. Slippage of under £1m of £3.642m has been agreed under delegated authority by the Strategic Director, Resources.

### Budgets to be decommissioned

8.5 Cabinet is asked to approve a total of £3.2m of budget decommissioning in relation to Energy grant (Home Upgrade Grant Phase 1); £3.2m grant money is to be returned to the government as it has not been possible to spend this due to the unavailability of eligible properties to undertake works envisioned by the grant.

8.6 Decommissioning of £0.308m has been agreed under delegated authority by the Strategic Director, Resources.

## Forecast overspend

- 8.7 As advised in Q1, it is currently forecast that there will be an overspend of £6.040m in relation to Genuinely Affordable Homes (Q1 £6.031m), which relates to housing schemes being developed within the Council's General Fund, prior to any transfer to Broadway Living RP or to the HRA. A further report on the housing development programme is expected to be reported to a future Cabinet which will include a review of housing development budgets and any required budget approvals.

## Capital Risks

- 8.8 Due to the forthcoming change to the national phone network where all copper-wired networks will be switched off by 2027, and changed to fibre optic technology (the Big Switch Off), there is likely to be a requirement for a new capital budget to be added to the capital programme to undertake upgrade and improvement work. The costs have not yet been quantified but initial estimates indicate that they may be in the region of £2m to £6m, and work is ongoing to validate this early assumption.

## 9. Council Tax and Business Rates Collection 2023/24

- 9.1 The Council's collection performance for council tax and business rates in 2023/24 to 30 September 2023 is set out below.

### 9.2 Council Tax

- 9.2.1 Council tax in-year collection is behind the target collection profile (2.65%) which equates to £6.128m. The collection is not comparable to last year due to the award of £6.123m of energy rebates in 2022/23 which increased collection. The current net debit figure compared with this period last year has increased by £16.401m, and the cash collected in the first six months of the year has increased by £5.668m.

Table 9: 2023/24 Quarter 2 Council Tax in-year collection

Council Tax In-Year Collection	Quarter 2		Quarter 1	
	£m	%	£m	%
Amount to be collected to achieve 97.2%	224.397	97.20%	224.323	97.20%
Target collection	132.052	57.20%	71.774	31.10%
Amount collected	125.924	54.55%	67.972	29.45%
<b>Variance against target</b>	<b>(6.128)</b>	<b>(2.65%)</b>	<b>(3.802)</b>	<b>(1.65%)</b>

Source: QRC Monthly data

### 9.3 Business Rates

- 9.3.1 Business Rates collection is 2.78% ahead target which equates to £4.460m. The net debit has increased by £9.146m compared to this period last year due to

changes in the relief given to retail properties post-Covid.

Table 10: 2023/24 Quarter 2 Business Rates in-year collection

Business Rates In-Year Collection	Quarter 2		Quarter 1	
	£m	%	£m	%
Amount to be collected to achieve 97.2%	156.042	97.20%	156.206	97.20%
Target collection	84.764	52.80%	45.801	28.50%
Amount collected	89.224	55.38%	45.386	28.24%
<b>Variance against target</b>	<b>4.460</b>	<b>2.78%</b>	<b>(0.415)</b>	<b>(0.26%)</b>

Source: QRC Monthly data

## 10. Legal

10.1 The Council is required to monitor and review, from time to time during the year, its income and expenditure against budget. If it appears to the Council that there has been a deterioration in its financial position, it must take such action, if any, as it considers necessary to deal with the situation, and be ready to take action if overspends or shortfalls in income emerge (Section 28 of the Local Government Act 2003).

### 10.2 In regard to Schools Funding and Dedicated Schools Grant (DSG)

10.2.1 The Council currently receives funding for schools through the Dedicated Schools Grant (DSG) and has the statutory responsibility under the Schools and Early Years Finance Regulations for allocating this funding to schools.

10.2.2 The Schools and Early Years Finance (England) Regulations published in February 2022 (and to be updated for 2023) sets out the grant condition and accounting regulations that local authorities must follow in respect of DSG deficit and underspend balances. This specifically precludes the use of the General Fund to subsidise the DSG.

## 11. Value for Money (VFM)

11.1 Managing within budget and the achievement of efficiency savings are key responsibilities of budget managers, as identified in their performance objectives.

11.2 Detailed variance forecasting by service budget holders, together with a corporate overview by Strategic Finance will be reported regularly (in accordance with the agreed timetable) to the Strategic Leadership Team and Cabinet. Where forecast adverse variances are identified in this process, they will be addressed via action plans, enabling the General Fund spending to be brought within budget during the year.

## 12. Sustainability Impact Appraisal

12.1 Any sustainability impacts are taken into account before final decisions are taken

on whether or not to implement savings proposals as part of the budget setting process. All capital budget proposals are required to set out how the proposal contributes towards carbon emission reduction.

### **13. Risk Management**

13.1 It is important that spending is contained within budget so that the Council can maintain its financial standing in the face of further pressure on resources in 2023/24 and beyond as set out in the annual review of the Medium-Term Financial Strategy (MTFS) approved by Cabinet in February 2023.

13.2 The Council is faced with an uncertain financial context over the short to long-term in relation to government funding, social and economic factors such as the continued high inflation and energy prices, and social care and temporary accommodation demand, which present risks to financial sustainability and there remains potential for further, unrecognised, risks. The most immediate risks to the budget in the current year are:

- social care placement demand and cost pressures.
- increasing homelessness, demand for, and cost of temporary accommodation.
- cost-of-living, high inflation and energy prices.
- unfunded income pressures as a result of the pandemic and current economic climate, particularly in relation to Council Tax and Business Rates income.
- non-delivery of approved savings.

13.3 Close monitoring by the Strategic Leadership Team of the pressures is undertaken through the year to reflect success and impact of mitigations and other management actions that aid in delivering a balanced budget.

13.4 Given the significant uncertainties and volatility of the economic environment and the level of in-year pressure, there are inevitably significant risks involved in delivering balanced budgets in the current year. Key strategic risks will continue to be:

- included in the Corporate Risk Register
- regularly reported to Audit Committee
- reviewed through quarterly budget update reports to Cabinet
- reviewed through ongoing budget and MTFS planning.

### **14. Community Safety**

14.1 There are no direct community safety implications.

### **15. Links to Three Key Priorities for the Borough**

15.1 The Council's medium-term financial strategy, budgets and capital programme are designed to enable the delivery of the Council's key priorities of fighting inequality, tackling the climate crisis, and creating good jobs. The budget for

2023/24 is supporting delivery of national and local priorities, including further investment in Real Living Wage for remaining contracts and to meet the annual inflationary uplift to the Real Living Wage commitments in homecare.

## **16. Equalities, Human Rights & Community Cohesion**

16.1 There is no requirement for an Equality Impact Assessment as part of this report.

## **17. Staffing/Workforce and Accommodation Implications**

17.1 There are no direct staffing/workforce and accommodation implications arising from this report.

## **18. Property and Assets**

18.1 There are no direct property/asset implications arising from this report.

## **19. Any Other Implications**

19.1 The overall financial position of the Council impacts on the future provision of all Council services.

## **20. Consultation**

20.1 Information and explanations have been sought from departments on specific aspects of this report and their comments have been included.

## **21. Appendices**

Appendix 1 – 2023/24 General Fund Forecast Summary

Appendix 2 – Capital Programme Slippage/Acceleration over £1m

## **22. Background Information**

Cabinet reports:

- 2023/24 Quarter 1 Budget Monitoring Update– 13 September 2023
- Revenue and Capital Outturn 2022/23 – 14 June 2023
- Budget Strategy and MTFS 2023/24 to 2025/26 – 22 February 2023
- Budget Update Report 2022/23 – 22 February 2023
- Housing Revenue Account (HRA) Business Plan 2023-24 report – 25 January 2023
- Budget Update Report 2022/23 – 7 December 2022

## Consultation

Name of consultee	Department	Date sent to consultee	Date response received from consultee	Comments appear in report para:
<b>Internal</b>				
Emily Hill	Strategic Director, Resources	Continuous	Continuous	Throughout
Tony Clements	Chief Executive	13/10/2023	18/10/2023	Throughout
Kerry Stevens Robert South Peter George Nicky Fiedler Amanda Askham	Strategic Directors	13/10/2023	18/10/2023	Throughout
Helen Harris	Director of Legal and Democratic Services	13/10/2023	18/10/2023	Legal section
Councillor Steve Donnelly	Cabinet Member for Inclusive Economy	23/10/2023	26/10/2023	Throughout
Russell Dyer	Assistant Director – Accountancy	Continuous	Continuous	Throughout
Nick Rowe	Assistant Director of Local Tax & Accounts Receivable	06/10/2023	09/10/2023	Section 9

## Report History

<b>Decision type:</b> For decision	<b>Urgency item?</b> No
Authorised by Cabinet member:	Date:                      Report deadline:                      Date report sent:
<b>Report</b>	<b>Report authors and contacts for queries:</b> Kevin Kilburn, Interim Assistant Director Strategic Finance, 020 8825 7549 Baljinder Sangha, Finance Manager Planning & Monitoring, 020 8825 5579 Katherine Ball, Finance Manager Capital & Projects, 020 8825 5757