

CABINET MEETING – 13 JULY 2023

EXECUTIVE SUMMARY SHEET – PART I

Title of Report:

First Revenue Budget Review 2023/2024

Author(s):

Director of Finance

Purpose of Report:

The report advises Cabinet of the overall Revenue Budget position following the first revenue review for 2023/2024 including proposed contingency transfers.

Description of Decision:

Cabinet is recommended to:

- Note the contents of the report; and
- Approve the contingency transfers proposed at Section 3.4.

Is the decision consistent with the Budget/Policy Framework? Yes

If not, Council approval is required to change the Budget/Policy Framework

Suggested reason(s) for Decision:

To respond to variations in expenditure and income which have arisen in 2023/2024 and enable effective budgetary control to be exercised.

Alternative options to be considered and recommended to be rejected:

No alternative options are proposed

Impacts analysed;

Equality Privacy Sustainability Crime and Disorder

Is the Decision consistent with the Council's co-operative values? Yes

Is this a "Key Decision" as defined in the Constitution? Yes

Is it included in the 28 day Notice of Decisions? Yes

FIRST REVENUE BUDGET REVIEW FOR 2023/2024**Director of Finance****1. Purpose of Report**

1.1 The report advises Cabinet of the overall Revenue Budget position following the first review for 2023/2024 including proposed contingency transfers.

2. Description of Decision (Recommendations)

2.1 Cabinet is recommended to:

- Note the contents of the report; and
- Approve the contingency transfers proposed at Section 3.4.

3. Revenue Budget Monitoring 2023/2024

3.1 Overall Position

3.1.1 The budget for 2023/2024 was approved by Council in February 2023. A full review has been undertaken for each Portfolio, together with contingency allocations proposed for the first quarter.

3.1.2 At this early stage in the financial year the forecast outturn position reflects the challenge the Council faces in delivering savings approved by Council in order to balance the budget, known areas of pressure, and the impact of elevated inflation levels which is driving the cost of living crisis. The financial consequences of the latter are factored into the position where known, but a degree of caution should be noted at this early stage in the financial year.

3.1.3 The overall forecast outturn position for 2023/2024 is a deficit £0.404m which can be met from the earmarked Energy and General Inflation reserve. The position is summarised in the table below, with further detail provided within Appendix A, Appendix B, and the remainder of Section 3 below.

Area of Variance	Para reference	Variance Underspend / (Overspend) £m
Delegated Forecast Outturn	3.3	(2.304)
Pay Pressure	3.1.6	(2.500)
Energy	3.1.8	0.900
Contingency Transfers	3.4	0.000
Debt Charge Savings	3.6	2.000
Treasury Management Savings	3.6	1.500
Forecast Outturn position		(0.404)
Use of Energy and General Inflation Reserve		0.404
Forecast Outturn position (after use of reserve)		0.000

- 3.1.4 The Council's financial position is being adversely impacted by pressures of continued high inflation which is compounding the cost of living crisis, and also from the legacy impact from the Covid-19 pandemic. The Council's social care services continue to experience both demand pressures, challenges around complex cases and cost increases from providers looking to mitigate inflationary pressures they are experiencing. An average fee increase in the region of 12% has recently been agreed with adult social care providers for 2023/2024, with the shortfall beyond the amount included within the base budget being drawn from the contingency provision.
- 3.1.5 Other council services continue to experience inflationary pressures through service contracts and the costs of acquired goods and materials.

Pay Pressures

- 3.1.6 The pay award for the 2023/2024 financial year is still to be agreed. In February 2023 a formal pay offer for Local Government was made which proposed an increase of £1,925 on all NJC pay points. The offer equates to a pay increase of 9.42% for employees on the national pay point 2 and everyone on the NJC pay spine would receive a minimum 3.88% pay increase. All three Trades Unions have rejected the offer and balloting for industrial action is underway. A pay award offer of 3.5% for JNC Chief Officer employees was accepted in May 2023. The pay award offer for Chief Executives has been rejected.
- 3.1.7 Provision for a 5% pay award was factored in to the 2023/2024 approved budget. Based upon the current pay offer, this would create an additional cost of c.£2.500m for the Council and its wholly owned companies, beyond that included in the Council's 2023/2024 revenue budget.

Energy

- 3.1.8 As widely reported, the Russian invasion of the Ukraine created significant uncertainty in the global economy, particularly in the energy markets. Higher than expected global energy and goods prices have already led to an unavoidable increase in the cost of living in the UK through significant rises in inflation levels.
- 3.1.9 During the preparation of the 2023/2024 budget, significant increases were provided for in respect of the Council's energy requirements, based on the forecast prices at the time. In recent months wholesale prices have reduced, leading to a revised, lower, forecast cost for 2023/2024. At present an underspend of £0.900m is anticipated.

General Pressures

- 3.1.10 It should be noted that the financial impact of the cost of living crisis on the City's residents and businesses could result in a deficit position on the council tax and / or business rates collection funds. Any deficit will not impact on the current year's general fund position but would need to be taken into account in the budget setting process for 2024/2025.

Public Health Grant

3.1.11 At the time of setting the budget for 2023/2024 the Public Health grant allocation was still to be confirmed. Allocations were announced by the Department of Health and Social Care in March 2023, with Sunderland's allocation increasing by £820,552 to £25,977,652. This ringfenced grant will be utilised for public health activity.

3.2 Budget Transfers

3.2.1 Budget transfers undertaken at the first review primarily reflect the need to realign budgets to ensure correct accountability of the approved budget. These are set out in Appendix A.

3.3 Portfolio Budgets – Overall Summary

3.3.1 Details of the forecast major variations for each portfolio, are set out at Appendix A. In overall terms there is currently a forecast delegated net service pressure of £2.304m, inclusive of the savings plan position detailed at Section 3.3.2 below.

3.3.2 Progress in the implementation of the £13.379m approved savings plans for 2023/2024 has continued and overall shows positive progress. The position is positive for this stage of the financial year given the demands and pressures services are experiencing. Portfolio holders and Directors continue to take the necessary action to mitigate any delays in implementation and, as such, the position is expected to improve as the year progresses.

- £7.906m (59%) of the savings have been fully realised to date.
- £3.411m (26%) of reductions where good progress is being made, with a good prospect that full savings will be achieved.
- £2.062m (15%) is in respect of areas where delays and issues have been encountered, hence where corrective actions or alternative options are being considered, which require close attention to ensure a positive outcome and timely delivery of savings. For budget monitoring purposes these are included as a forecast outturn pressure within the delegated budgets if appropriate.

3.3.3 Transitional reserves continue to be held to meet any profiling delays in the implementation of the 2023/2024 savings plans and any additional pressures arising.

3.3.4 The forecast position for the Local Authority Controlled Companies is included within the delegated budget outturn within the relevant portfolio at Appendix A, and budgetary issues highlighted as required.

3.4 General Contingency Transfers

3.4.1 Transfers from the general contingency fund take place on a quarterly basis to reflect expenditure actually incurred in respect of approved provisions. First quarter contingency transfers, totalling £5.779m have been enacted as follows:

- Adult Social Care Inflation (£5.774m)
Drawdown from provision to meet the impact of inflationary increases from service providers.
 - Levies (£0.005m)
Drawdown from provision to increase the North Eastern Fisheries and Conversation Authority Levy budget. The requirement for 2023/2024 has been confirmed since setting the original budget.
- 3.4.2 Based on the forecast use of contingencies, at this early stage in the financial year the general contingency provision is prudently anticipated to be fully utilised.
- 3.5 Transitional costs
- 3.5.1 The potential need to utilise capital receipt flexibility to fund transitional costs arising in 2023/2024 will be confirmed at outturn, in light of the overall resources position at that time. At this stage, no unbudgeted transitional costs are forecast to be incurred during 2023/2024.
- 3.6 Debt Charge and Treasury Management Savings
- 3.6.1 Net one-off savings on debt charges of £2.500m are anticipated at this stage. This reflects the position reported in the Capital Programme First Review, elsewhere on the agenda, which confirms the reprofiling of expenditure for some schemes. It is proposed that any savings at outturn be utilised to support the overall Council position and Capital Programme.
- 3.6.2 Additional Investment income of £1.500m, is forecast to be achieved. The rates of return available in the investment market in 2023/2024 have increased further following the more recent increases and forecast increases in the Bank of England base rate. As a consequence, greater investment returns are being generated above the budget for this financial year.

4. Review of Existing Reserves

- 4.1 Following a full review of planned usage, the Council's reserves are forecast to decrease by £64.003m in 2023/2024 to £149.672m as reserves are utilised for their agreed purpose, including in support of the capital programme.
- 4.2 With the exception of the General Fund, useable reserves are earmarked for specific purposes and commitments, and are subject to regular review.

5. Collection Fund

- 5.1 Business Rates
The budget sets out a Local Business Rate requirement of £46.925m. As reported when setting the budget, a further Retail, Hospitality and Leisure reliefs scheme was announced by Government for 2023/2024, this has reduced the collectable business rates for this year. However, the Council will be fully compensated for this reduction through Section 31 grant. Collection is as expected for this stage in the financial year and a balance budget currently

forecast. The position will be kept under review, and further updates provided in future review reports.

5.2 Council Tax

The budget sets out a Council Tax requirement of element of £120.584m. Based on current forecasts a balanced budget is anticipated. As with Business Rates, should a shortfall arise, this would manifest itself as a deficit to be taken into account in setting the 2024/2025 budget. The position will be kept under review, and further updates provided in future review reports.

6. Reasons for Decision

- 6.1 To respond to variations in expenditure and income which have arisen in 2023/2024 and enable effective budgetary control to be exercised.

7. Alternative Options

- 7.1 No alternative options are proposed.

8. Impact Analysis

- 8.1 Impact assessments of Directorate actions to ensure the achievement of savings targets and a balanced budget position will be undertaken within Directorates as each action is developed.

9. Other Relevant Considerations / Consultations

- 9.1 None

10. List of Appendices

Appendix A - Major Variations 2023/2024
Appendix B - Overall Position 2023/2024
Appendix C - Major Earmarked Reserves

11. Background Papers

None

**Cabinet Meeting 13th July 2023
Major Variations 2023/2024**

Portfolio	Original Budget (Budget Book) £m	Contingency Transfers £m	Budget Adjustments £m	Current Revised Budget £m	Forecast Outturn £m	Forecast Variation Under / (Over Spend) £m	Reason for Variation
Leader	0.715	0.000	0.412	1.127	1.080	0.047	<ul style="list-style-type: none"> • Forecast £0.047m underspend on staffing due to vacancies and flexible working.
Deputy Leader and Clean Green City Portfolio Holder	47.969	0.000	0.002	47.971	47.420	0.551	<ul style="list-style-type: none"> • Business and Investment - (£0.045m) shortfall primarily linked to Business Centres income. • Local Services - (£0.576m) service delivery cost pressures and unachievable staff turnover savings. • Waste Collection and Recycling - forecast overspend of (£0.391m) primarily due to additional staff costs and service delivery cost pressures. • Waste disposal – forecast underspend of £1.535m through the Materials Recovery Facility contract and reduced tonnages through the Waste Disposal Partnership facility. • Public Protection and Regulatory Services £0.111m forecast salary underspend partially reduced by income shortfalls. • Other minor variations on a number of service areas have created a forecast overspend of (£0.083m).
Cabinet Secretary	34.442	0.000	(0.133)	34.309	34.307	0.002	<ul style="list-style-type: none"> • Minor under and overspends across a number of service areas totalling a net £0.002m underspend.

Appendix A (continued)

Portfolio	Original Budget (Budget Book)	Contingency Transfers £m	Budget Adjustments £m	Current Revised Budget £m	Forecast Outturn £m	Forecast Variation Under / (Over Spend) £m	Reason for Variation
Children, Learning and Skills	88.706	0.000	0.000	88.706	90.453	(1.747)	<ul style="list-style-type: none"> • Together for Children (TfC) - The TfC Board is responsible for monitoring the financial position of the company, with updates provided to the Council through the established contract performance monitoring arrangements. At this early stage in the financial year (£1.800m) of pressures have been identified linked to savings plans still in development. This position will be subject to continuous monitoring and an update provided at the second review. • Other minor underspends totalling £0.053m.
Dynamic City	28.158	0.000	(0.042)	28.116	28.003	0.113	<ul style="list-style-type: none"> • Infrastructure and Transportation £0.750m underspend linked to increased forecast income of £0.400m from bus shelter advertising and £0.350m forecast staffing underspend from vacancies. • Parking Services – forecast shortfall on income collection of (£0.472m) based on recent usage trends and inclusive of known provision changes. • Access to Housing – forecast overspend of (£0.108m) from a lower level of Homelessness Prevention Grant (£0.080m) and (£0.028m) linked to Housing Strategy activity. • Other minor net overspend totalling (£0.057m)
Healthy City	120.710	5.774	(0.237)	126.247	127.651	(1.404)	<ul style="list-style-type: none"> • Adult Social Care - net overspend of (£1.516m) resulting from demand related cost pressures of (£1.534m) from packages of care, (£0.167m) delayed efficiency relating to CHC Commissioning role with Health, partially offset by staffing underspends of £0.185m. • Strategic Commissioning staffing underspends of £0.112m
Vibrant City	15.300	0.000	(0.002)	15.298	15.164	0.134	<ul style="list-style-type: none"> • Forecast staffing underspends across a number of service areas including: Environmental Enforcement, Heritage and Arts and Creative Development.
Total Service (Delegated) Outturn	336.000	5.774	0.000	341.774	344.078	(2.304)	

Cabinet Meeting 13th July 2023
Overall Position 2023/2024

	Original Budget £m	Budget Adjustments £m	Current Budget £m	Forecast Outturn £m	Variance Under / (Over) Spend £m
Leader Portfolio	1.124	0.003	1.127	1.080	0.047
Deputy Leader and Clean Green City Portfolio Holder	47.969	0.002	47.971	47.420	0.551
Cabinet Secretary Portfolio	34.033	0.276	34.309	34.307	0.002
Children, Learning and Skills Portfolio	88.706	0.000	88.706	90.453	(1.747)
Dynamic City Portfolio	28.158	(0.042)	28.116	28.003	0.113
Healthy City Portfolio	120.710	5.537	126.247	127.651	(1.404)
Vibrant City Portfolio	15.300	(0.002)	15.298	15.164	0.134
Total Service (Delegated) Expenditure	336.000	5.774	341.774	344.078	(2.304)
Provision for General Contingencies	20.439	(5.779)	14.660	14.660	0.000
Unfunded Pay Pressure	0.000	0.000	0.000	2.500	(2.500)
Energy Saving	0.000	0.000	0.000	(0.900)	0.900
Capital Financing Costs	26.821	0.000	26.821	23.321	3.500
Transfer to / from Reserves	(9.374)	0.000	(9.374)	(9.374)	0.000
Technical Adjustments	(61.952)	0.000	(61.952)	(61.952)	0.000
Levies	16.820	0.005	16.825	16.825	0.000
Hetton Town Council	0.072	0.000	0.072	0.072	0.000
Less Grants	(81.656)	0.000	(81.656)	(81.656)	0.000
Total Net Expenditure	247.170	0.000	247.170	247.574	(0.404)
Revenue Support Grant	(32.471)	0.000	(32.471)	(32.471)	0.000
National Non-Domestic Rates / Retained Business Rates	(46.925)	0.000	(46.925)	(46.925)	0.000
Top Up Grant	(47.190)	0.000	(47.190)	(47.190)	0.000
Council Tax Requirement	(120.584)	0.000	(120.584)	(120.584)	0.000
Net Revenue Pressue	(0.000)	0.000	(0.000)	0.404	(0.404)
Energy and General Inflation Reserve	0.000	0.000	0.000	(0.404)	0.404
Forecast Outturn (after use of reserve)	(0.000)	0.000	(0.000)	(0.000)	0.000

Cabinet Meeting 13th July 2023
Major Earmarked Reserves

Reserves	Purpose of the Reserve	Opening Balance 01.04.2023 £m	Forecast Movement in 23/24 £m	Opening Balance 01.04.2024 £m	Forecast Movement in 24/25 £m	Opening Balance 1.04.2025 £m	Forecast Movement in 25/26 £m	Opening Balance 1.04.2026 £m	Forecast Movement in 26/27 £m	Opening Balance 1.04.2027 £m
General Fund	General Fund of the Council	12.000	0.000	12.000	0.000	12.000	0.000	12.000	0.000	12.000
School Balances	Balances held by schools under a scheme of delegation	7.188	(1.634)	5.554	(0.016)	5.538	(0.001)	5.537	(1.500)	4.037
Earmarked General Fund Reserves – Capital										
Riverside Transfer	Reserve established to fund capital works associated with the Homes and Communities Agency land transferred to the Council.	9.033	(8.934)	0.099	0.000	0.099	0.000	0.099	0.000	0.099
Capital Priorities Reserve	A reserve established to address some of the Council's key capital developments and strategic priorities.	5.642	(2.947)	2.695	(2.695)	0.000	0.000	0.000	0.000	0.000
Section 106 Reserves	Under Section 106 of the Town and Country Planning Act 1990, developers make financial contributions to the Council relating to affordable housing, public open spaces including allotments and locally equipped play parks, educational facilities, highways and public transport improvements, sports and recreational facilities and environmental improvements.	11.672	(1.057)	10.615	0.364	10.979	(1.750)	9.229	(1.750)	7.479
Strategic Investment Reserve (Capital)	A reserve established to address some of the Council's key developments, strategic priorities and address other major liabilities.	1.437	(1.437)	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Commercial and Economic Development Activity	Reserve established to take advantage of commercial and economic development opportunities that will meet priorities of the Council.	0.730	(0.423)	0.307	(0.307)	0.000	0.000	0.000	0.000	0.000
Culture Development	To support a range of cultural developments in the city centre, utilising smart cities technology and immersive technologies.	3.000	0.000	3.000	(3.000)	0.000	0.000	0.000	0.000	0.000
Other Earmarked Capital Reserve	Funding set aside to fund future capital projects previously approved.	2.078	(0.095)	1.983	0.167	2.150	0.220	2.370	0.298	2.668

Appendix C (continued)

Reserves	Purpose of the Reserve	Opening Balance 01.04.2023 £m	Forecast Movement in 23/24 £m	Opening Balance 01.04.2024 £m	Forecast Movement in 24/25 £m	Opening Balance 1.04.2025 £m	Forecast Movement in 25/26 £m	Opening Balance 1.04.2026 £m	Forecast Movement in 26/27 £m	Opening Balance 1.04.2027 £m
Earmarked General Fund Reserves – Revenue										
Medium Term Planning Smoothing Reserve	This reserve has been established to address any potential impact arising from increased risk and uncertainty with the Business Rate Retention Scheme. It is being used to smooth the impact of government funding uncertainties.	34.601	(9.000)	25.601	(9.000)	16.601	(9.000)	7.601	(7.601)	0.000
Strategic Regeneration Reserve	A reserve to support the Council's regeneration ambitions, specifically to smooth any revenue impact of projects until they become self-sustaining.	10.557	(0.500)	10.057	(2.350)	7.707	(0.800)	6.907	(0.300)	6.607
Strategic Investment Reserve (Revenue)	A reserve established to address some of the Council's key developments, strategic priorities and address other major liabilities.	5.558	(0.856)	4.702	(3.657)	1.045	0.000	1.045	0.000	1.045
Insurance Reserve	This reserve has been established to provide for potential future claims or claim increases.	6.236	0.000	6.236	0.000	6.236	0.000	6.236	0.000	6.236
Street Lighting and Highway Signs PFI Smoothing Reserve	The reserve was established to smooth the financial impact to the Council across the 25 years of the contract life.	4.121	(0.734)	3.387	(0.706)	2.681	(0.604)	2.077	(0.619)	1.458
SIB Reserve	A reserve held to fund future allocations through the Strategic Initiatives Budget.	4.499	(1.000)	3.499	(1.000)	2.499	(1.000)	1.499	(1.000)	0.499
Public Health Grant	Ringfenced Public Health grant funding, to deliver future public health initiatives.	6.277	(1.000)	5.277	(2.000)	3.277	(2.871)	0.406	(0.406)	(0.000)
Smart Cities	This reserve was established to set aside revenue funding to cover 8-10 years, to support 5G and Wireless connectivity within the city.	3.894	(0.500)	3.394	(0.500)	2.894	(0.500)	2.394	(0.500)	1.894
Streetscene and Open Space	A reserve to enhance the city's recovery from the covid pandemic and ensure that the full benefit can be made of the regeneration activities across the city. This reserve will fund a range of streetscene and open space projects.	6.762	(3.030)	3.732	(1.852)	1.880	(1.155)	0.725	(0.725)	(0.000)
HCA Stadium Park	Reserve established to fund ongoing maintenance of Homes and Communities Agency land transferred to the Council.	3.109	0.000	3.109	0.000	3.109	0.000	3.109	0.000	3.109

Appendix C (continued)

Reserves	Purpose of the Reserve	Opening Balance 01.04.2023 £m	Forecast Movement in 23/24 £m	Opening Balance 01.04.2024 £m	Forecast Movement in 24/25 £m	Opening Balance 1.04.2025 £m	Forecast Movement in 25/26 £m	Opening Balance 1.04.2026 £m	Forecast Movement in 26/27 £m	Opening Balance 1.04.2027 £m
Transformation Reserve	To support the changes that are likely to be required over the next 12-18 months to address financial pressures and MTFP challenges.	1.715	(1.715)	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Education Redundancy Reserve	The reserve was established to meet the anticipated costs of redundancies as a result of falling pupil rolls within maintained schools.	2.353	(0.182)	2.171	(0.100)	2.071	(0.100)	1.971	(0.100)	1.871
Sandhill Centre PFI Smoothing Reserve	The reserve was established to smooth the financial impact to the Council across the 25 years of the contract life.	2.151	(0.692)	1.459	(0.470)	0.989	(0.351)	0.638	(0.217)	0.421
Low Level Family Support	Reserve to support activities with families and individuals to address the challenges of recovering from the pandemic.	3.496	(1.751)	1.745	(1.344)	0.401	(0.282)	0.119	(0.119)	0.000
Collection Fund Surplus Reserve	Reserve established as part of 2018/19 budget setting to smooth the collection fund surplus benefit into future years.	1.533	0.000	1.533	(1.533)	0.000	0.000	0.000	0.000	0.000
Housing Benefit Smoothing Reserve	This reserve has been established to smooth any potential impact of outstanding debtors as housing benefit is subsumed within universal credit.	1.296	(0.250)	1.046	(0.250)	0.796	(0.250)	0.546	(0.250)	0.296
Airport Smoothing Reserve	Reserve established to smooth any delayed airport loan interest payment that may arise.	1.253	0.000	1.253	0.000	1.253	0.000	1.253	0.000	1.253
Events	Reserve established to support a bid to secure a multi-year arrangement with British Triathlon to host triathlon events in the City.	1.200	(0.550)	0.650	(0.200)	0.450	(0.200)	0.250	(0.200)	0.050
Riverside Transfer	Reserve established to fund ongoing maintenance of Homes and Communities Agency land transferred to the Council.	0.997	(0.115)	0.882	(0.105)	0.777	(0.105)	0.672	(0.104)	0.568
House Sale Income	The reserve relates to the sale of client's homes that will be utilised to support future support needs of those clients.	1.390	(0.204)	1.186	(0.204)	0.982	(0.204)	0.778	(0.204)	0.574
Health and Social Care Reserve	Additional external income from in-year Health funding to support health and social care services in Sunderland in the short to medium term.	10.520	(5.271)	5.249	(3.226)	2.023	(2.023)	0.000	0.000	0.000
Energy and General Inflation	Reserve established in response to significant inflationary pressures expected to impact council services in the short to medium term	9.371	(0.404)	8.967	(8.967)	0.000	0.000	0.000	0.000	0.000
Member Recovery Fund	Members Covid Response fund	1.000	(1.000)	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Other Earmarked Revenue Reserves	Numerous small revenue reserves less than £1m which are set up for specific purposes.	20.562	(8.786)	11.776	(5.070)	6.706	(1.866)	4.840	(0.998)	3.842
Total General Fund Reserves		197.231	(54.067)	143.164	(48.021)	95.143	(22.843)	72.300	(16.295)	56.005
Capital Receipts Reserve	Balance of capital receipts held, pending use to fund the capital programme.	10.743	(4.235)	6.508	(1.821)	4.687	(0.954)	3.733	(3.733)	0.000
Capital Grants Unapplied	Balance of capital grants held pending expenditure on capital programme.	5.701	(5.701)	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Total Usable Reserves		213.675	(64.003)	149.672	(49.842)	99.830	(23.797)	76.033	(20.028)	56.005

