

**Meeting of the Cabinet – 22<sup>nd</sup> September 2022**

**Joint Report of the Chief Executive and Director of Finance and Legal**

**2022/2023 Forecast General Fund Revenue Outturn**

**Purpose**

1. To outline the forecast General Fund Revenue Outturn for 2022/23 and consider implications for the Medium Term Financial Strategy (MTFS).

**Recommendations**

2. That Cabinet:
  - Notes the forecast revenue outturn position for 2022/23 and the effect on Balances at 31<sup>st</sup> March 2023.

**Background**

3. On 7<sup>th</sup> March Council set the 2022/23 budget. The latest forecast performance against that budget is summarised below:

Directorate	Latest Budget £m	Forecast Outturn £m	Variance £m
Chief Executive Other	(0.3)	(0.1)	0.2
Adult Social Care	111.9	113.7	1.8
Children's Services	80.1	82.3	2.2
Health and Wellbeing	3.7	3.7	0.0
Finance and Legal	5.1	5.4	0.3
Digital, Commercial and Customer Services	5.3	5.3	0.0
Housing and Communities	3.0	2.9	(0.1)
Public Realm	54.7	56.2	1.5
Regeneration and Enterprise	11.5	13.3	1.8
Corporate, Treasury and Levies	9.8	15.6	5.8
<b>Total Service Costs</b>	<b>284.8</b>	<b>298.3</b>	<b>13.5</b>
Total Funding	(287.0)	(287.0)	0.0
<b>Use of Balances</b>	<b>(2.2)</b>	<b>11.3</b>	<b>13.5</b>

4. Further detail is provided in Appendix A. There are some cross-service themes:

- Pay. The budget assumed a 2% pay award. The employers' offer is £1,925 on all scale points which equates to a 7.14% average increase on Dudley's mix of staffing, creating a pressure of £7m on the General Fund alone. This is shown on one line and will be analysed to directorates when the pay award is confirmed.
- Energy prices. Corporate utility contract price increases have been confirmed with electricity increasing by 80% from 1<sup>st</sup> October, gas increasing by 80% from 1<sup>st</sup> April and diesel increasing by more than 30%. The combined impact is £2.7m.
- Increased costs of social care – both for children and adults.
- Trading income shortfalls – particularly in catering, car parks and leisure.
- Delays in the capital programme and other cash flow factors that reduce financing costs by around £1.0m (note that this is only a

short-term effect and rising interest rates are likely to create pressure in future years).

- Staff vacancy savings in several areas.

5. Cabinet should note that it is still early in the financial year and that the forecast is uncertain, but this is a significant adverse variance with potentially severe implications for the ongoing Medium Term Financial Strategy. The immediate impact on the General Fund is outlined below:

	<b>Original Budget £m</b>	<b>Latest Forecast £m</b>
Forecast balance 31 <sup>st</sup> March 2022	26.3	26.3
2021/22 outturn <sup>1</sup>		+0.9
<b>Balance at 31<sup>st</sup> March 2022</b>	<b>26.3</b>	<b>27.2</b>
Planned addition to Reserves approved by Council March 2022	+2.2	+2.2
Adverse 2022/23 outturn		(13.5)
<b>Forecast General Fund Balance at 31<sup>st</sup> March 2023</b>	<b>28.5</b>	<b>15.9</b>

6. Further work will be undertaken in the coming months both to try to reduce the overspend in the current year and to identify savings for future years. This will require us to develop and adapt the Council's aims to an increasingly challenging financial environment. Measures will need to include:

- Cutting back on non-essential travel, training, conferences, events, etc.
- Review of uncommitted expenditure in the capital programme.
- Review of unimplemented budget growth.
- Review of uncommitted earmarked reserves.
- Review of projects to ensure that their benefits outweigh their costs.

<sup>1</sup> This is £0.1m better than the position reported to Cabinet in June, due to the correction of roundings.

- Assertive management of all requests for new recruitment so as to reduce agency and staffing costs where possible.
  - Short-term closure of some buildings before winter to reduce running costs with a view to disposal of those buildings in the medium term.
  - Review and, where necessary, cessation of unprofitable trading.
  - Consideration of using part of the Market Sustainability and Fair Cost of Care Funds to meet rising costs of care, subject to complying with the grant conditions.
7. A further report on current year budget monitoring will be brought to Cabinet in October. A draft Medium Term Financial Strategy will be brought to Cabinet in December.

## **Finance**

8. In the Section 25 report to Council on 7<sup>th</sup> March, the Director of Finance and Legal stated: “Although adequate to set a lawful budget for 2022/23, reserves are low by comparison with other councils. The rate of Council Tax (and as a result the level of spending) is also low compared to other councils. Forecasts already build in the maximum increase in Council Tax without a referendum for 2022/23 and assume similar increases in later years. There are significant risks to the forecast and Members should note that, if these risks materialise, there will be a need to reduce spending plans and/or raise additional income in order to avoid imprudent reductions to the level of reserves. This will be challenging in view of the context set out above.”

## **Law**

9. The Council's budget setting process is governed by the Local Government Finance Acts, 1988, 1992, and 2012, and the Local Government Act 2003.

## **Risk Management**

10. The Corporate Risk Register recognises the risk that the Council may be unable to set and/or manage its budget so as to meet its statutory obligations within the resources available. In view of the worsening outlook, this risk has been elevated to the maximum rating of 25 (Extreme).

## **Equality Impact**

11. The recommendations in this report comply with the Council's policy on Equality and Diversity.

## **Human Resources / Organisational Development**

12. The employers' flat rate pay offer is (in percentage terms) more valuable at the bottom end of the scale than at the top end, reflecting the fact that the cost of living crisis impacts most severely on low income households.

## **Commercial / Procurement**

13. The outturn highlights shortfalls in trading income

## **Health, Wellbeing and Safety**

14. The Council's budget includes services that support health, wellbeing and safety.

## **Council Priorities and Projects**

15. The aspirations set out in the Council Plan can only be delivered if the Council is financially sustainable.



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**Chief Executive**



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## Appendix A

### Forecast Revenue Outturn 2022/23

	Latest Budget £'m	Latest Outturn £'m	Variance £m	Comment variance
Chief Executives	(0.3)	(0.1)	0.2	Pressure on cover for Directors +£0.2m.
Adult Social Care	111.9	113.7	1.8	Pressure mainly in Disability Services supported living and direct payments +£2.6m, partly offset by vacancy savings in A&P (£0.4m) and allocation of BCF inflation provision (£0.4m)
Children's Services	80.1	82.3	2.2	Pressures on external residential costs +£2.7m, Transport +£0.6m, Innovate social work teams+ £0.6m, Disabilities direct payments +£0.3m. Offset by; Internal care homes (0.5m), Internal fostering allowances (£0.7m), additional CCG Income (£0.2m), non-pay savings (£0.3m), and staff savings (£0.3m)
Health and Wellbeing	3.7	3.7	0.0	
Finance and Legal Services	5.1	5.4	0.3	Pressure on Coroners budget with higher costs emerging

	Latest Budget £'m	Latest Outturn £'m	Variance £m	Comment variance
				+£0.3m, reduced Land Charges income and increased External Audit fees +£0.1m, repayment of Covid Business grant +£0.1m, partly offset by savings on vacancies and members' allowances (£0.2m)
Digital, Commercial and Customer Services	5.3	5.3	0.0	
Housing and Communities	3.0	2.9	(0.1)	Mainly staff savings (£0.1m)
Public Realm	54.7	56.2	1.5	Utilities pressures +£1.3m, Fuel costs +£0.4m, Car Park income shortfall +£0.4m, Waste (staffing and vehicles) +£0.6m, Depot (works and staff) +£0.2m. <b>Offset by;</b> recycling income (£0.8m), Food waste trial budget (£0.2m), net Anchor Lane HWRC extended hours (£0.1m), other staff savings (£0.3m)
Regeneration and Enterprise	11.5	13.3	1.8	Utilities +£1m (LC £0.4m, £0.5m CLS buildings, £0.1m other), Bereavement +£0.2m, Leisure Centres +£0.3m under achievement of



	<b>Latest Budget £'m</b>	<b>Latest Outturn £'m</b>	<b>Variance £m</b>	<b>Comment variance</b>
				income, Catering +£0.7m. <b>Offset by;</b> one off receipt (£0.3m), vacancies and NNDR refund (£0.1m)
Corporate & Treasury	9.8	15.6	5.8	Latest employer offer equates to 7.14% vs 2% budgeted creating a cost pressure of +£7m, offset by net slippage on borrowing costs and capital programme (£1.0m) and other savings of (£0.2m)
<b>Total Service Costs</b>	<b>284.8</b>	<b>298.3</b>	<b>13.5</b>	
Total Funding	(287.0)	(287.0)	0.0	
<b>Use of Balances</b>	<b>(2.2)</b>	<b>11.3</b>	<b>13.5</b>	