

Decision maker: Cabinet 3rd October 2023

Subject: Revenue Budget Monitoring 2023/24 (First Quarter) to end June 2023

Report by: Director of Finance & Resources

Wards affected: All

Key decision (over £250k): No

1. Purpose of Report

- 1.1 The purpose of this report is to update members on the current Revenue Budget position of the Council as at the end of the first quarter for 2023/24, in accordance with the proposals set out in the “Portsmouth City Council - Budget & Council Tax 2023/24 & Medium Term Budget Forecast 2024/25 to 2026/27” report approved by the City Council on 28th February 2023.

2. Recommendations

- 2.1 It is recommended that:

- (i) The General Fund Forecast Outturn for 2023/24 (as at 30th June 2023) be noted:

The underspend is analysed as follows:

| FORECAST OUTTURN 2023/24 | | £000 |
|---|--|--------------|
| Forecast Net Overspend (before transfers to/from) Reserves | | 964 |
| Less Transfers From Portfolio / Cabinet Reserve: | | |
| | Overspendings (in accordance with approved Council resolutions) | (1,148) |
| Add Transfers to Portfolio and Other Reserves: | | |
| | Underspendings (in accordance with approved Council resolutions) | 274 |
| Forecast Net Overspend 2023/24 (before Windfall Costs) | | 90 |
| Less Expenditure funded from Corporate Contingency: | | |
| | Windfall Costs | (1,007) |
| Forecast Net Underspend 2023/24 | | (917) |

- (ii) Members note that in accordance with approved policy as described in Section 6 any actual overspend at year end will in the first instance be deducted from any Portfolio Reserve balance and once depleted then be deducted from the 2024/25 Cash Limit.
- (iii) Directors, in consultation with the appropriate Cabinet Member, consider options that seek to minimise any forecast overspending presently being reported and prepare strategies outlining how any consequent reduction to the 2024/25 Portfolio cash limit will be managed to avoid further overspending during 2024/25.

3. Background

- 3.1 A Budget for 2023/24 of £201,586,700 was approved by City Council on 28th February 2023. This level of spending enables a contribution to General Reserves of £0.1m since in year income exceeds in year expenditure.
- 3.2 The budget approved by City Council in February 2023 included provision within the Corporate Contingency of £0.6m to meet estimated Covid-19 related costs and lost income during 2023/24.
- 3.3 Since the 28th February City Council meeting, the Council has been allocated additional one off non ring-fenced grants totalling £499,000 in 2023/24. To achieve the Government’s priorities in these areas, service budgets have been adjusted as appropriate.
- 3.4 In summary, changes to the budget as approved on 28th February 2023 are as follows:

| | £ |
|--|--------------------|
| Budget Approved 28th February 2023 | 201,586,700 |
| Leaving Care Allowance Uplift Implementation Grant (New Burdens) | 109,500 |
| Implementation of Supported Accommodation Reforms | 93,900 |
| Staying Close Grant | 276,100 |
| Adult Social Care - Client Level Data and Short and Long Term Data | 19,500 |
| Adjusted 2023/24 Budget | 202,085,700 |

- 3.5 This is the first quarter monitoring report of 2023/24 and reports on the forecast 2023/24 outturn as at the end of June 2023. The forecasts summarised in this report are made on the basis that management action to address any forecast overspends are only brought in when that action has been formulated into a plan and there is a high degree of certainty that it will be achieved.
- 3.6 Any variances within Portfolios that relate to windfall costs or windfall gains will be met / taken corporately and not generally considered as part of the overall budget performance of a Portfolio. “Windfall costs” are defined as those costs where the manager has little or no influence or control over such costs and where the size of those costs is high in relation to the overall budget controlled by that manager. “Windfall costs” therefore are ordinarily met corporately from the Council's central

contingency. A manager / Cabinet Member however, does have an obligation to minimise the impact of any “windfall cost” from within their areas of responsibility in order to protect the overall financial position of the Council. Similarly, “windfall gains” are those savings that occur fortuitously without any manager action and all such savings accrue to the corporate centre.

4. Forecast Revenue Outturn 2023/24 – As at end June 2023

- 4.1 At the first quarter stage the General Fund Revenue Outturn for 2023/24 is forecast to be underspent by £917,700.
- 4.2 The Quarter 1 General Fund Outturn before transfers to / from Reserves is an overall overspend of £963,800. After releases from Contingency (to fund Windfall Costs of £1,007,400) and transfers to and from Reserves, the Council is forecasting an overall underspend of £917,700.

| | Net Portfolio Variance | Other Windfall and Exceptional & Significant Items | Transfers (from)/to Portfolio/ Parking Reserves | Total Variance |
|---|-------------------------------|---|--|-----------------------|
| | £ | £ | £ | £ |
| Children, Families & Education | 1,298,200 | 0 | 0 | 1,298,200 |
| Climate Change & Greening the City | 42,200 | 0 | 0 | 42,200 |
| Community, Wellbeing, Health & Care | 2,204,600 | 0 | (522,300) | 1,682,300 |
| Culture, Leisure & Economic Development | (5,200) | 0 | 5,200 | 0 |
| Environmental Services | (40,000) | 0 | 40,000 | 0 |
| Housing & Tackling Homelessness | 848,100 | (848,100) | 0 | 0 |
| Leader | 226,100 | (80,900) | (145,200) | 0 |
| Planning Policy & City Development | 299,400 | (78,400) | 0 | 221,000 |
| Resources | 552,000 | 0 | (434,400) | 117,600 |
| Safety in the Community | 10,600 | 0 | (10,600) | 0 |
| Licensing Committee | 35,500 | 0 | (35,500) | 0 |
| Transport | (228,700) | 0 | 228,700 | 0 |
| | | | | |
| Total Portfolio Variance | 5,242,800 | (1,007,400) | (874,100) | 3,361,300 |
| | | | | |
| Treasury Management | (4,279,000) | | | (4,279,000) |
| | | | | |
| Overall Variance | 963,800 | (1,007,400) | (874,100) | (917,700) |

5. Quarter 1 Budget Variations – Forecast Outturn 2023/24

5.1 Children, Families & Education – Overspend £1,298,200

The cost of Children, Families & Education is forecast to be £1,298,200 higher than budgeted.

The overspend is due to staff vacancies being covered by agency staffing (£0.4m); the cost of placements for care leavers (£0.25m); placements for children with disabilities who have exceptionally high needs (£0.25m); increased legal fees (£0.2m); youth remand accommodation costs in excess of the grant (£0.15m) and higher numbers of families with no recourse to public funds (£0.1m), which have been partially offset by other minor underspends (£0.06m).

5.2 Climate Change and Greening the City – Overspend £42,200

Due to a later than anticipated implementation of solar Photovoltaic cells at Lakeside North Harbour, income from the resulting Power Purchase agreement will be lower than originally budgeted.

5.3 Community, Wellbeing, Health & Care – Overspend £2,204,600 or After Transfer From Portfolio Reserve £1,682,300

The cost of Community, Wellbeing, Health & Care is forecast to be £2,204,600 higher than budgeted.

The overspend is primarily due to higher than anticipated care package costs for clients in external Residential & Nursing care placements, combined with a delayed delivery of planned savings within the Adult Care & Support service (£1.2m). Additionally, the Learning Disability service has experienced an increase in the number of new clients with complex needs, increased care package costs (£0.4m), and additional staff costs to meet increasing client demand (£0.2m). The in-house units are also experiencing cost pressures relating to staffing and agency costs (£0.4m).

5.4 Culture, Leisure & Economic Development – Underspend £5,200 or After Transfer To Portfolio Reserve Nil

The Culture Leisure & Economic Development Portfolio is broadly in balance.

5.5 Environmental Services – Underspend £40,000 or After Transfer To Portfolio Reserve Nil

The cost of Environmental Services is forecast to be £40,000 lower than budgeted due to waste management staff supporting 'waste project rollouts' to Council properties being chargeable to the HRA.

5.6 Housing & Tackling Homelessness – Overspend £848,100 or After windfall costs Nil

The cost of Housing & Tackling Homelessness is forecast to be £848,100 higher than budgeted.

The forecast overspend is mainly because of increased demand for temporary accommodation within the City, (£1.09m) combined with a shortfall in income for Design and Building Engineering Services (£0.23m). These overspends have been partially offset by favourable contract renegotiations in Commissioned Housing Services (£0.41m) and additional income generated by the Housing Renewals team (£0.07m). The net overspend will be treated as windfall cost and will be met from Corporate Contingency (Para 3.6).

5.7 Leader – Overspend £226,100 or After Transfer From Portfolio Reserve and windfall costs Nil

The cost of Leader is forecast to be £226,100 higher than budgeted.

The overspend has arisen mainly because of lower than anticipated utilisation of the Programme Management Office team and therefore their ability to generate income to cover team costs (£0.13m).

The forecast also includes costs associated with seeking a replacement sponsor for the Spinnaker Tower (£0.02m). Due to the uncertainty around the timing of any new sponsorship arrangement, budget provision for this has been made in the Council's Corporate Contingency. Additionally rental income from the Property Portfolio is currently less than anticipated (£0.06m). Both are windfall items and are therefore met corporately from within the Council's Contingency (Para 3.6).

5.8 Planning Policy & City Development – Overspend £299,400 or After windfall costs £221,000

The cost of Planning Policy & City Development is forecast to be £299,400 higher than budgeted.

The main reason for the overspend is due to the Planning Development Control Service using additional agency staff to assist with clearing the back log of planning applications, combined with a shortfall in Planning income (£0.2m).

£78,400 of this overspending relates to Planning Application Fee income which is a windfall cost and will be met from the Corporate Contingency allocation (Para 3.6).

5.9 Resources – Overspend £552,000 or After Transfer From Portfolio Reserve £117,600

The cost of Resources is forecast to be £552,000 higher than budgeted.

This level of overspending has arisen because of reduced income from traded services and higher employee costs within Human Resources (£0.13m); Higher employee costs coupled with an increase in Microsoft licensing costs within Information Services (£0.32m) and a reduction in both fee earning projects and externally funded activity within Legal Services (£0.22m). These overspends are partially offset by underspends within Facilities, Registrars and Procurement due to staff vacancies and additional income (£0.14m).

5.10 Safety in the Community - Overspend £10,600 or After Transfer From Portfolio Reserve and windfall costs Nil

The cost of Safety in the Community is forecast to be £10,600 higher than originally budgeted primarily because of members of the CCTV team being moved to higher pay bands following re-evaluation under the Councils Job Evaluation Scheme.

5.11 Transport – Underspend £228,700 or After Transfer To Parking/PFI Reserve and windfall savings Nil

The cost of Transport is forecast to be £228,700 lower than budgeted.

The forecast underspend has arisen because of lower Concessionary Travel payments to bus operators due to reduced passenger miles travelled (£0.3m) and Staff Vacancies (£0.16m) offset by a fall in Park & Ride Income due to lower passenger numbers (£0.24m).

5.12 Treasury Management – Underspend £4,279,000

This budget funds all the costs of servicing the City Council's long term debt portfolio that has been undertaken to fund capital expenditure. It is also the budget that receives all the income in respect of the investment of the City Council's surplus cash flows. Consequently, it is potentially a very volatile budget particularly in the current economic climate and is extremely susceptible to both changes in interest rates as well as changes in the Council's total cash inflows and outflows. The forecast underspend is largely because of the combination of higher than anticipated temporary cash balances and rising interest rates which has provided the Council with increased levels of interest on its short term cash flows.

5.13 Corporate Contingency – release £1,007,400

As at Quarter 1, net windfall costs totalling £1,007,400 are being forecast which will be funded from the Corporate Contingency. (Para 3.6)

Items identified as windfall or exceptional and significant costs in this Quarter 1 report are:

| | £ |
|---|------------------|
| Homelessness (windfall) | 848,100 |
| Spinnaker Tower Sponsorship (windfall) | 22,400 |
| Commercial Property Income (windfall) | 58,500 |
| Planning Development Control Fee Income (windfall) | 78,400 |
| Total Windfall and Exceptional & Significant Items | 1,007,400 |

6. Transfers From/To Portfolio Specific Reserves

6.1 In November 2013, Full Council approved the following changes to the Council's Budget Guidelines and Financial Rules:

- Each Portfolio to retain 100% of any year-end underspending and to be held in an earmarked reserve for the relevant Portfolio
- The Portfolio Holder be responsible for approving any releases from their reserve in consultation with the Section 151 Officer
- That any retained underspend (held in an earmarked reserve) be used in the first instance to cover the following for the relevant portfolio:
 - i) Any overspendings at the year-end
 - ii) Any one-off Budget Pressures experienced by a Portfolio
 - iii) Any on-going Budget Pressures experienced by a Portfolio whilst actions are formulated to permanently mitigate or manage the implications of such on-going budget pressures
 - iv) Any items of a contingent nature that would historically have been funded from the Council's corporate contingency provision
 - v) Spend to Save schemes, unless they are of a scale that is unaffordable by the earmarked reserve (albeit that the earmarked reserve may be used to make a contribution)
- Once there is confidence that the instances i) to v) above can be satisfied, the earmarked reserve may be used for any other development or initiative

6.2 The forecast balances on Portfolio Reserves are set out below:

| Portfolio/Committee | Balance Brought Forward £ | Approved Transfers £ | Forecast Under/(Over) Spending £ | Balance Carried Forward £ |
|---|--------------------------------------|---------------------------------|---|--------------------------------------|
| Children, Families & Education | 524,100 | (524,100) | 0 | 0 |
| Culture, Leisure & Economic Development | 362,600 | (204,900) | 5,200 | 162,900 |
| Environmental Services | 0 | 0 | 40,000 | 40,000 |
| Climate Change & Greening the City | 0 | 0 | 0 | 0 |
| Community, Wellbeing, H&C | 652,300 | (130,000) | (522,300) | 0 |
| Housing and Tackling Homelessness | 0 | 0 | 0 | 0 |
| Leader | 17,100 | 132,900 | (145,200) | 4,800 |
| Planning Policy & City Development | 0 | 0 | 0 | 0 |
| Licensing | 72,100 | 0 | (35,500) | 36,600 |
| Resources | 707,000 | (272,600) | (434,400) | 0 |
| Safety in the Community | 141,600 | (34,400) | (10,600) | 96,600 |
| Transport | 0 | 0 | 0 | 0 |
| | 2,476,800 | (1,033,100) | (1,102,800) | 340,900 |

7. Conclusion - Overall Financial Summary

- 7.1 The overall 2023/24 outturn for the City Council as at the end of June 2023 is forecast to be £201,168,000. This is an overall underspend of £917,700 against the Adjusted Budget.
- 7.2 The forecast takes account of all known variations at this stage, but only takes account of any remedial action to the extent that there is reasonable certainty that it will be achieved.
- 7.3 The drawdown from Portfolio Reserves of £1.1m, has mitigated some Portfolio overspending. The Portfolio Reserves are now largely depleted (Para 6.2) and therefore this may indicate financial difficulties for Portfolios in future years.
- 7.4 Whilst the overall financial forecast for Quarter 1 is an underspend, significant overspending in the following areas is of concern: Children, Families and Education (£1.3m), Adult Social Care (£1.6m), Housing & Tackling Homelessness (£0.84m), Planning Development Control (£0.3m), and as well some corporate services such as Human Resources (£0.13m), Information Technology (£0.32m) and Legal Services (£0.22m).
- 7.5 Whilst the approved Budget 2023/24 originally sought to remedy unavoidable budget pressures, since the budget was approved in February increasing demand for services continues to place pressure or exacerbate known pressures. Consequently, there remains longer term uncertainty relating to further increases in demand. Should this persist, the Council's savings requirements in the future could rise. It is therefore recommended that Directors continue to work with the relevant portfolio holder to

consider measures to significantly reduce the adverse budget position presently being forecast by Portfolios with a view to eliminating deficits in the medium term, and any necessary decisions presented to a future meeting of the relevant Portfolio.

- 7.6 Where a Portfolio is presently forecasting a net overspend, in accordance with current Council policy, any overspending in 2023/24 which cannot be met by transfer from the Portfolio Specific Reserve will be deducted from cash limits in 2024/25 and therefore the appropriate Directors in consultation with Portfolio Holders should prepare an action plan outlining how their 2023/24 forecast outturn or 2024/25 budget might be reduced to alleviate the adverse variances currently being forecast.
- 7.7 Based on the Budget of £202,085,700 the Council will remain within its minimum level of General Reserves for 2023/24 of £10.0m as illustrated below:

| | £m |
|--|-----------|
| General Reserves brought forward at 01/04/2023 | 21.5 |
| | |
| Add: | |
| Forecast Underspend 2023/24 | 0.9 |
| | |
| Add: | |
| Planned Contribution to General Reserves 2023/24 | 0.1 |
| | |
| Forecast General Reserves carried forward into 2024/25 | 22.5 |

8. City Solicitor's Comments

- 8.1 The City Solicitor is satisfied that it is within the Council's powers to approve the recommendations as set out.

9. Equalities Impact Assessment

- 9.1 This report does not require an Equalities Impact Assessment as there are no proposed changes to PCC's services, policies, or procedures included within the recommendations.

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Chris Ward
Director of Finance & Resources

Background List of Documents –

Section 100D of the Local Government Act 1972

The following documents disclose facts or matters which have been relied upon to a material extent by the author in preparing this report –

| Title of Document | Location |
|---|---------------------------------------|
| Budget & Council Tax 2023/24 & Medium Term Budget Forecast 2024/25 to 2026/27 | Office of Deputy Director of Finance |
| Electronic Budget Monitoring Files | Financial Services Local Area Network |

The recommendations set out above were:

Approved / Approved as amended / Deferred / Rejected by the Cabinet on 3 October 2023

Signed: