

**To: Finance, Resources and Customer Services Policy Board**

**On: 8 September 2022**

**Report by: Director of Finance and Resources**

**Heading: Revenue and Capital Budget Monitoring – Council Overview as at 24 June 2022**

## 1. Summary of Financial Position

- 1.1. The projected Revenue outturn at 31 March 2023 for all services is an overspend of £5.642m.
- 1.2. The projected Capital outturn at 31 March 2023 for all services is an underspend of £0.100m.
- 1.3. This is split between General Fund Services and the Housing Revenue Account (HRA) in the table below, with further analysis is provided in the Appendices.

**Table 1: Revenue**

Division	Revised Annual Budget £000	Total Projected Outturn £000	Budget Variance (Adv)/Fav £000	Budget Variance %
General Fund Services	490,311	<b>495,953</b>	(5,642)	(1.2%)
Housing Revenue Account	0	<b>0</b>	0	0.0%
<b>Total</b>	<b>490,311</b>	<b>495,953</b>	<b>(5,642)</b>	<b>(1.2%)</b>

**Table 2: Capital**

Division	Revised Annual Budget £000	Total Projected Outturn £000	Budget Variance (Adv)/Fav £000	Budget Variance %
General Fund Services	145,559	<b>145,459</b>	100	0.0%
Housing Revenue Account	26,795	<b>26,795</b>	0	0.0%
<b>Total</b>	<b>172,354</b>	<b>172,254</b>	<b>100</b>	<b>0.0%</b>

## **2. Recommendations**

Members are requested to:

- 2.1. Note the projected Revenue outturn position detailed in Table 1 above, considering that the forecast position is based on best estimates at this point in time; and also note the substantial risks to this position as outlined in section 3 of the report;
- 2.2. Note the projected Capital outturn position detailed in Table 2 above.

## **3. Revenue Monitoring**

- 3.1. The Revenue Budget Monitoring report at Appendix 1 identifies a projected annual overspend of £5.642m (1.2% of total budget) for all Services. Details for all services can also be found here, along with an explanation of significant projected variances. Setting aside the underspend related to adult services (managed by Renfrewshire HSCP), the overspend is projected at £7.707m.
- 3.2. The projected outturn is based on information currently available, and assumptions made by service budget holders. Any changes to these projections will be detailed in future reports to this board.
- 3.3. The main reasons for the projected outturn position are indicated in the appendix showing both the subjective analysis (what the budget is spent on) and the objective analysis (what division is spending the budget).
- 3.4. Members should be aware that the current financial environment across a range of services is highly volatile, with very high levels of inflation being experienced for core supplies such as food, fuel and energy. These high levels of inflation are expected to further increase over the remainder of 2022, with CPI reaching a peak of 13% in December (Bank of England forecast); and will remain higher for a longer period for has been previously forecast.
- 3.5. In addition, the forecast includes an estimate of energy price increases which again remain volatile; however, it should be possible to improve the estimate as further information on energy price increases becomes evident in the coming weeks and months.
- 3.6. The projection does not currently include any variance relating to the collection of Council Tax. Current forecasts suggest a slightly lower yield than 2021/22; however, it is recognised that the full impact of the cost-of-living crisis is yet to materialise and could have significant effect on income.
- 3.7. Members should also note the forecast outturn position does not include the impact of a pay settlement being agreed which is above that provided for in setting the 2022/23 budget. Should a settlement be reached at a level which is above the budgeted position (based broadly on the Scottish Government public sector pay policy for 2022/23), this will further increase the forecast overspend.

- 3.8. Directors and management teams are closely monitoring their costs and are aiming to mitigate increases where possible, however further corporate action to limit spending may be required in the coming weeks and months. Even assuming these actions, given all the above pressures it is all but guaranteed that the Council will require to utilise reserve balances in order to break even at year end.

#### **4. Capital Monitoring**

- 4.1. The General Services Capital Investment Programme 2022/23 to 2026/27 was approved by the Council on 3 March 2022. For General Fund Services the revised capital spend for 2022/23 is £145.559m.
- 4.2. The Capital Monitoring report at Appendix 2 indicates a projected underspend of £0.100m in the approved capital programme for General Fund Services.
- 4.3. The HRA Capital Investment Programme 2022/23 to 2026/27 was approved by the Council on 3 March 2022. For the HRA the approved capital spend for 2022/23 is £26.795m.
- 4.4. The Capital Monitoring report at Appendix 3 indicates a break-even position in the approved capital programme for the HRA for the year (see Appendix 3). It should be noted that due to significant pressures that are emerging in construction commodities and supply chains (in particular timber, cement, bitumen and steel) it is anticipated that inflationary cost pressures will continue to emerge on capital projects. Greater clarity on the scale and reach of these risks will emerge over the coming weeks and months; however, it is expected that there will be a requirement to use the Council's flexible COVID-19 reserves to manage these pressures moving forward.

#### **5. Capital Overview**

- 5.1. The Council must determine and keep under review the maximum amount it can afford to allocate to capital expenditure. In addition, the Council must also keep under review its Capital Financing Requirement (CFR) i.e., the level of resources that are used to fund capital expenditure over the longer term, rather than at point of spend. It is also the duty of the Council to have regard to the Prudential Code in setting its capital expenditure limit and its capital expenditure requirement.
- 5.2. The limit on capital expenditure that the Council has set for 2022/23 is shown in the table below. The limit is based on the resources available to fund the capital programmes, split between Housing and Non-Housing Services, but excludes the Public Sector Housing Grant, as this is not considered to be capital spend.

	<b>Approved Plan £m</b>	<b>Forecast Expenditure £m</b>
Non-Housing	131.755	145.459
Housing	29.995	26.795
<b>Total</b>	<b>161.750</b>	<b>172.254</b>

- 5.3. The CFR set by the Council for 2022/23 is shown in the table below and is split between Housing and Non-Housing Services. The projected outturn at 31 March 2023 is also shown. Any significant increase in the capital expenditure limit that is not funded at point of spend will result in an increase in the CFR.

	<b>Approved CFR to 31 March 2023 £m</b>	<b>Projected CFR to 31 March 2022 £m</b>
Non-Housing	364	356
Housing	122	115
<b>Total</b>	<b>486</b>	<b>471</b>

## **6. Housing Services Programme**

- 6.1. The programme approved by the Council on 3 March 2022 totalled £29.995m. The revised programme currently stands at £26.795m, a reduction of £3.200m resulting from the net effect of reduced budget of £0.400m for signed contracts being lower than estimated and £2.800 for expenditure reprofiled from 2022-23 into 2023-24 for improvements to existing properties.
- 6.2. Capital expenditure to 24 June 2022 amounted to £1.653m and represents 6% of available resources, compared to 7% for the same period in 2021/22.
- 6.3. Zero capital income has been received to date and compares with 5% for the equivalent period in 2021/22.
- 6.4. The projected outturn position, after budget changes, is for the Housing Services Programme to break even. However, inflationary impacts of delays to work and estimates of costs complying with new guidelines are still ongoing and may result in this being revised at a future date.

## **7. Non-Housing Services Programme**

- 7.1. The programme approved by Council on 3 March 2022 totalled £131.755m. The current programme totals £145.559m, an increase of £13.804m resulting from the net effect of budget increases of £7.397m, mainly as result of new grant awards for Paisley Museum, Active Communities and Strathclyde Passenger Transport, Net budget brought forward from 2021/22 to 2022/23 of £11.093m and projects re-profiled from 2022/23 to 2023/24 of £4.686m.

The projects re-profiled into 2023/24 largely relate to Paisley Museum and Paisley Town Centre Infrastructure.

- 7.2. Capital expenditure to 24 June 2022 totals £7.753m and represents 6% of the available resources, compared to 7% for the equivalent period in 2021/22.
- 7.3. Capital income totalling £3.546m has been received to 24 June 2022. This represents 9% of the total anticipated income, compared to 20% for the equivalent period in 2021/22. The higher amount in 2021/22 relates to grant received in advance for the Early Years 1,140 Hours expansion project.
- 7.4. The projected outturn position after the budget changes is for an underspend of £0.100m. However, as in 6.4, the full impact of COVID-19 on capital costs has not yet been determined, with increased costs through inflation and compliance expected to increase the risk of overspends within the capital programme.
- 7.5. It is anticipated that due to emerging pressures in capital building projects in relation to construction supplies costs (particularly steel) that additional funding may require to be allocated to a number of projects funded from Covid specific reserve balances. Future reports will provide further detail as discussion with contractors on these issues develops.

## **8. Private Sector Housing Grant Programme**

- 8.1. The overall budget provision for this programme is included within the revenue budget. However, in order to monitor the performance of the individual programmes, it is included within capital budget monitoring procedures.
- 8.2. The Council approved expenditure up to £1.046m for 2022/23. The programme currently stands at £1.292m, an increase in budget of £0.246m as a result of projects re-profiled from 2021/22 into 2022/23.
- 8.3. The programme is expected to fully spend by 31 March 2023 and will be contained within the overall resources.

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## **Implications of this report**

- 1. **Financial** – The projected budget outturn position for General Fund Services Revenue budget is an overspend of £5.642m and break-even for the HRA Revenue budget. Income and expenditure will continue to be monitored closely for the rest of the financial year and, where necessary, steps will be taken to mitigate overspends.

The projected outturn position for General Fund Services Capital budget is an underspend of £0.100m and break-even for the HRA Capital budget. The Capital programme will continue to be monitored closely for the rest of the financial year and, where necessary, steps will be taken to mitigate any overspend.

Any changes to current projections in either Revenue or Capital budgets will be detailed in future reports to this board.

2. **HR and Organisational Development** - None directly arising from this report.
3. **Community/Council Planning** - None directly arising from this report.
4. **Legal** - None directly arising from this report.
5. **Information Technology** - None directly arising from this report.
6. **Equality and Human Rights** - The recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement of individuals' human rights have been identified arising from the recommendations contained in the report because for example it is for noting only. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council's website.
7. **Health and Safety** - None directly arising from this report.
8. **Procurement** - None directly arising from this report.
9. **Risk** - The potential risk that the Council will overspend its approved budgets for the year will be managed at a Council-wide level by the Chief Executive and Directors.
10. **Privacy Impact** - None directly arising from this report.
11. **Cosla Policy Position** - N/a.
12. **Climate Risk** - None directly arising from this report.

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### List of Background Papers

Revenue Budget and Council Tax 2022/23. Council, 3 March 2022.

Non-Housing Capital Investment Programme 2022/23 to 2026/27. Council, 3 March 2022.

HRA Capital Investment Programme 2022/23 to 2026/27, Council on 3 March 2022

A Prudential Framework for Capital Finance – Progress Report. Council, 16 December 2021

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**RENFREWSHIRE COUNCIL**  
**REVENUE BUDGET MONITORING STATEMENT 2022/23**  
**1 April 2022 to 24 June 2022**

**POLICY BOARD : FINANCE, RESOURCES & CUSTOMER SERVICES - OVERVIEW**

<b>Policy Board</b>	<b>Approved Annual Budget</b>	<b>Budget Adjustments</b>	<b>Revised Annual Budget P3</b>	<b>Projected Outturn Core Business</b>	<b>Total Projected Outturn</b>	<b>Budget Variance (Adverse) or Favourable</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>%</b>
Communities and Housing Services	11,308	934	12,242	12,380	12,380	(138)	(1.1%)
Education and Children's Services	220,718	4,278	224,996	229,386	229,386	(4,390)	(2.0%)
Infrastructure, Land and Environment	31,808	564	32,372	34,722	34,722	(2,350)	(7.3%)
Finance, Resources and Customer Services	99,640	3,450	103,090	103,613	103,613	(523)	(0.5%)
Adult Services	93,639	(32)	93,607	91,542	91,542	2,065	2.2%
Planning	663	31	694	744	744	(50)	(7.2%)
Economy and Regeneration	2,983	0	2,983	2,963	2,963	20	0.7%
Chief Executive's Service	19,448	879	20,327	20,603	20,603	(276)	(1.4%)
<b>GENERAL SERVICES NET EXPENDITURE</b>	<b>480,207</b>	<b>10,104</b>	<b>490,311</b>	<b>495,953</b>	<b>495,953</b>	<b>(5,642)</b>	<b>(1.2%)</b>
Housing Revenue Account (HRA)	0	0	0	0	0	0	0.0%
<b>NET EXPENDITURE</b>	<b>480,207</b>	<b>10,104</b>	<b>490,311</b>	<b>495,953</b>	<b>495,953</b>	<b>(5,642)</b>	<b>(1.2%)</b>

Policy Board	Key Reasons for Significant Projected Variance
Communities and Housing Services	The projected year-end overspend is £0.138m. The projected overspend relates to Building Standards staffing costs, where vacancies are filled as they arise to maintain service provision, meaning turnover targets are not being achieved. In addition, Building Standards fee income remains impacted by the current economic and financial climate with a projected under-recovery of c. 10% of target income.
Education and Children's Services	The projected year-end overspend is £4.390m. This is due to overspends within Children and Families, mainly in relation to Residential Accommodation placements, where the number of complex, expensive packages has increased significantly. The service is currently reviewing all external placements in order to identify their purpose and to explore options for mitigation of cost pressure.
Infrastructure, Land and Environment	<p>The projected year-end overspend is £2.350m. This mainly relates to increased costs relating to fuel cost increases, particularly in Refuse Collection. There is also an expected overspend on the supply of household bins which is partly due to increased prices, and an under-recovery of special uplift income. In addition, due to high levels of annual leave carried forward as a result of the pandemic, additional overtime is being incurred in order to cover this from an operational perspective.</p> <p>In addition, on- and off-street parking income and fine recovery remain significantly lower than pre pandemic levels and this is expected to remain until the end of the current financial year.</p> <p>These overspends are offset by underspends in Social Care Transport and Waste Disposal. Reduced levels of waste being disposed of and are expected to continue for the remainder of the financial year resulting in an underspend on the Clyde Valley Waste contract. In addition, income is expected to over-recover this financial year due to income for mixed plastics, cans and glass now expected this financial year; this will be closely monitored through the year.</p>
Finance, Resources and Customer Services	The projected year-end overspend is £0.523m, due in part to anticipated under-recovery in catering income, offset by staffing vacancies. Further overspends in the repair and maintenance of street lighting columns continue due to the increased cost of materials; this will be monitored closely throughout the remainder of the financial year.
Adult Services	The projected year-end underspend is £2.065m, experienced within employee costs and reflecting national recruitment issues facing all Health & Social Care services.
Planning	The projected year-end overspend is £0.050m. The overspend relates to a projected under-recovery in planning fee income. There is still an impact on fee income levels from the current economic and financial climate and income is projected to under-recover by c. 12% of targeted income.



Policy Board	Key Reasons for Significant Projected Variance
Economy and Regeneration	No significant variances to report.
Chief Executives	The projected year-end overspend is £0.276m. This adverse variance reflects the projected costs of supporting Renfrewshire Leisure with a revised level of requisition as a result of the continued impact on service delivery of their recovery from the COVID pandemic.
Housing Revenue Account (HRA)	Overall the HRA is projecting a break-even position at the year-end. Employee costs are projected to underspend due to the ongoing recruitment to vacancies within the service. The resultant underspend is currently forecast to allow for an increase in debt repayments at the year-end in line with the Council's debt smoothing strategy. Repairs and Maintenance budgets have been increased in line with expectations for 2022/23; this however remains a potential pressure and will be closely monitored throughout the year.

**RENFREWSHIRE COUNCIL**  
**REVENUE BUDGET MONITORING STATEMENT 2022/23**  
**1 April 2022 to 24 June 2022**

**POLICY BOARD : FINANCE, RESOURCES & CUSTOMER SERVICES - OVERVIEW**

Subjective Summary	Approved	Budget	Revised Annual	Projected	Total Projected	Budget Variance	
	£000	£000	£000	£000	£000	£000	%
Employees	333,036	9,480	342,516	351,087	351,087	(8,571)	(2.5%)
Premises Related	38,067	(253)	37,814	38,043	38,043	(229)	(0.6%)
Transport Related	13,549	(93)	13,456	14,860	14,860	(1,404)	(10.4%)
Supplies and Services	81,415	6,316	87,731	88,648	88,648	(917)	(1.0%)
Third Party Payments	84,348	9,741	94,089	98,297	98,297	(4,208)	(4.5%)
Transfer Payments	96,093	(8,256)	87,837	87,699	87,699	138	0.2%
Support Services	6,794	19	6,813	6,847	6,847	(34)	(0.5%)
Depreciation and Impairment Losses	27,564	350	27,914	28,284	28,284	(370)	(1.3%)
<b>GROSS EXPENDITURE</b>	<b>680,866</b>	<b>17,304</b>	<b>698,170</b>	<b>713,765</b>	<b>713,765</b>	<b>(15,595)</b>	<b>(2.2%)</b>
Income	(200,659)	(7,200)	(207,859)	(217,812)	(217,812)	9,953	4.8%
<b>NET EXPENDITURE</b>	<b>480,207</b>	<b>10,104</b>	<b>490,311</b>	<b>495,953</b>	<b>495,953</b>	<b>(5,642)</b>	<b>(1.2%)</b>

**CAPITAL INVESTMENT STRATEGY - NON-HOUSING SERVICES**  
**1st April to 24th June 2022**  
**POLICY BOARD: FINANCE, RESOURCES & CUSTOMER SERVICES**

		Current Year 2022-23						Full Programme - All years			
	Prior Years Expenditure to 31/03/2022*	Approved Budget 2022-23	Budget Adjustments in 2022-23	Revised Budget 2022-23	Projected Outturn 2022-23	Budget Variance (Adverse) or Favourable		Total Approved Budget to 31-Mar-27 £000	Projected Outturn to 31-Mar-27 £000	Budget Variance (Adverse) or Favourable	
	£000	£000	£000	£000	£000						
<b>EDUCATION &amp; CHILDREN'S SERVICES</b>											
Education & Children's Services	81,011	13,359	2,129	15,488	15,388	100	1%	137,558	137,458	100	0%
<b>TOTAL</b>	<b>81,011</b>	<b>13,359</b>	<b>2,129</b>	<b>15,488</b>	<b>15,388</b>	<b>100</b>	<b>1%</b>	<b>137,558</b>	<b>137,458</b>	<b>100</b>	<b>0%</b>
<b>COMMUNITIES, HOUSING &amp; PLANNING</b>											
Housing(HRA)	39,015	29,995	(3,200)	26,795	26,795	0	0%	157,759	157,759	0	0%
Housing(PSHG)	0	1,046	246	1,292	1,292	0	0%	1,292	1,292	0	0%
<b>TOTAL</b>	<b>39,015</b>	<b>31,041</b>	<b>(2,954)</b>	<b>28,087</b>	<b>28,087</b>	<b>0</b>	<b>0%</b>	<b>159,051</b>	<b>159,051</b>	<b>0</b>	<b>0%</b>
<b>INFRASTRUCTURE, LAND &amp; ENVIRONMENT</b>											
Environment & Infrastructure	19,745	17,683	3,590	21,273	21,273	0	0%	53,824	53,824	0	0%
<b>TOTAL</b>	<b>19,745</b>	<b>17,683</b>	<b>3,590</b>	<b>21,273</b>	<b>21,273</b>	<b>0</b>	<b>0%</b>	<b>53,824</b>	<b>53,824</b>	<b>0</b>	<b>0%</b>
<b>ECONOMY &amp; REGENERATION</b>											
Economy and Development	29,508	45,871	313	46,184	46,184	0	0%	106,381	106,381	0	0%
<b>TOTAL</b>	<b>29,508</b>	<b>45,871</b>	<b>313</b>	<b>46,184</b>	<b>46,184</b>	<b>0</b>	<b>0%</b>	<b>106,381</b>	<b>106,381</b>	<b>0</b>	<b>0%</b>
<b>FINANCE, RESOURCES &amp; CUSTOMER SERVICES</b>											
Corporate Projects	2,492	9,107	318	9,425	9,425	0	0%	20,823	20,823	0	0%
<b>TOTAL</b>	<b>2,492</b>	<b>9,107</b>	<b>318</b>	<b>9,425</b>	<b>9,425</b>	<b>0</b>	<b>0%</b>	<b>20,823</b>	<b>20,823</b>	<b>0</b>	<b>0%</b>
<b>LEADERSHIP</b>											
Leisure Services	57,861	754	1,612	2,366	2,366	0	0%	61,227	61,227	0	0%
Chief Executives	70,069	44,981	5,842	50,823	50,823	0	0%	361,646	361,646	0	0%
<b>TOTAL</b>	<b>127,930</b>	<b>45,735</b>	<b>7,454</b>	<b>53,189</b>	<b>53,189</b>	<b>0</b>	<b>0%</b>	<b>422,873</b>	<b>422,873</b>	<b>0</b>	<b>0%</b>
<b>TOTAL ALL BOARDS</b>	<b>299,701</b>	<b>162,796</b>	<b>10,850</b>	<b>173,646</b>	<b>173,546</b>	<b>100</b>	<b>0.1%</b>	<b>900,510</b>	<b>900,410</b>	<b>100</b>	<b>0%</b>
<b>MADE UP OF :-</b>											
Non-Housing Programme	260,686	131,755	13,804	145,559	145,459	100	0%	741,459	741,359	100	0%
Housing Programme(HRA)	39,015	29,995	(3,200)	26,795	26,795	0	0%	157,759	157,759	0	0%
Housing Programme(PSHG)	0	1,046	246	1,292	1,292	0	0%	1,292	1,292	0	0%
<b>PROGRAMME TOTAL</b>	<b>299,701</b>	<b>162,796</b>	<b>10,850</b>	<b>173,646</b>	<b>173,546</b>	<b>100</b>	<b>0.1%</b>	<b>900,510</b>	<b>900,410</b>	<b>100</b>	<b>0%</b>

**RENFREWSHIRE COUNCIL**  
**2022/23 CAPITAL BUDGETS MONITORING SUMMARY REPORT TO 24 JUN 2022**

	2022/23			
	Housing Services	Non Housing Services	PSHG Programme	Total
<b>A. RESOURCES AVAILABLE TO FUND CAPITAL PROGRAMME</b>	£'000	£'000	£'000	£'000
1. Prudential Borrowing	23,965	100,963		124,928
2a. General Capital Grant		11,475	600	12,075
2b. Specific Capital Grant	2,500	2,344		4,844
3. Usable Capital Receipts	330	25,966		26,296
4. Contribution From Current Revenue (CFCR)	0	4,851	692	5,543
5. Total Resource Availability	<b>26,795</b>	<b>145,599</b>	<b>1,292</b>	<b>173,686</b>
<b>B. CAPITAL PROGRAMME</b>				
6. Resources Available	26,795	145,599	1,292	173,686
7. Current Programme	26,795 100%	145,559 100%	1,292 100%	173,646 100%
<b>C. ACTUAL EXPENDITURE VS PROJECTED</b>				
8. Resource Availability	26,795	145,599	1,292	173,686
9. Cash Spent at 24 June 2022	1,653 6%	7,753 5%	102 8%	9,508 5%
10. Cash to be Spent by 31 March 2023	25,142	137,846	1,190	164,178
<b>D. ACTUAL RECEIPTS VS PROJECTED</b>				
11. Current Programme (total receipts expected)	2,830	39,785	600	43,215
12. Actual Cash Received at 24 June 2022	0 0%	3,546 9%	102 17%	3,648 8%
13. Receipts to be received by 31 March 2023	2,830	36,239	498	39,567