READING BOROUGH COUNCIL

REPORT BY DIRECTOR OF FINANCE

TO:	**POLICY COMMITTEE**		
DATE:	**15th DECEMBER 2022**		
TITLE:	**2022/23 QUARTER 2 PERFORMANCE AND MONITORING REPORT**		
LEAD COUNCILLOR:	**COUNCILLOR TERRY**	**PORTFOLIO:**	**CORPORATE SERVICES AND RESOURCES**
SERVICE:	**FINANCE** **CORPORATE IMPROVEMENT AND CUSTOMER SERVICES**	**WARDS:**	**BOROUGHWIDE**
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1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1 This report sets out the projected revenue and capital outturn positions for 2022/23 for both the General Fund and the Housing Revenue Accounts as at the end of Quarter 2 (September 2022).

General Fund (Revenue)

1.2 The forecast General Fund (GF) revenue outturn position at the end of Quarter 2 includes a projected adverse net variance on service expenditure of £3.509m. This variance is offset by a projected £4.776m positive net variance on Corporate Budgets, of which £3.627m relates to the unallocated Corporate Contingency, resulting in a projected overall positive net variance of £1.267m.

1.3 The forecast adverse variance on services includes net pressures totalling £1.232m within Adult Care and Health Services relating to care cost pressures; £1.389m within Economic Growth and Neighbourhood Services, primarily relating to ongoing income shortfalls in Car Parking and Planning as an ongoing impact of Covid-19; £1.437m within Brighter Futures for Children (BFfC), relating to pay, inflation and demand pressures; and a total of £0.158m across Resources and Chief Executive Services. Detailed explanations for these variances are contained in Section 4 of this report.

1.4 These pressures are offset by positive net variances within Corporate Budgets, specifically £1.908m on Capital Financing Costs as a result of the 2021/22 Capital Programme outturn position and £3.627m on Corporate Contingencies.

1.5 Other Corporate Budgets are forecasting an adverse net variance of £0.759m. This variance includes a pressure of £1.140m relating to the 2022/23 pay award that was agreed in November 2022. A pay award of 2% was assumed as part of 2022/23 budget setting with additional contingency retained corporately to fund a pay award up to 4%. The £1.140m pressure is the total pressure net of the budgeted 2% increase and the contingency. This pressure on pay inflation is partially offset by positive net variances of £0.381m within Other Corporate Budgets.

1.6 £1.935m (19%) of budgeted savings have been delivered (blue) to date in this financial year, with a further £5.020m (49%) of savings on track to be delivered (green) by March 2023. £2.084m (20%) of savings are currently categorised as non-deliverable (red) and £1.185m (12%) categorised as at risk of delivery (amber). There is therefore a potential impact on the 2023/24 budget should these savings not be deliverable on a recurring basis. These savings will be reviewed as part of the 2023/24 budget setting and 2023/24-2025/26 Medium Term Financial Strategy processes.

Housing Revenue Account

1.7 The Housing Revenue Account (HRA) is projecting a positive net variance of £2.662m as at the end of Quarter 2, which results in a forecast contribution to HRA reserves of £0.508m.

Capital

1.8 Following a review of the Capital Programme during Quarter 2, the General Fund Capital Programme is forecasting a positive net variance of £1.201m against a proposed revised budget of £80.027m in 2022/23. This variance relates to £1.151m of the Delivery Fund that has not yet been allocated to specific proposals as at the end of Quarter 2 and a forecast positive variance of £0.050m on approved Delivery Fund allocations.

1.9 The additional savings relating to the revenue costs of financing the Capital Programme as a result of this review have been reflected within the Capital Financing Costs budget.

1.10 The HRA Capital Programme is forecasting an adverse variance of £0.060m against a revised budget of £27.828m in 2022/23.

Performance

1.11 The report also sets out performance against the measures of success published in the Council's Corporate Plan.

1.12 The detail supporting this report is included in:

- Appendix 1 – Financial Monitoring for Quarter 2
- Appendix 2 – Capital Programme for Quarter 2
- Appendix 3 – Corporate Plan Measures for Quarter 2
- Appendix 4 – Corporate Plan Projects for Quarter 2

2 RECOMMENDED ACTIONS

That Policy Committee notes:

2.1 The forecast General Fund revenue outturn position as at the end of Quarter 2 is a positive net variance of £1.267m;

2.2 The Housing Revenue Account (HRA) is projecting a positive net variance of £2.662m as at the end of Quarter 2, which results in a forecast contribution to HRA reserves of £0.508m;

2.3 £1.935m (19%) of savings have been delivered (blue) to date in this financial year, with a further £5.020m (49%) of savings on track to be delivered (green) by March 2022. £2.084m (20%) of savings are currently categorised as non-deliverable (red) and £1.185m (12%) categorised as at risk of delivery (amber);

2.4 There is a total £4.065m Delivery Fund available for 2022/23 (inclusive of 2021/22 approved carry forwards). At Quarter 2, £2.914m of this funding has been allocated out to approved schemes;

2.5 The General Fund Capital Programme is reporting a positive net variance of £1.201m against a revised budget of £80.027m;

2.6 The HRA Capital Programme is forecasting an adverse variance of £0.060m against a revised budget of £27.828m;

2.7 The performance achieved against the Corporate Plan success measures as set out in Section 12 of this report and Appendices 3 and 4.

That Policy Committee approves:

2.8 That the BFfC Contract Sum for 2022/23 is increased by £0.707m in order to fund the additional pressure arising from the 2022/23 pay award;

2.9 The amendments to the General Fund Capital Programme (as set out in further detail in Section 11 of this report and Appendix 2) resulting in a revised budget of £80.027m;

2.10 The amendments to the HRA Capital Programme (as set out in further detail in Section 11 of this report and Appendix 2) resulting in a revised budget of £27.828m;

2.11 Spend approval for the Capital Programme Schemes set out in Table 10 totalling £0.880m and paragraph 11.9 totalling £0.162m.

3 POLICY CONTEXT

3.1 The Council approved the 2022/23 Budget and Medium-Term Financial Strategy 2022/23 – 2024/25 in February 2022.

4 GENERAL FUND REVENUE

4.1 The forecast outturn as of Quarter 2 is a net positive variance of £1.267m and is broken down by service in the following table:

Table 1. General Fund Forecast 2022/23

2021/22 Outturn £m		Budget £m	Forecast Outturn £m	Variance £m
40.611	Adult Care and Health Services	43.394	44.626	1.232
24.252	Economic Growth and Neighbourhood Services	18.548	19.937	1.389
16.343	Resources	17.719	17.844	0.125
1.550	Chief Executive Services	1.541	1.574	0.033
0.684	Children's Services retained by Council	0.781	0.781	0.000
47.392	Children's Services delivered by BFfC	48.251	48.981	0.730
130.832	**Total Service Expenditure**	**130.234**	**133.743**	**3.509**
13.155	Capital Financing Costs	16.381	14.473	(1.908)
0.000	Contingency	3.627	0.000	(3.627)
(1.298)	Other Corporate Budgets	(0.252)	0.507	0.759
11.857	**Total Corporate Budgets**	**19.756**	**14.980**	**(4.776)**
142.689	**Net Budget Requirement**	**149.990**	**148.723**	**(1.267)**
	Financed by:			
(99.220)	Council Tax Income	(104.403)	(104.403)	0.000
(32.095)	NNDR Local Share	(26.510)	(26.510)	0.000
(2.108)	New Homes Bonus	(2.038)	(2.038)	0.000
(3.549)	Section 31 Grant	(12.580)	(12.580)	0.000
(2.040)	Revenue Support Grant	(2.108)	(2.108)	0.000
(6.739)	Other Government Grants	(2.404)	(2.404)	0.000
(0.415)	One-off Collection Fund Deficit	19.981	19.981	0.000
0.000	Section 31 Grants Released from Reserves	(19.928)	(19.928)	0.000
(146.166)	**Total Funding**	**(149.990)**	**(149.990)**	**0.000**
(3.477)	**Over / (under) Budget**	**0.000**	**(1.267)**	**(1.267)**

4.2 These variances have been categorised and summarised in the following table, which highlights that the Council is forecasting a total of £8.461m of pressures comprising:

- £2.052m of inflationary pressures, of which £1.140m relate to the latest employer's pay offer for 2022/23;

- £2.832m of demand pressures across adult's and children's social care and Economic Growth & Commercial Services;

- £2.477m of income pressures, predominantly within Economic Growth and Neighbourhood Services, partially due to the ongoing impacts of Covid-19 e.g., the reduced demand on car parking spaces;

- £1.100m of other expenditure pressures across Economic Growth and Neighbourhood Services, Resources and Childrens Services delivered by BFFC.

4.3 These pressures are offset by a total of £8.580m of the following savings and contingencies:

- £2.859m of expenditure savings across services, mainly due to £1.632m within Economic Growth and Neighbourhood Services particularly Environmental and Commercial Services due to lower waste disposal tonnage levels and staffing vacancies, and £1.198m within BFfC mainly due to forecast pressure reductions as reported by the finance team;

- £0.953m of income savings across services, mainly due to £0.410m of additional grant income within BFfC and £0.383m of income over-achievement in Bus Lane Enforcement (£0.117m) and On Street Pay & Display Car Parking within Economic Growth and Neighbourhood Services;

- £1.908m of expenditure savings within Capital Financing Costs resulting from the 2021/22 Capital Programme Outturn position and the 2022/23 Capital Programme forecast as at Quarter 2;

- £3.627m of unallocated Corporate Contingency;

- £0.381m of expenditure savings within Other Corporate Budgets.

4.4 The £1.140m of forecast pressures relating to the latest employers' pay offer will have an ongoing impact on the Council's Medium Term Financial Strategy as they are recurring pressures. The other pressures and savings will be reviewed to assess whether or not they are recurring and need to be addressed as part of the 2023/24 budget setting and 2023/24-2025/26 Medium Term Financial Strategy processes.

Table 2. General Fund Forecast Variance by Type 2022/23

	Expenditure Pressures			Income Pressures	Total Pressures	Savings			Total Pressures
	Inflation	Demand	Other			Expenditure	Income	Total	
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Adult Care and Health Services	0.000	1.232	0.000	0.000	**1.232**	0.000	0.000	**0.000**	**1.232**
Economic Growth and Neighbourhood Services	0.270	0.618	0.406	2.110	**3.404**	(1.632)	(0.383)	**(2.015)**	**1.389**
Resources	0.000	0.000	0.284	0.030	**0.314**	(0.029)	(0.160)	**(0.189)**	**0.125**
Chief Executive Services	0.000	0.000	0.000	0.033	**0.033**	0.000	0.000	**0.000**	**0.033**
Children's Services retained by Council	0.000	0.000	0.000	0.000	**0.000**	0.000	0.000	**0.000**	**0.000**
Children's Services delivered by BFfC	0.642	0.982	0.410	0.304	**2.338**	(1.198)	(0.410)	**(1.608)**	**0.730**
Total Service Expenditure	**0.912**	**2.832**	**1.100**	**2.477**	**7.321**	**(2.859)**	**(0.953)**	**(3.812)**	**3.509**
Capital Financing Costs	0.000	0.000	0.000	0.000	**0.000**	(1.908)	0.000	**(1.908)**	**(1.908)**
Contingency	0.000	0.000	0.000	0.000	**0.000**	(3.627)	0.000	**(3.627)**	**(3.627)**
Other Corporate Budgets	1.140	0.000	0.000	0.000	**1.140**	(0.381)	0.000	**(0.381)**	**0.759**
Total Corporate Budgets	**1.140**	**0.000**	**0.000**	**0.000**	**1.140**	**(5.916)**	**0.000**	**(5.916)**	**(4.776)**
Total	**2.052**	**2.832**	**1.100**	**2.477**	**8.461**	**(8.775)**	**(0.953)**	**(9.728)**	**(1.267)**

Adult Care and Health Services - £1.232m adverse variance

4.5 Adult Care and Health Services is forecasting an adverse net variance of £1.232m at Quarter 2, which is an adverse movement of £0.668m since Quarter 1. This pressure relates to the current care cost forecast being £37.027m compared to a budget of £35.795m.

4.6 The forecast overspend includes a number of factors:

- 313 new packages have been raised since April 2022, of which 123 were in Quarter 2;

- The overall services users have increased from 1,552 at the start of 2022/23 to 1,587 at week 28 (10/10/2022), an increase of 35 users. This is the overall net impact of new cases, ceased cases and reviews;

- From April 2022, there has been a number of cases leaving adult social care, in addition to a number of high-level reviews completed within the service from April 2022 to September 2022, resulting in savings totalling £0.544m, reducing the financial pressure within DACHS;

- The directorate has a total savings target of £1.735m. At Quarter 2, they have achieved £1.011m and are on track to deliver a further £0.203m which together is 70% of the target;

- The directorate also has a recovery plan in place to address the overspend with a further target of £2.189m. At Quarter 2 they have achieved £1.218m which is 56% of the target. They are working strongly towards achieving the remaining £0.971m and are recruiting additional staff funded via the Delivery Fund to support this recovery. However, for Quarter 2 monitoring we have assumed an achievement of an additional £0.572m based on the current rate, and prudent accounting. This will continue to be monitored closely, with an aim to complete a further 647 reviews.

4.7 The forecast does not include additional costs arising from any winter pressures, such as increases in Covid cases, temporary closure of services and use of alternative higher cost placements, or increased numbers in care through the additional requirement of discharging people from hospital beds. It is assumed that any additional costs would be covered through additional Health or grant income so are not included in the figures but wanted it noting for full transparency of potential pressures.

Economic Growth and Neighbourhood Services - £1.389m adverse variance

4.8 Economic Growth and Neighbourhood Services is forecasting an adverse net variance of £1.389m at Quarter 2 as set out in the following paragraphs. This is a positive movement of £0.280m from Quarter 1. The forecasts include the impact of £1.984m of savings being categorised as non-deliverable and £0.587m of savings being at risk of delivery.

Transportation – £0.393m adverse variance

4.9 This variance arises mostly from an anticipated income shortfall of £0.333m still attributable to the aftermath of Covid-19. Based on year-to-date activity levels in parking and traffic enforcement, income levels as at Quarter 2 are above those in the same period last year and the recovery is gaining momentum, particularly for Off-Street Car Parking - the most material Parking income stream by budget. The table below shows the position since 2019/2020 the baseline year before the impact of the Covid Pandemic.

Table 3. Off Street Car Parking Income Trend

Financial Year	Budget	Actual/Forecast	Variance
	£m	£m	£m
2019/20	(4.244)	(4.333)	(0.088)
2020/21	(4.734)	(1.183)	3.551
2021/22	(3.668)	(2.933)	0.734
2022/23	(4.126)	(3.666)	0.460
2023/24	(4.776)		

4.10 The adverse variance of £0.460m in Off-Street Car Parking is occurring despite a large increase in income compared to 2021/22. The income budget for this area was increased in 2022/23 towards pre-covid levels and whilst there has been increased income compared to last year, the level of income has not yet returned to the pre-covid levels. Additionally, the ongoing cost of living crisis with high fuel costs has led to less visits to town centre and renting spaces to Royal Berkshire Hospital at Queens Road has not delivered the income anticipated due to the Hospital trialling other arrangements.

4.11 There is also a current forecast shortfall in income relating to Residents Parking Permits of £0.132m, however this is being closely monitored and it is hoped that this position will recover. Strategic Transportation is also forecasting further income pressures of £0.070m, which are partially offset by positive variances across expenditure budgets of £0.015m.

4.12 There is an additional pressure forecast of £0.075m for repairs required at Broad Street Mall caused by the recent heavy rain.

4.13 These pressures are partially offset by income overachievements on Bus Lane Enforcement of £0.115m and On Street Pay & Display Car Parking of £0.214m.

Planning and Regulatory Services - £0.579m adverse variance

4.14 There is a forecast income shortfall of £0.634m across the service. These income shortfalls are primarily arising from the ongoing Covid recovery as well as non-fee earning work on the Homes for Ukraine scheme which diverts officer time away from fee earning activities.

4.15 The Building Control shortfall of £0.250m directly relates to the lack of staffing and a lack of availability of suitable agency staff to undertake the fee earning work.

4.16 Premises license fees are forecasting an income shortfall of £0.100m. within this, the largest element relates to a £0.066m shortfall in respect of Reading Festival which is entirely based on Festival Republic's need for a license variation which has not materialised in 2022/23, the need in future years is under discussion.

4.17 Planning applications and planning fees shortfall of £0.087m are market driven so it is difficult to control the level of fees particularly as the level of fee is statutorily set. Following on from the Covid recovery the supply chain issues around costs and availability of construction materials, plus skills shortages in the construction and design industry, is holding up the planning application process. Therefore, the ongoing uncertainty following on from the Covid pandemic and the ongoing Inflation and risk of recession is having a direct impact on fee generation that is likely to be an ongoing issue.

4.18 Houses of Multiple Occupancy is forecasting an income shortfall of £0.197m. There is a requirement to inspect homes under the Homes for Ukraine scheme, so this decision to undertake this work has a direct impact on the ability to generate income in this area. The Council receives income under the Homes for Ukraine scheme, and it is being investigated as to whether this could be applied to cover the staffing costs of inspecting the properties.

4.19 There are also forecast pressures relating to ongoing public enquiries arising within Planning, forecast at £0.150m for 2022/23. There are some residual costs from a previous prosecution with sentencing of the Plaintiff due to be heard in October 2022. One public enquiry has been withdrawn with one further public enquiry to be heard by April 2023 with spend likely to be incurred until Summer 2023.

4.20 These pressures are partially mitigated by a staffing underspend due to vacancies arising within the service and lack of suitable Agency staff of £0.163m and miscellaneous Fees & Charges overachievement of £0.042m.

Housing and Communities – balanced budget

4.21 An area of ongoing concern is the potential impact of the cost-of-living crisis affecting the Homelessness budgets. Private sector evictions have been steadily rising following on from the Covid restrictions being released, with additional cost of living pressures placed on the sector. High Inflation pressures are being seen in the cost of Bed and Breakfast and short-term accommodation as well as a reduction in available properties to use. As this area is a demand led service, it is under close monitoring as the winter approaches as there is concern that the ability to prevent homelessness is further reduced. It is anticipated that emergency accommodation budgets are manageable with existing numbers, which have been stable for 6 months, however an increase in placements would result in budget pressure.

Culture – £0.127m adverse variance

4.22 Culture is forecasting an overall net pressure of £0.127m at Quarter 2. This is mainly due to a projected under recovery of income in the Hexagon and Concert Hall due to slower ticket sales driven by the cost-of-living crisis. There are also pressures relating to contract inflation and the lower take up of services in the Reading Play Services being offset by underspends in the Archives service.

4.23 The forecast variance is comprised of the following elements:

- £0.074m under recovery of income at the Hexagon. Despite strong sales, programming and bar sales, the service is expected to break-even but not make the budgeted surplus;

- £0.050m under recovery of income in respect of Concert Hall Events. Due to the limited programme, the service is expected to break-even, however will not generate the budgeted surplus;

- £0.035m pressures due to higher than anticipated contractual inflation within the GLL Leisure contract as this contract is based on CPI inflation as at March 2022;

- £0.063m of pressures in Leisure Services. This partially relates to the Reading Activepark Project where there are staffing pressures of £0.006m in order to operate the centre 7 days a week. In addition, there are income pressures due to a big client leaving the site for new facilities in West Berkshire resulting in a loss of income of £0.012m. There are also pressures in the Reading Play Services due to income delays, due to works at Palmer Park taking longer than expected of £0.124m however this is offset by a positive variance on pay and non-pay expenditure of £0.104m. Furthermore, there is a £0.035m pressure in the Parks service due to Paddling pool additional operating costs, which are partially offset by £0.010m overachievement of income.

- £0.015m positive variance due to salaries savings in Libraries and the Town Hall due to delays in recruitment;

- £0.080m positive variance for 2022/2023 on Reading's contribution to the joint arrangement for the Archives service.

Property & Asset Management forecast – balanced budget

4.24 Property & Asset Management is forecast to be on budget.

4.25 Within the Investment Properties rental income there is a known pressure arising from the granting of a rent free period for Adelphi House in order to secure a new long term lease. This shortfall of income of £0.342m in 2022/23 was agreed to be taken from Earmarked reserves set up to mitigate loss of income on Investment Properties, so the overall variance within Property & Asset Management is zero.

Environmental and Commercial Services – £0.180m adverse variance

4.26 Streetscene is forecasting an overall net pressure of £0.050m. There is a forecast shortfall in income of £0.500m due to staffing shortages in the Arboricultural Team resulting in commercial work not being possible. There are also reductions in income from reduced grounds maintenance/commercial opportunities on industrial sites and New Build Housing developments, as the market continues to recover slowly to post covid levels. Vacancy levels are expected to create a £0.450m positive variance within this area, which will partially offset the shortfall of income.

4.27 Recycling and Waste Collection is presently forecasting pressures of £0.600m due to the staffing establishment not being built to cover the employee costs of the required service, particularly for covering sickness and annual leave. Therefore, the service is continuing to employ over-establishment to ensure full-service delivery. Current sickness and absence levels remain higher than normal, so agency staff and overtime spend also remains high. These pressures combined are now expected to continue throughout the year and the future implications will be considered as part of the 2023/24 budget setting process.

4.28 Fuel costs are currently around a third higher than a year ago and this will create a £0.100m adverse variance for Fleet Management. Additional electric refuse freighters will be introduced soon, and this hopefully help to keep the overspend at this level. The increased cost of fuel will be considered as part of the 2023/24 budget setting process.

4.29 Highways and Drainage is forecasting an adverse variance of £0.100m, due to the inflationary pressures leading to increased cost of direct materials, paying for waste disposal arising from our work programme and paying increased subcontractor rates. This is partly offset due to a number of vacancies within the team.

4.30 Network Management is forecasting an adverse variance of £0.150m primarily due to a reduction in the income from the Pan Berkshire Urban Traffic Control joint arrangement which arose due to National Highways having pulled out of the scheme. There is a mitigation plan in place for 2023/24 onwards to offset this loss of income. This will be partly offset by vacancies in the team creating a £0.020m positive variance on staffing costs.

4.31 Waste Disposal is forecasting an £0.800m positive variance arising from reduced waste disposal costs. As a result of reviewing the full year projections for waste disposal, residual waste per household is now expected to be 7% less than forecast. In addition, reductions in costs have been negotiated, reduced insurance premiums are being sought and re3 recycling income have been higher than predicted.

Management & Sustainability – £0.110m adverse variance

4.32 The Business Development service is forecasting a pressure of £0.110m on advertising income schemes. There have been delays in the planning agreements for some advertising sites, as well as contractual and developer delays linked to reduced demand for use of advertising screens as an ongoing impact of the Covid-19 pandemic. This pressure is likely to continue into 2023/24 and will be considered as part of the 2023/24 budget setting process. This service has recently transferred from Environmental and Commercial Services and was previously included as a pressure within that overall service forecast.

Resources - £0.125m adverse variance

4.33 The Directorate of Resources is forecasting an adverse net variance of £0.125m at Quarter 2 which is an adverse movement of £0.095m since Quarter 1.

Corporate Improvement & Customer Services - £0.160m positive variance

4.34 This forecast variance primarily relates £0.129m of current vacancies within the Policy Team, plus a forecast overachievement of income in Bereavement Services of £0.080m offset by a total of £0.049m of minor adverse variances across the service.

HR & Organisational Development - £0.030m adverse variance

4.35 This solely relates to pressures within Human Resources & Organisational Development which is forecasting an adverse net variance of £0.030m at Quarter 2, relating to Kennet Day Nursery income.

Procurement & Contracts - £0.125m adverse variance

4.36 Procurement & Contracts is forecasting an adverse variance of £0.125m consisting of:

- £0.025m for the recruitment of the Assistant Director of Procurement plus the net cost of agency cover for both this post and the Corporate Contracts Manager;
- £0.100m of unachievable procurement savings.

Legal & Democratic Services - £0.130m adverse variance

4.37 Elections are forecasting an overspend of £0.159m, due to the Council holding an "all out" local election in 2022/23. This resulted in the need for an increased number of count staff. Additional costs also arose following the Local Government Boundary review where the number of councillors increased from 46 to 48 and the number of polling stations increased from 69 to 75, as well as the Covid health and safety measures that were in place for the 2021/22 remaining in place for 2022/23.

4.38 The pressures arising within Elections are partially offset by minor positive net variances totalling £0.029m across the service.

Chief Executive Services – £0.033m adverse variance

4.39 Chief Executive Services is forecasting an adverse net variance of £0.033m at Quarter 2, which is a positive movement since Quarter 1 of £0.001m. This solely relates to underachievement of advertising income within Communications.

Children's Services Delivered by Brighter Futures for Children (BFfC) - £0.730m adverse variance

4.40 BFfC are currently forecasting net budget pressures totalling of £0.730m. This is an improvement of £1.031m from Quarter 1.

4.41 It is proposed that additional pressures totalling £0.707m arising from the 2022/23 pay award are funded by the Council and subsequently that the 2022/23 BFfC Contract Sum is increased by £0.707m. This pressure is therefore reported within Other Corporate Budgets.

4.42 There are total pressures of £2.338m consisting of:

- £0.800m pressure on transport related budgets due to rising inflation of £0.290m, increasing demand pressures totalling £0.390m and increased costs due to resource shortages of £0.120m;
- £0.410m due to agency staff within Children's Social Care. This pressure has arisen due to the additional cost of employing agency workers who are all covering vacant posts;
- £0.824m due to demand for Children's Social Care. This budget variance is the result of £0.352m inflation pressures and £0.472m of demand led pressures;
- £0.304m pressure on Children's Home income generation.

4.43 These pressures are mainly offset by £0.815m of demand led budget pressure reductions over the remainder of the financial year, as reported by the finance team. Other offsetting positive variances include additional Unaccompanied Asylum Seeking Children Grant from Central Government of £0.410m, £0.303m of staffing vacancies; £0.050m of Home to School Transport mitigating actions and £0.030m of other net savings.

4.44 As at the end of Quarter 2, against a target of £1.175m, BFfC are reporting that £0.804m of savings have been delivered and are on track to deliver a further £0.371m by the end of the financial year. However; £0.281m of savings forecast as on track to be delivered are being reviewed by BFfC to determine if these are savings or incidents of cost avoidance.

Corporate Budgets - £4.776m positive variance

4.45 Corporate Budgets are reporting a net positive variance of £4.776m, a positive movement of £0.160m from Quarter 1.

4.46 Capital Financing Costs are forecasting a positive net variance £1.908m taking into account the impact of the slippage on the Capital Programme reported in the 2021/22 Outturn Report and the 2022/23 Capital Programme forecast as at Quarter 2.

4.47 The Corporate Contingency budget of £3.627m is currently not forecast to be used and therefore contributes a further positive variance.

4.48 Other Corporate Budgets are forecasting an adverse net variance of £0.759m.

4.49 This variance includes a pressure of £1.140m relating to the 2022/23 pay award that was agreed in November 2022. A pay award of 2% was assumed as part of 2022/23 budget setting with additional contingency retained corporately to fund a pay award up to 4%. The £1.140m pressure is the total pressure net of the budgeted 2% increase and the contingency. This pressure on pay inflation is partially offset by positive net variances of £0.381m within Other Corporate Budgets.

5 SAVINGS DELIVERY

5.1 Delivery of the Council's budget is predicated on achieving savings and additional income as agreed as part of the budget setting process in February 2022. Detailed monitoring of agreed savings is tracked on a monthly basis.

5.2 The projected financial impact of any non-delivery of savings have been included in the projected outturn position reported above.

5.3 The following table summarises the current forecast savings delivery for 2022/23 (a further detailed breakdown by saving is provided in Appendix 1):

Table 4. General Fund Savings Tracker Summary

Service	Savings At Risk £000	Savings Delayed or at Risk £000	Savings on Track £000	Savings Achieved £000	Directorate Total £000
Adult Care and Health Services	0	521	203	1,011	1,735
Economic Growth and Neighbourhood Services	1,984	587	3,888	120	6,579
Resources	100	0	558	0	658
Corporate	0	77	0	0	77
Children's Services delivered by BFfC	0	0	371	804	1,175
Total	**2,084**	**1,185**	**5,020**	**1,935**	**10,224**
Increase/(Decrease) from Quarter 1	**23**	**7**	**(395)**	**365**	**0**

5.4 Any savings not delivered in 2022/23 will cause an immediate pressure on 2023/24 unless mitigated with alternative ongoing savings. Delivery of existing savings within the Medium-Term Financial Strategy will also be reviewed as part of the 2023/24 Budget setting and 2023/24-2025/26 Medium-Term Financial Strategy processes over the upcoming months.

6 DELIVERY FUND

6.1 There is a total £4.065m Delivery Fund available for 2022/23 (inclusive of 2021/22 approved carry forwards). At Quarter 2, £2.914m of this funding has been allocated out to approved schemes, leaving £1.151m available to be allocated. At Quarter 2, the forecast spend is £2.864m, which results in an overall forecast positive variance of £0.050m.

7 SUNDRY DEBT

7.1 Total General Fund sundry debt as at the end of Quarter 2 is £9.009m, compared to £9.075m at the end of Quarter 1. The following table shows the overdue debt as at the end of Quarter 2:

Table 5. Overdue Debt

	Under 1 month £000	1 to 2 months £000	2 to 3 months £000	3 to 6 months £000	6 months to 1 year £000	1 to 2 years £000	Over 2 years £000	Total Overdue Debt £000
Adult Care & Health Services	211	403	255	471	779	1,238	2,506	5,863
Economic Growth & Neighbourhood Services	233	257	245	225	167	225	654	2,006
Resources	57	25	6	37	8	13	128	274
Chief Executive	12	-	-	-	1	-	-	13
Former Children's Services	-	54	477	-	-	190	29	750
Corporate	-	-	-	-	-	-	103	103
Total General Fund	**513**	**739**	**983**	**733**	**955**	**1,666**	**3,420**	**9,009**
Housing Revenue Account	1	-	1	5	2	6	15	30
Intercompany Debt	323	-	-	-	-	-	1,435	1,758
Total Including HRA and Intercompany	**837**	**739**	**984**	**738**	**957**	**1,672**	**4,870**	**10,797**

7.2 The Council has several wholly-owned active subsidiaries. The outstanding intercompany debt related to these subsidiaries, including loans, is shown in the following table:

Table 6. Outstanding Intercompany Debtors

Debtor	Outstanding Debt £
Reading Transport Ltd	-
Homes for Reading Ltd	1,435,264
Brighter Futures for Children	322,714
Total Outstanding Debt from Intercompany Debtors	**1,757,978**

7.3 The outstanding debt relating to Homes for Reading Ltd (HfR) is due to the company's cashflow pressures. A repayment profile had been proposed and the first payment was made in 2021/2022. Formal ratification of the repayment schedule is being taken to the next Homes for Reading board meeting in December 2022.

8 STAFFING

8.1 The Council currently has 102 agency contracts across the directorates. £0.186m has been spent on overtime during Quarter 2, bringing to total for the year to £0.337m

8.2 There have been nine redundancies to date during 2022/23 at a total cost of £0.113m, there have also been additional severance costs to date of £0.212m. Redundancy expenditure will be funded through the redundancy revenue reserve.

9 COLLECTION FUND

9.1 The following table shows the Council's collection rate to date of the total annual debit for Council Tax and Non-Domestic (Business) Rates as at the end of Quarter 2.

9.2 Council Tax and Non-Domestic collection rates are still behind the collection levels at the same point when compared to pre-Covid-19 pandemic rates (2019/20) but are both ahead when compared with 2021/22. This position will continue to be closely monitored as we head into the Winter months where the impacts of the cost of living crisis are likely to be most prevalent.

Table 7. Collection Fund Collection Rates

	2019/20	2020/21	2021/22	2022/23	Comparison to 2021/22	Comparison to 2019/20
	%	%	%	%	%	%
Council Tax	55.62	54.90	54.69	**55.22**	0.53	(0.40)
Non-Domestic Rates	53.20	47.63	45.90	**52.79**	6.88	(0.41)

10 HOUSING REVENUE ACCOUNT (HRA)

10.1 The approved Housing Revenue Account (HRA) budget assumed a drawdown from HRA reserves of £2.154m. At Quarter 2 the forecast revenue outturn position on the HRA is a positive net variance to budget of £2.662m. Therefore, a transfer to the HRA Reserve is forecast of £0.508m rather than the originally budgeted £2.083m draw down from reserves, which will help to offset the known inflation pressures particularly in the Repairs and Maintenance area which are likely to hit further in 2023/2024, as well as being able to support the building of new Houses and the move towards Carbon net zero. The breakdown of the net variance is set out in the following table and explained below.

Table 8. Housing Revenue Account Forecast 2022/23

	Budget £m	Forecast Outturn £m	Variance £m
Management & Supervision	9.790	8.257	(1.533)
Special Services	3.575	3.156	(0.419)
Provision for Bad Debts	0.753	0.753	0.000
Responsive Repairs	2.700	2.700	0.000
Planned Maintenance	4.666	4.666	0.000
Major Repairs/Depreciation	10.082	10.082	0.000
Debt Costs	6.741	6.037	(0.704)
PFI Costs	7.197	7.197	0.000
Revenue Contribution to Capital	0.600	0.600	0.000
HRA Income	(43.950)	(43.956)	(0.006)
Over/(Under) Budget	**2.154**	**(0.508)**	**(2.662)**
Movement to/(from) HRA Reserve	(2.154)	508	2.662

10.2 Within Management and Supervision, there are a large number of vacant posts leading to a current projected variance on salary budgets of £0.499m. Additionally, the expected charge to the HRA for the central support costs is currently expected to be around £1.060m less than the maximum budget for these charges available within the HRA. A review of the HRA contribution towards General Fund capital schemes will be factored into the updated HRA Business Plan and future year budgets. There are other adverse net variances totalling £0.026m.

10.3 Within Special Services, there are also a number of vacant posts leading to a current projected variance on salary budgets of £0.101m. Furthermore, there is an additional positive variance of £0.318m in respect of sheltered housing rents and Right-to-buy housing association charges.

10.4 Recruitment attempts to fill the aforementioned vacancies are ongoing with some recent success in some roles following a series of unsuccessful rounds of recruitment.

10.5 Debt costs are lower than budgeted by £0.704m due to less borrowing currently being required within the HRA to meet its capital expenditure as planned expenditure has been re-programmed into future years.

10.6 HRA Income is forecasting an overall positive variance of £0.006m. Dwelling rents and Service Charges are currently projected to be underachieving on the budget by a total of £0.089m (0.2% less than budget). In addition, there is a £0.044m underachievement forecast on Other Income. These are due to a delay in the completion of HRA capital schemes resulting in less housing available to be rented. Interest income is forecast to overachieve by £0.139m as the HRA has a higher level of reserve balances than anticipated so it takes a higher share of the interest income on those balances. The recent increases in the Bank of England interest rate have helped push the income up slightly too, and in the future partially offset increases in debt costs.

10.7 The collection rate of income within the HRA of income actually collected versus expected income is 99.3%, when incorporating collection of debt in Arrears from current and former tenants this figure becomes 96.0%. One item of concern under review is voids turnarounds, due to factors including staffing, the availability of contractors and pressures on materials the time taken to return void properties into circulation is growing, this has an indirect impact on the income collected and the collection rates.

11 CAPITAL PROGRAMME

General Fund

11.1 The General Fund Capital Programme for 2022/23 has an approved budget of £115.980m. The following amendments are requested to be formally approved which would result in a revised Capital Programme budget of £80.027m. These amendments are set out on an individual scheme basis in Appendix 2.

Table 9. General Fund Capital Programme Amendments

Revised	Budget	Additional	Additional	Reduced	Budgets	Proposed

Budget Quarter 1 2022/23 £m	Movements Between Schemes £m	Budgets added to the Programme - Funded by Grants & Contributions £m	Budgets requested to be added to the Programme - Funded by Capital Receipts & Borrowing £m	Budgets - Completed Schemes & Other carry forward budget adjustments £m	reprogrammed (to)/from Future Years £m	Revised Budget Quarter 2 2022/23 £m
115.980	0	19.876	0	(392)	(55.437)	80.027

11.2 A small number of budget movements between existing capital schemes is set out in Appendix 2. This includes funding a proposed new scheme, Purchase of Mortuary Equipment, of £0.012m that is funded from the Additional Storage Capacity at Mortuary Scheme which can no longer proceed as originally intended due to the Home Office changing the Emergency Mortuary Arrangement model. The original budget of this scheme was £0.015m; therefore the surplus £0.003m budget can be removed from the capital programme.

11.3 A total of £19.876m of additional budgets that are fully funded by grants and contributions are requested to be formally added into the Capital Programme. These additions include:

- £1.000m for Construction of Green Park Station reflecting additional Integrated Transport Block grant to fund the expected additional expenditure to complete the scheme at Green Park Station;

- £1.500m for Active Travel Tranche 3, a new grant funded capital scheme, to support the implementation of high-quality walking and cycling facilities in the Borough with the majority of the scheme expected to be delivered during 2023/24;

- £15.939m for the Bus Service Improvement Plan, a further new grant funded scheme to improve bus infrastructure in the Borough. The majority of the expenditure is expected to be incurred through 2023/24 and 2024/25 with formal confirmation of the grant funding expected soon;

- £1.086m for additional schemes to be funded from Section S106 and Community Infrastructure Levy contributions;

- £0.351m for the SEN High Needs provision capital allocations scheme where the majority of expenditure is expected to be incurred in 2023/24.

11.4 A total of £0.392m of budget reductions are requested to be formally approved as set out in Appendix 2 due to a number of schemes having finished and remaining funding brought forward into 2022/23 not being required.

11.5 A total of £55.437m of budgets are requested to be reprogrammed from 2022/23 into future years of the Capital Programme in line with the latest delivery forecasts. This includes:

- £0.885m for Active Travel Tranche 2 to reflect the revised expenditure projections for the current year;
- £16.739 for the new Active Travel Tranche 3 and Bus Service Improvement Plan schemes where the majority of expenditure is expected to be incurred in later years;

- £1.089m for Local Transport Plan Development to reflect the revised expenditure projections for the current year;

- £3.620m for Reading West Station is expected to have a significant spend in 2023/24 as elements of the scheme related to the Great Western Railways elements have slipped back due to Covid and Planning delays;

- £1.000m for South reading MRT (Phases 5 & 6) external funding to deliver this has not been secured so start date of this scheme pushed back into 2023/24;

- £5.053 for Leisure Centre Procurement with diving pool works pushed back to later in 2022/23 due to a delay on the award of a water extraction licence;

- £1.534m For Reading Football Club Social Inclusion Unit to South Reading Leisure Centre (SRLC). This scheme is now expected to begin in 2023/24 once the s106 funding becomes due and has been received;

- £0.653m for High Street Heritage Action Zone where anticipated spend is expected to only be the Historic England funding of £300k, future spend on the remaining budget is due to commence in 2023/24;

- £1.622m for Replacement Vehicles. The programme has been re-profiled to reflect only the expected delivery of 5 new Electric Refuse vehicles in the current year;

- £0.702m for Playground equipment and Refreshment: Boroughwide to reflect the revised expenditure projections for the current year;

- £2.550m for the Minster Quarter schemes which has been reprofiled to reflect the funding required in 2022/2023 to develop the scheme towards the awarding of a preferred development partner for the scheme. The bulk of expenditure on the Brownfield land site and developing the scheme further are expected to be incurred during 2023/2024;

- £3.354m across Property & Asset management schemes including Corporate Office essential works and the Accommodation review schemes. An Asset review is underway which will further identify the key projects required on the asset estate during 2023/2024;

- £3.200m for the Carriageways & Pavements and Highways structures programme to reflect the spend profile of the planned works;

- £2.334m for the SEN High Needs provision capital allocations scheme to reflect the revised expenditure projections for the current year;

- £5.435m for the Dee Park Regeneration - Housing Infrastructure Fund (school) scheme which reflects the confirmed draw down of Housing Infrastructure funding towards the development of this scheme in 2022/2023, with the remainder reprofiled into 2023/2024 to match the expected profile of spend;

- £5.667m across other schemes.

11.6 There is a total £4.065m Delivery Fund available for 2022/23 (inclusive of 2021/22 approved carry forwards). At Quarter 2, £2.914m of this funding has been allocated out to approved schemes, leaving £1.151m available to be allocated. At Quarter 2, the forecast spend is £2.864m, which results in an overall forecast variance of £1.201m.

11.7 All other general fund schemes are forecasting to spend to the proposed revised budgets.

11.8 It is requested the following capital schemes are given spend approval as they will be funded from Community Infrastructure Levy contributions:

Table 10. Capital Programme Spend Approval Requests

Scheme	Budget
	£m
John Rabson skatepark	0.255
Pedestrian Defined Urban Pocket Gardens	0.075
Pedestrian dropped kerb facilities with tactile pavers	0.240
Pedestrian handrails	0.240
Railway footbridge lighting in West Reading	0.070
Total	**0.880**

11.9 Spend approval is also requested for the proposed Purchase of Mortuary Equipment scheme totalling £0.012m (as detailed in paragraph 11.2) and for the Mobile Working and Smart Device scheme under delegated officer authority totalling £0.150m.

Housing Revenue Account (HRA)

11.10 The HRA Capital Programme for 2022/23 has an approved budget of £30.502m. The following amendments to the Capital Programme are requested to be formally approved which would result in a revised Capital Programme budget of £27.888m. These amendments are set out on an individual scheme basis in Appendix 2.

Table 11. Housing Revenue Account (HRA) Capital Programme Amendments

Approved Budget £m	Budget Movements Between Schemes £m	Additional Budgets added to the Programme - Funded by Grants & Contributions £m	Additional Budgets requested to be added to the Programme - Funded by Capital Receipts & Borrowing £m	Reduced Budgets - Completed Schemes & Other carry forward budget adjustments £m	Budgets reprogrammed (to)/from Future Years £m	Revised Budget Quarter 2 2022/23 £m
30.502	0.000	0.000	0.000	0.000	(2.674)	27.888

11.11 A total of £2.674m of budgets are requested to be reprogrammed to/from future years of the HRA Capital Programme in line with the latest delivery forecasts. This includes:

- £2.887m to be reprogrammed into 2023/24 for New Build & Acquisitions to reflect the updated planned programme of works;
- £0.213m to be brought forward from 2023/24 into 2022/23 for Major Repairs and Disabled Facilities Grants schemes.

11.12 The Housing Management System scheme is forecasting an adverse variance of £0.060m. A business case for additional funding in 2023/2024 to cover Phase 2 of the project next year also covers the small overspend this year.

12 CORPORATE PLAN PERFORMANCE

12.1 A new three-year Corporate Plan for 2022/23-2024/25 was published in March 2022, and a revised set of 58 performance measures were developed for monitoring from April 2022, along with a set of 52 key projects and initiatives which are helping to deliver the Council's mission and priorities. 31 of the performance measures are annual measures that will not be reported on until after March 2023.

12.2 These measures and projects were identified by directorates as those that best demonstrate progress in achieving key outcomes. This report is therefore intended to provide an overview of the contribution that the Council makes across all its activities to improving Reading as a place to live, work and visit.

12.3 The performance measures and projects are set against each of themes of the Corporate Plan for 2022/23-2024/25:

- Healthy environment
- Thriving communities
- Inclusive economy

12.4 The Council is now using a new system for performance management reporting, following the expiry of our InPhase licence. Going forward we will be using Sharepoint for data entry and PowerBI for viewing and reporting performance. This system should provide a more user-friendly experience.

Corporate Plan Measures

12.5 The tables and charts below display an overview of the shifts in performance for the Corporate Plan measures between Quarter 1 and Quarter 2, as well as performance against the target (red/amber/green).

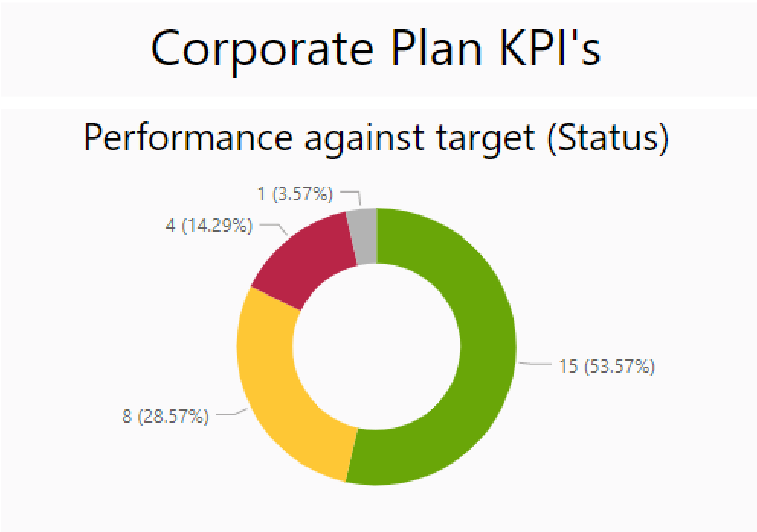
Table 12. Summary of direction of travel

	Number of Measures	Q2 %
Getting better	14	50.0
Getting worse	13	46.4
Unchanged	1	3.6
Total	**28**	**100**

Table 13. Summary of performance against target[1]

	Number of measures	Q1 %	Q2 %
Green	15	48	54
Amber	8	15	29
Red	4	18	14
N/A – No Target/Comparison	1	19	3
Total	**28**	**100**	**100**

[1] *Green = target achieved; Amber = up to 10% below target; Red = more than 10% below target*



12.6 The four Corporate Plan measures recorded with a ‘red’ status against 2022/23 targets are listed below (explanatory commentary is included where appropriate in Appendix 3):

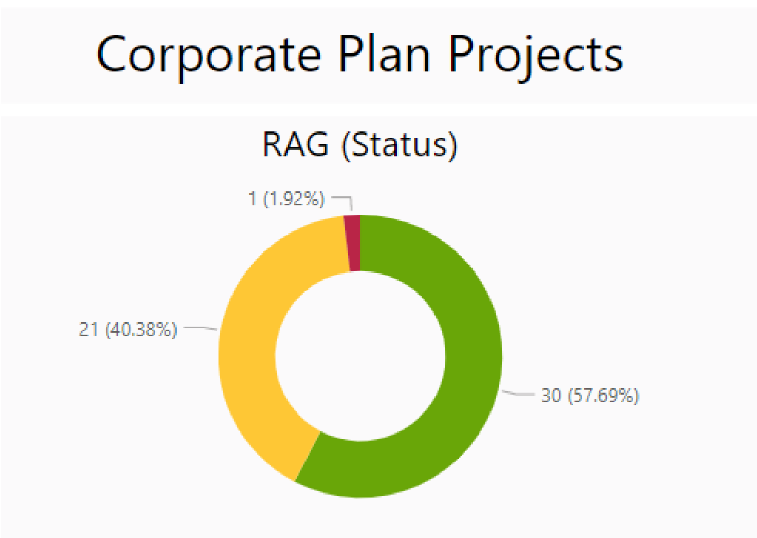
- Customer satisfaction in the Customer Fulfilment Centre
- Number of self- service transactions via My Account self- service
- Percentage of responses to the public on Freedom of Information Act requests made within 20 days
- Remediation of tall buildings with cladding

Corporate Plan Projects

12.7 The RAG status for the Corporate Plan projects is shown below.

Table 14. Summary of RAG Status

	Number of projects	Q1 %	Q2 %
Green	30	58	58
Amber	21	40	40
Red	1	2	2
Total	**52**	**100**	**100**



12.8 The only Corporate Plan project recorded with a 'red' status this quarter is 'Create a workforce that is fully representative of the population we serve'. Explanatory commentary is included in Appendix 4.

13 CONTRIBUTION TO STRATEGIC AIMS

13.1 The Council's vision is to ensure that Reading realises its potential – and to ensure that everyone who lives and works in Reading can share the benefits of its success. The Council has three inter-connected themes which contribute to delivering this vision. The themes are:

- Healthy environment;
- Thriving communities;
- Inclusive economy.

13.2 Delivery of the Council's budget is essential to ensuring the Council meets its strategic aims and remains financially sustainable going forward.

13.3 Full details of the Council's Corporate Plan are available on the website.

14 ENVIRONMENTAL AND CLIMATE IMPLICATIONS

14.1 The Council declared a Climate Emergency at its meeting on 26th February 2019. The Corporate Plan monitors our progress in reducing our carbon footprint.

14.2 There are no specific environmental and climate implications to report in relation to the recommendations set out in this report.

15 COMMUNITY ENGAGEMENT AND INFORMATION

15.1 Budget-related communications and consultations will continue to be a priority over the next three years as we work to identify savings.

16 EQUALITY IMPACT ASSESSMENT

16.1 The equality duty is relevant to the development of the Budget and Corporate Plan. The specific savings and income proposals included in the budget are subject to consultation and equality impact assessments where required and these are being progressed as appropriate.

17 LEGAL IMPLICATIONS

17.1 The Local Government Act 2003 requires that the Authority reviews its Budget throughout the year and takes any action it deems necessary to deal with the situation arising from monitoring. Currently monitoring reports are submitted to Policy Committee quarterly throughout the year.

17.2 There are no legal requirements to have a Corporate Plan. Nevertheless, considering the size and complexity of the services we provide and have responsibility for, it is sensible to have a strategic document for the organisation which sets out key priorities and activities against a robust and sustainable financial strategy.

18 FINANCIAL IMPLICATIONS

18.1 The financial implications are set out in the body of this report.

19 BACKGROUND PAPERS

19.1 None.