

**REPORT OF** Finance Manager and S.151 Officer

**To:** Internal Scrutiny Committee

**Subject:** QBR 1

**Date:** 26 July 2022

**Reference:**

**PURPOSE OF REPORT:**

For Members to receive the quarterly business report for the period April – June 2022

**1. INTRODUCTION**

The Internal Scrutiny Committee monitors the Council performance each quarter via the QBR. This report details the financial performance of the Council for the period April – June 2022 and projects the financial position for the financial year 2022/23.

**2. REPORT**

The QBR 1 (2022/23) is attached at Appendix 1 for the Committee's information. The headline figure is a projected deficit for the financial year 2022/23 against budget of **£1.081m**. Additionally the 2022/23 budgets were balanced by a **contribution from the Transition in Government Funding Reserve** of £373k; meaning expenditure in 2022/23 is forecast to exceed projected income by **£1.454m**.

Appendix 1 provides greater detail, but the key variances are expanded upon below.

**Homelessness – Temporary Accommodation**

Currently there is a projected **overspend of £890k** with respect to the Council undertaking its statutory housing responsibilities. The key factors behind this overspend are:

- **Increased demand**

The Council is experiencing unprecedented levels of demand from residents at risk of homelessness. This is a result of the decline in the supply of affordable rented accommodation. Within Torridge the conversion of properties into holidays lets is understood to be a factor, but there has been an increase nationally in property prices and subsequently rental costs.

- **Lack of affordable rental properties**

The lack of affordable rental properties is making it increasingly difficult for Torridge's housing team to move people from temporary accommodation into sustainable rental properties. Rental properties are increasingly advertised at values far in excess of Local Housing Allowance (LHA) rates, the rate which is paid by Housing Benefits.

- **Cost of Temporary Accommodation**

With the Covid-19 pandemic restricting foreign holidays and the increase in staycation, the costs of temporary accommodation in the North Devon area have risen markedly in the last few years. Costs are particularly steep in peak holiday season.

- **Housing Benefit rules**

When placing people in temporary accommodation the Council is only permitted to reclaim a modest proportion of the costs via housing benefit (essentially the LHA rates). Consequently there is a large burden of the costs of temporary accommodation that needs to be borne by the Council.



## Staff Costs

Clearly with inflation currently at the highest level for decades, it is not surprising that the unions have put in pay requests for the financial year 2022/23 in line with inflation (currently 10%). Allied to general inflationary pressure, it is widely forecast that the Minimum Living Wage (**MLW**) will be uplifted by inflation (10%) effective from the 1<sup>st</sup> April 2023.

The MLW for the financial year 2022/23 is currently the same of the lowest local authority salary grade (£9.50 per hour); should the MLW be uplifted by inflation in April 2023, it will likely exceed the bottom 5 local authority salary scale points. A similar inflationary increase effective from April 2024 will see the MLW exceed the bottom 10 local authority pay scales.

Circa 33% of Torridge's workforce currently are employed in posts covered by the lowest 10 pay points.

As the Council is obliged to pay the MLW as a minimum, the costs of the 2022/23 pay award will exceed the 2% budgeted for in 2022/23.

The projected overspend resulting from the projected 2022/23 pay award and the agency costs back filling vacancies are predicted to be **£299k**.

## Utilities and Fuel

The current high levels of inflation for utilities and fuel are projected to result in overspends of £89k and £122k respectively. The utilities over spend has been partly offset by the fact that the Council's current fixed term deal for Gas and Electricity runs to October 2022.

## Interest Receivable

With the recent rises in the Bank of England base rates the returns the Council can receive from its short term treasury investments have risen, the forecast **additional income of £202k** assumes interest rates remain at their current level for the remainder of the financial year.

### 3. OTHER MATTERS FOR CONSIDERATION

- **Relative size of the projected deficit**
  - The projected deficit at £1.081m represents circa 7.2% of the Council's gross spend of circa £15m.
- **Transition in Government Funding Reserve**
  - The Transition in Government Funding Reserve is held by the Council to balance its budget until saving/additional income can be identified to bring the budgets back into balance.
  - The balance on the reserve as at 31<sup>st</sup> March 2022 was £2,387k. It was budgeted to utilise £378k of the reserve to balance the 2022/23 budgets.
  - Considering the projected deficit for 2022/23 of £1,081k the forecast balance on the reserve as at 21<sup>st</sup> March 2023 would be £931k (£2,387k - £378 - £1,081k). In other words **61%** of the Transition in Government Funding Reserve would be consumed **meeting the 2022/23 deficit**.
- **Recruitment and Retention**
  - Like many sectors the Council is experiencing difficulties in both staff recruitment and retention. The Council has a vacancy budget target of £400k per annum. The vacancy target has been met after quarter 1; (after taking into account assumptions regarding when various posts will ultimately be filled).



- The budget forecast does not include any assumptions about vacancies which may arise in the future. Where it has been necessary to backfill posts with agency staff this has been often at significantly greater cost.
- **Fast moving environment**
  - The scale of the housing crisis facing the Council and the emerging inflationary pressures, has seen the Council operate in a rapidly changing environment. The outturn for the financial year 2021/22 was a surplus of £1.752m. A projected movement of £2.833m between the 2021/22 outturn and the projected financial outturn for 2022/23.
  - With the current levels of volatility with inflation, recruitment, and supply chain issues the projection presented in this report could still change significantly at some point through the current financial year.

#### 4. IMPLICATIONS

##### Legal Implications

No specific legal implications

##### Financial Implications

Considered in the QBR

##### Human Resources Implications

None

##### Sustainability/Biodiversity Implications

None

##### Equality/Diversity

Not applicable

##### Risk Management

The current financial performance of the Council represents a threat to its ability to deliver its current services in the future.

##### Compliance with Policies and Strategies

This report is in compliance with the Council's Constitution

##### Data Protection (GDPR) Implications

Not applicable

##### Climate Change

Not applicable

#### 4. CONCLUSIONS

The current financial performance of the Council is an area of grave concern, it is imperative that the members budget working group identify tangible savings/sources of additional income of sufficient magnitude to significantly reduce the projected deficits of the Council.

#### 5. RECOMMENDATIONS

That Members:



1. Receive and note the QBR

