



## Report to Policy Committee

**Author/Lead Officer of Report:** Ryan Keyworth,  
Director of Finance and Commercial Services

**Tel:** +44 114 474 1438

**Report of:** *Ryan Keyworth*  
**Report to:** *Finance Sub-Committee*  
**Date of Decision:** *15 September 2022*  
**Subject:** *Month 4 Monitoring*

Has an Equality Impact Assessment (EIA) been undertaken?	Yes		No	X	
Has appropriate consultation taken place?	Yes		No	X	
Has a Climate Impact Assessment (CIA) been undertaken?	Yes		No	X	
Does the report contain confidential or exempt information?	Yes		No	X	

**Purpose of Report:**

*This report brings the Committee up to date with the Council's financial position as at Month 4 2022/23.*

**Recommendations:**

**The Committee is recommended to:**

1. Note the Council's challenging financial position as at the end of July 2022 (month 4).

**Background Papers:**

[2022/23 Revenue Budget](#)

Lead Officer to complete: -					
1	<p>I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.</p> <table border="1"> <tr> <td>Finance: <i>Ryan Keyworth, Director of Finance and Commercial Services</i></td> </tr> <tr> <td>Legal: <i>David Hollis, Assistant Director, Legal and Governance</i></td> </tr> <tr> <td>Equalities &amp; Consultation: <i>James Henderson, Director of Policy, Performance and Communications</i></td> </tr> <tr> <td>Climate: <i>n/a</i></td> </tr> </table>	Finance: <i>Ryan Keyworth, Director of Finance and Commercial Services</i>	Legal: <i>David Hollis, Assistant Director, Legal and Governance</i>	Equalities & Consultation: <i>James Henderson, Director of Policy, Performance and Communications</i>	Climate: <i>n/a</i>
Finance: <i>Ryan Keyworth, Director of Finance and Commercial Services</i>					
Legal: <i>David Hollis, Assistant Director, Legal and Governance</i>					
Equalities & Consultation: <i>James Henderson, Director of Policy, Performance and Communications</i>					
Climate: <i>n/a</i>					
<p><i>Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</i></p>					
2	<table border="1"> <tr> <td><b>SLB member who approved submission:</b></td> <td><i>Ryan Keyworth</i></td> </tr> </table>	<b>SLB member who approved submission:</b>	<i>Ryan Keyworth</i>		
<b>SLB member who approved submission:</b>	<i>Ryan Keyworth</i>				
3	<table border="1"> <tr> <td><b>Committee Chair consulted:</b></td> <td><i>Cllr Bryan Lodge</i></td> </tr> </table>	<b>Committee Chair consulted:</b>	<i>Cllr Bryan Lodge</i>		
<b>Committee Chair consulted:</b>	<i>Cllr Bryan Lodge</i>				
4	<p>I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Committee by the SLB member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.</p> <table border="1"> <tr> <td><b>Lead Officer Name:</b> <i>Ryan Keyworth</i></td> <td><b>Job Title:</b> <i>Director of Finance and Commercial Services</i></td> </tr> </table> <p><b>Date:</b> <i>1<sup>st</sup> September 2022</i></p>	<b>Lead Officer Name:</b> <i>Ryan Keyworth</i>	<b>Job Title:</b> <i>Director of Finance and Commercial Services</i>		
<b>Lead Officer Name:</b> <i>Ryan Keyworth</i>	<b>Job Title:</b> <i>Director of Finance and Commercial Services</i>				

## 1. PROPOSAL

1.1 This report brings the 22/23 M4 monitoring information for each committee. Executive directors and Directors will be required to develop plans to mitigate the in-year forecast overspends.

### 1.2 Council Portfolio Month 4 2022/23

1.2.1 The Council is forecasting a £21.7m overspend against the 2022/23 budget as at month 4.

Full Year £m	Outturn	Budget	Variance
Corporate	(462.0)	(461.2)	(0.8)
City Futures	47.1	46.6	0.5
Operational Services	115.0	114.9	0.1
People	313.2	293.7	19.5
Policy, Performance Comms	3.2	2.9	0.3
Resources	5.2	3.1	2.1
<b>Total</b>	<b>21.7</b>	<b>0</b>	<b>21.7</b>

1.2.2 This overspend is due to a combination of agreed Budget Implementation Plans ("BIPs") not being fully implemented and ongoing cost / demand pressures that are partially offset by one-off savings.

Full Year £m	One-off	BIPs	Trend	Total Variance
Corporate	0.0	0.0	(0.8)	(0.8)
City Futures	0.0	0.0	0.5	0.5
Operational Services	(5.0)	2.4	2.7	0.1
People	0.1	15.3	4.0	19.4
Policy, Performance Comms	(0.1)	0.3	0.1	0.3
Resources	(0.3)	1.7	0.7	2.1
<b>Total</b>	<b>(5.3)</b>	<b>19.7</b>	<b>7.2</b>	<b>21.7</b>

### 1.3 Committee Financial Position

#### 1.3.1 Overall Position - £21.7m overspend at Month 4

There is a £12.4m overspend in the Adult Health and Social Care Committee and a £7.5m overspend in the Education, Children and Families Committee	Full Year Forecast £m Month	Outturn	Budget	Variance
	Adult Health & Social Care	163.1	150.8	12.4
	Education, Children & Families	136.1	128.6	7.5
	Strategy & Resources	(440.1)	(442.3)	2.1
	Economic Development & Skills	11.0	10.9	0.1
	Housing	8.8	8.8	(0.0)
	Waste & Street Scene	56.2	56.2	(0.0)
	Transport, Regeneration & Climate	41.8	41.9	(0.1)
	Communities Parks and Leisure	44.9	45.2	(0.3)
	<b>Total</b>	<b>21.7</b>	<b>(0.0)</b>	<b>21.7</b>

**The 22/23 pay award proposal affected the outturn in the General Fund by £3.3m** The proposed pay award of £1,925 flat rate per employee has been factored into forecasts in M4. Within the outturn at M3, an increase of £4.2m had already been accounted at service level, £5.6m had been provisioned corporately meaning an additional pressure of £3.3m has now been forecast in the M4 outturn, broken down into committees as follows:

£000s	Increase (inc on costs)	Pay Pressures covered	Corporate Funding	Remainin g Pressure
<b>Committee</b>				
Education, Children & Families	3,882	1,181	1,655	1,046
Strategy And Resources	2,817	1,209	1,201	407
Adult Health And Social Care	2,658	815	1,133	709
Communities, Parks, And Leisure	1,570	483	670	418
Waste And Street Scene	820	255	350	215
Transport, Regen & Climate	546	227	233	86
Economic Development & Skills	410	27	175	208
Housing	396	-	169	227
<b>Grand Total</b>	<b>13,100</b>	<b>4,197</b>	<b>5,586</b>	<b>3,317</b>

**The overall position worsened by £1.4m from M3 to M4, improvements elsewhere have offset the full impact of the pay award.** The £3.3m pressure for pay was offset in M4 by improvements totalling over £2m across the organisation:

- Transport, regen & climate committee budget position improved by £1.2m due to a release of a one-off provision to mitigate the loss of income from the delayed go live date for the clean air zone
- Education, children's & families improved by £700k due a combination of better-quality forecasting in services and slippage in recruitment
- Strategy & resources improved overall by £270k mainly due to higher investment returns in the market

<b>Most of the full year forecast overspend is attributable to shortfalls in Budget Implementation Plans (BIPs) delivery</b>	<b>Variance Analysis £m Month 4</b>	<b>One-off</b>	<b>BIPs</b>	<b>Trend</b>	<b>Total Variance</b>
Adult Health & Social Care		(0.3)	8.5	4.1	12.4
Education, Children & Families		0.7	6.8	0.0	7.5
Strategy & Resources		(0.3)	1.9	0.6	2.1
Economic Development & Skills		(0.0)	0.0	0.1	0.1
Housing		0.0	0.0	(0.0)	(0.0)
Waste & Street Scene		(3.0)	0.2	2.8	(0.0)
Transport, Regeneration & Climate		(2.1)	2.1	(0.1)	(0.1)
Communities Parks and Leisure		(0.3)	0.2	(0.1)	(0.3)
<b>Total</b>		<b>(5.3)</b>	<b>19.7</b>	<b>7.3</b>	<b>21.7</b>

**£5.3m of one-off savings are mitigating part of** Contributions from provisions for energy and waste inflation mitigate the in-year impact of rising baseline costs. These are one-off contributions that will not help our position in 23/24 as the trend continues.

<b>the ongoing overspend</b>				
<b>Balancing the 22/23 budget was only possible with £53m of BIPs, £33m are reported as deliverable in year</b>	<b>£m Portfolio</b>	<b>Total Savings 22/23</b>	<b>Deliverable in year</b>	<b>FY Variance</b>
	People	37.7	22.4	15.3
	Operational Services	7.1	4.7	2.4
	PPC	1.2	0.9	0.3
	Resources	6.7	5.1	1.6
	<b>Total</b>	<b>52.7</b>	<b>33.1</b>	<b>19.7</b>
<b>Focus must be on delivering BIPs in 22/23 and preventing the budget gap from widening</b>	<p>Of the £33.1m BIPs forecast as being deliverable, £10.1m are rated red, which indicates considerable risk of increased overspending.</p> <p>Of the £19.6m savings that are forecast to be undelivered this year, some can be delivered next financial year. It is estimated that £10m of this year's undelivered savings will still be unachievable in 23/24 and form part of the baseline pressures captured in the draft medium term financial analysis presented to the Strategy and Resources Committee on 5<sup>th</sup> July 2022.</p>			
<b>Adult Health and Social Care are forecast to overspend by £12.4m</b>	<p>The high cost of packages of care put in place during covid has increased our baseline costs into 22/23. Work is underway as part of an investment plan with additional resource to tackle the underlying issues although recruitment issues are impacting our ability to deliver.</p>			
<b>Education, Children and Families are forecast to overspend by £7.5m</b>	<p>Forecast under-delivery of budget implementation plans in the service are the main cause of overspends; plans to reduce staffing and increase income from Health are looking unlikely and the residential children's home strategy looks unlikely to deliver financial benefits. The service needs to provide mitigations to bring overspends back in line with budgets.</p>			

The following section provides further detail for the Housing Committee.

### 1.4.1 **Housing Committee - General Fund Balanced but Housing Revenue Account overspend of £13.4m at Month 4**

<b>The Housing General fund is forecast to be broadly in line with budget.</b>	<b>Full Year Forecast £m @ Month 4</b>	<b>Outturn</b>	<b>Budget</b>	<b>Variance</b>
	Housing General Fund	8.7	8.7	(0.0)
	Housing Growth	0.1	0.1	0.0
	<b>Total</b>	<b>8.8</b>	<b>8.8</b>	<b>(0.0)</b>

  

<b>The Housing Revenue Account is forecast to overspend by £13.4m.</b>	<b>Full Year Forecast £m @ Month 4</b>	<b>Outturn</b>	<b>Budget</b>	<b>Variance</b>
	Net Income – Dwellings	(149.1)	(152.6)	3.5
	Other income	(6.5)	(6.5)	(0.0)
	Repairs & Maintenance	48.6	41.4	7.2
	Depreciation	25.0	25.0	0.0
	Tenant Services	52.8	54.0	(1.2)
	-Disrepairs	2.2	0.9	1.3
	-Council Tax	5.2	2.6	2.7
	Interest on borrowing	13.6	13.6	(0.1)
	Contribution to Capital Programme	8.2	21.6	(13.4)
	<b>Total</b>	<b>(0.0)</b>	<b>0.0</b>	<b>(0.0)</b>

  

<b>The impact of the proposed pay offer creates an additional £2.1m pressure to the committee</b>	<p>The proposed pay award of £1,925 flat rate per employee has been factored into forecasts in M4, resulting in an additional cost of £2.1m. This comprises £1.1m for HRA Tenant Services staff and £1.1m for the Housing Repairs Team. This is an additional underlying pressure that will require mitigation.</p> <p>It should be noted that the pay offer cost is an initial indicative estimate which will require further work to fully understand the actual impact on each service.</p>
<b>Vacant properties are resulting in a forecast loss of £3m in rent.</b>	<p>The loss of rental income is forecast to be £3m for the year largely due to the speed of turnaround in the repairs and maintenance service resulting in vacant properties.</p> <p>The Business Plan assumes a voids rate of 1.84%, but the current rate of voids is significantly higher. Although plans are in place to reduce this in 2022/23, the current void rate is more like 3.5%.</p>
<b>Vacant properties also result in £4m of additional forecast cost.</b>	<p>The current forecast includes a £1.3m of additional costs for council tax on empty properties and £2.7m extra costs for legal fees from increasing disrepair claims.</p>
<b>Tenant Services is underspending by £1.2m.</b>	<p>Forecast underspends across Tenant services of £2.1m, are offset to some extent by a £0.9m overspend on furnished accommodation.</p>
<b>High inflation poses a risk to the business plan.</b>	<p>The HRA Business Plan assumes rental income to increase by CPI +1%. CPI is currently running at 10.1% which is significantly higher than the 4.1% agreed in 22-23. This needs further consideration in the business plan going forward.</p>

Energy inflation at around 100% is forecast to add an additional cost pressure of around £1.8m in 22/23. This cost is forecast to be offset this year from specific earmarked reserves, but clearly this is not sustainable.

**The Housing Repairs Service is forecast to overspend by £7.2m**

There are significant overspends on employees, sub-contractors, and material costs in dealing with responsive repairs. Gas servicing and repair work to address voids has also caused excess costs.

**Community heating account is forecast to overspend by £1m due to rising energy prices**

<b>Full Year Forecast £m @ Month 4</b>	<b>Outturn</b>	<b>Budget</b>	<b>Variance</b>
Income	(3.3)	(3.3)	(0.0)
Expenditure	4.1	3.2	1.0
<b>Total</b>	<b>0.8</b>	<b>(0.1)</b>	<b>0.9</b>

**Overspends in the HRA impact the capital programme**

Without significant savings in revenue budgets, the long-term capital programme is not affordable. The month 4 outturn position results in a reduced contribution to the future programme

## **2. HOW DOES THIS DECISION CONTRIBUTE?**

- 2.1 The recommendations in this report are that each Policy Committee undertakes any work required to both balance their 2022/23 budget and prepare for the 2023/24 budget.

## **3. HAS THERE BEEN ANY CONSULTATION?**

- 3.1 There has been no consultation on this report, however, it is anticipated that the budget process itself will involve significant consultation as the Policy Committees develop their budget proposals

## **4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION**

### **4.1 Equality Implications**

- 4.1.1 There are no direct equality implications arising from this report. It is expected that individual Committees will use equality impact analyses as a basis for the development of their budget proposals in due course.

### **4.2 Financial and Commercial Implications**

- 4.2.1 There are no direct financial implications from this report.

### **4.3 Legal Implications**

- 4.3.1 Under section 25 of the Local Government Act 2003, the Chief Finance Officer of an authority is required to report on the following matters:

- the robustness of the estimates made for the purposes of determining its budget requirement for the forthcoming year; and
- the adequacy of the proposed financial reserves.

- 4.3.2 There is also a requirement for the authority to have regard to the report of the Chief Finance Officer when making decisions on its budget requirement and level of financial reserves.

- 4.3.3 By the law, the Council must set and deliver a balanced budget, which is a financial plan based on sound assumptions which shows how income will equal spend over the short- and medium-term. This can take into account deliverable cost savings and/or local income growth strategies as well as useable reserves. However, a budget will not be balanced where it reduces reserves to unacceptably low levels and regard must be had to any report of the Chief Finance Officer on the required level of reserves under section 25 of the Local Government Act 2003, which sets obligations of adequacy on controlled reserves.

### **4.4 Climate Implications**

- 4.4.1 There are no direct equality implications arising from this report. It is expected that individual Committees will consider climate implications as they develop their budget proposals in due course.

### **4.4 Other Implications**

- 4.4.1 No direct implication

## **5. ALTERNATIVE OPTIONS CONSIDERED**



- 5.1 The Council is required to both set a balance budget and to ensure that in-year income and expenditure are balanced. No other alternatives were considered.

This page is intentionally left blank