



Report to Policy Committee

Author/Lead Officer of Report: Ryan Keyworth,
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Report of: *Ryan Keyworth*
Report to: *Finance Sub-Committee*
Date of Decision: *12 October 2022*
Subject: *Month 5 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 5 2022/23.

Recommendations:

The Committee is recommended to:

1. Note the Council's challenging financial position as at the end of August 2022 (month 5).

Background Papers:

[2022/23 Revenue Budget](#)

Lead Officer to complete: -		
1	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.	Finance: <i>Ryan Keyworth, Director of Finance and Commercial Services</i>
		Legal: <i>David Hollis, Interim Director Legal and Governance</i>
		Equalities & Consultation: <i>James Henderson, Director of Policy, Performance and Communications</i>
		Climate: <i>n/a</i>
<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>		
2	SLB member who approved submission:	<i>Ryan Keyworth</i>
3	Committee Chair consulted:	<i>Cllr Bryan Lodge</i>
4	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.	
	Lead Officer Name: <i>Ryan Keyworth</i>	Job Title: <i>Director of Finance and Commercial Services</i>
	Date: 23 rd September 2022	

1. PROPOSAL

1.1 This report brings the 22/23 M5 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 5 2022/23

1.2.1 The Council is forecasting a £20.7m overspend against the 2022/23 budget as at month 5.

Full Year £m	Outturn	Budget	Variance
Corporate	(462.6)	(461.9)	(0.7)
City Futures	47.1	46.8	0.3
Operational Services	114.3	114.2	0.0
People	312.5	293.7	18.8
Policy, Performance Comms	3.2	2.9	0.3
Resources	6.2	4.2	2.1
Total	20.7	(0.0)	20.7

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	(0.7)	(0.7)
City Futures	(0.1)	0.0	0.4	0.3
Operational Services	(5.5)	3.1	2.4	0.0
People	0.1	14.9	3.8	18.8
Policy, Performance Comms	(0.1)	0.3	0.1	0.3
Resources	(0.6)	1.7	1.0	2.1
Total	(6.2)	20.0	7.0	20.7

1.3 Committee Financial Position

1.3.1 Overall Position - £20.7m overspend at Month 5

There is a £11.8m overspend in the Adult Health and Social Care Committee and a £7.4m overspend in the Education, Children and Families Committee	Full Year Forecast £m Month 5	Outturn	Budget	Variance
	Adult Health & Social Care	162.6	150.8	11.8
	Communities Parks and Leisure	45.1	45.2	(0.1)
	Economic Development & Skills	11.1	11.0	0.0
	Education, Children & Families	136.0	128.6	7.4
	Housing	8.7	8.8	(0.1)
	Strategy & Resources	(439.6)	(441.8)	2.2
	Transport, Regeneration & Climate	41.6	41.9	(0.3)
	Waste & Street Scene	55.3	55.6	(0.3)
	Total	20.7	(0.0)	20.7

Most of the full year forecast overspend is attributable to shortfalls in Budget Implementation Plans (BIPs) delivery	Variance Analysis £m	One-off	BIPs	Trend	Total Variance
	Month 5				
	Adult Health & Social Care	(0.3)	8.1	4.0	11.8
	Communities Parks and Leisure	(0.3)	0.5	(0.2)	(0.1)
	Economic Development & Skills	(0.1)	0.0	0.1	0.0
	Education, Children & Families	0.7	6.8	(0.1)	7.4
	Housing	-	-	(0.1)	(0.1)
	Strategy & Resources	(0.9)	2.2	0.9	2.2
	Transport, Regeneration & Climate	(2.1)	2.1	(0.3)	(0.3)
	Waste & Street Scene	(3.2)	0.4	2.5	(0.3)
Total	(6.2)	20.0	7.0	20.7	

£6.2m of one-off savings are mitigating part of the ongoing overspend

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.

Balancing the 22/23 budget was only possible with £53m of BIPs, £33m are reported as deliverable in year

£m	Total Savings 22/23	Deliverable in year	FY Variance
People	37.7	22.9	14.8
Operational Services	7.1	4.0	3.1
PPC	1.2	1.0	0.2
Resources	6.7	5.0	1.7
Total	52.7	32.9	19.9

Focus must be on delivering BIPs in 22/23 and preventing the budget gap from widening

Of the £33m BIPs forecast as being deliverable, £10.1m are rated red, which indicates considerable risk of increased overspending.

Of the £19.9m savings that are forecast to be undelivered this year, some can be delivered next financial year. It is estimated that £12m 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 5th July 2022.

Adult Health and Social Care are forecast to overspend by £11.8m

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.

Education, Children and Families are forecast to overspend by £7.4m

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.

1.4.1 Strategy and Resources - £2.2m overspend at Month 5

The Strategy and Resources Committee budget is forecast to overspend by £2.2m	Full Year Forecast £m @ Month 5	Outturn	Budget	Variance
	BUSINESS CHANGE & INFO SOLNS	18.2	16.9	1.3
	CENTRAL COSTS	(47.0)	(46.5)	(0.5)
	COMMUNITY SERVICES (Local Area Committees)	1.8	1.9	(0.0)
	CONSOLIDATED LOANS FUND	28.1	28.9	(0.7)
	CONTRACT REBATES & DISCOUNTS	(1.1)	(0.7)	(0.3)
	CORPORATE TRANSACTIONS	(490.8)	(490.8)	(0.0)
	CUSTOMER SERVICES	5.4	5.4	0.0
	FINANCE & COMMERCIAL SERVICES	18.5	18.5	0.0
	HOUSING BENEFIT	0.2	0.2	0.0
	HUMAN RESOURCES	5.2	5.0	0.2
	LEGAL & GOVERNANCE	6.1	5.2	0.9
	OTHER CENTRAL COSTS - CAPITA	-	0.0	(0.0)
	POLICY, PERFORMANCE & COMMS	3.4	3.1	0.3
	PUBLIC HEALTH PPC	(0.1)	(0.1)	(0.0)
	RESOURCES MANAGEMENT & PLANNING	0.7	0.3	0.4
	ONE YEAR PLAN	0.0	-	0.0
	DIRECT SERVICES (Facilities Management; PPE; Transport)	15.7	15.8	(0.1)
	INCLUSIVE GROWTH & DEVELOPMENT (Property)	(4.1)	(4.8)	0.7
	Total	(439.6)	(441.8)	2.2

Shortfalls in BIPs are the majority of the overspend in the Committee

Savings in 22/23 associated with restructures in Business Change and ICT delivery have caused the greatest overspends (£1.3m) alongside underlying overspends in legal services (£0.9m). An approach to the restructures has now been agreed which should secure full run-rate savings going into 2023/24.

The impact of the proposed pay offer creates an additional £0.4m pressure to the committee

The proposed pay award of £1,925 flat rate per employee was factored into forecasts in M4.

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.

Property services overspend relating to Electric Works now falls under the S&R Committee

There is a £0.5m projected shortfall in rental income at Electric Works following loss / downsize of 2 key tenants. A proposal is being developed to relax the letting policy for the building that should allow it to be filled.

1.5 **Capital Programme Monitoring M5 22/23**

The position on the capital programme at M5 is noted in Appendix 1.

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 climate 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.

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