



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: *7th November 2022*
Subject: *Month 6 Monitoring*

Has an Equality Impact Assessment (EIA) been undertaken?	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
If YES, what EIA reference number has it been given? <i>(Insert reference number)</i>				
Has appropriate consultation taken place?	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
Has a Climate Impact Assessment (CIA) been undertaken?	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
Does the report contain confidential or exempt information?	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below:-				
<i>"The (report/appendix) is not for publication because it contains exempt information under Paragraph (insert relevant paragraph number) of Schedule 12A of the Local Government Act 1972 (as amended)."</i>				

Purpose of Report:

*This report brings the Committee up to date with the Council's financial position as at Month 6 2022/23 including General Fund revenue position, Housing Revenue Account and Capital Programme Monitoring (**Appendix 4**). This report as at September 2022 also provides an update on the Council's Collection Fund (**Appendix 1**), Treasury Management Outturn (**Appendix 2**) and Reserves Strategy (**Appendix 3**).*

Recommendations:

The Committee is recommended to:

1. Note the Council's financial position as at the end of September 2022 (month 6).
2. Note the Council's forecast Collection Fund position as at September 2022
3. Note the Treasury Management position and impact on revenue budgets as at September 2022

4. Note the Council's reserves position and strategy

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>Sarah Bennett, Assistant Director, Legal and Governance</i>
		Equalities & Consultation: <i>James Henderson, Director of Policy, Performance and Communications</i>
		Climate: n/a
<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	EMT member who approved submission:	<i>Eugene Walker</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 EMT 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> <i>Jane Wilby</i>	Job Title: <i>Director of Finance and Commercial Services</i> <i>Head of Accounting</i>
	Date: 23 rd October 2022	

1. PROPOSAL

1.1 This report sets out the 2022/23 Month 6 financial monitoring position for each Policy Committee.

1.2 Council Portfolio Month 6 2022/23

1.2.1 The Council is forecasting a £18.6m overspend against the 2022/23 budget as at month 6.

Full Year £m	Outturn	Budget	Variance
Corporate	(464.6)	(463.2)	(1.4)
City Futures	46.7	46.8	(0.1)
Operational Services	113.3	113.4	(0.1)
People	313.5	295.9	17.6
Policy, Performance Comms	3.2	2.9	0.4
Resources	6.4	4.2	2.2
Total	18.6	(0.0)	18.6

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 Variance £m	One-off	BIPs	Trend	Total Variance
Corporate	0.0	0.0	(1.4)	(1.4)
City Futures	(0.1)	0.0	(0.0)	(0.1)
Operational Services	(5.8)	3.2	2.6	(0.1)
People	(0.4)	14.2	3.8	17.6
Policy, Performance Comms	(0.1)	0.3	0.2	0.4
Resources	(0.7)	1.7	1.3	2.2
Total	(7.1)	19.3	6.3	18.6

1.2.3 In 2021/22, the Council set aside £70m of reserves to manage the financial risks associated with delivering a balanced budget position. In 21/22, the council overspent by £19.8m which was drawn from this pool, a further £15m was used to balance the 22/23 budget and current forecast overspend at M6 is set to be £18.6m leaving a remaining risk allocation of £16.7m

	£m
Allocated reserves	70.0
21/22 Budget overspend	19.8
22/23 Base budget committed	15.0
22/23 BIP shortfall	19.3
22/23 pressures	6.3
22/23 in year mitigations	(7.1)
Reserves used @ M6	53.3
Remaining reserves	16.7

} (£18.6m overspend @ M6)

1.3 Committee Financial Position

1.3.1 Overall Position - £18.6m overspend at Month 6

There is a £11.8m overspend in the Adult Health and Social Care Committee and a £6.5m overspend in the Education, Children and Families Committee	Full Year Forecast £m @ Month 6	Outturn	Budget	Variance
	Adult Health & Social Care	164.4	152.5	11.8
	Education, Children & Families	135.2	128.6	6.5
	Housing	8.6	8.8	(0.1)
	Transport, Regeneration & Climate	41.3	41.9	(0.6)
	Economic Development & Skills	11.0	11.0	(0.0)
	Waste & Street Scene	54.4	54.7	(0.3)
	Communities Parks and Leisure	44.9	45.4	(0.5)
	Strategy & Resources	(441.2)	(442.9)	1.7
	Total	18.6	(0.0)	18.6

Most of the full year forecast overspend is attributable to shortfalls in Budget Implementation Plans (BIPs) delivery	Variance Analysis £m @ Month 6	One-off	BIPs	Trend	Total Variance
	Adult Health & Social Care	(0.5)	8.1	4.2	11.8
	Education, Children & Families	0.6	6.0	(0.1)	6.5
	Housing	0.0	0.0	(0.1)	(0.1)
	Transport, Regen & Climate	(2.1)	2.1	(0.6)	(0.6)
	Economic Dev't & Skills	(0.1)	0.0	0.1	(0.0)
	Waste & Street Scene	(3.2)	0.4	2.6	(0.3)
	Communities Parks & Leisure	(0.8)	0.5	(0.2)	(0.5)
	Strategy & Resources	(1.0)	2.2	0.6	1.7
	Total	(7.1)	19.3	6.3	18.6

£6.3m of one-off savings are mitigating part of the ongoing overspend

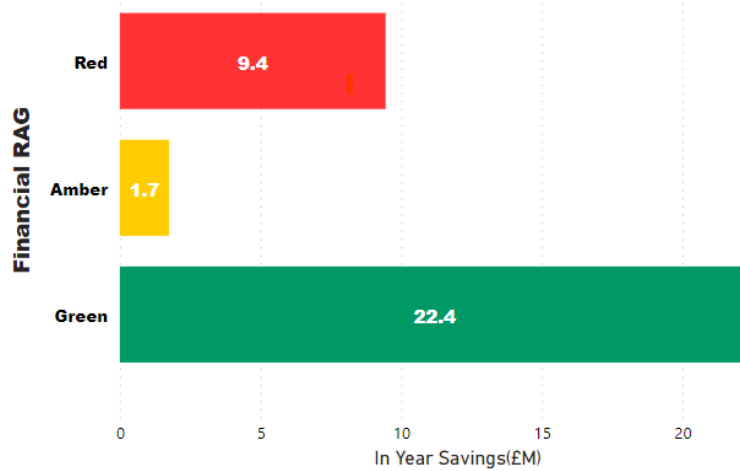
Contributions from provisions for energy and waste inflation mitigate the in-year impact of rising baseline costs. These are one-off contributions that will not help our position in 23/24 as the trend continues.

The government's recent announcement on the energy price cap only gives us protection on current rates until the end of the financial year. Currently, the best open market prices we are able to achieve for 1 April 2023 onwards results in a doubling in the unit price of energy that we will face.

Balancing the 22/23 budget was only possible with £53m of BIPs, £33m are reported as deliverable in year	Budget Savings Delivery Forecast @M6 £m	Total Savings 22/23	Deliverable in year	FY Variance
	People	37.7	23.5	14.2
	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	33.4	19.3

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

Of the £33m BIPs forecast as being deliverable, £9.4m are rated red, which indicates considerable risk that these will not be delivered in full which would increase the existing forecast overspend.



Of the £19.3m 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 £6.5m

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 committee position improved in M6 by £0.8m due to an additional grant contribution of £0.5m for Household Support mitigating an overspend in this area alongside reductions to staffing forecasts.

1.4.1 Strategy and Resources - £1.7m overspend at Month 6

The Strategy and Resources Committee budget is forecast to overspend by £1.7m	Full Year Forecast £m @ Month 6	Outturn	Budget	Variance
	Business Change & Info Solns	18.2	16.9	1.4
	Central Costs	(46.9)	(46.5)	(0.4)
	Community Services (LACs)	2.0	2.0	(0.0)
	Consolidated Loans Fund	27.4	28.9	(1.5)
	Contract Rebates & Discounts	(1.1)	(0.7)	(0.3)
	Corporate Transactions	(492.1)	(492.1)	0.0
	Customer Services	5.3	5.4	(0.1)
	Finance & Commercial Services	18.5	18.5	0.1
	Housing Benefit	0.2	0.2	(0.0)
	Human Resources	5.3	5.0	0.3
	Legal & Governance	6.2	5.2	1.0
	Other Central Costs	0.0	0.0	(0.0)
	Policy, Performance & Comms	3.4	3.0	0.4
	Public Health	(0.1)	(0.1)	(0.0)
	Resources Mgmt& Planning	0.7	0.3	0.4
	One Year Plan	0.0	0.0	0.0
	Direct Services (Facilities; PPE)	15.8	15.9	(0.1)
	Inclusive Growth & Development (Property and Regeneration)	(4.1)	(4.8)	0.7
	Total	(441.2)	(442.9)	1.7

Shortfalls in BIP delivery on council-wide organisational changes is a key factor in the current overspend. Savings in 22/23 associated with organisational model changes to Business Change, ICT delivery, Performance and Communications is a key factor in the current forecast overspend (£1.4m) alongside underlying overspends in Legal and Governance (£1m). An approach to the restructures has now been agreed which should secure some savings going into 2023/24. The level of approved Voluntary Severance / Voluntary Early Retirement means that the required run-rate saving will not be achieved without further action.

The impact of the proposed pay offer creates an extra £0.4m pressure to the committee The proposed pay award of £1,925 flat rate per employee was factored into forecasts in M4. The proposal leaves an additional pressure of £0.4m for the Committee.

It should be noted that the extra pay offer cost is an initial indicative estimate only and has been included within "Resources Mgt & Planning" for all services within the Committee, pending Union agreement scheduled for the end of October 22.

Property services overspend largely relates to Electric Works. 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 help it to be filled.

Economic uncertainty affecting interest rates has had a positive effect on investments The government's "mini-budget" created uncertainty in economic markets resulting in a Bank of England base rate increase. A rise in interest rates has positively impacted the authority due to current cash balances and our ability to capitalise upon favourable market investment rates. The impact of this interest rate change in the month is likely to yield an additional £730k interest this year.

1.4.2 Adult Health & Social Care- £11.8m overspend at Month 6

The revenue outturn position for the AHS&C Committee is to overspend by £11.8m	Full Year Forecast £m @ Month 6	Outturn	Budget	Variance
	Adult Health & Social Care Integrated Commissioning (Early Help and Prevention - Partnership Funding; Supporting Vulnerable People - Housing Related Support/Drugs and Alcohol Services)	155.6	143.8	11.8
		8.8	8.8	(0.0)
	Total	164.4	152.5	11.8
£8.1m of the overspend relates to BIP shortfalls. Staffing is £1.8m overspent and Purchasing activity £2.2m over budget	Variance Analysis £m @ Month 6	One-off	BIPs	Trend
	Adult Health & Social Care Integrated Commissioning	(0.5)	8.1	4.2
		0.0	0.0	(0.0)
	Total	(0.5)	8.1	4.2
	Expenditure trends continue in Learning Disabilities purchasing budgets with an underlying pressure of £2.8m in this sector and a potential for the position to worsen.			
The impact of the proposed pay offer creates an additional £0.7m pressure to the committee	The proposed pay award of £1,925 flat rate per employee was factored into forecasts in M4. The proposal leaves an additional pressure of £0.7m for the AHS&C Committee.			
	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 and is pending agreement with Unions. A decision is expected to be made by the end of October 2022.			
The committee position was stable from M5 to M6	Purchasing activity overall was stable this month with adverse movement in Learning Disability activity overspend offsetting improvements across the rest of Purchasing.			
BIP delivery for 22/23 is looking challenging, focus needs to be on reviewing high-cost packages put in place during covid	Over £11m of the BIP savings required for 22/23 relate to reviewing high-cost packages of care put in place during the pandemic.			
	Work is underway as part of an investment plan with additional resource to tackle the underlying issue although recruitment issues is impacting on deliverability.			
	Reported delivery of savings in year amounts to £5.3m leaving a continued gap of £5.8m as part of the overall overspend. Further analysis of the reviews is on-going and will be fed into forecasts each month. Staffing issues pose a risk to case review work.			
Recruitment and retention difficulties continue to impact savings delivery in 22/23, but with the potential to increase	Vacancies which are part of the investment plan are not fully recruited to.			
	If posts are filled, the £1.8m current employee overspend would increase but an improvement in BIP delivery would be expected.			

staffing pressure in future years

However, some elements of the investment plan funding employees are time limited with c.£2m due to be removed from staffing budgets over the next 2 financial years.

A Target Operating Model is being worked on and it is anticipated to arrive at an optimum staffing establishment level but will need to consider the level of permanent funding available.

Home care continues to be a huge challenge

Increased cost and size of packages following the pandemic continues to be an underlying issue. The market is also suffering from staff recruitment and retention problems resulting in a lack of capacity. Pre-covid pandemic, there were 10 clients on average with packages costing over £1,000/week. Numbers are still staying at around 70 clients. This shows that whilst reviews are reducing the original cohort of high-cost home care put in place during the pandemic, these are being replaced by a similar number of equally expensive packages.

Fair Cost of Care Exercise and Social Care Reform will increase Adult Social Care responsibilities and costs

Fair Cost of Care is to determine an appropriate fee level on over-65 Care Homes and Homecare delivery. SCC are currently an average to low payer when benchmarked against other Local Authorities which indicates the potential to have to increase rates above current forecast levels. Any grant allocated is unlikely to fully cover the cost of those increases.

Social Care Reform will levy significant new responsibilities on Local Authorities and introduces a cap on care costs. The grant allocated is unlikely to fully cover the costs of those increases or the required increase staffing base needed to deliver our new responsibilities.

1.4.3 **Education, Children & Families Committee - £6.5m overspend at Month 6**

The Education, Children & Families General Fund is overspending by £6.5m, made up of a shortfall of savings delivery offset by staffing vacancies.	Full Year Forecast £m @ Month 6	Outturn	Budget	Variance
	Children & Families Education & Skills (Access and Inclusion; Business Support; Operational and Portfolio Wide Budgets; School Budgets; Schools and Learning; SEN, EMTAS)	115.2	109.1	6.1
	Integrated Commissioning (Commissioning; Children's Public Health; Early Help and Prevention)	12.5	12.7	(0.2)
		7.5	6.9	0.6
	Total	135.2	128.6	6.5
The main cause of the overspend is under delivery of Budget Implementation Plans (BIPs)	Variance Analysis £m @ Month 6	One-off	BIPs	Trend
	Children & Families Education & Skills (Access and Inclusion; Business Support; Operational and Portfolio Wide Budgets; School Budgets; Schools and Learning; SEN, EMTAS)	0.6	5.4	0.2
		0.1	0.0	(0.2)
	Integrated Commissioning	0.0	0.7	(0.1)
	Total	0.6	6.0	(0.1)
The impact of the proposed pay offer creates an additional £1m pressure to the committee	The proposed pay award of £1,925 flat rate per employee has been factored into forecasts in M4. The proposal leaves an additional pressure of £1m for the EC&F Committee.			
	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 and is pending agreement with Unions. A decision is expected to be made by the end of October 2022.			
The position in Children's & Families improved from M5 to M6 by £0.9m	The forecast outturn at M6 is £0.9m better in Children's & Families, there have been improvements to the outturn for:			
	<ol style="list-style-type: none"> 1) Household support grant (£0.5m) one off contribution towards S17 payments¹ 2) Reductions to forecast growth in staffing/other revisions to staffing forecasts of (£0.6m) 			

¹ Section 17 of the Children Act 1989 imposes a general duty on local authorities to safeguard and promote the welfare of "children in need" in their area. To fulfil this duty section 17 gives local authorities the power to provide support, including accommodation and financial subsistence to families with "children in need", even if they have no recourse to public funds. The power under section 17 can be used to support the family as a whole and to promote the upbringing of the child within the family unit.

3) (£0.1m) reduced costs for Unaccompanied Asylum Seeker Children which now has a shortfall of less than £0.1m.

These improvements are partly offset by continuation of income reductions at Aldine House secure residential unit due to staffing capacity of £0.5m with income assumed back to usual levels from January 23.

	£m
M5 Committee Overspend	7.4
Household support grant	(0.5)
Reduction to staff forecast	(0.6)
Unaccompanied Asylum seeker Children	(0.1)
Other improvements	(0.2)
Aldine House Income	0.5
M6 Committee Overspend	6.5

Dedicated Schools Grant (DSG) is overspending by £2.3m	DSG Full Year Forecast £m @ Month 6	Outturn	Budget	Variance
	Children & Families	6.1	6.3	(0.1)
	Community Services	0.6	0.6	0.0
	Education & Skills	214.0	211.6	2.4
	Integrated Commissioning	9.5	9.4	0.0
	Total	230.2	227.9	2.3

Rising cost of placements in Special Educational Needs (SEN) and associated costs are the cause of the overspend in this area.

Plans to reduce business support staffing have been delayed with costs offset by difficulties in recruiting social workers	<p>£0.7m of the BIP shortfall relates to reduction in business support staffing linked to the investment in support workers in Fieldwork not happening as planned.</p> <p>Difficulties in recruiting Fieldwork staff is resulting in a £1.5m underspend which is currently helping to offset the BIP shortfalls.</p> <p>There are £0.6m other staff related savings forecast not to be delivered where it is assumed that it will not be possible to replace agency with permanent staffing.</p>
The residential strategy (c£2.7m savings) requires completion of a business case and will not be delivered this year	<p>The £2m saving relating to a new secure unit is a longer term saving requiring capital and planning approvals to be in place before building/renovations would be able to commence.</p> <p>The work done to date indicates that this is no longer a viable proposal due to the lack of available external funding and the high costs of developing a secure facility which is not supported by a sound business case.</p> <p>The existing secure unit is now forecasting an income shortfall of £1m due to capacity restrictions caused by staffing shortages. There are risks around when this may be resolved but this is a one-off issue with the forecast assuming normal income levels from January 2023 in line with staffing assumptions.</p>

£1.4m savings from contributions from Health is not deliverable this year

Discussions have begun with Health partners, but no firm agreement is in place therefore this saving will not be delivered this year. This is reflected in the outturn position and is likely to continue as an underlying pressure in the budget until an agreement is formalised.

Direct Payments, Family Time, Non-staffing Fieldwork (NRTPF/S17) have a combined overspend of £1.4m partly offset by one-off income.

The direct payments and short breaks budgets are forecast to overspend by £0.5m (consistent with growth observed in 21/22).

The Family Time budget is £0.2m overspent with the current staffing forecast being higher than planned.

Non-staffing Fieldwork/NRTPF budget is £0.7m overspent. The forecast has continued to rise this year and is broadly based on M1-4 trends. A (£0.5m) one off contribution from Household Support Grant has been made towards S17 payments.

These areas need to be closely reviewed to confirm forecast accuracy, understand reasons behind the overspends and explore any mitigating action available.

1.4.4 **Housing Committee - General Fund Balanced but Housing Revenue Account overspend of £12.7m at Month 6**

The Housing General fund is forecast to be broadly in line with budget.	Full Year Forecast £m @ Month 6	Outturn	Budget	Variance
	Housing General Fund	8.6	8.7	(0.1)
	Housing Growth	0.1	0.1	0.0
	Total	8.7	8.8	(0.1)
The Housing Revenue Account is forecast to overspend by £12.7m.	Full Year Forecast £m @ Month 4	Outturn	Budget	Variance
	Net Income – Dwellings	(149.5)	(152.6)	3.1
	Other income	(6.5)	(6.5)	(0.0)
	Repairs & Maintenance	48.7	41.4	7.3
	Depreciation	25.0	25.0	0.0
	Tenant Services	52.4	54.0	(1.6)
	-Disrepairs	5.2	2.6	2.6
	-Council Tax	2.2	0.9	1.3
	Interest on borrowing	13.6	13.6	(0.0)
	Contribution to Capital Programme	8.9	21.6	(12.7)
	Total	(0.0)	0.0	(0.0)
	Vacant properties are forecast to result in a £3.1m loss of rent and £1.3m extra Council Tax cost.	Loss of rent is forecast to be £3.1m for the year largely related to the speed of turnaround of repairs on vacant properties. The HRA plan had assumed voids at around 1.5% but whilst plans are in place to improve the position going forward the current rate is around 3.5%.		
	In addition, the extra Council Tax costs of vacant properties is forecast to be around £1.3m for the year.			
The Housing Repairs Service is forecast to overspend by £7.3m	There are significant overspends on employees, sub-contractors, and material costs in dealing with additional responsive repairs. Gas servicing and repair work to address voids, inclusive of the estimated extra cost of the pay offer for this service (£1m).			
Disrepair claims are estimated at £2.6m above budget.	The current forecast includes £2.6m extra costs for legal fees from an increasing volume of disrepair claims.			
Vacant posts in Tenant Services contribute to a forecast £1.6m underspend.	A forecast underspend across Tenant services is largely as a result of vacancies, more than offsets the additional pay offer cost of £1.1m.			
High inflation poses a risk to the business plan.	As part of the 2022/23 HRA Business Plan, rental income was increased by September's CPI +1%, as required per rent policy. Since then, the rate of CPI has been increasing, and is currently running at 10.1%, which is significantly higher than the 4.1% agreed. This needs further consideration in the business plan going forwards.			

Energy inflation is forecast to increase at around 100%, resulting in additional cost pressures in 22/23. This is forecast to be funded by specific earmarked reserves alongside an increase to the Kilowatt per hour charge within Community Heating services.

The use of reserves to mitigate the energy impact is one off, and not sustainable going forwards.

Community heating account is forecast to overspend by £0.3m due to rising energy prices	Full Year Forecast £m @ Month 6	Outturn	Budget	Variance
	Income	(3.6)	(3.3)	(0.3)
	Expenditure	3.8	3.2	0.6
	Total	0.2	(0.1)	0.3

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.

1.4.5 **Transport, Regeneration & Climate Committee - underspend of £0.6m at Month 6**

The Transport, Regeneration & Climate Committee is forecast to underspend by £0.6m.	Full Year Forecast £m @ Month 6	Outturn	Budget	Variance
	Direct Services (<i>Carbon Reduction; Transport</i>)	0.0	0.0	0.0
	Streetscene & Regulation (<i>Clean Air Zone</i>)	0.1	0.0	0.1
	Inclusive Growth & Development (<i>Capital Delivery; Director of Inclusive Growth; Property and Regeneration</i>)	0.5	0.4	0.1
	Planning, Investment & Sustainability (<i>Planning Services; ITA Levy; Transport and Infrastructure</i>)	40.7	41.5	(0.8)
	Total	41.3	41.9	(0.6)
The planned Clean Air Zone saving of £2.1m has been offset by use of a specific reserve in 22-23.	Variance Analysis £m @ Month 6	One-off	BIPs	Trend
	Direct Services	0.0	0.0	0.0
	Streetscene & Regulation	(2.1)	2.1	0.1
	Inclusive Growth & Devt	0.0	0.0	0.1
	Planning, Investment & Sustain	0.0	0.0	(0.8)
	Total	(2.1)	2.1	(0.6)
	<p>The planned Clean Air Zone saving of £2.1m has been offset by use of a one-off specific reserve. However, this pressure requires a sustainable mitigation be identified for future years.</p> <p>Operating spend assumed to be met from income forecast from the introduction of the charging Clean Air Zone remains a risk given potential slippage in the programme following continued dialogue with central government.</p>			
The impact of the proposed pay offer creates an extra £0.1m pressure to the committee	<p>The proposed pay award of £1,925 flat rate per employee was factored into forecasts in M4. The proposal leaves an additional pressure of £0.1m for the Committee.</p> <p>It should be noted that the extra pay offer cost is an initial indicative estimate only and has been included within Inclusive Growth and Development activity for all services within the Committee, pending agreement with Unions.</p>			
The underspend reflects vacancies and higher Highway Network activity.	<p>Contributory factors in the underspend are vacancies within Planning & Transport and extra income from higher than planned Highway Network Management activity.</p>			

1.4.6 **Economic Development & Skills Committee – Underspend of £0.1m Month 6**

The revenue outturn position for the Economic Development & Skills Committee remains broadly balanced	Full Year Forecast £m @ Month 6		Outturn	Budget	Variance
	Education & Skills <i>(Employment and Skills; Family and Community Learning)</i>		0.8	0.8	0.0
	Economy, Culture & Skills <i>(Business Development; Director of Economic Development and Culture; Economy and Business Support; Employment and Skills)</i>		9.5	9.6	(0.1)
	Streetscene & Regulation <i>(Events)</i>		0.7	0.6	0.1
	Total		11.0	11.0	0.0

Whilst the net budget is £11m, the Committee is reliant on £14.4m of income to support the services	Service	Net Budget	Outturn - Income	Outturn - Expend	Total Outturn (M6)	Total Variance
	Education & Skills	0.8	(6.9)	7.7	0.8	0.0
	Economy, Culture & Skills	9.6	(6.8)	16.3	9.5	(0.1)
	Streetscene & Regulation	0.6	(0.7)	1.4	0.7	0.1
	Grand Total	11.0	(14.4)	25.4	11.0	(0.0)

The impact of the proposed pay offer created an additional £0.2m pressure to the committee	<p>The proposed pay award of £1,925 flat rate per employee has been factored into forecasts in M4. The proposal leaves an additional pressure of £0.2m for the Committee.</p> <p>It should be noted that the extra pay offer cost is an initial indicative estimate only and has been included within Economy, Culture & Skills activity for all services within the Committee, pending agreement with Unions.</p>
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The key Budget Implementation Plan (BIP) was delivered	The key BIP for 22/23 was to vacate the offices at Broad Street West, which has been achieved.
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1.4.7 Waste & Street Scene Committee is balanced at Month 6

The Waste & Street scene committee is forecasting to underspend by £0.3m.	Full Year Forecast £m @ Month 6	Outturn	Budget	Variance
	Streetscene & Regulation			
	<i>City Centre Management; Director of Street Scene; Environmental Regulations; Highway Maintenance; Highways Contract; Licensing; City Markets; Waste Management; Emergency Planning; Parking Services; Covid Hub)</i>	54.4	54.7	(0.3)
	Total	54.4	54.7	(0.3)

A breakdown of budgets included in the W&SC committee is provided below for further detail on the split between income and expenditure budgets:

Service Area	Budget	Outturn - Income	Outturn - Expend	Total Outturn @M6	Variance
Waste Management	28.5	(5.3)	33.4	28.1	(0.3)
Highways Contract	20.2	(49.3)	69.5	20.2	(0.0)
Environmental Regulations	4.9	(1.3)	6.5	5.1	0.2
Sheffield City Markets	1.9	(1.6)	3.4	1.8	(0.1)
Highway Maintenance Division	1.6	(2.2)	3.6	1.3	(0.3)
City Centre Management	1.3	(1.5)	3.0	1.5	0.2
Director Of Streetscene & Regulation	0.8	(0.2)	1.1	1.0	0.1
Emergency Planning	0.3	(0.1)	0.4	0.3	(0.0)
Licensing	0.1	(1.5)	1.7	0.2	0.0
Covid Hub	0.0	(8.3)	8.3	0.0	0.0
Place Hub	0.0	0.0	0.0	0.0	0.0
Parking Services	(4.9)	(11.2)	6.1	(5.1)	(0.2)
Grand Total	54.7	(82.5)	136.9	54.4	(0.3)

Underlying inflationary pressures on energy and waste management present a significant issue for the 23-24 business plans.	Variance Analysis £m @ Month 6	One-off	BIPs	Trend
	Streetscene & Regulation <i>City Centre Management; Director of Street Scene; Environmental Regulations; Highway Maintenance; Highways Contract; Licensing; City Markets; Waste Management; Emergency Planning; Parking Services; Covid Hub)</i>	(3.2)	0.4	2.6
	Total	(3.2)	0.4	2.6

The Waste contract provides for an uplift in costs at RPIX which was re-based at 8% for 22/23. This was £0.8m higher than the budgeted level. Similarly, energy cost increases of 100% on street lighting are resulting in a £2.1m issue in 22/23.

Both these pressures are being mitigated in 2022/23 through one-off provisions / reserves, which will be exhausted for the 2023/24 budget.

So given inflation will remain high into 23/24 the Committee will need to identify ongoing mitigations for both the 22-23 and 23-24 inflationary pressures.

The impact of the proposed pay offer creates an additional £0.2m pressure to the committee

The proposed pay award of £1,925 flat rate per employee has been factored into forecasts in M4. The proposal leaves an additional pressure of £0.2m for the Committee.

It should be noted that the extra pay offer cost is an initial indicative estimate only and has been included within the Director activity for all services within the Committee, pending agreement.

1.4.8 **Communities, Parks & Leisure Committee - underspend of £0.4m at Month 6**

The Communities Parks & Leisure Committee is forecast to underspend by £0.4m	Full Year Forecast £m @ Month 6	Outturn	Budget	Variance
	Community Services <i>(Community Safety; Family Centres; Youth Services; Community Services Business Support)</i>	10.4	11.1	(0.7)
	Parks, Leisure & Libraries <i>(Bereavement; Coroner and Medico Legal; Libraries and Archives; Parks and Countryside; Partnerships and Special Projects; Physical Activity and Sports; Public Health)</i>	33.7	33.4	0.3
	Integrated Commissioning <i>(Voluntary Sector)</i>	0.7	0.8	(0.1)
	Total	44.9	45.4	(0.4)
There is forecast to be a shortfall of BIP delivery of £0.4m relating to Parks and Libraries	Variance Analysis £m @ Month 6	One-off	BIPs	Trend
	Community Services <i>(Community Safety; Family Centres; Youth Services; Community Services Business Support)</i>	(0.5)	0.0	(0.1)
	Parks, Leisure & Libraries	(0.2)	0.5	0.0
	Integrated Commissioning <i>(Voluntary Sector)</i>	0.0	0.0	(0.1)
	Total	(0.8)	0.5	(0.1)
Community Services are underspending by £0.7m	<p>Most of the underspend is one-off. £254k funding relating to year 2 of the Page Hall project which is being requested to carry forward to 23/24. There is an underspend of £0.1m resulting from recruitment slippage for Community Support Workers (£0.1m). This month, forecasts have been adjusted to reflect an underspend of £225k in Youth Services due to delays in restructuring.</p>			
The impact of the proposed pay offer creates an additional £0.4m pressure to the committee	<p>The proposed pay award of £1,925 flat rate per employee was factored into forecasts in M4. The proposal leaves an additional pressure of £0.4m for the Committee.</p> <p>It should be noted that the extra pay offer cost is an initial indicative estimate only and has been included within the Parks, Leisure & Libraries activity for all services within the Committee, pending agreement with Unions.</p>			
£1.3m is forecast to be spent to support the community response team	<p>The forecast assumes £1.3m temporary funding will be drawn down to pay for staffing costs in community response for Clinically Extremely Vulnerable, Community Safety and Locality Teams.</p> <p>This is one off funding and caution must be taken to ensure expenditure does not continue as a trend into 23/24 or an</p>			

unfunded budget pressure will be created. Contracts to support the service are forecast to end by the end of the financial year.

1.5 **Collection Fund Monitoring Update M6 22/23**

The Council, as a billing authority, is required by law to set up and maintain a Collection Fund separate from the General Fund. It records transactions relating to both the Council Tax and the National Non-Domestic Rates (NNDR). It shows how these local taxes have been distributed to the Council's General Fund. **Appendix 1** provides an update of the Council's collection fund position as at 30th September 2022 and forecast outturn position for 22/23.

1.6 **Treasury Management Outturn M6 22/23**

Appendix 2 describes the Council's Treasury Management position and potential implications for revenue budgets. It also covers prudential and treasury management indicators required under the Prudential Code or the Treasury Management Code of Practice

1.7 **Reserves Position and Strategy**

Attached to this report as **Appendix 3** is the Council's Reserves Strategy showing details of the reserves held and planned uses. Our reserve strategy is a living document. The Council continually assesses its reserves position, balancing the need to retain sufficient reserves to meet future risks, with a plan to utilise any reserves that are not needed. The paper provides an updated position as at 30th September 2022.

1.8 **Capital Programme Monitoring M6 22/23**

The position on the capital programme at M6 is noted in **Appendix 4**.

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.

6. REASONS FOR RECOMMENDATIONS

6.1 This paper is to bring the committee up to date with the Council's current financial position as at Month 6 2022/23 including Revenue General Fund, Housing Revenue Account, Capital Programme, Collection Fund, Treasury Management position and the Council's reserves strategy.