



## Report to Policy Committee

**Author/Lead Officer of Report:** Ryan Keyworth,  
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**Report of:** *Ryan Keyworth*  
**Report to:** *Strategy & Resources Committee*  
**Date of Decision:** *5<sup>th</sup> December 2022*  
**Subject:** *Month 7 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 (<b>report/appendix</b>) is not for publication because it contains exempt information under Paragraph (<b>insert relevant paragraph number</b>) 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 7 2022/23 including General Fund revenue position and Capital Programme Monitoring (**Appendix 1**).*

### Recommendations:

#### The Committee is recommended to:

1. Note the Council's financial position as at the end of October 2022 (month 7).

### 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> <p>Finance: <i>Ryan Keyworth, Director of Finance and Commercial Services</i></p> <p>Legal: <i>Sarah Bennett, Assistant Director, Legal and Governance</i></p> <p>Equalities &amp; Consultation: <i>James Henderson, Director of Policy, Performance and Communications</i></p> <p>Climate: n/a</p>
<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	<p><b>EMT member who approved submission:</b> <i>Eugene Walker</i></p>
3	<p><b>Committee Chair consulted:</b> <i>Cllr Bryan Lodge</i></p>
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 EMT member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.</p>
	<p><b>Lead Officer Name:</b> <i>Ryan Keyworth</i> <i>Jane Wilby</i></p> <p><b>Job Title:</b> <i>Director of Finance and Commercial Services</i> <i>Head of Accounting</i></p>
	<p><b>Date:</b> 23<sup>rd</sup> November 2022</p>

## 1. PROPOSAL

1.1 This report sets out the 2022/23 Month 7 financial monitoring position for the Council.

### 1.2 Council Portfolio Month 7 2022/23

1.2.1 The Council is forecasting a £18.7m overspend against the 2022/23 budget as at month 7.

Full Year £m	Outturn	Budget	Variance
Corporate	(465.3)	(463.9)	(1.5)
City Futures	47.1	46.9	0.2
Operational Services	113.2	113.4	(0.2)
People	313.6	296.2	17.4
Policy, Performance Comms	3.3	2.9	0.5
Resources	6.8	4.5	2.3
<b>Total</b>	<b>18.7</b>	<b>0.0</b>	<b>18.7</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 Variance £m	One-off	BIPs	Trend	Total Variance
Corporate	0.0	0.0	(1.5)	(1.5)
City Futures	(0.1)	0.0	0.3	0.2
Operational Services	(5.9)	3.1	2.7	(0.1)
People	(0.4)	15.4	2.4	17.4
Policy, Performance Comms	(0.1)	0.3	0.2	0.4
Resources	(0.7)	1.7	1.3	2.3
<b>Total</b>	<b>(7.2)</b>	<b>20.5</b>	<b>5.4</b>	<b>18.7</b>

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 M7 is set to be £18.7m leaving a remaining risk allocation of £16.5m

M7	£m
<b>Allocated reserves</b>	<b>70.0</b>
21/22 Budget overspend	19.8
22/23 Base budget committed	15.0
22/23 BIP shortfall	20.6
22/23 pressures	5.3
22/23 in year mitigations	(7.2)
Reserves used @ M7	53.5
<b>Remaining reserves</b>	<b>16.5</b>

} (£18.7m overspend @ M7)

### 1.3 Committee Financial Position

#### 1.3.1 Overall Position - £18.7m overspend at Month 7

<b>There is a £11.6m overspend in the Adult Health and Social Care Committee and a £6.4m overspend in the Education, Children and Families Committee</b>	<b>Full Year Forecast £m @ Month 7</b>	<b>Outturn</b>	<b>Budget</b>	<b>Variance</b>
	Adult Health & Social Care	164.2	152.5	11.6
	Education, Children & Families	135.4	129.0	6.4
	Housing	8.4	8.8	(0.4)
	Transport, Regeneration & Climate	41.5	41.9	(0.3)
	Economic Development & Skills	11.2	11.1	0.0
	Waste & Street Scene	54.4	54.7	(0.3)
	Communities Parks and Leisure	45.1	45.4	(0.3)
	Strategy & Resources	(441.5)	(443.4)	2.0
	<b>Total</b>		<b>18.7</b>	<b>0.0</b>

<b>Most of the full year forecast overspend is attributable to shortfalls in Budget Implementation Plans (BIPs) delivery</b>	<b>Variance Analysis £m @ Month 7</b>	<b>One-off</b>	<b>BIPs</b>	<b>Trend</b>	<b>Total Variance</b>
	Adult Health & Social Care	(0.4)	9.3	2.7	11.6
	Education, Children & Families	0.6	6.0	(0.2)	6.4
	Housing	0.0	0.0	(0.4)	(0.4)
	Transport, Regen & Climate	(2.1)	2.1	(0.3)	(0.3)
	Economic Dev't & Skills	(0.1)	0.0	0.1	0.0
	Waste & Street Scene	(3.3)	0.5	2.5	(0.3)
	Communities Parks & Leisure	(1.0)	0.4	0.3	(0.3)
	Strategy & Resources	(0.9)	2.3	0.6	2.0
	<b>Total</b>		<b>(7.2)</b>	<b>20.6</b>	<b>5.3</b>

**£7.2m 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.

The government's Autumn Statement only gives us protection on the energy price cap 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.

<b>Balancing the 22/23 budget was only possible with £53m of BIPs, £32m are reported as deliverable in year</b>	<b>Budget Savings Delivery Forecast @M7 £m</b>	<b>Total Savings 22/23</b>	<b>Deliverable in year</b>	<b>FY Variance</b>
	<b>Portfolio</b>			
	People	37.7	22.3	15.4
	Operational Services	7.1	4.0	3.1
	PPC	1.2	0.9	0.3
	Resources	6.7	4.9	1.8
	<b>Total</b>	<b>52.7</b>	<b>32.1</b>	<b>20.6</b>

**Focus must be on delivering BIPs in 22/23 and preventing the**

Of the £32m BIPs forecast as being deliverable, £10m are rated red, which indicates considerable risk that these will not be delivered in full which would increase the existing forecast overspend.

<b>budget gap from widening</b>	Of the £20.6m 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.
<b>Adult Health and Social Care are forecast to overspend by £11.6m</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> <p>The committee position improved in M7 by £200k; purchasing budgets in Older People's and Physical Disabilities improved by a combined £0.5m. This was offset by a continued increase in cost against the Learning Disabilities budget.</p>
<b>Education, Children and Families are forecast to overspend by £6.4m</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.</p> <p>The committee position improved in M7 by £0.1m due to reductions to staffing forecasts in the Children's Disability Team. The forecast now assumes current levels of staffing for the rest of the year.</p>

## 1.4 Strategy and Resources - £2m overspend at Month 7

The Strategy and Resources Committee budget is forecast to overspend by £2m	Full Year Forecast £m @ Month 7	Outturn	Budget	Variance
	Business Change & Info Solns	18.4	17.0	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	(1.0)	(0.7)	(0.3)
	Corporate Transactions	(492.8)	(492.8)	0.0
	Customer Services	5.3	5.4	(0.1)
	Finance & Commercial Services	18.5	18.5	0.0
	Housing Benefit	0.2	0.2	0.0
	Human Resources	5.3	5.0	0.3
	Legal & Governance	6.4	5.2	1.1
	Other Central Costs	0.0	0.0	0.0
	Policy, Performance & Comms	3.5	3.0	0.5
	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 Mgmt)	15.8	15.9	(0.1)
	Inclusive Growth & Development (Property and Regeneration)	(4.1)	(4.8)	0.7
	<b>Total</b>	<b>(441.4)</b>	<b>(443.5)</b>	<b>2.0</b>

**The Committee's forecast overspend increased by £300k from M6 to M7**

As at M6 the committee was forecasting to overspend against budget by £1.7m, this has increased to £2m in M7. The main reasons for the increase in costs this month were due to additional legal staffing costs and a further shortfall against delivery of savings in the Policy, Performance and Communications Service.

**Shortfalls in BIP delivery is a key factor in the current overspend**

Non-delivery of savings in 22/23 for operating model changes is the main reason for the current forecast overspend: Business Change and ICT delivery (£1.4m), Performance and Communications (£0.5m) and Legal and Governance (£1m).

The level of approved Voluntary Severance / Voluntary Early Retirement means that the required run-rate saving will not be achieved without further action.

**The pay offer creates an estimated £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. The pay award has now been agreed with Unions and will flush through actuals in M8 when staff receive the backdated pay.

**Local Area Committees are forecast to spend to budget this year**

The budget of £2m for Community Services includes £1m for LAC staffing and a further £1m split between each Local Area for projects relating to the community plan. So far as at M7, actual spend against the £1m total LAC community project budget is £157k. Given the current run-rate, an underspend could occur in this service by year end.

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**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.

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**Economic uncertainty affecting interest rates has had a positive effect on investments**

The government's Autumn Statement seemed to have reassured financial markets of the government's fiscal discipline whilst also managing not to deepen the recession. The previous "mini-budget" created uncertainty in economic markets resulting in a Bank of England base rate increase. The rise in interest rates positively affected the authority due to current cash balances and our ability to capitalise upon favourable market investment rates. The cash position has also mitigated the need to externalise borrowing which has also helped.

#### 1.4 **Capital Programme Monitoring M7 22/23**

The position on the capital programme at M7 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.

**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 7 2022/23 including the Capital Programme.

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