



## 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:** *6 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   | 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: <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   | <b>SLB member who approved submission:</b>  | <i>Ryan Keyworth</i>  |
| 3   | <b>Committee Chair consulted:</b>   | <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. |   |
|   | <b>Lead Officer Name:</b><br><i>Ryan Keyworth</i>   | <b>Job Title:</b><br><i>Director of Finance and Commercial Services</i>                               |
|   | <b>Date:</b> <i>24<sup>th</sup> August 2022</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             | Outturn     | Budget       | Variance    |
|---|-----------------------------------|-------------|--------------|-------------|
|   | Month                             |             |              |             |
|   | 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<br>Committee                    | Increase<br>(inc on<br>costs) | Pay<br>Pressures<br>covered | Corporate<br>Funding | Remaining<br>Pressure |
|---------------------------------------|-------------------------------|-----------------------------|----------------------|-----------------------|
| Education,<br>Children &<br>Families  | 3,882                         | 1,181                       | 1,655                | 1,046                 |
| Strategy And<br>Resources             | 2,817                         | 1,209                       | 1,201                | 407                   |
| Adult Health And<br>Social Care       | 2,658                         | 815                         | 1,133                | 709                   |
| Communities,<br>Parks, And<br>Leisure | 1,570                         | 483                         | 670                  | 418                   |
| Waste And Street<br>Scene             | 820                           | 255                         | 350                  | 215                   |
| Transport, Regen<br>& Climate         | 546                           | 227                         | 233                  | 86                    |
| Economic<br>Development &<br>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

**Most of the full year forecast overspend is attributable to shortfalls in Budget Implementation Plans (BIPs) delivery**

| Variance Analysis £m<br>Month 4      | One-off | BIPs | Trend | Total<br>Variance |
|--------------------------------------|---------|------|-------|-------------------|
| Adult Health & Social<br>Care        | (0.3)   | 8.5  | 4.1   | 12.4              |
| Education, Children &<br>Families    | 0.7     | 6.8  | 0.0   | 7.5               |
| Strategy & Resources                 | (0.3)   | 1.9  | 0.6   | 2.1               |
| Economic Development<br>& 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<br>& 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 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**

| <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>        |

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

Of the £33.1m BIPs forecast as being deliverable, £10.1m are rated red, which indicates considerable risk of increased overspending.

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.

**Adult Health and Social Care are forecast to overspend by £12.4m**

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 £7.5m**

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 service needs to provide mitigations to bring overspends back in line with budgets.

The following sections (1.4.1 – 1.4.8) detailed budget monitoring reports for each Policy Committees. Committees will next receive their individual budget monitoring reports in September along with any specific recommendations.

### 1.4.1 Strategy and Resources - £2.1m overspend at Month 4

| The Strategy and Resources Committee budget is forecast to overspend by £2.1m | Full Year Forecast £m @ Month 4                            | Outturn        | Budget         | Variance   |
|---|--|----------------|----------------|------------|
|   | Business Change & Info Solns                               | 18.2           | 16.9           | 1.3        |
|   | Central Costs  | (47.4)         | (46.9)         | (0.5)      |
|   | Community Services (Local Area Committees)                 | 1.9            | 1.9            | 0.0        |
|   | Consolidated Loans Fund                                    | 28.1           | 28.9           | (0.8)      |
|   | Contract Rebates & Discounts                               | (1.1)          | (0.7)          | (0.3)      |
|   | Corporate Transactions                                     | (490.1)        | (490.1)        | (0.0)      |
|   | Customer Services  | 5.4            | 5.4            | 0.0        |
|   | Finance & Commercial Services                              | 17.9           | 17.8           | 0.0        |
|   | Housing Benefit  | 0.2            | 0.2            | 0.0        |
|   | Human Resources  | 5.2            | 5.0            | 0.3        |
|   | Legal & Governance   | 6.1            | 5.2            | 0.9        |
|   | Other Central Costs  | 0.0            | 0.0            | (0.0)      |
|   | Policy, Performance & Comms                                | 3.4            | 3.1            | 0.3        |
|   | Public Health  | (0.1)          | (0.1)          | 0.0        |
|   | Resources Management & Planning                            | 0.7            | 0.3            | 0.4        |
|   | One Year Plan  | 0.0            | 0.0            | 0.0        |
|   | Direct Services (Facilities Mgmt.)                         | 15.8           | 15.8           | (0.1)      |
|   | Inclusive Growth & Development (Property and Regeneration) | (4.2)          | (4.8)          | 0.6        |
|   | <b>Total</b>   | <b>(440.1)</b> | <b>(442.3)</b> | <b>2.1</b> |

**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 has been factored into forecasts in M4. Within the outturn at M3, an increase of £1.2m had already been accounted at committee level, a further, £1.2m had been provisioned corporately to cover a predicted steeper increase in pay. The proposal leaves an additional pressure of £0.4m for the Strategy and Resources Committee (shown in the "Resources Management & Planning" line).

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.

**The committee position worsened from M3 to M4 by £0.1m**

Despite the additional pay award pressure, the committee position worsened by £0.1m. This was due to higher investment returns realised based on favourable market rates

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## 1.4.2 Adult Health & Social Care- £12.4m overspend at Month 4

|  |  |                |               |                 |
|--|--|----------------|---------------|-----------------|
| The revenue outturn position for the AHSC Committee is to overspend by £12.4m  | <b>Full Year Forecast £m @ Month 4</b>   | <b>Outturn</b> | <b>Budget</b> | <b>Variance</b> |
|  | <b>Adult Health &amp; Social Care Integrated Commissioning</b><br><i>(Early Help and Prevention - Partnership Funding; Supporting Vulnerable People)</i>   | 154.2          | 141.8         | 12.4            |
|  |  | 9.0            | 9.0           | (0.0)           |
|  | <b>Total</b>   | <b>163.1</b>   | <b>150.8</b>  | <b>12.4</b>     |
| £8.5m of the overspend relates to BIP shortfalls. Staffing is £1.9m overspent and Purchasing activity £2.2m over budget    | <b>Variance Analysis £m @ Month 4</b>  | <b>One-off</b> | <b>BIPs</b>   | <b>Trend</b>    |
|  | Adult Health & Social Care   | (0.3)          | 8.5           | 4.1             |
|  | Integrated Commissioning   | 0.0            | 0.0           | (0.0)           |
|  | <b>Total</b>   | <b>(0.3)</b>   | <b>8.5</b>    | <b>4.1</b>      |
|  | Expenditure trends continue in learning disabilities and older people's purchasing budgets with an underlying pressure of £2.2m 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 has been 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.  |                |               |                 |
| The committee position worsened from M3 to M4 by £0.5m   | A contribution from the Fair Cost of Care grant of £0.4m to the committee offset increased costs of £0.2m for the Complex Needs team and contributed towards the overall increased pressure in the service:  |                |               |                 |
|  |  | <b>£m</b>      |               |                 |
|  | M3 Overspend   | <b>11.9</b>    |               |                 |
|  | Pay Award pressure   | 0.7            |               |                 |
|  | Fair cost of care grant contribution   | -0.4           |               |                 |
|  | Complex needs staffing overspend   | 0.2            |               |                 |
|  | <b>M4 Overspend</b>  | <b>12.4</b>    |               |                 |
| 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  | Vacancies which are part of the investment plan are not fully recruited to.  |                |               |                 |



**savings delivery in 22/23, but with the potential to increase staffing pressure in future years**

If posts are filled, the £1.9m current employee overspend would increase but an improvement in BIP delivery would be expected.

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.

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**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.

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**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.

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1.4.3 **Education, Children & Families Committee - £7.5m overspend at Month 4**

| The Education, Children & Families General Fund is overspending by £7.5m, made up of a shortfall of savings delivery offset by staffing vacancies. | Full Year Forecast £m @ Month 4  | Outturn      | Budget       | Variance   |
|--|--|--------------|--------------|------------|
|  | <b>Children &amp; Families Education &amp; Skills</b> (Access and Inclusion; Business Support; Operational and Portfolio Wide Budgets; School Budgets; Schools and Learning; SEN, Family & Community Learning - EMTAS) | 116.1        | 109.1        | 7.0        |
|  | <b>Integrated Commissioning</b> (Commissioning; Children's Public Health; Early Help and Prevention)   | 7.3          | 6.8          | 0.5        |
|  | <b>Total</b>   | <b>136.1</b> | <b>128.6</b> | <b>7.5</b> |

| The main cause of the overspend is under delivery of Budget Implementation Plans (BIPs) | Variance Analysis £m @ Month 4   | One-off    | BIPs       | Trend      |
|---|--|------------|------------|------------|
|   | <b>Children &amp; Families Education &amp; Skills</b> (Employment and Skills; Family and Community Learning) | 0.6        | 6.1        | 0.3        |
|   | <b>Integrated Commissioning</b>  | 0.0        | 0.0        | 0.0        |
|   | <b>Total</b>   | <b>0.6</b> | <b>6.8</b> | <b>0.1</b> |

**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.

**The position in Children's & Families worsened from M3 to M4 by £0.4m**

The forecast outturn at M4 is £0.4m worse in Children's & Families despite a pay award pressure accounted for £1m, there have been improvements to the outturn for:

- 1) Unaccompanied Asylum Seeker Children (UASC) by £0.2m due to refinement of forecasting methodology following discussions and agreements with the Home Office.
- 2) Children's Disability Services (CDT) support improved the forecast by £0.3m to reflect a transition of a high-cost placement into adult social care where costs are now accounted for and fully funded by Health
- 3) Multi Agency Support Team (MAST) have realised a £0.3m improvement due to recruitment slippages

|                     | £m         |
|---------------------|------------|
| <b>M3 Overspend</b> | <b>7.1</b> |
| Pay Award pressure  | 1.0        |
| UASC                | -0.2       |

|                     |            |
|---------------------|------------|
| CDT                 | -0.3       |
| MAST Staffing       | -0.3       |
| NRTPF/S17           | 0.1        |
| Children's Homes    | 0.1        |
| <b>M4 Overspend</b> | <b>7.5</b> |

The position worsened by £0.2m in addition to the pay award due to:

- 1) No recourse to public funds (NRTPF/S17) increased by £0.1m due to cost-of-living pressures
- 2) £0.1m due to continued high sickness causing overtime and agency costs to increase in Children's Homes

|   |  |                |               |                 |
|---|--|----------------|---------------|-----------------|
| <b>Dedicated Schools Grant (DSG) is overspending by £2.2m</b> | <b>DSG Full Year Forecast £m @ Month 4</b> | <b>Outturn</b> | <b>Budget</b> | <b>Variance</b> |
|   | <b>Children &amp; Families</b>             | 6.1            | 6.3           | (0.2)           |
|   | <b>Education &amp; Skills</b>              | 211.4          | 209.0         | 2.4             |
|   | <b>Integrated Commissioning</b>            | 9.5            | 9.4           | 0.0             |
|   | <b>Total</b>                               | <b>226.9</b>   | <b>224.7</b>  | <b>2.2</b>      |

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**

£1.4m of the BIP shortfall relates to reduction in business support staffing linked to the investment in support workers in Fieldwork is not happening as planned.

Difficulties in recruiting Fieldwork staff is resulting in a £1.6m underspend which is currently helping to offset the BIP shortfalls.

There are £1.1m 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.

**The residential strategy (c£2.7m savings) requires completion of a business case and is unlikely to be delivered this year**

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.

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.

The existing secure unit is now forecasting an income shortfall of £0.4m due to capacity restrictions caused by staffing shortages.

**£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.

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**Direct Payments, Family Time, Non-staffing Fieldwork (NRTPF/S17) and Unaccompanied Asylum Seeker Children budgets have a combined overspend of £1.7m.**

The direct payments budget is forecast to overspend by £0.4m based on current client costs plus 10% growth allowed (consistent with growth observed in 21/22).

The Family time budget is £0.3m overspent with the current staffing forecast being higher than planned.

Non-staffing Fieldwork/NRTPF budget is £0.6m overspent. The forecast has continued to rise this year and is now broadly based on M1-4 trends.

Unaccompanied Asylum Seeker Children budgets are £0.4m overspent due to additional clients and costs being higher than Home Office funding provides for. This is largely due to costs not falling in line with the reduction in income received once the child reaches 18 years of age.

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

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

| The Housing General fund is forecast to be broadly in line with budget. | Full Year Forecast £m @ | Outturn    | Budget       | Variance |
|---|-------------------------|------------|--------------|----------|
|   | Month 4                 |            |              |          |
|   | 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> |          |

| The Housing Revenue Account is forecast to overspend by £13.4m. | Full Year Forecast £m @           | Outturn    | Budget       | Variance |
|---|-----------------------------------|------------|--------------|----------|
|   | Month 4                           |            |              |          |
|   | 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> |          |

**The impact of the proposed pay offer creates an additional £2.1m pressure to the committee**

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.

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.

**Vacant properties are resulting in a forecast loss of £3m in rent.**

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.

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%.

**Vacant properties also result in £4m of additional forecast cost.**

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.

**Tenant Services is underspending by £1.2m.**

Forecast underspends across Tenant services of £2.1m, are offset to some extent by a £0.9m overspend on furnished accommodation.

**High inflation poses a risk to the business plan.**

The HRA Business Plan assumes rental income to increase by CPI +1%. CPI is currently running at 10.1% which is significantly

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higher than the 4.1% agreed in 22-23. This needs further consideration in the business plan going forward.

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.

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**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.

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**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>      |

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**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

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1.4.5 **Transport, Regeneration & Climate Committee - underspend of £0.1m at Month 4**

| The Transport, Regeneration & Climate Committee is forecast to underspend by £0.1m at month 4     | Full Year Forecast £m @ Month 4  | Outturn      | Budget      | Variance     |
|---|--|--------------|-------------|--------------|
|   | <b>Direct Services</b> ( <i>Carbon Reduction; Transport</i> )  | 0.0          | 0.0         | 0.0          |
|   | <b>Street scene &amp; Regulation</b> ( <i>Clean Air Zone</i> )   | 0.1          | 0.0         | 0.1          |
|   | <b>Inclusive Growth &amp; Development</b> ( <i>Capital Delivery; Director of Inclusive Growth; Property and Regeneration</i> ) | 0.5          | 0.4         | 0.1          |
|   | <b>Planning, Investment &amp; Sustainability</b> ( <i>Planning Services; ITA Levy; Transport and Infrastructure</i> )          | 41.2         | 41.5        | (0.3)        |
|   | <b>Total</b>   | <b>41.8</b>  | <b>41.9</b> | <b>(0.1)</b> |
| 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 4   | One-off      | BIPs        | Trend        |
|   | Direct Services  | 0.0          | 0.0         | 0.0          |
|   | Street scene & Regulation  | (2.1)        | 2.1         | 0.1          |
|   | Inclusive Growth & Dev   | 0.0          | 0.0         | 0.1          |
|   | Planning, Investment & Sustain   | 0.0          | 0.0         | (0.3)        |
|   | <b>Total</b>   | <b>(2.1)</b> | <b>2.1</b>  | <b>(0.1)</b> |

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.

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.

**The impact of the proposed pay offer creates an extra £0.1m 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 £0.1m for the 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.

1.4.6 **Economic Development & Skills Committee – Overspend of £0.1m Month 4**

| The revenue outturn position for the Economic Development & Skills Committee remains broadly balanced | Full Year Forecast £m @ Month 4  | Outturn     | Budget      | Variance   |
|---|--|-------------|-------------|------------|
|   | <b>Education &amp; Skills</b><br><i>(Employment and Skills; Family and Community Learning)</i>   | 0.8         | 0.8         | 0.0        |
|   | <b>Economy, Culture &amp; Skills</b><br><i>(Business Development; Director of Economic Development and Culture; Economy and Business Support; Employment and Skills)</i>   | 9.5         | 9.4         | 0.1        |
|   | <b>Total</b>   | <b>10.3</b> | <b>10.2</b> | <b>0.1</b> |
| <b>The impact of the proposed pay offer created an additional £0.2m pressure to the committee</b>     | <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 pay offer cost is an initial indicative estimate which will require further work to fully understand the actual impact on each service.</p> |             |             |            |
| <b>The key Budget Implementation Plan (BIP) is on target to be delivered</b>                          | <p>The key BIP for 22/23 is to vacate the offices at Broad Street West. This is achieved and the saving will be delivered in year as part of the outturn position.</p>   |             |             |            |



#### 1.4.7 **Waste & Street Scene Committee is balanced at Month 4**

| <b>The Waste &amp; Street scene committee is forecasting to balance at M4</b>   | <b>Full Year Forecast £m @ Month 4</b>  | <b>Outturn</b> | <b>Budget</b> | <b>Variance</b> |
|---|---|----------------|---------------|-----------------|
|   | <b>Street scene &amp; Regulation</b><br><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>   | 56.2           | 56.2          | (0.0)           |
|   | <b>Total</b>  | <b>56.2</b>    | <b>56.2</b>   | <b>(0.0)</b>    |
| <b>Underlying inflationary pressures on energy and waste management present a significant issue for the 23-24 business plans.</b> | <b>Variance Analysis £m @ Month 4</b>   | <b>One-off</b> | <b>BIPs</b>   | <b>Trend</b>    |
|   | <b>Street scene &amp; Regulation</b>  | (3.0)          | 0.2           | 2.8             |
|   | <b>Total</b>  | <b>(3.0)</b>   | <b>0.2</b>    | <b>2.8</b>      |
|   | <p>The Waste contract provides for an uplift in costs at RPIX which was re-based at 8% for 22/23. This was £1.2m higher than the budget level for the contract. Similarly, energy cost increases of 100% on street lighting are resulting in a £1.8m issue in 22/23.</p> <p>Both these pressures are being mitigated in 2022/23 through one-off provisions / reserves, which will be exhausted for the 2023/24 budget.</p> <p>So given It is highly likely 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.</p> |                |               |                 |
| <b>The impact of the proposed pay offer creates an additional £0.2m pressure to the committee</b>                                 | <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 pay offer cost is an initial indicative estimate which will require further work to fully understand the actual impact on each service.</p>  |                |               |                 |

1.4.8 **Communities, Parks & Leisure Committee - underspend of £0.3m at Month 4**

|  |  |                |               |                 |
|--|--|----------------|---------------|-----------------|
| <b>The Communities Parks &amp; Leisure Committee is forecast to underspend by £0.3m</b>                        | <b>Full Year Forecast £m @ Month 4</b>   | <b>Outturn</b> | <b>Budget</b> | <b>Variance</b> |
|  | <b>Community Services</b><br><i>(Community Safety; Family Centres; Youth Services; Community Services Business Support)</i>  | 10.7           | 11.1          | (0.4)           |
|  | <b>Parks, Leisure &amp; Libraries</b><br><i>(Bereavement; Coroner and Medico Legal; Libraries and Archives; Parks and Countryside; Partnerships and Special Projects; Physical Activity and Sports; Public Health)</i>   | 33.6           | 33.4          | 0.1             |
|  | <b>Integrated Commissioning</b><br><i>(Supporting Vulnerable People)</i>   | 0.6            | 0.6           | (0.0)           |
|  | <b>Total</b>   | <b>44.9</b>    | <b>44.6</b>   | <b>(0.3)</b>    |
| <b>There is forecast to be a shortfall of BIP delivery of £0.2m relating to libraries</b>                      | <b>Variance Analysis £m @ Month 4</b>  | <b>One-off</b> | <b>BIPs</b>   | <b>Trend</b>    |
|  | <b>Community Services</b><br><i>(Community Safety; Family Centres; Youth Services; Community Services Business Support)</i>  | (0.3)          | 0.0           | (0.1)           |
|  | <b>Parks, Leisure &amp; Libraries</b>  | 0.0            | 0.2           | (0.0)           |
|  | <b>Integrated Commissioning</b><br><i>(Supporting Vulnerable People)</i>   | 0.0            | 0.0           | (0.0)           |
|  | <b>Total</b>   | <b>(0.3)</b>   | <b>0.2</b>    | <b>(0.1)</b>    |
| <b>£0.2m of the underspend relates to the Page Hall project which is being requested to be carried forward</b> | Most of the underspend is one-off (£240k) funding relating to year 2 of the Page Hall project which is being requested to carry forward to 23/24, and recruitment slippage from Community Support Workers (£0.1m).   |                |               |                 |
| <b>The impact of the proposed pay offer creates an additional £0.4m pressure to the committee</b>              | <p>The proposed pay award of £1,925 flat rate per employee has been factored to forecasts in M4. The proposal leaves an additional pressure of £0.4m for the Committee.</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>£1.3m is forecast to be spent to support the community response team</b>                                    | <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 unfunded budget pressure will be created. Contracts to support the service are forecast to end by the end of the financial year.</p> |                |               |                 |

## 1.5 **Capital Programme Monitoring M4 22/23**

The position on the capital programme at M4 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 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.