



## Report to Policy Committee

**Author/Lead Officer of Report:** Tony Kirkham,  
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**Report of:** *Tony Kirkham*  
**Report to:** *Housing Committee*  
**Date of Decision:** *2<sup>nd</sup> February 2023*  
**Subject:** *Month 8 Budget 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) is not for publication because it contains exempt information under Paragraph (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 8 2022/23 including General Fund revenue position and Housing Revenue Account.*

### Recommendations:

#### The Committee is recommended to:

- Note the Council’s financial position as at the end of November 2022 (month 8).

### Background Papers:

[2022/23 Revenue Budget](#)

<b>Lead Officer to complete: -</b>		
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>Tony Kirkham, Interim 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	<b>SLB member who approved submission:</b>	<i>Tony Kirkham</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 EMT member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.	
	<b>Lead Officer Name:</b> <i>Tony Kirkham</i> <i>Jane Wilby</i>	<b>Job Title:</b> <i>Interim Director of Finance and Commercial Services</i> <i>Head of Accounting</i>
<b>Date:</b> 24 <sup>th</sup> January 2023		

## 1. PROPOSAL

1.1 This report sets out the 2022/23 Month 8 financial monitoring position for the Council and each of the Policy Committees.

### 1.2 Council Portfolio Month 8 2022/23

1.2.1 The Council is forecasting a £17.1m overspend against the 2022/23 budget as at month 8.

Full Year £m	M8		M7		Movement
	Outturn	Budget	Variance	Variance	
Corporate	(470.9)	(468.4)	(2.5)	(1.5)	(1.0)
City Futures	47.0	47.3	(0.3)	0.2	(0.5)
Operational Services	114.0	114.4	(0.4)	(0.2)	(0.2)
People	316.3	298.8	17.5	17.4	0.1
Policy, Performance Comms	3.5	2.9	0.6	0.5	0.1
Resources	7.2	5.0	2.2	2.3	(0.1)
<b>Total</b>	<b>17.1</b>	<b>0.0</b>	<b>17.1</b>	<b>18.7</b>	<b>(1.6)</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	(2.5)	(2.5)
City Futures	(0.1)	0.0	(0.2)	(0.3)
Operational Services	(6.3)	3.1	2.9	(0.3)
People	0.2	15.5	1.8	17.5
Policy, Performance Comms	(0.1)	0.3	0.3	0.5
Resources	(0.7)	1.8	1.1	2.2
<b>Total</b>	<b>(7.0)</b>	<b>20.7</b>	<b>3.4</b>	<b>17.1</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 M8 is set to be £17.1m leaving a remaining risk allocation of £18.2m

M8	£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	3.4	
22/23 in year mitigations	(7.0)	} (£17.1m overspend @ M8)
Reserves used @ M8	51.8	
<b>Remaining reserves</b>	<b>18.2</b>	

### 1.3 Committee Financial Position

#### 1.3.1 Overall Position - £17.1m overspend at Month 8

There is a £11.6m overspend in the Adult Health and Social Care Committee and a £6.6m overspend in the Education, Children and Families Committee	Full Year Forecast £m @ Month 8	Outturn	Budget	Variance
	Adult Health & Social Care	165.2	153.6	11.6
	Education, Children & Families	136.6	130.0	6.6
	Housing	8.2	8.7	(0.5)
	Transport, Regeneration & Climate	41.5	42.0	(0.5)
	Economic Development & Skills	11.6	11.7	(0.1)
	Waste & Street Scene	54.6	54.9	(0.3)
	Communities Parks and Leisure	45.7	46.2	(0.5)
	Strategy & Resources	(446.3)	(447.1)	0.8
	<b>Total</b>	<b>17.1</b>	<b>0.0</b>	<b>17.1</b>

Most of the full year forecast overspend is attributable to shortfalls in Budget Implementation Plans (BIPs) delivery	Variance Analysis £m @ Month 8	One-off	BIPs	Trend	Total Variance
	Adult Health & Social Care	(0.4)	9.4	2.6	11.6
	Education, Children & Families	1.1	6.0	(0.6)	6.5
	Housing	0.0	0.0	(0.5)	(0.5)
	Transport, Regen & Climate	(2.1)	2.1	(0.6)	(0.5)
	Economic Dev't & Skills	(0.1)	0.0	0.0	(0.1)
	Waste & Street Scene	(3.3)	0.4	2.6	(0.4)
	Communities Parks & Leisure	(1.2)	0.4	0.3	(0.5)
	Strategy & Resources	(1.0)	2.3	(0.4)	0.9
	<b>Total</b>	<b>(7.0)</b>	<b>20.6</b>	<b>3.4</b>	<b>17.1</b>

£7.0m 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. There has been a drop in wholesale prices recently, forecasters expect this to result in a fall in prices by Q3 2023 but are still likely to remain higher than pre-pandemic levels.

Balancing the 22/23 budget was only possible with £53m of BIPs, £32m are reported as deliverable in year	Budget Savings Delivery Forecast @M8 £m	Total Savings 22/23	Deliverable in year	FY Variance
	<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 was fairly stable from M7 to M8; purchasing budgets in Older People's and Physical Disabilities improved whereas Learning Disabilities expenditure continues to rise, this month increasing by a further £350k.</p>
<b>Education, Children and Families are forecast to overspend by £6.6m</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's financial position declined in M8 by £0.2m from M7 mainly due to a reduction to the Aldine House income by a further £0.5m due to delays in a management appointment in the service that has limited capacity in the setting. There has also been an adverse movement in Special Educational Needs transport of £0.5m. Improvements in staffing forecasts across the service have partly offset these larger overspends.</p>

## 1.4 Housing Committee - General Fund Underspent by £0.5m & Housing Revenue Account overspend of £13.9m at Month 8

The Housing General fund is forecast to be broadly in line with budget.	Full Year Forecast £m @	Outturn	Budget	Variance
	Month 8			
	Housing General Fund	8.1	8.6	(0.5)
	Housing Growth	0.1	0.1	0.0
	<b>Total</b>	<b>8.2</b>	<b>8.7</b>	<b>(0.5)</b>

An improvement in processes in the temporary accommodation service has enabled additional recovery of subsidy against costs in this area. Whilst demand for the service is increasing, improvements in subsidy recovery rates are better than the budgeted position resulting in an overall underspend of £0.5m. This has mainly been due to automation of processes to reduce manual processing and enable timely recovery from DWP. Recovery rates are achieving 88% on average YTD compared with around 60% the previous year and 75% assumed in the budget.

The Housing Revenue Account is forecast to overspend by £13.9m.	Full Year Forecast £m @	Outturn	Budget	Variance
	Month 8			
	Net Income – Dwellings	(149.4)	(152.6)	3.2
	Other income	(6.6)	(6.5)	(0.1)
	Repairs & Maintenance	50.3	41.4	8.9
	Depreciation	25.0	25.0	0.0
	Tenant Services	52.1	54.0	(1.9)
	-Council Tax	2.1	0.9	1.2
	-Disrepairs	5.2	2.6	2.6
	Interest on borrowing	13.6	13.6	0.0
	Contribution to Capital Programme	7.7	21.6	(13.9)
	<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Vacant properties are forecast to result in a £3.2m loss of rent and £1.2m extra Council Tax cost.** Loss of rent is forecast to be £3.2m 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 3.4%.

In addition, the extra Council Tax costs of vacant properties is forecast to be around £1.2m for the year.

**The Housing Repairs Service is forecast to overspend by £8.9m** There are significant overspends on employees, sub-contractors, and material costs in dealing with additional responsive repairs within Voids, Repairs and Gas servicing.

**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** A forecast underspend across Tenant services is mainly as a result of vacancies in Neighbourhood Services and the Investment and repairs service of (£1.8m): including (£435k) Fire Safety, (£318k) Housing Employability Team, (£270k)

**forecast £1.8m underspend.** Asset Management Programme, and (£249k) Southey and Shiregreen plus the Tenancy Enforcement Team (£189k). This more than offsets the additional pay award costs 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. The rate of CPI has been increasing throughout the year, and is currently running at 9.2%, which is significantly higher than the 4.1% agreed. As reported on the 5<sup>th</sup> December, the maximum rent increase permitted by Government is 7%. It will ultimately be for the Strategy & Resources Committee to recommend a rent increase to Full Council

Energy inflation has resulted 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. Whilst wholesale prices have fallen in recent months and are likely to impact unit prices in the coming months, it is still uncertain when or if the position will stabilise.

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

<b>Community heating account is forecast to overspend by £0.5m due to rising energy prices</b>	<b>Full Year Forecast £m @ Month 8</b>	<b>Outturn</b>	<b>Budget</b>	<b>Variance</b>
	Income	(3.7)	(3.3)	(0.4)
	Expenditure	4.1	3.2	0.9
	<b>Total</b>	<b>0.4</b>	<b>(0.1)</b>	<b>0.5</b>

**Overspends in the HRA impact the capital programme** Without significant savings in revenue budgets, the long-term capital programme is not affordable. The month 8 outturn position results in a reduced contribution to the future programme.

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

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

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

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

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

### 4.1 Equality Implications

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

### 4.2 Financial and Commercial Implications

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

### 4.3 Legal Implications

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

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

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

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

### 4.4 Climate Implications

- 4.4.1 There are no direct 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 8 2022/23.

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