



## Report to Policy Committee

**Author/Lead Officer of Report:** Ryan Keyworth,  
Director of Finance and Commercial Services

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**Report of:** *Ryan Keyworth*  
**Report to:** *Finance Sub-Committee*  
**Date of Decision:** *7 June 2022*  
**Subject:** *Month 1 Monitoring, Financial Position and Budget Timetable*

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 1 2022/23. The report also reports the proposed budget timetable for the development of the 2023/24 budget.*

### **Recommendations:**

#### **The Committee is recommended to:**

1. Note the Council's challenging financial position and the Month 1 position.
2. Note that each Policy Committee will receive detailed budget monitoring for their areas of responsibility at their meetings in June 2022 and will also be advised of the budget timetable including the requirement for each Policy Committee to plan to develop budget proposals over the course of the summer
3. Note that the Strategy and Resources Committee was recommended at its 31 May 2022 meeting to "require any Policy Committee that is forecasting an overspend on their budget to develop an action plan to address the overspend in-year and ask the Finance Sub-Committee to monitor both the development of any required action plans and delivery against them"

### **Background Papers:**

[2022/23 Revenue Budget](#)

Lead Officer to complete:-		
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.	Finance: <i>Ryan Keyworth, Director of Finance and Commercial Services</i>
		Legal: <i>David Hollis, 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>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> <i>Ryan Keyworth</i>	<b>Job Title:</b> <i>Director of Finance and Commercial Services</i>
	<b>Date:</b> <i>26 May 2022</i>	

## 1. PROPOSAL

### 1.1 Context

1.1.1 The Council is facing a challenging financial position. It is critical that all Committees stay within the budgets that have been allocated to them by Full Council

1.1.2 A specific recommendation to Council in the [March 2022 budget report](#) supports this:

*“d) To note that, if overspends against the agreed budgets emerge, then Executive Directors and Directors will be required to develop and implement plans to mitigate fully any overspend, within 2022/23, in consultation with elected Members;”*

1.1.3 This recommendation was further reinforced by an [amendment](#) to the [report establishing the new Committee](#) system approved at Council on 23 March proposed by Cllr Cate McDonald (Executive Member for Finance and Resources), seconded by Cllr Sioned-Mair Richards (Chair of Audit and Standards Committee).

*“49. It is the responsibility of each Committee to work within the budget framework agreed by Council. This includes taking timely action to address any overspend within the services for which the Committee is responsible.”*

### 1.2 Background – 2021/22 Out-turn and 2022/23 Budget

1.2.1 The Council finished the 2021/22 financial year with a £20m overspend – helped by one-off income from the NHS.

<b>£m</b>	<b>FY Outturn</b>	<b>FY Budget</b>	<b>FY Variance</b>
People	286.7	264.3	22.4
Place	131.2	135.1	(3.8)
PPC	3.1	3.4	(0.4)
Resources	10.5	8.8	1.7
Corporate	(411.7)	(411.6)	(0.1)
<b>Total</b>	<b>19.8</b>	<b>0.0</b>	<b>19.8</b>

1.2.2 Balancing the 2022/23 Budget required significant savings and a use of reserves. On 2 March 2022, Council approved the 2022/23 budget. That budget required almost £53m of savings proposal and the use of £15m of the Council's one-off reserves to balance it.

<b>£m 22/23</b>	<b>Approved Savings</b>
People	37.7
Place	7.1
PPC	1.2
Resources	6.7
<b>Total</b>	<b>52.7</b>

The Council has also earmarked £25m of reserves to manage the delivery (ie can the saving be realised) and timing risks (ie when can the full saving be delivered) associated with the £52.7m savings.

1.2.3 The Council allocated a total of £70m Reserves to support the Budget from 2021/22

These one-off reserves have been used, or are earmarked as follows:

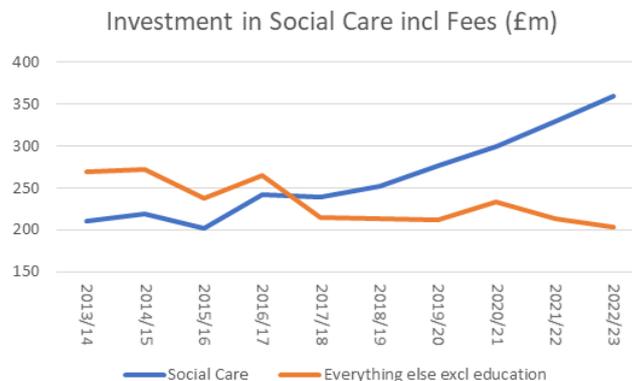
<b>Reserves Usage</b>	<b>£m</b>
2021/22 Overspend	20
2022/23 Budget Balancing	15
2022/23 Current Overspend	19
<i>Unallocated</i>	<i>16</i>
<b>Total</b>	<b>70</b>

1.2.4 The 2022/23 budget, consistent with the Council’s long-term priority, protected investment in key front-line services and in particular social care.

The table below shows how budgets changed from 2021/22 to 2022/23. Effectively, the 2021/22 overspend in People as shown above has been built into the 2022/23 budget. There have been some reallocations between portfolios (eg Libraries) but the message is unaltered:

<b>£m Budget Comparison</b>	<b>2021/22</b>	<b>2022/23</b>	<b>Change</b>
City Futures		43.8	
Operational Services		112.3	
Sub-Total	135.1	156.1	21.0
People	264.3	291.9	27.7
Policy, Performance And Comms	3.4	2.8	(0.6)
Resources	8.8	6.6	(2.2)
Corporate (Incl Use Of Reserves)	(411.6)	(457.4)	
<b>Total</b>	<b>0.0</b>	<b>(0.0)</b>	<b>45.8</b>

1.2.5 Over the longer term and including fee income, this chart shows how the Council has continued to invest in Social Care services with increases of 6% per year for last 10 years and 8% per year for the last 5 years.



1.2.6 The use of reserves can only be one-off. A series of Reviews were commissioned as part of the 2022/23 budget that are designed to save money over the longer term whilst protecting vital services:

<b>Early Intervention &amp; Prevention including Financial Support</b>	Review and consolidation of the Council's early intervention and prevention services including services provided by Children and Families, Housing, Communities, Adult Health and Social Care.  Review of the Council's approach to providing financial support / hardships support including the funding and administration of schemes. Including Council Tax support / hardship, s17 payments, No Recourse to Public Funds, Local Assistance Scheme etc
<b>Libraries</b>	Review the Council's Libraries offer, including the remaining 11 Council-run libraries to determine whether any more should become volunteer run libraries.
<b>Accommodation</b>	<ol style="list-style-type: none"> <li>1. City Centre e.g Moorfoot, Howden, Town Hall</li> <li>2. Locality buildings</li> <li>3. Depots / operational type bases</li> <li>4. Community buildings, including all parks/libraries</li> <li>5. Service tenancies</li> <li>6. Commercial Estate and leased out</li> </ol>
<b>Apprenticeships</b>	Review to explore further opportunities to grow our apprenticeship cohort, saving money and providing opportunities at the same time.
<b>Customer Service</b>	<ol style="list-style-type: none"> <li>1. Communication</li> <li>2. Access to Services</li> <li>3. Quality and Timeliness</li> <li>4. Digital and Self-Service</li> </ol>

### 1.3 Council Portfolio Month 1 2022/23

1.3.1 The Council is forecasting an £18.7m overspend against the 2022/23 budget

<b>Full Year £m</b>	<b>Outturn</b>	<b>Budget Variance</b>	
Corporate	(457.0)	(457.1)	0.1
City Futures	44.6	43.8	0.8
Operational Services	111.9	112.0	(0.1)
People	308.2	291.9	16.3
Policy, Performance Comms	2.9	2.8	0.1
Resources	8.1	6.6	1.5
<b>Total</b>	<b>18.7</b>	<b>0.0</b>	<b>18.7</b>

1.3.2 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 saving.

Full Year £m	One-off	BIPs	Trend Variance	
Corporate	-	-	0.1	0.1
City Futures	-	-	0.8	0.8
Operational Services	(3.2)	1.3	1.8	(0.1)
People	(1.2)	15.4	2.1	16.3
Policy, Performance Comms	-	0.1	-	0.1
Resources	-	1.4	0.1	1.5
<b>Total</b>	<b>(4.4)</b>	<b>18.2</b>	<b>4.9</b>	<b>18.7</b>

## 1.4 Committee Financial Position

### 1.4.1 Overall Position - £18.7m overspend at Month 1

Within this, there is a £11.6m overspend in Adult Health and Social Care Committee and a £4.7m overspend in Education, Children and Families	Full Year Forecast £m @ Month 1	Outturn	Budget	Variance
Adult Health & Social Care		162.1	150.5	11.6
Education, Children & Families		133.9	129.2	4.7
Housing		8.8	8.8	-
Transport, Regeneration & Climate		41.6	39.9	1.7
Economic Development & Skills		5.8	5.8	-
Waste & Street Scene		53.7	54.2	(0.5)
Communities Parks and Leisure		39.3	39.8	(0.5)
Strategy & Resources		(426.5)	(428.2)	1.7
<b>Total</b>		<b>18.7</b>	<b>0.0</b>	<b>18.7</b>

The majority of the overspend is attributable to forecast shortfall in Business Improvement Plans (BIPs) delivery	Variance Analysis £m @ Month 1	One-off	BIPs	Trend
Adult Health & Social Care		-	9.2	2.4
Education, Children & Families		-	6.3	(1.6)
Housing		-	-	-
Transport, Regeneration & Climate		(0.1)	1.2	0.6
Economic Development & Skills		-	-	-
Waste & Street Scene		(3.0)	-	2.5
Communities Parks and Leisure		(1.4)	-	0.9
Strategy & Resources		-	1.5	0.2
<b>Total</b>		<b>(4.5)</b>	<b>18.2</b>	<b>5.0</b>

**£4.5m 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 23/23 as the trend continues.

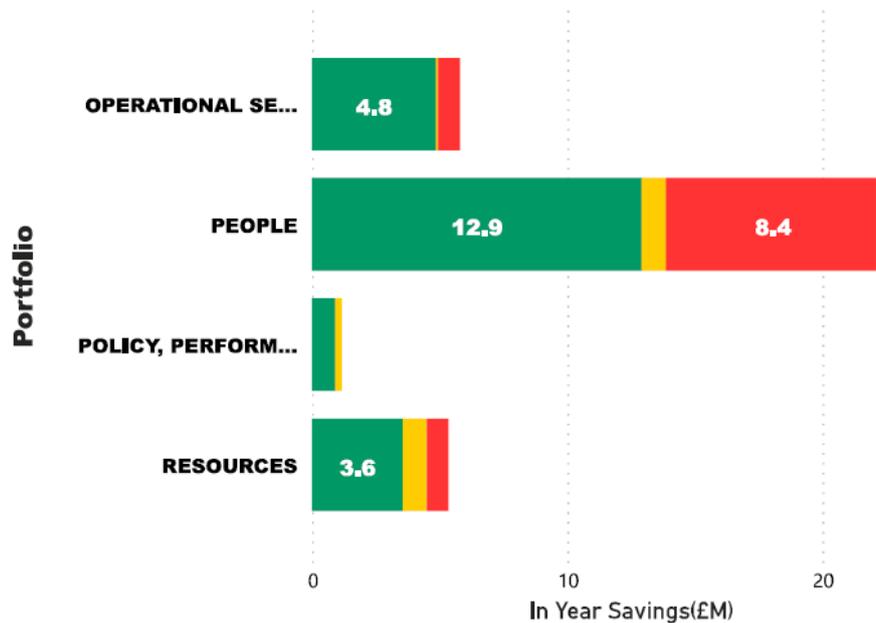
Balancing the 22/23 budget was only possible with £53m of BIPs, £34m are reported as deliverable in year	£m Portfolio	Total Savings 22/23	Deliverable in year	FY Variance
People		37.7	22.3	15.4
Operational Services		7.1	5.8	1.3
PPC		1.2	1.1	0.1
Resources		6.7	5.3	1.4
<b>Total</b>		<b>52.7</b>	<b>34.5</b>	<b>18.2</b>

Focus has to be on delivering BIPs in 22/23 and preventing the budget gap from getting any wider

Of the £34m BIPs forecast as being deliverable, £10m are rated Red, which indicates high risk of increased overspending.

### £34M Deliverable

Financial RAG ● Green ● Amber ● Red



**Adult Health and Social Care are forecast to overspend by £11.6m**

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 the required savings.

**Education, Children and Families are forecast to overspend by £4.7m**

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 requires further work on capital business cases in order to progress. The service needs to provide mitigations to bring overspends back in line with budgets.

The following sections (1.4.2 – 1.4.9) reproduce the detailed budget monitoring reports that will be submitted to individual Policy Committees during June 2022 together with a report covering the Strategy and Resources Committee's remit. The Recommendations are for those individual Policy Committees to consider.

## 1.4.2 Strategy and Resources - £1.7m overspend at Month 1

Delays to proposed restructures in Business Change and ICT delivery have caused the greatest overspend alongside underlying overspends in legal services.

An approach to the restructures has now been agreed which should secure full run-rate savings going into 2023/24

Full Year Forecast £m @ Month 1	Outturn	Budget	Variance
Business Change & Info Solns	17.7	16.9	0.8
Central Costs	(47.4)	(46.9)	(0.5)
Community Services (Youth Services)	5.4	5.4	0.0
Consolidated Loans Fund	39.0	38.9	0.1
Contract Rebates & Discounts	(0.5)	(0.5)	0.0
Corporate Transactions	(496.3)	(496.3)	0.0
Customer Services	5.5	5.4	0.1
Finance & Commercial Services	19.4	19.3	0.1
Housing Benefit	0.2	0.2	0.0
Human Resources	5.0	4.9	0.2
Legal & Governance	5.8	5.0	0.8
Other Central Costs	2.1	2.1	-
Policy, Performance & Comms	3.0	2.9	0.1
Resources Management & Planning	0.3	0.3	0.0
One Year Plan	0.0	-	0.0
Direct Services (Facilities Mgmt; Ppe)	14.6	14.6	0.0
Streetscene & Regulation (Emergency Planning)	0.3	0.3	0.0
Inclusive Growth & Development (Property and Regeneration)	(0.9)	(1.0)	0.0
<b>Total</b>	<b>(426.9)</b>	<b>(428.5)</b>	<b>1.7</b>

### Recommendations

The Committee is recommended to seek assurance from Officers that the planned restructure work will deliver the required run-rate savings and to commission work from Officers to develop and implement plans to mitigate other overspends with the Committee's remit.

### 1.4.3 Adult Health and Social Care - £11.6m overspend at Month 1

The revenue outturn position for the AHSC Committee is to overspend by £11.6m	Full Year Forecast £m @ Month 1	Outturn	Budget	Variance
	<b>Adult Health &amp; Social Care</b>		153.2	141.5
<b>Integrated Commissioning</b> <i>(Early Help and Prevention; Supporting Vulnerable People)</i>		8.9	8.9	-
<b>Total</b>		<b>162.1</b>	<b>150.5</b>	<b>11.6</b>

£9.2m of the overspend relates to BIP shortfalls. Staffing is £1.1m overspent and Purchasing Activity £1.2m over budget	Variance Analysis £m @ Month 1	One-off	BIPs	Trend
	Adult Health & Social Care		-	9.2
Integrated Commissioning		-	-	-
<b>Total</b>		<b>-</b>	<b>9.2</b>	<b>2.4</b>

**BIP delivery for 22/23 is looking challenging, focus needs to be on reviewing high-cost packages put in place during covid**

£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 £4.7m leaving a continued gap of £6.4m 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.

RAG	Saving	Total Budgeted	Deliverable	GAP
<b>Red</b>	Case review	11.1	4.7	6.4
	Staffing	1.4	0.7	0.7
	TUPE	1.0	0.5	0.5
	MH Social Work	1.0	0.5	0.5
	Localities	0.5	0.1	0.4
	Vacancies & Voids	0.7	0.4	0.4
<b>Red Total</b>		<b>15.7</b>	<b>6.9</b>	<b>8.9</b>
<b>Amber</b>	Contract Changes	0.5	0.4	0.1
	Support services	0.4	0.3	0.1
	Safeguarding			
	Prevention	0.1	0.1	0.0
	MH & Domestic Abuse	0.2	0.1	0.1
<b>Amber Total</b>		<b>1.2</b>	<b>0.9</b>	<b>0.3</b>
<b>Green Total</b>		<b>8.3</b>	<b>8.3</b>	<b>0.0</b>
<b>Grand Total</b>		<b>25.2</b>	<b>16.1</b>	<b>9.2</b>

**Purchasing Budgets are £9.8m over, £8.6m of which is BIP shortfall. The £1.2m underlying activity overspend could indicate further BIP slippage/shortfall.**

Full Year Forecast £m @ Month 1	Outturn	Budget	Var.
Older People	34.6	31.2	3.4
Learning Disabilities	34.8	29.1	5.7
Physical Disabilities	17.0	16.6	0.4
Mental Health	9.7	9.4	0.3
<b>Total Purchasing</b>	<b>96.1</b>	<b>86.3</b>	<b>9.8</b>

<p><b>Recruitment and retention difficulties continue to impact savings delivery in 22/23, but with the potential to increase staffing pressure in future years</b></p>	<p>Vacancies which are part of the investment plan are not fully recruited to.</p> <p>If posts are filled, the £1.1m current employee overspend would increase but an improvement in BIP delivery would be expected.</p> <p>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.</p> <p>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.</p>
<p><b>Home care continues to be a huge challenge</b></p>	<p>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.</p>
<p><b>Fair Cost of Care Exercise and Social Care Reform will increase Adult Social Care responsibilities and costs</b></p>	<p>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.</p> <p>Social Care Reform will levy significant new responsibilities on Local Authorities and also 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 in order to deliver our new responsibilities.</p>
<p><b>Recommendation</b></p>	<p>The Adult Health and Social Care Committee will be recommended to commission work from Officers to develop and implement plans to mitigate overspends and deliver stalled savings plans to bring forecast outturn back in line with budget.</p>

#### 1.4.4 Education, Children & Families Committee - £4.6m overspend at Month 1

The Education, Children & Families General Fund is overspending by £4.6m, made up of a shortfall of savings delivery offset by staffing vacancies.	Full Year Forecast £m @ Month 1			
	Children & Families	Community Services (Community Safety; Family Centres; Locality Management)	Education & Skills (Access and Inclusion; Business Support; Operational and Portfolio Wide Budgets; School Budgets; Schools and Learning; SEN)	Integrated Commissioning (Commissioning; Children's Public Health; Early Help and Prevention)
	113.9	0.2	12.6	7.2
	109.2	0.2	12.9	6.9
	4.6	-	(0.3)	0.3
	<b>133.9</b>		<b>129.2</b>	<b>4.6</b>

The main cause of the overspend is under delivery of Budget Implementation Plans (BIPs)	Variance Analysis £m @ Month 1			
	Children & Families	Community Services	Education & Skills	Integrated Commissioning
	-	-	-	-
	5.9	-	0.3	-
	(1.3)	-	(0.3)	-
	<b>-</b>	<b>6.2</b>		<b>(1.6)</b>

Dedicated Schools Grant (DSG) is overspending by £154k, Special Educational Needs (SEN) and Early Years Inclusion support are also over budget	DSG Full Year Forecast £m @ Month 1			
	Children & Families	Community Services	Education & Skills	Integrated Commissioning
	6	0.6	207.2	9.7
	6.3	0.6	206.8	9.7
	(0.3)	-	0.4	-
	<b>223.5</b>		<b>223.3</b>	<b>0.2</b>

There is a £6.2m BIP delivery shortfall forecast for 22/23 and potential permanent mitigations of £2.6m	RAG	Saving	Total Budget	Deliverable	GAP
	Red	Convert Agency Staff to Permanent	0.5	0.0	0.5
	Contributions from Health	1.4	0.7	0.7	
	New Residential Home	2.0	0.0	2.0	
	Fieldwork Staffing	1.4	0.0	1.4	
	Agency spend/caseload reduction	1.0	0.5	0.5	
	Residential placements - disabilities	0.7	0.0	0.7	
	Children's MH	0.3	0.0	0.3	
	Residential staffing strategy	0.1	0.0	0.1	
	<b>Red Total</b>	<b>7.4</b>	<b>1.2</b>	<b>6.2</b>	
	<b>Green Total</b>	<b>3.3</b>	<b>3.3</b>	<b>0.0</b>	
	<b>Grand Total</b>	<b>10.7</b>	<b>4.5</b>	<b>6.2</b>	

<p><b>Plans to reduce business support staffing have been delayed with costs offsets by difficulties in recruiting social workers</b></p>	<p>£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.</p> <p>Difficulties in recruiting Fieldwork staff is resulting in a £1.6m underspend which is currently helping to offset the BIP shortfalls.</p> <p>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.</p>
<p><b>The residential strategy (c£2.7m savings) requires completion of a business case and is unlikely to be delivered this year</b></p>	<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>This is partly mitigated by the existing secure unit achieving £0.3m income better than budget. Similar approvals would be needed for the other residential strategy saving of £750k for Children with Disabilities.</p> <p>However, Placements budgets are assumed to balance with current trend numbers remaining within budget even allowing for the £750k BIP non-delivery.</p>
<p><b>£1.4m savings from contributions from Health is at risk</b></p>	<p>Discussions have begun with Health partners, there is a risk this will not be delivered this year.</p>
<p><b>Direct Payments, Family Time and Unaccompanied Asylum Seeker Children budgets have a combined overspend of £1.3m.</b></p>	<p>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).</p> <p>Family time budget is £0.4m overspent with the current staffing forecast being higher than planned.</p> <p>Unaccompanied Asylum Seeker Children budgets are £0.5m overspent due to additional clients and costs being higher than Home Office funding provides for.</p> <p>These areas need to be closely reviewed to confirm forecast accuracy, understand reasons behind the overspends and explore any mitigating action available.</p>
<p><b>Recommendation:</b></p>	<p>The Education, Children &amp; Families Committee will be recommended to commission work from Officers to develop and implement plans to mitigate overspends and deliver stalled savings plans to bring forecast outturn back in line with budget.</p>

#### 1.4.5 Housing Committee - balance in the General Fund but overspend of £6.4m in the Housing Revenue Account at Month 1

The Housing General fund is forecast to be broadly in line with budget.	Full Year Forecast £m @ Month 1	Outturn	Budget	Variance
	Housing General Fund	8.7	8.7	-
	Housing Growth	0.1	0.1	-
	<b>Total</b>	<b>8.8</b>	<b>8.8</b>	<b>-</b>

The Housing Revenue Account is forecast to overspend by £6.4m.	Full Year Forecast £m @ Month 1	Outturn	Budget	Variance
	Net Income – Dwellings	(148.9)	(152.6)	3.7
	Other income	(6.3)	(6.2)	(0.1)
	Repairs & Maintenance	41.4	41.4	-
	Tenant Services	57.4	54.5	2.8
	Interest on borrowing	13.6	13.6	-
	Contribution to Capital Programme	17.7	24.1	(6.4)
	<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Vacant properties are resulting in a forecast loss of £3.7m in rent.**

The loss of rental income is forecast to be £3.7m 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 £3m of additional forecast cost.**

The current forecast includes a £1m of additional costs for council tax on empty properties, a further £1m of costs for furnished accommodation costs and £1m extra costs for legal fees from increasing disrepair claims.

**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 a higher rate than originally assumed at 2%. 22/23 CPI is 7.4% latest business planning assumptions forecast the position to stabilise back to 2% by 24/25 but remain high in 23/24. This needs further consideration in the business plan.

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 not sustainable.

**The Housing Repairs Service is forecast to outturn to budget which requires a £5m reduction to spend**

There is an underlying risk in the repairs service forecast cost of c£5m. The current assumption is that spend is to budget, but this requires a reduction of around £0.5m per month on current spend rates to be identified and implemented.

The community heating account is forecast to overspend by £800k due to rising energy prices	Full Year Forecast £m @ Month 1	Outturn	Budget	Variance
	Income	(3.2)	(3.3)	0.1
	Expenditure	3.9	3.2	0.7
	<b>Total</b>	<b>0.7</b>	<b>(0.1)</b>	<b>0.8</b>

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<b>Overspends in the HRA impact the capital programme</b>	Without significant savings in revenue budgets, the current capital programme is not affordable. The month 1 outturn position shows a negative contribution to the programme
<b>Recommendation:</b>	The Housing Committee will be recommended to commission work from Officers to develop and implement plans to mitigate the overspend in the HRA and deliver stalled savings plans to bring forecast outturn back in line with budget.

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#### 1.4.6 Transport, Regeneration & Climate Committee - overspend of £1.7m at Month 1

<b>The Transport, Regeneration &amp; Climate Committee is forecast to overspend by £1.7m</b>	<b>Full Year Forecast £m @ Month 1</b>	<b>Outturn</b>	<b>Budget</b>	<b>Variance</b>
	<b>Direct Services</b> ( <i>Carbon Reduction; Transport</i> )	1.2	1.2	-
	<b>Parks, Leisure &amp; Libraries</b> ( <i>Director of Culture and Environment; Strategy and Change</i> )	0.1	0.3	(0.2)
	<b>Streetscene &amp; Regulation</b> ( <i>City Centre Management; Clean Air Zone; Environmental Regulations; Events; Parking Services</i> )	0.3	(0.8)	1.1
	<b>Inclusive Growth &amp; Development</b> ( <i>Capital Delivery; Director of Inclusive Growth; Property and Regeneration</i> )	(3.0)	(3.3)	0.3
	<b>Economy, Culture &amp; Skills</b> ( <i>Culture, Tourism and Events</i> )	1.6	1.5	0.1
	<b>Planning, Investment &amp; Sustainability</b> ( <i>Planning Services; ITA Levy; Transport and Infrastructure</i> )	41.4	41.0	0.4
	<b>Total</b>	<b>41.6</b>	<b>39.8</b>	<b>1.7</b>
<b>The delayed implementation date of the Clean Air Zone has caused slippage of £1.2m to Budget Implementation Plans</b>	<b>Variance Analysis £m @ Month 1</b>	<b>One-off</b>	<b>BIPs</b>	<b>Trend</b>
	Direct Services	-	-	-
	Parks, Leisure & Libraries	-	-	(0.2)
	Streetscene & Regulation	(0.1)	1.2	-
	Inclusive Growth & Devt	-	-	0.3
	Economy, Culture & Skills	-	-	0.1
	Planning, Investment & Sustain	-	-	0.4
	<b>Total</b>	<b>(0.1)</b>	<b>1.2</b>	<b>0.6</b>
<b>£0.7m forecast losses in income contribute to the overspend</b>	There is a projected shortfall in rental income at Electric Works (£0.4m) following loss / downsize of 2 key tenants coupled with a shortfall on forecast planning fee income (£0.3m) also contribute to the overspend.			
<b>Income from Clean Air Zone charges remains uncertain</b>	The income forecast from the introduction of the charging Clean Air Zone remains uncertain given potential slippage in the programme following continued dialogue with central government. This income risk is a further £800k in 22/23.			
<b>Recommendations</b>	The Transport, Regeneration & Climate Committee will be recommended to commission work from Officers to develop and implement plans to mitigate overspends and deliver stalled savings plans to bring forecast outturn back in line with budget.			

#### 1.4.7 Economic Development & Skills Committee - Balanced at Month 1

The revenue outturn position for the Economic Development & Skills Committee is to balance	Full Year Forecast £m @ Month 1	Outturn	Budget	Variance
	<b>Education &amp; Skills</b> <i>(Employment and Skills; Family and Community Learning)</i>	0.4	0.4	-
	<b>Economy, Culture &amp; Skills</b> <i>(Business Development; Director of Economic Development and Culture; Economy and Business Support; Employment and Skills)</i>	5.5	5.5	-
	<b>Total</b>	<b>5.9</b>	<b>5.9</b>	<b>-</b>
<b>The key Budget Implementation Plan (BIP) is on target to be delivered</b>	The key BIP for 22/23 is to vacate the offices at Broad Street West. This is on track and saving will be delivered in year as part of the outturn position.			
<b>The Budget is in line with expectations</b>	The forecast for the Economic Development and Skills committee is broadly on track to balance in 22/23. Some small emerging pressures have been mitigated in year.			
<b>Recommendations</b>	The Economic Development & Skills Committee Continue will be recommended closely to manage and monitor expenditure in line with budget expectations and ensure forecasts represent current financial conditions.			

1.4.8 **Waste & Street Scene Committee - underspend of £0.5m at Month 1**

<b>The Waste &amp; Street scene committee is forecasting a £0.5m overspend</b>	<b>Full Year Forecast £m @ Month 1</b>	<b>Outturn</b>	<b>Budget</b>	<b>Variance</b>
	<b>Streetscene &amp; Regulation</b> <i>(Director of Street Scene; Highway Maintenance; Highways Contract; Licensing; City Markets; Waste Management)</i>	53.7	54.2	(0.5)
	<b>Total</b>	<b>53.7</b>	<b>54.2</b>	<b>(0.5)</b>
<b>There is one-off funding mitigating the inflationary pressure in services</b>	<b>Variance Analysis £m @ Month 1</b>	<b>One-off</b>	<b>BIPs</b>	<b>Trend</b>
	Streetscene & Regulation	(3.0)	-	2.5
	<b>Total</b>	<b>(3.0)</b>	<b>-</b>	<b>2.5</b>
<b>There are £3m underling energy and waste management inflation pressures this year</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. It is expected that RPIX will remain high into 23/24 so pressure is likely to continue and be an issue for the 2023/24 budget.</p> <p>Similarly, energy costs on street lighting have caused a £1.8m issue in 22/23.</p> <p>Both pressures have been mitigated for 2022/23 through one-off provisions / reserves but those reserves will be exhausted for the 2023/24 budget.</p>			
<b>Recommendations</b>	<p>The Waste &amp; Street Scene Committee will be recommended to commission work from Officers to develop opportunities to address the underlying inflationary pressures that will continue into next year to bring spend back in line with budget.</p>			

#### 1.4.9 Communities, Parks & Leisure Committee - underspend of £0.4m at Month 1

<b>The Communities Parks &amp; Leisure Committee is forecast to underspend by £0.4m</b>	<b>Full Year Forecast £m @ Month 1</b>	<b>Outturn</b>	<b>Budget</b>	<b>Variance</b>
	<b>Community Services</b> <i>(Community Safety; Family Centres; Locality Management)</i>	6.5	6.5	-
	<b>Public Health</b>	(0.1)	(0.1)	-
	<b>Parks, Leisure &amp; Libraries</b> <i>(Bereavement; Coroner and Medico Legal; Libraries and Archives; Parks and Countryside; Partnerships and Special Projects; Physical Activity and Sports; Public Health)</i>	33.0	33.4	(0.4)
	<b>Total</b>	<b>33.4</b>	<b>33.8</b>	<b>(0.4)</b>
<b>One-off grant funding carried forward from last year is expected to be spent to support clinically vulnerable people</b>	<b>Variance Analysis £m @ Month 1</b>	<b>One-off</b>	<b>BIPs</b>	<b>Trend</b>
	Community Services	(1.3)		1.3
	Public Health	-	-	-
	Parks, Leisure & Libraries			(0.4)
	<b>Total</b>	<b>(1.3)</b>	<b>-</b>	<b>0.9</b>
<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.</p>			
<b>Parks, leisure, and libraries are forecasting a small underspend</b>	<p>There is a relatively small forecast of underspends across most service areas amounting to £0.4m.</p>			
<b>Recommendations</b>	<ol style="list-style-type: none"> <li>1. Continue closely to manage and monitor expenditure in line with budget expectations and ensure forecasts represent current financial conditions.</li> <li>2. Ensure that the spend in the community response team that is unfunded for 23/24 is managed with this in mind.</li> </ol>			

## 1.5 Outlook for 2023/24 and Beyond

1.5.1 We do not expect to receive additional core funding – the trend in government is to support specific initiatives rather than general funding uplifts. In any case, the Local Government finance settlement is normally issued just before Christmas – far too late to support a budget process.

The best we can hope for is that the government will recognise and provide funding to cover the current high rates of inflation, although there are no indications from government on this and we would not expect to get any confirmation until the Autumn Statement at the earliest.

1.5.2 We are working on the Medium Term Financial Analysis which will provide our best estimate of the Council's overall financial position for the next few years. We normally produce this over the summer for publication in the early Autumn, but this year, we are bringing it forward to July because of the Council's difficult financial position.

1.5.3 There is likely to be a significant budget gap to bridge for 2023/24

<b>Possible 2023/24 Budget Gap</b>	<b>£m</b>
Use of Reserves in 2022/23 Budget	15
Current 2022/23 Forecast Overspend	19
One-offs being used in 2022/23	4
Ball-park inflationary / demand pressures	?45?
Expected Grant / Council Tax Increase	(15)
<b>Potential Budget Gap</b>	<b>68</b>

## 1.6 2023/24 Budget Timetable

1.6.1 The high-level timetable for the 2023/24 budget has been structured around the Committee timetable. This timetable will require significant work from Policy Committees over the summer and will mean that budget proposals from Committees will be reported during September.

<b>Throughout June 2022</b>	Budget Monitoring and timetable Reports to <b>Policy Committees</b> at Month 1 2022/23.
<b>5 July 2022</b>	Medium Term Financial Analysis to <b>Strategy and Resources Committee</b> . <b>Strategy and Resources Committee</b> sets Policy Committee budget targets.
<b>July – September 2022</b>	<b>Policy Committees</b> develop Revenue and Capital budget proposals to address any cost or demand pressures within the budget allocated by Strategy and Resources Committee.
<b>Throughout September 2022</b>	<b>Policy Committee</b> meetings to formally set out how they are going to deliver their budget – reporting the results of the work done over the summer.
<b>12 October 2022</b>	Consolidated budget report based on individual Policy Committee work to <b>Strategy and Resources Committee</b> .

<b>Throughout November 2022</b>	<b>Policy Committee</b> meetings formally to sign-off budgets after any changes from Strategy and Resources Committee in October
<b>5 December 2022</b>	Overall budget formally signed off by <b>Strategy and Resources</b> including the Housing Revenue Account Rent setting report as part of the Housing Policy Committee's budget.
<b>24 January 2023</b>	Budget report formally approved by <b>Strategy and Resources</b> with recommendations to Full Council
<b>1<sup>st</sup> February 2023</b>	Housing Revenue Account budget approved at <b>Full Council</b> , together with the Rent Setting decision
<b>1<sup>st</sup> March 2023</b>	2023/24 Revenue and Capital Budgets to <b>Full Council</b>

## 2. HOW DOES THIS DECISION CONTRIBUTE?

- 2.1 The recommendations in this report will ensure that the Council has a robust budget process for 2023/24 and will ensure 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.

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