

Report to:	Cabinet	Date: 07 September 2022
Subject:	The Council's Financial Position as at 30 th June 2022	
Report of	Cabinet Member for Finance and Communities	

1. Summary

1.1. This report outlines the forecast financial position of the Council at the end of the first quarter of the 2022/23 financial year based on information known on 30th June 2022. The report sets out the position for both revenue and capital and provides an analysis of the variances, both under and overspending.

2. Recommendation(s)

- 2.1. To note the forecast overspend of £1.509m within the revenue budgets at quarter 1 and the need for Directorates to continue to work with their finance managers to maintain tight budgetary control and identify mitigating actions and deliver these to ensure services work within their budgets. It should be noted that this is a forecast only at this stage and is before the utilisation of the £1.5m utilities reserve but also before the full impact of the pay award for 2022/23 is taken into account which could increase costs over and above those budgeted by a further £1.6m
- 2.2. To note the use of the reserves in line with the criteria and one-off departmental priorities.
- 2.3. To note forecast delivery of the 2022/23 MTFs savings as agreed by Council in February 2022.
- 2.4. To note the position on the Dedicated Schools Grant, Collection Fund and the Housing Revenue Account.
- 2.5. To approve an overall increase in the capital programme of £8.020m, as a consequence of new and updated external grant allocations and additional external funding secured by 30th of June.
- 2.6. To note the current position on the capital programme and that a further update will be brought to Cabinet in quarter 2 in respect of forecast spend this financial year.
- 2.7. To approve the extension of the current Insurance contract by 12 months.

3. Reasons for recommendation(s)

- 3.1. To ensure the Council's budgetary targets are achieved.

4. Alternative options considered and rejected

4.1. This report is in accordance with the Council's financial procedure regulations.

5. Purpose of this Report

5.1. This report outlines the forecast financial position of the Council at the end of 2022/23 based on the information known at the end of the first quarter, 30th June 2022, which is a £1.509m overspend. The report sets out the position for both revenue and capital and provides an analysis of the variances, both under and overspending. It should be noted that this is a forecast only at this stage and is before the utilisation of the £1.5m utilities reserve but also before the full impact of the pay award for 2022/23 is taken into account which could increase costs over and above those budgeted by a further £1.6m.

6. Background

6.1. These continue to be unprecedented times for Council budgets with huge volatility and uncertainty caused by Covid, the ongoing rise in cost of living and associated inflationary pressures. This is affecting all Councils. We expect to have ongoing gaps caused by additional services, additional demand on existing services and increases in expenditure due to the rate of inflation being greater than that anticipated when budgets were set in February of this year. It should be noted that these uncertainties are on top of the pre-existing uncertainties in the future of Adult Social Care funding and the Fair Funding Review.

6.2. There are a number of overspends identified within this report at quarter one and Directorate Management Teams are working to identify mitigating actions.

7. FINANCIAL OVERVIEW – REVENUE

7.1. The forecast out turn position is set out in Table 1 below and shows a forecast overspend at Quarter 1 of £1.509m. Where budgets are over spending work is taking place between Directorates and finance to identify mitigating actions to bring budgets back into line.

Table 1

Directorate	Approved Budget	Forecast	(Under)/ Over Spend
	£m	£m	£m
One Commissioning Organisation	80.627	83.167	2.540
Children and Young People	46.390	47.433	1.043
Operations	19.050	20.188	1.138
Corporate Core	17.062	17.247	0.184
Business, Growth and Infrastructure	3.283	3.482	0.199
Housing General Fund	1.288	1.288	0.000
Non-Service Specific	9.784	6.189	(3.595)
TOTAL	177.483	179.028	1.509

8 One Commissioning Organisation – Forecast Overspend £2.540m

Table 2

2022/23 Forecast Revenue Position – as at 30 June 2022			
One Commissioning Organisation	Revised Budget	Forecast	(Under)/ Over Spend
	£ m	£ m	£ m
Adult Social Care Operations	8.134	8.114	(0.020)
Care in the Community	42.215	44.051	1.835
Commissioning & Procurement	15.413	16.137	0.725
Public Health	10.935	10.935	0
Departmental Support Services	3.852	3.852	0
Workforce Modernisation	0.078	0.078	0
TOTAL	80.627	83.167	2.540

8.1. The OCO budget is forecast to overspend by £2.540m. The main variances are as follows:

Adult Social Care Operations – (£0.020m) underspend

8.2. The Adult Social Care Operations budget is forecasting a small underspend of (£0.020m) which is the net result of a (£0.086m) salary underspend and a £0.065m overspend within the Carelink service. Following a review of the Neighbourhood Housing Support income contribution towards the Carelink service a decision was taken to remove the contribution with the view that Carelink should

be a self-funded service. A review of the Carelink Service is currently underway with the intention that the £0.065m pressure will be reduced to zero by March 31, 2023.

Care in the Community- £1.835m overspend

- 8.3. The Care in the Community budget is forecast to overspend by £1.835m. In arriving at this forecast outturn it is assumed that a further £1.4m of savings will be delivered before the end of the financial year (i.e., savings not yet achieved but are expected to be achieved by March 31, 2023). Should actual delivery be less than the anticipated £1.4m then the shortfall identified below will increase accordingly.
- 8.4. The overspend is being driven by savings shortfalls within savings' programmes which directly impact the Care in the Community budget and are summarised in the table below.

Table 3

Savings Programme	Target £m	Forecast £m	Shortfall £m
Review of Learning Disability Care Packages	1.200	0.228	0.972
Review of Complex Care Packages	1.500	0.750	0.750
Total	2.700	0.978	1.722

The savings shortfalls are due to a shortage of staff available to undertake the care package reviews. However, staff recruitment is underway and once in post the intention is that the current level of reported savings will improve. Furthermore, existing staff will continue to review care packages throughout the year in order to reduce the £1.7m savings shortfall highlighted above. This is anticipated to be a phasing issue and should be recovered by year end but for prudence is identified here.

Commissioning and Procurement - £0.725m overspend

- 8.5. The Commissioning and Procurement Budget is forecast to overspend by £0.725m. The overspend is due to a forecast £0.725m shortfall regarding the 2022/23 Persona Contract savings target. The OCO & Persona Executive teams have agreed an action plan to enable Persona to deliver their £1.5m savings programme in full through a series of transformation programmes and restructures that are in line with Persona's strategic intent, albeit not in the timeframe originally committed to.
- 8.6. The outcome of the Persona action plan is therefore a reprofiling of the £1.5m 22/23 Persona savings target with the expectation that £0.775m is delivered in 22/23 with the final £0.725m saving being delivered in 2023/24. The OCO Management Team are currently reviewing service areas to determine how the 2022/23 shortfall can be mitigated, currently due to service pressures in other areas of OCO it has not been possible to determine any mitigating actions and so the 2022/23 shortfall of £0.725m is shown as an in year pressure.

9 Children and Young People – Forecast Overspend £1.043m

Table 4

2021/22 Forecast Revenue Position – as at 30 June 2022			
Children and Young People Directorate	Revised Budget	Forecast	(Under)/Over Spend
	£m	£m	£m
Children’s Commissioning	1.341	1.341	0.000
Early Help and School Readiness	2.514	2.514	0.000
Education and Skills (non-schools)	17.238	17.438	0.200
Social Care and Safeguarding	25.297	26.140	0.843
TOTAL	46.390	47.433	1.043

9.1. The Children and Young People Directorate is currently forecast to overspend by £1.043m. The main variances are:

Education & Skills - £0.200m overspend

- 9.2. The forecast overspend is due to ongoing pressure and volumes of demand for Home to School/College SEND Transport.
- 9.3. Permanent management of this pressures is through the strategy to reduce demand in conjunction with Project Safety Valve and SEND Transformation priorities by increasing in-borough SEND places. This will have the impact of reducing the requirement for out of borough placements and the associated transport costs which is expected to occur in line with increasing provision and places within Bury, starting in the 2022/23 academic year, i.e. from September 2022.
- 9.4. In year mitigation to this cost pressure will also take place through the review of individual travel schedules and prices, contract negotiation, and from underspends achieved through efficiencies and vacancies where possible from elsewhere within the Education and Skills service areas. This will be closely monitored and reported on throughout the financial year.

Social Care and Safeguarding - £0.843m overspend

- 9.5. The Residential and Independent Fostering Allowances (IFA) placement budget is forecast to overspend by £0.982m based on the current number and complexity of looked after children, the higher cost placements, secure accommodation, and sibling groups. Children’s Social Care is currently undergoing transformation which will address capacity and develop practice that will reduce high-cost independent residential and IFA placements

and make significant future savings which will reduce the current full-year forecast overspend stated above once individual placements are reviewed. Therefore, it is imperative that these reviews are undertaken early in the year to bring costs back within budget

9.6. At this stage the impact of these reviews is not built into the forecast outturn as the impact on actual placements has not yet been quantified and therefore the resulting financial impact cannot be calculated. This work is ongoing and will be reflected in future budget monitoring reports as the reviews take place.

9.7. Offsetting underspends of £0.139m as a result of additional recharges to NHS plus staff vacancies in CAMHS and Victoria Family Support, are, in part, mitigating the above overspend on Residential and IFA placements.

CYP Reserve - £3.5m

9.8. Further to the establishment of the CYP £3.5m reserve to support Ofsted recommendations, to transform Children's Social Care practice and caseload capacity, and to support demand pressures prior to implementation of change. The reserve is fully committed for the following priorities in 2022/23 and beyond for the family safeguarding model:

- Family Safeguarding Model
- Children's Services restructure of Social Care, Early Help and Education Services, including
 - Interim Assistant Director of Social Care Practice, agency costs
 - Children's Improvement Manager
 - Head of Strategy and Assurance
 - Senior Management capacity across Social Care teams
 - Enhanced structures, reporting lines, and caseload capacity covering; Fostering, Care and Support Service (CASS), Practice Improvement, Safeguarding Teams, Initial Response Team (IRT), Multi-Agency Safeguarding Hub (MASH), Early Help family support teams, Early Years Development, Education and Skills Quality Standards, School Attendance
 - Out of hours Foster Care on call support
- The restructure also encompasses recruitment and retention developments and other increased staffing establishment costs including, Business Support, HR Support, Priority Car parking, mileage, retention payments, ICT, Telephony
- Victoria Family Centre reception capacity
- Curriculum Language Access Service (CLAS) costs pending full review of the service
- Interim managed social worker packages (from Innovate and Equinox) to address Ofsted caseload capacity requirements, forecast until December

2022 until full implementation and permanent recruitment to the CYP enhanced structure.

10. Operations Directorate – Forecast Overspend £1.138m

Table 5

2022/23 Forecast Revenue Position – as at 30th June 2022			
Operations	Approved Budget	Forecast Out Turn	Forecast (Under)/Over Spend
	£m	£m	£m
Wellness Operations	2.879	2.879	0.000
Engineers (including Car Parking)	(0.367)	(0.394)	(0.027)
Street Scene	4.847	5.827	0.980
Commercial Services	(0.566)	(0.359)	0.207
Waste, Transport and Stores	6.068	6.180	0.112
Operations Senior Management	4.679	4.679	0.000
Health & Environmental Protection	1.317	1.317	0.000
Corporate Landlord	0.193	0.059	(0.134)
TOTAL	19.050	20.188	1.138

10.1. The Operations Directorate is forecasting an overspend of £1.138m at this time, although it should be noted that this may increase as the full impact of the inflationary increases particularly on energy and fuel become clear. The material variances are as follows:

10.2. **Street Scene - £0.980m overspend:** the overspend is largely due to cost inflation particularly on street lighting of £0.820m and increased inflationary costs of Grounds Maintenance coupled with the costs of necessary temporary staff £0.160m.

10.3. **Commercial Services - £0.207m overspend:** the overspend results from the continued limited utilisation of civic halls totalling £0.307m, this relates to the ongoing non-delivery of the 2021/22 MTFs saving of £0.132m, offset by extra income from increased levels of service in Cleaning (£0.100m).

10.4. **Waste, Transport & Stores - £0.112m overspend:** the overspend is primarily due to increased costs of fuel, £0.266m, offset by savings in staffing and publicity costs (0.154m).

10.5. **Corporate Landlord – (£0.134m) underspend:** the underspend primarily arises due to staffing vacancies forecast to be (£0.220m) over vacancy factor requirements offset by budget pressures in Administrative Buildings - rates, cleaning and utilities of £0.086m.

10.6. There is further work being undertaken to fully identify the deliverability of all the savings in Table 9 below. At this point there is a risk that not all of the £0.500m will be fully delivered this financial year. However, this will not be known until all the work has been completed and, if necessary, any required mitigations identified. The major risk to full delivery this year is in respect of the £0.300m replacement of leasing costs with the purchase of vehicles within the Transport Service.

11 Corporate Core and Finance Directorate - Overspend £0.184m

Table 6

2022/23 Forecast Revenue Position – as at 30 June 2022			
Forecast	Approved Budget	Forecast	(Under)/ Over Spend
	£ m	£ m	£ m
Corporate Core	10.749	10.813	0.063
Corporate Core Finance	6.313	6.434	0.121
TOTAL	17.062	17.247	0.184

11.1. Corporate Core and Finance are forecast to overspend by £0.184m.

11.2. The Corporate Core Services overspend position of £0.063m, an element of which is due to a forecast under achievement against income budgets for the Galleries and Museums service.

11.3. The Corporate Core Finance overspend position of £0.0121m is due to:

- A forecast overspend on Coroners Court of £0.050m. This is the latest estimate from the lead for Coroners, Rochdale MBC, of the additional costs of potential inquests. Work is ongoing to challenge this assumption and to identify mitigating actions.
- Pay Services has a forecast overspend of £0.022m in respect of software hosting fees £0.035m offset by various minor underspends of (£0.013m).
- Procurement has a forecast overspend of £0.049m which is due to underachievement of income from the Yorkshire Purchasing Organisation (YPO) rebate of £0.059m offset by overachieved income for purchasing cards rebate of (£0.010m). There is an ongoing piece of work around

reducing petty cash and moving over to payment cards which may see an increase in the rebate and also a review of all off contract spend which may also increase the rebate from using YPO.

12. Business, Growth and Infrastructure – Overspend £0.199m

Table 7

2022/23 Forecast Revenue Position – as at 30th June 2022			
Business, Growth and Infrastructure Directorate	Approved Budget	Forecast	(Under)/Over Spend
	£m	£m	£m
Economic Regeneration & Capital Growth	1.931	2.130	0.199
Housing Needs & Options	1.356	1.356	0.000
TOTAL	3.283	3.482	0.199

12.1. The forecast overspend of £0.199m is due to non-delivery of the stretch savings target in 2021/22 regarding the staff restructure. The plan to mitigate this pressure is through the additional capitalisation of revenue expenditure. However, areas to capitalise, and appropriate capital funding, are yet to be identified.

13. Housing General Fund – On budget

Table 8

2022/23 Forecast Revenue Position – as at 30th June 2022			
Housing General Fund	Approved Budget	Forecast	(Under)/Over Spend
	£m	£m	£m
Housing General Fund	1.288	1.288	0.000
TOTAL	1.288	1.288	0.000

13.1. The Housing General Fund is forecast to be on budget overall as the budget was realigned as part of the 2022/23 budget setting.

14. Non Service Specific – Underspend £3.595m

Table 9

2022/23 Forecast Revenue Position – as at 30 June 2022			
Forecast	Approved Budget	Forecast	(Under) / Over spend
	£m	£m	£m
Accumulated Absences	1.362	1.362	0.000
CAR Lease Salary Sacrifice	(0.025)	(0.025)	0.000
Chief Executive	0.381	0.381	0.000
Corporate Management	1.610	1.167	(0.443)
Cost of Borrowing	6.238	2.753	(3.485)
Disaster Expenses	0.011	0.011	0.000
Environment Agency	0.100	0.100	0.000
Pension Service Costs	(20.843)	(20.843)	0.000
GMWDA levy	12.831	12.831	0.000
Passenger Transport Levy	13.650	13.650	0.000
Town of Culture	0.090	0.090	0.000
Townside Fields	(0.058)	(0.058)	0.000
Provisions / Reserves	(5.563)	(5.230)	0.333
TOTAL	9.784	6.189	(3.595)

14.1. Non-Service Specific is currently forecast to underspend by (£3.595m) comprising of:

14.2. Corporate Management: Forecast underspend of (£0.443m) on Corporate Subscriptions and Initiatives budgets, £390k of this budget will be given up recurrently as part of the work to identify savings for future years.

14.3. Cost of Borrowing: Forecast underspend of (£3.485m) comprising an underspend of (£2.500m) on borrowing costs due to rephasing of expenditure in the capital programme. In addition, there is an ongoing budget saving of (£1.000m) from full repayment of inherited long-term debt. This £1.000m has been permanently removed as part of the review of budgets to close the financial gap in 2023/24.

14.4. **Provisions/Reserves:** The transformation programme is currently being shown as a pressure of £0.333m across a number of schemes. Work is ongoing to identify mitigations but the procurement and contract management savings, the value of which is £500k, and has been reprofiled and reduced since the original

programme is still being flagged as a red risk to delivery. The Council is now working with an external delivery partner to support with procurement and will provide a further update at quarter two on the progress in the delivery of these savings.

15. Delivery of the Savings Plan

15.1. Planned savings of £16.096m were approved by Council in February 2022 for the 2022/23 financial year, £4.860m newly approved and £11.216m confirmed from February 2021 Council. In addition there were £2.861m of 2021/22 savings which were undelivered and therefore carried over to the current financial year. The total savings requirement for the current financial year therefore being £18.957m, split across Council departments as shown in the table below.

Table 10

2022/23 Total Savings Delivery	£m
Council wide	6.565
Business, Growth & Infrastructure	0.200
Corporate Core	0.250
Children & Young People	0.737
One Commissioning Organisation	9.645
Operations Department	1.560
TOTAL	18.957

15.2. Forecast delivery against the total savings target of £18.957m is £15.466m (82%) as detailed on a scheme by scheme basis in Table 9 below

Table 11

2022/23 MTFS SAVINGS AS AGREED BY COUNCIL					
Year Approved	Dept	Proposal Description	Saving £m	Forecast £m	Variance £m
Feb 2022	ALL	Vacancy Factor	1.200	1.200	0.000
Feb 2022	ALL	Unpaid leave - budget realignment	0.100	0.100	0.000
Feb 2021	ALL	Supplier Review of Contracts	0.265	0.265	0.000
Feb 2021	ALL	Transformation Agenda	3.500	3.341	-0.159
	ALL	Sub-Total	5.065	4.906	-0.159
Feb 2022	CORE	Adult Learning	0.050	0.050	0.000
Feb 2022	CORE	Corporate Security & Call Out Services	0.200	0.200	0.000
	CORE	Sub-Total	0.250	0.250	0.000
Feb 2022	CYP	Childrens Personal Budgets	0.150	0.150	0.000
Feb 2022	CYP	Childrens Short Breaks	0.150	0.150	0.000
Feb 2022	CYP	Childrens External Placements	0.200	0.200	0.000
Feb 2022	CYP	Further Education early retirements/pensions	0.100	0.100	0.000
Feb 2022	CYP	Childrens Early Help	0.100	0.100	0.000
Feb 2021	CYP	Removal of budget for vacant posts and reduced travel and expense costs	-0.309	-0.309	0.000
Feb 2021	CYP	Contract Reviews for services provided by external agencies	0.100	0.100	0.000
Feb 2021	CYP	Reduced transport costs as a result of fewer out of borough placements	0.120	0.120	0.000
	CYP	Sub-Total	0.611	0.611	0.000
Feb 2021	OCO	Review of Care Packages	2.055	1.083	-0.972
Feb 2021	OCO	Innovative Commissioning (Persona & Transitions Planning)	1.600	0.875	-0.725
Feb 2021	OCO	Adult Social Care Personalisation and Transformation	1.000	1.000	0.000
Feb 2021	OCO	Development of Assistive Technology	0.500	0.121	-0.379
Feb 2021	OCO	Improved Housing Options for People with Disabilities	0.050	0.050	0.000
Feb 2021	OCO	Effective and Efficient Commissioning	1.950	1.200	-0.750
Feb 2022	OCO	Release half demographic growth	0.500	0.500	0.000
Feb 2022	OCO	CCG recurrent pick up of IMC and rapid response	1.224	1.224	0.000
	OCO	Sub-Total	8.879	6.053	-2.826
Feb 2022	OPS	Trade Waste Income	0.020	0.020	0.000
Feb 2022	OPS	Pest control increased income and efficiencies	0.017	0.017	0.000
Feb 2022	OPS	Public protection - Income Generation and Budget Rationalisation	0.020	0.020	0.000
Feb 2022	OPS	Traded Services Review – Caretaking and Cleaning	0.084	0.084	0.000
Feb 2022	OPS	Traded Services Review – Schools Catering	0.100	0.100	0.000
Feb 2022	OPS	Change provision of waste caddy liners	0.050	0.050	0.000
Feb 2022	OPS	Leisure & Wellness Programmes - increased efficiency	0.212	0.212	0.000
Feb 2022	OPS	Increase Recycling and Minimise Waste	0.050	0.050	0.000
Feb 2022	OPS	Review of Persona Transport Services	0.100	0.100	0.000
Feb 2022	OPS	Removal of Vacancies, job redesign	0.143	0.143	0.000
Feb 2022	OPS	Modernise Utility Billing	0.050	0.050	0.000
Feb 2022	OPS	Merge Equipment Stores	0.040	0.040	0.000
Feb 2021	OPS	Review of Highway Fees	0.070	0.070	0.000
Feb 2021	OPS	Remove vehicle and equipment leasing costs to reflect approved borrowing through the capital programme	0.300	0.300	0.000
Feb 2021	OPS	Review of Waste Services and Fleet Rationalisation	0.025	0.025	0.000
Feb 2021	OPS	Street Light Dimming	0.010	0.010	0.000
	OPS	Sub-Total	1.291	1.291	0.000
		TOTAL DELIVERY AGAINST 2022/23 MTFS SAVINGS	16.096	13.111	-2.985

PREVIOUS YEARS MTFS SAVINGS CARRIED FORWARD AS NOT DELIVERED IN 2021/22					
Prior Yr Saving	Dept	Proposal Description	Saving £m	Forecast £m	Variance £m
Prev Year	ALL	Transformation	1.500	1.326	-0.174
	ALL	Sub-Total	1.500	1.326	-0.174
Prev Year	BGI	Restructure Stretch Savings Target	0.200	0.000	-0.200
	BGI	Sub-Total	0.200	0.000	-0.200
Prev Year	CYP	Efficiencies & Transformation	0.126	0.126	0.000
	CYP	Sub-Total	0.126	0.126	0.000
Prev Year	OCO	MH Care Packages	0.011	0.011	0.000
Prev Year	OCO	Low-Cost Care Packages	0.352	0.352	0.000
Prev Year	OCO	Persona Contract	0.203	0.203	0.000
Prev Year	OCO	Care at Home Pricing Structure	0.200	0.200	0.000
	OCO	Sub-Total	0.766	0.766	0.000
Prev Year	OPS	Closure of Civic Venues	0.132	0.000	-0.132
Prev Year	OPS	Review of Waste Services and Fleet Rationalisation	0.137	0.137	0.000
	OPS	Sub-Total	0.269	0.137	-0.132
		TOTAL DELIVERY AGAINST PREVIOUS YEARS UNDELIVERED MTFS SAVINGS	2.861	2.355	-0.506

16. Council Reserves

16.1. At the end of 2021/22 the council's total usable reserves, excluding Schools, were £126.115m. It should be noted that a significant proportion of these are earmarked.

16.2. At Quarter 1 a number of transfers to and from reserves are expected to take place during the financial year, some of which were approved through the budget setting process and others have been identified through the financial outturn process.

16.3. Forecast transfers to reserves total £4.809m and consist of:

- £1.129m to General Fund
- £2.997m smoothing reserve
- £0.683m social care reform
- £1.388m business rates risk

16.4. Forecast transfers from reserves total £21.055m and consist of:

- £14.355m supporting the 2022/23 revenue budget
- £2m relating to the Children's reserve supporting Ofsted related improvements as described earlier in this report, £1.5m is expected to be carried forward to fund the last 6 months of the first year and the 2nd year of the family safeguarding model
- £1.450m expected use of the Transformation Reserve
- £0.350m of COMF funding carried forward from 2021/22
- £1.5m utilities reserve to support in year pressures
- £1.4m contribution to the pay award which is currently being negotiated and expected to be significantly above the 2% originally budgeted. Early indications are that the costs of this could be as high as £3m in excess of the currently budgeted £2.6m. Thereby resulting in a pressure of £1.6m over and above the budget and the reserve

Table 12

Forecast of Council Reserves at 31 March 2023				
	31/03/22	In	Out	31/03/23
General Reserves	23.816	1.129	(8.604)	16.341
Directorate Risk Reserves	9.257		(3.500)	5.757
Volatility and Fiscal Risk	37.675	2.997	(5.751)	34.921
Total Management of Risk Reserves	70.748	4.126	(17.855)	57.019
COVID-19 Related Grants	4.691			4.691
Corporate Priorities	11.395		(1.400)	9.995
Transformation Reserve	7.794		(1.450)	6.344
External Funding/Grants	19.427	0.683	(0.350)	19.760
Other Earmarked Reserves	12.080			12.080
Total Earmarked Reserves	55.387	0.683	(3.200)	52.870
Total Council Reserves (excluding Schools)	126.115	4.809	(21.055)	109.869

17. Other Budgets

Schools

17.1. The council's expenditure on schools is funded primarily by the Dedicated Schools Grant (DSG). The DSG is ringfenced and can only be spent on schools related activity as set out in the Schools and Early Years Finance (England) Regulations 2020. The Schools Budget includes funding for a range of educational and support services provided on an authority wide basis as well as Individual Schools Budget (ISB). The Schools' Forum recommends the allocation of funding to schools and academies through the application of the funding formula.

17.2. The DSG has 4 main blocks:

Block	2022/23 Budget
	£m
Schools	143.041
High Needs	39.427
Early Years	13.486
Central Support Services	0.991
TOTAL	196.945

17.3. In addition to the DSG, schools and academies also receive external funding from grants including:

Estimated External Funding 2022/23	£m
DSG Additional Supplementary Grant	5.683
Pupil Premium Grant	9.327
Universal Infant Free School Meals Grant	2.206
Primary PE and Sport	1.045
Covid-19 Recovery, Workforce, Vaccination	2.149
Devolved Formula Capital	0.805
High Needs Capital	3.781
TOTAL	24.996

- 17.4. From 2019/20 the Department for Education (DfE) required all councils to complete a recovery plan should their overspend on the DSG exceed 1%. Given the scale of Bury's DSG deficit, which accumulated to over £27m by the end of 2020/21, the Council has entered into a formal agreement 'Safety Valve' with the DfE.
- 17.5. The Safety Valve agreement sets out a 5 year timeline to ensure SEND transformation and DSG deficit recovery priorities can be sustained.
- 17.6. The Safety Valve Agreement and Monitoring requirements outline the commitment required by Bury to address the deficit through SEND transformation and the review of all associated financial aspects.
- 17.7. The Safety Valve agreement has enabled Bury to secure an additional £20m DSG. This additional DSG is profiled to be allocated across 5 years in accordance with the Safety Valve agreement.
- 17.8. The Safety Valve development with the DfE has also provided a further £3.781m additional High Needs Capital funding to Bury. This is being targeted as a priority to develop, enhance and increase in-borough specialist provision and places across Bury's Special Schools and Mainstream settings.
- 17.9. The deficit recovery remains subject to ongoing increased in-year cost pressures for high-cost out of borough SEND placements, in-year increased capacity and associated high-cost banded placements at Bury's Maintained Special Schools, plus in-year top-up funding for increased volumes of EHCPs in Bury's Mainstream Schools and Academies.
- 17.10. The following highlights the revised recovery profile updated as at July 2022 and indicative forecast position on the DSG deficit, indicating in brackets the additional

DSG provided in each year:

• DSG Deficit as at end 2019/20	£20.067m
• DSG Deficit as at end 2020/21	£21.407m (£6.000m)
• DSG Deficit as at end 2021/22	£21.473m (£4.724m)
• DSG Deficit forecast as at end 2022/23	£18.026m (£4.000m)
• DSG Deficit forecast as at end 2023/24	£11.249m (£3.000m)
• DSG Deficit forecast as at end 2024/25	£0.207m (£3.000m)
• DSG Surplus forecast as at end 2025/26	£0.532m

17.11. The pressures referred to are ongoing during 2022/23 and mitigating actions are being developed as part of the Safety Valve programme priorities. The mitigations include the transformation of Mainstream EHCP top-up funding, Special School banding levels, Inclusion Partnership funding, and review of all High Needs Block funding contributions to non-statutory support services. The delivery of these mitigations will result in the recovery profile at 15.10 being regularly updated and submitted to the DfE for their assurance.

17.12. The DfE have recently revised the funding increases to be forecast into 2023/24 and 2024/25 recovery years which presented a risk to recovering the full deficit by the end of 2024/25, in accordance with the original agreement. Further discussions with the DfE are taking place to reach agreement on how this will be managed.

17.13. The full Safety Valve report and delivery plan is subject to separate updates to Scrutiny, Cabinet and Council

17.14. Guidance on the treatment of DSG deficit reserves is included in the statutory DSG Conditions of Grant which states that the LA must co-operate with the DfE in accordance with the provisions specified. These Conditions include, but are not limited to, communication, information sharing, meeting DfE officials as and when requested, deficit recovery, LA and external audit reporting requirements, and repayment of the DSG if the LA does not comply with DfE and external audit requirements.

18. COLLECTION FUND

18.1. The increasing prominence of council tax and business rates in helping fund council services means that the collection fund is monitored on an ongoing basis. The current forecast position is an in-year surplus of £4.279m with a residual deficit brought forward from 2021/22 of £2.324m. (This is the difference between the statutory estimated deficit as at 15th January 22 and the outturn position) This is then adjusted for the year 3 mandatory spreading adjustment for the 2020/21 deficit of £1.068m bringing the overall forecast net surplus to £0.887m. The council's share of the surplus is £0.473m and the Greater Manchester Combined Authority's share is a surplus of £0.414m (for police and fire and rescue services).

18.2. The proportionate shares for Business Rates and Council Tax mean that Greater Manchester Combined Authority have a 1% share of the Business Rates deficit and a 16% share of the Council Tax surplus, whereas the council have a 99% share of the Business Rates deficit and a 84% share of the Council Tax surplus. In this instance both the council and GMCA have a net surplus.

18.3. Due to the impact on the Council's ability to collect both Council Tax and Business Rates, an important change to Collection Fund accounting was introduced for 2020/21, which (with the exception of the £24.899m Government grant funded Business Rate reliefs) mandated the smoothing of the impact of COVID related deficits over three financial years, thus reducing the impact on the revenue budget. The Council's 2022/23 budget has been prepared using this new facility and the year 3 impact can be seen in the table below.

Table 13

2022/23 Collection Fund Forecast Position as at 30 June 22			
	Council Tax	Business Rates	Total
	£m	£m	£m
Balance Brought Forward surplus (+) / deficit (-)	4.902	(14.348)	(9.446)
Prior Year estimated surplus / deficit repaid in year	(5.364)	12.486	7.123
Estimated (Surplus)/Deficit for the year	3.696	0.583	4.279
Year 3 of the spreading adjustment for 2020/21 deficit	(0.526)	(0.542)	(1.068)
Balance Carried Forward surplus (+) / deficit (-)	2.708	(1.821)	0.887
<i>Distributed:</i>			
Bury Council	(2.275)	1.803	(0.473)
GMCA – Police and Crime Commissioner	(0.298)	0.000	(0.298)
GMCA – Mayoral / Fire and Rescue Service	(0.135)	0.018	(0.116)
Total 2022/23	(2.708)	1.821	(0.887)

19. HOUSING REVENUE ACCOUNT

Table 14

2022/23 Forecast Revenue Out Turn Position - as at 30th June 2022			
Housing Revenue Account	Approved Budget	Actual Outturn	Forecast (Under)/Over Spend
	£m	£m	£m
Income			
Dwelling Rents	(31.568)	(31.558)	0.010
Non-Dwelling Rents	(0.203)	(0.203)	0.000
Other Charges	(1.048)	(1.048)	0.000
Total Income	(32.819)	(32.809)	0.010
Expenditure			
Repairs and Maintenance	6.902	6.902	0.000
General Management	7.380	7.380	0.000
Special Services	1.401	1.401	0.000
Rents, Rates and Other Charges	0.036	0.036	0.000
Increase in Bad Debts Provision	0.510	0.510	0.000
Capital Charge	4.713	4.713	0.000
Depreciation	7.472	7.472	0.000
Debt Management Expenses	0.045	0.045	0.000
Contribution to/(from) reserves	(3.749)	(3.749)	0.000
Total Expenditure	24.710	24.710	0.000
Net Cost of Services	(8.109)	(8.099)	0.010
Interest receivable	(0.018)	(0.018)	0.000
Principal Repayments	0.000	0.000	0.000
Revenue Contributions to Capital	7.910	10.091	2.181
Sub Total	7.892	10.073	2.181
Operating (Surplus)/Deficit	(0.217)	1.974	2.191

19.1. In reviewing the in-year financial position, it is useful to consider some of the other aspects of performance regarding the Housing Revenue Account. These are still to some degree being affected by the financial impacts resulting from the

pandemic; this makes forecasting with any certainty very difficult.

- 19.2. The most significant variance is the Revenue Contribution to Capital. The 2022/23 budgeted contribution was £7.910m, against a forecast Outturn of £10.091m. The forecast increase of £2.199m to £10.091m, is also shown in 20.1 below, which sets out changes to capital expenditure and related funding.
- 19.3. The £2.191m increase is a further draw on HRA balances on top of the budgeted contribution to reserves of £3.749m. The total draw on HRA reserves is forecast to be £5.940m, against an opening balance of £9.842m. This means that forecast HRA reserves as at 31 March 2022 are £3.902m.
- 19.4. The £2.191m forecast increased draw on HRA reserves, is in the context of a £3.098m saving in the reserve requirement in the previous financial year (see report Financial Outturn Position 2021-22).
- 19.5. Other variances against budget are not significant at this stage but rental income has been slightly reduced due to an increase in voids. This variance and other updates are set out below:

Voids The rent loss due to voids for April to June was on average 1.21% which is slightly worse than the 1% void target level set in the original budget. If this performance continues, there will be a reduction in rental income of £0.010m (see shortfall in Dwelling rent above) over the original budget. Six Town Housing continue to review the voids processes and the various factors affecting demand.

Arrears The rent arrears at the end of June totalled £1.926m. Of the total arrears £0.569m are in respect of former tenants' arrears and £1.357m are in relation to current tenants' arrears. Of the current tenant arrears £1.156m is in relation to cases where either underoccupancy charges apply or the tenants are in receipt of Universal Credit rather than housing benefit.

Bad Debts The Council is required to make a provision for potential bad debts. The contribution for the year is calculated with reference to the type of arrears, the amount outstanding on each individual case and the balance remaining in the provision following the write off of debts.

The forecast increase in the required contribution to the Bad Debt Provision is based on an assessment of the arrears at the end of December and the potential change in arrears for the remainder of this financial year. This is very much an estimate based on current trends and expectations and is closely monitored.

Right to Buy Sales The forecast for 2022/23 is 46. There have been 14 sales in the period April to June which is 5 more than at this point last year. The number of applications currently stands at 35.

20. CAPITAL PROGRAMME

20.1. The Council approved a capital budget for 2022/23 of £142.486m. The table below summarises the current position at quarter1, 30th June 2022.

Table 15

	Approved Budget 2022/23	Proposed adjustment at Month3	Revised Budget 2022/23	Proposed re-phasing to 2023/24/25 provisional estimate	Forecast For year provisional estimate	Variance under / (overspend)
	£m	£m	£m	£m	£m	£m
Capital Programme 2022/23	142.486	8.020	150.506	(71.700)	78.806	0.000
Funded By:						
External Funding and Contributions	(68.179)	(4.245)	(72.424)	39.833	(32.591)	0.000
Use of Capital Receipts	(0.250)	(0.155)	(0.405)	0.223	(0.182)	0.000
Prudential Borrowing	(58.832)	0.103	(58.730)	30.844	(27.886)	0.000
General Fund and Reserves	(0.724)	(0.732)	(1.456)	0.800	(0.656)	0.000
Housing Revenue Account	(7.100)	(2.991)	(10.091)	0.000	(10.091)	0.000
Major Repairs Reserve	(7.400)		(7.400)	0.000	(7.400)	0.000
TOTAL	(142.486)	(8.020)	(150.506)	71.700	(78.806)	0.000

20.2. The total revised programme proposes a net increase of £8.020m to the 2022-23 capital programme, from £142.486m to £150.506m. This increase comprises £9.263m of additional grant funding, £4.383m of slippage brought forward from 2021-22, offset by a £4.5m reduction in borrowing and other £1.127m as a consequence of prior year commitments and adjustments to schemes already approved by Cabinet during 2021/22.

20.3. The amount of £9.263m comprises announcements for additional external funding available to the Council since April, including updates on estimated announcements made by Government Departments at an earlier date.

- **New Grants notified during Quarter1**

Grant	£m
Devolved Formula Capital (Schools)	0.308
Schools Condition Allocation	2.059
High Needs Provision Allocation	1.706
Mayor's Challenge Fund	4.108
City Region Sustainable Transport	0.900
Bury Athletic Track	0.182
Total grant notified	9.263

20.4. Less a reduction in the original approved programme for Sport and Leisure and ICT schemes, due to re-phasing of budgets already accounted for in the programme.

- **Prudential Borrowing in excess of proposed investment need**

Borrowing	£m
Sport And Leisure	(2.000)
ICT Projects	(2.500)
Total reduction in borrowing need	(4.500)

20.5. There have also been changes to the funding for specific capital projects since the original programme was approved. It is proposed to update the relevant project budgets for these changes. They are itemised in the table below.

- **Other grants and contributions received/reduced during Quarter4 or approved in 2021/22 for 2022/23, to include in the programme**

Grant / external funding /Council resources	£m
Parks Strategy 2022/2023	0.050
Play Area Strategy	0.045
Bury Athletics Track	0.100
Sports (3G Pitch Radcliffe Match funding)	0.100
Cycling and Walking Routes / Mayors Challenge Fund	1.148
Town Hall H&S New Works	0.040
Springwater Park Land Slip	0.050
Empty Property Strategy	0.250
Public Sector Decarbonisation	(2.910)
Total other adjustments at Qtr1	(1.127)

- The 2021/22 Outturn slippage of £4.384m for the 2021/22 year end, if included, would bring the total of 2022/23 programme adjustments to £8.020m. A recommendation to approve a carry forward of £4.384m is included in the 2021/22 Outturn Report (The Council's Financial Position – 2021/22 Outturn, 7th September 2022).

20.6. Cabinet is recommended to approve the net change of £8.020m as an increase to the programme approved in February at the Council Budget setting meeting as a consequence of external funding and the rephasing of the capital programme and note the reduced requirement for Prudential Borrowing as a consequence.

Capital Gateway – future planning

20.7. During 2022/23 the Council will implement a reinvigorated capital gateway process that will undertake a scheme-by-scheme review. This will ensure re-phasing of schemes into the next and future financial years allowing for structured, prioritised delivery of schemes and ensuring optimal financial planning of Council's resources. The Capital Gateway processes will be refreshed during 2022/23 and for future years to enable reviews of all new and existing schemes against corporate priorities and the Council's capital strategy. The capital gateway process aims to embed effective monitoring and reporting arrangements whilst ensuring that:

- schemes are prioritised and presented to members for consideration at appropriate times during the year
 - schemes are a strategic fit with corporate priorities
 - adequate resources are identified at the start of the process to ensure sufficient capacity is available to deliver the projects within anticipated timescales
 - effective monitoring is carried out so that any slippage or delays can be considered and reported
 - effective project management practices are embedded for all projects

20.8. To allow for delivery planning of schemes in the programme, the Funding table will be further updated at quarter 2 with an estimated amount of re-phasing into future years for projects that are not likely to start during this year or may span a number of financial years and therefore need the budgets phasing to reflect anticipated delivery timeframes where they don't currently.

20.9. If slippage follows a similar pattern at year end to that of previous years and based on spend precedents, a potential slippage of around 55% of the approved current programme may occur, which equates to an approximate amount of £71.7m. This figure excludes an expected full spend on the Housing Public Sector programme of £17.5m and ICT corporate schemes of £2.554m.

20.10. Work to phase spend appropriately, thus reducing the level of slippage will be ongoing in the year. Cabinet will be updated within the quarter 2 finance report on the likely values

Future funding opportunities for investment in Bury's assets:

20.11. As part of 'The Streets for All allocation', the Council will receive a share of the £1.07bn City Region Sustainable Transport Scheme (CRSTS) allocated to Greater Manchester, announced to be a total of £15.4m. This allocation will be awarded subject to Strategic Outline Business Cases (SOBC) for each of the three town centres that will benefit from the CRSTS investment:

- Radcliffe Town Centre £9.0m
- Bury Town Centre £4.1m
- Ramsbottom Town Centre £2.3m

Expenditure and forecast 2022/23

20.12. As at 30th June 2022, capital expenditure totalled £6.647m, net of previous year accruals. Expenditure is lower than anticipated and given the size of the programme, however it is expected to increase during the remainder of the year as cashflow is firmed up and purchase orders for works are placed.

Table 16

Capital Theme	Proposed Revised Budget	Forecast estimate (based on previous year outturn)	Expenditure to June
Capital Scheme	2022/23	2022/23	2022/23
	£m	£m	£m
Regeneration	63.409	28.500	1.464
Place Shaping / Growth	7.074	3.200	0.160
Sport and Leisure	4.863	2.200	0.432
Operational Fleet	4.493	2.000	0.054
ICT	2.754	2.754	1.236
Highways	18.782	8.400	1.151
Children and Young People	19.872	8.900	0.418
Estate Management - Investment Estate:	0.198	0.198	0.000
Estate Management - Corporate Landlord:	5.738	2.600	0.254
Communities and Wellbeing	2.490	1.100	0.000
Housing	18.584	17.954	0.878
Climate Change	2.248	1.000	0.600
Total Capital Programme	150.506	78.806	6.647

20.13. The forecast at Qtr1 is provisional and based on previous year Outturn trends.

20.14. At the time of this report, there is a provisional assumption for an estimated 45% of the programme (approximately £78.800m) forecast, to be spent by the end of the financial year against a budget of £150.506m. This will mean an underspend of £71.700m against current budget, figure that will be further refined during the year through re-phasing.

Insurance Contract

20.15. The current Insurance contract is due to expire on 31st March 2023 and Cabinet is

recommended to extend this by 12 months to 31st March 2024 and this has been confirmed by Gallaghers, our current brokers, as acceptable should we wish to proceed.

20.16. Due to the Ofsted report, our Liability Insurers are concerned regarding a significant rise in premiums. Extending the tender by a year would give the service time to implement new procedures and prove to insurers that changes have been made and that we are now at a lower level of Risk. The current Head of Insurance also retires on 1st September 2022 and the service is in the process of implementing the finance restructure which incorporates a Head of Fraud, Audit, Insurance and Risk but this person will not be in post in time to undertake this work should we wish to reprocure for a new contract from the 1st April 2023.

20.17. Procurement & Legal have been contacted and they have advised that the contract could be extended for a further twelve months under the following criteria as specified in Regulation 72 1 c of the Public Contract Regulations 2015.

21. NEXT STEPS AND CONCLUSION

21.1. The financial position requires ongoing scrutiny and careful monitoring in order for the Council to recover its financial position and achieve both a balanced budget at year-end and its medium-term financial strategy.

21.2. Work is required during the remainder of the financial year to ensure the capital programme supports the ambitious regeneration plans Bury has and to work with officers to ensure capital budgets support both the strategic needs of the Borough and the requirement for capital schemes to be delivered within budget.

Report Author and Contact Details:

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Links with the Corporate Priorities:

A strong financially sustainable Council is essential to the delivery of the Let's do it Strategy.

Equality Impact and Considerations:

Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to -

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;*

(b) *advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;*

(c) *foster good relations between persons who share a relevant protected characteristic and persons who do not share it.*

The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services.

Assessment and Mitigation of Risk:

Risk / opportunity	Mitigation
The council is unable to manage its finances.	The content of the report supports the Council in managing the overall financial risks and financial planning for the Council.
Some of the capital schemes that are forecast to spend by year end may slip into the next financial year, due to the pace of planning stages, design and agreements that involve external parties	Work is undertaken to ensure where possible that projects are delivered on time with externally funded, conditions attached schemes being prioritised.
Rising interest rates impact upon the cost of borrowing and therefore increased costs of the capital programme	Whilst this was always considered an external risk (a contingency to mitigate it was historically built into the estimates for financing costs in the Council's financing strategy), the current rapid rise of inflation and interest rates will require some careful planning of the intent to borrow, to support the Council's capital programme.

Legal Implications:

The extension to the insurance contract is a Cabinet decision as the value exceeds 1m. There is no extension provision within the Contract however the extension is permitted as a modification permitted under Regulation 72 (1) (c) of the Public Contracts Regulations 2015 which relates to unforeseen circumstances.

Financial Implications:

The financial implications are set out in this report

Background papers:

None.

Please include a glossary of terms, abbreviations and acronyms used in this report.

Term	Meaning