

<b>Report to:</b>	Cabinet	<b>Date:</b> 16 November 2022
<b>Subject:</b>	Quarter 2 monitoring report	
<b>Report of</b>	Cabinet Member for Finance and Communities	

## Summary

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 second quarter, 30th September 2022. The report sets out the position for both revenue and capital and provides an analysis of the variances, both under and overspending.

## Recommendation(s)

2. To note the forecast overspend of £2.554m within the revenue budgets at quarter 2 and the need for Directorates to continue to work with their finance managers to maintain tight budgetary control and to ensure services work within their budgets;
3. To note that this overspend does not reflect the estimated £1.600m additional cost of the pay increase over and above what was already budgeted and set aside within reserves at last year end.
4. To note the position on the Dedicated Schools Grant, Collection Fund and the Housing Revenue Account;
5. To note the underspend of £0.144m on the capital programme;
6. To approve the additions of £0.239m and reductions of £4.596m to the capital programme;
7. To approve re-phasing of the capital programme from 2022/23 into 2023/24 and 2024/25 financial years of £85.225m from the current programme;

## Reasons for recommendation(s)

8. To ensure the Council's budgetary targets are achieved.

## Alternative options considered and rejected

9. This report is in accordance with the council's financial procedure regulations.

## 10 PURPOSE OF THE REPORT

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 second quarter, 30<sup>th</sup> September 2022. The report sets out the position for both revenue and capital and provides an analysis of the variances, both under and overspending.

## 11. Background

These are unprecedented times for LA budgets with huge volatility and uncertainty affecting all LAs. We expect to have on going resource gaps caused by inflation on all costs, additional services, additional demand on existing services and reductions in income.

There are a number of overspends identified within this report at quarter two and finance colleagues are working with Directorates to identify mitigating actions.

## 12. FINANCIAL OVERVIEW – REVENUE

The forecast out turn position is set out in Table 1 below and shows a forecast overspend at quarter 2 of £2.554m. Where budgets are overspending work is taking place to identify mitigating actions to bring budgets back into line.

**Table 1**

Directorate	Approved Budget	Forecast	(Under)/ OverSpend
	£m	£m	£m
Business, Growth and Infrastructure	2.996	2.768	(0.228)
Children and Young People	45.604	49.098	3.494
Corporate Core	14.386	13.917	(0.469)
Corporate Core – Finance	4.817	5.168	0.351
Housing General Fund	1.288	1.288	0
Non-Service Specific	10.495	4.829	(5.666)
One Commissioning Organisation	79.712	81.632	1.920
Department Of Operations	18.594	21.746	3.152
<b>TOTAL</b>	<b>177.892</b>	<b>180.446</b>	<b>2.554</b>

Further to the pay award being agreed there is a further estimated pressure across the wider organisation of £1.600m which will be reflected in each directorate. This takes the forecast overspend to £4.154m for 2022/23. Within the childrens position there is also an assumed use of £2m of the reserve that was created at the end of 2021/22 with the balance being retained to fund the family safeguarding model in 2023/24.

## **Directorate -Business Growth and Infrastructure – (£0.228m) forecast underspend**

The BGI budget is forecast to underspend by £0.228m due to small establishment savings, additional external funding and wider capitalisation of employees salaries who are working directly on capital schemes. Budgets are being monitored closely due to the potential increase on Homelessness and other Housing support services brought about by the cost-of-living crisis.

## **One Commissioning Organisation**

**Table 2**

<b>2022/23 Forecast Revenue Position – as at 30<sup>th</sup> September 2022</b>			
<b>OCO Directorate</b>	<b>Revised Budget (£m)</b>	<b>Forecast (£m)</b>	<b>(Under)/Over Spend (£m)</b>
Adult Social Care Operations	6.488	5.878	(0.610)
Care in the Community	43.305	45.859	2.553
Commissioning & Procurement	15.335	16.038	0.703
Departmental Support Services	3.692	3.063	(0.629)
Workforce Modernisation	0.078	0.078	0
Public Health	10.814	10.716	(0.097)
<b>TOTAL</b>	<b>79.712</b>	<b>81.632</b>	<b>1.920</b>

The One Commissioning Organisation (OCO) budget is forecast to overspend by £1.920m.

## **Adult Social Care Operations – (£0.610m) forecast underspend**

The Adult Social Care Operations budget is forecasting a £0.610m underspend. The underspend is due to staffing vacancies across a range of Operational services. Recruitment and retention remains a challenge nationally and Bury is not immune to this workforce challenge. The new workforce retention strategy is proving successful in recruiting social workers and long-term vacancies within operational teams are now being filled.

## **Care in the Community – £2.553m forecast overspend**

The Care in the Community budget is forecast to overspend by £2.553m driven by a combination of challenges in delivering savings specific to the review of client care packages and the pressure of facing new 'in year' demand for care.

As at 30th September, £2.1m of savings have been achieved through care package reviews, including £0.1m over delivery on low cost care package reviews, however, new demand especially as a result of post hospital discharge is partially offsetting savings delivered. The forecast assumes that a further £1.3m of savings will be delivered by the remainder of the financial year (i.e., savings not yet achieved but are expected to be achieved by March 31, 2023).

### **Commissioning & Procurement - £0.703m forecast overspend**

The Commissioning and Procurement Budget is forecast to overspend by £0.703m. The overspend is due to a forecast £0.725m shortfall regarding the 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, but this will now span this financial year and next. Work is also ongoing to understand the impact of the pay award on the Persona budget and contract.

### **Departmental Support Services – (£0.626m) forecast underspend**

The Departmental Support Services budget is forecasting a £0.626m underspend. The underspend is a result of a decision to deploy the 2022/23 inflationary uplift to the Better Care Fund budget allocation to mitigate in year OCO budgetary pressures.

### **Fair Cost of Care**

In December 2021 the government announced its white paper; [People at the Heart of Care](#), which outlines an ambitious reform of social care. As part of this, and wider charging reform, the government launched the policy paper; [Market Sustainability and Fair Cost of Care](#).

As part of the policy paper, Local Authorities are to be given access to a Fair Cost of Care Fund to support the implementation of charging reforms. The funding will help support Local Authorities to ensure compliance with Section 5 of the Care Act 2014 which outlines a local authority's duty to "promote the efficient and effective operation of the care and support market".

Provider submissions have been collated and analysed and the total cost impact coming out of the modelling of the fair cost of care exercise will likely lead to significantly increased Care Home and Domiciliary Care fees and consequently without an equivalent increase in financial support for Councils' this will lead to a significant funding gap between current rates and the fair cost of care rates and therefore add pressure to already strained Council financial resources.

## **Children and Young People**

**Table 3**

2021/22 Forecast Revenue Position – as at 30 <sup>th</sup> September 2022			
	Revised Budget	Forecast	(Under)/Over Spend
	£m	£m	£m
Children's Commissioning	0.778	0.827	0.049
Early Help & School Readiness	2.478	2.195	(0.283)
Education & Inclusion	17.278	18.283	1.005
Social Care & Safeguarding	25.071	27.793	2.722
<b>TOTAL</b>	<b>45.604</b>	<b>49.098</b>	<b>3.494</b>

Children and Young People is forecast to over-spend by £3.494m, after utilising £2m of the reserve created at the end of the last financial year.

### **Education & Inclusion - £1.005m forecast overspend**

Special Educational Needs Transport is forecast to over-spend by £0.897m in total which is split £0.527m pre-16 and £0.370m post 16. For school-aged children the budget is sufficient to transport circa 250 children based on current costs. Bury has 450 children eligible for home to school transport. Similarly, for post-16 young people, the budget assumes a much smaller number of young people who are transported to college. The department is trying to mitigate this by promoting personal budgets and travel training.

### **Social Care & Safeguarding - £2.722m forecast overspend**

Corporate Parenting is forecasting to be £1.870m overspent due to increased costs of residential placements for young people and fostering. The residential budget is forecast to be overspent by £1.55m due to the complexity of cases and additional staffing required for young people in homes. High care costs are due to increased fees charged by providers. Challenging market conditions mean councils are finding it difficult to find appropriate places for children as they are increasingly provided by private sector and children's needs have become more complex. The fostering budget is forecast to over-spend by £692k due to the shortage of foster carers in the authority and an increased reliance on private providers. This is consistent with trends across other local authorities.

Safeguarding is forecasting a £2.796m overspend due to heavy reliance on agency workers and additional hours needed to meet demand pressures. Small underspends are, in part, mitigating the overspend.

The overspends above are offset by transfers from reserves of £2.6m

## **Operations Directorate**

**Table 4**

2022/23 Forecast Revenue Position – as at 30 September 2022			
Operations	Approved Budget	Forecast Out Turn	Forecast (Under)/Over Spend
	£m	£m	£m
Wellness Operations	2.700	3.475	0.775
Engineers (including Car Parking)	(0.375)	(0.436)	(0.061)
Street Scene	4.780	5.795	1.015
Commercial Services	(0.671)	0.215	0.886
Waste, Transport and Stores	5.886	6.425	0.539
Operations Senior Management	4.602	4.656	0.054
Health & Environmental Protection	1.499	1.572	0.073
Corporate Landlord	0.173	0.044	(0.129)
<b>TOTAL</b>	<b>18.594</b>	<b>21.746</b>	<b>3.152</b>

Operations Directorate are forecasting an overspend of £3.152m, a significant cause of this overspend is fuel and energy inflation, which represents £1.587m of the total overspend.

### **Wellness Operations - £0.775m forecast overspend**

There are an additional £0.600m of energy costs in leisure centres and libraries, £0.500m and £0.100m respectively. Within leisure centres, income is also projected to be £0.205m lower than budgeted but leisure centres are looking to improve usage by implementing new booking systems and marketing the services.

### **Street Scene - £1.015m forecast overspend**

The overspend comprises of additional electricity costs of £0.820m on street lighting. Also £0.195m additional costs are projected on grounds maintenance, due to fuel, energy and miscellaneous items such as skip hire, and income targets not being achieved.

### **Commercial Services - £0.886m forecast overspend**

The overspend includes £0.272m reduced income on catering, reflecting a lower take up for the service. Fee income from the hiring out of civic halls is also £0.188m lower than budgeted. Market income is projected to under-recover due to reduced occupancy within Market Parade and Market Hall £0.200m. Escalating energy costs within the Market have resulted in additional costs of £0.250m.

## **Waste, Transport and Stores - £0.539m forecast overspend**

The cost of fuel inflation is leading to an overspend of £0.200m and staffing overspends across both Waste and Transport services is resulting in an overspend of £0.200m. The service has currently hired an additional three refuse collection vehicles, costing £0.150m whilst it awaits new vehicles. All three hired vehicles will be off hired by the end of November.

## **Corporate Core and Finance Directorate**

**Table 5**

2022/23 Forecast Revenue Position – as at 30 <sup>th</sup> September 2022			
Directorate	Revised Budget	Forecast	(Under)/Over Spend
	£m	£m	£m
Corporate Core Finance	4.817	5.168	0.351
Corporate Core Services	14.386	13.917	(0.469)
<b>TOTAL</b>	<b>19.203</b>	<b>19.285</b>	<b>(0.118)</b>

The Corporate Core budget (including Finance) is forecast to underspend by £0.118m.

## **Corporate Core Services – (£0.469m) forecast Underspend**

There is a forecast underspend of (£0.763m) largely due to the holding of vacancies within ICT following the additional investments as part of this year's budget setting whilst the review is undertaken as to the future target operating model. This is offset by a number of smaller overspends.

## **Corporate Core Finance - £0.351m forecast overspend**

There is a forecast overspend due to interim staff usage whilst implementation of the approved restructure is undertaken, unachieved income and non-staffing costs. It is anticipated that implementation will be complete by January 2023. This is offset by an underspend within the Non-Service Specific department corporate capacity budget.

## **Housing General Fund – Nil variance**

The Housing General Fund is on budget overall as the budget was realigned as part of the 2022/23 budget setting. Whilst the economic pressures may well cause an increase in housing benefit claimants, this would be offset by an increased subsidy payment. There may be a need to increase the expected credit loss that is provided for as claimants with overpayments may not be in a position to repay at the same rate. This would create an overspend as an increased contribution to the provision would be required, this will be reviewed as the year continues.

## Non Service Specific

**Table 6**

2022/23 Forecast Revenue Position – as at 30 September 2022			
Non-Service Specific	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	0.264	0.185	(0.079)
Corporate Management	1.610	1.114	(0.495)
Cost of Borrowing	6.238	0.553	(5.685)
Disaster Expenses	0.011	0.011	0.000
Environment Agency	0.100	0.108	0.008
Pension Service Costs	(20.843)	(20.843)	0.000
GMWDA levy	12.831	12.831	0.000
Passenger Transport Levy	13.650	12.887	(0.763)
Town of Culture	0.090	0.090	0.000
Townside Fields	(0.058)	(0.058)	0.000
Provisions / Reserves	(4.735)	(3.386)	1.349
<b>TOTAL</b>	<b>10.495</b>	<b>4.829</b>	<b>(5.666)</b>

The department of Non-Service Specific expenditure is projected to underspend by £5.666m.

### Corporate Management – (£0.495m) forecast underspend

The Corporate Subscriptions has reduced significantly from previous years on the AGMA district contributions made. An element of this budget has been given up recurrently as part of the future years savings.

### Cost of Borrowing – (£5.685m) forecast underspend

This comprises reductions on PWLB loan interest payments following the repayment of principal and interest in 2021/22 of ex GMC debt and a review of the current capital programme. The PWLB loan interest spend may increase in future years in line with increased expenditure on the Capital Programme.



## Passenger Transport Levy – (£0.763m) forecast underspend

We have been informed by GMCA that increases are likely from 2023/24 of approximately 4% on this levy due to the current inflationary pressures. The uplift and any recurrent underspend on this budget will be reviewed as part of the budget setting process.

## 12. Delivery of the Savings Plan

Planned savings of £15.733m were approved by Council in February 2022 for the 2022/23 financial year. In addition, there were £0.384m 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 £16.117m, split across Council departments as shown in the tables below.

Table 7

<b>2022/23 Savings Delivery</b>	<b>Savings £m</b>	<b>Forecast £m</b>	<b>Variance £m</b>
Transformation	3.037	1.820	(1.217)
Council Wide	1.565	1.565	0
Corporate Core	0.250	0.245	(0.005)
Children & Young People	0.611	0.291	(0.320)
One Commissioning Organisation	8.979	6.819	(2.160)
Operations Department	1.291	1.041	(0.250)
<b>TOTAL</b>	<b>15.733</b>	<b>11.786</b>	<b>(3.952)</b>

<b>2021/22 Savings Delivery (carried forward)</b>	<b>Savings £m</b>	<b>Forecast £m</b>	<b>Variance £m</b>
Council wide (Transformation) *	0.184	0.184	0
Business, Growth & Infrastructure	0.200	0.200	0
<b>TOTAL</b>	<b>0.384</b>	<b>0.384</b>	<b>0</b>

\* 2021/22 transformation savings reprofiled through a Cabinet report in December 2021 from £1.500m to £0.184m

### Transformation

The table below shows the breakdown of transformation savings across the 3 programme areas. An update on the transformation programme report is being prepared for December Cabinet which will provide further detail at project level.

As at month 6 we can identify £1.820m of forecast delivery but between the presentation of this report to Cabinet and the report to Cabinet next month on transformation further work will be undertaken to full identify further mitigations. The largest area of non-delivery is in relation to procurement which was reduced significantly from the original ambition of the programme as we recognise departments have already secured contract savings within their own programmes and we are working with STAR to find alternatives. Admin buildings rationalisation is another significant area of slippage

<b>2022/23</b>	<b>Target</b>	<b>Forecast</b>	<b>Variance</b>
Once	780,000	507,400	272,600
Well	1,865,000	1,250,000	615,000
Flexibly	392,000	62,825	329,175
<b>TOTAL</b>	<b>3,037,000</b>	<b>1,820,225</b>	<b>1,216,775</b>

## OCO

The £8.979m 2022/23 OCO savings programme is forecast to deliver £6.819m (76%) of savings which is a saving shortfall of £2.160m. The service is undertaking several actions to mitigate and reduce the £2.160m savings shortfall, including continuous dialogue with Persona to ensure contract savings are delivered and ongoing reviews of existing care packages

## Operations

There is further work being undertaken to fully identify the deliverability of all the savings, to Month 6, 81% of savings target is forecast to be achieved at this time. 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.

## Core

The security and call out services savings target of £0.200m has now been split between Corporate Core £0.060m, Operations £0.100m and OCO £0.040m and these will be monitored separately within each directorate.

The Corporate Core security savings is forecast to underachieve in 2022/23 by £0.038m, however, this has been mitigated by increased income achievement in the service and overall reductions in costs leaving £0.005m unachieved at current forecast.

**Table 8**

<b>2022/23 MTFS SAVINGS AS AGREED BY COUNCIL</b>					
<b>Year Approved</b>	<b>Dept</b>	<b>Proposal Description</b>	<b>Saving £m</b>	<b>Forecast £m</b>	<b>Variance £m</b>
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	3.037	1.820	(1.217)
	<b>ALL</b>	<b>Sub-Total</b>	<b>4.602</b>	<b>3.385</b>	<b>(1.217)</b>
Feb 2022	CORE	Adult Learning	0.050	0.050	0.000
Feb 2022	CORE	Corporate Security & Call Out Services	0.200	0.195	(0.005)
	<b>CORE</b>	<b>Sub-Total</b>	<b>0.250</b>	<b>0.250</b>	<b>(0.005)</b>
Feb 2022	CYP	Children's Personal Budgets	0.150	0.150	0.000
Feb 2022	CYP	Children's Short Breaks	0.150	0.150	0.000
Feb 2022	CYP	Children's External Placements	0.200	0.000	(0.200)
)Feb 2022	CYP	Further Education early retirements/pensions	0.100	0.100	0.000
Feb 2022	CYP	Children's 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	0.120	0.000	(0.120)

		of fewer out of borough placements			
	<b>CYP</b>	<b>Sub-Total</b>	<b>0.611</b>	<b>0.291</b>	<b>(0.320)</b>
Feb 2021	OCO	Review of Care Packages	2.055	1.720	(0.335)
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	0.250	(0.250)
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
2022/23 (In year)	OCO	Recommissioning of an LD Service	0.100	0.000	(0.100)
	<b>OCO</b>	<b>Sub-Total</b>	<b>8.979</b>	<b>6.819</b>	<b>(2.160)</b>
<b>2022/23 MTFS SAVINGS AS AGREED BY COUNCIL</b>					
<b>Year Approved</b>	<b>Dept</b>	<b>Proposal Description</b>	<b>Saving £m</b>	<b>Forecast £m</b>	<b>Variance £m</b>
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	0.000	(0.100)
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	0.150	(0.150)
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
	<b>OPS</b>	<b>Sub-Total</b>	<b>1.291</b>	<b>1.041</b>	<b>(0.250)</b>
		<b>TOTAL DELIVERY AGAINST 2022/23 MTFS SAVINGS</b>	<b>15.733</b>	<b>11.786</b>	<b>(3.952)</b>
<b>PREVIOUS YEARS MTFS SAVINGS CARRIED FORWARD AS NOT DELIVERED IN 2021/22</b>					
<b>Prior Yr Saving</b>	<b>Dept</b>	<b>Proposal Description</b>	<b>Saving £m</b>	<b>Forecast £m</b>	<b>Variance £m</b>
Prev Year	ALL	Transformation	0.184	0.184	0.000
Prev Year	BGI	Restructure Stretch Savings Target	0.200	0.200	0.000
		<b>Total</b>	<b>0.384</b>	<b>0.384</b>	<b>0.000</b>

### 13. Reserves

At the end of 2021/22 the council's total usable reserves, excluding Schools, were £126.135m. It should be noted that a significant proportion of these are earmarked.

At Quarter 2 a number 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.

Approved transfers to reserves at budget setting totalled £4.809m:

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

Forecast transfers from reserves total £27.946m and consist of:

- £14.355m supporting the 2022/23 revenue budget which was approved as part of budget setting
- £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 2<sup>nd</sup> year of the family safeguarding model
- £1.450m expected use of the Transformation Reserve
- £4.691m full utilisation of and repayment of unused business related Covid 19 related grants which have previously been reported
- £2m realignment from the health and OCO pooled fund
- £200k from the new burdens grant monies
- £1.5m utilities reserve to support in year pressures
- £1.4m contribution to the pay award which is 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

<b>Forecast of Council Reserves at 31 March 2023</b>				
	<b>31/03/22</b>	<b>In</b>	<b>Out</b>	<b>31/03/23</b>
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
<b>Total Management of Risk Reserves</b>	<b>70.748</b>	<b>4.126</b>	<b>(17.855)</b>	<b>57.019</b>
COVID-19 Related Grants	4.691		(4.691)	0
Corporate Priorities	11.395		(1.400)	9.995
Transformation & Capacity Reserve	7.794		(1.450)	6.344
External Funding/Grants	19.427	0.683	(2.550)	17.560
Other Earmarked Reserves	12.080			12.080
<b>Total Earmarked Reserves</b>	<b>55.387</b>	<b>0.683</b>	<b>(10.091)</b>	<b>45.979</b>

<b>Total Council Reserves (excluding Schools)</b>	<b>126.135</b>	<b>4.809</b>	<b>(27.946)</b>	<b>102.998</b>
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A full analysis of the Councils reserves is being undertaken as part of the Medium Term Financial Strategy review to determine if any historic reserves are no longer needed.

## 14. OTHER BUDGETS

### Schools

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.

The DSG has 4 main blocks:

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

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

<b>Estimated External Funding 2022/23</b>	<b>£m</b>
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
<b>TOTAL</b>	<b>24.996</b>

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.

Between June & September 2022 there has been increased demand resulting in an increase in the cost of Out of Borough spend from £9.996m to £13.442m. Independent and Non-Maintained Special School placements comprise the majority of the increase, with an additional 29 placements on roll between December 2021 and September 2022.

The major issue with increased demand is the lack of capacity within Bury, forcing the borough to place a significant number of individuals in the INMSS sector. In addition, fee levels are rising as these schools look to pass on cost increases. There has also been an increase in Alternative Provision (AP) spend due to the increase in severity, particularly the number of children and young people not able to attend mainstream schools as a result of anxiety.

The delivery of £2.9m of savings achieved to date has been offset by this significant and unanticipated increased demand which has put pressure on the budget. A revised plan to deliver £1.394m of additional savings has been agreed with the DfE. These savings will be very challenging to deliver but the Council recognise they are necessary to ensure Bury stays within planned budget.

The service will continue to monitor, with the support and help of DfE, all budgets, the contributions to the deficit reduction are significantly reduced and at present the Council are forecasting a remaining deficit of £4.9m in 2025/26, which was the original date by which the Council planned to have eradicated the DSG deficit by.

## **15. COLLECTION FUND**

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 £4.584m 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 £1.193m. The council's share of the surplus is £0.714m and the Greater Manchester Combined Authority's share is a surplus of £0.479m (for police and fire and rescue services).

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 resulting in a net surplus, whereas the Council have a 99% share of the Business Rates deficit and a 84% share of the Council Tax surplus resulting in a net deficit.

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) gave the ability to smooth the impact of COVID related deficits over three financial years, thus reducing the impact on the revenue budget. The Council's 2021/22 budget and future years budget estimates have been prepared using this new facility and the year 2 impact can be seen in the table below.

The current economic volatility may well have an impact on the ability to collect both Council Tax and Business Rates liabilities and this will be closely monitored.

**Table 12**

<b>2022/23 Collection Fund Forecast Position as at 30 Sept 22</b>			
	<b>Council Tax</b>	<b>Business Rates</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
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	4.104	0.480	4.584
Year 3 of the spreading adjustment for 2020/21 deficit	(0.526)	(0.542)	(1.068)
<b>Balance Carried Forward surplus (+) / deficit (-)</b>	<b>3.117</b>	<b>(1.924)</b>	<b>1.193</b>
<b><i>Distributed:</i></b>			
Bury Council	2.619	(1.905)	0.714
GMCA – Police and Crime Commissioner	0.343	0.000	0.343
GMCA – Mayoral / Fire and Rescue Service	0.155	(0.019)	0.136
<b>Total 2022/23</b>	<b>3.117</b>	<b>(1.924)</b>	<b>1.193</b>

## **16. HOUSING REVENUE ACCOUNT**

The Housing Revenue Account (HRA) is forecasting an operating deficit of £0.217m; further information is set out in the table below.

**Table 13**

<b>2022/23 Forecast Revenue Out Turn Position - as at 30th September 2022</b>			
Housing Revenue Account	Approved Budget	Actual Outturn	Forecast (Under)/Over Spend
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Income			
Dwelling Rents	(31.568)	(31.568)	0
Non-Dwelling Rents	(0.203)	(0.203)	0
Other Charges	(1.048)	(1.048)	0
<b>Total Income</b>	<b>(32.819)</b>	<b>(32.819)</b>	<b>0</b>

Expenditure			
Repairs and Maintenance	6.902	6.868	(0.034)
General Management	7.38	7.38	0
Special Services	1.401	1.401	0
Rents, Rates and Other Charges	0.036	0.036	0
Increase in Bad Debts Provision	0.51	0.51	0
Capital Charge	4.713	4.713	0
Depreciation	7.472	7.472	0
Debt Management Expenses	0.045	0.045	0
Contribution to/(from) reserves	(3.749)	(3.749)	0
<b>Total Expenditure</b>	<b>24.71</b>	<b>24.676</b>	<b>(0.034)</b>
<b>Net Cost of Services</b>	<b>(8.109)</b>	<b>(8.143)</b>	<b>(0.034)</b>
Interest receivable	(0.018)	(0.018)	0
Principal Repayments	0	0	0
Revenue Contributions to Capital	7.91	7.944	0.034
<b>Sub Total</b>	<b>7.892</b>	<b>7.926</b>	<b>0.034</b>
<b>Operating (Surplus)/Deficit</b>	<b>(0.217)</b>	<b>(0.217)</b>	<b>0</b>

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.

The total draw on HRA reserves is forecast to be £3.749m, against an opening balance of £9.842m. This means that forecast HRA reserves as at 31 March 2022 are £6.093m.

The 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).



## 17. CAPITAL PROGRAMME

	Approved Budget 2022/23	Revised Budget 2022/23	Proposed Reduction for 2022/23	Proposed Rephasing to 2023/24/25	Final proposed Budget 2022/23
	£m	£m	£m	£m	£m
Capital Programme 2022/23	150.506	150.745	(4.596)	(85.225)	60.924
Funded By:					
External Funding and Contributions	72.424	72.563	(0.084)	(47.808)	24.671
Use of Capital Receipts	0.405	0.405	(0.146)	(0.185)	0.074
Prudential Borrowing	58.729	58.729	(4.366)	(33.264)	21.099
General Fund and Reserves	1.456	1.556		(1.507)	0.049
Housing Revenue Account	9.295	9.295		(2.460)	6.835
Major Repairs Reserve	8.196	8.196		0	8.196
<b>TOTAL</b>	<b>150.506</b>	<b>150.745</b>	<b>(4.596)</b>	<b>(85.225)</b>	<b>60.924</b>

The latest approved capital budget presented to Cabinet at Quarter1 for 2022/23 totalled £150.506m.

External grants and departmental contributions of £0.239m have been secured in the past three months and these have increased the value of schemes in the programme; Cabinet are requested to approve the additions for the year, detailed in the table below.

### Proposed amendments to budget at Quarter2

Grants secured:	£m
Goshen Gymnastics Pit	0.044
Clarence Park Skate Park	0.074
Air Monitoring Stations	0.021
Radcliffe FC additional funding	0.100
<b>Total additional grant funding</b>	<b>0.239</b>

Since the Quarter1 report departments have conducted a review of all their capital schemes and this has resulted in a proposed reduction to this year's programme. A number of schemes, principally supported by the Council's discretionary resources, are no longer proceeding as originally approved. Proposed reductions to the programme are detailed in the table below:

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Reduction to programme:	Financed by	£m
Place shaping growth	borrowing	0.146
Devolved formula capital, academies conversions	DfE grant	0.084
Estate Management – Investment Estate	borrowing	0.018
Communities and Wellbeing	borrowing	0.268
Housing development (completed schemes)	borrowing/ capital receipts	0.080
Fletcher Fold	borrowing	4.000
Total programme reduction		4.596

- Fletcher Fold - a separate report is included on this Cabinet meetings agenda.
- Place shaping/Growth – a number of prior year schemes with small balances remaining have now been completed.
- Devolved Formula Capital – reduction refers to schools that have converted to academies and the brought forward budgets no longer needed.
- Estate Management/Investment – small repair budgets for assets are no longer proceeding due to assets being disposed of or forming part of a larger scheme.
- OCO – grants that are now part of the larger Radcliffe regeneration scheme
- Housing development – a number of prior year schemes with small balances remaining have now been completed.

Departments have further identified at quarter 2, an estimate for re-phasing of the programme into future years. The re-phasing total of £85.225m refers to schemes that were either planned to be delivered over several financial years or have not yet started and not likely to proceed by the end of this financial year.

As part of quarter 3 and budget setting a more accurate cashflow of the capital programme for future years will be produced, by introducing a full life project monitoring that should result in a reduced level of slippage from one year to the next.

### **Expenditure and forecast 2022/23**

Capital Theme	Proposed Revised Budget	Forecast	Expenditure to September
	2022/23	2022/23	2022/23
	£m	£m	£m
Regeneration	12.908	12.768	3.686
Place Shaping / Growth	2.369	2.398	0.279
Sport and Leisure	3.020	2.946	1.015

Operational Fleet	3.024	3.024	1.260
ICT	1.756	1.756	1.531
Highways	11.653	11.653	2.755
Children and Young People	5.760	6.061	0.716
Estate Management - Investment Estate:	0.095	0.095	0
Estate Management - Corporate Landlord:	1.924	1.784	0.074
One Commissioning Organisation	1.620	1.620	0.330
Housing	14.867	14.829	1.577
Climate Change	1.928	1.845	1.417
<b>Total Capital Programme</b>	<b>60.924</b>	<b>60.780</b>	<b>14.639</b>

At Month 6 of the year, capital expenditure totalled £14.639m. Expenditure is lower than anticipated given the size of the programme. Budget managers have reported difficulties with contract awards, supplies and uncertainties in the external labour market experienced since early 2020.

Furthermore, the delivery of the capital programme has been significantly affected by the reduced capacity of many services and increased staff turnover.

At the time of this report, £60.780m is forecast to be spent by the end of the financial year against a total budget of £60.924m.

The revised budget was arrived at after the proposed reduction and re-phasing of programme into future years and contains an overall small variance of £0.144m underspend. Further work to ensure accurate forecasting will be undertaken with services for the remainder of the year.

### **Financing**

The total current capital programme is fully financed as per resources approved at the Council February Budget meeting and subsequent Cabinet meetings.

Funding the (proposed) Revised Capital Programme 2022/23	
£m	
Capital Programme 2022/23	60.924
Funded By:	
External Funding and Contributions	24.671
Use of Capital Receipts	0.074
Prudential Borrowing	21.099
General Fund and Reserves	0.049
Housing Revenue Account	6.835
Major Repairs Reserve	8.196
<b>TOTAL</b>	<b>60.924</b>

Grants from external resources are monitored during the year against original approval notifications to ensure they are received for the schemes allocated to this type of funding.

Capital Receipts from disposals of Council's surplus assets can only be reinvested as they are realised. Separate reports to Cabinet contain information on available planned, and proposed receipts to fund future capital spend.

Financing of borrowing costs for the programme supported by Prudential borrowing has been built into the Council's revenue budget and a full funding model was developed to be reported on quarterly.

General Fund and reserves represent amounts set aside that are restricted to finance expenditure of a capital nature and require additional approvals by members and the S151 officer.

Funding from the Housing Revenue Account, in part made up by the depreciation figure applied in year to the Council's Housing Stock, is also restricted to finance expenditure that will maintain and improve the social housing stock.

## **Review of Programme**

A review and update of the Council's capital strategy and capital monitoring processes is being undertaken will be presented to Council as part of the new budget setting process.

## **18. NEXT STEPS AND CONCLUSION**

The financial position requires ongoing scrutiny and careful monitoring in order for the Council to recover its financial position and achieve its medium-term financial strategy.

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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.

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### **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*

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**Assessment and Mitigation of Risk:**

<b>Risk / opportunity</b>	<b>Mitigation</b>
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.

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**Legal Implications:**

There are no legal implications however it is good governance to receive regular updating reports this is in line with our financial framework as set out in the Council constitution.

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**Financial Implications:**

The financial implications are set out in this report

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