

<b>Report to:</b>	Overview and Scrutiny Committee - 9 <sup>th</sup> February 2023 Cabinet - 15 <sup>th</sup> February 2023
<b>Subject:</b>	Quarter Three monitoring report
<b>Report of</b>	Cabinet Member for Finance and Communities

### 1. Summary

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 third quarter, 31st December 2022. The report sets out the position for both revenue and capital and provides an analysis of the variances, both under and overspending.

### 2. Recommendations

- 1) To note the forecast overspend of £3.959m within the revenue budgets at Quarter Three 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;
- 2) To note the position on the Dedicated Schools Grant, Collection Fund and the Housing Revenue Account;
- 3) To note the transfer of £1.5m from the Utilities reserve which has been allocated to Non Service Specific and therefore already reflected in the position. This will be allocated across the services as part of month 10.
- 4) To approve the roll forward of the previously identified reserve of £567k for free school meals during school holidays which was not required in 2021/22 or 2022/23 as a consequence of the Council receiving the Household Support fund monies which provided for free school meals during school holidays;
- 5) To approve the additions of £0.600m and reductions of £0.475m to the capital programme;
- 6) To note the capital budget underspend and approve this as rephasing into future financial years. The exact figure to be updated at Outturn.

### 3. Reasons for recommendations:

To ensure the Council's budgetary targets are achieved.

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

### 4. Alternative options considered and rejected

None

## 5. 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 third quarter, 31<sup>st</sup> December 2022. The report sets out the position for both revenue and capital and provides an analysis of the variances.

## 6. BACKGROUND

These are unprecedented times for LA budgets with huge volatility and uncertainty affecting all LAs. We expect to have ongoing 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 three and finance colleagues are working with Directorates to identify mitigating actions.

## 7. FINANCIAL OVERVIEW – REVENUE

The forecast out turn position is set out in Table 1 below and shows a forecast overspend at quarter 3 of £3.959m. 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	3.269	3.347	0.078
Children and Young People	45.910	52.361	6.452
Corporate Core	14.872	14.281	(0.591)
Corporate Core – Finance	5.169	5.481	0.312
Housing General Fund	1.288	1.288	0
Non-Service Specific	6.349	(0.815)	(7.164)
One Commissioning Organisation	80.781	82.215	1.434
Department Of Operations	19.846	23.283	3.437
<b>TOTAL</b>	<b>177.484</b>	<b>181.442</b>	<b>3.959</b>

Within the Children and Young People financial forecast we have utilized £1.5m of the reserve that was created at the end of 2021/22 with the balance of £2m being retained to fund the family safeguarding model in 2023/24 and 2024/25.

The 2023/24 Budget report also on this agenda and going forward to Council on the 22<sup>nd</sup> February for approval proposes that the return of the waste disposal reserve of circa £2m in 2023/24 is set

aside to create a reserve to fund the first two years of the family safeguarding model. If this is approved this will allow for the release of the remaining £2m from the current children's reserve to reduce the 2022/23 forecast overspend. This will be reported in future reports.

## **7A - Directorate -Business Growth and Infrastructure**

**Table 1**

<b>2022/23 Forecast Revenue Position – as at 31st December 2022</b>			
<b>Directorate</b>	<b>Revised Budget</b>	<b>Forecast</b>	<b>(Under) / Over Spend</b>
<b>Business, Growth &amp; Infrastructure</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Business Growth Management Team	1.391	1.687	0.296
Planning & Development Control	1.619	1.568	(0.051)
Property Management	(0.895)	(0.945)	(0.050)
Housing Service	1.154	1.037	(0.117)
<b>TOTAL</b>	<b>3.269</b>	<b>3.347</b>	<b>0.078</b>

### **Financial Position**

Overall, the projected outturn for the Department of Business Growth and Infrastructure is a £0.078m overspend, an increase of £0.306m from the M6 forecast of (£0.228m). This reflects the pay award now being incurred which was higher than budgeted and an in depth review of all budgets which has identified circa £0.2m of property holding costs which are not recovered through property rental income. Significant work has been undertaken in year to charge staff costs where appropriate against externally funded capital projects and capital receipts. This is part of the savings strategy going forward for BGI and a number of Council services.

### **New emerging issues :**

#### **Accommodation / Homelessness**

Increased demand for the number of supported housing units that is not fully covered by Housing Benefit income. This has added £0.15m of net cost to a service that was expected to be fully funded. This pressure is likely to continue into 2023/4 unless compensating additional income is identified. Potential increasing demand on Homelessness and other Housing support services brought about by the cost-of-living crisis.

#### **Mitigations**

Further periods of vacancies due to the difficulty in recruiting and retaining staff, are creating greater employee costs savings than forecast which can offset some of the emerging in-year issues but will not be a long-term solution.

Increase in charge out rates to certain funding streams to include an element of overhead recovery to create a contingency for other issues.

Review of amounts held in current BGI reserves and potential uses.

Potential overachievement of income budgets in some property areas to offset costs.

Ensure a robust process is in place to bill and collect income across all commercial properties as efficiently as possible.

Review of grant funding received in year and held in reserves against current and future demand and required outputs.

## **7B - One Commissioning Organisation**

Table 2

2022/23 Forecast Revenue Position – as at 31st December 2022			
Directorate	Revised Budget	Forecast	(Under)/Overspend
One Commissioning Organisation	£m	£m	£m
Adult Social Care Operations	7.798	7.172	(0.626)
Care in the Community	43.305	44.932	1.627
Commissioning & Procurement	14.954	16.225	1.271
Departmental Support Services	3.789	3.140	(0.649)
Workforce Modernisation	0.078	0.078	0
Public Health	10.857	10.668	(0.189)
<b>TOTAL</b>	<b>80.781</b>	<b>82.215</b>	<b>1.434</b>

## **Financial Position**

The OCO budget is forecast to overspend by £1.434m which is a £0.486m improvement on the position reported at Quarter 2.

### **Adult Social Care Operations – £0.626m underspend**

The Adult Social Care Operations budget is forecasting a £0.626m underspend which is in line with the position reported at Quarter 2. The underspend is due to staffing vacancies across a range of Operational services.

Recruitment and retention remains a challenge nationally but the workforce retention strategy continues to recruit Social Workers and previous vacancies in operational teams thereby strengthening focus on delivery of care package savings. However, vacancies for care support workers in the Intermediate care services remain a challenge which is affecting the ability to deliver services to their full capacity.

### **Care in the Community – £1.627m overspend**

The Care in the Community budget is forecast to overspend by £1.627m this is a £0.926m improvement on the position reported at Quarter 2. The improvement is due to staff deploying a continuous strength-

based approach with regards to commissioning care packages and an improving savings position regarding care package reviews

The £1.627m overspend is 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.

The pressure from supporting hospital discharges is significant, the use of care home and home care placements to facilitate hospital discharge is now twice the level prior to the pandemic. The increase in care home and home care activity is causing a recurrent pressure in the care budget and consequently £2.572m of additional one-off resource has been built into the care budget to support prompt discharge from hospital, the funding is analysed below

Funding Source		(£m)
NHS Greater Manchester ICB - Bury Locality		1.225
ASC Discharge Fund (£500m National Allocation)	NHS Greater Manchester ICB - Bury Locality	0.667
	Local Authority Direct Grant	0.680
Total		2.572

The Care in the Community forecast also includes a £3.471m saving achieved to date regarding Care Package budgets (albeit partially offset by £1.436m of new demand pressures as a result of care package reviews) and a £0.912m commitment regarding savings anticipated for the remainder of the financial year (i.e., savings from care package reviews not yet achieved but are expected to be achieved by March 31, 2023).

### **Commissioning & Procurement - £1.271m overspend**

The Commissioning and Procurement Budget is forecast to overspend by £1.271m which is a £0.568m worsening of the position reported at Quarter 2. The increase in overspend since Quarter 2 is due to the impact of the 2022/23 Persona Pay Award.

The main drivers of the £1.271m overspend is a shortfall regarding the 2022/23 Persona contract savings target and the unfunded pressure regarding the Persona 2022/23 pay award

To enable Persona to deliver the savings shortfall, a series of transformation programmes and restructures have been agreed which are in line with Persona's strategic intent and a reprofiled savings plan has been agreed between the OCO directorate & Persona Executive teams.

### **Departmental Support Services - £0.649m underspend**

The Departmental Support Services budget is forecasting a £0.649m underspend which is in line with the position reported at Quarter 2. The underspend is the result of the decision to deploy the 5.66% uplift to the 22/23 Better Care Fund budget allocation to mitigate in year OCO budgetary pressures. This budget has been put forward as a saving for 2023/24.

### **Public Health/Substance Misuse – £0.189m underspend**

The Public Health/Substance Misuse Budget is forecasting a £0.189m underspend which is a c.£0.1m improvement on the position reported at Quarter 2 and is due to contract savings (recurrent) identified within Substance Misuse.

The £0.189m is due to a salary underspend following the delayed implementation of the Public Health team restructuring and the substance misuse contract savings.

### Use of OCO Reserves

The forecast use of reserves is £2.729m of which £1.911m has been deployed to date. The deployment of Adult Social Care reserves is supporting legacy demand costs as a result of clients who were rapidly discharged from hospital during the Pandemic who continue to receive a package of care. Public Health reserves are being targeted at several schemes, including; home safety equipment, promoting good mental health and tackling congenital heart disease inequalities. The forecast use of reserves and current deployment is analysed below.

Area	Forecast Use of Reserves (£m)	Actual use of Reserves to date (£m)
Adult Social Care	2.339	1.787
Public Health	0.391	0.124
<b>Total</b>	<b>2.729</b>	<b>1.911</b>

### Mitigations

The OCO Directorate is undertaking several actions to mitigate and reduce the £1.599m savings shortfall and the overall OCO Directorate overspend position reported at Quarter 3:

- Continuous dialogue with Persona to ensure the reprofiled contract savings are delivered
- Ongoing reviews of existing care packages
- Continue the roll out of the new workforce retention strategy which will strengthen the focus on delivery of care package savings
- Robustly applying the strength-based ethos with regards to commissioning care packages.
- Continuous data quality review of the Adult Social Care Finance module (Controcc) used to derive the Care in the Community outturn forecast.

### 7C - Children and Young People

**Table 3**

<b>2021/22 Forecast Revenue Position – as at 31<sup>st</sup> December 2022</b>			
	<b>Revised Budget</b>	<b>Forecast</b>	<b>(Under)/Over Spend</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Children's Commissioning	0.798	0.740	(0.058)
Early Help & School Readiness	2.558	2.230	(0.328)
Education & Inclusion	17.203	19.256	2.118
Social Care & Safeguarding	25.351	30.135	4.784
<b>TOTAL</b>	<b>45.910</b>	<b>52.362</b>	<b>6.451</b>

Children and Young People are forecast to over-spend by £6.451m, after utilising £1.5m of the reserve created at the end of the last financial year. (£1m in Interim managed social worker packages, £0.5m on Curriculum Language Access Service) This leaves £2m of reserves to fund the Family Safeguarding Model implementation in 2023/24 and 2024/25.

The 2023/24 Budget report also on this agenda and going forward to Council on the 22<sup>nd</sup> February for approval proposes that the return of the waste disposal reserve of circa £2m in 2023/24 is set aside to create a reserve to fund the first two years of the family safeguarding model. If this is approved this will allow for the release of the remaining £2m from the current children's reserve to reduce the 2022/23 forecast overspend. This will be reported in future reports.

There is further defined action within the service to remove the remaining overspend. This will continue into 2023/24 including:

- Ongoing permanent recruitment to reduce reliance on agency workers. A cohort of c20 international recruits will reduce the agency pay bill by c£1m by Q1; further recruitment will continue to be actively pursued
- Removal of the temporary managed teams in by the end of March 2023 as new structures are populated
- Pursuit of a "Grow your own" strategy of workforce development by upskilling Advanced Practitioners in order that they can coach and develop apprentice recruits and newly qualified social workers

### **Financial Position**

- Education & Inclusion - £2.117m forecast overspend

The main reasons for this forecast overspend are:

- SEN Transport is forecast to over-spend by £1.521m in total which is split £1.153m pre-16 and £0.368m post 16. For school-aged children, using the average cost of a taxi per year per child, the budget is sufficient to transport circa 250 children. The actual number of Bury children eligible for home to school transport is circa 500 and rising. 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. Along with other relevant Council departments, there is also ongoing work to understand if there are opportunities with using the Council's existing fleet rather than hiring minibuses and taxis.
  - Short Breaks are forecast to overspend by £0.300m. This is the result of a saving to the Dedicated Schools Grant agreed by the PSV Programme Board which has removed the £0.300m DSG contribution to this service.
  - School Improvement is forecast to overspend by £0.135m. This is due to a reduction in grants which was not reflected in the budget at the start of the year. This is a new permanent pressure.
  - This forecast overspend has increased by just over £1m since the quarter 2 report. This is due to the school improvement (£0.135m) and short breaks (£0.300m) forecasts being newly-reported in this report. Transport costs of (£0.600m) were also mapping incorrectly to the DSG and this has now been corrected.
- Social Care & Safeguarding - £4.784m forecast overspend

Corporate Parenting is forecast to be £2.922m overspent, due to increased costs of placements for young people and high dependency on Agency Staff. A more detailed breakdown is as follows:

The residential budget is forecast to be overspent by £1.723m, 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 the private sector and children's needs have become more complex. Although we are caring for less children than last year residential costs on average have increased by 39%. The Placement Panel meets each week to discuss the various cases to ensure the best placement for the child and to consider stepping down to other accommodation such as independent living placements.

- £0.218m on Independent Fostering Agencies, this is due to the increased number of children being cared for in this area of 10% and higher costs of approximately 4%. A business case is currently being prepared to encourage recruitment and retention of in-house foster carers, which should mitigate this overspending in future years.
- Fostering services have forecast a £0.436m overspend, these additional costs include agency staff £0.137m and additional spending on Special Guardianship of £0.393m.
- Care & Support services are also estimated to overspend by £0.260m due to high dependency on agency staff.
- Through care costs have increased by £0.320m due to additional housing costs, this is in part due to stepping down from residential placements so increased costs here but considerably less than residential placement.
- Safeguarding is forecasting a £1.993M overspent

Due to heavy reliance on agency workers (interim Safeguarding and Initial Response teams) and additional hours needed to meet demand pressures. The forecast in quarter 2 showed an anticipated overspend of £2.7m offset by the use of £2.6m of reserves, however the use of reserves has been reduced to £1m. This aligns with the recommendation of the July Cabinet paper which identified £2m of the reserve to fund the first two years of the family safeguarding model.

## 7D - Operations Directorate

Table 4

<b>2022/23 Forecast Revenue Position – as at 31st December 2022</b>			
<b>Department of Operations</b>	<b>Approved Budget</b>	<b>Forecast</b>	<b>Forecast (Under)/Overspend</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Wellness Operations	3.041	3.781	0.739
Engineers (including Car Parking)	(0.321)	(0.037)	0.290
Street Scene	5.084	6.094	1.014
Commercial Services	(0.631)	0.448	0.960
Waste, Transport and Stores	6.280	6.467	0.127
Operations Senior Management	4.556	4.794	0.238
Health & Environmental Protection	1.597	1.553	(0.049)
Corporate Landlord	0.239	0.355	0.116
<b>TOTAL</b>	<b>19.846</b>	<b>23.455</b>	<b>3.437</b>



Directorate are forecasting an overspend of £3.437m, a significant cause of this overspend is fuel and energy inflation, which represents £1.788m of the total overspend. There will be income from the Utilities Reserve to partially offset this overspend and an exercise will be undertaken as part of month 10 monitoring to allocate this out from non service specific to departments on a proportionate basis.

- Wellness Operations - £0.739m 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 - £1.014m forecast overspend

The overspend comprises of additional electricity costs of £0.750m on street lighting. Also £0.195m additional costs are projected on grounds maintenance, due to fuel, sickness which requires agency cover and energy.

- Commercial Services - £0.960m forecast overspend

The overspend includes £0.252m overspend on catering in relation to reduced income reflecting a lower take up for the service and the impact of the pay award over and above that included in the SLA. Fee income from the hiring out of civic halls is also £0.188m lower than budgeted which is offset by £0.065m use of reserves. Market income is projected to under-recover due to reduced occupancy within Market Parade and Market Hall £0.250m. Escalating energy costs within the Market have resulted in additional costs of £0.250m.

- Waste, Transport and Stores - £0.127m forecast overspend

The cost of fuel inflation is leading to an overspend of £0.140m and staffing overspends of £0.200m across both Waste and Transport. The service had hired an additional three refuse collection vehicles, costing £0.084m whilst it awaits new vehicles. The hired vehicles have now all been returned. Offsetting this, there are underspends of £0.130m in Supply Chain Services (Stores) due to increased income achievement, and use of reserves of £0.078m

## **7E - Corporate Core and Finance Directorate**

Table 5

<b>2022/23 Forecast Revenue Position – as at 31 December 2022</b>			
<b>Directorate</b>	<b>Approved Budget</b>	<b>Forecast</b>	<b>(Under)/Over Spend</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Corporate Core</b>			
Corporate Core	14.872	14.281	(0.591)
Corporate Core Finance	5.169	5.481	0.312
<b>TOTAL</b>	<b>20.040</b>	<b>19.762</b>	<b>(0.278)</b>

The Corporate Core budget (including Finance) is forecast to underspend by £0.278m.

- Corporate Core Services – (£0.591m) forecast underspend

There is a forecast underspend of (£0.714m) 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 - £0.312m 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 the end of 2022/23. The overspend is offset by an underspend within the Non-Service Specific department corporate capacity budget. A further review will be undertaken of the new burdens funding as part of month 10 to see if further costs can be charged against this grant.

### **7F - 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 part of the year end processes.

### **7G - Non Service Specific**

Table 6

<b>2022/23 Forecast Revenue Position – as at 31 December 2022</b>			
<b>Non-Service Specific</b>	<b>Approved Budget</b>	<b>Forecast</b>	<b>(Under) / Over spend</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Accumulated Absences	1.362	1.362	0.000
CAR Lease Salary Sacrifice	(0.025)	(0.025)	0.000
Chief Executive	0.264	0.210	(0.054)
Corporate Management	1.610	1.262	(0.348)
Cost of Borrowing	6.238	0.595	(5.643)
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	12.621	(0.210)

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	(8.881)	(9.035)	(0.154)
<b>TOTAL</b>	<b>6.349</b>	<b>(0.815)</b>	<b>(7.164)</b>

The department of Non-Service Specific expenditure is projected to underspend by £7.164m.

- Corporate Management – (£0.348m) forecast underspend

The Corporate Management underspend has reduced from (£0.495m) in Quarter 2 due to increased subscription costs incurred. An element of this budget has been given up recurrently as part of the future years savings.

- Cost of Borrowing – (£5.643m) forecast underspend

The Cost of Borrowing budget underspend is broadly in line with the quarter 2 position (£5.685m) and is as a consequence of the rephasing of the capital programme and funding of the capital programme via a combination of external grants and borrowing.

- Greater Manchester Waste Disposal Levy (GMWDA) - (£0.210m) forecast underspend

The GMWDA Levy is now showing an underspend from a nil variance at Quarter 2 resulting from additional rebate income from the Waste Authority in the 3<sup>rd</sup> quarter.

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

We have been informed by GMCA that the recurrent increase for 2023/24 will be 3% with a further 1% non recurrent increase due to the current inflationary pressures. The uplift and any recurrent underspend on this budget has been reviewed as part of the budget setting process.

- Provisions/Reserves - (£0.154m) forecast underspend

The Provisions/Reserves position from Quarter 2 has changed from a forecast underspend of (£0.209m). This is due to the budget movement at Month 9 from Non-Service Specific to all services for the effect of the 2022/23 pay award with the net overspend of £1.6m now showing in Non-Service Specific rather than departments. A transfer from the Utilities Reserve has also been recorded here of £1.5m which in part offsets the overspend on the pay award. Work has been undertaken to identify where it is needed most and will be allocated to services.

## 8. 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	2.022	(1.015)
Council Wide	1.565	1.565	0
Corporate Core	0.110	0.110	0
Children & Young People	0.611	0.291	(0.320)
One Commissioning Organisation	9.019	7.420	(1.599)
Operations Department	1.391	0.950	(0.441)
<b>TOTAL</b>	<b>15.733</b>	<b>12.357</b>	<b>(3.331)</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 report on the transformation programme was presented at December Cabinet providing further detail at project level.

As at month 9 we can identify £2.022m of forecast delivery and work is ongoing to fully identify further mitigations.

<b>2022/23</b>	<b>Target £m</b>	<b>Forecast £m</b>	<b>Variance £m</b>
Once	0.780	0.532	0.248
Well	1.865	1.450	0.415
Flexibly	0.392	0.040	0.352
<b>TOTAL</b>	<b>3.037</b>	<b>2.022</b>	<b>1.015</b>

The largest area of non-delivery is in relation to procurement. December Cabinet approved the removal of the procurement savings from the transformation programme as it was recognized that departments had already secured contract savings within their own programmes and that to include again here was a double count. This leaves a shortfall in the savings for this financial year of £0.500m but is corrected

through budget setting going forward. Admin buildings rationalisation is another significant area of slippage.

- **One Commissioning Organisation**

The £9.019m 2022/23 OCO savings programme is forecast to deliver £7.420m (82%) of savings which is a saving shortfall of £1.599m. To date £6.567m of savings have been delivered, which is 73% of the full year saving target.

In addition to delivering an expected 82% of the 2022/23 OCO savings programme a further £0.182m of additional savings are expected to be achieved as part of the OCO directorates in year additional savings initiatives and consequently takes the total savings forecast to be delivered by the OCO directorate to £7.601m.

- **Operations**

The £1.391m 2022/23 Operations Department savings programme is forecast to deliver £0.950m (68%) of savings which is a saving shortfall of £0.441m. Work is ongoing to try and mitigate this variance.

- **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 due to delays in implementation but will be delivered in full in 2023/24. This has been mitigated in year by increased income achievement in the service and overall reductions in costs.

Table 8

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	3.037	2.021	(1.016)
	<b>ALL</b>	<b>Sub-Total</b>	<b>3.586</b>	<b>3.648</b>	<b>(1.016)</b>
Feb 2022	CORE	Adult Learning	0.050	0.050	0.000
Feb 2022	CORE	Corporate Security & Call Out Services	0.060	0.060	0.000
		<b>Sub-Total</b>	<b>0.110</b>	<b>0.110</b>	<b>0.000</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 of fewer out of borough placements	0.120	0.000	(0.120)
	<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	1.820	(0.235)
Feb 2021	OCO	Innovative Commissioning (Persona & Transitions Planning)	1.600	1.085	(0.515)
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	1.421	(0.529)
Feb 2022	OCO	Release half demographic growth	0.500	0.500	0.000
Feb 2022	OCO	CCG recurrent pick up of	1.224	1.224	0.000

		IMC and rapid response			
2022/23 (In year)	OCO	Recommissioning of an LD Service	0.100	0.030	(0.070)
Feb 2022	OCO	OCO element of Corporate Security & Call Out Services	0.040	0.040	0.000
	<b>OCO</b>	<b>Sub-Total</b>	<b>9.019</b>	<b>7.420</b>	<b>(1.599)</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	0.014	(0.006)
Feb 2022	OPS	Pest control increased income and efficiencies	0.017	0.005	(0.012)
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	0.000	(0.084)
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	0.140	(0.072)
Feb 2022	OPS	Increase Recycling and Minimise Waste	0.050	0.055	0.005
Feb 2022	OPS	Review of Persona Transport Services	0.100	0.100	0.000
Feb 2022	OPS	Removal of Vacancies, job redesign	0.143	0.139	(0.004)
Feb 2022	OPS	Modernise Utility Billing	0.050	0.017	(0.033)
Feb 2022	OPS	Merge Equipment Stores	0.040	0.030	(0.010)
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	0.000	(0.025)
Feb 2021	OPS	Street Light Dimming	0.010	0.010	0.000
Feb 2022	OPS	OPS element of Corporate Security & Call Out Services	0.100	0.000	(0.100)
	<b>OPS</b>	<b>Sub-Total</b>	<b>1.391</b>	<b>0.950</b>	<b>(0.441)</b>
		<b>TOTAL DELIVERY AGAINST 2022/23 MTFS SAVINGS</b>	<b>15.733</b>	<b>12.357</b>	<b>(3.376)</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>0.00</b>



## 9. Reserves

At the end of 2021/22 the council's total usable reserves, excluding Schools, were £124.745m (a reduction of £1.369m from those previously reported due to an audit adjustment regarding a bad debt write off). It should be noted that a significant proportion of these are earmarked.

At Quarter 3 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 which were always anticipated throughout the year.

Approved transfers to reserves at budget setting totaled £6.197m:

- £1.129m to General Fund
- £2.997m smoothing reserve
- £0.683m social care reform
- £1.388m business rates risk
- Additional transfers to reserves during 2022/23 totaled £0.587m, giving a total proposed transfer to reserves of £6.784m.

Forecast transfers from reserves during 2022/23 total £40.564m, the larger of the values are noted below:

- £14.355m supporting the 2022/23 revenue budget which was approved as part of budget setting
- £1.5m relating to the Children's reserve supporting Ofsted related improvements as described earlier in this report, £2m is expected to be carried forward to fund 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
- £1.5m utilities reserve to support in year pressures
- £1.4m contribution to the pay award which is significantly above the 2% originally budgeted. The costs of this were as expected at £3m which has resulted in a pressure of £1.6m over and above the budget and the net overspend resulting from this is showing in Non-Service Specific at Quarter 3.
- £8.7m transfer for business rates grants

<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	(8.605)	16.341
Directorate Risk Reserves	9.257	0.040	(6.737)	2.560
Volatility and Fiscal Risk	37.675	4.384	(6.328)	35.730
<b>Total Management of Risk Reserves</b>	<b>70.748</b>	<b>5.553</b>	<b>(21.670)</b>	<b>54.631</b>
COVID-19 Related Grants	4.691		(4.691)	0
Corporate Priorities	11.375	0.683	(2.229)	9.829
Transformation & Capacity Reserve*	6.424		(1.450)	4.974

External Funding/Grants	19.427	0.148	(10.483)	9.091
Other Earmarked Reserves	12.080	0.400	(0.041)	12.439
<b>Total Earmarked Reserves</b>	<b>53.996</b>	<b>1.231</b>	<b>(18.826)</b>	<b>36.334</b>

<b>Total Council Reserves (excluding Schools)</b>	<b>124.745</b>	<b>6.784</b>	<b>(40.564)</b>	<b>90.965</b>
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- Adjusted to reflect the writing off of historic debt

As part of the Medium Term Financial Strategy a full review of all reserves has been undertaken to determine which historic reserves are no longer needed and can be consolidated to be utilized and used as part of smoothing the delivery of the savings programme.

## **10. 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 Budgets (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>

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.

In the latest report to DfE during June to 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 (INMSS) 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 the 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 £20.6m at the end of this financial year.

## **11. 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 £1.873m 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 brings the overall forecast net deficit to £0.450m. The council's share of the deficit is £0.818m and the Greater Manchester Combined Authority's share is a surplus of £0.367m (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 and 2022/23 budgets were prepared using this new facility and the year 3 impact is included within the deficit brought forward figure in the table below.

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

**Table 12**

<b>2022/23 Collection Fund Forecast Position as at 31 December 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	2.943	(1.070)	1.873
<b>Balance Carried Forward surplus (+) / deficit (-)</b>	<b>2.481</b>	<b>(2.931)</b>	<b>(0.450)</b>
<b><i>Distributed:</i></b>			
Bury Council	2.085	(2.902)	(0.818)
GMCA – Police and Crime Commissioner	0.273	0.000	0.273
GMCA – Mayoral / Fire and Rescue Service	0.123	(0.029)	0.094
<b>Total 2022/23</b>	<b>2.481</b>	<b>(2.931)</b>	<b>(0.450)</b>

## 12. 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 31<sup>st</sup> December 2022</b>			
Housing Revenue Account	Approved Budget	Forecast Outturn	Forecast (Under)/Over Spend
	£m	£m	£m
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 2023 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).

### 13. CAPITAL PROGRAMME

Capital Programme 2022/23	Approved Budget 2022/23 £m	Approved Budget at Quarter 2 2022/23 £m	Proposed amendments at Quarter 3 2022/23 £m	Final proposed Budget 2022/23 £m
Capital Programme 2022/23	150.506	60.924	20.224	81.148
Funded By:				
External Funding and Contributions	72.424	24.671	3.029	27.700
Use of Capital Receipts	0.405	0.074	0.269	0.343
Prudential Borrowing	58.729	21.099	15.669	36.768
General Fund and Reserves	1.456	0.049	1.257	1.306
Housing Revenue Account	9.295	6.835		6.835
Major Repairs Reserve	8.196	8.196		8.196
<b>TOTAL</b>	<b>150.505</b>	<b>60.924</b>	<b>20.224</b>	<b>81.148</b>

The latest approved capital budget presented to Cabinet at Quarter2 for 2022/23 totaled £60.924m.

- **Proposed amendments to budget at Quarter 3**

A total of £0.125m increase in the budget from additional resources is proposed in quarter 3. External grants and reserve contributions of £0.600m 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.

Grants secured:	£m
KRN (City Region Sustainable Transport)	0.100
Waste and Transport	0.500
<b>Total additional grant funding</b>	<b>0.600</b>

- The Key Route Network (KRN) element of the City Region Sustainable Transport Settlement (CRSTS) from the Department of Transport for Bury was finalized by Greater Manchester Combined Authority (GMCA) at £1m, an additional £0.100m to the initial announcement.
- Cabinet approved last financial year a revenue contribution from the Waste Levy reserve to support the acquisition of specialist refuse and street cleaning vehicles of £0.500m which have been delivered this financial year.

Since the Quarter2 report a further reduction to this year's programme was identified, for two schemes that were principally supported by the Council's discretionary resources and not proceeding as originally approved. The proposed reductions to the programme are detailed as:

Reduction to programme:	Financed by	£m
Tackling Fly-Tipping Orig.Alloc.2020-21	borrowing	0.100
7 Whittaker Street demolition	borrowing	0.375
<b>Total programme reduction</b>		<b>0.475</b>



- The budget approved for the Tackling Fly-tipping will be spent in revenue due to the nature of the spend involved, resulting in a reduction in the capital budget.
- The estimate built in the Original approved budget for the Demolition of 7 Whittaker Street was in excess of the actual costs, resulting in a reduction to the capital budget and the call on borrowing.
- In addition to this there is a further £20.099m that should have been included in the Quarter 2 report in relation to the Prudential Borrowing and Loan to the Bury Bruntwood Joint Venture for the acquisition of the Millgate Estate.

#### **14. EXPENDITURE AND FORECAST 2022/23**

Capital Theme	Proposed Revised Budget	Forecast	Expenditure to December
	2022/23	2022/23	2022/23
	£m	£m	£m
Regeneration	33.507	32.621	27.780
Place Shaping / Growth	2.028	1.943	0.388
Sport and Leisure	2.998	2.667	1.682
Operational Fleet	3.524	3.051	1.480
ICT	1.756	2.198	2.073
Highways	11.753	10.517	6.325
Children and Young People	5.76	3.278	1.202
Estate Management - Investment Estate:	0.095	0.095	0.005
Estate Management - Corporate Landlord:	1.924	1.073	0.833
One Commissioning Organisation	1.608	1.106	0.650
Housing	14.867	14.704	4.653
Climate Change	1.828	1.783	1.528
<b>Total Capital Programme</b>	<b>81.148</b>	<b>75.037</b>	<b>48.599</b>

At Month 9 of the year, capital expenditure totaled £48.6m. Although expenditure appears to be low for this stage in the delivery and given the size of the programme, budget managers have reported they are confident the final expenditure to be as forecasted. The delivery of the capital programme continues to be affected by reduced capacity in services, although significant progress has been made to reduce the impact of staff turnover for the year. At the time of this report, £75.037m is forecast to be spent by the end of the financial year against a total budget of £81.148m. The revised budget was arrived at after the proposed amendments and the earlier re-phasing of the programme into future years at quarter 2 and contains a variance of £6.111m underspend. Services have indicated that most of this underspend will be required to continue schemes into the next financial year and a formal request to carry forward balances will be made to Cabinet at Outturn. During quarter 4 further work will be undertaken with departments to develop more accurate forecasting models for future years' programmes.

## 15. 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	81.148
<b>Funded By:</b>	
External Funding and Contributions	27.700
Use of Capital Receipts	0.343
Prudential Borrowing	36.768
General Fund and Reserves	1.306
Housing Revenue Account	6.835
Major Repairs Reserve	8.196
<b>TOTAL</b>	<b>81.148</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.

General Fund and reserves represent amounts set aside that are restricted to finance expenditure of a capital nature.

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.

## 16. 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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### **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.

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**Assessment and Mitigation of Risk:**

<b>Risk / opportunity</b>	<b>Mitigation</b>
The council has insufficient funds to support its expenditure.	Regular reporting and tight budgetary control by budget holders 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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