Classification: Open	Decision Type: Non Key

Report to:	Cabinet	Date: 6th September 2023
Subject:	Quarter One Budget Monitoring Report	
Report of	Cabinet Member for Finance and Communities	

Summary

1. This report outlines the forecast financial position of the Council at Quarter One 2023/24 based on the information known at 30 June 2023. This report also provides an update on the work to mitigate and reduce the overspends and how this will be managed throughout the remainder of this financial year. 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. The Cabinet is asked to:

   a. note the delivery of savings to date of £11.021m with a forecast savings delivery of £18.103m within the challenging context of increased demand and inflationary cost increases.

   b. note the forecast overspend of £13.266m within the revenue budgets at Quarter One and the recovery action proposed.

   c. note the re-phasing of the capital budget.

   d. note the deficit on the Dedicated Schools Grant and the ongoing activity within the Project Safety Valve project.

   e. note the ongoing work to mitigate and reduce the overspends.

   f. approve the establishment of a Finance Improvement Panel and the Terms of Reference which are appended to this report.

Reasons for recommendation(s)

3. To update Members on the Councils budgetary position, ensure the Council's budgetary targets are achieved and set out proposals for the Financial Improvement Panel.
4. This report is in accordance with the Council's financial procedure regulations.

Alternative options considered and rejected

None

PURPOSE OF THE REPORT

5. This report outlines the forecast financial position of the Council at the end of 2023/24 financial year based on the information known at the end of the first quarter. The report sets out the position for both revenue and capital budgets and presents a current forecast overspend of £13.266m, together with a comprehensive programme of action to arrest this. Any remaining unmitigated overspend at the year-end will impact upon the available reserves. The Council had £22.7m in its General Fund usable reserves as at 31st March 2023.

Background

6. The budget for 2023/24 was approved by Full Council in February and was based on known financial pressures and demand for services at that time. The budget was balanced through a requirement for delivery of significant budget savings of £21.618m and by using reserves of £4.8m to allow time for the delivery of further savings. The savings are a combination of new schemes to be delivered in 2023/24 and previously agreed savings agreed as part of transformation and the 2022/23 budget process. The majority of these savings are on track for delivery, although there is slippage of £3.516m to mitigate which is currently a factor in the forecast overspend.

7. Since the budget was set a series of external factors have worsened the Council’s financial position, however. These include:

   a. the macro economic position has worsened. Core annual inflation was running at 6.4% in July and the Council has experienced significantly increased supply costs, particularly for energy. The highest energy consumption services are street lighting and the Council’s leisure centres. A bid has been submitted to Sport England for the swimming pools energy grant scheme but the outcome is still awaited. The Council has fully utilised its contingency budget identified at budget setting but costs are still in excess of those predicted at that time.

   b. Demand increases are being experienced across adults’ and children’s social care. After years of stability there has been a recent sharp increase in the number of children entering residential care with 10 children entering residential care since the start of the financial year, including 5 since the start of July. At the end of the last three years the number of children in residential care has not exceeded 27 and averaged 26 however at the end of June there were 32 children requiring these high cost placements representing a 22% increase in demand within 3 months.

Adult services similarly continue to manage demographic increases in demand for care packages, in particular home care despite proactive work to review all care packages provided.

c. Delays outside of the Council's control in recruiting substantively to the children's services social work team, which has necessitated an ongoing reliance on expensive agency staff and managed teams.

d. As part of the recovery strategy for the Dedicated Schools Grant, a requirement to transfer £2.5m of expenditure on to the General Fund was identified as part of the year end processes after the 2023/24 budgets were approved at Council which is a significant contributing factor to the overspend of £4.3m within the Education Services

8. The forecast overspend can be regarded as an early indication of the year end position if continued corrective action is not pursued. Every effort will therefore be made to reduce the forecast variance and strengthen financial management arrangements going forward. A comprehensive financial improvement plan is now in place, with external support from CIPFA and the Local Government Association. The strategy will inform a potentially significant recalibration of service spend based on affordability, through:

a. Continued application of discretionary spend controls including more rigorous external recruitment restrictions, these controls were put in place in July.
b. The reconstruction of all departmental budgets on a "zero-based" principle, within affordable parameters, informed by sector benchmarks and demand profiles including the overspends set out in this report
c. An update of the Council's Medium Term Financial Strategy will be complete by autumn, informed by the latest macro-economic information.
d. A Finance Improvement Panel is proposed, with an independent chair, to oversee delivery of a financial improvement plan. The Terms of Reference is appended for approval at Appendix 1. The Panel will report quarterly to Cabinet. Subject to Member approval the panel will meet for the first time in September and an initial report will be received by Cabinet in October. A Finance Improvement Plan is being developed to strengthen the skills, capabilities, systems and processes of the finance department and wider management team and budget holders; this plan will focus on the following key areas of activity -

- In-year Financial Performance and recovery
- Reserves rationalisation and strategy
- Re-basing the budget for 2024/25
- Capital Programme Review and Governance

- Medium Term Financial Strategy and supporting Plan modelling
- Accountability for Financial Performance and Financial Competency Framework
- Positioning of Finance within the organisation and amongst Services

FINANCIAL OVERVIEW – REVENUE

9. The forecast out turn position is set out in Table 1 below and shows a forecast overspend at Quarter One of £13.266m

Table 1:

Directorate	Approved Budget	Forecast	(Under)/ Overspend
	£m	£m	£m
Business, Growth & Infrastructure	2.604	2.644	0.040
Children and Young People	49.614	58.974	9.361
Corporate Core	13.229	13.420	0.190
Corporate Core – Finance	4.859	4.860	0.001
Housing General Fund	1.288	1.288	0.000
Non-Service Specific	20.700	18.443	(2.257)
Health and Adult Care	80.747	83.963	3.216
Operations	17.233	19.949	2.716
TOTAL	**190.274**	**203.540**	**13.266**

10. The following sections of the report present detailed analysis by department, including further analysis of the Council's Savings and Transformation programmes.

Directorate – Business, Growth & Infrastructure

Table 2:

2023/24 Forecast Revenue Position – as at 30 June 2023			
Directorate	**Revised Budget**	**Forecast**	**(Under)/ Over Spend**
Business, Growth & Infrastructure	**£m**	**£m**	**£m**
BGI Management Team	1.17	1.15	(0.02)

Planning & Development Control	1.52	1.61	0.09
Property Management	(1.05)	(1.05)	0.00
Housing Service	0.96	0.93	(0.03)
TOTAL	**2.60**	**2.64**	**0.04**

11. The projected outturn for the Department of Business Growth and Infrastructure is broadly in line with budget, although there are risks being managed by the service in relation to delivery of challenging savings and income targets.

Directorate - Children and Young People

Table 3:

2023/24 Forecast Revenue Position as at 30 June 2023			
Directorate	**Revised Budget**	**Forecast**	**(Under)/ Overspend**
Children and Young People	**£m**	**£m**	**£m**
Children's Commissioning	0.653	0.688	0.035
Early Help & School Readiness	3.395	3.075	(0.319)
Education & Inclusion	17.681	21.988	4.308
Social Care & Safeguarding	27.885	33.223	5.337
TOTAL	**49.614**	**58.975**	**9.361**

12. The Childrens and Young Peoples department is forecasting to overspend by £9.361m overall with £5.337m forecast overspend on Social Care and Safeguarding and £4.308m forecast overspend on Education and Inclusion, the most significant variances are set out below.

13. A review of the allocation of expenditure to the Dedicated Schools Grant was carried out earlier in the calendar year which resulted in the requirement to transfer £2.5m of expenditure, across several services, to be funded through the general fund. Due to the timing of the review, it was not possible to include the pressure in the budget at budget setting which has resulted in significantly contributing to the overall directorate overspend. The service is reviewing the services transferred to seek alternative ways to deliver them or cease the service altogether to reduce the overspend in the current year and reduce the impact on the medium-term financial plan for 2024/25 onwards.

14. By mid-September the service will have completed a detailed assessment of demand and associated costs with a view to mitigating the increase in expenditure as far as possible.

Social Care and Safeguarding – £5.053m forecast overspend.

15. The overspend has been incurred due to an increase in demand for children's residential placements, additional inflationary pressures on residential placements costs and social work agency costs. All these factors reflect local and national pressures on Childrens social care budgets.

16. The increase in demand since the end of March 2023 includes the costs of an additional four children and young people in high-cost residential homes and additional placement costs for children with disabilities. The costs associated with this increase in demand is approximately £1.5m. The service is leading on a comprehensive plan to return children and young people to lower cost family homes, with support as required, where appropriate to the needs of the children and young people in care. This may include a return to children and young people's families, foster care homes and semi-independent accommodation as young people approach 18 years of age. In early September a residential panel will meet to discuss the long-term care plan for each child in a residential home, this will be led by the Social Care Director of Practice and include all relevant Heads of Service, Team Managers and Independent Reviewing Officers. A further strand of work will seek to unpick the reasons for the recent growth in children entering residential care for the first time.

17. In addition to the in-year increase in demand for residential home placements there has been a historic budget overspend in the budgets for the wider children in care placements. While the numbers of children in care have remained relatively consistent over the last 4 years a further historical overspend of approximately £1m which has not been reflected in the 23/24 budget would explain the further movement in the forecast. Further analysis on ensuring future budgets reflect demand will form part of the zero-based budgeting exercise being undertaken.

18. There has also been significant inflationary pressure reflecting increased costs of suppliers and more general market premiums impacted by sufficiency demand and supply. The impact of the inflationary pressure is approximately £1.2m.

19. The safeguarding service is forecast to overspend by £1.534m of which £0.983m relates to unbudgeted costs associated with social work agency workers in the safeguarding fieldwork team and the delay in the starting dates of permanent social workers, recruited internationally, caused by the delay in the Social Work England registration process. – Delays here are a recognized national issue and the Council has raised this matter with the Department for Education.

20. A further reason for the overspend in the safeguarding service is legal recharges of £0.335m which are ad hoc and based upon demand. Enhanced monitoring and commissioning of these recharges will be

undertaken to identify processes and delays in proceeding which contribute to increased costs, this will be reviewed as part of the zero based budgeting activity.

Education and Inclusion - £4.308m forecast overspend

21. The major reason for this overspend is the review of the allocation of expenditure to the Dedicated Schools Grant which resulted in the requirement to transfer £2.5m of expenditure to be funded through the general fund for which there was no provision for in the budget. All the costs and resources transferred are under review with the objective of reducing the impact on in-year expenditure.

22. The remaining £1.8m overspend reflects increased demand and a non-budgeted inflationary pressure for transport totaling £0.9m, non-delivery of an income target of £0.3m for the Educational Psychology service, and a further overspend of £0.6m on demand for personal budgets and short breaks.

23. The service is completing a full review of all short break and personal budget packages and reviewing contributions from Health and Social Care services. In addition, the service is also reviewing school transport routes and concluding a tendering exercise for the provision.

Directorate - Corporate Core – Forecast overspend £0.192m

Table 4:

2023/24 Forecast Revenue Position – as at 30 June 23			
Directorate	**Approved Budget**	**Forecast**	**(Under)/ Over Spend**
Corporate Core	**£m**	**£m**	**£m**
Corporate Core	13.229	13.420	0.190
Corporate Core Finance	4.859	4.860	0.001
TOTAL	**18.162**	**18.354**	**0.192**

24. The Corporate Core budget is forecast to overspend by £0.192m.

25. Legal and Democratic Services have a forecast overspend position of £0.095m of which £0.046m is in relation to Municipal Elections additional printing and postages costs due to a likely increase in the number of residents choosing to obtain a postal vote and the balance is as a result of historical Land Charges income targets.

26. The ICT services has a forecast overspend of £0.144m largely due to printing income underachievement of £0.124m. Both this income target and the land charges target will be reviewed as part of the zero based approach to budgeting.

27. Other minor underspends offset the overall position by £0.047m.

Directorate - Housing General Fund £0.000m

28. The Housing General Fund is forecasting a balanced position.

Non – Service Specific

Table 5:

2023/24 Forecast Revenue Position – as at 30 June 2023			
Non-Service Specific	**Approved Budget**	**Forecast**	**(Under) / Over spend**
	£m	**£m**	**£m**
Accumulated Absences	0.496	0.496	0.000
CAR Lease Salary Sacrifice	(0.025)	(0.025)	0.000
Chief Executive	0.259	0.216	(0.043)
Corporate Management	1.214	1.156	(0.058)
Cost of Borrowing/Minimum Revenue Provision & Investment Income	5.314	1.257	(4.058)
Disaster Expenses	0.011	0.011	0.000
Environment Agency	0.100	0.111	0.011
Pension Service Costs	(14.308)	(14.308)	0.000
GMWDA levy	12.551	12.551	0.000
Passenger Transport Levy	13.403	13.403	0.000
Town of Culture	0.090	0.090	0.000
Townside Fields	(0.058)	(0.058)	0.000
Provisions / Reserves	1.652	3.543	1.891
TOTAL	**20.700**	**18.443**	**(2.257)**

29. Non-Service Specific expenditure is forecast to underspend by £2.257m, details of the key variations are set out below.

Cost of Borrowing - £4.058m underspend

30. The Cost of Borrowing budget was set to deliver the Capital Programme

approved by Council in February 2023. A detailed review of the Capital Programme has resulted in re-phasing the budget and consequently a reduction in the amount of capital financing required in 2023/24 financial year.

31. In addition to the savings due to re-phasing, additional investment income has been received of £0.352m due to increased interest rates over those originally budgeted and deferred interest on the loan to Manchester Airport is now being repaid. The first repayment of the deferred interest was received in March following budget setting.

Provisions/Reserves - £1.458m overspend

32. The transformation savings target of £2.189m, of which £0.785m relates to 2022/23, will not be achieved in full as originally planned in 2023/24. Outstanding savings largely relate to an inability to achieve revenue savings from the estate rationalisation programme in the timescale required and some slippage on digital transformation work. More detail is set out in the savings section to follow.

Directorate – Health and Adult Care

Table 6:

2023/24 Forecast Revenue Position – as at 30 June 2023			
Directorate	**Revised Budget**	**Forecast**	**(Under)/ Overspend**
Health and Adult Care	**£m**	**£m**	**£m**
Adult Social Care Operations	7.003	6.661	(0.342)
Care in the Community	47.038	49.350	2.312
Commissioning & Procurement	15.382	16.658	1.276
Departmental Support Services	0.976	0.974	(0.002)
Workforce Modernisation	0.078	0.078	0
Public Health	10.270	10.242	(0.028)
TOTAL	**80.747**	**83.963**	**3.216**

33. The Health and Care directorate is forecast to overspend by £3.216m. The explanation for the main variances are as follows:

Adult Social Care Operations - £0.342m underspend

34. The Adult Social Care Operations budget is forecasting to underspend by £0.342m.

The main drivers of the underspend are staffing budget underspends due to staff vacancies in the assessment and care management and Integrated Neighbourhood Teams. The workforce retention strategy continues to recruit Social Workers in Operational teams thereby strengthening focus on delivery of care package savings. However, recruiting to vacant care support worker roles in the Intermediate care services remains a challenge and therefore affects the ability to deliver services to their full capacity.

Care in the Community - £2.312m Overspend.

35. The Care in the Community budget is forecast to overspend by £2.312m. The overspend is due to an increase in demand for Home Care packages in addition to the estimated growth already factored into the budget.

36. If home care activity continues at the same trajectory as Quarter One for the rest of 2023/24 this will create a further £0.3m of Home Care pressure not currently in forecast.

37. The forecast includes c.£0.480m of savings achieved through care package reviews which has been offset by £0.208m of new demand. A further £3.8m of savings have been built into the forecast to be delivered through a review of care packages to be achieved between 1 July 2023 and 31 March 2024.

Commissioning & Procurement (Other) - £1.276m Overspend.

38. The Commissioning and Procurement Budget is forecast to overspend by £1.276m. The overspend is due to a shortfall in the delivery of savings of £0.350m, action is being taken to deliver the saving in this financial year. The balance relates to the unfunded pay award for Persona staff of £0.943m which was omitted from the budget during the budget setting for 2023/24.

Directorate – Operations

Table 7:

2023/24 Forecast Revenue Position – as at 30 June 2023			
Directorate	**Approved Budget**	**Forecast**	**(Under) / Overspend**
Operations	**£m**	**£m**	**£m**
Wellness Operations	2.695	3.284	0.589
Engineers (including Car Parking)	(0.413)	(0.106)	0.307
Street Scene	5.765	6.468	0.703
Commercial Services	(0.475)	(0.025)	0.450
Waste, Transport and Stores	5.563	5.781	0.218

Operations Senior Management	2.289	2.658	0.369
Health & Environmental Protection	1.565	1.553	(0.012)
Corporate Landlord	0.245	0.337	0.092
TOTAL	**17.233**	**19.949**	**2.716**

39. The Operations Directorate is forecast to overspend by £2.716m, of which £1.485m is due to energy inflation. The remaining £500k of the original £1m energy contingency budget will be released at month 4 to partially offset this pressure.

Wellness Operations - forecast overspend £0.589m

40. There is a forecast overspend of £0.505m in leisure centres and libraries due to the increase in energy costs and forecast under-achievement of income of £0.160m, this has been offset by some underspends in Sports Development of £0.037m.

41. Leisure services have submitted a bid for funding from the Swimming Pool Support Fund Phase 1, which offers grants towards the energy costs which will partially mitigate the overspend. The amount of likely grant cannot yet be quantified therefore this has not currently been included in the forecast position.

Engineers - forecast overspend £0.149m

42. The forecast overspend relates to the under-achievement of income from parking services of £0.288m.

Street Scene - forecast overspend £0.703m

43. There is a forecast overspend of £0.821m due to ongoing inflated energy costs, of which £0.805m relates to street lighting, however, this is offset by the saving due to LED replacements of £0.110m leaving a net energy overspend of £0.712m. The department has investigated if the rollout of LED replacements can be accelerated, including approaching other local authorities and private contractors however no additional capacity has been identified. £0.300m of the remaining energy contingency will be allocated against the street lighting budgets in month 4, thereby reducing this pressure.

Commercial Services - forecast overspend £0.451m

44. There are several variances within Commercial; services causing the overspend. Civic Halls is overspending by £0.070m due to staffing costs. Catering services is overspending by £0.112m due to a savings target not being achieved through the service level agreement. Under achievement of income from Bury market because of reduced build outs is £0.218m and the savings target for cleaning is forecast to achieve £0.049m less

than the target. All of these issues will be addressed within the zero based budget exercise now planned

Waste, Transport and Stores - forecast overspend £0.218m

45. The Waste services are forecast to overspend by £0.173m which is partly due to the income target on trade waste and agency staff costs.

Operations Senior Management – forecast overspend £0.369m

46. The forecast overspend relates to staffing costs, the total departmental vacancy factor budget is held within this area but actual savings occur where the staff are employed, and the service is not forecast to meet this due to lower turn over of staffing.

Corporate Landlord – forecast overspend of £0.093m

47. The overspend relates to a reduction in rental income and an increase in the costs of energy.

DELIVERY OF THE SAVINGS PLAN

48. Planned savings of £14.608m, plus £1.400m of Transformation savings were approved by Council in February 2023 for the 2023/24 financial year. In addition to this, £2.661m of savings had been approved in February 2022 for delivery in 2023/24. During 2022/23 there were £2.949m of savings which were undelivered and therefore carried over to the current financial year. The total savings requirement for the current financial year therefore being £21.618m, split across Council departments as shown in the tables below.

Table 8:
Summary of savings

Savings Group	Savings target	Savings achieved	Q1 Forecast	Q1 Variance
	£m	£m	£m	£m
Cabinet approved Feb 2023	£14.608	£8.112	£13.446	-£1.162
Cabinet approved Feb 2022	£2.661	£1.353	£2.488	-£0.173
Transformation Savings	£1.400	£0.116	£0.294	-£1.106
2022/23 unachieved savings	£2.949	£1.441	£1.875	-£1.074
Total Savings	£21.618	£11.021	£18.103	-£3.516

Savings Group	Directorate Savings Programme	Savings target	Savings achieved to date	Forecast	Variance
		£m	£m	£m	£m
Budget Savings 2023/24	All	£2.712	£1.865	£2.875	£0.163
	Business Growth & Investment	£0.750	£0.000	£0.700	-£0.050
	Children & Young People	£0.707	£0.441	£0.507	-£0.200
	Corporate Core	£0.591	£0.270	£0.565	-£0.026
	Corporate Core Finance	£0.150	£0.150	£0.150	£0.000
	Housing General Fund	£0.964	£0.000	£0.539	-£0.425
	Operations	£1.296	£0.577	£1.005	-£0.291
	Non-service Specific	£1.638	£1.638	£1.638	£0.000
	Health & Adult Care	£5.800	£3.171	£5.800	£0.000
February 2023 Cabinet agreed savings		**£14.608**	**£8.112**	**£13.446**	**-£1.162**
Budget Savings 2023/24	Business Growth & Investment	£0.500	£0.500	£0.500	£0.000
	Operations	£0.200	£0.058	£0.080	-£0.120
	Health & Adult Care	£1.961	£0.795	£1.908	-£0.053
February 2023 Cabinet agreed savings		**£2.661**	**£1.353**	**£2.488**	**-£0.173**
Transformation Savings	Digitalisation & Chanel Shift	£0.900	£0.116	£0.247	-£0.653
	Building Revenue Reductions	£0.500	£0.000	£0.047	-£0.453
2023 agreed Transformation savings		**£1.400**	**£0.116**	**£0.294**	**-£1.106**
2023/24 Savings Target		**£18.669**	**£9.580**	**£16.227**	**-£2.442**
2022/23 unachieved savings	Children & Young People	£0.320	£0.120	£0.120	-£0.200
	Health & Adult Care	£1.546	£0.993	£1.296	-£0.250
	Operations	£0.294	£0.000	£0.022	-£0.227
	Transformation savings	£0.789	£0.388	£0.437	-£0.352
2022/23 unachieved savings		**£2.949**	**£1.441**	**£1.875**	**-£1.074**
Savings Target (2022/23 and 2023/24)		**£21.618**	**£11.021**	**£18.103**	**-£3.516**

TRANSFORMATION

49. The table below shows the breakdown of forecast transformation savings

across the three areas within the corporate programme

50. The LET'S do it Well! Programme of business process improvement and efficiency is complete.

51. Plans are in place for completion of imminent digital transformation plans, within the LET'S do it Once programme, but there is some slippage on delivery due to senior management changes. All remaining activity will be delivered by the end of the financial year

52. The LET'S do it Flexibly programme, designed to make revenue and capital savings from estate rationalisation, has not delivered as planned. Whilst disposals have been made across the totality of the Council's estate, the specific sites in scope of this programme have been delayed due to commercial negotiations and wider strategic development dependencies. The overall delivery plan is therefore subject to review and is being re-scoped to ensure the balance of savings is achieved this year and provide greater assurance on other related savings forecast from land and site disposals.

Table 9:

Transformation Savings		2023/24			
Savings Group	Theme	Savings target	Savings achieved	Forecast	Variance
		£m	£m	£m	£m
Once	Digitalisation & Channel Shift	£0.900	£0.116	£0.247	-£0.653
Flexibly	Building Revenue Reductions	£0.500	£0.000	£0.047	-£0.453
Transformation 2023 agreed savings		**£1.400**	**£0.116**	**£0.294**	**-£1.106**
Well	Staff Travel	£0.015	£0.015	£0.015	£0.000
Well	Organizational Design	£0.100	£0.100	£0.100	£0.000
Well	Business Support	£0.273	£0.273	£0.273	£0.000
Flexibly	Building Revenue Reductions	£0.352	£0.000	£0.000	-£0.352
Once	Applications Realisation	£0.049	£0.000	£0.049	£0.000
Unachieved 2022/23 savings		**£0.789**	**£0.388**	**£0.437**	**-£0.352**
Total savings		**£2.189**	**£0.504**	**£0.731**	**-£1.458**

53. The largest area on non-delivery is in relation to building revenue reductions with a £0.352m unachieved saving in 2022/23 and a further

£0.453m forecast unachieved saving in 2023/24.

54. Within the Transformation Strategy was the responsibility for establishing the agile working model and achieving revenue savings from the reduced cost base following disposal of a defined list of administration buildings. The current climate plus environmental factors has meant that activity has been delayed and work is being undertaken to explore how this can be mitigated.

COUNCIL RESERVES

55. At the end of 2022/23 the Council's total usable reserves, excluding Schools, were £106.209m of which £35.492m are earmarked for a specific use and £22.7m is held within the general fund usable reserve. As noted above any remaining unmitigated overspend at year end would need to be funded from this reserve. The reserves are reviewed on a regular basis and a medium-term forecast is prepared to ensure the reserve levels are adequate.

56. Transfers to and from reserves have taken place following approval as part of the 2023/24 budget setting process. The 2023/24 approved budget included the use of £4.818m of general fund reserves.

57. Work was undertaken as part of the 2022/23 year end processes to rationalise the reserves. Further work will be undertaken during the next quarter of this year to further consolidate departmental reserves, to check and challenge whether in view of the current financial climate they are still required for their original intended purpose, and to produce a revised risk strategy as part of the medium term financial strategy. This work was scheduled to be undertaken this financial year and now forms part of the finance improvement plan.

OTHER BUDGETS

Schools

58. The Council's expenditure on schools is funded primarily by the Dedicated Schools Grant (DSG) which is split across four funding blocks as follows:

- Schools - £149.832m
- High Needs - £45.009m
- Early Years - £14.552m
- Central Schools Services - £1.038m

The Schools Forum is regularly updated on the status of the DSG which is, with the exception of the High Needs Block, in balance, although a number of schools are reporting deficit balances in 2023/24 and are developing plans to recover these deficits.

59. The DSG (excluding school balances) has been in a deficit position since 2012. At the start of this financial year the current deficit was £18.6m

60. Since 2021 Bury Council has been working with the DfE on Project Safety Valve, a national programme for those Authorities with the most significant HNB deficit positions. The programme is designed to contain spend within the High Needs Block and, through a programme of improvement with DfE funding support, to eradicate the historical deficit. An update on this work was provided to Cabinet in July 2023 which highlighted that progress against plan was slower than planned due to significant increases in demand. A revised management plan is, however, being developed in consultation with the DfE which includes:

- Increasing in-borough specialist provision through additional specialist mainstream school places and construction of two new secondary schools
- Improvements in the processes and systems for management of EHCPs and contract management of commissioned places
- Strengthening the multi-agency therapeutic and prevention offer
- A detailed review of spend against the DSG, to ensure all spend was properly coded as defined in the School and Early Years Finance (England) Regulations 2022.

61. As a result of these actions the DSG high needs block outturn forecast for 2023/24 is a reduction in the deficit to £16.758m and its eradication by 2028/29.

Collection Fund

62. 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 on the collection fund is an in-year surplus of £2.510m, with a residual deficit brought forward from 2022/23 of £7.250m. (This is the difference between the statutory estimated deficit as at 15th January 2023 and the outturn position) This brings the overall forecast to a net deficit of £4.740m. The Council's share of the deficit is £4.669m and Greater Manchester Combined Authority's share is £0.071m (for police and fire and rescue services). The deficit brought forward on business rates is largely as a consequence of the pandemic years.

63. The proportionate shares for Business Rates and Council Tax mean that Greater Manchester Combined Authority have a 1% share of Business Rates and a 16% share of Council Tax, whereas the Council have a 99% share of the Business Rates and 84% share of Council Tax.

Table 11:

	Council Tax	**Business Rates**	**Total**
	£m	**£m**	**£m**

Balance Brought Forward surplus (+) / deficit (-)	0.716	(8.416)	(7.700)
Prior Year estimated surplus / deficit paid (-) / receipt (+) in year	(2.481)	2.931	0.450
In-year estimated surplus (+) / Deficit (-)	1.610	0.900	2.510
Balance Carried Forward surplus (+) / deficit (-)	**(0.156)**	**(4.584)**	**(4.740)**
Distributed:			
Bury Council	(0.131)	(4.538)	(4.669)
GMCA: Police and Crime Commissioner	(0.017)	0.000	(0.017)
GMCA: Mayoral / Fire and Rescue Service	(0.008)	(0.046)	(0.054)
Total 2023/24	**(0.156)**	**(4.584)**	**(4.740)**

Housing Revenue Account

64. The Housing Revenue Account (HRA) is currently forecasting to be on budget the table below sets out the forecast position.

Table 12:

2023/24 Forecast Revenue Out Turn Position - as at 30th June 2023			
Housing Revenue Account			
	£m	**£m**	**£m**
	Approved Budget	**Forecast Outturn**	**Forecast (Under)/O'spend**
Income			
Dwelling Rents	(32.25)	(32.25)	0
Non-Dwelling Rents	(0.22)	(0.22)	0
Other Charges	(1.20)	(1.20)	0
Total Income	**(33.67)**	**(33.67)**	**0**
Expenditure			
Repairs and Maintenance	6.86	6.86	0
General Management	8.43	8.43	0
Rents, Rates and Other Charges	0.11	0.11	0
Increase in Bad Debts Provision	0.65	0.65	0
Depreciation	8.53	8.53	0
Interest	4.71	4.71	
Debt Management Expenses	0.05	0.05	0

Contribution to/(from) reserves	(2.7)	(2.7)	0
Total Expenditure	**26.64**	**26.64**	**0**
Net Cost of Services	**(7.03)**	**(7.03)**	**0**
Interest receivable	(0.02)	(0.02)	0
Principal Repayments	0	0	0
Revenue Contributions to Capital	7.05	7.05	0
Sub Total	**7.03**	**7.03**	**0**
Operating (Surplus)/Deficit	**0**	**0**	**0**

CAPITAL PROGRAMME

65. The Capital Programme is set on a three-year rolling basis and the programme for 2023/2024 to 2025/2026 was approved by Council in February 2023, as follows:

2023/24 £127.198m
2024/25 £73.500m
2025/26 £28.630m

66. At the 12 July 2023 Cabinet meeting, a further £17.390m of slippage from 2022/23 was added to the 2023/24 programme, to increase the 2023/24 Capital Programme to £144.588m.

67. For Quarter One, project managers have undertaken a review of their respective schemes and are proposing updates and re-phasing into future years of the Capital Programme to match the anticipated timing of spending.

68. The proposed scheme updating exercise reduces the overall 2023/24 Capital Programme by £55.086m, from £144.588m to £89.502m, the proposed updates are a combination of additions, reductions, and re-phasing into 2024/25, as follows:

69. **Additions: £13.430m**

70. School's grant funding, of:

- £5.839m Basic Need
- £2.127m High Needs
- £2.025m School Condition
- £0.296m Devolved Formula Grant

71. Other grant funded schemes of:

- £2.077m Disabled Facilities Grant

- £0.615m Bury Streets for All
- £0.345m Ramsbottom Street for All

72. **Reductions: (£4.507m)**

73. Predominately relates to three schemes that were all funded from prudential borrowing, of:
    - £2.000m Primary special school (special school 3), due to the DfE bid being unsuccessful.
    - £1.500m Transport Asset Management Plans, not required due to all vehicles now being ordered.
    - £0.865m FM Emergency Building Major Repairs & Audit compliance remedials, this funding envelope has been combined with other building capital budgets and this is the value that is no longer required.

74. **Re-phasing to 2024/25: (£64.009m)**

75. Levelling Up Fund grants and borrowing has allowed the rephasing of capital needed for the hubs and flexi hall projects, of:
    - £21.122m Radcliffe Hub
    - £21.092m Bury Flexi Hall

76. Other notable schemes include:
    - £7.251m Prestwich Village, funded by prudential borrowing
    - £4.717m Schools Basic Needs, High Needs and School Condition grant funding
    - £2.337m highways schemes, funded through a mixture of grants and prudential borrowing
    - £1.812m sports 3D pitches, funded through a mixture of capital receipts and prudential borrowing
    - £1.522m Disabled Facilities Grant funding
    - £1.350m Springwater Park Phase 2, funded through prudential borrowing
    - £0.677m Parks and Green Spaces Strategy, funded through prudential borrowing.

77. A breakdown of the 2023/24 to 2025/26 proposed Revised Capital Programme is provided in Appendix 2.

78. It is recognised that further work is required in advance of quarter 2 reporting and as part of the work on the medium term financial plan in relation to the capital programme. The programme currently needs reviewing in relation to ICT programme needs and a potential need to match funding if the Council is successful in its funding bid to carry out roof repairs to the Bury Art museum.

Flexible Use of Capital Receipts

79. To date general fund capital receipts of £0.584m have been generated, 4% of these receipts are allowable to offset the salaries of those staff within the Business Growth and Infrastructure Department who work on these sales leaving a balance of £0.560m which can be used under the flexible use of capital receipts policy for transformation. A balance of circa £0.500m has already been earmarked against the Education restructure redundancy costs, the value of which will be confirmed during quarter 2.

80. Further receipts will be kept under review to identify if further transformation costs can be allocated against them and during quarter 2 a piece of work will be undertaken to identify transformation costs which can be allocated against these receipts when they are achieved.

NEXT STEPS AND CONCLUSION

69. The forecast overspend maybe regarded as an early indication of the year end position if continued corrective action is not pursued. A comprehensive programme of recovery activity is therefore underway. An updated MTFS will be brought alongside the next monitoring report at the end of quarter 2.

70. Further work is ongoing to assess the impact of the strengthened spend controls and the impact this may have on the forecast, alongside the review of all in year budgets in conjunction with zero basing budgets for future years. Where there is slippage on savings delivery departments are being asked to pursue bringing forward alternative or future years savings programmes. External income is being pursued wherever possible whether it be through partnership funding or external grant applications. In line with the flexible use of capital receipts policy approved at budged Council all opportunities to use capital receipts to fund transformation spend will also be identified and taken.

71. Work over the summer has identified that budgets held within adults for winter surges in demand may be higher than needed following the ongoing work in care packages and therefore some of this can be released and phased in now to offset some of the overspend. Alongside the release of the remaining energy contingency this should see the forecast reduce by circa £1m.

72. However it is anticipated in line with other Local Authorities who are facing similar pressures that reserves may have to be used over and above the planned £4.8m. Members will be updated as part of ongoing monitoring.

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Links with the Corporate Priorities:

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

Equality Impact and Considerations:

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

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

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

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

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

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

Assessment and Mitigation of Risk:

Risk / opportunity	Mitigation
The Council has insufficient funds to support its expenditure.	Regular reporting and tight budgetary control by budget holders support the Council in managing the overall financial risks and financial planning for the Council. The council has recently implemented a moratorium on expenditure to reduce the forecast overspend.

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.

Financial Implications:

The financial implications are set out in this report.