Classification: Open	Decision Type: Non-Key

Report to:	Overview & Scrutiny Committee Cabinet	**Date:** 07 November 2023
Subject:	Quarter 2 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 two 2023/24 based on the information known at 30 September 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.

   The report also provides the mid-year treasury management report and recommends business rate accounts for write off.

Recommendation(s)

2. The Cabinet is asked to:

   a. note the delivery of savings to date of £12.849m with a forecast savings delivery of £18.888m within the challenging context of increased demand and inflationary cost increases.

   b. note the forecast overspend of £9.749m within the revenue budgets at Quarter two 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 mid-year treasury management report for onward approval by Council of the refreshed prudential indicators and updated Approved Lending List Criteria.

   f. Approve the write off of the business rate accounts included in Appendix 4

Reasons for recommendation(s)

3. To update Members on the Councils budgetary position and ensure the Council's budgetary targets are achieved.
4. This report is in accordance with the Council's financial procedure regulations.

Alternative options considered and rejected

5. None

Report Author and Contact Details:

Name: Sam Evans
Position: Executive Director of Finance
Department: Finance
E-mail: sam.evans@bury.gov.uk

Background

6. 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 second quarter. The report also reports on the mid-Year Treasury Management position and a number of business rate accounts which require write off.

   The report sets out the position for both revenue and capital budgets and presents a current revenue forecast overspend of £9.749m. The details by department and the programme of action to address this are included in Appendix 1. This is a much improved position from that which was reported at quarter one when the forecast overspend at the end of the year was projected to be £13.266m

   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.

   Over the summer a lot of work has been undertaken in preparation for refreshing the Councils medium term financial plan and developing detailed budgets for 2024/25. This has included an in depth analysis of current budgets and in year spend, which has improved budget holders and finance business partners understanding of cost drivers and where there may be budgets that can be reallocated or removed.

   The Council implemented a moratorium on spend at the end of July due to the financial position and this has in part supported the improvement in the quarter 2 position however, there remains significant pressures. The Council has also implemented a process of monthly departmental budget challenge sessions where departmental management teams are asked how they will mitigate any in year pressures, discuss progress on delivery of 23/4 savings programmes and identify if any of the 24/5 approved savings programmes can be brought forward in order to support the Councils' overall financial position. These will continue as a minimum until the end of this financial year.

Forecast Outturn against Budget 2023/24

7. The projected forecast outturn position is reporting significant variances within Children and Young People which is reporting £10.085m at quarter two an increase on the quarter one position by £0.724m. The increase is due to Social Care and Safeguarding residential placements as a result of an increase in the number of placements and their complexity. In addition, the service still has a high number of agency staff employed.

8. Education and Inclusion is also reporting significant pressure of £4.096m, which includes costs previously funded through DSG which following a review last year end have been transferred to the general fund. The Inclusion and Partnerships budget is forecasting to overspend by £1.275m, with short breaks and personal budgets being a significant proportion of the overspend.

9. The dedicated schools grant (DSG) is forecasting a deficit position of £18.555m by the end of this financial year. This deficit is reported within the statement of accounts as a deficit reserve funded through the Councils cash balances. The Council have been in regular discussions with the Department for Education (DfE) regarding its deficit position. A revised plan has been submitted for consideration by Ministers. This plan sees the eradication of the DSG deficit by the financial year 2028/29 and includes the use of £6m of Council reserves as approved by Cabinet in July.

10. Adult social care are reporting an overspend of £1.145m and this is predominantly due to an increase in demand for Home Care packages as a result of supporting hospital discharges into home care settings, additional 'in year demand' demand or increases to existing care packages and legacy demand pressures because of the Covid Hospital Discharge policy. The forecast position has improved on quarter one however there is a risk that over the winter additional demand may result in a further increase in the overspend. Winter pressures will be kept under constant review across the full health and care system to assess performance and financial impact on all system partners.

11. The operations budget is forecasting £1.593m a reduction of £1.100m from quarter one however there are significant pressures experienced across the service of which further details are in appendix 1.

12. The budget to fund the financing of the capital programme is within the non-service specific budget which is reporting an underspend of £3.2m largely due to the re-phasing of the capital programme and additional income from investments.

13. The Council has a savings target of £22.350m to deliver this financial year. To date £12.849m has been delivered and at the end of quarter two with

£18.888m forecasted delivery for the full year, resulting in a shortfall of £3.462m. Work is ongoing to increase delivery and this will be reported in future Cabinet reports. A number of options are being scoped by departments that will provide in year mitigations. The Council is also developing a strategic asset development plan which will rationalise the Councils estate which should deliver against the current transformation flexibly programme.

Capital Programme

14. The capital programme has been updated to re-phase schemes into future years. This has resulted in a reduction in the overall 2023/24 Capital Programme by £67.035m, from £144.588m to £77.553m and the savings in the revenue have been reflected in the revenue outturn position.

Treasury Management – Mid –Year Report

15**.** Treasury Management summary at the mid-year point, the key messages in the report are that:

- All treasury management activities were executed by authorised officers within the parameters agreed by the Council.
- The Approved Lending List Criteria has been updated for approval.
- £2.9m of temporary borrowing was raised during the quarter to 30 September 2023 and overall borrowing is £219.4m at 30 September 2023.
- As a result of the re-profiling of the Capital Programme during the quarter to 30 September 2023:
    - The 2023/24 in-year Financing Requirement is £19.310m.
    - The 2023/24 overall Capital Financing Requirement is £363.828m.
    - The 2023/24 Operational Boundary is £363.838m.
    - The 2023/24 Authorised Limit is £373.838m.
- The average investment return on short-term investments at 30 September is 4.72%.
- The council currently holds no direct investments with overseas financial institutions.
- The HRA debt is managed separately from General Fund debt.

Accounts for Write off

16**.** Members will be aware that during the pandemic all Councils were unable to pursue any recovery action through the courts or external enforcement agents and as a consequence following the pandemic there was an increase in the volume and value of debt and the number of businesses who became non-payers. This cessation of debt collection by creditors along with the mid and post pandemic economic downturn, is also likely to have led to a delay and an increase in the number of businesses applying for bankruptcy or going through insolvency procedures.

Debts in excess of £50k require approval of Cabinet for write off there are 12 debts totalling £850,736.60 that require write off. Ten of these companies are in liquidation/bankruptcy or insolvent and 2 are deemed not viable to collect.

Due to the age of this debt all of it is fully provided for within the bad debt provision and therefore there is no impact on the in year position.

Improvement measures are currently being implemented within the service which will support more expedient and efficient collection and recovery processes, helping to mitigate against aged debts being rendered uncollectible due to subsequent insolvency of the business. This is in parallel with the new pathway that seeks to ensure all businesses are claiming all grants and subsidies that they are entitled to thereby reducing their liability.

Conclusion

17. The financial position remains very challenging but there has been a positive improvement of £3.517m in the forecast between quarters one and two. Officers are working hard to mitigate in year overspends and to reduce the current forecast reported as at the end of quarter two.

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.

Environmental Impact and Considerations:

N/A

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. In July the Council implemented a moratorium on expenditure to reduce the forecast overspend. Departmental management teams are now receiving improved monthly financial management information to help them to control their budgets and make informed decisions

Legal Implications:

Treasury management is a matter reserved for Council. This report updates Cabinet in line with the Council's financial regulations and constitution.

Financial Implications:

The financial implications are set out in this report.

Appendices:

Appendix 1 Detail by Department of current year position

Appendix 2 Capital Programme

Appendix 3 Mid-Year Treasury Management Report

Appendix 4 Accounts for write off

Background papers:

None.

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

Term	Meaning