Bury Council

Classification: Open	Decision Type: Non-Key

Report to:	Cabinet	Date: 13 March 2024
Subject:	Quarter 3 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 three 2023/24 based on the information known as at 31 December 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 improved forecast overspend of £9.462m largely due to increased demand on services within the revenue budgets at Quarter two and the recovery action proposed.

    b. note the slight improvement in £18.555m deficit on the Dedicated Schools Grant (DSG) and the ongoing activity within the Project Safety Valve project (PSV).

    c. note the increased delivery of savings to date of £16.384m with a forecast savings delivery of £20.646m within the challenging context of increased demand and inflationary cost increases. The intention is in the MTFS for 2024/25 that all savings will be delivered or replaced by something of an equal value by the departments.

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.

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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 sets out the position for both revenue and capital budgets and presents a current revenue forecast overspend of £9.462m. The details by department and the programme of action to address this are included in Appendix 1. The financial position has slightly improved by £0.334m from that reported at quarter two when the forecast overspend at the end of the year was projected to be £9.706m. The quarter one forecast position was £13.266m.

   The remaining unmitigated overspend at the year-end will impact on reserves however a review of reserves has taken place as part of setting the 2024/25 and the deficit has been taken account of.

   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 and quarter 3 position however, there remains significant pressures.

   The Council continues to review the in-year position at the Executive Delivery Board meetings to mitigate in year pressures. The Executive Delivery Board reviews progress on delivery of 23/4 savings programmes and to identify if any of the 24/5 approved savings programmes can be brought forward to support the Councils' overall financial position. This 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 £11.279m at quarter three an increase on the quarter two position by £0.334m. The increase is due to Social Care and Safeguarding residential placements because 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 £3.940m, which includes costs previously funded through DSG which following a review last year end have been transferred to the general fund. This is a slight reduction of £0.156m since quarter two.

9. A detailed review was undertaken on the Children and Young Peoples

budget as part of setting the 2024/25 budget and the budget has been uplifted to address the budget pressures and fund forecast growth. This overspend is therefore not expected to continue into 2024/25.

10. 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 2023.

11. Adult social care are reporting an overspend of £0.855m which is a reduction of £0.290m on quarter two position 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. There is a risk that 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.

12. The operations budget is forecasting £1.803m an increase of £0.163m since quarter two which mainly relates to increased energy forecasts. There are significant pressures experienced across the service of which further details are in appendix 1.

13. The budget to fund the financing of the capital programme is within the non-service specific budget which is reporting an underspend of £4.797m which is largely due to the re-phasing of the capital programme and additional income from investments. The overspend is still being reviewed alongside the review of savings delivery to continue to reduce the forecast year end position and reduce the need to use reserves.

Savings 2023/24

14. The Council has a challenging savings target of £23.971m to deliver this financial year and to date has successfully delivered £17.947m at the end of quarter three with total savings of £22.268m forecast for the full year. The successful delivery of 93% of the savings target in the context of rising demand and other national and regional pressures reflected locally represents a considerable achievement for the Council.

15. The in-year savings referred to above include permanently embedded savings and some smaller one-off savings which in addition to the £1.644m equate to a total of £3.408m needing to be delivered on a permanent basis during 2024/25. However, £2.908m of these savings will

still be achieved from existing planned projects but for reasons given below have necessitated reprofiling over future financial years.

16. When savings achieved and forecasted in 23/24 are aggregated with the reprofiled savings the shortfall in the total savings targets set for 23/24 is £0.500m, a gap of 2%.

17. The reprofiled targets and associated projects are as follows:

- £0.192m for LED lighting will be achieved in the Operations budget in 24/25. The delay has been caused by the lack of availability of external contractors to undertake the necessary work.

- The HAC directorate is reporting a £0.332m net saving shortfall at quarter 3 which is being driven in two areas:

  - Working Age Adults savings initiatives are subject to appropriate accommodation being available and legal process being completed, consequently, where there is delay in transitioning to suitable accommodation there is a delay in the saving being achieved which is now expected to be in 24/25.

  - Housing Complex Care saving delivery is being negatively impacted due to property completion dates slipping and is expected to be delivered in 24/25.

- £0.400m of children placements savings which, due to the in-year increase in demand will now be delivered in 26/27. Alternative plans are in place to deliver the savings in 24/25 through additional contribution to high-cost placements from Health and a reduction in transport costs.

- The saving target of £0.845m associated with the rationalisation of council buildings to reduce maintenance costs and generate capital receipts will be achieved as rental income from Health partners located in Pennie £0.125m in 24/25 and £0.375m in 25/26 with the remaining £0.345m being delivered from further rationalisation and small asset disposals in 24/25 (£0.095m) and 25/26 (£0.250m). There is potential to increase the value of these savings when work on the Forward Asset Plan business case is completed.

- Savings of £0.664m associated with planned moves towards further digitalisation have proved difficult to implement and plans and implementation methodology are now being reviewed with a further report being prepared. Full year implementation is not expected until the end of 24/25 and the savings have therefore been re-profiled to be achieved in 25/26.

- The Home Support Service and HRA target of £0.425m has a plan is in place for £0.150m to be achieved in 2024/2025 and a review of the HRA is expected to deliver efficiencies of the remaining £0.275m due to the insourcing of the service, this also been reprofiled to 24/25.

- Savings of £0.050m associated with a reduction in external fees and charges are proving difficult to achieve in the context of additional work needing to be undertaken but Directors continue to reevaluate commissioning and requirements, and the savings have been reprofiled to 24/25.

18. The remaining shortfall in savings of £0.500m are within the Operations Directorate including Highways (£0.076m), Transport (£0.070m), Commercial Services (£0.232m) and Waste recycling (£0.122m). The original planned targets have proved difficult to secure due to a variety of internal and external factors including demand. However, the Directorates management team are committed to the savings targets and are currently developing alternative mitigations, to be delivered in 24/25, subject to Cabinet approval.

19. When approved all the above savings' projects will be supported by more a formalised project and delivery plan process to be monitored monthly and scrutinised by the Executive Delivery Board on a regular basis.

Capital Programme and Prudential Indicators

20. 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 £74.507m, from £144.588m to £70.081m, the savings in the cost of borrowing as a result of the programme slipping has been reflected within Non – Service Specific revenue budget.

21. CIPFA Prudential Code (2021) sets out the requirement for the prudential indicators to be reported on a quarterly basis. The Authority measures and manages its capital expenditure and borrowing with references to the indicators set out within the appendix 3 to this report.

Conclusion

22. The financial position remains very challenging but there has been a positive improvement of £3.804m in the forecast between quarter one and quarter three. This reduction in the forecast overspend is predominantly due to savings achieved within Capital Financing due to the re-phasing of the Capital Programme.

Officers are working hard to mitigate in year overspends and to reduce the quarter three forecast reported further by the end of the financial year.

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.

As this is in year budget monitoring of the budget approved by Council in February 2023, there is no need for an Equality Impact assessment to be carried out.

Environmental Impact and Considerations:

This is a monitoring report and, as such, there are no environmental impacts.

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:

This report updates Members of the Council's financial position in line with the Council's financial framework, it follows from the suite of reports which were considered at Budget Council in February 2024. This report sets out for Members the financial position as at quarter one and details the on-going work to mitigate overspends and deliver budget savings.

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 Prudential Indicators

Background papers:

None.

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

Term	Meaning
DSG	Dedicated Schools Grant
PSV	Project Safety Valve
DFE	Department For Education
HAC	Health and Adult Care