
2023/24 Revenue Financial Performance Quarter One

Committee considering report:	Executive
Date of Committee:	21 September 2023
Portfolio Member:	Councillor Iain Cottingham
Date Portfolio Member agreed report:	6 September 2023
Report Author:	Melanie Ellis
Forward Plan Ref:	EX4360

1 Purpose of the Report

- 1.1 To report on the financial performance of the Council's revenue budgets. This report is Quarter One for the 2023/24 financial year. The report is highlighting the financial position at each quarter of the financial year and impact on the Council's General Fund position. This allows the Executive and Scrutiny Commission to consider the implications and the actions being taken to mitigate and manage the position.
- 1.2 The Council is forecasting a significant overspend across many services, especially in the People Directorate, in Quarter One. This is due to increasing demand on services, continued inflationary cost pressures and additional staffing costs through the use of agency workers.
- 1.3 To mitigate the financial pressures, the Council has immediately implemented measures from July 2023 to provide greater oversight and scrutiny of financial decisions and financial commitments, as well as additional approval mechanisms for staffing and agency arrangements across the Council. It is anticipated that the rapid deployment of these measures will reduce the overspend forecast for Quarter Two.

2 Recommendations

- 2.1 To note the £6.3m overspend.
- 2.2 To note the implementation of measures included in the report around recruitment, staffing and agency.
- 2.3 To note the establishment of a Financial Review Panel (FRP) to meet weekly to ensure the spending limits are being adhered to.
- 2.4 To request that opportunities for raising in year capital receipts are brought forward to a future Executive meeting.

3 Implications and Impact Assessment

Implication	Commentary			
Financial:	<p>The forecast position at Q1 of a £6.3m overspend has significant financial implications. The General Fund is at £7.2m, with a minimum recommended level of £7m. If the £6.3m overspend remains at year end, it would leave a General Fund of £0.9m. There is a low level of earmarked reserves. This is a very low level of general fund balance and actions in place will be closely monitored to ensure that the in-year financial position improves.</p> <p>The minimum level of general fund balance recommended by the s151 officer is £7m and this would put the Council at significantly below this for future budget setting; this would mean an increase in future year's budget savings over and above initial forecasts for 2024-25 to replenish the level of reserves in the future.</p>			
Human Resource:	The FRP (Financial Review Panel) implications have been reviewed by Service Lead (HR) as a member of the panel.			
Legal:	The FRP (Financial Review Panel) implications have been reviewed by the Monitoring Officer.			
Risk Management:	Measures have been included in the report to provide greater levels of scrutiny on much lower levels of expenditure and recruitment costs.			
Property:	Review of assets to be undertaken with a view to possible sales that could be utilised for reduced capital financing costs and / or funding for a range of transformational activity across the Council to reduce costs.			
Policy:	None directly			
	Positive	Neutral	Negative	Commentary

Equalities Impact:				
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		y		
B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		y		The proposal aims to continue to protect those characteristics
Environmental Impact:		y		Unlikely to have any long term environmental impact.
Health Impact:		y		
ICT Impact:		y		N/A
Digital Services Impact:		y		N/A
Council Strategy Priorities:			y	The proposal could reduce spend on some areas of council priority.
Core Business:		y		
Data Impact:				No impact
Consultation and Engagement:	Service Directors, Executive Directors.			

4 Executive Summary

- 4.1 The Quarter One forecast is showing a substantial financial pressure for the Council. Primarily driven through cost pressures in the People directorate, with growing demand for social care services, additional staffing costs through the use of agency staff and

inflationary pressures, the People directorate alone is forecasting an overspend in excess of £5.8m. There are other financial pressures, in the planning services, unachieved income and delayed additional planning income charges via Government changes mean a forecast overspend of £0.6m in the Place directorate.

4.2 The General Fund reserve is currently at £7.2m (per the 2022/23 Financial Statements), which is only £0.2m above the S151 officer's minimum recommended level, as set out in the 2023/24 budget papers. As a result, the Council cannot end 2023/24 with a significant overspend, without reserves being depleted far below the recommended minimum level.

4.3 There have been a large number of Councils in recent weeks and months highlighting significant financial pressures for the 2023/24 financial year. Though it is difficult to analyse every Council's in year position due to timing of respective committees across the country, as at early August 2023, the following Councils have reported significant in year financial difficulties;

- Medway Council
- Leeds City Council
- Hastings BC
- Guildford BC
- Shropshire Council
- Brighton & Hove
- Southampton Council
- Kent County Council
- Bradford Council
- Kirklees Council
- Birmingham City Council
- Stoke on Trent Council
- East Lothian Council

4.4 To reduce the financial pressure and forecasts, the Council has taken rapid pro-active steps to reduce the overspend position from July 2023, these steps include:

- Greater scrutiny and approval of expenditure over £1,000
- Greater scrutiny and approval of recruitment activity and agency expenditure
- Finance led reviews on reviewing accruals policies and capital financial expenditure
- Review of action plans by overspending services to provide further mitigations to reduce overspends
- Review of the flexible use of capital receipts and seek to raise funding through capital receipts to fund eligible transformation spend
- Greater in year budget monitoring review of overspending services

- 4.5 The purpose of these measures has been to reduce the overspend position as well as seek alternative options to reduce the overspend in future budget monitoring reports. The Council undertook a month 2 budget monitoring exercise to provide an early assessment of any financial pressures and so has been able to deploy these cost control measures early in the financial year and seek to achieve the greater possible benefit of these measures being in place. It is expected that these measures will lead to an improvement in the Quarter 2 forecasts. Some of the mitigations may have an impact on service delivery, though it is expected that these will be kept to a minimum as posts and expenditure that affect the most vulnerable are being prioritised and the Council is continuing to operate all services.
- 4.6 The implication of an overspend in excess of £0.2m in 2023/24, would be to take the general fund reserve below the s151 officer's minimum level. In order to replenish the general fund reserve, greater levels of savings than currently forecast for 2024/25 would be required, or Full Council would need to consider accepting a budget with even greater risk for future financial years with lower than recommended reserves.
- 4.7 If the Council was to overspend by more than £7.2m the Council would need to consider what options are available for exceptional financial support. Most likely, the Council would need to formally approach the Government for a capitalisation directive. A capitalisation directive would allow the Government to provide the Council with one off funding as capital, which could be used to fund revenue. To enable this, the Government would require a form of intervention through a formal review of the Council as a likely minimum. Other Councils have been provided with this funding by the Government in recent years.

<https://www.gov.uk/government/publications/exceptional-financial-support-for-local-authorities-capitalisation-directions>

This would provide short term financial relief, if approved, though the Council would remain with a challenging longer term financial position that would require additional savings, alongside the additional cost of repaying the capitalisation directive. At present, the Council is not proposing to request a capitalisation directive, but this cannot be ruled out in the current financial year until the in-year financial position is brought down to much closer to a break even position.

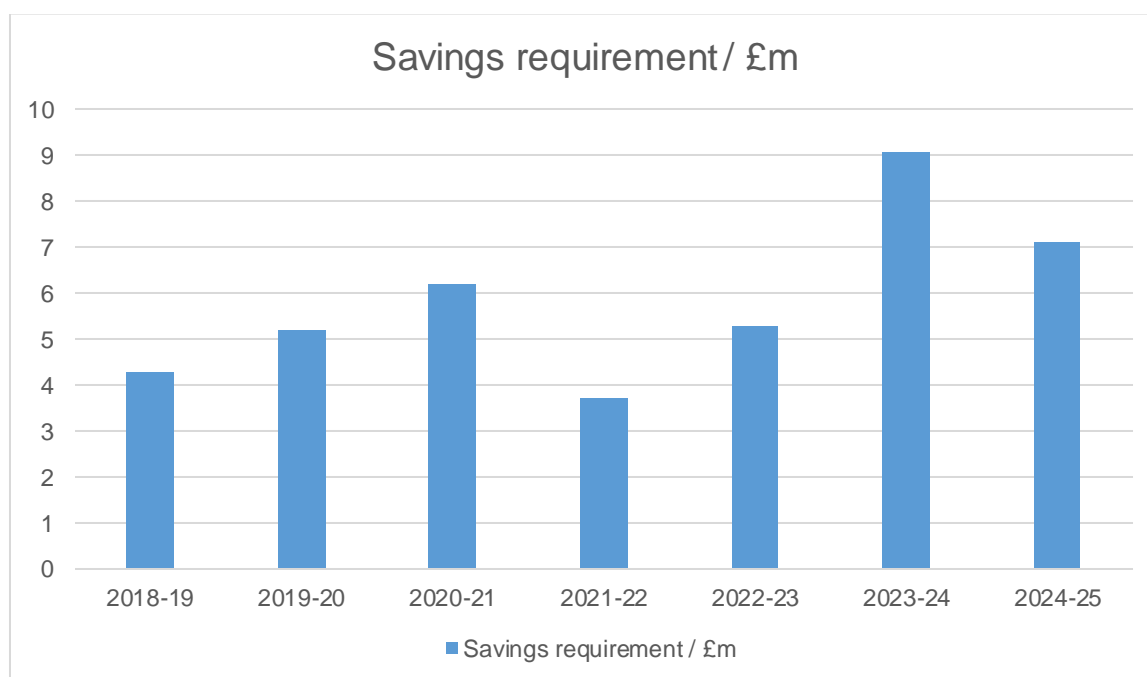
- 4.8 If in the longer term the financial pressure is not reduced, the Council's s151 Officer would need to consider issuing a section 114 notice; this is not being considered in the short term due to the mitigations being put in place at present in the 2023-24 financial year to mitigate the in year pressure. Any formal Section 114 notice would flow from the section of the Local Government Finance Act 1988 states:

"The chief finance officer of a relevant authority shall make a report under this section if it appears to him that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure"

- 4.9 The notice would need to go to Full Council who would have to respond within 21 days on what steps it will take. The issuance of a section 114 notice must be subject to consultation with the Head of Paid Service and Monitoring Officer. This still remains a

rare issuance in Local Government, and at present, the s151 is not seeking to issue one of these notices.

- 4.10 The background to the financial position of the Council is that the Council has historically had low levels of reserves, at approximately half of the average of similar Councils. The Council has a track record of strong financial control and stewardship, and though (the Covid-19 pandemic excepted) reserves have remained comparatively low, the Council has achieved financial balance as well as delivered significant financial savings programmes. The savings and investment programme over recent years is highlighted below; on top of this, the 2024/25 Medium Term Financial Strategy (MTFS) approved in March 2023 highlighted a savings requirement of over £11m over the next three years, heavily weighted to 2024/25 given uncertainties over future fair funding reviews – this totals £40m over a seven year period per the below:



- 4.11 The Council has also commenced its Transformation programme; this is referenced in the Executive report elsewhere on this agenda. This programme seeks to identify longer term financial savings, but will of course highlight any shorter term opportunities to help support the Council's in year financial position. There is a linked paper on the Executive agenda highlighting the key areas of focus for the Transformation Programme.

- 4.12 The Quarter One forecast is an overspend of £6.3m as summarised below:

2023/24 Revenue Financial Performance Quarter One

2022/23 Directorate Summary	Net Budget	Net Income/ Expenditure	Quarter One					
			Budget Manager Forecast Variance	Use of Earmarked Reserves	Use of General Fund	Forecast variance after Reserves	Mitigation	Year end forecast variance
	£000	£000	£000	£000	£000	£000	£000	£000
People	97,973	107,061	9,088	(238)	0	8,850	(3,010)	5,840
Place	33,733	34,933	1,200	(288)	0	912	(315)	597
Resources	12,170	12,876	706	(389)	0	317	(293)	24
Chief Executive	541	536	(5)	0	0	(5)	0	(5)
Capital Financing/Risk Mgt	14,537	14,380	(157)	0	0	(157)	0	(157)
Total	158,954	169,786	10,832	(916)	0	9,917	(3,618)	6,298

4.13 It is therefore vital that the Corporate Board and the Corporate Management Team (CMT) take immediate steps to reduce expenditure / increase income to reduce the forecast overspend. As a result a number of immediate measures have been put in place to help reduce the overspend as detailed above.

5 Supporting Information

Introduction

- 5.2 The 2023/24 net revenue budget of £159m was set in March 2023, using £157m revenue funding and £1.8m of reserves. During the 2023/24 budget build, inflationary pressures were identified in demand led services, but not all pressures were built into the budget, with some being held as a risk against the general reserve.
- 5.3 The Quarter One forecast is an overspend of £6.3m after use of £0.9m of specific earmarked reserves and £3.6m service mitigations that are being worked on.
- 5.4 As a result of the initial Q1 forecasts, a number of immediate measures have been put in place to help reduce the overspend. These are detailed elsewhere in the report. The level of overspend is very significant, and as highlighted above, the Council are putting in place measures to reduce the overspend as well as considering what options there are around Capitalisation directives. The Council has no residual capital receipts, but does have the opportunity to further reduce the overspend position by using the flexible use of capital receipts to fund transformational and cost reduction activity. There are teams across the Council, such as digital and project teams who would fit this definition and there is the opportunity to reduce the overspend by many hundreds of thousands of pounds by selling an asset (or assets) to fund this activity. This has been included as a recommendation to the Executive.
- 5.5 The Government will wish to consider the financial position of Councils facing significant financial pressures and in recent years have provided capitalisation directives to a small number of Councils, see the link

<https://www.gov.uk/government/publications/exceptional-financial-support-for-local-authorities-capitalisation-directions>.

In these cases, the Government have provided specific sums of funding to Councils through a capitalisation directive whereby the Council repays the Government (with

additional financial costs) and the Council will be required to have a formal external assurance review on their financial position. This will then be published by the DLUHC (Department of Levelling Up and Communities) and subject to progress and updates on improvement to the Council's financial position.

- 5.6 If the mitigations included in the current forecasts, *including* a capitalisation directive if it was sought, were not to come forward and be delivered, the Council would need to consider issuing a s114 report; this is not the current proposal. Very few Councils have issued section 114 notices (Woking BC, Birmingham City, Slough BC, Croydon and Thurrock being the most recent), and most of those have taken place where there have been significant commercial / property / company purchases with a lack of capital financing repayments, rather than from inflationary pressures. More information on the practicalities of a section 114 notice are included in this link from Woking BC <https://www.woking.gov.uk/section114>

or this from Thurrock Council

<https://www.thurrock.gov.uk/government-intervention/section-114-notice>,

or this link from Birmingham

https://www.birmingham.gov.uk/news/article/1381/statement_regarding_section_114_notice

Quarter One 2023/24

- 5.7 The Quarter One forecast is an overspend of £6.3m, representing 3% of the net revenue budget.

2023/24 Revenue Financial Performance Quarter One

2023/24	Net Budget	Net Income/ Expenditure	Quarter One					
			Budget Manager Forecast Variance	Use of Earmarked Reserves	Use of General Fund	Forecast variance after Reserves	Mitigation	Year end forecast variance
	£000	£000	£000	£000	£000	£000	£000	£000
Adult Social Care	62,925	65,946	3,021	(151)	0	2,870	(2,079)	791
Children & Family Services	21,249	25,958	4,709	(87)	0	4,623	(901)	3,721
Executive Director	370	377	7	0	0	7	0	7
Education DSG funded	(444)	(444)	0	0	0	0	0	0
Education	10,708	12,059	1,351	0	0	1,351	(30)	1,321
Public Health & Wellbeing	(80)	(80)	0	0	0	0	0	0
Communities & Wellbeing	3,246	3,246	0	0	0	0	0	0
People	97,973	107,061	9,088	(238)	0	8,850	(3,010)	5,840
Executive Director	213	197	(16)	0	0	(16)	(5)	(21)
Development & Regulation	5,637	6,591	954	(26)	0	928	(310)	618
Environment	27,882	28,144	262	(262)	0	0	0	0
Place	33,733	34,933	1,200	(288)	0	912	(315)	597
ICT	2,437	2,524	88	(23)	0	65	(65)	(0)
Executive Director	317	275	(42)	0	0	(42)	(40)	(82)
Commissioning & Procurement	448	526	77	(143)	0	(65)	(10)	(75)
Finance & Property	1,479	1,762	283	0	0	283	(82)	201
Strategy & Governance	7,489	7,686	197	(121)	0	76	(96)	(20)
Transformation	0	103	103	(103)	0	0	0	0
Resources	12,170	12,876	706	(389)	0	317	(293)	24
Chief Executive	541	536	(5)	0	0	(5)	0	(5)
Capital Financing	14,851	14,694	(157)	0	0	(157)	0	(157)
Risk Management	-314	(314)	0	0	0	0	0	0
Capital Financing/Risk Mgt	14,537	14,380	(157)	0	0	(157)	0	(157)
Total	158,954	169,786	10,832	(916)	0	9,917	(3,618)	6,298

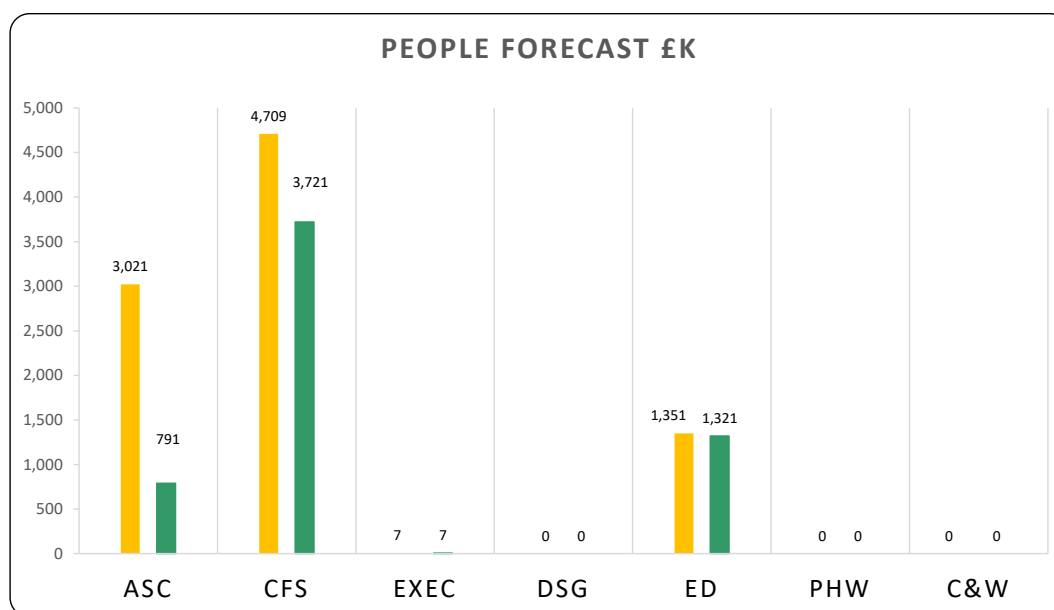
NB: Rounding differences may apply to the nearest £k.

Impact on Reserves

5.8 The general fund would be reduced to just £0.9m if the current forecast overspend remained at year end. This is significantly below the recommended level for future budget setting as outlined in the report.

People Directorate

5.9 The People Directorate forecast is an over spend of £5.8m against a budget of £98m, representing 6% of budget.



5.10 In ASC, the overspend is £0.8m, which is 1.3% of the net budget of £63m. This is after the use of Earmarked Reserves of £151k, and £2.1m of mitigations currently underway. The modelled investment request for Adult Social Care packages for 2023/24 was reduced by £1m and held as a risk. This has led to a higher level of overspend. The overspends before mitigations are outlined below.

5.11 ASC long term services (LTS) are £2.5m over spent.

- There are higher client numbers than modelled: 1850 compared to 1823. The rise in clients is attributable to higher levels of new requests for support. This includes high demand from hospital discharge.
- There is an increase in the cost of care packages, due to inflation, complexities and challenges in the external workforce market. This equates to an average increase of 8% per client package since 2022/23.
- There has been lower than modelled occupancy in our own three care homes due to refurbishment and admissions restrictions resulting in clients being placed in externally commissioned beds costing more.

5.12 Short term services are £0.63m under spent due to the additional funding for Hospital Discharge and changes to some clients packages moving onto long term services.

5.13 Other overspends is ASC total £1.1m.

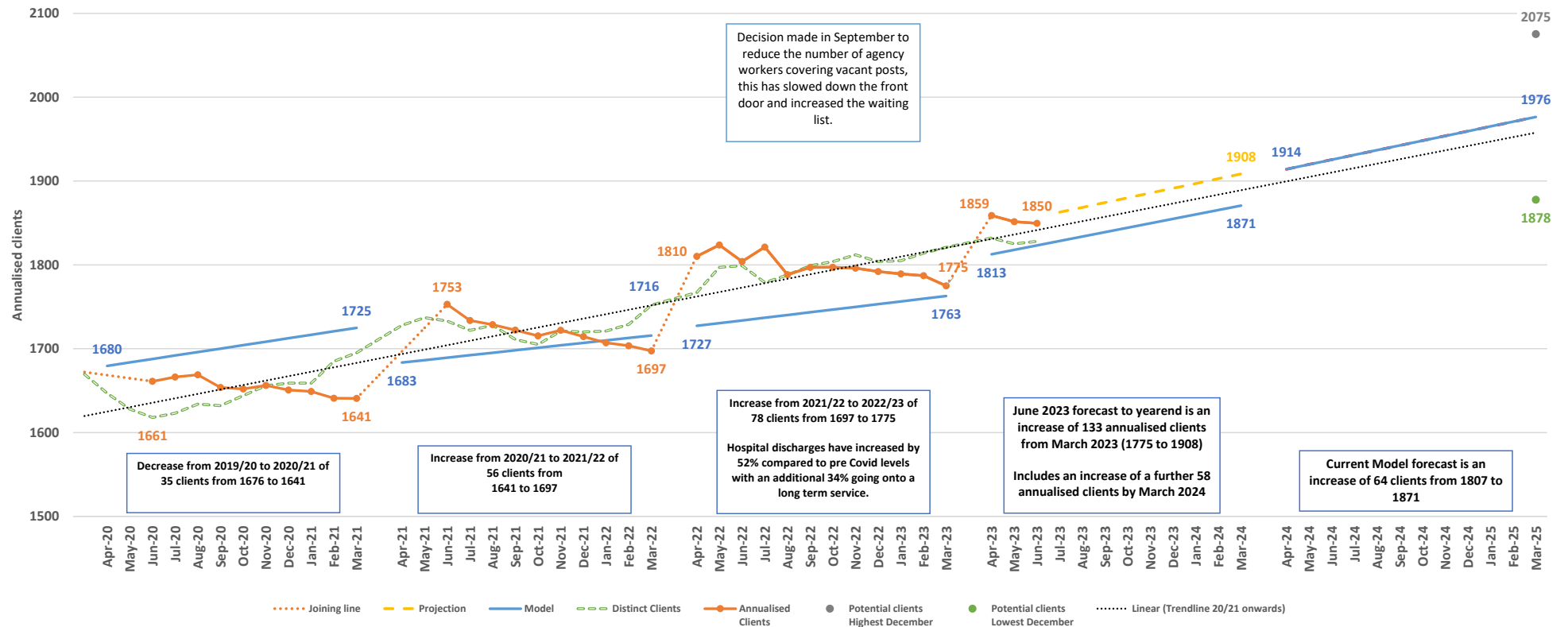
- There is a £1.5m overspend in our own care homes due to a shortfall of income and agency staffing requirements from recruitment difficulties.
- Underspends have arisen in Shared Lives due to lack of carer availability and in Reablement due to vacancies.

5.14 The 2023/24 savings target of £2.3m is £81k red, £1.6m amber and £0.6m green. The red is due to fee increases that require consultation before they can be implemented. The amber savings are on track to largely be achieved.

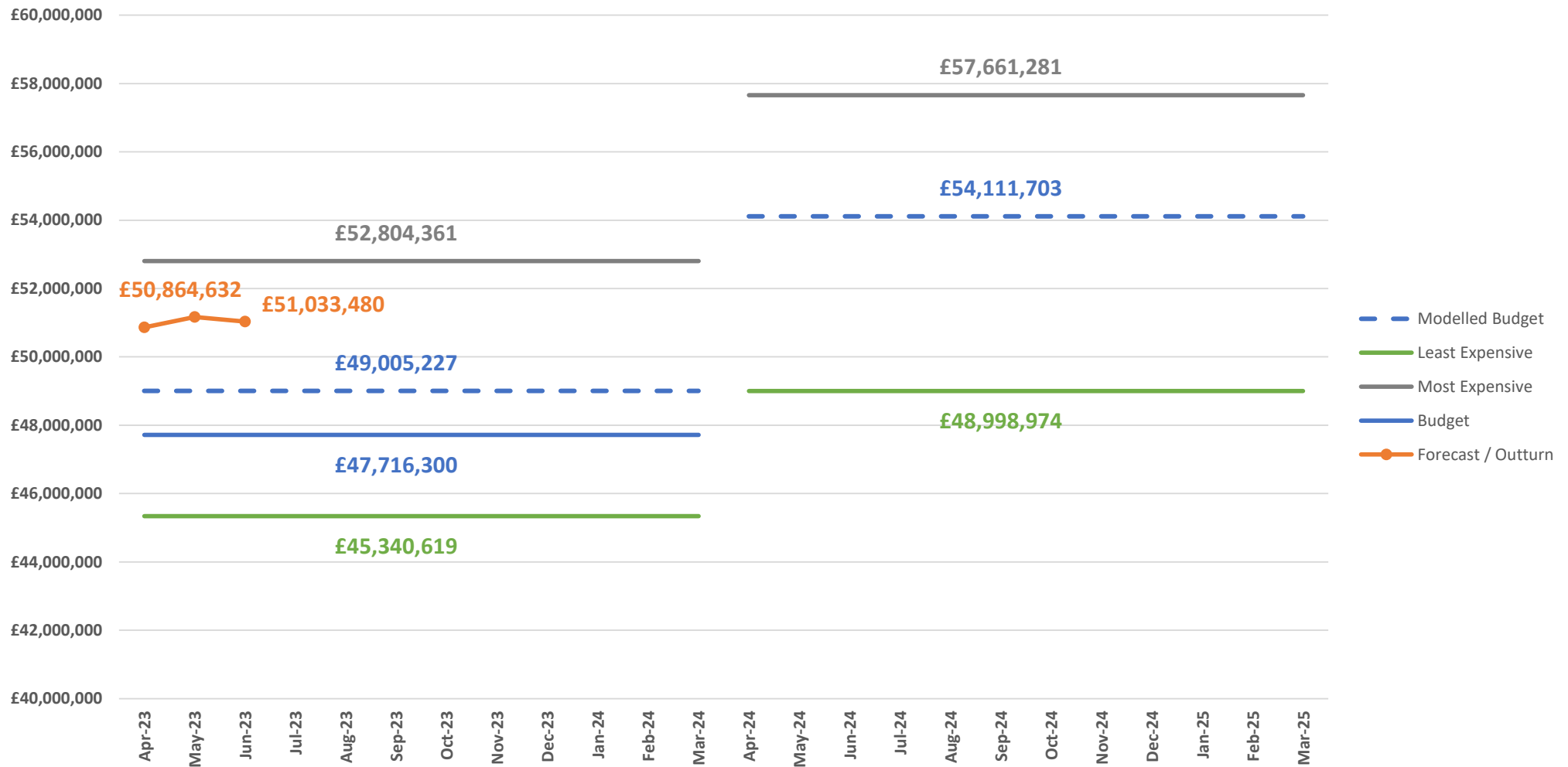
- 5.15 Mitigations of £2.1m are underway. Other actions include a review of 2024/25 savings proposals to see if they can be started early, stopping recruitment where possible, review of agency requirements, utilisation of external funding and a review of year end accruals. The service continues to take action to suppress market demand.
- 5.16 ASC are seeing an aging population as well as increased costs. The ASC Model for long term services is updated monthly, with assumptions reviewed and agreed by the ASC Financial Planning Steering group and reported at the ASC Financial Planning meeting.

2023/24 Revenue Financial Performance Quarter One

Adult Social Care Annualised client numbers for Long Term Services



LTS Net Expenditure Model V Forecast



5.17 In CFS, the forecast is a £3.7m overspend, which is 17.5% of the net budget of £21m. This is after the use of Earmarked Reserves of £87k and £901k mitigations which are underway.

- There is a £2.5m over spend in placements before mitigation. The children in care population has increased by 20%. This is in addition to increased complexity, mental health and emotional wellbeing needs, and provision for teenagers. There is a small cohort of young people with very high care needs requiring specialist residential provision and a national shortage of suitable residential placements.
- There has been an 83% increase in child protection plans. The Family Safeguarding teams are overspending by £1.6m due to agency costs. This has been required to cover vacancies and maternity leave and increased demand. Childcare lawyers had a £0.7m overspend due to an increase in the number of cases in court.
- Mitigations of £0.9m relate to reducing the placement costs and agency spend.

5.18 The 2023/24 savings target of £0.5m is £184k red, £154k amber and £196k green. The red is due to a target for not filling posts immediately upon becoming vacant not being met due to the level of demand for statutory intervention. The amber savings are for placement cost reductions which were planned at a point when a rise in the care population was not as great as now being seen.

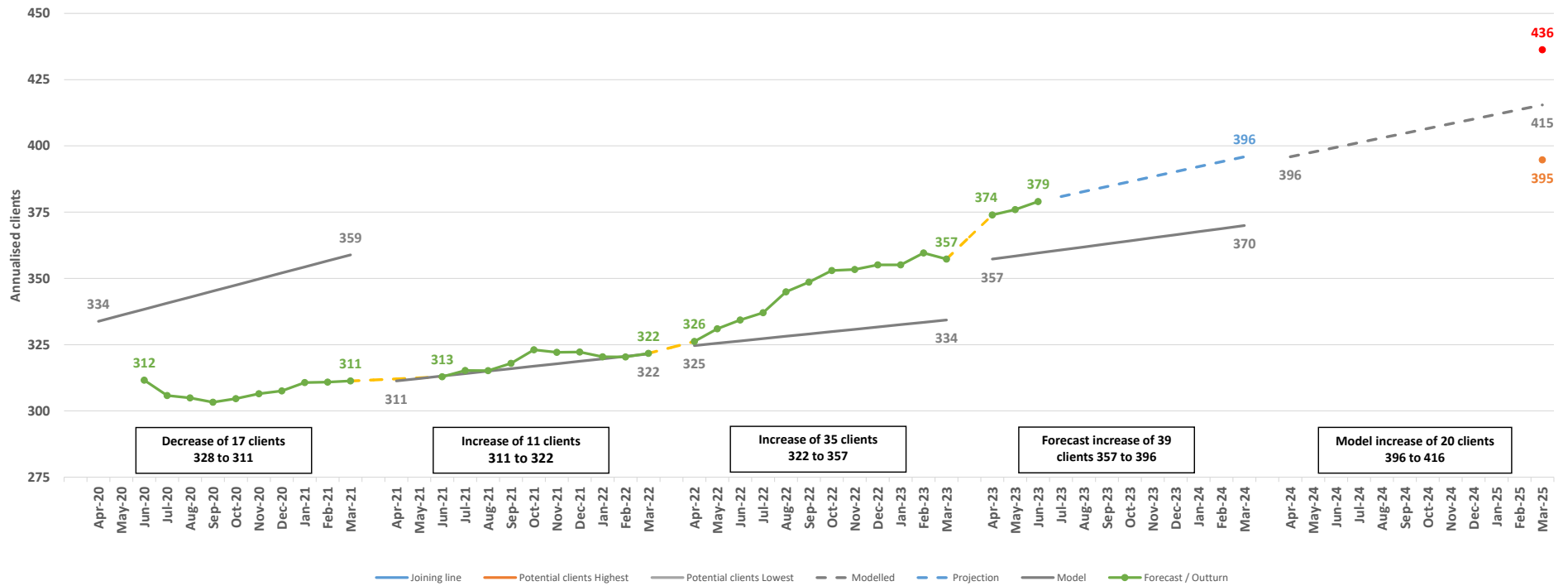
5.19 The service continue to effectively manage placements as part of the Children and Family service Accommodation & Resources Panel. There is a robust plan in place for some children to appropriately safely step down from costly residential care. Additional in house supports to foster carers (fostering hub, mental health team) will enable increasing numbers of children to live in lower cost 'In house' placements.

5.20 There is active recruitment taking place for qualified staff to fill vacancies. The national picture is one of acute shortage of social workers. The recruitment and retention package has been renewed.

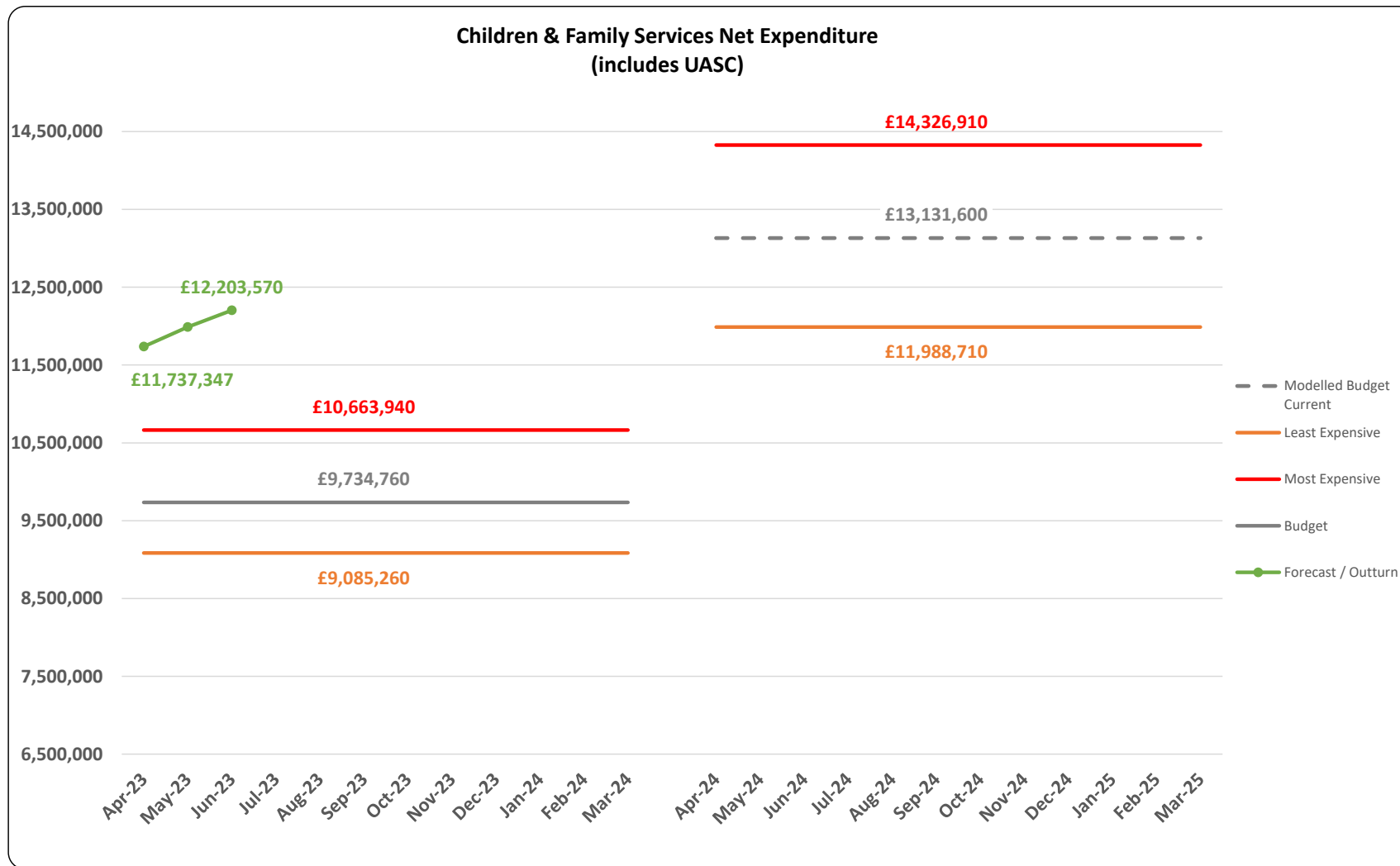
5.21 The model for placements has been refined and is updated monthly. Client numbers and net expenditure are shown in the graphs below.

2023/24 Revenue Financial Performance Quarter One

Children & Family Services annualised client numbers
(includes UASC)



2023/24 Revenue Financial Performance Quarter One



5.22 Education forecast is a £1.3m overspend, which is 13% of the £10.7m budget. £1.1m of this is in Home to School Transport (HTST). The service is engaged in looking for ways to reduce HTST costs.

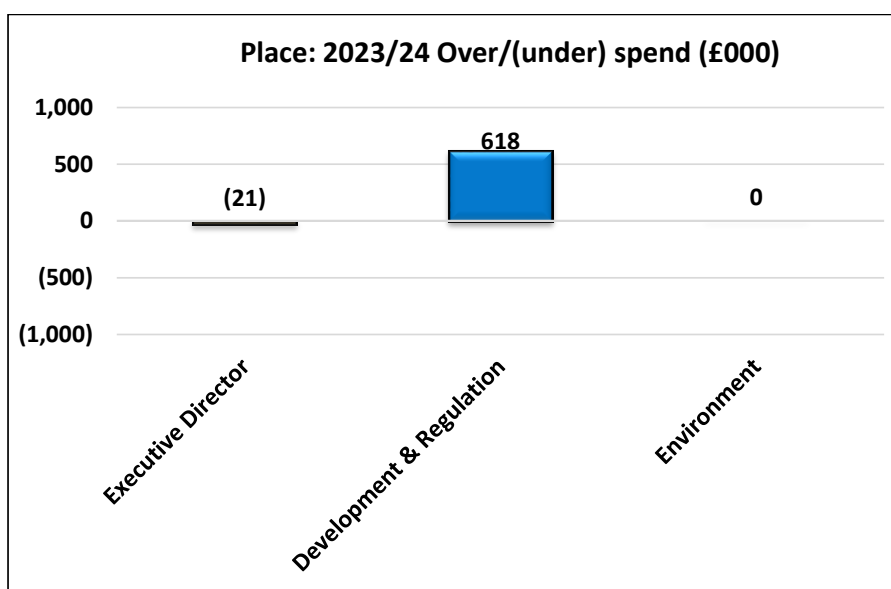
5.23 Other pressures are from agency costs and disability support packages residential.

5.24 Public Health forecast is a £143k underspend which will transfer to the Public Health Reserve at year end.

5.25 Communities and Wellbeing is reporting online. There are pressures in library income due to Parishes not contributing, but there are savings in leisure offsetting this.

Place Directorate

5.26 The Place Directorate forecast is a £0.6m overspend, representing 1.8% against a budget of £34m. This is after use of reserves of £0.3m and mitigations of £0.3m. The overspend is entirely within Development and Regulation.



5.27 In Development and Regulation, the £0.6m overspend represents 11% of the £5.6m budget.

- There is a £0.6m pressure on Planning Application fee income, of which £0.4m is from a national fee uplift which was anticipated to start at the beginning of this financial year, but has yet to be introduced.
- There is a £0.3m pressure on Bio-Diversity Net Gain income, where income was expected to be generated through activity linked to developments delivering a 10% uplift in Bio-Diversity Net Gain. This is now expected to be introduced in November 2023 but there is no opportunity to generate income from the scheme.

5.28 The 2023/24 savings target of £1.5m is £0.9m red, £0.3m amber and £0.3m green. The red is due to the income targets outlined above not being achievable. The amber savings are for fees and charges increases and holding posts vacant.

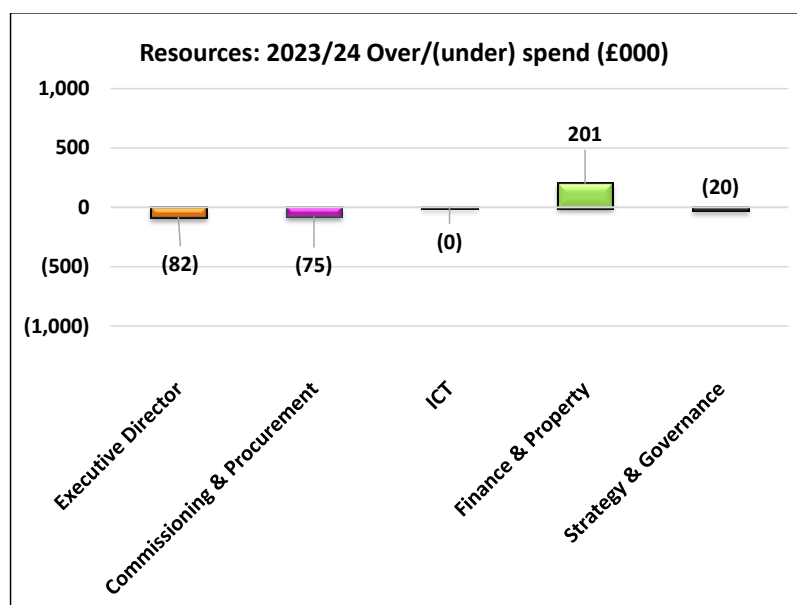
5.29 The implementation of the Planning Restructure should help realise some in year reductions to the current forecast. Activity to maximise income generation is being prioritised across the Planning Service. Further work is to be undertaken to review the utilisation of grant income to ensure all staff time for working on the projects is being captured, and funded from grant income.

5.30 In Environment, the forecast is online.

5.31 The 2023/24 savings target of £1.2m is £50k red, £30k amber and £1.1m green. The red is from biodiversity and carbon credits as legislation has not been forthcoming. The amber is for pre-application income.

Resources Directorate/Chief Executive

5.32 The Resources Directorate forecast is an overspend of £24k. This is after use of reserves of £0.4m and mitigations of £0.3m. The Chief Executive Service is an underspend of £5k. The combined forecast overspend of £19k represents 0.1% of the net budget of £12.7m.



5.33 In Commissioning & Procurement, the £75k surplus is largely due to income from the agency contract rebate, as a result of the increased agency usage. The £350k savings are forecast as green.

5.34 In ICT is forecast online. The £110k savings target is £35k amber and £75k green.

5.35 In Finance and Property, the £201k overspend has arisen from unachieved savings from the accommodation review project, delayed property disposals and recruitment difficulties necessitating the use of agency. The £1.1m savings target is £96k red, £50k amber and £1.1m green.

5.36 Strategy and Governance is £20k underspent. The £420k savings programme is £101k red, £50k amber and £269k green. The red is from grant funding that is not available.

5.37 The Transformation Service is forecast online after use of transformation funding.

- 5.38 Mitigations for overspends include review of vacant posts and agency arrangements, limiting printing and postage usage and review of vacant properties.

Capital Financing and Risk Management

- 5.39 Capital Financing has an underspend of £157k. The position is the result of the Council seeking to mitigate interest rate risk through a strategy of not undertaking long term borrowing in respect of PWLB financing and, instead focusing on supporting delivery of the capital programme through short term borrowing and cash balances. The strategy of keeping borrowing and investments below their underlying levels, sometimes known as internal borrowing, has reduced risk and helps keep interest costs low. The Investment and Borrowing Strategy for financial year 2023/24 has been set with the same underlying principles. The high interest rate environment has on a positive side yielded treasury returns on cash balances held by the authority. Capital financing is also dependant on the delivery of the Council's capital programme. The capital programme is currently forecasting a delivery level of approximately 83% with 16% of planned expenditure re-profiled into financial year 2024/25.

Employee and Agency Spend

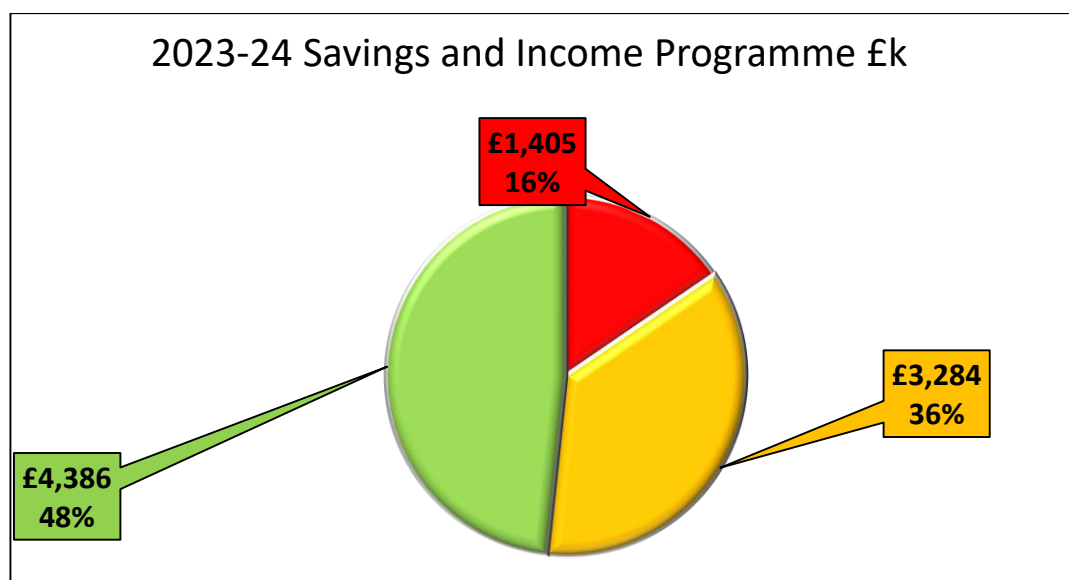
- 5.40 At Quarter One, total employee spend including agency was £17.7m against a budget of £17.1m, an overspend of £0.5m. The overspend is largely as a result of the use of agency in demand led services.
- 5.41 The chart shows the profiled budget to 30 June 2023. It should be noted that invoices will often be received in the month after the cost is incurred, so not all costs to date will be captured. Outstanding invoices are only accrued for at year end.
- 5.42 Within employee costs, agency spend to Quarter One was £2.6m. Agency is 15% as a percentage of employee budgets.

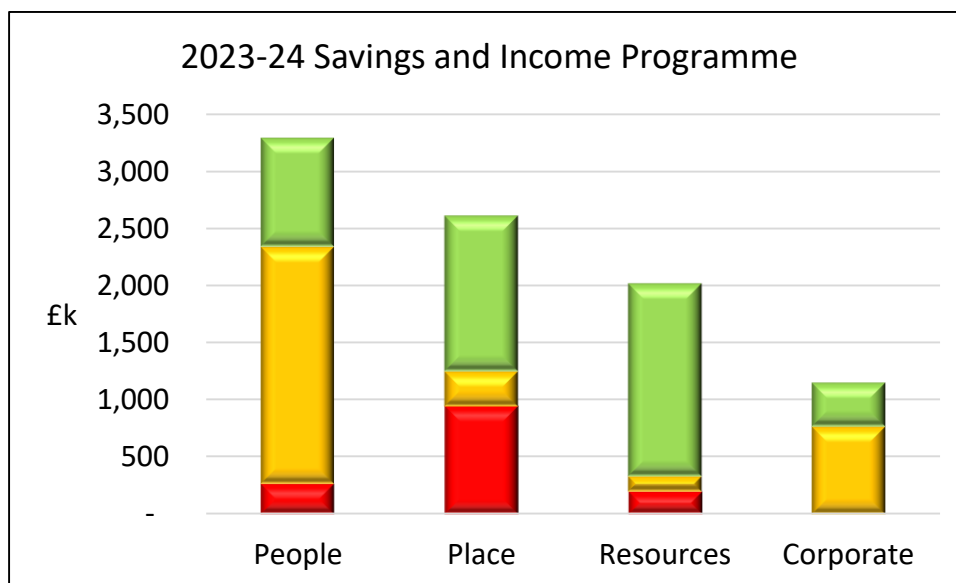
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Service	Employee Budget to Q1	Employee Spend to Q1 (including agency)	Over/ (under) spend	Agency spend to Q1	Agency spend as a % of Employee budgets
Chief Executive	123,530	141,004	17,474	-	-
Adult Social Care	4,514,875	4,900,972	386,097	1,101,964	24%
Children & Family Services	2,445,570	2,436,995	(8,575)	805,261	33%
Communities & Wellbeing	553,145	536,901	(16,244)	2,608	0%
Executive Director - People	79,853	66,534	(13,319)	-	0%
Education	1,677,708	1,773,103	95,396	230,573	14%
Public Health & Wellbeing	146,890	110,779	(36,111)	-	0%
Executive Director – Place	43,295	40,748	(2,547)	-	0%
Development & Regulation	2,436,410	2,536,378	99,968	269,596	11%
Environment	1,401,880	1,370,288	(31,592)	34,529	2%
Commissioning & Procurement	333,805	358,700	24,895	917	0%
Executive Director - Resources	48,808	40,161	(8,647)	-	0%
Finance & Property	1,143,690	1,197,445	53,755	103,186	9%
ICT	544,200	553,716	9,516	17,132	3%
Strategy & Governance	1,653,160	1,634,094	(19,066)	27,957	2%
Total	17,146,818	17,697,818	551,001	2,593,723	15%

2023/24 Savings and income generation programme

5.43 In order to meet the funding available, the 2022/23 revenue budget was built with a £9m savings and income generation programme. The programme is monitored using the RAG traffic light system. The status is shown in the following charts:





Red items are as follows:

Service	Saving item	Impact on 2023/24
ASC	£81k fees and charges increase.	Unable to increase fees above 11.1% without consultation. Consultation recommended for setting of the fees for 2024/25.
CFS	£184k recruitment lag on new posts.	With the unprecedented level of demand for statutory intervention it is unsafe to not fill social work posts given the caseloads already exceeding safe levels.
D&R	£265k place shaping and delivery.	Income was originally expected to be generated through activity linked to Biodiversity Net Gain and Conservation Area Appraisals. The requirement for developments to deliver a 10% uplift in Biodiversity Net Gain is set to be introduced on 1 November 2023, however, it is now clear there is no opportunity to generate income other than through cost recovery through pre-apps and PPAs or by the sale of BNG credits. The sale of credits is represented by a £50k income target in the Environmental Delivery team
D&R	£63k premium service for pre application advice and determination of householder applications.	A trial of the Premium Service took place in October 2022. This service is currently not being offered, therefore the income target is not currently being realised.

D&R	£390k uplift in planning fees	Planning fees are set nationally. DLUHC carried out a consultation from February to April 23 regarding the increase but no announcement has been made on the timeline as to when higher fees could be introduced. Current Planning Fee income forecasts are based on them being introduced in Quarter 3.
D&R	£25k financial contribution from registered providers for use of Council's choice based letting system	There is currently a £55k income target for choice based lettings, of which only £26k is forecasted to be achieved. Currently there has not been the anticipated uptake in demand for providers to advertise through the letting system - this is linked with issues in the current demands on in the rental market.
D&R	£100k review of systems processes and resources	<p>This savings is linked with the implementation of the Planning Service Staffing Restructure which is due to go through consultation over the Summer with plans for it to be implemented later this year. Although there is an in year pressure on achieving this, once the new structure is implemented then the saving will be achieved for future years.</p> <p>In year there are posts being held vacant in Minerals & Waste and Planning Policy which are helping offset / mitigate this pressure</p>
D&R	£50k planning white paper/levelling up and regeneration bill service efficiencies	<p>This savings is linked with the implementation of the Planning Service Staffing Restructure which is due to go through consultation over the Summer with plans for it to be implemented later this year. Although there is an in year pressure on achieving this, once the new structure is implemented then the saving will be achieved for future years.</p> <p>In year there are posts being held vacant in Minerals & Waste and Planning Policy which are helping offset / mitigate this pressure</p>
Env	£50k for biodiversity and carbon credits	Q1 Forecast that income target will not be achieved.

F&P	£96k from savings on surplus accommodation	At Q1 Budget Monitoring there is a forecasted pressure on West Street House as the property remains vacant, and is forecasted to remain vacant and in our possession for the remainder of the current year. An investment bid is to be put forward for 24/25 to reinstate the removed budget until the property is disposed or re-allocated for different use.
S&G	£101k grant funding of elections staff	There is no grant funding for the restructure of the Elections Team. An investment bid is to be submitted for 24/25 to adjust for this.

Expenditure Guidance from 24.7.23

- 5.44 The Quarter One level of overspend means that we need to immediately introduce additional controls on all revenue spend within the Council. Agresso authorisation limits have been changed accordingly. Non Agresso systems will have alternative restrictions put in place.
- 5.45 Spending controls will need to remain in place for the foreseeable future. Any circumnavigation of the rules will be a disciplinary matter per the financial rules of procedure.
- 5.46 Spending controls will be overseen by the Financial Review Panel (FRP) consisting of the Chief Executive, Executive Director Resources, Service Director Transformation, Heads of Finance & Property, Legal and HR representatives plus the Leader, Deputy Leader and Portfolio Holder for Finance.

Measures for All Services

- 5.47 All services will need to do the following:
- (a) All spend up to £500 to be approved by Service Director/Head of Service, and only to be approved if statutory or unavoidable.
 - (b) Spend between £501 and £1000 to be approved by Executive Director, and only to be approved if statutory or unavoidable.
 - (c) Spend over £1000 to go to Spending Review Panel (SRP) members to approve. The SRP consists of Chief Executive, Executive Director Resources and the Heads of Finance & Property.
 - (d) Recruitment pause with exceptions submitted for consideration by the FRP. Any jobs currently out to advert will be reviewed by the FRP to consider whether recruitment should proceed.

- (e) Reduction in the use of agency staff. All current agency to be reviewed and terminated where possible. Any new agency requests to continue to use the current request forms, but these will come to FRP for approval.
- (f) Overtime to be stopped, and only paid if approved in advance by the FRP with a supporting business case.
- (g) Review of honorariums. These should cease unless linked to specific acting up arrangements.
- (h) All job re-evaluations for existing roles will cease (unless the request forms part of a department restructure or is directly linked to a savings proposal).

5.48 All services to attend an FRP to review the following:

- (a) Statutory/discretionary areas of spend.
- (b) Unachieved savings and mitigation plans.

Measures for Overspending Services

- (c) Spend over £1000 to be approved by the FRP from the week commencing 24th July. Purchase orders over £1000 will need to have an Expenditure Request Form emailed to the FRP in order to be approved (see attached).
- (d) The FRP will review every Thursday morning:
 - Purchase Orders (POs) and other expenditure requests approved in the preceding week by Service.
 - Expenditure Request Forms for outstanding POs over £1000.
- (e) A recovery plan will be required to demonstrate the action being taken to deliver a breakeven position by year end.

Allowable expenditure

5.49 We will continue to spend on the following:

- Existing staff payroll and pension costs
- Goods and services that have already been received
- Provision of statutory services at a minimum possible level
- Urgent need to safeguard vulnerable citizens
- Existing legal agreements and contracts where the spend is within the agreed and existing budget AND the spend is necessary to meet a statutory service OR a contractual obligation.

- Areas funded by ring-fenced grants (although these will need to be reviewed to ascertain where these are being fully utilised to cover costs/rebadging of expenditure).

Actions Underway

- 5.50 Finance Service to review 2022/23 year end accruals and make recommendations about the accrual policy for 2023/24.
- 5.51 Minimum Revenue Provision review: the Council's external treasury advisors have been commissioned to review the MRP policy. The Finance Service are leading on this.
- 5.52 Review of the opportunities for the flexible use of capital receipts funded through the sale of assets; the Council has little funding left for further transformational activity via the flexible use of capital receipts, though the opportunity to fund a range of work at the Council is there if asset sales occur e.g. digital, projects teams etc
- 5.53 The S151 Officer has contacted DLUHC for an informal discussion setting out the financial position.

Proposals

- 5.54 To note the £6.3m overspend.
- 5.55 To note the implementation of measures included in the report around recruitment, staffing and agency.
- 5.56 To note the establishment of a Financial Review Panel (FRP) to meet weekly to ensure the spending limits are being adhered to.

6 Other options considered

- 6.1 None

7 Conclusion

- 7.1 The Council is facing an unprecedented level of financial pressures due a range of factors. The Council is taking proactive steps to reduce this expenditure as highlighted in this report, but the Quarter One position is placing a significant pressure on the Council's financial resilience. This position will be monitored very closely in the coming days, weeks and months to measure progress on reducing expenditure whilst mitigating the impact on frontline services.

8 Appendices

- 8.1 Appendix A – Quarter One position
- 8.2 Appendix B – Budget Changes

Subject to Call-In:

Yes: ☒ No: ☐

The item is due to be referred to Council for final approval ☐

Delays in implementation could have serious financial implications for the Council ☐

Delays in implementation could compromise the Council's position ☐

Considered or reviewed by Scrutiny Commission or associated Committees, Task Groups within preceding six months ☐

Item is Urgent Key Decision ☐

Report is to note only ☐

Officer details:

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Appendix A

	Budget				Forecasted Performance										
					Expenditure			Income			Net				
	Original Budget 2023/24 £	Changes in year 2023/24 £	Funding Released from Reserves 2023/24 £	Revised Budget 2023/24 £	Annual Expenditure Budget for 2023/24 £	Annual Expenditure Forecast for 2023/24 £	Expenditure Variance for 2023/24 £	Annual Income Budget for 2023/24 £	Annual Income Forecast for 2023/24 £	Income Variance for 2023/24 £	Net Variance £	Use of Earmarked Reserves £	Mitigation £	Year end forecast variance £	Net Exp/Inc after adjustments £
Adult Social Care	62,898,690	26,090	0	62,924,780	85,225,890	90,795,540	5,569,650	-22,301,110	-24,849,490	-2,548,380	3,021,270	-151,480	-2,079,000	790,790	63,715,570
Children & Family Services	21,222,570	26,090	0	21,248,660	24,181,650	29,148,160	4,966,510	-2,932,990	-3,190,160	-257,170	4,709,340	-87,000	-901,000	3,721,340	24,970,000
Executive Director - People	369,810	0	0	369,810	369,810	376,590	6,780	0	0	0	6,780			6,780	376,590
Education (DSG Funded)	-444,000	0	0	-444,000	126,348,550	129,564,030	3,215,480	-126,792,550	-130,008,030	-3,215,480	0			0	-444,000
Education	10,687,990	0	20,000	10,707,990	14,756,930	15,852,540	1,095,610	-4,048,940	-3,794,000	254,940	1,350,550		-30,000	1,320,550	12,028,540
Public Health & Wellbeing	-80,000	0	0	-80,000	6,448,470	6,093,470	-355,000	-6,528,470	-6,173,470	355,000	0			0	-80,000
Communities & Wellbeing	3,256,850	0	0	3,256,850	4,641,800	4,513,850	-127,950	-1,384,950	-1,257,000	127,950	0			0	3,256,850
People	97,911,910	52,180	20,000	97,984,090	261,973,100	276,344,180	14,371,080	-163,989,010	-169,272,150	-5,283,140	9,087,940	-238,480	-3,010,000	5,839,460	103,823,550
Development & Regulation	5,343,890	0	293,520	5,637,410	13,201,600	16,108,860	2,907,260	-7,564,190	-9,517,450	-1,953,260	954,000	-26,000	-310,000	618,000	6,255,410
Executive Director – Place	213,130	0	0	213,130	213,130	197,350	-15,780	0	0	0	-15,780		-5,000	-20,780	192,350
Environment	27,942,440	-60,000	0	27,882,440	38,852,350	38,909,010	56,660	-10,969,910	-10,764,570	205,340	262,000	-262,000		0	27,882,440
Place	33,499,460	-60,000	293,520	33,732,980	52,267,080	55,215,220	2,948,140	-18,534,100	-20,282,020	-1,747,920	1,200,220	-288,000	-315,000	597,220	34,330,200
ICT	2,436,570	0	0	2,436,570	3,169,610	3,186,400	16,790	-733,040	-662,280	70,760	87,550	-22,600	-64,950	0	2,436,570
Executive Director - Resources	317,170	0	0	317,170	317,170	314,190	-2,980	0	-38,700	-38,700	-41,680		-40,000	-81,680	235,490
Commissioning & Procurement	448,480	0	0	448,480	14,529,810	15,034,870	505,060	-14,081,330	-14,509,000	-427,670	77,390	-142,810	-10,000	-75,420	373,060
Finance & Property	1,468,220	0	0	1,468,220	33,264,520	33,525,480	260,960	-31,796,300	-31,774,310	21,990	282,950		-82,000	200,950	1,669,170
Strategy & Governance	7,288,880	7,820	191,910	7,488,610	8,551,810	9,131,110	579,300	-1,063,200	-1,445,360	-382,160	197,140	-121,200	-95,910	-19,970	7,468,640
Transformation		0	0	0	0	102,620	102,620	0	0	0	102,620	-102,620		0	0
Resources	11,959,320	7,820	191,910	12,159,050	59,832,920	61,294,670	1,461,750	-47,673,870	-48,429,650	-755,780	705,970	-389,230	-292,860	23,880	12,182,930
Chief Executive	540,710	0	0	540,710	540,710	535,710	-5,000	0	0	0	-5,000			-5,000	535,710
Chief Executive	540,710	0	0	540,710	540,710	535,710	-5,000	0	0	0	-5,000	0	0	-5,000	535,710
Capital Financing and Management	14,850,640	0	-313,520	14,537,120	15,047,120	15,099,910	52,790	-510,000	-719,770	-209,770	-156,980	0	0	-156,980	14,380,140
Total	158,762,040	0	191,910	158,953,950	389,660,930	408,489,690	18,828,760	-230,706,980	-238,703,590	-7,996,610	10,832,150	-915,710	-3,617,860	6,298,580	165,252,530

Service	Original Net Budget	Budget B/F from 22-23 released from reserves	Grants/ funding released from reserves	FAGG approved release from reserves	Budget changes not requiring approval	Approved by S151 & Portfolio Holder	Approved by Executive	Budget C/F to 2023-24	Final Net Budget
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Adult Social Care	62,899				26				62,925
Children and Family Services	21,223				26				21,249
Executive Director	370								370
Education DSG funded	(444)								(444)
Education	10,688	20							10,708
Public Health & Wellbeing	(80)								(80)
Communities & Wellbeing	3,246								3,246
People	97,901	20	0	0	52	0	0	0	97,973
Executive Director	213								213
Development & Regulation	5,344	294							5,637
Environment	27,942				(60)				27,882
Place	33,499	294	0	0	(60)	0	0	0	33,733
ICT	2,437								2,437
Executive Director	317								317
Commissioning & Procurement	448								448
Finance & Property	1,479								1,479
Strategy & Governance	7,289	192			8				7,489
Resources	11,970	192	0	0	8	0	0	0	12,170
Chief Executive	541								541
Capital Financing & Risk	14,851	(314)							14,537
Total	158,762	191	0	0	0	0	0	0	158,954