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# 2023/24 Revenue Financial Performance Quarter Two

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<b>Committee considering report:</b>	Executive
<b>Date of Committee:</b>	14 December 2023
<b>Portfolio Member:</b>	Councillor Iain Cottingham
<b>Date Portfolio Member agreed report:</b>	16 November 2023
<b>Report Author:</b>	Melanie Ellis
<b>Forward Plan Ref:</b>	EX4362

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## 1 Purpose of the Report

- 1.1 To report on the financial performance of the Council's revenue budgets. This report is Quarter Two 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 has been forecasting a significant overspend across many services, especially in the People Directorate. 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 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. These measures have started to see results; the overspend forecast position has begun to stabilise and the other reviews being undertaken are expected to realise a reduction compared to the Quarter One forecast of £3m.

## 2 Recommendations

- 2.1 To note the £3.3m forecast overspend, a reduction of £3m from Quarter One.
- 2.2 To note the implementation of measures included in the report around recruitment, staffing and agency.
- 2.3 To note the continuation of Financial Review Panel (FRP) meeting weekly to ensure the spending limits are being adhered to.

### 3 Implications and Impact Assessment

Implication	Commentary			
<b>Financial:</b>	<p>The forecast position at Q2 of a £3.3m overspend has significant financial implications, though these have improved compared to Q1. The General Fund is at £7.2m, with a minimum recommended level of £7m. If the £3.3m overspend remains at year end, it would leave a General Fund of £3.9m. 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. The 2024-25 budget assumptions currently include a forecast contribution to reserves of £1m.</p>			
<b>Human Resource:</b>	<p>The FRP (Financial Review Panel) implications have been reviewed by Service Lead (HR) as a member of the panel.</p>			
<b>Legal:</b>	<p>The FRP (Financial Review Panel) implications have been reviewed by the Monitoring Officer.</p>			
<b>Risk Management:</b>	<p>Measures have been included in the report to provide greater levels of scrutiny on much lower levels of expenditure and recruitment costs.</p>			
<b>Property:</b>	<p>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.</p>			
<b>Policy:</b>	<p>None directly</p>			
	<b>Positive</b>	<b>Neutral</b>	<b>Negative</b>	<b>Commentary</b>

<b>Equalities Impact:</b>				
<b>A</b> Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		y		
<b>B</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
<b>Environmental Impact:</b>		y		Unlikely to have any long term environmental impact.
<b>Health Impact:</b>		y		
<b>ICT Impact:</b>		y		N/A
<b>Digital Services Impact:</b>		y		N/A
<b>Council Strategy Priorities:</b>			y	The proposal could reduce spend on some areas of council priority.
<b>Core Business:</b>		y		
<b>Data Impact:</b>				No impact
<b>Consultation and Engagement:</b>	Service Directors, Executive Directors.			

## 4 Executive Summary

4.1 The Quarter Two 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 £6.3m, an increase of £500k from last quarter. There are other financial pressures in the Place directorate Development and Regulation Service, in planning services, unachieved income and delayed additional planning income charges via Government changes leading to a forecast overspend of £0.6m.

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 through to October 2023, the following Councils have reported significant in year financial difficulties with mention of a s114 report or exceptional financial support;

- Medway Council
- Leeds City Council
- Hastings BC
- Guildford BC
- Shropshire Council
- Brighton & Hove
- Southampton Council
- Kent County Council
- Bradford Council
- Kirklees Council
- Hampshire County 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 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 significantly overspend it 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, though this is looking less likely as an option due to the improvement in the overall Quarter Two forecast, following the rapid deployment of actions in the summer 2023, compared to the Quarter One forecast for 2023/24. 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.
- 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

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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. The figure for 2024/25 has increased since the MTFS was published and is forecast to be at £14m<sup>1</sup> due to increased demand pressures that are referenced in this report:



4.11 The Council has also commenced its Transformation programme. 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.

4.12 The Quarter Two forecast is an overspend of £3.3m as summarised below:

2022/23 Directorate Summary	Net Budget £000	Net Income/ Expenditure £000	Quarter One		Quarter Two						Change from Last Quarter £000
			Year end forecast variance £000	Budget Manager Forecast Variance £000	Use of Earmarked Reserves £000	Year end forecast variance £000	Mitigation £000	Pre-agreed Transform- ation £000	New Transform- ation £000	Year end forecast variance £000	
People	97,991	106,894	5,840	9,185	(238)	8,947	(1,464)	0	(1,186)	6,297	457
Place	33,733	34,399	597	515	(307)	208	0	0	(255)	(47)	(643)
Resources	12,175	12,820	24	924	(103)	821	(109)	(423)	(263)	26	2
Chief Executive	541	536	(5)	(10)	0	(10)	0	0	0	(10)	(5)
Capital Financing/Risk Mgt	14,537	14,380	(157)	(2,872)	0	(2,872)	0	0	(130)	(3,002)	(2,845)
<b>Total</b>	<b>158,977</b>	<b>169,028</b>	<b>6,298</b>	<b>7,742</b>	<b>(648)</b>	<b>7,094</b>	<b>(1,574)</b>	<b>(423)</b>	<b>(1,834)</b>	<b>3,264</b>	<b>(3,034)</b>

4.13 It is therefore vital that the Corporate Board and the Corporate Management Team (CMT) continue to reduce expenditure / increase income to reduce the forecast overspend.

<sup>1</sup> See Executive report to the 23<sup>rd</sup> November 2023

## 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 Council brought in a strategy for managing the in-year financial pressures at Quarter One, where the overspend was forecast to be £6.3m. This was after some initial mitigations against pressures being seen. Since the Quarter One (Q1) forecast was made, actions have been undertaken as highlighted in the Q1 report to the Executive in September. Progress against the strategy for managing the overspend are set out below:

Action	Progress	Financial benefit
1) Implementation of a Financial Review Panel (FRP)	a) Review of all expenditure for overspending services over £1,000.	Included within Q2 forecasts.
	b) Review of all agency expenditure and incorporating all staff within the Council's Comensura <sup>2</sup> contract.	Reduced agency staff expenditure in Comensura from £188k per week to £147k per week <sup>3</sup> - reduction of £2.1m over a twelve month rolling forecast if maintained.
	c) Review all recruitment activity, pausing some activity.	Included within Q2 forecasts where posts are being held vacant or delays to recruitment.
	d) Enhanced recruitment activity	Posts moved from agency to permanent staff – expect benefit from Q3
2) Review of accrual policy	Review has been complete and already included in the forecast for Q1.	Already taken into account in the Q1 forecast.
3) Review of the Council's Minimum	The Council has been provided with a report from Link (the	In year benefit of £2.87m

<sup>2</sup> Overarching provider of agency staff for WBC

<sup>3</sup> Average of first 4 week of 23-24 vs average of 4 weeks of September (end of Q2)

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Revenue Provision (MRP) policy	Council's Treasury Management advisors) that highlight a range of options for review. This will require a change of policy to MRP at Full Council <sup>4</sup> (and this will be included in the February budget papers with a request for a revision to in year treatment).	
4) Review of opportunities for asset sales	The November Executive meeting approved the sale of capital assets owned by the Council. These can be used to fund Transformational activity per the below and will also reduce capital financing costs, but will reduce investment income in future years.	See below
5) Review the flexible use of capital receipts	Initial review of activities that fit within the Government guidance for the flexible use of capital receipts total £2.3m. These are short term benefits but will benefit the in year position <i>if</i> asset sale(s) take place in 2023-24.	Up to £2.3m
6) S151 officer to discuss position with the Government (DLUHC)	Conversations have taken place and further action (for example a capitalisation request) to occur if required	n/a

5.4 The strategy will continue for the rest of the financial year, with additional focus on delivering in year savings targets for directorates through progress against action plans.

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

<sup>4</sup> This review is still ongoing at the time of writing

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(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, 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> .

### Quarter Two 2023/24

5.7 The Quarter Two forecast is an overspend of £3.3m, representing 2.1% of the net revenue budget. The Quarter Two forecast is after use of £0.6m of specific earmarked reserves, £1.6m service mitigations that are being worked on, and £2.3m of flexible use of capital receipts for transformational activity.

2023/24	Net Budget	Net Income/ Expenditure	Quarter Two									Change from Last Quarter
			Quarter One	Quarter Two								
			Year end forecast variance	Budget Manager Forecast Variance	Use of Earmarked Reserves	Forecast variance after Reserves	Mitigation	Pre-agreed Transformation	New Transformation	Year end forecast variance		
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000		
Adult Social Care	62,925	64,522	791	1,777	(151)	1,626	(702)	0	(349)	575	(216)	
Children & Family Services	21,249	26,683	3,721	4,771	(87)	4,684	(179)	0	(787)	3,719	(3)	
Executive Director	370	377	7	46	0	46	0	0	(49)	(3)	(10)	
Education DSG funded	(444)	(444)	0	0	0	0	0	0	0	0	0	
Education	10,708	12,572	1,321	2,604	0	2,604	(584)	0	0	2,020	700	
Public Health & Wellbeing	(80)	(80)	0	0	0	0	0	0	0	0	0	
Communities & Wellbeing	3,264	3,264	0	(14)	0	(14)	0	0	0	(14)	(14)	
<b>People</b>	<b>97,991</b>	<b>106,894</b>	<b>5,840</b>	<b>9,185</b>	<b>(238)</b>	<b>8,947</b>	<b>(1,464)</b>	<b>0</b>	<b>(1,186)</b>	<b>6,297</b>	<b>457</b>	
Executive Director	213	197	(21)	(25)	0	(25)	0	0	0	(25)	(4)	
Development & Regulation	5,637	6,057	618	657	(45)	612	0	0	0	612	(5)	
Environment	27,882	28,144	0	(117)	(262)	(379)	0	0	(255)	(634)	(634)	
<b>Place</b>	<b>33,733</b>	<b>34,399</b>	<b>597</b>	<b>515</b>	<b>(307)</b>	<b>208</b>	<b>0</b>	<b>0</b>	<b>(255)</b>	<b>(47)</b>	<b>(643)</b>	
ICT	2,437	2,524	(87)	(13)	0	(13)	0	(23)	0	(36)	(36)	
Executive Director	317	275	(42)	(50)	0	(50)	0	0	0	(50)	32	
Commissioning & Procurement	448	526	(78)	79	0	79	0	(143)	(50)	(113)	(38)	
Finance & Property	1,468	1,690	201	513	(94)	419	(35)	0	(139)	245	44	
Strategy & Governance	7,505	7,702	(20)	268	(9)	259	(74)	(131)	(74)	(20)	(0)	
Transformation	0	103	103	127	0	127	0	(127)	0	0	0	
<b>Resources</b>	<b>12,175</b>	<b>12,820</b>	<b>645</b>	<b>924</b>	<b>(103)</b>	<b>821</b>	<b>(109)</b>	<b>(423)</b>	<b>(263)</b>	<b>26</b>	<b>2</b>	
Chief Executive	541	536	(5)	(10)	0	(10)	0	0	0	(10)	-5	
Capital Financing	14,851	14,694	(157)	(2,872)	0	(2,872)	0	0	(130)	(3,002)	(2,845)	
Risk Management	-314	(314)	0	0	0	0	0	0	0	0	0	
<b>Capital Financing/Risk Mgt</b>	<b>14,537</b>	<b>14,380</b>	<b>(157)</b>	<b>(2,872)</b>	<b>0</b>	<b>(2,872)</b>	<b>0</b>	<b>0</b>	<b>(130)</b>	<b>(3,002)</b>	<b>(2,845)</b>	
<b>Total</b>	<b>158,977</b>	<b>169,028</b>	<b>6,298</b>	<b>7,742</b>	<b>(648)</b>	<b>7,094</b>	<b>(1,574)</b>	<b>(423)</b>	<b>(1,834)</b>	<b>3,264</b>	<b>(3,034)</b>	

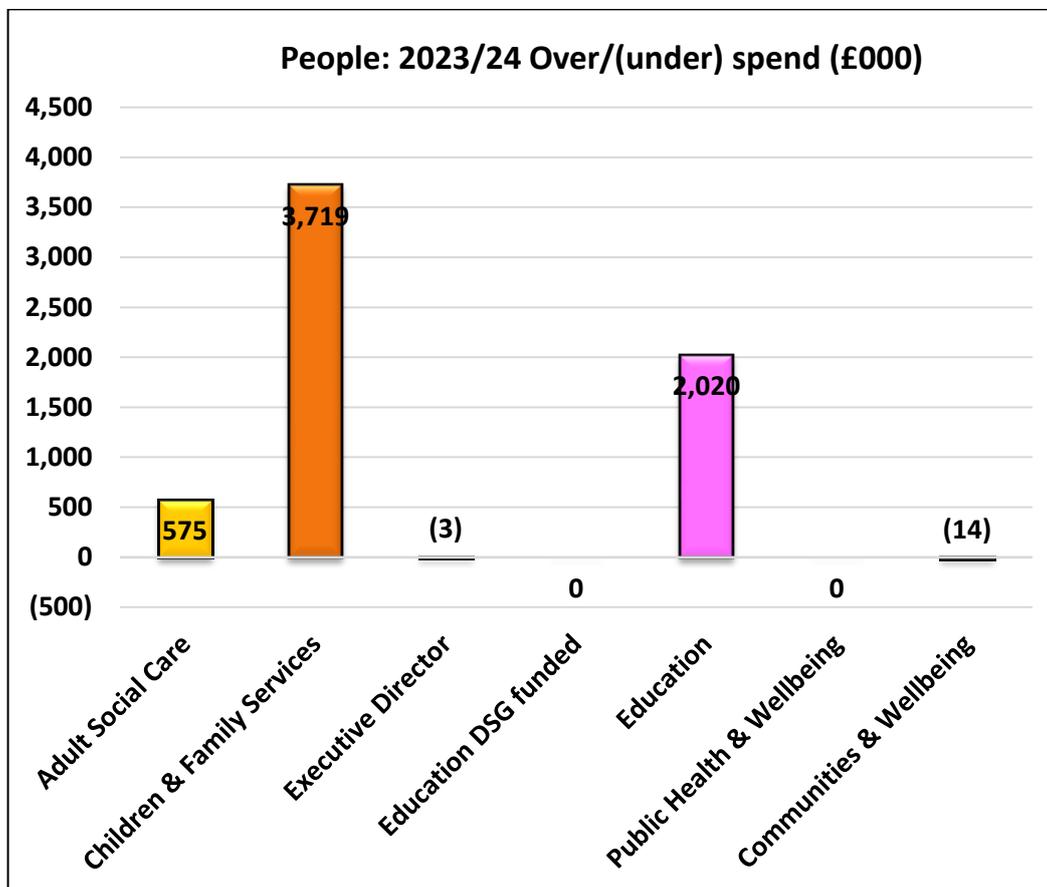
NB: Rounding differences may apply to the nearest £k.

### Impact on Reserves

5.8 The general fund would be reduced to £3.9m 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 £6.3m against a budget of £98m, representing 6.4% of budget. The overspend has increased by £457k from last quarter.



5.10 In ASC, the overspend is £0.6m, which is 0.9% of the net budget of £63m. This is after the use of Earmarked Reserves of £151k, £1.5m of mitigations currently underway and £1.2m use of transformation funding. The overspend has reduced by £0.2m since last quarter.

5.11 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.

5.12 ASC long term services (LTS) are £2.4m over spent.

- 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 11% 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.

5.13 Short term services are £0.74m under spent due to the additional funding for Hospital Discharge and changes to some clients packages moving onto long term services.

5.14 Other overspends is ASC total £0.1m.

- There is a £0.9m 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 £0.1m due to lack of carer availability and in Reablement £0.5m due to vacancies. Other underspends are in Maximising Independence, Resource Centres and staffing.

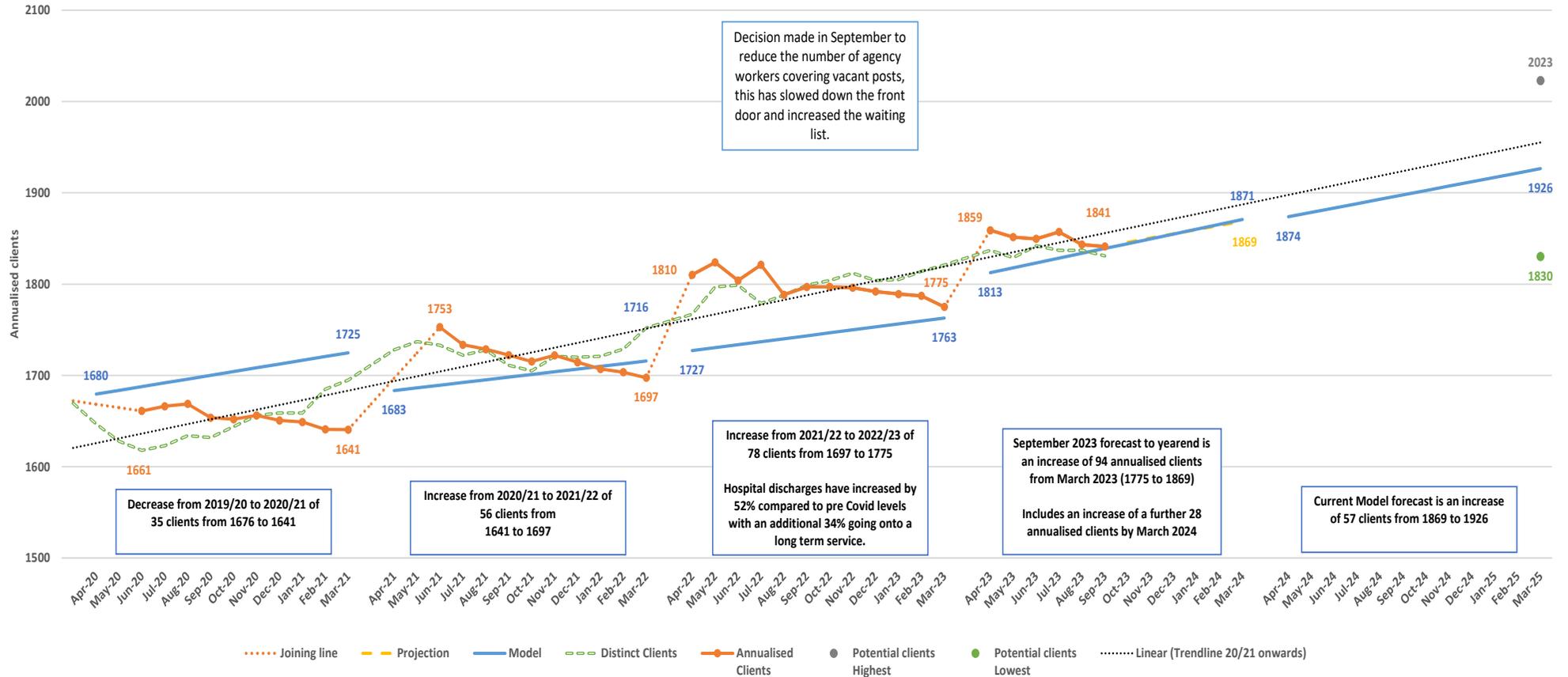
5.15 The 2023/24 savings target of £2.3m is £0.1m red, £1.3m amber and £0.9m green. The red is due to fee increases that require consultation before they can be implemented. The amber savings are on track to largely be achieved.

5.16 Mitigations of £3m are underway including in house services and additional grant funding. 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.

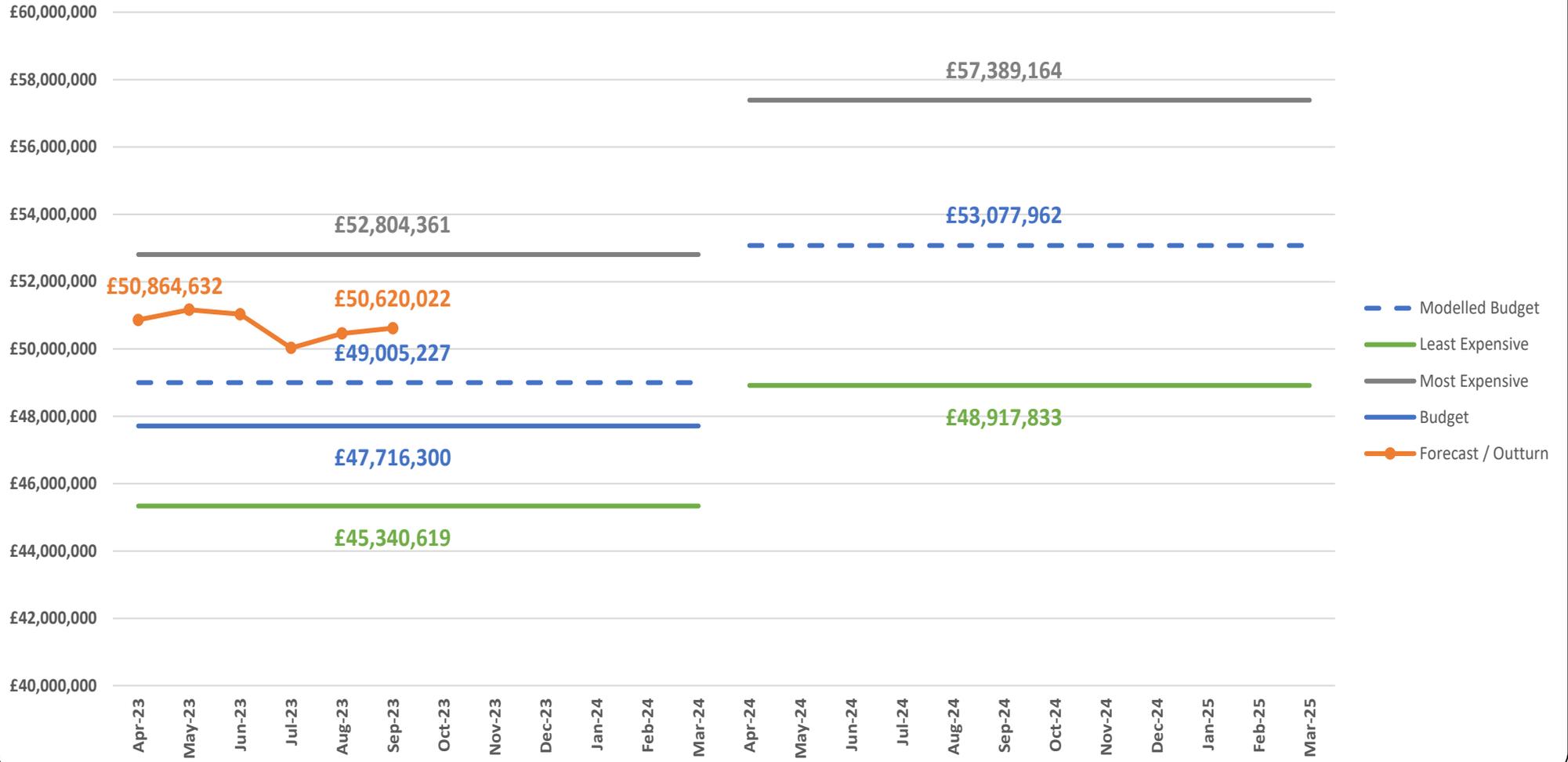
5.17 ASC are seeing an aging population as well as increased costs. The ASC Model for long term services is updated monthly, with assumptions reviewed and agreed by the ASC Financial Planning Steering group and reported at the ASC Financial Planning meeting.

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Adult Social Care  
Annualised client numbers for Long Term Services



LTS Net Expenditure  
Model V Forecast



5.18 In CFS, the forecast is a £3.7m overspend, which is 17.5% of the net budget of £21m. This is the same as last quarter. The forecast is after the use of Earmarked Reserves of £87k, £179k mitigations and use of transformation funding of £787k.

- 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 £1.4m due to agency costs. This has been required to cover vacancies and maternity leave and increased demand. Childcare lawyers has a £0.8m overspend due to an increase in the number of cases in court.

5.19 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.

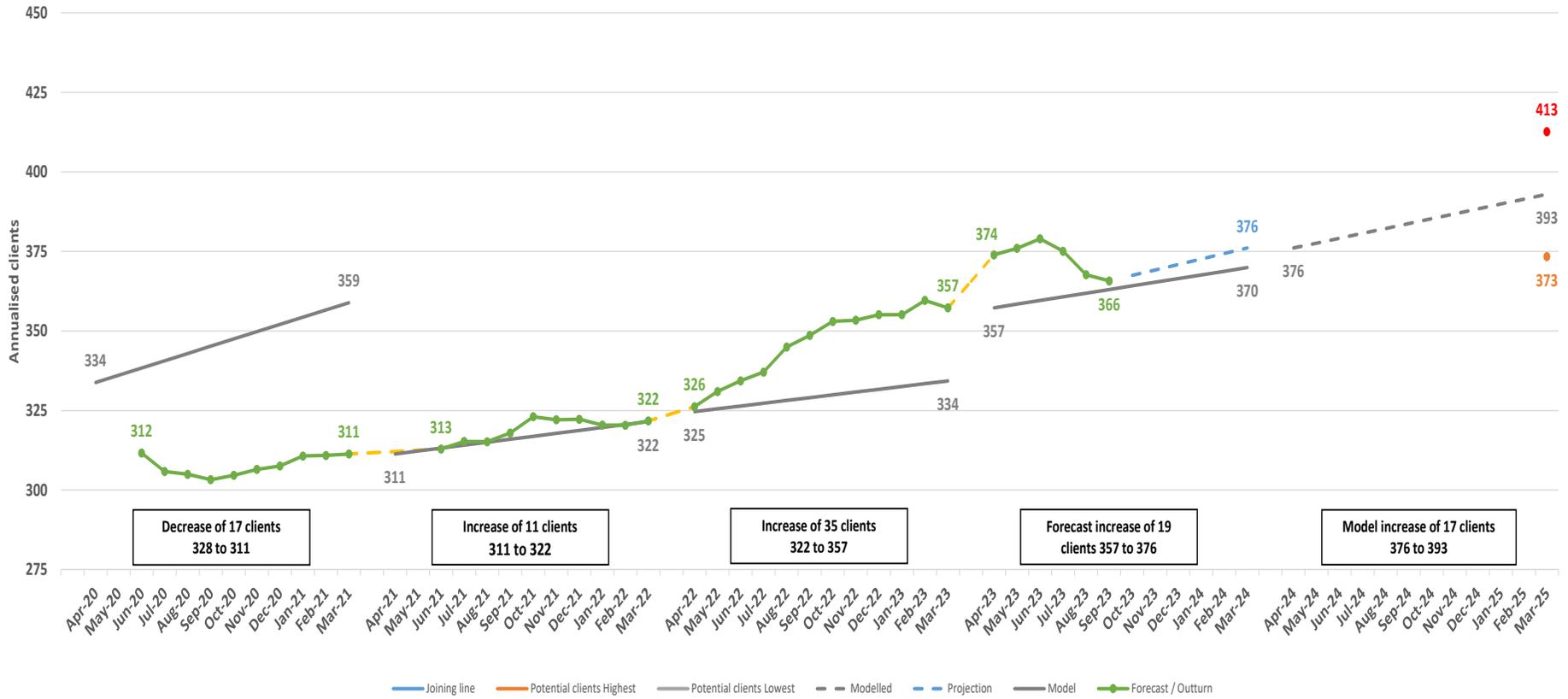
5.20 The service continue to effectively manage placements as part of the Children and Family service Accommodation & Resources Panel. There is a robust plan in place for some children to appropriately safely step down from costly residential care. Additional in house supports to foster carers (fostering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

5.21 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.

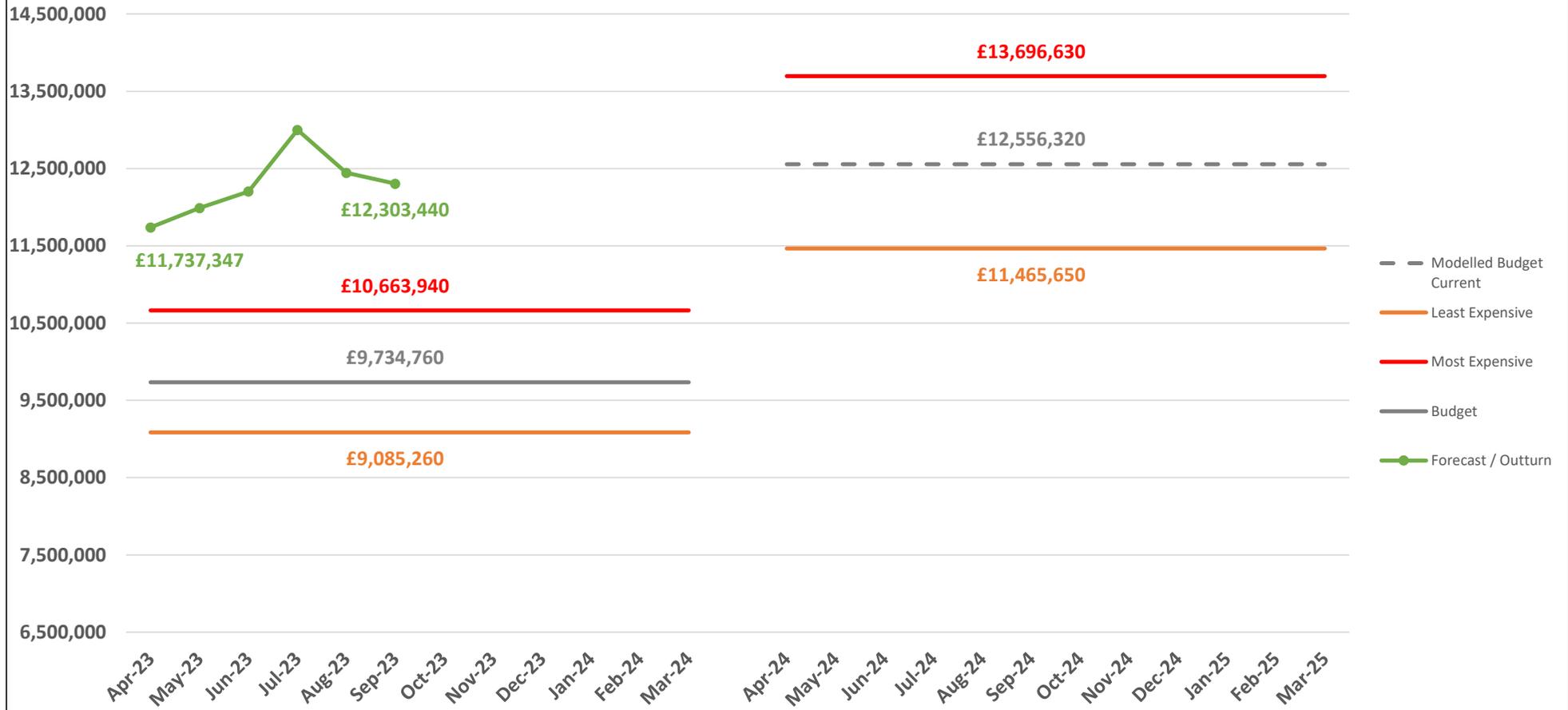
5.22 The model for placements has been refined and is updated monthly. Client numbers and net expenditure are shown in the graphs below.

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Children & Family Services annualised client numbers  
(includes UASC)



**Children & Family Services Net Expenditure  
(includes UASC)**



5.23 Education forecast is a £2.6m overspend, which is 24% of the £10.7m budget. This has increased by £1.3m from last quarter.

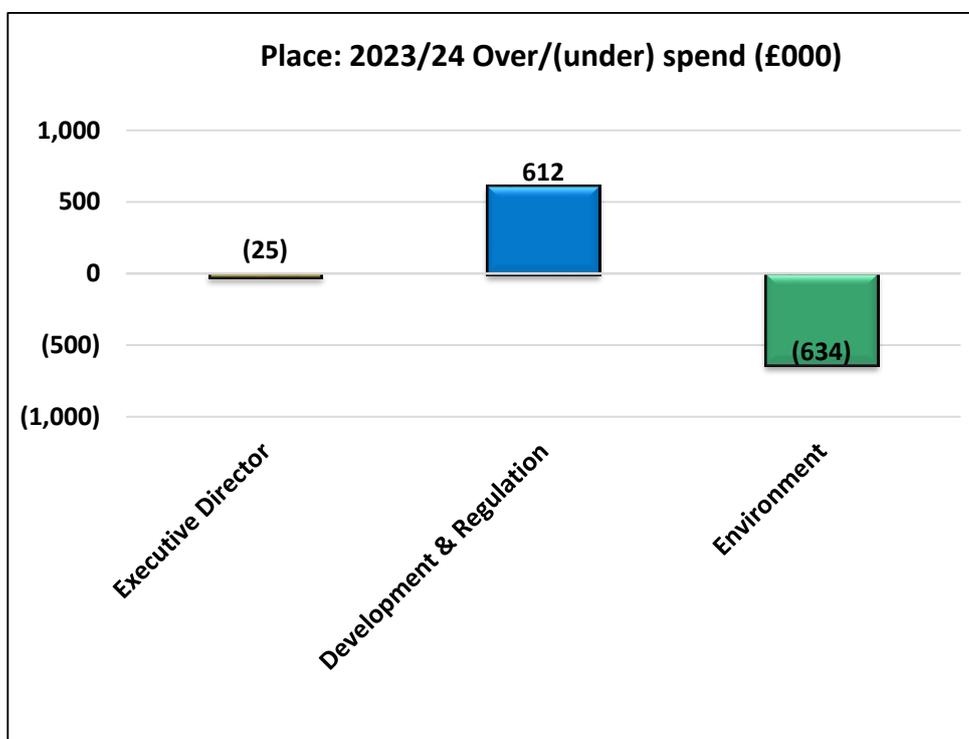
- £1.3m of the overspend is in Home to School Transport (HTST), an increase of £0.2m. The service is engaged in looking for ways to reduce HTST costs.
- £1m overspend is forecast in disability support packages residential. There have been two new high cost placements arranged at short notice. Work is being done to find longer term placements at more reasonable cost.
- Other pressures are from agency costs.

5.24 Public Health forecast is a £148k underspend which will transfer to the Public Health Reserve at year end.

5.25 Communities and Wellbeing is reporting a £14k underspend. 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 £47k under spend, representing 0.14% against a budget of £34m. This is after use of reserves of £0.3m and flexible use of capital receipts for transformation 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.

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- There is a £0.8m 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 only been introduced from the 6<sup>th</sup> December 2023<sup>5</sup>.
- 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.
- There are areas of underspend from staffing vacancies and reduced spend on consultants.

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 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 an underspend of £634k. There has been a reduction in spend of £379k due to staffing vacancies, grant funding and improved income in Network Management. There is also now forecast use of transformation funding of £252k.

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.

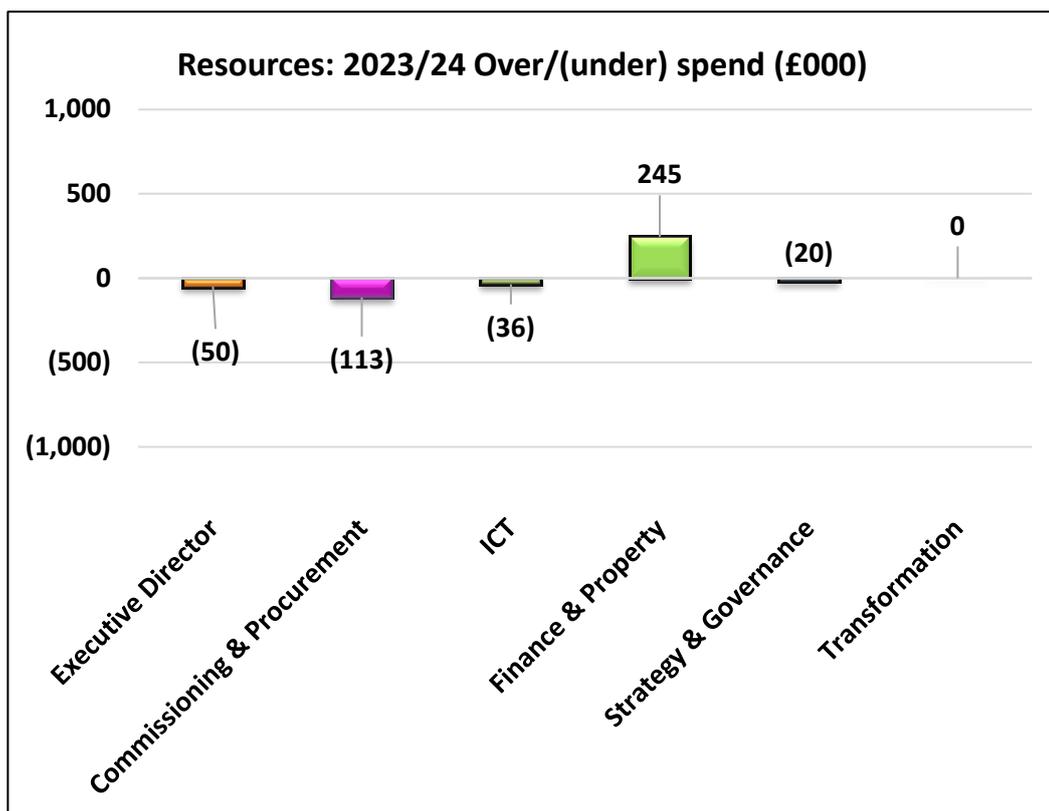
### Resources Directorate/Chief Executive

5.32 The Resources Directorate forecast is an overspend of £26k. This is after use of reserves of £0.1m, mitigations of £0.1m and transformation of £0.7m. The Chief Executive Service is an underspend of £10k. The combined forecast overspend of £16k represents 0.12% of the net budget of £12.7m.

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[https://assets.publishing.service.gov.uk/media/6553a49b37189800dd296d7/231114\\_Chief\\_Planners\\_Letter\\_Fee\\_Increases\\_23-24.pdf](https://assets.publishing.service.gov.uk/media/6553a49b37189800dd296d7/231114_Chief_Planners_Letter_Fee_Increases_23-24.pdf)



5.33 In Commissioning & Procurement, the £113k surplus is largely due to additional income from the agency contract rebate, although this has reduced slightly from last quarter as a result of the reduced agency usage. Transformation funding has supported staff working on the Procurement Strategy and can further support time spent reducing agency reliance. The £350k savings are forecast as green.

5.34 In ICT is forecasting a £36k under spend. The £110k savings target is £35k red and £75k green.

5.35 In Finance and Property, the £245k 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, £88k amber and £0.9m green.

5.36 Strategy and Governance is £20k underspent. The £420k savings programme is £101k red, £35k amber and £284k 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 the Council's Minimum Revenue Provision (MRP) policy for capital expenditure. The outcome of this review has identified a net reduction in the annual charge of £2.87m for 2023/24, which is shown in the capital financing service area. Other mitigations include reviewing vacant posts and agency arrangements, use of transformation funding and review of vacant properties.

## Capital Financing and Risk Management

5.39 Capital Financing has an underspend of £3m, as described above relating to the review of the MRP provision and is subject to formal approval by Full Council.

## Employee and Agency Spend

5.40 At Quarter Two, total employee spend including agency was £35.3m against a budget of £34.4m, an overspend of £0.9m. Slightly less was spent in Quarter Two than in the previous quarter. 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 September 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.

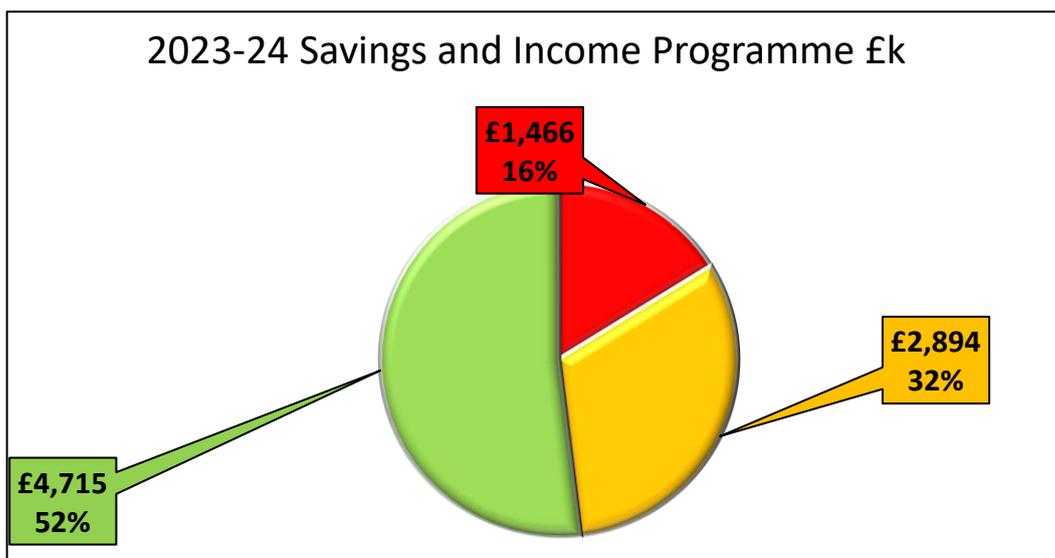
5.42 Within employee costs, agency spend to Quarter Two was £5.1m. Again, slightly less was spent in Quarter Two than in the previous quarter. Agency is 15% as a percentage of employee budgets.

5.43 The Financial Review Panel which started at the end of July, have been making progress to reduce agency spending. The impact of this will become clearer in the next quarter.

Service Summary	Employee Budget to Q2	Q1 Employee spend	Q2 Employee spend	Over/ (under) spend	% over spend	Q1 Agency spend	Q2 Agency spend	Q1 Agency spend as a % of Employee budgets	Q2 Agency spend as a % of Employee budgets
		(including agency)							
Chief Executive	247,060	141,004	120,802	14,746	6%	-	-	0%	0%
Adult Social Care	9,029,750	4,900,972	4,641,898	513,120	6%	1,101,964	913,384	24%	22%
Children & Family Services	4,891,140	2,436,995	2,790,879	336,734	7%	805,261	907,343	33%	35%
Communities & Wellbeing	1,097,740	536,901	518,228	(42,611)	-4%	2,608	2,379	0%	0%
Executive Director - People	159,705	66,534	114,593	21,422	13%	-	-	0%	0%
Education	3,356,415	1,773,103	1,680,920	97,608	3%	230,573	276,477	14%	15%
Public Health & Wellbeing	293,780	110,779	118,362	(64,639)	-22%	-	-	0%	0%
Executive Director – Place	94,535	40,748	36,906	(16,881)	-18%	-	-	0%	0%
Development & Regulation	4,920,410	2,536,378	2,514,459	130,427	3%	269,596	250,966	11%	11%
Environment	2,803,760	1,370,288	1,409,163	(24,309)	-1%	34,529	34,159	2%	2%
Commissioning & Procurement	667,610	358,700	334,953	26,043	4%	917	917	0%	0%
Executive Director - Resources	97,615	40,161	39,776	(17,678)	-18%	-	-	0%	0%
Finance & Property	2,287,380	1,197,445	1,124,448	34,513	2%	103,186	87,054	9%	8%
ICT	1,088,400	553,716	522,213	(12,471)	-1%	17,132	7,624	3%	2%
Strategy & Governance	3,314,405	1,634,094	1,631,717	(48,594)	-1%	27,957	40,147	2%	2%
<b>Total</b>	<b>34,349,705</b>	<b>17,697,818</b>	<b>17,599,317</b>	<b>947,430</b>	<b>3%</b>	<b>2,593,723</b>	<b>2,518,616</b>	<b>15.1%</b>	<b>14.9%</b>

## 2023/24 Savings and income generation programme

5.44 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.
ASC	£26k RAS software reducing provision	This is dependent on an upgrade going live.
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.

2023/24 Revenue Financial Performance Quarter Two

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 and have recently announced these commence from 6 <sup>th</sup> December 2023. 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 &amp; Waste and Planning Policy which are helping offset / mitigate this pressure</p>

## 2023/24 Revenue Financial Performance Quarter Two

D&R	£50k planning white paper/levelling up and regeneration bill service efficiencies	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.  In year there are posts being held vacant in Minerals & Waste and Planning Policy which are helping offset / mitigate this pressure
Env	£50k for biodiversity and carbon credits	Q2 Forecast that income target will not be achieved.
F&P	£96k from savings on surplus accommodation	At Q2 Budget Monitoring there is a forecasted pressure on West Street House as the property remains vacant.
ICT	£35k print and postage savings	Due to the cost of paper.
S&G	£101k grant funding of elections staff	There is no ongoing grant funding for the restructure of the Elections Team, an investment bid is to be submitted for 24/25 to remove this.

### Expenditure Guidance from 24.7.23

5.45 The Quarter One level of overspend meant that we needed to immediately introduce additional controls on all revenue spend within the Council. Agresso authorisation limits were changed accordingly. Non Agresso systems have alternative restrictions in place.

5.46 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.

5.47 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

5.48 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).

5.49 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**

- (a) Spend over £1000 to be approved by the FRP from the week commencing 24<sup>th</sup> July. Purchase orders over £1000 will need to have an Expenditure Request Form emailed to the FRP in order to be approved (see attached).
- (b) 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.
- (c) Recovery plan were required by 15.8.23 to demonstrate the action being taken to deliver a breakeven position by year end.

### **Allowable expenditure**

5.50 We will continue to spend on the following:

- Existing staff payroll and pension costs

## 2023/24 Revenue Financial Performance Quarter Two

- 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

- 5.51 Finance Service to review 2022/23 year end accruals and make recommendations about the accrual policy for 2023/24.
- 5.52 Minimum Revenue Provision review: the Council's external treasury advisors have been commissioned to review the MRP policy. Finance Service leading on this and it has been reflected in the Quarter Two forecast and is subject to Full Council approval in the budget papers.
- 5.53 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. This has been included in the Quarter Two forecasts, and would need to be reflected in the Full Council budget papers .
- 5.54 S151 Officer has contacted DHLUC for an informal discussion on the financial position.

### Proposals

- 5.55 To note the £3.3m overspend.
- 5.56 To note the implementation of measures included in the report around recruitment, staffing and agency.
- 5.57 To note the continuation of 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 Two 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 Two position

8.2 Appendix B – Budget Changes

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### Background Papers:

Q1 Executive report

MTFS paper to 23 November Executive

### 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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Job Title: Acting Head of Finance & Property  
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# Appendix A

	Budget				Forecasted Performance												
	Original Budget 2023/24 £	Changes in year 2023/24 £	Funding Released from Reserves 2023/24 £	Revised Budget 2023/24 £	Expenditure			Income			Net						
					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 £	Pre-agreed Transformation £m	New Transformation £m	Year end forecast Variance £	Net Exp/Inc after adjustments £
Adult Social Care	62,898,690	26,090	0	62,924,780	85,225,890	89,585,000	4,359,110	-22,301,110	-24,882,810	-2,581,700	1,777,410	-151,000	-701,500	0	-349,500	575,410	63,500,190
Children & Family Services	21,222,570	26,090	0	21,248,660	24,181,650	29,187,850	5,006,200	-2,932,990	-3,167,970	-234,980	4,771,220	-87,000	-179,000	0	-787,000	3,718,220	24,966,880
Executive Director - People	369,810	0	0	369,810	369,810	415,670	45,860	0	0	0	45,860	0	0	0	-49,000	-3,140	366,670
Education (DSG Funded)	-444,000	0	0	-444,000	126,348,550	16,744,510	-109,604,040	-126,792,550	-17,188,510	109,604,040	0	0	0	0	0	0	-444,000
Education	10,687,990	0	20,000	10,707,990	14,759,630	17,225,390	2,465,760	-4,051,640	-3,913,150	138,490	2,604,250	0	-584,000	0	0	2,020,250	12,728,240
Public Health & Wellbeing	-80,000	0	0	-80,000	6,448,470	6,300,570	-147,900	-6,528,470	-6,380,570	147,900	0	0	0	0	0	0	-80,000
Communities & Wellbeing	3,256,850	0	6,940	3,263,790	4,299,040	4,049,480	-249,560	-1,035,250	-799,390	235,860	-13,700	0	0	0	0	-13,700	3,250,090
<b>People</b>	<b>97,911,910</b>	<b>52,180</b>	<b>26,940</b>	<b>97,991,030</b>	<b>261,633,040</b>	<b>163,508,470</b>	<b>-98,124,570</b>	<b>-163,642,010</b>	<b>-56,332,400</b>	<b>107,309,610</b>	<b>9,185,040</b>	<b>-238,000</b>	<b>-1,464,500</b>	<b>0</b>	<b>-1,185,500</b>	<b>6,297,040</b>	<b>104,288,070</b>
Development & Regulation	5,343,890	0	293,520	5,637,410	13,259,660	16,654,400	3,394,740	-7,622,250	-10,359,830	-2,737,580	657,160	-45,000	0	0	0	612,160	6,249,570
Executive Director – Place	213,130	0	0	213,130	213,130	188,400	-24,730	0	0	0	-24,730	0	0	0	0	-24,730	188,400
Environment	27,942,440	-60,000	0	27,882,440	38,753,500	39,267,630	514,130	-10,871,060	-11,502,250	-631,190	-117,060	-262,000	0	0	-255,000	-634,060	27,248,380
<b>Place</b>	<b>33,499,460</b>	<b>-60,000</b>	<b>293,520</b>	<b>33,732,980</b>	<b>52,226,290</b>	<b>56,110,430</b>	<b>3,884,140</b>	<b>-18,493,310</b>	<b>-21,862,080</b>	<b>-3,368,770</b>	<b>515,370</b>	<b>-307,000</b>	<b>0</b>	<b>0</b>	<b>-255,000</b>	<b>-46,630</b>	<b>33,686,350</b>
ICT	2,436,570	0	0	2,436,570	3,169,610	3,116,230	-53,380	-733,040	-693,000	40,040	-13,340	0	0	-22,500	0	-35,840	2,400,730
Executive Director - Resources	317,170	0	0	317,170	317,170	305,870	-11,300	0	-38,700	-38,700	-50,000	0	0	0	0	-50,000	267,170
Commissioning & Procurement	448,480	0	0	448,480	14,529,810	14,631,640	101,830	-14,081,330	-14,103,690	-22,360	79,470	0	0	-143,000	-50,000	-113,530	334,950
Finance & Property	1,468,220	0	0	1,468,220	33,263,660	34,968,360	1,704,700	-31,795,440	-32,987,410	-1,191,970	512,730	-94,000	-35,000	0	-139,000	244,730	1,712,950
Strategy & Governance	7,288,880	7,820	208,080	7,504,780	8,567,980	9,311,190	743,210	-1,063,200	-1,538,100	-474,900	268,310	-9,000	-74,000	-131,000	-74,000	-19,690	7,485,090
Transformation	0	0	0	0	0	126,560	126,560	0	0	0	126,560	0	0	-126,560	0	0	0
<b>Resources</b>	<b>11,959,320</b>	<b>7,820</b>	<b>208,080</b>	<b>12,175,220</b>	<b>59,848,230</b>	<b>62,459,850</b>	<b>2,611,620</b>	<b>-47,673,010</b>	<b>-49,360,900</b>	<b>-1,687,890</b>	<b>923,730</b>	<b>-103,000</b>	<b>-109,000</b>	<b>-423,060</b>	<b>-263,000</b>	<b>25,670</b>	<b>12,200,890</b>
Chief Executive	540,710	0	0	540,710	540,710	530,710	-10,000	0	0	0	-10,000	0	0	0	0	-10,000	530,710
<b>Chief Executive</b>	<b>540,710</b>	<b>0</b>	<b>0</b>	<b>540,710</b>	<b>540,710</b>	<b>530,710</b>	<b>-10,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-10,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-10,000</b>	<b>530,710</b>
Capital Financing & Management	14,850,640	0	0	14,850,640	15,360,640	12,851,250	-2,509,390	-510,000	-873,000	-363,000	-2,872,390	0	0	0	-130,000	-3,002,390	11,848,250
Risk Management	0	0	-313,520	-313,520	-313,520	-313,520	0	0	0	0	0	0	0	0	0	0	-313,520
<b>Capital Financing and Management</b>	<b>14,850,640</b>	<b>0</b>	<b>-313,520</b>	<b>14,537,120</b>	<b>15,047,120</b>	<b>12,537,730</b>	<b>-2,509,390</b>	<b>-510,000</b>	<b>-873,000</b>	<b>-363,000</b>	<b>-2,872,390</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-130,000</b>	<b>-3,002,390</b>	<b>11,534,730</b>
<b>Total</b>	<b>158,762,040</b>	<b>0</b>	<b>215,020</b>	<b>158,977,060</b>	<b>389,295,390</b>	<b>295,147,190</b>	<b>-94,148,200</b>	<b>-230,318,330</b>	<b>-128,428,380</b>	<b>101,889,950</b>	<b>7,741,750</b>	<b>-648,000</b>	<b>-1,573,500</b>	<b>-423,060</b>	<b>-1,833,500</b>	<b>3,263,690</b>	<b>162,240,750</b>

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	3,257				7				3,264
<b>People</b>	<b>97,912</b>	<b>20</b>	<b>0</b>	<b>0</b>	<b>59</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>97,991</b>
Executive Director	213								213
Development & Regulation	5,344	294							5,637
Environment	27,942				(60)				27,882
<b>Place</b>	<b>33,499</b>	<b>294</b>	<b>0</b>	<b>0</b>	<b>(60)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>33,733</b>
ICT	2,437								2,437
Executive Director	317								317
Commissioning & Procurement	448								448
Finance & Property	1,468								1,468
Strategy & Governance	7,289	192		16	8				7,505
<b>Resources</b>	<b>11,959</b>	<b>192</b>	<b>0</b>	<b>16</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>12,175</b>
Chief Executive	541								541
<b>Capital Financing &amp; Risk</b>	<b>14,851</b>	<b>(314)</b>							<b>14,537</b>
<b>Total</b>	<b>158,762</b>	<b>192</b>	<b>0</b>	<b>16</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>158,977</b>
Quarter One	158,762	192							158,954
Quarter Two	158,954			16	7				158,977