



Agenda Item

FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

CABINET

13 October 2022

Joint Report of the Managing Director and the Director of Finance & ICT

**Performance Monitoring and Budget Monitoring/Forecast Outturn
2022-23 as at Quarter 1 (30 June 2022)**

(Strategic Leadership, Culture, Tourism and Climate Change
and Corporate Services and Budget)

1. Divisions Affected

1.1 County-wide.

2. Key Decision

2.1 This is a Key Decision because it is likely to result in the Council incurring expenditure which is, or savings which are, significant, having regard to the budget for the service or function concerned (this is currently defined as £0.500m).

3. Purpose

3.1 To provide Cabinet with an update of Council Plan performance and the Revenue Budget/forecast outturn for 2022-23, as at 30 June 2022 (Quarter 1).

4. Information and Analysis

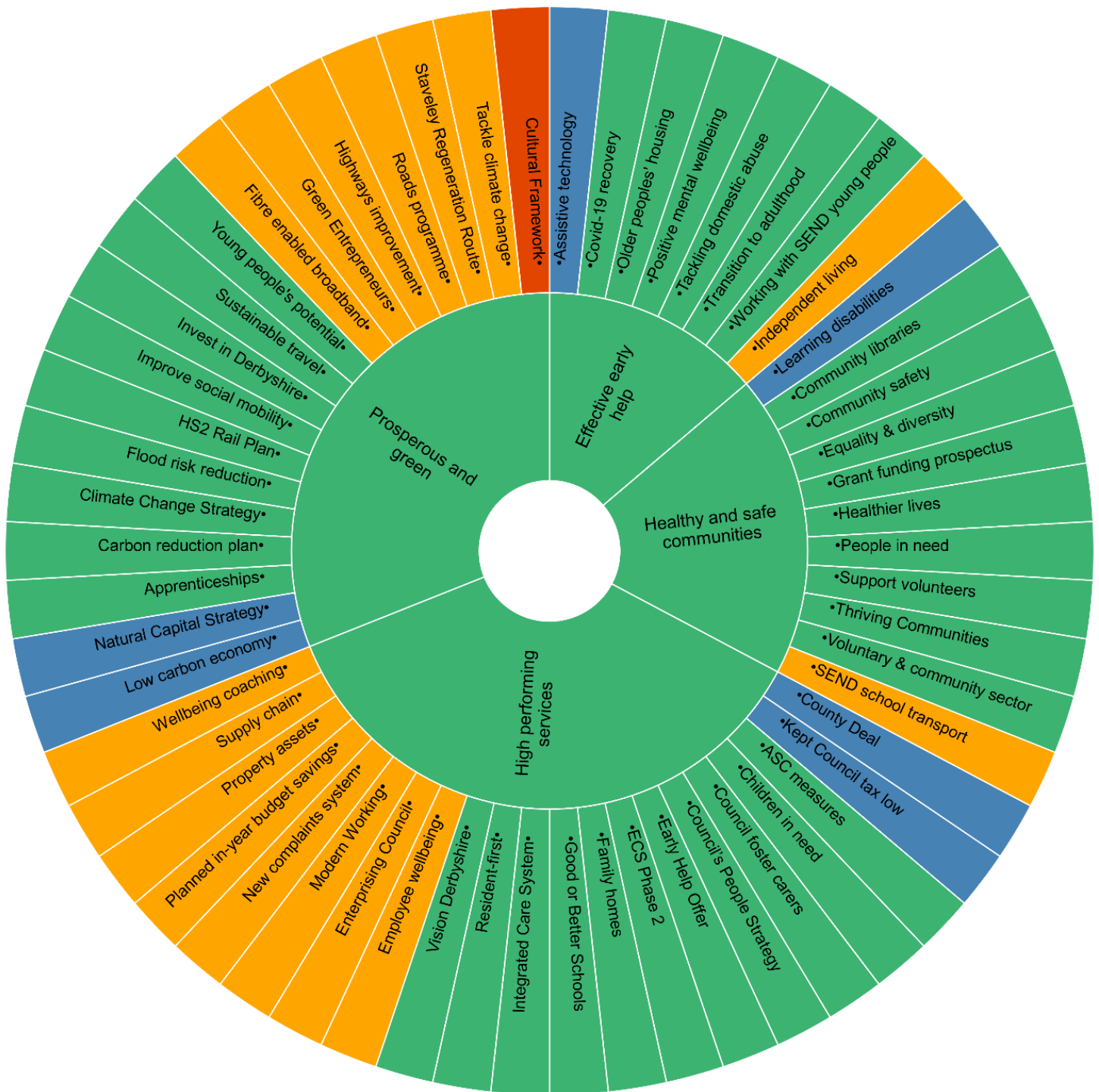
Integrated Reporting

- 4.01 This report presents both Council Plan performance and financial budget monitoring and forecast outturn data.
- 4.02 The Performance Summary sets out the progress the Council is making on delivering the Council Plan with a focus on the achievement of the Council Plan priorities.
- 4.03 The Revenue Budget Position and Financial Summary provides an overview of the Council's overall budget position and forecast outturn as at 30 June 2022.
- 4.04 Appendices to this report summarise progress on Council Plan deliverables and the controllable budget position by Cabinet Member Portfolio for 2022-23 as at 30 June 2022. Further reports will be considered at Audit Committee and Council in accordance with the Budget Monitoring Policy and Financial Regulations.

Performance Summary

- 4.05 The Council Plan for 2022-25, which outlines the Council's priorities, key deliverables and performance measures, was developed and approved by Council in March 2022.
- 4.06 The 2022-23 Quarter 1 Performance Report, attached at Appendix 3, sets out the position in full, up to the end of June 2022, for each deliverable and associated key measures set out in the Council Plan.
- 4.07 The Council is performing well in delivering the Council Plan, with 71% of the 58 deliverables in the Plan showing 'Good' or 'Strong' progress. Only 26% have been rated as 'Requiring Review' and two deliverables have been rated as 'Requiring Action'. Progress in delivering the Plan is shown in the graphic below.

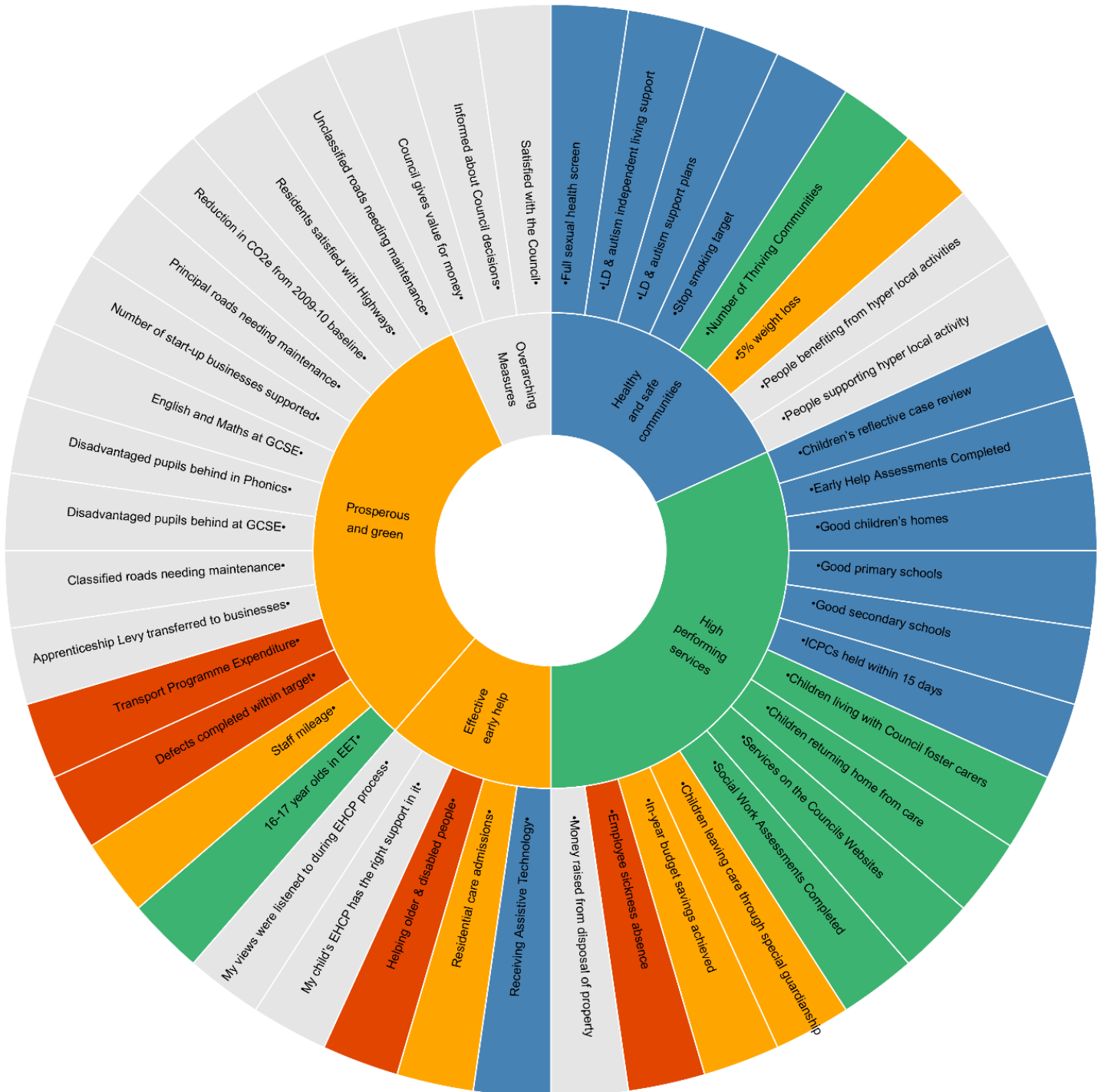
Deliverable Progress



4.08 The graphic below shows performance against target for each measure by priority. For the 26 key measures with data at this point in the year, 11 have been rated as 'Strong', with a further six rated as 'Good', while

four have been rated as 'Requiring Review' and five as 'Requiring Action'.

Key Measures Against Target



Performance by priority

4.09 The resilient, healthy and safe communities priority shows overall 'Good' performance for both the deliverables and the measures.

4.10 Key areas of success are as follows:

- Continued to make good progress in ensuring people with a learning disability and/or who are autistic have an outcome focussed support plan, with 436 plans in place to date, ensuring access to more community-based opportunities.
- Continued to provide support to people and communities in need via the Derbyshire Discretionary Fund, making 7,775 awards during the quarter, totalling over £0.852m.
- Supported the development of open and welcoming spaces in communities and during the quarter recorded 1,786 instances of people benefitting from activity stemming from the Council's Thriving Communities approach.
- Made grants totalling £0.402m to community groups, promoting positive behaviours, improving local networks, helping people to feel safer and encouraging sustainable and green activity.

4.11 An area for consideration under this priority is as follows:

- Recent work to review how the Council delivers home to school transport for children with special educational needs has highlighted a number of new risks and challenges in this area. These risks include the impact of staff turnover and capacity within associated areas of delivery on the Council's ability to meet existing service objectives and therefore transform delivery. In addition, there are new requirements in reporting around education health and care plan annual reviews which will further stretch resources and will require a review of priorities, and a further enhancing of processes to meet the new requirements. An action plan to help mitigate these risks is being developed.

4.12 The high performing, value for money and resident-focused services priority shows overall 'Good' performance for both deliverables and measures.

4.13 Key areas of success include:

- Held positive discussions with partners and Government to further explore a devolution deal for a mayoral combined authority

for the D2N2 area (Derby, Derbyshire, Nottingham and Nottinghamshire).

- Ranked as the lowest council for Council Tax for 2022-23, when comparing the average council tax per dwelling against comparator authorities who provide similar services.
- Improved practice consistency across early help and safeguarding services for children and sustained high performance across a range of performance measures.

4.14 Areas for consideration under this priority are as follows:

- Work to develop a longer-term preventative wellbeing coaching model has been delayed, partly due to the Covid-19 pandemic and partly due to Human Resources processes taking longer than anticipated. Revised timescales have been agreed to extend the prototyping to the end of March 2023.
- Progress in implementing a new complaints and feedback system has been delayed with Children's Services due to new requirements and challenges with resourcing and training. Also, the level of work to integrate Adult Social Care and Health (ASCH) systems may be significant. The completion date has been put back to December 2023, and development in Children's Services, Place and ASCH are being kept under review to identify any issues and manage timescales.
- Staff availability has delayed the review and closure of Phase 2 of the Enterprising Council Strategy, however this will be progressed going forwards along with Phase 3 as part of the refreshed Portfolio Assurance Board role and the Operating Model for Strategic Transformation.
- There have been delays commencing Phase 2 of the Modern Ways of Working Strategy and difficulties with the recruitment of the new Programme Manager, however the new Programme Manager will now be in post in October and an experienced interim manager has been appointed. The areas of work not yet commenced are planned to start during July 2022.
- Whilst progress has been made in supporting wellbeing, employee sickness absence has risen to 5.4% for the quarter up to the end of June 2022, compared with 4.4% for the same period last year. The target for the year is 4.6%. A working group to examine how best to support departments to manage sickness absence rates is being developed. Areas of concern where sickness levels are above the Council average have been identified and a "deep dive" assessment will be undertaken to identify any underlying issues.

- Property rationalisation targets have been impacted due to the uncertain market and economic conditions, their impact on Council and partner resources, market interest in land sales and value over the term. These influencers are structural in nature and the Council will continue to monitor impact as national and regional conditions unfold.
- It is forecast that of the in-year savings target of £8.057m, £7.401m will be achieved in the current financial year. A strategy to address the non-achievement of savings is being developed.
- The implementation of a contract and supply chain management regime across the Council has been delayed due to difficulties and delays in recruiting the contract compliance team. A team lead has now been appointed however, which will support recruitment to the full team, meanwhile work has been progressed where possible.

4.15 The effective early help for individuals and communities priority shows overall 'Good' performance for the deliverables, however measures are rated as 'Review' overall.

4.16 Key areas of success are as follows:

- Referred 206 people for Assistive Technology during the quarter, contributing towards reducing the need for formal support and promoting safety and independence in their own homes.
- Worked with local partners to support mental wellbeing, receiving over 25,000 page views on the Derbyshire emotional wellbeing website and setting up "talking benches" across the county, allowing people to begin conversation with others and talk openly about their health and wellbeing.
- Developed with partners the Derbyshire Violence against Women and Girls Strategy.

4.17 An area for consideration under this priority is as follows:

- Progress on the Better Lives programme to support older people and people with a disability to increase their independence continues to be impacted by the shortage of homecare. The Better Lives programme has been redesigned to support mitigation of this issue and work is now underway to review the Short Term Service, which helps older and disabled people to regain their independence, to increase capacity and to create a wider workforce plan.

4.18 The priority for a prosperous and green Derbyshire shows overall 'Good' performance for the deliverables, however measures are rated as 'Review' overall.

4.19 Key areas of success are as follows:

- Progressed work on the Natural Capital Strategy for Derbyshire with completion on track for September 2022, which is well ahead of schedule.
- Submitted a Multiply bid to government to support adults in improving their numeracy skills and progressed market town renewal through support to 8 Levelling Up Fund bids and 8 Shared Prosperity Fund bids, working closely with district and borough councils.
- Provided support so that the percentage of Derbyshire 16 to 17 year olds in education, employment and training continues to be in the top 25% of council areas nationally.

4.20 Areas of consideration under this priority are as follows:

- The total spend on the Local Transport Programme in Quarter 1 was £7.537m against a target of £8.700m due to network co-ordination issues resulting in several large value surface dressing projects having to be postponed.
- Whilst 100% of urgent defects were completed within timescale, the percentage of defects completed within other target timescales has decreased. It is considered that through the implementation of the Local Transport Plan Capital delivery scheme a reduction in defects will be seen throughout the year which should have a positive impact on the amount of defects, and customer satisfaction levels, by the year end.
- Whilst preparation work on planning and procurement for the Hollis Lane Link Road has continued during the quarter, the costs associated with the scheme are currently being reviewed linked to potential inflationary increased costs.
- The Outline Business Case to progress the Chesterfield to Staveley Regeneration Route remains on track to be completed during Quarter 2, however the costs of the scheme are currently being reviewed.

- Initiatives to implement low carbon local energy generation are an important part of the county's journey to achieving carbon reduction targets, and work needs to progress at pace. The Renewable Energy Spatial Study was completed in June 2022 setting out future energy demand and opportunities for renewable energy generation in Derbyshire. The Council is also commissioning feasibility studies for up to ten Council-owned sites for potential solar farm development.
- Take up of the Green Entrepreneurs small grants fund for businesses has not been as anticipated as a result of the changing needs of businesses. A review of the eligibility parameters surrounding the small grant fund is therefore taking place.
- The Department for Culture, Media and Sport (DCMS) will suspend the Gigabit Voucher scheme to new applications from 15 July 2022. It is not expected that any new projects will be registered during Quarter 2. Projects currently in progress will be allowed to continue and will be monitored to ensure that the number of properties supported through the Top Up scheme is maximised whilst the DCMS voucher scheme embargo is in place. Weekly dialogue with DCMS and Openreach will be maintained to maximise delivery.
- There has been a delay to the roll out of the Cultural Recovery Fund, which supports delivery of the Derbyshire Cultural Framework. Work will be taken forward following the outcome of the corporate review of the Council's grant awarding processes, which include a number of arts grants recipients.

4.21 With 71% of deliverables rated as 'Strong' or 'Good', there is much to celebrate in the progress the Council has made in delivering the Council Plan. Further detail regarding each of the deliverables in the Council Plan and the key measures is set out in Appendix 3.

Revenue Outturn Summary

4.22 The Council's forecast outturn for 2022-23 as at Quarter 1 (30 June 2022), compared to controllable budget, is summarised below. The forecast outturn table shows the position net of the impact of the ring-fenced Dedicated Schools Grant (DSG) of £389.554m and Public Health grant of £43.803m, other ring-fenced grants and income from other third parties and their associated spend.

Controlled

	Budget	Use of DLUHC Covid-19 Grant Funding	Adjusted Budget	Forecast Actuals	Projected Outturn	Budget Performance
	£ Millions	£ Millions	£ Millions	£ Millions	£ Millions	
Adult Care	264.962	0.000	264.962	284.933	19.971	
Children's Services and Safeguarding and Education	144.996	0.000	144.996	147.091	2.095	
Clean Growth and Regeneration	0.777	0.000	0.777	0.592	-0.185	
Corporate Services and Budget	60.041	0.478	60.519	63.245	2.726	
Health and Communities	9.728	0.000	9.728	8.773	-0.955	
Highways Assets and Transport	33.275	0.000	33.275	39.703	6.428	
Infrastructure and Environment	43.118	0.000	43.118	44.068	0.950	
Strategic Leadership, Culture, Tourism and Climate Change	12.694	0.000	12.694	12.981	0.287	
Total Portfolio Outturn	569.591	0.478	570.069	601.386	31.317	
Risk Management	22.984	0.000	22.984	11.620	-11.364	
Debt Charges	38.185	0.000	38.185	36.510	-1.675	
Interest and Dividend Income	-4.577	0.000	-4.577	-5.756	-1.179	
Levies and Precepts	0.363	0.000	0.363	0.363	0.000	
Unfunded Pay Award	0.000	0.000	0.000	13.000	13.000	
Corporate Adjustments	3.423	0.000	3.423	2.978	-0.445	
Total	629.969	0.478	630.447	660.101	29.654	
Use of Earmarked Reserves	29.654	0.000	29.654	0.000	-29.654	
Total After Use of Earmarked Reserves	659.623	0.478	660.101	660.101	0.000	

4.23 An overall Council overspend of £29.654m is forecast, after accounting for use of £0.478m of non-ringfenced grant funding provided by the Department for Levelling Up Housing & Communities (DLUHC) to support local authorities with the impacts of the Covid-19 pandemic. This is funding from the remaining balance of the Covid-19 general emergency funding at 31 March 2022, amounting to £15.370m, which has been carried forward to 2022-23 in an earmarked reserve. However, the Council will use the balances on its Budget Management, Covid-19 and Inflation Earmarked Reserves to report a break-even position as shown in the table below. It is anticipated that, after these amounts have been drawn, a balance on the Covid-19 reserve will remain available for future use. Whilst the use of earmarked reserves, in-year, will result in the Council reporting a break-even position, the impact of the unfunded pay offer, demand pressures and inflationary costs will need to be addressed as part of the budget setting process for 2023-24 as the effect will be an ongoing cost pressure.

Reserve	Balance Available	Use to fund identified Covid impacts	Use to fund overspend	Residual
	£m	£m	£m	£m
Inflation Risks	10.000	0.000	10.000	0.000
Budget Management	10.000	0.000	10.000	0.000
Covid Emergency Grant	15.370	0.478	9.654	5.238
	35.370	0.478	29.654	5.238

4.24 Of the forecast £31.317m portfolio overspend, the significant variances are:

- an overspend of £19.971m on the Adult Care portfolio
- a £2.726m overspend on the Corporate Services and Budget portfolio
- a £6.428m overspend on the Highways and Transport portfolio and
- a £2.095m overspend on the Children's Services and Safeguarding and Education portfolios.

4.25 The forecast £19.971m overspend on the Adult Care portfolio relates to Purchased Services costs. There has been an increase in demand in relation to hospital discharges and because there is an insufficient supply of home care and reablement services, this has driven increased placements into residential homes rather than into care at home. As a result, expenditure on independent sector placements has increased and has been compounded by some voids within the Council-run Direct Care service, e.g. where admissions have been on hold during consultation on closure or where people have chosen alternatives as part of the strengths based approach under our "Better Lives" programme of transformation. The forecast includes inflationary pressures of £1.500m in respect of Direct Care utilities and catering supplies. By Quarter 2 reporting, the allocation of earmarked reserves outlined in paragraph 4.23 above will have reduced the overspend on the Adult Care portfolio.

- 4.26 The forecast £2.726m overspend on the Corporate Services and Budget portfolio has mainly arisen in the Corporate Property division, primarily because of delays in achieving previously allocated savings. These savings are expected to be achieved over the coming years through rationalisation of the property base, with a consequent reduction in property running costs, and borrowing savings through use of the capital receipt to offset the need to borrow to fund the capital programme. PSP Derbyshire LLP will be the principle vehicle for delivering the savings. There is underachievement of the Industrial Development income target, which is based on full occupancy. Full occupancy cannot be achieved as vacancies occur during the turnover of lettings, and some units are offered at rents below market rates for occupying charities. There is a further cost pressure related to incurring running costs on buildings that are awaiting disposal or repurpose. The forecast also includes estimated gas and electricity inflation, at 300% and 100% respectively, of £1.806m. By Quarter 2 reporting, the allocation of earmarked reserves outlined in paragraph 4.23 above will have reduced the overspend on the Corporate Services and Budget portfolio.
- 4.27 The forecast £6.428m overspend on the Highways Assets and Transport portfolio mainly relates to unachieved savings from previous years, and additional costs arising from highways maintenance potholes repair, highways management under-recovery of highways salaries recharged to capital schemes and highways agency expenditure. The forecast includes £1.003m of inflationary pressures, comprising £0.254m in respect of Public and Community Transport, £0.449m in relation to Highways Maintenance and £0.300m for Highways Management and Land Reclamation. By Quarter 2 reporting, the allocation of earmarked reserves outlined in paragraph 4.23 above will have reduced the overspend on the Highways Assets and Transport portfolio.

- 4.28 The forecast £2.095m overspend on the Children's Services and Safeguarding and Education portfolios is partly due to a continued high demand for placements for children who are in care or unable to remain at home. The number of children requiring support is growing because the rate at which children enter care is greater than the rate at which children exit care, and because alternatives to care often require long-term financial support, leading to a growing number of arrangements to fund. Average cost increases are due to inflation and the need to make more higher cost placements with independent providers. Other factors contributing to the overspend include an increase in the number of children who are eligible for Council-funded transport and an increase in average cost, with the increase in cost being due to both economic factors affecting contractors, and an increased need for more specialised vehicles to transport individual children. There is a forecast overspend in respect of safeguarding costs, supporting a greater number of children in care and children and families in need, and in respect of high-cost packages, supporting children with complex needs to remain with their families or maintain their current care placement.
- 4.29 The Children's Services and Safeguarding and Education portfolios forecast includes inflationary pressures of £0.898m, comprising £0.476m of energy costs, £0.335m of food costs and £0.087m of transport and fuel costs, excluding Home to School Transport which is covered by specific contingency budgets. Not all of these costs will be met from Council budget, as a number of services are funded by trading or grant income, however potentially this may impact on the contribution those services can make to corporate overheads. It is estimated that the inflation pressures listed account for approximately £0.220m of the overspend against council budgets and £0.280m in reduced contributions to overheads from traded services. By Quarter 2 reporting, the allocation of earmarked reserves outlined in paragraph 4.23 above will have reduced the overspend on the Children's Services and Safeguarding and Education portfolios. The wider impact of inflation and cost of living increases on costs and demand for services is as yet too uncertain to include in outturn projections.

- 4.30 The Council plans to support the Children's Services and Safeguarding and Education portfolios through allocations of a combination of ongoing budget growth and one-off funding to put these services on a sustainable financial footing by the time mitigation measures are able to stabilise the demand pressures on looked after children. Recent modelling suggests that demand pressures on looked after children are likely to level off by 2023-24. Analysis of current placement commitments, demographics and historic trends gives placements cost estimates ranging from £0.7m below to £2m above this forecast. There is also the potential for further increases in the number of children requiring placements or increases in average placement costs, giving an upper estimate of £4m above the forecast. A contingency budget is held to meet these potential pressures, and a balance of £2.458m would remain if the current forecast overspend of £0.764m is funded from this budget. It is considered likely that placement costs will increase during 2022-23 but are unlikely to exceed the contingency budget. A contingency budget is also held to meet the potential pressures of a further increase in number of children eligible for transport, or further increases transport costs, and a balance of £1.918m would remain for mainstream and special needs Home to School Transport costs, if the current forecast overspend of £0.562m is funded from this budget. It is considered likely that costs will increase during the year but that it is less likely these would exceed the contingency budget.
- 4.31 There is a forecast underspend on corporate budgets in 2022-23. The underspend on the Risk Management budget relates mainly to a £5m adjustment for Business Rates income. Business Rates income in 2021-22 was significantly reduced because of the impact of Covid-19 and the extent of recovery was uncertain at the time the Revenue Budget 2022-23 was set, with amounts finalised after. In addition, £2m relates to additional non-ringfenced grants and £1m to service pressure funding returned by a portfolio following receipt of grant income, all announced after the 2022-23 Revenue Budget was set. £3m is shown as available to support expenditure which has been included in portfolio forecasts. An underspend on the Debt Charges budget is forecast as the portfolio of the Council's long-term loans is repaid and interest on this debt reduces. A favourable variance is forecast in the Interest and Dividends budget. The Council utilises a range of investments to maximise its income on cash balances. Interest income includes interest accrued on the loan advances to Buxton Crescent Ltd. A small underspend on Corporate adjustments is forecast.

- 4.32 The Council continues to look at ways to save money and generate income, whilst trying to protect and deliver services suitable for the residents of Derbyshire. Significant consultation and planning timeframes are required to achieve many of these savings. Delays in agreeing proposals could result in overspends by departments, which would then deplete the level of General Reserve held by the Council, decreasing its ability to meet short term, unforeseeable expenditure. In many cases the proposals will be subject to consultation and equality analysis processes. Progress against budget savings targets is being closely monitored, with a programme of action underway involving the Council's Corporate Management Team. However, there is a heightened risk of not achieving a balanced budget, as a result of both cost pressures and savings slippage as a result of the Covid-19 pandemic and other factors.
- 4.33 The delivery of the Council's Five Year Financial Plan (FYFP) is heavily dependent on an adequate level of General Reserve. The need to maintain an adequate, risk assessed level of reserves has been a key part of the Council's success in both maintaining its financial standing and continuing to deliver high quality services.
- 4.34 The General Reserve stands at £60.505m at 30 June 2022. There are commitments against the General Reserve and the balance will be further reduced by the measures required to deliver the Council's FYFP noted in paragraph 4.33 above. In the Council's 2022-23 Revenue Budget Report, in a reasonable pessimistic forecast, the General Reserve was predicted to decrease to £9.522m. The adequacy of the Council's General Reserve balance is considered at paragraphs 4.61 and 4.62 below.

Portfolio Costs

- 4.35 There is a forecast Council portfolio overspend of £31.317m, after the use of £0.478m of non-ringfenced grant funding provided by DLUHC from the remaining balance of the Covid-19 general emergency funding at 31 March 2022, carried forward to 2022-23 in an earmarked reserve. This is the forecast additional cost and lost income of the Council's response up to the end of March 2023, including the impact of slippage to the planned programme of savings which cannot yet be implemented as a result. This amount allows for any specific funding to offset the gross Covid-19 related costs which has already been forecast to be allocated to individual portfolios. Budget of £0.478m is forecast to be allocated to portfolios to match these costs.
- 4.36 Portfolio costs are explained in more detail in Appendices 4 to 11.

Risk Management Budget

4.37 There is a forecast underspend on the Risk Management Budget of £11.364m in 2022-23.

4.38 The Risk Management Budget of £22.984m includes:

- £14.477m of remaining contingency funding set aside in the 2022-23 Revenue Budget. This comprises remaining pay and price issue elements of £8.659m, departmental specific service pressures of £5.702m and general contingency of £0.116m:
 - £6.789m for a 2022-23 pay award, considered at paragraphs 4.40 to 4.43 below;
 - £1.000m to support Departments with the rising cost of energy and food in non-school budgets, considered at paragraphs 4.44 to 4.46 below;
 - £0.441m remaining balance of the forecast additional cost of a 1.25% increase in National Insurance contributions relating to the contingency amount for a 2022-23 pay award;
 - £0.415m for an ongoing increase in street lighting energy costs;
 - £0.014m remaining balance for additional Local Government Pension Scheme employer pension contributions;
 - £5.702m additional funding for Children's Services, potentially required for rising costs, corporately held until the actual cost is known, with £3.222m for children in care placements, £1.962m for special needs home to school transport and £0.518m for mainstream home to school transport, and
 - £0.116m general contingency.
- £4.791m adjustment for Business Rates income. The amounts were finalised after the 2022-23 Revenue Budget was approved by Council on 2 February 2022.
- £2.299m of additional non-ringfenced grants that had not been announced when the 2022-23 Revenue Budget was approved by Council on 2 February 2022. This comprises:
 - £2.262m Business Rates Relief Grant;
 - £0.019m Food Allergen Labelling Grant; and
 - £0.018m Revenue Support Grant adjustment.

- £1.417m approved in the Council's 2022-23 Revenue Budget to fund ongoing service pressures managing additional statutory duties in relation to the Domestic Abuse Act 2021. These funds were returned unused from the Health and Communities portfolio as the portfolio was able to alternatively finance this pressure from a Domestic Abuse Grant for 2022-23, which had not been announced when the 2022-23 Revenue Budget was approved by Council on 2 February 2022.

4.39 The forecast expenditure of £11.620m on the Risk Management Budget is:

- £6.789m draw-down of contingency funding for a 2022-23 pay award;
- £0.441m draw-down of the remaining balance of contingency funding for the forecast additional cost of a 1.25% increase in National Insurance contributions relating to the contingency amount for a 2022-23 pay award;
- £0.014m draw-down of the remaining balance of contingency funding for additional Local Government Pension Scheme employer pension contributions; and
- £4.376m draw-down of residual contingency funding forecast to be required for Children's Services for rising costs, with £2.458m for children in care placements and £1.918m for special needs and mainstream home to school transport.

The following contingency amounts are shown as available to support expenditure which has already been included in portfolio forecasts:

- £1.000m draw-down of contingency funding to support Departments with the rising cost of energy and food in non-school budgets;
- £0.415m draw-down of contingency funding for an ongoing increase in street lighting energy costs; and
- £1.326m draw-down of contingency funding for Children's Services required for rising costs, with £0.764m for children in care placements, £0.562m for special needs and mainstream home to school transport.

4.40 The 2021-22 pay award for Local Government Service Employees (effective from 1 April 2021) has now been agreed. Employees on pay point 1 received an increase of 2.75%, those on pay point 2 and above an increase of 1.75%, and Chief Officers an increase of 1.50%, which results in a total cost to the Council of £4.189m. For 2021-22 budget purposes a sum of £2.313m was set aside for 'bottom loading' but there was no general increase, with the expectation that portfolios would pick up any additional costs. The agreed pay increase for 2021-22 left the Council with a shortfall of £1.876m in 2021-22 and a £1.896m ongoing pressure in each subsequent year. It was proposed to review the in-year position in 2022-23 alongside other demand and inflationary pressures, to ascertain whether additional budget can be allocated to departments to support the 2021-22 pay award on an ongoing basis. This is considered below.

4.41 Negotiations in respect of the 2022-23 pay award for Local Government Service Employees are still ongoing. National employers made a final one-year offer to the unions representing the main local government workforce on 25 July 2022 as follows:

- With effect from 1 April 2022, an increase of £1,925 on all pay points covered by the Council's Pay Grades up to and including Grade 16, which is equivalent to a 10.5% increase for employees on pay point 1 and 4.0% for employees on the highest pay point, and an increase of 4.0 per cent on all allowances, except for travel rates.
- With effect from 1 April 2023, an increase of one day to all employees' annual leave entitlement and the deletion of pay point 1.

The final 2022-23 basic salary pay offer is equivalent to an average pay increase of 7.3% across the Council's workforce. Initial modelling suggests that the cost to the Council of the basic pay offer is around £19.866m in 2022-23.

4.42 The forecast additional 2022-23 budget pressure arising from the agreed 2021-22 pay award and the proposed 2022-23 pay award for basic pay is £21.762m. This will be an ongoing budget pressure in each subsequent year. In the 2022-23 Revenue Budget, the Council set aside contingency funding of £6.789m for the 2022-23 pay award and £0.449m for the associated additional on-cost from a 1.25% increase in employer's contributions. This leaves the Council with a forecast ongoing budget shortfall of £14.973m, in addition to the impact of the proposed 2022-23 increase in allowances and the proposed one day additional annual leave from 2023-24, which will put severe pressure on those services already deeply impacted by staffing availability and cost of provision, such as social care.

- 4.43 Not all of this ongoing pressure will fall to the Council. Some employees work in areas wholly funded by grants and it is essential that these grants take up their fair share of additional costs in line with their workforce cost, however, this may be too late for 2022-23 in respect of the Dedicated Schools Grant. A review of sales, fees and charges will identify amendments required in the short term to reflect additional associated workforce cost. An ongoing review of Traded Services, where the Council receives income in return for providing discretionary services to external organisations and/or individuals, will be accelerated, and should capture additional workforce cost, to accurately inform discussions and decisions regarding services' sustainability, as cost increases cannot be supported by base budget.
- 4.44 Total inflationary pressures of around £5m have been identified and are included in portfolio forecasts.
- 4.45 The Council will lobby the Secretary of State for Levelling Up, Housing and Communities, to reinforce the unaffordability in the medium term of the proposed local government 2022-23 pay award and general inflation on budgets. The £11.364m forecast underspend on the Council's in-year risk management budget is already fully depleted in reducing the portfolio overspend in this forecast. The Council's Revenue Budget 2022-23 set aside £1.000m to support Departments with the rising cost of energy and food in non-school budgets and the Outturn Report 2021-22 set aside a further £10m in an Earmarked Reserve to meet increasing inflation risks. These funds will be used on a one-off basis for 2022-23 support, where approved. Other one-off budget management earmarked reserves are also potentially available corporately and from departmental underspends, although the corporate reserve ordinarily supports one-off funding in the Council's annual Revenue Budget. As a last resort, there is also the Council's General Reserve. The adequacy of the General Reserve balance is considered below.
- 4.46 A decision on what, if any, additional budget will be available for allocation to departments to support these pressures on a one-off basis in 2022-23 and on an ongoing basis will not be made until more information is known in respect of the latest inflation and funding expectations, in respect of the pay award and other inflationary costs and in respect of proposed mitigations. Consideration will be given to a new programme of in-year savings and review of the use of in-year growth items awarded to departments in the 2022-23 Revenue Budget, if it is decided that additional funds are required corporately for a fairer redistribution which better reflects in-year changes to budget pressures.

Debt Charges

- 4.47 The Debt Charges budget is forecast to be underspent by £1.675m in 2022-23.
- 4.48 Debt charges are based on interest payments, the Capital Financing Requirement (CFR) and a Minimum Revenue Provision (MRP) of 2.5% (in keeping with the policy reported to Cabinet on 22 November 2016).
- 4.49 The Council has paid off a number of external loans, which were used to support the Council's Capital Programme, in recent years, and has not undertaken further borrowing. This has led to lower interest payments, resulting in a forecast underspend for 2022-23.

Interest and Dividend Income

- 4.50 Interest and dividend income budgets are forecast to achieve income £1.179m higher than budgeted in 2022-23.
- 4.51 The interest base rate rose from 0.75% to 1.00% on 5 May 2022, to 1.25% on 16 June 2022 and to 1.75% on 4 August 2022. However, the Council utilises a range of investments, including pooled funds, to maximise its interest and dividend income on balances.
- 4.52 The forecast underspend mainly relates to interest receipts on the Council's temporary loans to other local authorities, which are anticipated to exceed the expectation at the time the 2022-23 Revenue Budget was approved.

Corporate Adjustments

- 4.53 There is a forecast underspend of £0.445m on Corporate Adjustments in 2022-23.
- 4.54 The forecast underspend reflects an anticipated saving of £0.449m from the Council paying its Local Government Pension Scheme 2022-23 employer contributions early.

Budget Savings

4.55 A summary of the achievement of budget savings targets for 2022-23 is provided at Appendix 14. The budget savings target for 2022-23 is £8.057m, with a further £14.905m target brought forward from previous years. Of the in-year savings target, £7.401m will be achieved in the current financial year. The Council is reviewing all of its savings initiatives and developing a programme of savings proposals to address the estimated funding gap over the medium term. Where savings have not been achieved in previous years and brought forward into the current financial year, mitigations and alternative savings delivery is being considered. Where there is non-achievement of savings brought forward, the resulting base budget overspend is offset to some extent by one-off underspends, one-off funding from earmarked reserves and additional grant funding received.

Debt Age Profile

4.55 The age profile of debts owed to the Council and the value of debts written off is disclosed in Appendix 15. This information is collected on a departmental rather than on a portfolio basis.

Earmarked Reserves

4.57 Earmarked reserves are held to meet known or predicted liabilities and the funds should be used for the item for which they have been set aside. Any funds no longer required are returned to the General Reserve. The Council reviews the level of earmarked reserves at least annually. The last review of earmarked reserves took place in December 2021 and was reported to Cabinet on 24 January 2022. The next review is scheduled to be reported in January 2023.

4.58 A summary of outstanding balances on the Council's earmarked reserves as at 30 June 2022 is set out in Appendix 13.

4.59 The Council's response to the Covid-19 pandemic and its effects on the Council's finances are expected to continue into 2022-23. Any funding received to support Covid-19 impacts, which had not been utilised by 31 March 2022, has been contributed to earmarked reserves or, where appropriate, carried forward as a receipt in advance. These amounts may be used to fund any further relevant expenditure arising as a result of the pandemic in 2022-23, or to meet other cost pressures if needed and grant rules allow.

General Reserve

4.60 The General Reserve stands at £60.505m at 30 June 2022. The level of General Reserve is £39.588m, after the commitments below and the forecast outturn for 2022-23, which is 6% of the Council's Net Budget Requirement for 2022-23.

General Reserve

	£m
Balance at 30 June 2022	60.505
Add: 2021-22 Outturn Release to Corporate Reserves	
Post-Covid Funding Risks Reserve Release	14.000
Less: 2021-22 Outturn Allocations to Portfolios and Corporate Reserves	
Adult Care	(2.584)
Children's Services and Safeguarding and Education	0.000
Clean Growth and Regeneration	(0.103)
Corporate Services and Budget	0.000
Health and Communities	(1.650)
Highways Assets and Transport	0.000
Infrastructure and Environment	(0.440)
Strategic Leadership, Culture, Tourism and Climate Change	(0.889)
Inflation Risks Reserve	(10.000)
Cyber Security Reserve	(4.000)
Business Rates Risks Reserve	(5.251)
Budget Management Reserve	(10.000)
Balance at 30 June 2022 after Outturn Commitments	39.588
Projected Outturn 2022-23	(0.000)
Forecast Balance at 31 March 2023	39.588
Net Budget Requirement 2022-23	618.457
General Reserve Balance as % of NBR at 31 March 2023	6.4%

- 4.61 The majority of chief financial officers consider an acceptable level of generally available reserves to be one that reflects a risk-based approach to potential liabilities. A relatively crude measure is to expect the resulting figure to be between 3% to 5% of a council's net spending, representing a prudent level of risk-based reserves. As at 30 June 2022, after the commitments above, the figure for the Council stood at 6.4%. However, it is necessary to consider this indicator over the medium term to gain a better understanding of its adequacy.
- 4.62 In the Council's 2022-23 Revenue Budget Report, in a reasonably pessimistic forecast, the General Reserve was predicted to decrease to 1.4% (£9.522m) of the Council's Net Budget Requirement by 2026-27. However, this forecast did not anticipate that inflation would be at current levels. It is now recognised that whilst the Council should be able to use one-off funding to balance its budget in the short term, the General Reserve is likely to be under too great a pressure in the medium term if additional funding is not received to support the Council through this period of high inflation. If additional funding is received, the Council would aim to use restorative measures over the Five Year Financial Plan to build back up the balance of the General Reserve to a reasonable, risk assessed level.

Portfolio Summaries

- 4.63 A summary of each of the individual portfolio performance and outturn positions for 2023-24 is detailed in Appendices 4 to 11.
- 4.64 Whilst budgets are monitored by portfolio, the individual portfolios are not separate entities. All the portfolios operate in conjunction with the others and it is important to consider the Council's budgetary position as a whole in the context of its Five-Year Financial Plan (FYFP) and its overall level of reserves.

Traded Services

- 4.65 A trading area is where the Council receives income in return for providing discretionary services to external organisations and/or individuals.
- 4.66 'Fully traded' trading areas are separately identifiable and have a net controllable budget of £0, i.e. there is an expectation that on average all the controllable expenditure within this area will be funded from external income. An overall shortfall on general overheads of £0.316m is

forecast for 2022-23 on fully traded areas across the Council as a whole.

- 4.67 'Partially traded' trading areas do not have a net controllable budget of £0, but they do receive income from external entities which contributes to funding some of the discretionary services they provide. An overall contribution of £0.774m compared to the budgeted income target is forecast for 2022-23 on partially traded areas across the Council as a whole.
- 4.68 Appendix 12 summarises the financial performance of the separate trading areas.

5. Consultation

- 5.1 No consultation is required.

6. Alternative Options Considered

- 6.1 N/A – the Council is required to outline its forecast revenue outturn position to ensure compliance with good financial management principles and to support the development of short and medium-term financial planning. Not producing a budget monitoring report would be contra to the Council's Financial Regulations which requires the reporting of variances of income and expenditure against budget allocation to be reported to Cabinet in line with the Budget Monitoring Policy.

7. Implications

- 7.1 Appendix 1 sets out the relevant implications considered in the preparation of the report.

8. Background Papers

- 8.1 Performance papers held electronically by Policy & Research. Finance papers held electronically by Financial Strategy, Finance & ICT.

9. Appendices

- 9.1 Appendix 1 – Implications
- 9.2 Appendix 2 – Key to Performance Ratings
- 9.3 Appendix 3 – Performance Report 2022-23 Council Overview

- 9.4 Appendix 4 – Adult Care - Portfolio Summary
- 9.5 Appendix 5 – Children’s Services and Safeguarding and Education - Portfolios Summary
- 9.6 Appendix 6 – Clean Growth and Regeneration - Portfolio Summary
- 9.7 Appendix 7 – Corporate Services and Budget - Portfolio Summary
- 9.8 Appendix 8 – Health and Communities - Portfolio Summary
- 9.9 Appendix 9 – Highways Assets and Transport - Portfolio Summary
- 9.10 Appendix 10 – Infrastructure and Environment - Portfolio Summary
- 9.11 Appendix 11 – Strategic Leadership, Culture, Tourism and Climate Change - Portfolio Summary
- 9.12 Appendix 12 – Traded Services
- 9.13 Appendix 13 – Earmarked Reserves
- 9.14 Appendix 14 – Budget Savings Monitoring 2022-23
- 9.15 Appendix 15 – Aged Debt

10. Recommendations

That Cabinet:

- 10.1 Notes the update of Council Plan performance and the Revenue Budget position/forecast outturn for 2022-23 as at 30 June 2022 (Quarter 1).
- 10.2 Considers whether there are any further actions that should be undertaken to improve performance where it has not met the desired level.
- 10.3 Notes the position on General and Earmarked Reserves.

11. Reasons for Recommendations

- 11.1 The forecast outturn report provides a summary of the expected overall financial performance and use of resources against the Council’s approved budget for the financial year 2022-23. The outturn position

supports the development of budgets in both the short and medium term.

- 11.2 Performance information is important as it enables the Council and the public to see how well the Council is delivering services and where it needs to make improvements.
- 11.3 The balances of both the General and Earmarked Reserves support good financial planning.

12. Is it necessary to waive the call in period?

- 12.1 No

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Appendix 1

Implications

Financial

1.1 As outlined in the body of the report.

Legal

2.1 None.

Human Resources

3.1 None.

Information Technology

4.1 None.

Equalities Impact

5.1 None.

Corporate objectives and priorities for change

6.1 The Council Plan values commit to spending money wisely, making the best use of the resources that the Council has.






6.2 High inflation and the proposed pay award for 2022-23 has increased the financial uncertainty for all local authorities. The Council is committed to ensuring that it sets a balanced budget over the medium-term, therefore ensuring good financial management and use of reserve balances to meet the costs of any unforeseeable events arising from the pandemic.

Other (for example, Health and Safety, Environmental Sustainability, Property and Asset Management, Risk Management and Safeguarding)

7.1 None.

Appendix 2

Key to Performance Ratings

	Strong 	Good 	Review 	Action 	Unknown 
Council Plan Deliverables	On track or complete with outcomes exceeding expectations /requirements.	On track or complete with outcomes in line with expectations/ requirements.	Some risk to achieving timetable and/or outcomes.	Unlikely to achieve timetable and/or not delivering required outcome.	Data measuring the performance of these deliverables continues to be suspended due to Covid-19.
Council Plan Measures	More than 5% better than target.	Less than 5% better than target but not less than 2% worse than target.	Between 2% and 10% worse than target.	More than 10% worse than target.	No data received or no target set.
Service Lines Outturn		Outturn below budget.	Outturn less than or equal to 2% over budget.	Outturn more than 2% over budget.	
Portfolio Outturn		Outturn below budget.		Outturn over budget.	
Budget Savings		Forecast savings better than target.		Forecast savings worse than target.	