

REPORT OF THE CHIEF FINANCE OFFICER

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TO OVERVIEW AND SCRUTINY BOARD  
7 SEPTEMBER 2022

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TITLE: BUDGET MONITORING AND SAVINGS PROGRAMME

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RECOMMENDATIONS:

The board is asked to consider the current position regarding the 2022/23 revenue budget, savings and capital programme.

EXECUTIVE SUMMARY:

The first quarter budget monitoring update indicates continuing pressures within People services and Service Reform which are currently forecast to be managed across the overall budget however, there is a significant risk of volatility linked to wider economic pressures and their impact upon demand for services, the cost of service delivery and income assumptions. The capital programme has risen significantly to reflect the re-profiling of spend. A review of the programme including deliverability is to be undertaken and reported back to members.

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BACKGROUND DOCUMENTS:

Service budget monitoring reports to lead members, savings pro-formas and other finance working papers.

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KEY DECISION: NO

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KEY COUNCIL POLICIES: Budget Strategy; Medium Term Financial Strategy

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EQUALITY IMPACT ASSESSMENT AND IMPLICATIONS:

Equality impact assessments are assessed at an individual savings level by the service group responsible.

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ASSESSMENT OF RISK:

Key budgetary control risks are identified in this report, including forecast variances and risk levels associated with the realisation of savings proposals. The financial impacts of Covid-19 and wider economic pressures have increased the level of uncertainty and risk to the budget and to the medium term financial strategy.

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LEGAL IMPLICATIONS Supplied by:

Not applicable to this report

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FINANCIAL IMPLICATIONS: Included in body of report

Report produced by the finance team working with budget managers within service groups.

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PROCUREMENT IMPLICATIONS Supplied by:

Not applicable to this report

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HR IMPLICATIONS Supplied by:

Not applicable to this report

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CLIMATE CHANGE IMPLICATIONS Supplied by:

Not applicable to this report

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OTHER DIRECTORATES CONSULTED:

All, council-wide matter

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CONTACT OFFICER:

Paul Hutchings Interim Head of Financial Management 0161 793 2574

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WARDS TO WHICH REPORT RELATES: All

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## **1.0 INTRODUCTION**

1.1 This report sets out the revenue and capital forecast for 2022/23 as at the end of the first quarter including a summary of the current position with regard to the 2022/23 savings programme.

## **2.0 2022/23 BUDGET MONITORING POSITION**

2.1 The current position by service group is shown in Table 1. As at the end of June, the overall projected position for the general fund budget is a nil variation. Due to current economic conditions there is a significant risk of volatility in expenditure estimates so continuing movement in forecasts is anticipated during the year. Key pressures include inflation, particularly around energy costs and pay which are not yet reflected below.

2.2 The Dedicated Schools Grant (DSG) is projected to have a positive variation of £1.342m. This is in line with the forecast submitted to the DfE as part of the Safety Valve funding agreement and will be used to reduce the current deficit balance brought forward from

2021/22 of £15.1m. The successful achievement of the recovery plan will trigger a further payment in 2022/23 which will further reduce the deficit.

- 2.3 Achievement of the annual budget depends on a number of assumptions. Key amongst these is the achievement of savings which were approved as part of the budget process. Section 3 provides a risk-rated analysis of approved 2022/23 savings.

**Table 1**

	<b>Annual budget</b>	<b>Forecast outturn expenditure</b>	<b>Year end variance Fav/(Adv)</b>	<b>RAG Rating</b>
	£m	£m	£m	
<b>General Fund</b>				
People (Children's)	102.606	105.653	(3.046)	A (Red)
People (Adults)	70.644	70.644	-	F (Green)
Place	44.832	44.832	-	F (Green)
Service Reform	11.305	12.776	(1.470)	A (Red)
Public Health	19.044	19.044	-	F (Green)
Precepts and Charges	38.932	38.932	-	F (Green)
Capital Financing	38.237	38.237	-	F (Green)
Other budgets	(95.383)	(99.899)	4.516	F (Green)
<b>Total General Fund</b>	<b>230.218</b>	<b>230.218</b>	<b>0.000</b>	<b>F (Green)</b>
<b>People (Children's) - DSG</b>	<b>53.053</b>	<b>51.711</b>	<b>1.342</b>	<b>F (Green)</b>

- 2.4 The main reasons for the variations in table 1 are set out below

### **People (Children's)**

As previously reported, the majority of children's expenditure is incurred via joint commissioning arrangements through the integrated fund. A risk share agreement provides that any overspend at the year-end will be shared by the partners in proportion to their contributions to the fund. The adverse variance therefore includes an estimate of the council's share of the financial pressures within the fund which mainly relate to the cost of children looked after and SEN Transport. Based upon the current forecast, the council's share of this budget pressure would be £2.8m. The remaining non-integrated fund element of the children's service group currently has a budget pressure of £0.2m, which is largely due to a forecast underachievement of income on local authority nurseries.

### **People (Adults')**

As with Children's services, the majority of adults (adult social care) expenditure is incurred via a joint commissioning arrangement through the integrated fund. Risk share arrangements are in place for 2022/23 with the any variance up to the opening agreed pressure being shared based on arrangements for previous years (in proportion to partners contributions) and any variance above that amount being shared 50:50 between partners. Detailed budget monitoring information is currently being updated for the Locality Board at which point the forecast fund position will be updated. The non-integrated fund forecast

outturn position for the service group is currently a nil variance and this will be monitored closely in the coming months.

## Place

A balanced position is forecast for 2022/23. There remains pressure within the directorate, particularly relating to:-

- School catering – Impact of inflation on food prices
- Waste Services – Impact of inflation on fuel costs and additional staffing costs
- Street cleansing Services – Impact of inflation on fuel costs
- Salford University Business Park – achievement of income targets

This pressure is currently mitigated by the performance of the wider Place budget including underspends relating to Technical Services (previously provided through Urban Vision) and increased income.

## Service Reform

To the end of June there is an adverse variation of £1.471m. This is driven chiefly by pressures within the Legal and Governance service. Work is underway to strengthen the oversight of the shared legal service, establish a clearer view of the pipeline for legal support, and determine the extent to which budget pressures can be controlled. There are also additional pressures relating to the property related costs of the services delivered by Host with proposals taken forward aimed at mitigating current pressures.

## Public Health

The service group is currently forecast to spend to budget. This will continue to be monitored closely. A large proportion of public health expenditure is incurred via joint commissioning arrangements through the integrated fund.

## Capital financing

The capital financing budget is forecast to nil variance at year end, however, in recent years this budget has underspent due to delays in incurring capital expenditure.

## Other budgets

The application of central budgets for prices and section 31 grant which will offset pressures within service areas on a short term basis.

### 3.0 RISK STATUS OF SAVINGS

- 3.1 As part of the 2022/23 budget setting process a number of savings were identified which enabled the council to set a balanced budget. These are set out below along with a risk rating of achievement.

**Table 2**

Approved Saving	Value £m	Risk Rating
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Integrated Fund saving	4.420	Medium
Application of reserves – Local Tax Income Guarantee	1.989	Low
Technical services	0.970	Low
Finance service efficiencies	0.130	Low
Procurement savings	0.100	Medium
Reduction in business mileage	0.100	Medium
End of sponsorship agreement	0.075	Low
Vacant post	0.018	Low

3.2 The integrated fund saving is currently assessed as medium risk due to the pressures facing adults and children’s social care. Work is ongoing to try to manage these pressures and the risk assessment will be reviewed as the year progresses.

3.3 Corporate savings relating to procurement and business mileage have not been allocated to individual services but align to work being undertaken this year for example through the innovate workstream on high spend areas. At that point these savings will be allocated to specific service areas.

3.4 The use of reserves and savings within service areas have been planned as part of the budget process and as such represent a low risk.

#### **4.0 RESERVES POSITION**

4.1 The forecast general balance position is £13.2m. The council approved a minimum level of £12.9m and a desirable target of £24.6m when setting the 2022/23 revenue budget.

#### **5.0 CAPITAL MONITORING**

5.1 This section sets out recent developments regarding the 2022/23 capital programme. Appendix A provides a detailed scheme-by-scheme analysis of the programme, including sources of funding and spend to the end of June 2022.

5.2 The approved capital programme as set out in the Budget Report was £138.208m. The current 2022/23 approved capital programme is £242.726m as shown in Table 3, analysed by service group. This reflects the re-profiling of unspent capital programme into 2022/23. As a result of a request from the Corporate Capital Steering Group the annual programme of £242.726m is undergoing a review and re-profiling, details of which will be presented in a subsequent report.

5.3 Expenditure to date is £16.508m against the annual programme of £242.726m. A breakdown by service can be found in Appendix A.

**Table 3: Capital programme and expenditure**

**Capital Monitoring Statement (£m)**

	<b>Total Self financing / Invest to save</b>	<b>Total Unsupported</b>	<b>Total Grant</b>	<b>Total Contributions (inc. capital receipts)</b>	<b>Total Approved Programme</b>	<b>Sum of Spend to end of June 22</b>
People - Adults	2.896	0.000	5.960		8.856	0.369
People - Children's		3.272	28.575		31.847	1.018
Place	57.960	45.425	91.712	2.407	197.504	14.645
Service Reform	3.273	1.247	0.000		4.519	0.476
<b>Grand Total</b>	<b>64.129</b>	<b>49.944</b>	<b>126.247</b>	<b>2.407</b>	<b>242.726</b>	<b>16.508</b>

**6.0 RECOMMENDATION**

- 6.1 The board is asked to consider the current position regarding the 2022/23 revenue budget, savings and capital programme.

## Appendix A - Capital Programme 2022/23

### Capital Monitoring Statement (£m)

Row Labels	Total Self financing / Invest to save	Total Unsupported	Total Grant	Total Contributions (inc. capital receipts)	Total Approved Programme	Sum of Spend to end of June 22
<b>People - Adults</b>	<b>2.896</b>	<b>-</b>	<b>5.960</b>		<b>8.856</b>	<b>0.369</b>
<b>Adults</b>	<b>2.896</b>	<b>-</b>	<b>5.960</b>		<b>8.856</b>	<b>0.369</b>
Disabled Facilities Grant (DFG)	-	-	5.960		5.960	0.338
Intermediate Care Facility	2.896	-	-		2.896	0.031
<b>People - Children's</b>		<b>3.272</b>	<b>28.575</b>		<b>31.847</b>	<b>1.018</b>
<b>Children's</b>		<b>3.272</b>	<b>28.575</b>		<b>31.847</b>	<b>1.018</b>
Children's other		3.272	7.927		11.199	0.005
Healthy capital			0.020		0.020	0.009
Pupil Place Planning		-	6.845		6.845	0.697
School Condition			5.554		5.554	0.308
SEND			8.229		8.229	
<b>Place</b>	<b>57.960</b>	<b>45.425</b>	<b>91.712</b>	<b>2.407</b>	<b>197.504</b>	<b>14.645</b>
<b>Environment</b>	<b>0.004</b>	<b>2.859</b>	<b>0.011</b>	<b>0.663</b>	<b>3.537</b>	<b>0.146</b>
Bereavement		0.051	-		0.051	0.025
Essential equipment for service delivery		0.129	-		0.129	0.002
Greenspace & Streetscene Infrastructure		0.663	0.004	0.133	0.799	0.031
Operational Division Schemes	0.004	2.014	-		2.018	0.084
Parks Improvement Schemes		0.002	0.008	0.530	0.540	0.005

<b>Highways</b>	-	<b>8.051</b>	<b>8.508</b>	<b>0.170</b>	<b>16.730</b>	<b>0.550</b>
Block 3	-		5.045	0.031	5.075	0.198
Highways Maintenance	-	1.980			1.980	
Construction schemes	-	0.229	0.555	0.140	0.924	0.113
Crash Barrier Programme (S)	-	0.262	-		0.262	
Drainage & Culvert Investment Programme (realigned to Flood Risk)	-	-	-		-	
Fleet Replacement - Highways vehicles	-	0.609	-		0.609	
Flood Risk Management	-	0.274	-		0.274	0.011
Highways Investment Programme	-	1.552	1.098		2.650	0.202
Highways Network Management	-	0.032	-		0.032	
Lester Road Carriageway Refurbishment		0.525	1.175		1.700	
Lighting Programme (High Mast)	-	0.055	-		0.055	
Signs and Bollards	-	0.117	-		0.117	0.005
Structures	-	2.418	0.635		3.053	0.021
<b>Housing - Regulatory Services</b>		<b>3.216</b>	<b>0.215</b>		<b>3.430</b>	<b>0.134</b>
Affordable warmth		0.081	-		0.081	0.008
Empty properties		0.413	0.215		0.628	0.000
Handyperson scheme		0.351	-		0.351	0.051
Home Improvement Agency		0.331	-		0.331	0.027
Housing crime reduction		0.154	-		0.154	0.047
Housing enforcement		1.000	-		1.000	0.001
Housing project costs		0.606	-		0.606	
Other regulatory services		0.281	-		0.281	
<b>Housing Strategy and Enabling</b>	<b>44.472</b>	<b>9.430</b>	<b>52.111</b>		<b>106.013</b>	<b>4.984</b>



Creating a new Pendleton	-	0.415	-		0.415	-
Derive	2.981	2.666	-		5.647	0.519
Housing Delivery and Development	35.804	2.209	46.418		84.430	2.089
Housing strategy capitalised costs	-	0.140	-		0.140	-
HRA programme	5.687	-	5.693		11.380	2.376
Tower block safety works	-	4.000	-		4.000	-
<b>Infrastructure</b>	<b>-</b>	<b>4.151</b>	<b>18.573</b>	<b>1.354</b>	<b>24.078</b>	<b>4.354</b>
Pre-Imp Infrastructure		0.111	0.005	-	0.116	0.006
Quays Media City Trafford Rd Corridor Project		3.221	2.422	1.354	6.997	1.922
Strategic Connections	-	0.399	16.108	-	16.507	2.426
Western Gateway		0.420	0.039	-	0.458	0.001
<b>Low carbon</b>	<b>3.558</b>	<b>0.871</b>	<b>2.258</b>	<b>-</b>	<b>6.687</b>	<b>0.060</b>
Kenyon Way solar farm & Charlestown weir hydro (ERDF programme)	2.189	-	0.984	-	3.173	-
Unlocking Clean Energy	1.369	0.528	1.274	-	3.171	0.060
Zero carbon pipeline development		0.343	-	-	0.343	-
<b>Property</b>	<b>9.925</b>	<b>9.978</b>	<b>0.633</b>	<b>0.002</b>	<b>20.539</b>	<b>3.176</b>
100 Embankment	6.624	-	-	-	6.624	-
Buile Hill mansion		0.700	-	-	0.700	
Carbon management programme & Energy Manager	3.301	0.089	-	-	3.389	1.446
Acquisition fund		4.665	-	-	4.665	
MyWork		0.625	-	-	0.625	
Property - General		2.532	-	0.002	2.534	0.329
Property - New Premises		0.700	-	-	0.700	-
Property capitalised costs		0.275	-	-	0.275	-

Public Sector Decarbonisation	-	0.393	0.633	-	1.026	1.401
<b>Regeneration</b>		<b>5.171</b>	<b>8.346</b>	<b>0.089</b>	<b>13.605</b>	<b>1.135</b>
Capitalised costs		1.257	-	-	1.257	
City Centre Salford		0.793	7.421		8.214	0.825
Innovation Pipeline Development		0.100	-		0.100	
Pre-Imp Development		0.315			0.315	0.073
Quays and Media City UK		1.304	0.111	0.065	1.480	0.088
RHS Bridgewater		0.933	0.813	-	1.747	0.126
Strategic Place Making		0.118	-	0.008	0.126	
Town centres		0.351	-	0.016	0.367	0.023
<b>Salford Community Leisure</b>		<b>1.700</b>	<b>1.057</b>	<b>0.128</b>	<b>2.885</b>	<b>0.106</b>
Brookhouse Changing Rooms		0.035	-		0.035	
Building ventilation			-	0.088	0.088	0.033
Cleavley track - Synthetic Track Repair		0.019	-		0.019	
Cultural Development Schemes		0.535	0.247	0.003	0.785	0.050
Leisure Centre Equipment			-		-	-
Ordsall Futsal		0.000	-	0.008	0.008	0.001
Outdoor Sports - Grass Playing Pitches		0.140	0.140		0.280	
Pendleton Leisure Centre		0.891	0.670		1.561	0.021
Salford Roosters Changing Rooms		0.078		0.010	0.088	
Salford Sports Village			-	0.019	0.019	
SCL IT Equipment		0.003	-		0.003	
<b>Service Reform</b>	<b>3.273</b>	<b>1.247</b>	-		<b>4.519</b>	<b>0.476</b>
<b>Corporate</b>	<b>3.273</b>	<b>0.162</b>	-		<b>3.435</b>	<b>0.127</b>

strategic investments	3.273		-		3.273	
Workplace strategy -MYWork		0.162	-		0.162	0.127
<b>ICT</b>		<b>1.085</b>	-		<b>1.085</b>	<b>0.349</b>
Campus infrastructure and cyber refresh		0.685	-		0.685	0.349
Hardware Refresh		0.400	-		0.400	
<b>Grand Total</b>	<b>64.129</b>	<b>49.944</b>	<b>126.247</b>	<b>2.407</b>	<b>242.726</b>	<b>16.508</b>

