
REPORT OF THE CHIEF FINANCE OFFICER

TO OVERVIEW AND SCRUTINY
1 MARCH 2023

TITLE: BUDGET MONITORING AND SAVINGS PROGRAMME

RECOMMENDATIONS:

Members are asked to note and consider the current position regarding the 2022/23 revenue budget, savings and capital programme.

EXECUTIVE SUMMARY:

The purpose of this report is to outline the current position of expenditure against the 2022/23 budget and to provide an update on the approved savings programme as at the end of December 2022.

The general fund position for the 2022/23 year-end is a balanced budget which is in line with the forecast presented previously.

This update indicates continuing pressures within People services and Service Reform which are currently forecasted to be managed however, there is a significant risk of volatility linked to wider economic pressures and their impact upon demand for services and the cost of service delivery. The capital programme reflects some re-profiling of spend following a review of deliverability.

BACKGROUND DOCUMENTS:

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

KEY DECISION: NO

KEY COUNCIL POLICIES: Budget Strategy; Medium Term Financial Strategy

EQUALITY IMPACT ASSESSMENT AND IMPLICATIONS:

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

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 associated with the continuing impact of Covid-19 and wider economic challenges such as inflation have increased the level of uncertainty and risk to the budget and to the medium term financial strategy.

LEGAL IMPLICATIONS Supplied by:

Not applicable to this report

FINANCIAL IMPLICATIONS: Included in body of report

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

PROCUREMENT IMPLICATIONS Supplied by:

Not applicable to this report

HR IMPLICATIONS Supplied by:

Not applicable to this report

CLIMATE CHANGE IMPLICATIONS Supplied by:

Not applicable to this report

OTHER DIRECTORATES CONSULTED:

All, council-wide matter

CONTACT OFFICERS:

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WARDS TO WHICH REPORT RELATES: All

1.0 INTRODUCTION

1.1 This report also sets out the revenue and capital forecast for 2022/23 as at the end of December 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 December, the 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.
- 2.2 The Dedicated Schools Grant (DSG) is projected to have a positive variation of £1.259m. The DSG and the Safety Valve funding agreement is on track and funding will be used to reduce the current deficit balance brought forward from 2021/22. 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

	Annual budget	Forecast outturn expenditure	Year end variance Fav/(Adv)	RAG Rating
	£m	£m	£m	
General Fund				
People (Children's) - GF	102.606	108.032	(5.406)	A (Red)
People (Adults)	70.644	71.498	(0.854)	A (Red)
Place	40.370	40.230	0.140	F (Green)
Service Reform	11.480	13.052	(1.572)	A (Red)
Public Health	19.044	18.544	0.500	F (Green)
Precepts and Charges	38.932	38.932	-	F (Green)
Capital Financing	41.648	39.448	2.200	F (Green)
Other budgets	(95.577)	(100.569)	4.992	F (Green)
Total General Fund	229.147	229.147	-	F (Green)
People (Children's) - DSG	56.985	55.727	1.259	F (Green)

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 year-end will be shared by the partners in proportion to their contributions to the fund.

For 2022/23 the fund was set with an agreed opening deficit of £6.095m of which £2.931m relates to Children's Services with the service risk share being £1.993m (68%). The expenditure variances forecasted in 2022/23 in addition to the opening deficit are dealt with on a 50:50 basis between partners.

The £5.406m adverse variance includes an estimate of the Children's Services risk share within the fund, based on the last reported locality board report. The adverse variance within Children's Services is £5.002m. The main pressures relate to Outside Placements and SEN Transport as well as additional support for foster carers. An SEN transport squad has been established to review the underlying drivers of these pressures and is working with other local authorities to identify good practice. With regard to Outside Placements, data is being collated to give a clearer understanding of future demand and opportunities to address these pressures through investment in services.

The remaining non-integrated fund element of the children's service group currently has a budget pressure of £0.404m, which is largely due to a forecast underachievement of external SLA and fee income for example nursery fee income.

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. The position on the entirety of the integrated fund up to the end of December 2022 is a £10.9m overspend and various risk share arrangements are in place for 22/23 which determines how this will be shared between partners. For 22/23 the fund was set with an agreed opening deficit of £6.1m and of this £3.2m relates to adults' services with the Council's share being 20% (based on partners contributions) or £0.633m. The remaining variance of £4.8m is dealt with on a 50:50 basis between partners, the Council's share being £2.4m of which £0.221m relates to adults' services. This gives a forecast total to be met by the Council under the risk share by Adults of £0.854m.

Place

It is anticipated that the service will have an underspend position of £0.140m at year end however, it should be noted that this is not forecast to be a recurrent position.

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 underspends relating to Technical Services (previously provided through Urban Vision), and increased income.

With regard to energy costs in the service, the additional cost will, in 2022/23 be balanced corporately.

Service Reform

To the end of December there is an adverse variation of £1.572m. This is driven chiefly by pressures within the Legal and Governance service. Work continues 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 – this is a long term project. There are also additional pressures relating to HOST which is currently not generating sufficient income to cover the property related costs of its premises. Proposals have been taken forward to the HOST Board to improve its financial position, but the full effect will not be reflected during 2022/23.

Public Health

The service group is currently forecast to underspend by £0.5m. This is on the Core Public Health budget and is due in the main to maximising spend on external Covid related grants. This is an in year non recurrent underspend and will continue to be monitored closely as the use of grants gradually declines.

A large proportion of public health expenditure is incurred via joint commissioning arrangement through the integrated fund.

Capital financing

The capital financing budget is expected to be £2.2m underspent at year end. The reprofiling of capital expenditure has led to lower levels of borrowing and interest charges than forecast and short term investments are attracting higher interest payments.

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 CURRENT 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
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	Low
End of sponsorship agreement	0.075	Low

- 3.2 The integrated fund saving is currently assessed as medium risk due to the significant pressures facing adults and children's social care as identified in Table 1 and referenced in 2.4 above.
- 3.3 The corporate saving relating to procurement has not been allocated to individual services but aligns to work being undertaken this year particularly through the innovate workstream on high spend 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. As noted above, 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 December 2022.
- 5.2 The approved capital programme as set out in the budget report, approved in February 2022, was £138.208m. Subsequently, unspent capital scheme allocations were re-profiled from 2021/22 to 2022/23 leading to an overall capital programme of £242.780m as reflected in the Quarter 2 budget monitoring report previously considered by the Board. Managers were requested to review the deliverability of schemes in order for a more realistic programme to be identified in year. Following this re-profiling exercise the 2022/23 programme has been revised downwards to £109.496m as shown in Table 3, analysed by service group.

The Corporate Capital Steering Group continues to monitor the 2022/23 capital programme.

- 5.3 Expenditure to date is £57.301m against the current revised annual programme of £109.496m. A breakdown by service can be found in Appendix A.
- 5.4 The current capital programme reprofiling into 2023-24 is £72.257m as shown in Table 4, analysed by service group.

Table 3: Capital programme and expenditure

	Total Self financing / Invest to save	Total Unsupported Borrowing	Total Grant	Total Contributions (inc. capital receipts)	Total Approved Programme (Revised)	Total spend to end of December 2022
People - Adults	2.896	0.000	5.960		8.856	1.876
People - Children's		0.000	6.158		6.158	3.603
Place	23.252	31.144	36.301	2.538	93.236	51.099
Service Reform	0.000	1.247	0.000		1.247	0.723
Grand Total	26.149	32.391	48.418	2.538	109.496	57.301

Table 4: Capital programme reprofiling into 2023-24 (£m)

	Self financing / Invest to save	Unsupported Borrowing	Grant	Other contributions (include capital receipts)	Total reprofiling into 2023-24
People - Adults					0.000
People - Children's		3.272	16.872		20.144
Place	32.275	12.345	7.473	0.019	52.113
Service Reform					0.000
Grand Total	32.275	15.617	24.346	0.019	72.257

6.0 RECOMMENDATION

6.1 Members are asked to note and consider the current position regarding the 2022/23 revenue budget, savings, and capital programme.

Appendix A - Capital Programme 2022/23 (£m)

	Total Self financing / Invest to save	Total Unsupported Borrowing	Total Grant	Total Contributions (inc. capital receipts)	Total Approved Programme (revised)	Total spend to end of December 2022
People - Adults						
Adults						
Community Capacity Grant	-	-	-	-	-	-
Disabled Facilities Grant (DFG)	-	-	5.960	-	5.960	1.845
Intermediate Care Facility	2.896	-	-	-	2.896	0.031
Adults Total	2.896	-	5.960	-	8.856	1.876
People - Adults Total	2.896	-	5.960	-	8.856	1.876
People - Children's						
Children's						
Children's other	-	-	0.427	-	0.427	-
Healthy capital	-	-	0.020	-	0.020	0.009
Pupil Place Planning	-	-	2.000	-	2.000	0.818
School Condition	-	-	3.000	-	3.000	2.748
SEND	-	-	0.711	-	0.711	0.028
Social Care Management replacement	-	-	-	-	-	-
Children's Total	-	-	6.158	-	6.158	3.603
People - Children's Total	-	-	6.158	-	6.158	3.603
Place						
Environment						
Bereavement	-	0.051	-	-	0.051	0.034
Essential equipment for service delivery	-	0.129	-	-	0.129	0.088
Greenspace & Streetscene Infrastructure	-	0.665	0.004	0.133	0.801	0.409
Operational Division Schemes	0.004	0.169	-	-	0.173	0.031
Parks Improvement Schemes	-	0.002	0.011	0.652	0.664	0.098
Environment Total	0.004	1.015	0.014	0.785	1.818	0.659
Highways						
Block 3	-	-	2.150	0.011	2.160	0.497
Capitalisation of Highways Maintenance	-	1.980	-	-	1.980	-
Construction schemes	-	0.229	0.444	0.139	0.812	0.474
Crash Barrier Programme (S)	-	-	-	-	-	-
Fleet Replacement - Highways vehicles	-	-	-	-	-	-
Flood Risk Management (DIP / CIP)	-	0.274	-	-	0.274	-
Highways Investment Programme	-	1.552	1.098	-	2.650	2.176
Highways Network Management	-	0.032	-	-	0.032	-
Lester Road Carriageway Refurbishment	-	0.525	0.015	-	0.540	0.047
Lighting Programme (High Mast)	-	0.010	-	-	0.010	-
Signs and Bollards	-	0.045	-	-	0.045	-
Structures	-	1.568	0.452	-	2.020	0.188
Highways Total	-	6.214	4.159	0.150	10.523	3.383
Housing - Regulatory Services						
Affordable warmth	-	0.081	0.020	-	0.100	0.040
Civica Upgrade	-	-	-	-	-	-
Empty properties	-	-	0.096	-	0.096	0.000
Former HMR CPO	-	0.010	-	-	0.010	0.001
Handyperson	-	0.351	-	-	0.351	0.285
Home Improvement Agency	-	0.081	-	-	0.081	0.045
Housing crime reduction	-	0.129	-	-	0.129	0.100
Housing enforcement	-	0.185	-	-	0.185	0.130
Housing project costs	-	0.606	-	-	0.606	-
Salford Money Line / Loan products	-	-	-	-	-	-
Warm Home Investment Team	-	-	0.090	0.050	0.140	0.013
Winter Welfare	-	0.070	-	-	0.070	0.003
Housing - Regulatory Services Total	-	1.512	0.206	0.050	1.768	0.617

	Total Self financing / Invest to save	Total Unsupported Borrowing	Total Grant	Total Contributions (inc. capital receipts)	Total Approved Programme (revised)	Total spend to end of December 2022
Housing Strategy and Enabling						
Creating a new Pendleton	-	0.001	-		0.001	0.001
Derive Group	2.981	1.592	-		4.573	4.110
Disabled Facilities work	-	-	-		-	-
Duchy Gypsy and Travellers site	-	-	-		-	-
Housing Delivery and Development	6.642		10.938		17.581	9.779
Housing strategy capitalised costs	-	0.140	-		0.140	0.105
HRA new builds	3.447	-	1.758		5.205	4.573
Pendleton Concierge service transfer	-	-	-		-	-
Pipeline Dev / Future Sites		0.993	-		0.993	0.312
Rough Sleepers Accommodation Programme (RSAP)	0.080		0.104		0.184	0.184
Tower block safety works	-	0.740	-		0.740	0.033
Housing Strategy and Enabling Total	13.150	3.466	12.800		29.417	19.097
Infrastructure						
Pre-imp Infrastructure		0.111	0.005	-	0.116	0.093
Quays Media City Trafford Rd Corridor Project		3.221	2.422	1.354	6.997	5.357
Strategic Connections	-	0.399	11.108	-	11.507	7.359
Western Gateway		0.320	0.039	-	0.358	0.128
Infrastructure Total	-	4.051	13.573	1.354	18.978	12.937
Low carbon						
Kenyon Way solar farm & Charlestown weir hydro (ERDF programme)	0.733	-	0.534	-	1.267	0.029
Planning and climate change - capitalised costs		0.528	-		0.528	0.334
Unlocking Clean Energy	1.369	-	1.274	-	2.643	0.061
Zero carbon pipeline development		0.196	-	-	0.196	-
Low carbon Total	2.102	0.724	1.808	-	4.634	0.424
Property						
100 Embankment	5.115	-	-	-	5.115	0.464
Buile Hill mansion		0.600	-	-	0.600	-
Carbon management programme & Energy Manager	2.500	0.089	-	-	2.589	2.392
Cost of disposals *			-		-	
Immersive Tech	0.380		-		0.380	0.375
MyWork - civic ventilation		0.455	-	-	0.455	-
Property - General	-	2.532	-	0.002	2.534	1.599
Property - New Premises		0.350	-	-	0.350	-
Property Acquisition Fund		4.665	-	-	4.665	4.147
Property capitalised salaries		0.275	-	-	0.275	0.152
Public Sector Decarbonisation	-	0.710	1.266	-	1.975	1.658
Property Total	7.995	9.675	1.266	0.002	18.938	10.786
Regeneration						
Capitalised Salaries		1.257	-	-	1.257	0.846
City Centre Salford		0.747	1.987		2.734	1.449
Innovation Pipeline Development		0.030	-		0.030	-
Pre-imp Development		0.620			0.620	0.146
Quays and Media City UK		0.757	0.111	0.065	0.933	0.218
Regeneration related project costs					-	
RHS Bridgewater		0.416	0.292	-	0.709	0.181
Strategic Place Making		0.059	-	0.008	0.067	0.006
Town centres		0.147	-	0.016	0.163	0.089
Regeneration Total		4.034	2.391	0.089	6.513	2.934

	Total Self financing / Invest to save	Total Unsupported Borrowing	Total Grant	Total Contributions (inc. capital receipts)	Total Approved Programme (revised)	Total spend to end of December 2022
Salford Community Leisure						
Brookhouse Changing Rooms		0.015	-		0.015	-
Building ventilation			-	0.088	0.088	0.049
Cleavley track - Synthetic Track Repair		0.008	-		0.008	-
Cultural Development Schemes		0.329	0.085	0.003	0.417	0.151
Leisure Centre Equipment			-		-	-
Ordsall Futsal		0.008	-	0.008	0.015	-
Outdoor Sports - Grass Playing Pitches		-	-		-	-
Pendleton Leisure Centre		0.083	-		0.083	0.062
Salford Roosters Changing Rooms		0.008		0.010	0.018	-
Salford Sports Village			-	-	-	-
SCL IT Equipment		0.003	-		0.003	-
Worsley Leisure Centre Refurbishment			-		-	-
Salford Community Leisure Total		0.453	0.085	0.109	0.647	0.262
Place Total	23.252	31.144	36.301	2.538	93.236	51.099
Service Reform						
Corporate						
Strategic investments	-		-		-	
Workplace strategy -MYWork		0.162	-		0.162	0.174
Corporate Total	-	0.162	-		0.162	0.174
ICT						
Campus infrastructure and cyber refresh		0.685	-		0.685	0.401
Hardware Refresh		0.400	-		0.400	0.149
ICT			-		-	
Technology refresh			-		-	
ICT Total		1.085	-		1.085	0.549
Service Reform Total	-	1.247	-		1.247	0.723
Grand Total	26.149	32.391	48.418	2.538	109.496	57.301