

Report To:	EXECUTIVE CABINET
Date:	26 July 2023
Executive Member / Reporting Officer:	Cllr Jacqueline North –First Deputy (Finance, Resources & Transformation) Ashley Hughes – Director of Resources
Subject:	2023/24 FORECAST OUTTURN REPORT AT PERIOD 2
Report Summary:	<p>The report sets out the forecast outturn position for the 2023/24 financial year at Month 2. This includes:</p> <ul style="list-style-type: none"> • A £0.031m underspend against the 2023/24 revenue budget of £221.397m. • Management actions comprising mitigations of £9.128m and reserve drawdowns of £2.126m, totalling £11.254m. • Underlying pressures within Services of £11.233m, of which £2.126m relates to expenditure with specific reserve drawdowns already identified and a further £9.097m, for which management actions to deliver £9.128m of mitigations are underway. • Key underlying overspends within the Place, Adults and Children directorates through both demand and inflationary pressures. • A projected deficit of £2.540m against the Dedicated Schools Grant.
Recommendations:	<p>Members are recommended to:</p> <ol style="list-style-type: none"> 1) Note the forecast Revenue Outturn position for 2023/24 and required mitigating actions. 2) Note that further work will be ongoing throughout the year to track the progress of management actions with further updates to this Executive Cabinet alongside the additional work at Star Chambers, held bi-monthly.
Policy Implications:	The 2022/23 budget was set by Full Council in March 2022 in line with the Constitution.
Financial Implications:	As contained within the report.
(Authorised by the Section 151 Officer & Chief Finance Officer)	
Legal Implications:	The Local Government Act 1972 (Sec 151) states that “every local authority shall make arrangements for the proper administration of their financial affairs...”
(Authorised by the Borough Solicitor)	Revenue monitoring is an essential part of these arrangements to provide Members with the opportunity to understand and probe the Council’s financial position.
	Members will note that the underlying outturn position is a net deficit of £11.222m on Council budgets. As the council has a legal duty

to deliver a balanced budget by the end of each financial year Members need to be content that there is a robust Medium Term plan in place to ensure that the council's longer term financial position will be balanced. Ultimately, failure to deliver a balanced budget can result in intervention by the Secretary of State.

The council has a statutory responsibility to ensure that it operates with sufficient reserves in place. The legislation does not stipulate what that level should be, rather that it is the responsibility of the council's 151 officer to review the level of reserves and confirm that the level is sufficient. Reserves by its very nature is finite and so should only be drawn down after very careful consideration as the reserves are unlikely to be increased in the short to medium term.

Risk Management:

Associated details are specified within the presentation.

Failure to properly manage and monitor the Council's budgets will lead to service failure and a loss of public confidence. Expenditure in excess of budgeted resources is likely to result in a call on Council reserves, which will reduce the resources available for future investment. The use and reliance on one off measures to balance the budget is not sustainable and makes it more difficult in future years to recover the budget position.

Background Papers:

Background papers relating to this report can be inspected by contacting: James Hopwood, Finance Business Partner – Corporate Services



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1. SUMMARY

- 1.1 This report presents the 2023/24 revenue budget monitoring for the end of May 2023. It presents the Council's forecast outturn position for the 2023/24 financial year, including any variances against the approved budget.
- 1.2 The revenue budget funds the Council's ongoing, day to day expenditure. It is separate from the Council's Capital Programme, which pays for new assets, such as buildings that provide service benefit over decades.
- 1.3 The 2023/24 Revenue Budget has a Net Expenditure Requirement of £221.397m. The Net Expenditure Requirement is financed by Council Tax, Business Rates and other general funding.
- 1.4 As this is a Month 2 monitoring report, Members are advised that despite their being a forecasted position that is reflective of a balanced budget, it does contain significant levels of risk. The risks are covered in greater detail further in this report.
- 1.5 At the time of drafting this report, the Consumer Price Index (CPI) measure of inflation was running at 8.7%, unchanged from April 2023. The Bank of England have responded to the sticky inflationary environment with a strong monetary policy decision and increased the base rate of interest by 50 basis points to 5%. There are economic forecasts now considering, that to control inflation and return it to the Government target of 2%, the base rate of interest will rise to at least 6% in the calendar year for 2023.
- 1.6 The next monitoring report due is the Period 3 monitoring as at 30 June 2023; this will additionally report on the Capital Programme.
- 1.7 Key points on the forecast 2023/24 Outturn as at month 2 are:
 - A forecast underspend of £0.031m against the Net Expenditure Requirement of £221.397m. This position includes management action comprising mitigations of £9.128m and reserve drawdowns of £2.126m.
 - This position also assumes the delivery of all savings budget reduction proposals as detailed in the MTFs, for which work is underway within Service areas.
 - Key cost pressures from the impact of inflationary increases are prevalent within several service areas, on contracts and placements, and detailed work will be undertaken to track the proportion of increase relating to inflation and that being driven through increased demand for certain services.
 - Significant increases in demand are being experienced within Housing through increases in the requirement for Temporary Accommodation and also within Adults Social Care, particularly relating to long term residential placements.
 - Detailed analysis will be undertaken for areas where additional funding has been held in contingency to fund potential emerging pressures, and where relevant, recommendations will be put forward to draw down appropriate budget.
 - The budgeted Net Expenditure Requirement of £221.397m is financed by General Funding to the same amount, in order to balance the budget. This General Funding comprises: Council Tax, Business Rates, Government Grants, and contributions from Earmarked Reserves.

2. FORECAST 2023/24 REVENUE OUTTURN POSITION AT MONTH 2

- 2.1 As noted above, there is a forecast net underspend of £0.031m, however, this position carries a high level of underlying risk, for which work is underway within Service areas to deliver on planned budget reductions.
- 2.2 Of the underlying pressures emerging across the Council, the 3 largest overspends are:

£5.226m on Place; £2.576m on Children's Services – Social Care; and £1.487m on Adults. The most significant underspend is within Resources (£0.917m) driven by increased interest earned on surplus balances.

- 2.3 Directors, with support from Finance, are working to deliver management actions to achieve a breakeven position against the original budget. The table below gives a breakdown of the position for each Directorate, showing the underlying pressures of £11.233m, the reserve drawdowns already identify to fund specific expenditure included within expenditure forecasts (£2.126m), and the management action underway.

Table 1: Forecasts Revenue Monitoring 2023-24 Period 2

Service Areas	2023/24 Budget	Month 2 Underlying Forecast	Underlying variance	Reserves applied	Management Action	Net Variance
	£m	£m	£m	£m	£m	£m
Adults	41.586	43.347	1.761	(0.274)	(1.470)	0.017
Childrens Social Care	55.491	59.057	3.566	(0.990)	(2.293)	0.283
Education	8.743	9.005	0.262	0.382	(0.500)	0.144
Schools	0.000	0.000	0.000	0.000	0.000	0.000
Population Health	14.332	14.644	0.312	(0.409)	0.000	(0.097)
Place	28.811	33.371	4.560	0.665	(4.715)	0.511
Governance	8.186	8.895	0.709	(0.529)	(0.150)	0.029
Quality and Safeguarding	0.046	0.046	0.000	0.000	0.000	0.000
Resources	64.201	64.253	0.052	(0.970)	0.000	(0.917)
TMBC Expenditure	221.397	232.620	11.223	(2.126)	(9.128)	(0.031)

- 2.5 Each of the areas shown in Table 1 above, is set out below in more detail:

- **Adults** – Overall, the initial overspend variance on Adults of £1.487m (Variance after Reserves) comprises a number of overspends and mitigations.

There was an initial month 2 overspend of £2.182m on Integrated Care & Support. Long term placements numbers are forecasted to be 880, rather than the budgeted 731, and 162 short-terms placements are forecasted compared to an average of 25. There is a shortfall in Home Care contributions toward Home Care Services. These cost increases were mitigated by the reduced cost of providing care in residents' homes and additional funding from Tameside and Glossop Integrated Care NHS Foundation Trust. Initial analysis shows significant pressures from the cost of transitions, for which contingency is available and will be requested to draw down. Further work will be required to determine any other mitigations that can be put in place.

This work, along with reviewing the impact of reablement on ongoing care requirements and a review of staffing forecasting assumptions to contain the pressures arising from additional long term placements, are anticipated to reduce pressures within the Directorate by £1.470m.

- **Children's Services – Social Care** – The overall position on Children's services is a gross overspend of £2.576m.

The forecast overspend is driven by external placements for Cared for Children, with both increased demand and increased cost. External residential placement numbers have increased to 75, compared to 66 at the start of the financial year. However, overall numbers have fallen from previous years, with average numbers in 20/21 reaching 80 consistently through the year. In part, the recent increase has been caused by the breakdown of foster

care placements, resulting in the requirement of external residential placements at far higher cost. Further analysis will be undertaken in this area and the Service are reviewing options to support sustainable fostering arrangements.

The key area of financial pressure is highlighted through the average weekly cost of placements, which is also currently £6,131, compared to £5,371 at the same point last year, representing an increase of 14%. The average weekly cost has increased significantly over the past few years, with costs across 2018/19 and 2019/20 staying at approximately £4,000, with a sharp increase at the start of Covid, which has then continued to rise from that point.

The gross overspends on external placements has been offset by net underspends within Child Protection & Children in Need, Safeguarding and Quality, and Early Help, Early Years & Neighbourhoods.

A series of management actions are underway within the Service to mitigate the impact of these increasing costs. These includes focussing on early intervention and prevention work, reviews of staffing forecasting and a clear focus on securing a tripartite agreement with Health and SEND for complex packages of care and are currently estimated to total £2.293m.

- **Education** – The initial variance includes an overspend of £0.262m, relating to an overspend on Special Education Needs and Disability (SEND) Transport, driven by demand pressures, offset mainly by savings from staffing vacancies. Significant increases in the numbers of Education Health Care plans (EHCPs) from 2,191 in April 2022 to 2,668 in April 2023, has had a knock on effect to the number of children requiring specialist transport to and from school. In addition to demand pressures, inflationary pressures on fuel have resulted in costs of provision per pupil rising steadily.

Work is underway within the Service to mitigate the pressures arising. This includes a review of routes and options for delivery, as well as understanding the inflationary pressures presenting as a result of increased fuel and staffing costs, for which contingency budget may be available to support. The SEND transport costs are dependent upon the SEND sufficiency strategy, as supply of suitable in borough placements reduces the costs of home to school transport.

- **Schools** - The Schools budget is financed by a Government Grant – the Dedicated Schools Grant (DSG), with any variance in spend compared to the grant is excluded from the Council's General Fund.
- **Population Health** - Population Health is projected to underspend by £0.097m in 2023/24, mainly due to contract savings, offset by additional staffing and other costs. No further action is required at this stage.
- **Place** – The overall underlying overspend on Place is £5.226m, comprising a number of variances, as described below:

The Corporate Landlord function is forecast to overspend by £1.993m. This includes a forecast overspend on the Facility Maintenance Contract of £2.239m, because contract increases are higher than expected. This area is particularly impacted by the cost of living crisis, with impacts on electricity, gas and staffing leading to significant increases in the costs of maintaining the corporate estate, due to the large number of buildings. There is also a £0.300m shortfall in rental income. This is mitigated by £0.327m from rent reviews and one-off windfalls; alongside £0.219m gained from improving the management of the Council's estate.

There is a £1.836m overspend on Community Safety & Homelessness. This is driven by a £2.313m overspend on temporary accommodation due to increased demand. Numbers of open homelessness cases have increased by more than 200 since December 2022 together

with an upward trend in Temporary Accommodation to meet the demand. This gross overspend has been mitigated by £0.477m of forecast changes mainly relating to additional funding.

There is a further £1.397m of adverse variances. This comprises: £0.714m of additional costs on waste and fleet management; £0.300m of additional costs on Highways minor maintenance; £0.265m reduced income in markets; and £0.148m less car parking income. These additional costs are mitigated by £0.030m of forecast savings. It should be noted that inflationary pressures on supplies and materials have been significant across the Highways function, with costs increasing by 86% over the past 4 years, leading to the additional pressure in this area.

Mitigating actions of £4.715m have been included in the month 2 position, bringing the reported overspend for the Directorate to £0.511m. These mitigating actions include reviewing inflationary pressures with a view to requesting contingency funding be brought into base budget, modelling the impact of the restructure to improve tenancy sustainability and work within the service to identify alternative savings to meet shortfalls.

- **Governance** – The Governance Directorate is forecast to overspend by £0.179m. This is driven by an overspend on HR Operations and strategy: caused by lower income earned on services provided to schools; a projected overspend on staffing. Reviews of staffing forecasts and inflationary impacts are expected to deliver mitigations of £0.150m.
- **Resources** – The Resources Directorate is forecast to underspend by £0.917m. This is driven by additional investment income of £1.850m from favourable interest rates. This additional income has been offset by £0.933m of underlying pressures in Housing Benefits. Across the Directorate, there are also other minor variances in Corporate costs, with both levies and contingency forecast to breakeven. No further management action is required.

2.6 In addition, to the above variances, there have been specific earmarked reserve variances of £2.126m (as shown in Table 1 – column 3). A detailed breakdown of this £2.126m is shown in Appendix A. Each of these items is an additional variance funded by an equal and opposite contribution from reserves. Ongoing work on the Medium Term Financial Strategy will identify the Council's reliance on these types of specific earmarked reserve contributions in order to manage ongoing pressures within the base revenue budget.

2.7 It is emphasised that the £9.128m of management actions will bring the budget to a break-even position. If this is likely to require a call on future earmarked reserve drawdowns, this will be identified through the revenue monitoring, and a decision placed before this Cabinet to approve their use.

3 FORECAST 2023/24 RESERVE MOVEMENTS

3.1 The General Fund, School Balances and Earmarked Reserves (the Council's revenue cash reserves) totalled £132.551m at 1 April 2023.

3.2 The £2.126m additional transfer from earmarked reserves shown in Table 1, will reduce the Council's revenue cash reserves. This reserves transfer will then be mitigated by the current forecast underspend of £0.031m, which will cause a small transfer for the same amount into the Council's earmarked reserves.

3.3 In terms of other revenue reserve transfers, the overall Net Expenditure Requirement of £221.397m includes some movements relating to earmarked reserves. Following Government announcements and other information, there is an expected contribution to earmarked reserves of £5.093m; and an additional £1.453m contribution to the General Fund

balance. Overall, these earmarked reserve movements net to a £6.546m contribution to earmarked reserves and balances (please see Medium Term Financial Plan Update).

- 3.4 Overall, Table 2 shows that the Council's revenue cash reserves of £132.551m at the beginning of the 2023/24 financial year is currently projected to increase to £137.002m by the 31 March 2024. A detailed use of reserves by directorate can be found at **Appendix A**.

Table 2: Summary Reserves Reconciliation Month 2

Revenue Cash Reserves	
	General Fund, School Balances & Earmarked Reserves
	£m
01/04/2023	(132.551)
Transfers to Reserves (per Table 1)	2.126
Positive variance per (Table 1)	(0.031)
Contribution to reserves and balances*	(6.546)
31/03/2024	(137.002)
<i>*per revised Medium Term Financial Plan Update</i>	

- 3.5 The projected reserve movements are also analysed in Table 3 below. As noted, there are reserve drawdowns of £2.126m, which are mainly taken from specific earmarked reserves. Earmarked reserve transfers after funding the budgeted Net Expenditure Requirement total £5.124m. This is then adjusted for the additional £1.453m increase to the Council's General Fund balances, in order to achieve the required level determined by the Section 151 officer review of the Council's reserves and balances.

Table 3: Revenue Cash Reserves Analysis

Earmarked Reserves	01-Apr-23	Specific Reserves Application	General Funding	31-Mar-24
	£m	£m	£m	£m
Specific Earmarked Reserves	(58.178)	2.200	1.239	(54.739)
Building Schools for the future reserve	(10.316)	0.000	0.000	(10.316)
Schools Funding Reserve	(0.268)	(0.444)	0.000	(0.712)
Collection Fund Reserve	(15.791)	0.000	(7.800)	(23.591)
Revenue Grant Reserves	(9.208)	0.370	0.000	(8.838)
Covid 19 Grants Reserve	(1.437)	0.000	1.437	0.000
Ringfenced Capital Reserves	(1.511)	0.000	0.000	(1.511)
Total Earmarked Reserves	(96.709)	2.126	(5.124)	(99.707)
General Fund Balance	(26.094)	0.000	(1.453)	(27.547)
Schools Cash Reserves	(9.748)	0.000	0.000	(9.748)
General Fund, School Balances & Earmarked Reserves	(132.551)	2.126	(6.577)	(137.002)

4. DEDICATED SCHOOLS GRANT (DSG)

3.1 The overall forecast position on the DSG is a deficit of £2.540m, as reported to the schools forum.

Table 4 Dedicated Service Grant (DSG) 2023/24 Forecast Deficit

DSG Funding Blocks	DSG Settlement 2023-24 at Mar 2023 £m	Block Transfer 2023-24 £m	Revised DSG 2023-24 £m	Forecast Distribution / Spend 2023-24 £m	Forecast (Surplus) / Deficit £m
Schools Block	201.052	-0.694	200.358	200.349	0.010
Central School Services Block	1.249	0	1.249	1.249	0.000
High Needs Block	37.144	0.694	37.838	40.682	2.845
Early Years Block	18.082	0	18.082	17.737	0.345
Early Years Block estimated funding adjustment			-0.049		0.049
Total	257.527	0	257.477	260.017	2.540

3.2 The DSG cumulative deficit is held in a ring-fenced fund, separate from the Council's revenue cash balances. This will be reviewed further in the next month's monitoring.

5 RECOMMENDATIONS

4.1 As stated on the front cover of the report, Board are requested to note the month 2 monitoring position for revenue budgets and the mitigating actions underway within Services to meet the underlying pressures across the Directorates.

Appendix A

Service Area	Reserve Movement	Analysis of Reserves Applied
	£M	
Adults	(0.274)	<p>(£21k) Funding to be utilised in 23/24 for Insulin Workforce Training Programme as per conditions - delay to start up in 22/23</p> <p>(£46k) Ageing Well Funding from Health to the Community Response Service in order to hire 2 community response workers to prevent falls at home</p> <p>(£61k) Transformation Reserve transfer to support Safeguarding Provision during 23/24 to fund Safeguarding Lead post</p> <p>(£53k) Commissioning Transformation Programme - Corporate Reserve Funding to support Social Worker post - agreed Savings Project in 23/24</p> <p>(£64k) Commissioning Transformation Programme - Corporate Reserve Funding to support Team Manager post - agreed Savings Project in 23/24</p> <p>(£30k) Carers Scheme funding earmarked for contribution towards 1 x Health & Wellbeing Advisor and 1 x activity coordinator</p>

Children's Services - Social Care	(0.990)	<p>(£148k) Children's Social Care Commissioning - Related to 3 posts: Funded from Ofsted Reserve - Specific Earmarked Reserve URN13287 J88 Placement Officer URN13288 J88 Placement Officer URN13289 J88 Planning & Commissioning Officer</p> <p>(£58k) Leaving Care - Personal Advisors Team - Post URN13318 Practice Manager, funded from Ofsted Reserve - Specific Earmarked Reserve</p> <p>(£11k) Staying Close Scheme - drawdown from unspent grant 2022-23 carried forward for scheme delivery - Revenue Grant Reserves</p> <p>(£423k) Supporting Troubled Families - one-off saving for 2023/24 coming from reserves - Revenue Grant Reserves</p> <p>£61k Youth Offending Turnaround Programme Grant - Adolescent Services, unspent grant 2023-24 to be carried forward - Revenue Grant Reserves</p> <p>(£51k) Early Intervention Prevention Grant (EIPG) - Adolescent Services GMCA grant funding draw down to fund Restorative Justice & Groundwork Contracts - Revenue Grant Reserves</p> <p>£44k SHIFT Programme - Adolescent Services, unspent grant 2023-24 to be carried forward - Revenue Grant Reserves</p> <p>(£31k) Children's Hub - Post URN13319 Practice Manager funded from Ofsted Reserve - Specific Earmarked Reserve</p> <p>(£58k) Early Help Access Point - Post URN13290 Early Help Practice Manager funded from Ofsted Reserve - Specific Earmarked Reserve</p> <p>(£58k) Children's Services Review - Post URN13311 Practice Manager funded from Ofsted Reserve - Specific Earmarked Reserve</p> <p>(£221k) Signs of Safety - Staffing costs funded from Population Health Reserve - Specific Earmarked Reserve</p> <p>(£36k) Quality Assurance and Audit - Children's Services - Post URN13302 Data Quality Officer funded from Ofsted Reserve - Specific Earmarked Reserve</p> <p>(£31k) Review & Conferencing - Post URN13300 Conference and Review Clerk funded from Ofsted Reserve - Specific Earmarked Reserve</p> <p>£32k Social Workers in Schools (SWIS) Programme - unspent grant 2023-24 to be carried forward - Revenue Grant Reserves</p>
Education	0.382	<p>(£444k) Ringfenced Dedicated Schools Grant (DSG) - forecast movement to support the net DSG deficit. £62k Additional support for the SEN Assessment Team</p>

Population Health	(0.409)	<p>(£320k) Integrated Care Foundation Trust Element of the Early Attachment Service for 23/24, in order to pay for the Pennine Care contract value. Funded from NHS Risk Share arrangement.</p> <p>(£59k) Population Health Reserve drawdown to pay fund Smoking Midwife ICFT Contract element in 23/24 as agreed with ICB</p> <p>(£26k) Drawdown from Children's Reserve fund a member of staff supporting the Mental Health Project 23/24</p> <p>(£4k) Domestic Abuse Discretionary Reserve drawdown to fund IRIS Programme in 23/24</p>
Place	0.665	<p>(£426k) - Homelessness drawdown of grants received in prior year to fund 23/24 expenditure.</p> <p>(£116k) - Cultural Services drawdown of grants received in prior year to fund 23/24 expenditure.</p> <p>£75k - Fleet - transfer to maintenance smoothing reserve to fund future costs.</p> <p>£1,118k - PFI - planned transfers to affordability reserves.</p> <p>£14k - Estates - planned transfer to service charge smoothing reserves.</p>
Governance	(0.529)	<p>(£54k) Drawdown from Budget Resilience Reserve for Communication officer for Godley Green Scheme. (£86k) Drawdown from the Joint Commissioning Reserve for funding of 2 Systems posts (£353k) Drawdown from the Budget Resilience Reserve to fund transformation team (£36k) Transfer from Budget Resilience Reserve for New Burdens Funding for Local Elections (Integrity Programme)</p>
Resources	(0.970)	<p>(£124k) to fund 2 post within exchequer services, £155k to move to Insurance Reserve. (£1000k): Transfer from IT investment reserve for smoothing programme for upgrade IT equipment.</p>
TMBC Expenditure	(2.126)	