Report To:	**EXECUTIVE CABINET**
Date:	24 April 2024
Executive Member / Reporting Officer:	Cllr Jacqueline North – First Deputy (Finance, Resources and Transformation) Ashley Hughes – Director of Resources
Subject:	**PERIOD 11 2023/24 FORECAST OUTTURN – REVENUE AND CAPITAL.**

Report Summary:

This is the Period 11 monitoring report for the current financial year, showing the forecast outturn position.

The report provides a summary update of the financial position for the General Fund revenue budget, the Dedicated Schools Grant (DSG) and the Capital budget.

The underlying revenue position is an overspend of £2.645m at Period 10. The adverse movement £0.574m from month 10, where the overspend was £2.073m, is as a result of additional demand pressures across Children's Social Care and Adults Services. This has been partly offset by improvements in Directorates and the receipt of a dividend from Manchester Airport Group, as shown in the table below:

Movement between months	£m
Month 10 underlying position	**2.073**
Additional pressures within Services	1.200
Dividend from Manchester Airport Group	(0.323)
Other improvements in Directorates	(0.305)
Month 11 underlying position	**2.645**

The remaining recovery plan actions to be implemented in month 12 total £0.931m, resulting in a residual overspend of £1.714m at month 11.

There is a forecast overspend on the DSG of £4.781m, which is a slight adverse movement of £0.050m from the month 10 position. The underlying overspend has been driven by an unprecedented growth over the summer term of Education, Health and Care Plans (EHCP) and forecast support towards the education element of Children's Social Care placement costs.

The Capital programme is forecasting expenditure of £39.916m against budget of £51.509m, with further reprofiling of budgets to future years of £11.764m agreed in the month 10 monitoring position, bringing total reprofiling for the year to £23.649m.

Recommendations:

That Executive Cabinet is recommended to approve:

(i) To accept the £0.211m capital transitional grant from the Department for Environment, Food and Rural Affairs to further support the delivery of weekly food waste collections

(ii) To accept £0.006m grant funding awarded through the Nature for Climate Fund from the Department for Environment, Food and Rural Affairs. The grant is primarily to be used to promote tree planting and other environmental improvements across the Borough.

(iii) To accept grant funding of £0.059m from the Department of Health and Social Care for the creation of Social Work apprenticeships. The grant funding is to be allocated to the Adults Services Directorate revenue budget and be expended by 31 March 2025.

(iv) To accept grant funding of £0.013m from the Department for Levelling Up, Housing and Communities to support Council expenditure that supports the Transparency Code (publishing of open data). The grant funding is to be allocated to the Council's 2023/24 revenue budget within the Resources Directorate.

(v) The drawdown of £0.019m from earmarked reserves to support a fixed term post to deliver the Carers scheme within Adults Services

(vi) The transfer of £0.394m to earmarked reserves of Domestic Abuse Perpetrator ringfenced grant funding received from the GMCA to support projects in 2024/25 as greed by Cabinet in 2023/24.

(vii) The drawdown of £0.130m from Transformation earmarked reserves to support the projects within the Homelessness Action Plan.

That Executive Cabinet is recommended to note:

(viii) The forecast General Fund revenue budget position of an overspend of £2.645m, prior to any remaining recovery plan actions

(ix) The update on the production of recovery plans to mitigate the shortfall in budgets, with total mitigations of £7.058m identified, of which £0.931m is due to be delivered in month 12, with the remainder included in the month 11 overspend.

(x) That there is a projected General Fund overspend for the Council of £1.714m following the application of actions within draft recovery plans, the release of corporate funding and the identification of additional pressures.

(xi) The forecast deficit on the DSG of £4.781m, which is a slight adverse movement of £0.050m on the month 10 position.

(xii) The Capital programme position of projected spend of £39.916m.

Policy Implications:	Full Council set the approved budgets in February 2023. Budget virements from Contingency to service areas is not effecting a change to the budgets set by Full Council.
Financial Implications: **(Authorised by the Section 151 Officer)**	As contained within the report.
Legal Implications: **(Authorised by the Borough Solicitor)**	The Local Government Act 1972 (Sec 151) states that "every local authority shall make arrangements for the proper administration of their financial affairs…" 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 £2.645m 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 Section 151 officer to review the level of reserves and confirm that the level is sufficient. Reserves by their very nature are 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 report.

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 Gemma McNamara, Interim Assistant Director of Finance (Deputy 151 Officer):

e-mail: gemma.mcnamara@tameside.gov.uk

1. SUMMARY

1.1 This report presents the Council's forecast financial position across the General Fund revenue budget, DSG and Capital Programme as at February 2024.

1.2 It shows the Council's budgets, forecast outturn positions and underlying variances. The report also identifies the management actions being taken to mitigate adverse variances.

1.3 Overall, there are significant overspends on expenditure of £2.645m on the underlying position within the General Fund. This shows the total potential overspend, should actions within the recovery plans to bring the expenditure down to within budget not be taken.

1.4 As per the Council's financial regulations, Directors have a responsibility to manage within budgeted levels of expenditure and where overspends occur, Directors are required to present a recovery plan to the Chief Finance Officer (S151 officer).

1.5 Initial recovery plans were presented to Board, which included actions totalling £9.335m. Reviews of proposed actions have been undertaken by service areas in conjunction with Finance, which has resulted in a reduction in the total value of plans to £7.058m. The remaining actions to be delivered in year total £0.931, with £6.127m delivered to date.

1.6 Recovery Plans are a standing agenda item at Senior Leadership Team meetings and will remain so for the duration of the financial year to ensure corporate oversight.

1.7 Any pressures or undelivered savings within Directorates by the end of the financial year will need to be resolved in the next financial year, in addition to delivering MTFS (Medium Term Financial Strategy) proposals to meet the budget gap for 2024/25.

1.8 A £4.781m overspend is forecast on the DSG fund, due mainly to unprecedented levels of growth on Education, Health and Care plans (EHCPs), at which the work on the Delivering Better Value (DBV) project is targeted. The DBV project is in the final stages of consideration with the Department for Education (DfE) for a revenue grant to support the deliverables agreed between the Council and the DfE.

1.9 The Capital budget has forecast expenditure of £39.916m, with actuals to date of £31.174m and the remainder forecast to be spent during March.

1.10 At the time of drafting this report, the Consumer Price Index (CPI) measure of inflation had fallen to 3.4% in February, a reduction from 4% in January. The Bank of England have responded to the inflationary environment with a strong monetary policy and increased the base rate 14 consecutive times from December 2021 to August 2023 with the aim of controlling inflation. The Bank of England announced on the 21st September 2023 that the base rate of interest would remain at 5.25%, and latest projections assume that it will remain at this level for the foreseeable future, rather than increasing as had been previously projected. Although the rate of inflation is significantly lower than in previous months, cost of living pressures remains significant and will continue to impact on both the costs of, and demand for, Council Services for the foreseeable future.

1.11 Members should be aware of the wider impact the macroeconomic environment is having in Local Government. Multiple local authorities have warned of pressures adversely impacting on their financial sustainability, despite the welcome increase in funding received in the Local Government Finance Settlement for this financial year. A lack of multi-year funding settlements and the sustained high level of inflation has severely impacted the level of underlying risk in the Council's financial position and made planning for the future more difficult due to the increased uncertainty around available funding.

1.12 Whilst the Council is not in a poor financial position in terms of its balance sheet at this point in time, and section 7 on reserves demonstrates this, it is clear that ongoing cost pressures make delivering the 2023/24 budget, and the future Medium Term Financial Strategy (MTFS), a difficult task. These reserves should be used to support invest to save proposals to create sustainable change and efficiencies across the Council, to support the Council's ongoing financial position.

1.13 Any decision to use reserves, above those approved at Budget Council, would require approval from the Director of Resources, as per the Financial Regulations, and significant use of reserves is a decision for Full Council through reporting to Executive Cabinet. Reserves should not be an alternative to undelivered budget reductions. Should Service overspends remain unmitigated in year, there may need to be a drawdown from unallocated reserves to bring expenditure to with budget. This is not a sustainable approach and will take the Council closer to financial distress. Budgetary control needs to be applied to reduce current expenditure, in addition to longer term recovery plans for each Directorate, which will be required to bring Services to within budget.

2. FORECAST 2023/24 REVENUE OUTTURN POSITION AT MONTH 11

2.1 The underlying Month 11 position is an overspend of £2.645m. This includes additional demand and cost pressures within Directorates, offset by the receipt of a dividend from Manchester Airport Group, as well of further improvements to forecast positions within Resources. The underlying month 10 position was an overspend of £2.073m and the table below shows the movement in the position between months:

Movement between months	£m
Month 10 underlying position	**2.073**
Additional pressures within Services	1.200
Dividend from Manchester Airport Group	(0.323)
Other improvements in Directorates	(0.305)
Month 11 underlying position	**2.645**

2.2 Reviews of recovery plan actions over the past 3 months, highlighted potential risks within the proposals. This has resulted in a reduction in deliverable action from £9.335m to £7.058m, of which £6.127m has been delivered. Outstanding actions to be implemented total £0.931m, which takes the net overspend to £1.714m at month 11.

2.3 Table 1 gives a breakdown of the position for each Directorate showing both the underlying variance and recovery plan actions, leading to the net reported overspend at month 11, and is shown in comparison to the month 10 position. The figures within the tables in the report are subject to rounding.

Table 1: Month 11 forecast monitoring position

Forecast Position	Revenue Budget	Month 11 Forecast	Underlying Variance	Recovery Plan Actions	Net Variance	Net Variance Month 10	Change in Variance
	£m	£m	£m	£m	£m	£m	£m
Adults	44.339	48.828	4.489	0.000	4.489	4.103	0.386
Children's Social Care	55.837	61.187	5.350	(0.473)	4.877	4.200	0.677
Education	8.786	9.407	0.621	(0.318)	0.303	0.303	0.000
Public Health	14.352	13.752	(0.601)	0.000	(0.601)	(0.601)	0.000
Place	32.437	36.115	3.679	(0.140)	3.539	3.052	0.487
Chief Executive's Office	14.147	13.874	(0.272)	0.000	(0.272)	(0.272)	0.000
Resources	51.499	40.879	(10.620)	0.000	(10.620)	(9.993)	(0.627)
Totals	**221.397**	**224.042**	**2.645**	**(0.931)**	**1.714**	**0.794**	**0.920**

2.4 To provide further detail to the table above, the following table shows the movement in the underlying position for month 11 compared to month 10.

Table 2: Month 11 movement in underlying position

Forecast Position	Month 10 Underlying Variance	Recovery plan actions achieved	Additional pressures identified	Movements in Directorates	Month 11 Underlying Variance	Change in Variance
	£m	£m	£m	£m	£m	£m
Adults	4.103	0.000	0.386	0.000	4.489	0.386
Children's Social Care	4.958	0.000	0.392	0.000	5.350	0.392
Education	0.621	0.000	0.000	0.000	0.621	0.000
Population Health	(0.601)	0.000	0.000	0.000	(0.601)	0.000
Place	3.255	0.000	0.424	0.000	3.679	0.424
Chief Executive's Office	(0.272)	0.000	0.000	0.000	(0.272)	0.000
Resources	(9.993)	0.000	0.000	(0.627)	(10.620)	(0.627)
Totals	**2.073**	**0.000**	**1.202**	**(0.627)**	**2.645**	**0.575**

2.5 As shown in the table above, there are key adverse movements within Adults Services, Childrens Social Care and Place, which are partially offset by an improvement of £0.627m within Resources as a result of a dividend issued by Manchester Airports Group (MAG) and reprofiling of project expenditure within Digital Services alongside the Council's Digital Investment Strategy.

2.6 Within Adults Services, pressures from backdated Mental Health Supported Accommodation and Learning Disability Care Home placements, alongside adverse movements in both staffing forecasts, as a result of additional recruitment, and shortfalls in expected income, have been partially offset by a favourable movement in the transitions forecast from Childrens Services.

2.7 The Directorate is experiencing significant demand and had 6972 requests for support of which 60.5% came through for allocation for an assessment, which may or may not result in care and support. The remaining 39.5% were redirected to other services or no further action required.

2.8 Prior to the pandemic residential placements had been on a downward trend, however since 2021, the Directorate has seen a steady increase in placements over the last12 months of approximately 35%.

2.9 Over the winter period 23/24 the Directorate has also seen increasing numbers of people over 80 attending A & E resulting in admissions and increased complexity of need when considering support requirements on discharge. This in addition to a number of working age adults who require a housing support on discharge which can be challenging to secure the right accommodation for their support needs.

2.10 Within Childrens Social Care, Cared for Children numbers fluctuate monthly. There had been an overall reduction recorded from April 2022 at 669 down to 648 at June 2023, however, the numbers have subsequently increased each period since June 2023 up until August 2023 which was recorded as 663. Since August there has been an overall net reduction of 22 Cared for Children with the current total now being 646 as at the end of February 2024.

2.11 Although total numbers of Children in Care are showing a steady reduction, the placement mix can have significant impacts on the cost of provision.

2.12 After a period of falling numbers from May 2022 (70) to October 2022 (57), the number of external residential placements had risen sharply since then to reach 78 as at August 2023, rising again to 83 in February 24 a net increase of 3 placements. The two external residential placements that ceased had an average weekly cost of £4,930, whilst the 3 new external residential placements had an average weekly cost of £5,711. These additional external residential placements have led to the adverse movement of £0.394m in month 11.

2.13 Significant work is underway within the Service as part of the Childrens Improvement Plan, which is already showing a positive trajectory:

- Weekly High-Cost placements panel introduced in February 24 – scrutiny and working more closely with Health – number of children referred for MDT
- Review undertaken of children on care orders - 119 children placed at home currently, an additional 73 since December 23, all children taken through court and care orders discharged.
- Children care for showing the trajectory reducing – 663 in August to 641 January
- Cost avoidance by negotiating all the inflationary increases and reducing them, is currently £0.091m
- Leaving Care: a 6 bed property being commissioned late March 24. Actual saving around £0.040m per year over what current costs. Saving delivery from April 24.
- Further property under refurbishment and due April 24. Around £0.025m annual saving for leaving care Separated Migrant Children.
- This will free Transition flats to bring in-house more expensive leaving care places.
- Additional health funding for 4 weeks while going to panel is £64k

2.14 The Place Directorate is reporting an adverse movement of £0.424m as a result of the inclusion of a significant increase to the service charge for Hattersley Hub of £0.554m as a result of increased utilities charges. Although discussions are still underway to finalise the charge, the potential debt has been included in the forecast this month, partially offset by other movements across the Directorate.

2.15 Parking income is showing growth of 27% since new tariffs were introduced, with the shortfall against existing income budgets of £0.184m in the current year expected to be bridged in 2024/25 with the full year effect of the revised charges.

2.16 Overspends within maintenance of the Corporate Estate and of Highways alongside significant overspends against Facilities Management budgets as a result of delays in asset rationalisation are contributing to the overall overspend in the Directorate of £3.679m at month 11.

2.17 Key demand pressures within Homelessness as a result of high levels of Temporary Accommodation required, have led to an overspend of £2.933m reported for the current financial year, with a 35% increase in the number of households in temporary accommodation from 2022/23 to the current financial year.

Recovery Plans

2.18 All Directors have submitted draft recovery plans, which require sign off from the Director of Resources in line with the Financial Regulations and work is continuing to develop plans to meet the shortfall. At month 11, there remain no recovery plans which bring the Directorate to a balanced position, and as such, no plans have been signed off by the Director of Resources.

2.19 The table below shows a summary of the £7.058m included within Directorate recovery plan, split into months, of which £6.127m has been delivered and £0.931m, made up predominantly of grant maximisation, is expected to be delivered in March:

Table 3: Summary of recovery plan actions by Directorate

Recovery plan actions Directorate	P7 October £m	P8 November £m	P9 December £m	P10 January £m	P11 February £m	P12 March £m	Total £m
Adults Social Care	0.000	(1.162)	(0.292)	0.000	0.000	0.000	**(1.454)**
Children's Social Care	0.000	0.000	(1.227)	0.000	0.000	(0.473)	**(1.700)**
Education	0.000	0.000	(0.077)	(0.154)	0.000	(0.318)	**(0.549)**
Place	0.000	0.000	(1.018)	(2.197)	0.000	(0.140)	**(3.355)**
Total	**0.000**	**(1.162)**	**(2.614)**	**(2.351)**	**(0.000)**	**(0.931)**	**(7.058)**

3. SAVINGS PROGRAMME 2023/24

3.1 Detail of the delivery status of savings by Directorate of the 2023/24 savings programme, included within the original budget, is shown in Table 4 below:

Table 4: Saving Programme in 2023/24 Budget at month 11

2023/24 Budget Reductions	Opening Target £m	Delivered in 2023/24 £m	Not Delivered in 2023/24 £m	Full year effect of savings to be delivered in 2024/25 £m	Remainder to be delivered in 2024/25 £m
Adults Services	2.550	1.554	0.996	1.863	0
Children's Social Care	3.652	1.290	2.362	0	2.162
Education	0.318	0.189	0.129	0.079	0.050
Population Health	0.155	0.155	0	0	0
Place	2.103	1.152	0.951		0.951
Chief Executive's Office	0.000	0	0	0	0
Resources	1.776	1.776	0	0	0
Total	**10.554**	**6.116**	**4.438**	**1.942**	**3.163**
%		**58%**	**42%**		**30%**

3.2 At month 11, 58% of the programme, or £6.116m, has been delivered in year, with full year effect of savings implemented in year of £1.942m expected, which for Adults Services, exceeds the opening target. Of the £10.554m total savings target, £3.163 is required to be delivered in 2024/25, in addition to the 2024/25 agreed as part of the budget approved by Council in March 2024.

4. DEDICATED SCHOOLS GRANT (DSG)

4.1 The in-year forecast position on the overall DSG at month 11 is a deficit of £4.781m, a slight adverse movement on the month 10 position of £0.050m, predominantly relating to the ongoing pressure on High Needs. Details of the position on each funding block are included in Table 5 below.

Table 5: Dedicated Service Grant (DSG) 2023/24 Forecast Deficit

DSG Funding Blocks	DSG Settlement incl. Block Transfer £m	Month 11 Forecast Distributio n /Expenditu re £m	Month 11 Forecast (Surplus) / Deficit £m	Month 10 Forecast (Surplus) / Deficit £m	Change in Forecast (Surplus) / Deficit £m

Schools Block	200.358	200.342	(0.016)	(0.016)	0.000
Central School Services Block	1.249	1.249	0.000	0.000	0.000
High Needs Block	37.604	43.138	5.534	5.484	0.050
Early Years Block	18.062	17.325	(0.737)	(0.737)	0.000
Total	**257.273**	**262.003**	**4.781**	**4.731**	**0.050**

Note: the above table includes rounding

4.2 The surplus on the schools block mainly relates to unallocated growth funding.

4.3 The high needs budget continues to be under significant pressure. The majority of growth in the high needs block is across the mainstream and independent sector. There is also an anticipated contribution to children's social care placements. This month, this block is reporting a slight adverse movement of £0.050m, taking the overspend position to £5.534m.

4.4 The forecast is based on the actual funding allocated to providers for funded hours for the summer and autumn terms and estimated hours of uptake for the spring term. There has been a reduction in uptake of hours for 3 and 4 year olds, mainly due to falling birth rates which resulted in a reduction in the forecast expenditure. However, there has been a gradual increase in 2 year old uptake which has led to revised estimates for the spring term and an increase the forecast expenditure. There will be a funding adjustment based on the Spring Term census data and if the estimates are accurate, there will be a clawback of funds which will reduce the anticipated surplus.

4.5 The Early Years Supplementary Grant (EYSG) has also been updated for the actual distribution of funding for the Autumn term and estimated distribution, based on estimated participation, for the Spring Term. This has increased the forecast overspend. Any overspend will be met from the forecast underspend on the early years block.

4.6 The cumulative DSG position at the end of 2022/23 was a deficit of £3.306m. The forecast closing balance on the DSG at the end of the current financial year is £8.087m. There is currently a statutory override in place for the DSG from 2023-24 to 2025-26 which means any DSG deficits are not included in the council's main revenue budgets. Beyond this period any deficit would become recognised in the council's revenue position.

5 CAPITAL PROGRAMME

5.1 A full monitoring report is produced for Capital each quarter, and the month 10 report updated on significant reprofiling of budgets into 2024/25. A full capital update was provided to Strategic Planning and Capital Monitoring panel in March, to review detailed updates on projects.

5.2 Table 6 below presents the actual expenditure at month 11 along with the projected capital expenditure by service area at month, with services projecting expenditure of £11.593m less than the current capital budget for the year.

5.3 The current forecast for capital expenditure is £39.916m. The £31.374m expenditure to date represents 79% of the budgeted programme, with a month remaining, as such, further reprofiling may be required at outturn.

5.4 The Council's Capital Programme for 2023/24 to 2025/26 contains £116.321m of schemes, of which £111.493m are fully approved and £4.828m are earmarked. A major risk facing the programme is the ongoing inflationary and supply pressures in the construction sector, which limits the affordability of projects. This is worsened where projects are delayed into future years, which means the effects of inflation are further magnified.

5.5 The total approved budget for 2023/24 is £51.509m, as outlined in Table 6 below:

Table 6 – Capital Expenditure by Service Area

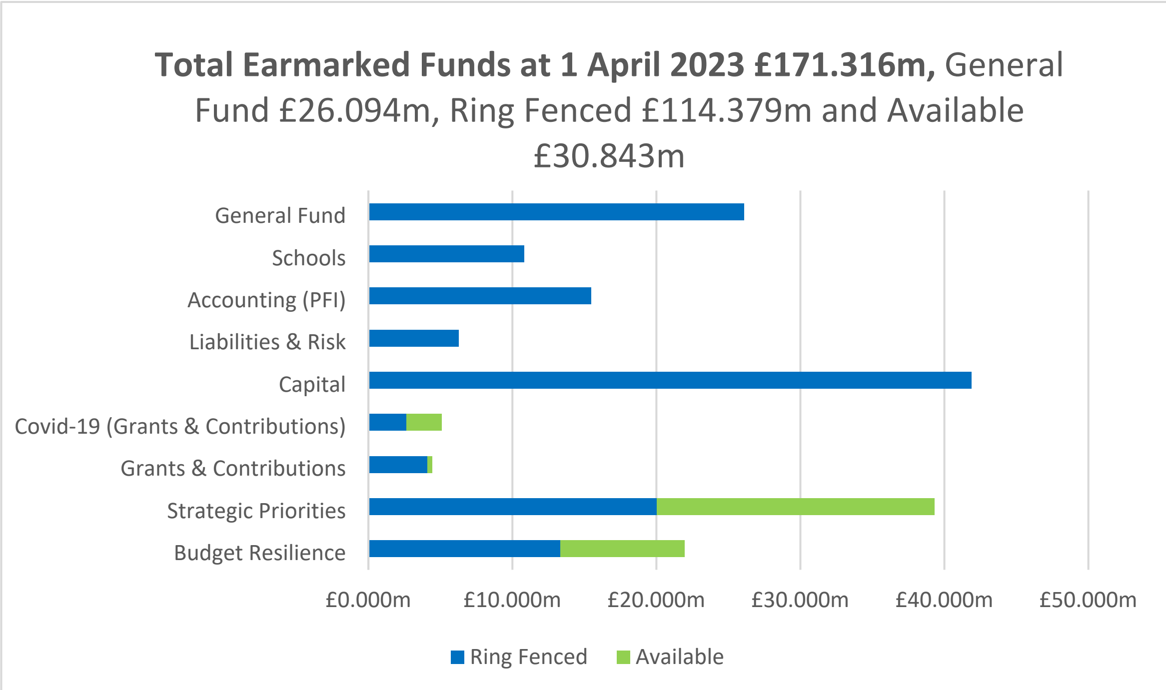
	2023/24 Budget	Actual to Date	Projected Outturn	Projected Outturn Variation	Reprofiling (to) / from future years	Projected Variation after reprofiling
	£m	£m	£m	£m	£m	£m
Place: Property, Development and Planning						
Development & Investment	8.718	3.631	4.962	(3.756)	(3.735)	(0.021)
Corporate Landlord	0.993	0.324	0.668	(0.325)	(0.277)	(0.048)
Vision Tameside	0.073	-	0.073	-	-	-
Active Tameside	0.102	0.103	0.103	0.001	-	0.001
Place: Operations and Neighbourhoods						
Engineers	8.046	3.326	4.442	(3.604)	(2.320)	(1.284)
Ops & Greenspace	1.176	0.419	0.819	(0.357)	(0.393)	0.036
Fleet Replacement	0.000	-	-	-	-	-
Estates	0.057	0.088	0.103	0.046	-	0.046
Community Safety & Homelessness	0.328	-	-	(0.328)	(0.328)	-
Management & Ops	0.250	0.076	0.250	-	-	-
Children						
Education	26.567	20.903	24.577	(1.990)	(3.433)	1.443
Children's Social Care	1.234	0.222	0.365	(0.869)	(0.869)	-
Resources						
Digital Tameside	-	-	-	-	-	-
Adults Social Care						
Adults	3.933	2.252	3.524	(0.409)	(0.409)	-
Governance						
Governance	0.032	0.030	0.030	(0.002)	-	(0.002)
Total	**51.509**	**31.374**	**39.916**	**(11.593)**	**(11.764)**	**0.171**

6. EARMARKED RESERVES

6.1 The value and categories of earmarked reserves as at 1 April 2023 are summarised below in Graph 1. Whilst the overall level of earmarked reserves held by the Council remains strong, most of these earmarked reserves are committed, with only £30.843m not committed outside of the general fund balance of £26.094m. No uncommitted reserves have been used in this year to date, however, as mentioned earlier in this paper, drawdown of unallocated reserves may be required should expenditure in year continue to exceed budget.

6.2 Reserves balances excluding the General Fund balance and schools-related reserves are £132m. Reserves balances including the General Fund balance and schools-related reserves total £171m.

Graph 1: Earmarked reserves balances



7. RECOMMENDATIONS

7.1 As stated on the front cover of the report.