

Overview and Scrutiny Committee

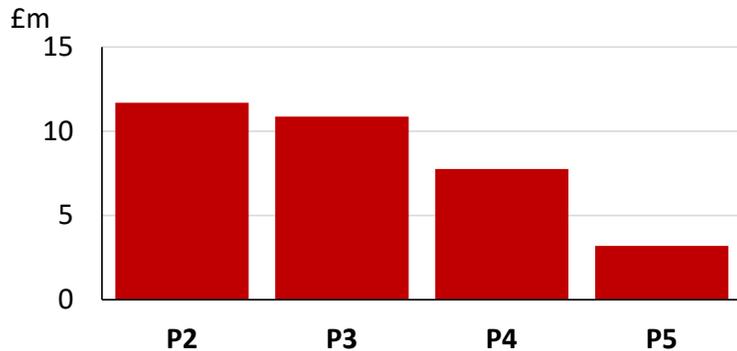
Budget Pressures in year, consideration of the
financial context and Council response
6th October 2021

In-year overview

- 2021/22 budget was set against the backdrop of
 - Losses associated with NCC sale of its interests in Robin Hood Energy (circa £38m)
 - Pressures associated with the costs, and particularly income losses, of COVID-19
 - An interim budget in 2019/20 which was based on a £71m negative variance (including RHE)
 - A Public Interest Report (PIR) from the Council's Auditors
 - A Government led rapid review by Max Caller leading to the establishment of an independent Improvement and Assurance Board
 - A successful request for capitalisation of £35m - £20m of which was for 2021/22
 - A year end underspend against the interim budget of £18m – which was still a £53m overspend against the original budget
- The in year position is proving difficult to hold against budget due to demand pressures and the 'scarring' effects of COVID-19
- Extensive measures being taken to control the budget and ensure no overspend

Period 5 monitoring

- **£3.2m** adverse variance to budget, representing an improvement of **£4.6m** compared to Period 4
- Excludes **£3m** potential impact of the 21/22 pay award
- Enhanced spending controls now in place and are expected to continue to drive down the overspend
- **ELIMINATING THIS GAP IS A MUST – NOT A CHOICE**



Directorates	P3 forecast variance	P4 forecast variance	P5 forecast variance	P4 to P5 change	direction
	£m	£m	£m	£m	
Adults Services	(1.291)	(3.305)	(4.121)	(0.816)	↑
Children's Services	5.232	7.386	4.832	(2.554)	↑
Education	0.171	0.032	0.038	0.006	↑
Public Health	0.000	0.000	0.000	0.000	↑
Resident Services	6.314	5.281	4.837	(0.444)	↑
Growth & City Development	(0.065)	0.127	(1.001)	(1.128)	↑
Finance & Resources	0.455	(0.288)	(0.471)	(0.183)	↑
Chief Executive	0.000	0.000	0.000	0.000	↑
Total Departments	10.818	9.234	4.115	(5.119)	
Companies	2.370	2.316	2.316	0.000	-
Corporate	(2.312)	(3.787)	(3.232)	0.555	
Total	10.876	7.763	3.198	(4.565)	

Period 5 monitoring

Main factors for the variance:

- Children's – CIC pressures **£5.5m** – primarily provider costs
- Residents Services –
 - Neighbourhood Services **£4.3m** adverse (Broadmarsh £1.5m, Parking Services £1.1m, Workplace Parking £0.7m, Waste Management £0.6m)
 - Sports & Culture **£2.1m** adverse (T&RCH £1.4m, Markets £0.9m)
 - Community Protection– **£1.6m** favourable (Contain Outbreak Management Funding assumption)
- Adults Services – Care purchasing budgets **£2.1m** favourable, balance sheet/accrual review **£1.0m** favourable, ILF grant **£0.7m** favourable
- Companies – Thomas Bow **£1.0m** adverse, NCH **£1.0m** adverse
- Corporate – favourable variances in **£1.5m** corporate contingency release, Treasury Management **£1.7m**, assumed income compensation **£0.5m**, offset by **£0.6m** adverse DRC valuers cost

In year controls

- A new Oracle system to deliver a self service approach
- CIPFA training for member and officers – mandatory CIPFA Financial Management code
- Extensive training on budget monitoring and forecasting for users
- Faster turnaround reporting – more target to audience with Director's own narrative
- Comparison actuals to forecast
- Support for Directorates from professional Business Partners
- Monthly Budget Review and Oversight Groups (BROG) chaired by Finance PFH
- Scrutiny and Audit reporting and oversight
- Early consultation
- Enhanced spending controls reflecting the requirements of a council with significant financial challenges

2022/23 – 2025/26 Financial context

- Need to move from 1 years budgets to medium term financial planning – 4 years
- Plan for 2 year ‘firm’ and 2 years ‘indicative’
- Need to control capital expenditure – no new borrowing until the external debt is back within normal range
- Better governance and control of our companies
- The whole sector is experiencing growing pressure - Core City Treasurers all reporting this
- Pressures arising from
 - Current year forecast deficit in 2021/22, carried forward if not mitigated
 - Pressures on services caused by increased demand for services, COVID ‘scarring’ including loss of income, demographic growth
 - Savings not being achieved
- Potential solutions include
 - Further savings through efficiencies and cessation of non-essential spend
 - Transforming services (different models of delivery)

MTFO gap @ 14 October 2021

	22/23 £m	23/24 £m	24/25 £m	25/26 £m
Gap as at reported to 9 & 14 Sept Panel)	24.919	25.198	23.898	26.659
Further adjustment to pressures	(0.036)	0.911	2.865	2.975
Unmitigated forecast overspend 2021/22 (includes £3m estimated additional cost of pay award)	6.198			
Potential extra funding – 2% ASC precept, extra social care grant, NHB legacy payment	(5.468)	(4.740)	(4.815)	(4.894)
Potential risk – redundancy costs			<i>need to be quantified & identify source of funding</i>	
Potential risks – NI increase, pay awards			<i>estimates included in MTFO but waiting for final details</i>	
Gap as at reported to 4 Oct Exec meeting & IAB update	25.613	21.370	21.947	24.741
Further adjustment to pressures	0.000	(0.089)	1.341	1.341
Potential Gap	25.613	21.281	23.288	26.082

Next steps

15-20 Oct	<i>Consolidation of detailed 4-year MTFP & production of all report tables, appendices, graphics etc.</i>	
3 Nov	Improvement & Assurance Board	
3 Nov	Overview & Scrutiny Committee	P5 and Financial Context
4 Nov	Exec Panel	sign off draft Board report
8 Nov	<i>Publication of Executive Board report with agenda</i>	
16 Nov	Exec Board	publish draft MTFP & begin public consultation

December O&S - First review of Consultation and call for evidence

January O&S – Consolidated views fed into overall consultation responses to Executive

January - Receipt of written response to consultation