

DRAFT - 2022/23 Quarter 1 Financial Monitoring

Purpose

- 1.1 To summarise the Council's forecasted financial outturn position at 30 June 2022.

Summary

- a) Revenue budget:** The Council is currently forecasting a pressure of £14.645m against the base budget of £262.4m. This is being mitigated in the first instance by the £1.2m Pay and Inflation reserve established at 2021/22 out-turn to fund anticipated emerging pressures, the remainder of the COVID reserve £2.265m and additional IBCF inflation of £0.354m that has been recently announced. The net forecast overspend is therefore, £10.826m

Further mitigations will be outlined as the year progresses and interventions including continued focus on spending panels, including spending moratoriums will help ensure the Council delivers a balanced position

Within this forecast is the expectation that £11.165m savings will be delivered against a target of £13.168m which was included within the 2022/23 budget approved by Council. This is an estimated shortfall of £2.003m

Further work is ongoing to refine this position and outline any mitigations including alternative savings that can be identified to improve this position throughout the financial year

- b) Capital budget:** Capital expenditure to date is £7.291m and our forecast is estimated at £227.662m against an approved capital budget of £195.220m.
- c) Reserves:** The General Reserve balance remains at £8.933m and our Earmarked Reserves including the budget risk reserve have a future years' forecast balance of £7.587m after taking account of the current forecast overspend of £10.426m. The Council will continue to seek to reduce the in-year overspend and will review the level and need for specific earmarked reserves as part of the budget monitoring process.
- d) Dedicated Schools Grant (DSG):** The total grant of £285.803m has been allocated to schools and retained educational services. There is an overspend forecast for 2022/23 on the High Needs Block of the DSG of £4m taking the cumulative deficit to £5.4m
- e) Collection Fund:** Council Tax billed for the 2022/23 financial year is £138.04m of which £38.128m or 27.52% has been collected. Business Rates billed for the 2022/23 financial year is £90.62m of which £24.681m or 27.17% has been collected

f) Housing Revenue Account (HRA): The full year forecast projects a planned use of the HRA reserve of £2.702m

1.2 Further analysis and explanations of key variances are provided in section 4.1 of the report.

1.3 The summary 2022/23 revenue budget variance table is shown below:

Summary Revenue Forecast to by Directorate

Directorate	Current Budget	Full Year Forecast Spend	Forecast Out-turn Variance Qtr.1
	£m	£m	£m
Peoples	174.038	181.613	7.575
Comms and Place	42.861	44.102	1.241
Corporate Resources	45.517	46.369	0.852
Council Wide Pay Pressure	-	4.977	4.977
Budgeted out-turn position	262.416	277.061	14.645
Budgeted Reserves	(5.302)	(5.302)	-
Sub Total	(5.302)	(5.302)	-
Mitigation			
Pay and Inflation Reserve	-	(1.200)	(1.200)
COVID reserve	-	(2.265)	(2.265)
IBCF inflation	-	(0.354)	(0.354)
TOTAL	257.114	267.940	10.826

Recommendations

2.1 To note:

- The revenue projected outturn and key budget variances set out in the report in section 4.1 with a detailed analysis in Appendix 1 and the savings to be delivered in the year in section 4.3
- The Council's reserves position, as set out in section 4.4 and Appendix 2
- The capital programme forecast, and actual capital expenditure incurred during the quarter summarised in section 4.5 and Appendix 3
- The changes already approved under scheme of delegation to the capital programme detailed in Appendix 4
- The forecast Dedicated Schools Grant position summarised in section 4.6
- The Council Tax and Business Rates Collection performance as set out in section 4.7
- The Housing Revenue Account performance and projected outturn as set out in section 4.8

2.2 To approve:

- To approve changes to the 2022/23 - 2023/24 capital programme outlined in section 4.5 and detailed in Appendix 5

Reasons

- 3.1
- To provide assurance that the budget approved by Council in February 2022 is being effectively monitored and any major variances reported to Cabinet on a regular basis
 - To update on the latest estimated reserves position

Supporting information

4.1 National and Economic Context - Local Government Funding

The Medium Term Financial Plan for 2022 – 2025 was set in the context of extremely challenging circumstances; post pandemic demands across the whole of the public sector and national economic pressures leading to continued constraints on funding. The Comprehensive Spending Review provided assurance that local government spending power would rise by 3% in real terms assuming that councils would take full advantage of increasing council tax which was not the case in Derby, council tax was increased by 1.99%, 1% below that maximum permitted.

Although it was expected that costs would increase this year, inflation and pay awards have superseded forecasts, HM Treasury forecasts for 2022/23 were forecasting a peak of 6% with a fall back down to circa 4% by 2023. On the 4th August the Bank of England raised interest rates by a further 0.5% to 1.75% which was the largest interest hike in 27 years whilst predicting inflation to climb above 13% before the end of the year and for it to remain 'very elevated' throughout much of 2023.

The Councils Revenue Budget Forecast position at Qtr.1

As we move into the first quarter of the financial year the Council continues to face pressures in demand for its services.

The forecast out-turn position at Qtr.1 for the Council wide service budgets without mitigation is a pressure of £14.645m. This is outlined in the below summary:

Area	Qtr. 1 £m
Estimated Pay Award (net pressure)	4.977
Other Pay Pressures	0.504
Net Income Position	(3.953)
Unachieved Savings	2.003
Emerging Underspends	(0.784)
Unbudgeted emerging pressure	11.898
TOTAL	14.645

The main inflationary pressures include:

Description	£m
Net pay pressure	4.977
Fuel & Trade waste	0.341
St Lighting PFI inflation	0.544
Insurance Premiums	0.228
TOTAL	6.090

Of the estimated forecast overspend of £14.645m circa 42% of this, £6.090m is attributable to unbudgeted, unexpected (at the time of budget setting) rising inflation costs.

4.1.1 A further detailed breakdown of the elements of the £14.645m can be found at Appendix 1. These areas will continue to be updated and refined for the remainder of the year. The narrative below outlines a summary of each section.

4.1.2 **Estimates Pay Award Net pressure £4.977m**

There is an estimated pay pressure of £4.977m. This is initial modelling of the pressure of an increase of £1,925 on all NJC pay points 1 and above. This pressure is above the 1.5% which was included in the base budget. At this time there is insufficient information to factor in a confirmed pay award, this has been included as for illustration of the impact.

4.1.3 **Other Pay pressures £0.504m**

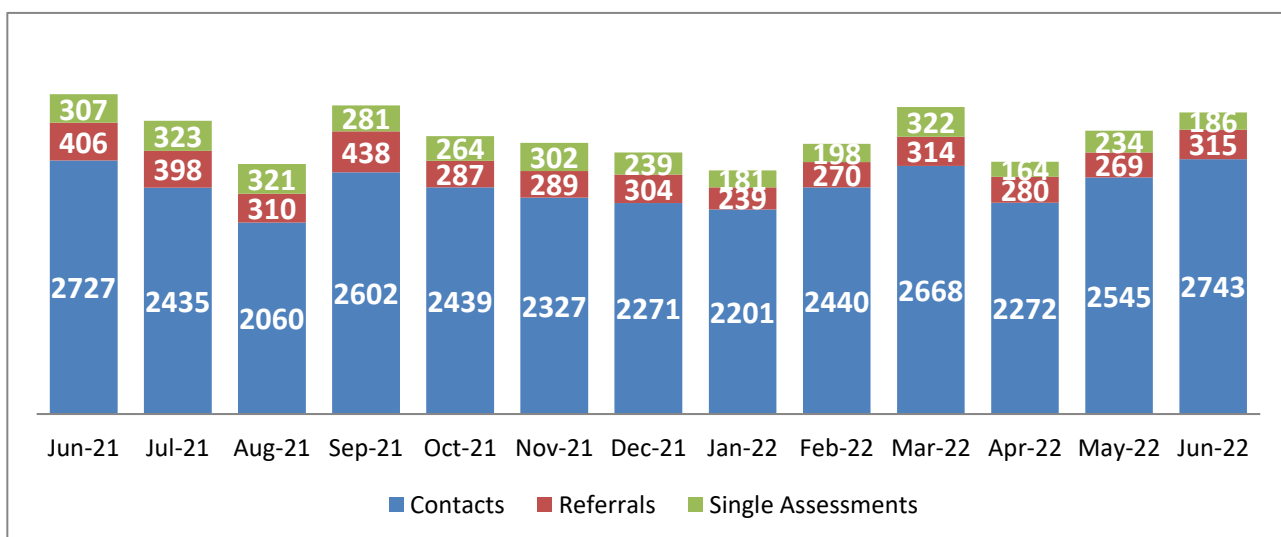
In addition to the inflation pressure, there is an estimated pay pressure of £0.569m in Communities and Place. This is predominantly due to market rate supplement payments for HGV drivers in refuse collection and street cleansing, additional agency costs to cover sickness and vacancies and payments over the Jubilee bank holiday period to maintain service levels. There is also a pressure of staff within Planning, Transport and Engineering being at top of scales.

4.1.4 Corporate Resources are currently forecasting salary underspends of (£0.350m) due to a number of vacancies across the directorate.

4.1.5 Staffing Pressures across children's services are forecast to be £0.998m, £0.573m is due to the use of Agency social workers, £0.255m is due to use of Agency Educational Psychologists with the remaining £0.170m turnover pressure. Adults and Health are currently forecasting a salary underspend (£0.713m) due to a number vacancies across the service.

Education Psychologist service is now reliant on agency support to complete advises for the high number of EHCP plans.

Social work caseloads are under increasing pressure with the number of contacts and referrals remaining high, coupled with covering maternity leave and the need to ensure that all statutory children's social care work is allocated, leads to the continued need for Agency social workers.



4.1.6 **Net income position (£3.953m)**

Included in this forecast is one off income of (£0.705m) to cover the Fair Cost of Care and Market Sustainability work, which is a statutory requirement all Councils are required to undertake because of the government reforms currently underway in Adult Social Care (ASC). The ASC forecast assumes income collection of contribution towards packages as per the budget set. There is an overachievement of income from blue badge applications (£0.104m). In addition, the recent announcement of Better Care Fund inflation of 5.6% sees additional funding across ASC of (£0.767m).

4.1.7 The forecast includes income being claimed in 2022/23 for the unaccompanied asylum seekers totalling (£1.2m), this income will partially offset the emerging overspends on allowances and placement costs across Children's Services.

4.1.8 The supporting families grant (payment by results) continues to forecast additional income (£0.300m), this is due to 107 families being supported in the first quarter of 2022/23.

4.1.9 Within the Communities and Place forecast is an estimated (£0.983m) of funding to cover the Council wide pressures which are being incurred through the Afghan and Ukraine resettlement schemes.

4.1.10 Corporate Resources forecast includes additional unbudgeted HRA income of (£0.135m) for legal services and insurance. There is an income pressure of £0.241m for reduction of rental income at Connect properties in relation to rent free tenants.

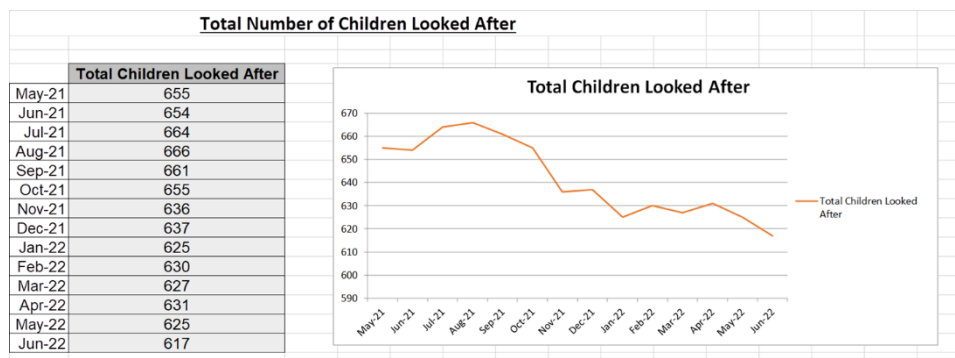
4.1.11 **Unbudgeted and Emerging Pressures £11.898m**

There are unbudgeted pressures across all directorates resulting in a net pressure of £11.898m.

4.1.12 Corporate Resources has an unbudgeted forecast pressure on the increased insurance premiums of 9% which is an estimated pressure of £0.228m. There are unbudgeted associated costs of the maintenance of urban forest £0.020m and further Property Feasibility abortive costs £0.035m. The unbudgeted maintenance costs and feasibility works will be mitigated in the first instance by any emerging underspends identified throughout the year within property services.

- 4.1.13 Communities and Place have emerging unbudgeted pressures totalling £0.341m due to the rising cost of fuel and trade waste pressures. Street Lighting PFI has an estimated unbudgeted increase of £0.544m from early estimated inflationary pressures identified associated with the electricity for the lighting.
- 4.1.14 The Peoples directorate budget was increased for demand across Adults and Childrens social care by £9m in 2022/2023, however the service continues to have emerging unbudgeted pressures due to the cost of specialist placements in both Adult Social Care and Childrens Social Care of £6.128m.
- 4.1.15 Qtr.1 has seen an increase in Adult's residential placements from 790 at 31st March 2022 to 804 at 30th June 2022, and an increase in community support packages from 2526 at 31st March 2022 to 2546 at 30th June 2022.
- 4.1.16 Despite the total number of children looked after reducing from 655 in May 2021 to 617 in June 2022 (6% reduction) the total costs of the top 10 residential placements have increased from £4.1m in June 2021 to £5.3m in June 2022 (a 29% increase). Some of these high-cost cases are spilling over into Adult services at point of transition, giving rise to the increased budget pressures being experienced in the Preparing For Adulthood team.
- 4.1.17 The increase costs are reflective of the increased complexities and lack of suitable accommodation for children and young adults with complex needs. Further, in adults the small cohort of homeless people with chaotic complex lives who have social care needs are giving rise to substantial care costs in supported living and residential environments.

4.1.18



- 4.1.19 The complexity of looked after children in care correlates to the high forecasted legal costs. The current pressures include £0.4m for legal fees. The pressure of £1.102m for allowances relating of children in care includes costs for bed and breakfast placements and section 17 payments, some of this is partially offset with the UASC income identified in section 4.1.7.
- 4.1.20 Home to School transport budgets are currently forecasting and overspend at the end of the financial year in the region of £3.1m based on the current levels of expenditure, which is driven from the high number of Education and Health Care Plans -EHCP's and children being placed in independent and out of authority schools. Work is continuing to mitigate additional expenditure through robust action planning and improved commissioning functions.

4.1.21 **Emerging Underspends (£0.784m)**

There are emerging underspends of (£0.784m) across all directorates.

4.1.22 Communities and Place have one-off underspends estimated at (£0.383m). It is anticipated that the concessionary fares budget will continue to underspend as in previous years, however increased charges are anticipated to start working through the system towards the end of the financial year the current underspend is forecast of (£0.240m) and underspends of (£0.143m) on disposal of household waste anticipated.

4.1.23 Corporate Resources has minor savings within Property services of (£0.037m).

4.1.24 Peoples have emerging underspends totalling (£0.364m) across Adults social care, this includes (£0.141m) within direct services which is uncommitted budget relating to reconfiguration of the care homes and day services, (£0.132m) relating to the provision of specialist equipment.

4.1.25 **Unachieved Savings £2.003m**

Details of the unachieved savings are outlined at paragraph 4.3

4.2 **Directorate Summaries**

4.2.1 **Mitigation plans People Services**

The service continues to work on robustly managing the demand through established demand management work, with each workstream having clear milestones, deliverables and with savings tracked. Areas include:

- The lean review of placement decision and tracking process
- Fostering opportunities through recruitment of the inhouse foster carers
- Embedding and building on the Staying Together Team with is successfully preventing teenagers from entering care through a redesign of early help services.
- Recruitment of alternative qualified posts to reduce pressure on social work requirements and use of agency staffing

4.2.2 In Adult Social care, demand is increasing in some areas and pressure on the external markets. All this, whilst we work to understand the impact of the adult social care reforms.

4.2.3 Specific focus in Adult Social Care includes:

- Increasing capacity to recover more debt
- Reviewing community packages to ensure the appropriate size package has been embedded into the social care process
- Working with Children services upstream to manage transitions case costs

4.2.4 **Mitigation Plans – Corporate Resources**

For the Property Services directorate plans to rent the council house will be reviewed in the short term. Early intelligence suggests that there are some interested clients and this window of opportunity will be explored alongside the requirements of the Council. This may achieve part of the saving for rental in this year's plan and potentially the full savings required in the future years MTFP.

4.2.5 There is also consideration of a review of rents for future tenants of Council owned buildings which if successfully increased will mitigate pressures in year.

4.2.6 Resources budgets are typically staff based and the continued focus on staffing expenditure and turnover through either a moratorium on spend in these areas as appropriate or review at spending panel will continue in order to reduce spend and mitigate overspends.

4.2.7 **Mitigation Plans – Communities and Place**

The directorate is heavily dependent on income from a range of sources, towards the end of 2021/22 income levels started to return to pre pandemic levels. It is anticipated that these levels will continue, however it is unclear how the cost of living crisis will affect this. Income is being monitored and analysed on a monthly basis.

4.2.8 There is city wide focus on the vibrancy of the City, with the aim to increase footfall of local attractions which should see income levels return. In addition, the new waste contract is expected to achieve annual savings of £0.5m per year, this will start in October.

4.3 **Savings delivery**

The Council's Revenue budget for 2022/23 included savings targets for each directorate in order to support a balanced budget position.

2022/23 Directorate Savings Targets	Approved Savings Targets	Forecast Delivered Savings	Forecast Year End Shortfall	Forecast Variance Delivered
	£m	£m	£m	%
Peoples Services	(6.017)	(6.017)	-	100%
Communities and Place	(2.596)	(1.443)	1.153	56%
Corporate Resources	(4.555)	(3.705)	0.850	0.81%
Total	(13.168)	(11.165)	2.003	85%

4.3.1 **People Services:** At Qtr.1 Peoples directorate are forecasting to deliver all of their (£6.017m) savings target.

4.3.2 **Communities and Place:** City Development & Growth are currently forecasting an underachievement of £0.103m against a saving for the exploration of opportunities to better utilise any in year surplus generated by Derby Homes to support delivery of housing related services. Further savings that are at present unachievable are savings relating to commercialisation and increased income in Bereavement services combined these total £1.050m.

4.3.3 **Corporate Resources:** Corporate Resources has a number of unachievable savings.

4.3.4 The £0.210m rental income saving from letting out office space within the Council is forecast as unachievable as the proposal is currently under. There is a £0.225m unachievable maintenance saving from closure of Queens Leisure Centre as the building remains in the Councils portfolio and therefore the maintenance commitment remains until the building is disposed of. There is £0.400m relating to an error when compiling property savings for 2022/23 and £0.015 Connect rental income generation due to reduced demand for office space.

4.4 Reserves

4.4.1 **General Fund Balance:** At 30th June 2022 the General Fund Balance is £8.933m. This is within the best practice accounting guidelines with expected percentage of budget being at 3.5% of the 2022/23 net budget requirement.

4.4.2 Earmarked Reserves (excluding PFI Reserves)

4.4.3 **Budget Risk Reserve:** This has a future year's forecast balance of £0.574m after taking account of the current forecast overspend of £10.426m. Any further overspend at the end of 2022/23 would be a call on the reserves and potentially impact on the Council's financial resilience.

4.4.4 Reserves are set out in Appendix 2. The table includes other reserves which are not available to the Council for general use, such as School Balances. The year-end 2022/23 revenue earmarked forecast reserves balance as at 30th June 2022 is £43.792m of which £36.779m is committed in future years, resulting in a future years forecast balance of £7.013m (excluding HRA ring-fenced balances, the general fund reserve and school balances).

4.5 Capital Monitoring

4.5.1 The capital expenditure forecast for 2022/23 has been reviewed and the updated forecast is now £227.662m as detailed at section 4.5.2 to 4.5.8. There is a forecast variance of £32.442m against the approved revised budget of £195.220m agreed by Full Council on 28 February 2022.

4.5.2 The table below analyses the main variances by service area:

2022/23 Capital Programme by Service Area	Original Approved Capital Budget £m	Outturn Slippage approved July 2022 £m	Revised Approved Budget £m	Actual Spend £m	Full year forecast/ Revised Budget £m	Forecast Variance to Final Approved Budget £m
Schools	13.092	0.080	13.172	0.371	18.366	5.274
Housing General Fund	7.582	0.730	8.312	1.701	9.405	1.823
Property Improvement	10.051	1.551	11.602	0.668	12.646	2.595
Flood Defence	0.250	0.621	0.871	0.017	0.721	0.471
Highways & Transport	60.379	5.913	66.292	1.671	77.828	17.449
Vehicles Plant & Equipment	1.988	0.978	2.966	0.354	3.329	1.341
Regeneration	45.472	6.616	52.088	1.370	51.753	6.281
Information and Communication Technologies (ICT)	32.951	-	32.951	0.647	29.999	(2.952)
Housing Revenue Account (HRA)	2.955	1.239	4.194	0.493	3.894	0.939
Corporate	20.500	0.470	20.970	-	19.720	(0.780)
Total	195.220	18.199	213.419	7.291	227.662	32.442

- 4.5.3 Capital expenditure to date is low against the original approved budget due to the heavy profiling of schemes spend towards the end of the year and the continued impact of the Covid pandemic and the War in Ukraine causing supplier chain issues and contractor shortages and other slippage.
- 4.5.4 There has been a total of £32.442m changes this quarter, £18.199m 2021/22 Outturn Slippage added to the programme, £13.722m delegated approved changes and £0.521m changes which require approval. Appendix 3 details Major programme variances with delegated approvals to note in Appendix 4 and further changes requiring approval are detailed in Appendix 5. The overall variance from original to forecast outturn is made up as follows:

Programme Variance	
Reason for Variance	Amount £m
Outturn slippage detailed and approved in the 2021/22 Outturn Report	18.199
Pre Qtr.1 Cabinet & Delegated Approvals	13.721
Net changes requiring approval this Qtr.	0.521
Total Programme Variance	32.442

4.5.5 Capital Programme - Main Outturn Variances

- 4.5.6 The main variances over £0.200m between revised budgeted capital expenditure and the final adjusted approved budget are outlined at Appendix 3, variances per strategy area are included in the table below:

Strategy Area	Variance £m
Highways & Transport	17.449
Regeneration	6.281
Schools	5.274
Property Improvement	2.595
Housing General Fund	1.823
Vehicles Plant & Equipment	1.341
Housing Revenue Account (HRA)	0.939
Flood Defence	0.471
Corporate	(0.780)
Information and Communication Technologies (ICT)	(2.952)
TOTAL	32.442

4.5.7 Section 106 Contributions

Latest forecast for S106 balances are £6.104m. The table below shows these balances and commitments for all S106 contributions. For a detailed list of S106 contributions contact Head of Finance: Toni Nash at Toni.nash@derby.gov.uk:

4.5.8

Position	£m
Opening balance as at 01/4/22	14.476
Received to date	-
Adjustments/Clawbacks/Expired	(0.003)
Total Available	14.473
Committed 2022/23	8.369
Forecast Available Future Years	6.104

4.6 Dedicated Schools Grant

The 2022/23 allocation for the Dedicated Schools Grant (DSG) is £285.803m and is made up of four blocks of funding:

Schools Block £213.306m

Central School Services Block £2.848m

High Needs Block £50.981m

Early Years Block £18.668m

4.6.1 At Qtr1 School, Early Years and Central block are reported as balanced. The only concern at this stage is the impact of any further reduction in early years hours on the top slice. Once data is available from the first census count officers will be working with the service to ascertain any negative or favourable impact. There continues to be significant pressures in the High Needs Block (HNB) supporting children with additional needs.

4.6.2 High Needs Demand remains the most significant pressure to the school's budget with an in year planned deficit of £4.1m.

4.6.3 Early forecast for those children placed out of authority is a pressure of £0.3m on the initial budget of £15.9m. This is based on 374 placements. (215 placed with independent schools with an average cost of £0.061 and 159 placed with other LA's at a current average cost of £0.019m). This, compared with the same period last year (total 345 placements made up of 183 independent with an average cost of £0.059m and 142 placed with other LA's average cost £0.019m)

4.6.4 The rest of the High Needs requirements are reported as per the deficit budget set. The cumulative deficit is forecast to be £5.5m at the end of 2022/23.

4.7 Collection Fund

4.7.1 Collection Fund accounting is based on estimates and actuals and is determined by statutory regulations. To avoid budgeting uncertainty only amounts estimated are transferred in year; therefore, the amounts recognised in 2022/23 will be the amounts determined in January 2022 for Council Tax and in the NNDR1 return completed in February 2022 for Business Rates. Therefore the analysis below does not impact 2022/23 revenue budget.

4.7.2 Council Tax

At Qtr.1 the council are currently forecasting an overall Council Tax deficit of £1.331m with the Council's share of this being £1.102m; this is a movement of £0.906m from the current budgeted position of £0.196m (which is the Council's year 3 share of the 2020/21 exceptional balance). This forecast deficit is mainly due to an anticipated increase required in the bad debt provision due to current arrears levels and the uncertainty around the impact of the increased cost of living.

4.7.3 Business Rates

At Qtr.1 the council are forecasting a Business Rates surplus of £2.469m with Derby City Council's share of this being £1.210m. The main reason for this surplus is due to an improved position on collection rates in the final few months of 2021/22.

4.7.4 Impact of the Collection fund forecast on 23/24

Forecast changes to assumptions in Medium Term financial plan at Qtr. 1

Analysis	2023/24
Council Tax	
Deficit forecast Jan 2022 (including Fixed exceptional balance to be recognized in 2022/23)	2.082
Fixed – exceptional balance to be recognized in 23/24	0.196
Business Rates	
Gross deficit forecast Jan 2022 (including Fixed exceptional balance to be recognized in 2022/23)	10.194
S31 funding from reserves	(8.118)
Fixed – exceptional balance to be recognized in 23/24	1.356
Total deficit recognized to be recognized in 22/23 and 23/24 for Jan 22 budget setting purposes	5.710
Updated estimates at 30/06/22	
Council tax estimated deficit	3.380
Business Rate deficit	10.430
S31 funding from reserves	(8.208)
Total deficit calculated	5.602
Total surplus to be recognised in 2023/2024	(0.108)

Currently in the MTFP we are including a deficit of £1.552m for 2023/24, this will be replaced by the forecast surplus of (£0.108m) resulting in a movement of (£1.660m). However, given the potential volatility of the Collection Fund it is too early to include this in any revisions to the MTFP. The collection fund impacts will continue to be monitored and refreshed through this financial year. The final estimates for 2023/24 will be included in the NNDR1 form.

4.7.5 **Collection comparison**

As of 30th June 2022 the amount of Council Tax billed for the 2022/23 financial year is £138.04m, of which £38.128m or 27.52% has been collected. This compares with 27.41% at the same time last year. Compared with the position 12 months ago, in cash terms, we have collected £1.483m more from Council Taxpayers. Although, still very early days and with a number of Cost of Living and Covid related challenges remaining this is an encouraging start to the 2022/23 year.

4.7.6 As at 30th June 2022 the amount of Business Rates billed for the 2022/23 financial year is £90.63m of which £24.681m or 27.17% has been collected. This compares with 27.58% at the same time last year. Given the way relief schemes work in 2022/23 compared with 2021/22 direct comparisons are not possible. Given they Cost of Living and Covid related issues our Qtr.1 position should be considered a sound start.

4.8 **Housing Revenue Account**

The Housing Revenue Account (HRA) report on the management of the Council's housing stock.

4.8.1	HRA position as at 30 June 2022	Original Budget (annual) £m	Actual Spend Qtr.1 £m	% of Budget	Full year forecast £m	Forecast Variance £m
	HRA	2.702	1.857	69%	2.702	-

4.8.2 As part of the 30- year HRA Business Plan, the HRA is budgeted to use £2.702m from the HRA reserve in 2022/23. It is currently forecast on target to use £2.702m from the reserve for business- as-usual activity.

Public/stakeholder engagement

5.1 None directly arising – however the suitable engagement will be considered for all applicable expenditure.

Other options

6.1 None directly arising.

Financial and value for money issues

7.1 The financial and value for money implications are set out in the report.

Legal implications

8.1 The report confirms that the Council can meet its statutory requirement to deliver a plan for a balanced budget. At this point it can use reserves – however the intention is to continue to look for alternative solutions.

Climate implications

9.1 None directly arising – however all expenditure and schemes will need to consider the Climate Change Action plan approved at Council on the 15 June 2022.

Other significant implications

10.1 **Environmental Sustainability**

The report sets out the implications of the capital programme.

- 10.2 **Risk Management and Safeguarding**
The report demonstrates it has the resources available to deliver the Council's priorities, but it will mean application of reserves if overspends are not reduced over the remainder of the year.
- 10.3 **Corporate objectives and priorities for change**
The budget provides the financial resources to deliver key objectives and priorities.
- 10.4 **Equality implications**
All appropriate equality impact assessments were considered when setting the budget and new ones will be considered as appropriate.

This report has been approved by the following people:

Role	Name	Date of sign-off
Legal		
Finance	Toni Nash – Head of Finance	19 th August 2022
	Alison Parkin – Director of Finance	24 th August 2022
Service Director(s)		
Report sponsor		
Other(s)		
For more information contact:	Toni Nash: Toni.Nash@derby.gov.uk	
Background papers:	None.	
List of Appendices:	Appendix 1 – Detailed analysis of revenue outturn variances	
	Appendix 2 – Summary of reserves	
	Appendix 3 – Main Forecast Outturn Variances Capital over £0.2m	
	Appendix 4 – Changes to capital programme under delegation	
	Appendix 5 – Further changes to the capital programme	

Detailed analysis of revenue outturn variances

Appendix 1

	PAY				Emerging Income - Additional and Pressures								Unachieved Savings						
Area	Estimated Pay Award issue at flat £1,925	Turnover	Agency Educational Psychologists	Agency Social Workers	C&P - potential one off Afghan and Ukraine funding to support council wide pressures	CR - additional HRA income for Legal services and insurance	ASC - fair cost of care funding	Blue badge income and contributions from DH	Additional Priority Family money	BCF Inflation	Connect Income Shortfall	UASC income	C&P - Commercial & Bereavement Service	Council House Rental	Connect Rental Increases	Budget Process Property	Planned Closure of QLC	Derby homes optimisation saving shortfall	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
Peoples Adults and PH	0.000	-0.713					-0.705	-0.104		-0.767									
Peoples CYP	0.000	0.170	0.255	0.573					-0.300			-1.200							
Comms & Place	0.000	0.569			-0.983								1.050						
Comms & Place - Major Projects																		0.103	
Corporate - Property	0.000										0.241			0.210	0.015	0.400	0.225		
Corporate Resources	0.000	-0.350				-0.135													
Estimated national pay award impact	4.977																		
TOTALS	4.977	-0.324	0.255	0.573	-0.983	-0.135	-0.705	-0.104	-0.300	-0.767	0.241	-1.200	1.050	0.210	0.015	0.400	0.225	0.103	
			Total Pay	5.481							Total Income	-3.953						2.003	
		Emerging Underspend				Unbudgeted Emerging pressures													Outturn per Area
Area		C&P underspend on Concessionary fares, waste disposal and other minor savings	Equipment underspend and other minor savings	Property underspend	C&P - Fuel & Trade Waste	CR - pressure on insurance premium at 9% and small overspend	Comms and Place - PFI Inflation impact	Maintenance of urban forest	Property Feasibility abortive costs	Other pressures relating to CYP (B&B/S17/ Allowances)	Childrens placement pressures	Legal fees	Home to school Transport	Increased Client demand pressures in ASC				TOTAL	
		£m	£m		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m			£m	
Peoples Adults and PH			-0.364														2.275	-0.378	
Peoples CYP										1.102	3.853	0.400	3.100					7.953	
Comms & Place		-0.383			0.341		0.544											1.138	
Comms & Place - Major Projects																		0.103	
Corporate - Property				-0.037				0.020	0.035									1.109	
Corporate Resources						0.228												-0.257	
Estimated national pay award impact																		4.977	
TOTALS		-0.383	-0.364	-0.037	0.341	0.228	0.544	0.020	0.035	1.102	3.853	0.400	3.100	2.275				14.645	
		Emerging Underspend			-0.784								Total emerging pressures				11.898		
													Overspend before further mitigations				14.645		
																	New pay reserve	-1.200	
																	Covid Reserve	-2.265	
																	IBCF Inflation	-0.354	
																	Net overspend after mitigations	10.826	

Summary of Reserves Movement as at 30th June 2022

Statement of Reserves	2022/23 Opening Balance £m	In Year Movement £m	2022/23 Commitments £m	2022/23 Closing Balance £m	Future Years Commitments £m	Ringfenced £m	Future Years Closing Balance £m
General Fund							
Unallocated General Fund Balance	(8.933)	-	-	(8.933)	(5.278)	-	(14.211)
Balances Held By Schools	(8.577)	-	1.500	(7.077)	1.500	5.577	-
Budget Risk Reserve	(20.522)	-	18.396	(2.126)	1.552	-	(0.574)
TOTAL	(38.032)	-	19.896	(18.136)	(2.226)	5.577	(14.785)
Revenue Earmarked Reserves							
Covid-19 Reserve	(2.265)	-	2.265	-	-	-	-
General Insurance Reserve	(2.658)	-	-	(2.658)	-	-	(2.658)
Trading Services Reserve	(0.039)	-	0.039	-	-	-	-
Year end grants with restrictions	(4.235)	-	4.009	(0.226)	0.127	0.099	-
DEGF Interest Reserve	(0.207)	(0.001)	0.208	-	-	-	-
Regeneration Fund Reserve	(0.917)	-	0.315	(0.602)	0.602	-	-
Assembly Rooms Reserve	(2.090)	-	2.090	-	-	-	-
Delivering Change Reserve	(0.941)	-	0.528	(0.413)	-	-	(0.413)
Business Rate Pilot Reserve	(0.083)	0.033	0.050	-	-	-	-
Collection fund deficit smoothing reserve	(8.208)	-	8.208	-	-	-	-
Treasury Management Reserve	(2.759)	-	0.952	(1.807)	1.807	-	-
Public Health Reserve	(3.869)	-	2.535	(1.334)	-	1.334	-
Adult Social Care Reserve	(2.435)	-	2.435	-	-	-	-
Capital Feasibility Reserve	(0.527)	-	0.078	(0.449)	-	-	(0.449)
Other Service Reserves	(9.720)	-	5.529	(4.191)	0.720	0.115	(3.356)
Pay and Inflation Reserve	(1.200)	-	1.200	-	-	-	-
PFI Reserves	(29.767)	-	(0.566)	(30.333)	30.333	-	-
Earmarked Reserves to support the capital programme	(2.060)	-	0.281	(1.779)	-	1.642	(0.137)
TOTAL	(73.980)	0.032	30.156	(43.792)	33.589	3.190	(7.013)

Statement of Reserves	2022/23 Opening Balance £m	In Year Movement £m	2022/23 Commitments £m	2022/23 Closing Balance £m	Future Years Commitments £m	Ringfenced £m	Future Years Closing Balance £m
Housing Revenue Account (Ringfenced)							
Housing Revenue Account (Ringfenced)	(45.960)	0.039	2.702	(43.297)	-	43.297	-
Major Repairs Reserve	(1.625)	-	-	(1.625)	-	1.625	-
TOTAL	(47.585)	0.039	2.702	(44.922)	-	44.922	-

Main Forecast Outturn Variances Capital over £0.2m

Strategy Area and Scheme	Total Variance £m	Slippage £m	Under/ Over spend £m	Reallocation	Additional Spend Backed by Funding £m	Spend Brought Forward £m	Explanation of variances over £200k
Highways & Transport							
Asset Management - Highways Maintenance	2.119		(0.077)	0.660	1.536		Additional £1.229m from DfT for Pothole Funding Additional £0.307m from DfT for Local Highways Maintenance Incentive Funding £0.660m Reallocating funding from Highways Infrastructure programme, originally allocated to incorrect scheme (£0.077m) adjustment to correct budget to reflect incorrect coding, agreed at Infrastructure Board Meetings
Highways Infrastructure	(0.660)			(0.660)			Reallocation to Asset Management - Highways Maintenance programme (see narrative above)
Ryknel Road Drainage	0.254			0.254			Phases 4 and 5 - the final planned phases on this drainage renovation scheme reallocated from Flood Defence scheme (£0.150m) and H&T Scheme (£0.104m)
Asset Management - Land Drainage & Flood Defence	(0.104)			(0.104)			Reallocation to Ryknel Road Drainage - Highways Maintenance programme (see narrative above)
Air Quality Improvement project	(0.268)		(0.268)				Adjustment to correct budget to reflect additional spend in 2021/22 which had not been adjusted in this financial year
Highways & Transport Total	1.341	-	(0.345)	0.150	1.536	-	
Flood Defence							
Cuttlebrook Flood Alleviation Scheme	(0.150)			(0.150)			Reallocation to Ryknel Road Drainage - Highways Maintenance programme (see narrative above)
Highways & Transport Total	(0.150)	-	-	(0.150)	-	-	
Housing Revenue Account (HRA)							
Kitchens and Bathrooms	(0.200)		(0.200)				Longer time taken to set up additional contractors on works due to supplier change issues
Solid Wall Installation	(0.312)		(0.312)				Associated works (windows and ventilation) funded from other schemes within the HRA capital programme, reducing the need for this budget
The Knoll NB	(0.200)	(0.200)					£0.2m anticipated slippage into 2023/24. The expenditure is based on best estimates of current build costs but as the scheme is finalised and programme updated the costs will be revisited
Barlow Street	(0.250)	(0.250)					The programme has slipped due to planning amendments and the requirement to revisit the planning process which has impacted on the timing and delivery of the programme
HRA Fire Safety	0.250		0.250				Increased works identified following fire risk assessments
Crompton Street	(0.200)	(0.200)					Overall budget revised to reflect Derby Homes budget estimate for project. New Build due to commence Qtr. 3 2022/23
The Grange	(1.600)	(1.600)					The main access into the site is restricted, a detailed analysis of an alternative route is underway and a consultation with local residents regarding benefit analysis has impacted the progress of the programme, therefore slippage is required as this has delayed the timelines
Elmwood	(0.270)	(0.270)					Updated budget estimate for Project. New Build due to commence Qtr. 2 2023/24
Green Homes Grant Programme	(0.420)		(0.420)				The contractor has sourced Energy Company Obligation Round 4 (ECO4) funding from Scottish Power for the Project reducing the overall cost to the Council by £0.200m. The remainder of £0.220m is an underspend as the heating system will be covered as part of the normal component replacement programme in future years
Falcon – HRA	(0.230)	(0.230)					Existing building on site due to be demolished in September 22. New Build planned to start Qtr. 2, this has been delayed due delays caused by rehousing a tenant and the requirement of a footpath stopping order

Strategy Area and Scheme	Total Variance £m	Slippage £m	Under/Over spend £m	Reallocation	Additional Spend Backed by Funding £m	Spend Brought Forward £m	Explanation of variances over £200k
Warwick House - HRA	0.395		0.395				Additional budget has been allocated to cover fees and demolition of the existing building. The estimated expenditure is as per the costs at Programme Management Office outline business case stage (approved April 2022). These costs will be revisited again once we have an updated feasibility and programme
HRA Total	(3.037)	(2.750)	(0.287)	-	-	-	
Regeneration							
Becket Well Regeneration	(0.200)		(0.200)				Following a review of the allocation of professional fee estimates (internal and external) to complete the delivery of both schemes at Becketwell, it is necessary to transfer £0.2m from the phase 1 budget to the Becketwell Performance Venue scheme to align budgets with forecast future costs
MRC Midlands (NAMRC)	(0.250)	(0.250)					The final account is likely to be very early in the new financial year, therefore, the contingency amount requires slipping to 2023/24 as a prudent measure at this stage to provide provision for any calls on this amount, although none are expected at this stage
Market Hall Refurbishments - Phase 2	5.167				5.167		Funding identified for Phase 2 in March 2022 Cabinet report, however profiling was not known at that point. Included here to add profiling of approved additional budget for 2022/23.
Ascend Capital	(1.000)	(1.000)					The scheme was launched in July 2021 and the Council have seen a significant upturn in enquiries since. We anticipate the majority of businesses accessing the revenue stream of Ascend first to support the formulation of a detailed growth plan which in a number of cases will identify a capital funding need and subsequent loan ask. It is also worth noting that after initial approval by our selection panel businesses have to complete a detailed due diligence & contracting process before they can draw down the funds. This often takes several months to be completed which means new applications that come through now are unlikely to draw down their funds until much later in the process
Eastern Gateway	(1.882)	(1.882)					There has been slippage within the Eastern Gateway work plan and related co-funding expenditure to enable appropriate due diligence, review of options and design, further impacted by rising construction costs placing demands on delivering a viable fully funded development appraisal. The reprofiled spend has been reported to Department for Levelling up, Housing and Communities (DHLUC) with regard to the Future High Streets Fund (FHSF) grant which has a spend deadline of 31 March 2024
Regeneration Total	1.835	(3.132)	(0.200)	-	5.167	-	
Total Major Variance	(0.011)	(5.882)	(0.832)	-	6.703	-	
Other Variances							
Delegated approval changes plus outturn slippage	13.721	(0.106)	(7.230)		21.057		See Appendix 4
Variance less than £200k	0.532	(0.227)	0.076		0.503	0.180	See Appendix 5 which outlines all changes requiring approving this Qtr.
Other Variances Total	20.441	(0.333)	(7.154)	-	21.560	0.180	
TOTAL	14.242	(6.215)	(7.986)	-	28.263	0.180	

Changes to capital programme under delegation

Strategy Area and Scheme	Latest Approved Capital Programme Budget 2022/23 £m	Revised Capital Programme Budget 2022/23 £m	Change £m	Category
Property Improvement				
Arboretum Park	-	0.032	0.032	A
Chellaston Brickwork Improvements	0.009	0.008	(0.001)	R1
St Mary's Broadwalk	0.096	0.095	(0.001)	R1
Stockbrook Street Recreation Ground	-	0.024	0.024	A
MEND	1.250	2.000	0.750	A
Total Delegated to Property Improvement	1.355	2.159	0.804	
Schools Programme				
SEND Provision - Schools	0.834	0.353	(0.481)	R2
Ivy House Special School - SEND Funding	-	0.240	0.240	R2
Kingsmead Special School - SEND Funding	-	0.241	0.241	R2
Devolved Formula Cap	0.286	0.388	0.102	A
Buildings at Risk urgent condition and suitability schemes	0.060	-	(0.060)	R1
School Condition work & place planning requirements funding pot	1.200	-	(1.200)	R1
Fellows Lands Way Primary s106	0.900	4.348	3.448	A
Ashgate Primary School - External Area Feasibility	-	0.070	0.070	A
Becket Primary - Heating System Feasibility	0.003	0.258	0.255	A
Becket Primary - Renew Flat Roof Feasibility	0.003	0.322	0.319	A
Dale Primary - Window Phase 2 Feasibility	0.001	0.258	0.257	A
Gayton School - External Area Feasibility	-	0.083	0.083	A
Kingsmead School - Renew Fire Doors	0.001	0.085	0.084	A
Littleover Community School - Roof Feasibility	0.001	0.276	0.275	A
Littleover Community School - Windows Feasibility	0.002	0.105	0.103	A
Murray Park - Heating System Feasibility	0.003	0.054	0.051	A
Oakwood Infant - Fire Doors Feasibility	0.001	0.131	0.130	A
Bemrose Secondary School - Dining Block Boiler	-	0.139	0.139	A
Parkview Primary - Replacement Boiler	-	0.229	0.229	A
Silverhill Primary - Roofing	-	0.355	0.355	A
Peartree Infant - Window Replacement	-	0.176	0.176	A
Shelton Junior School - Fire Risk Assessment Works	-	0.099	0.099	A
Silverhill Primary School - Fire Risk Assessment Works	-	0.127	0.127	A
Noel Baker Academy - Two New Teaching Blocks	-	0.150	0.150	A
Total Delegated Schools	3.295	8.487	5.192	

Strategy Area and Scheme	Latest Approved Capital Programme Budget 2022/23 £m	Revised Capital Programme Budget 2022/23 £m	Change £m	Category
Highways and Transport Programme				
Integrated Transport Programme - smaller scheme	1.000	0.015	(0.985)	R1
Asset Management - Highways Maintenance	3.725	5.458	1.733	A
Asset Management - Structures Maintenance	0.862	1.408	0.546	A
Asset Management - ITS Network Management Maintenance	0.920	0.862	(0.058)	A
Network Management - Strategic Network Management	0.056	1.265	1.209	A
Network Management - Local Traffic Management	0.417	1.506	1.089	A
Network Management - Casualty Reduction	0.117	0.164	0.047	A
Active Travel - Pedestrian Accessibility	0.039	0.152	0.113	A
Active Travel - Cycle Derby	0.421	0.446	0.025	A
Public Transport - Public Transport	-	0.724	0.724	A
Street Lighting LED Replacement	0.450	0.756	0.306	A
Asset Management - Land Drainage & Flood Defence	0.067	1.125	1.058	A
Highways Infrastructure	0.402	1.166	0.764	A
Kingsway Roundabout	-	0.600	0.600	A
Outram - Derby River Boat	-	0.151	0.151	A
Air Quality Improvement Project	1.745	2.013	0.268	A
Future Transport Zone	0.156	2.721	2.565	A
S31 - Emergency Active Travel Fund	0.468	0.508	0.040	R2
Total Delegated Highways and Transport	10.845	21.040	10.195	
Corporate Regeneration				
Provision for Future Investments	20.970	19.020	(1.950)	R1
Total Delegated to Corporate Resources	20.970	19.020	(1.950)	
Regeneration				
Smartparc	2.747	2.681	(0.066)	S
Derby Enterprise Growth Fund - Recycled	0.277	0.577	0.300	A
MRC Midlands (NAMRC)	13.382	14.128	0.746	A
Carbon Reduction Fund	1.550	1.437	(0.113)	R1
Regeneration Capital Loans	-	1.250	1.250	A
Performance Venue - Project Assemble	5.290	1.700	(3.590)	R1
Total Delegated to the Regeneration Programme	23.246	21.773	(1.473)	
ICT				
Major IT Systems Developments	2.416	2.116	(0.300)	R1
Total Delegated to ICT	2.416	2.116	(0.300)	
Vehicle, Plant & Equipment				
Raynesway Skips	-	0.250	0.250	A
Urban Forest	-	0.113	0.113	A
Total Delegated Housing General Fund	-	0.363	0.363	

Strategy Area and Scheme	Latest Approved Capital Programme Budget 2022/23 £m	Revised Capital Programme Budget 2022/23 £m	Change £m	Category
Housing General Fund				
Imari Park Travellers Site	-	0.070	0.070	R2
Garden Village	-	0.800	0.800	R2
Total Delegated Housing General Fund	-	0.870	0.870	
Flood Defence				
Local flood alleviation scheme	0.250	-	(0.250)	R2
Dale Road Park SuDS	-	0.240	0.240	R2
Previsico - Flood Defence Software	-	0.010	0.010	R2
Total Delegated Flood Defence	0.250	0.250	-	
HRA Programme				
Berwick Avenue	0.165	0.175	0.010	R1
Chesapeake - NB	1.200	1.190	(0.010)	S
Whitaker Street	0.330	0.300	(0.030)	S
Brentford Drive - HRA	-	0.050	0.050	R1
Total Delegated HRA	1.695	1.715	0.020	
Total Net Changes	64.072	77.793	13.721	

Further changes to the capital programme

Summary of Further Changes to the Capital Programme 2022/2023	Latest Approved Capital Programme Budget 2022/23 £m	Revised Capital Programme Budget 2022/23 £m	Change £m	Category
Highways & Transport				
Asset Management - Highways Maintenance	5.458	7.577	2.119	A 1.536m R2 0.603m
Highways Infrastructure	1.166	0.506	(0.660)	R2
Asset Management - Land Drainage & Flood Defence	1.125	1.275	0.150	R3
Air Quality Improvement project	2.013	1.745	(0.268)	R1
Total Changes to Schools	9.762	11.103	1.341	
Flood Defence				
Cuttlebrook Flood Alleviation Scheme	0.335	0.185	(0.150)	R3
Total Changes to Flood Defence	0.335	0.185	(0.150)	
Property Improvement				
Chellaston Community Centre	0.039	0.180	0.141	R1 (0.039m) A 0.180m
South Avenue Park	-	0.100	0.100	A
Total Changes to Property Improvement	0.039	0.280	0.241	
Housing General Fund				
Disabled Facilities Grant 96 Act	1.876	1.999	0.123	A
Home Energy Improvements	0.526	0.406	(0.120)	R2
Performance Venue - Padley Centre	0.052	0.232	0.180	R2
New Housing Homelessness Service Centre	0.180	-	(0.180)	R2
Green Home Grant Local Authority Delivery - Phase 2	0.762	0.882	0.120	R2
Carelink Equipment	0.176	0.276	0.100	A
Total Changes Housing General Fund	3.571	3.794	0.223	

Summary of Further Changes to the Capital Programme 2022/2023	Latest Approved Capital Programme Budget 2022/23 £m	Revised Capital Programme Budget 2022/23 £m	Change £m	Category
Regeneration				
Infinity Park Derby (IPD) Programme	-	0.180	0.180	S Bfwd
Performance Venue	1.000	0.850	(0.150)	R1
Becketwell Performance Venue Fees	0.178	0.278	0.100	R2
Becketwell Area Regeneration contingency	0.127	-	(0.127)	S
Becket Well Regeneration	2.075	1.875	(0.200)	R2
Market Hall Refurbishments - Phase 2	0.377	5.544	5.167	R1
MRC Midlands (NAMRC)	14.128	13.878	(0.250)	S
Ascend Capital	1.645	0.645	(1.000)	S
Eastern Gateway	3.082	1.200	(1.882)	S
Total Changes to the Regeneration Programme	22.612	24.450	1.838	
HRA Programme				
Oakland Avenue	0.100	-	(0.100)	S
Cummings Street Car Park	0.550	0.715	0.165	R1
Kitchens and Bathrooms	4.225	4.025	(0.200)	R1
Solid Wall Installation	1.800	1.488	(0.312)	R1
The Knoll NB	0.250	0.050	(0.200)	S
Barlow Street	1.000	0.750	(0.250)	S
HRA Fire Safety	0.250	0.500	0.250	R1
Crompton Street	0.600	0.400	(0.200)	S
The Grange	2.000	0.400	(1.600)	S
Elmwood	0.270	-	(0.270)	S
Green Homes Grant Programme	0.855	0.435	(0.420)	R1
Falcon - HRA	0.270	0.040	(0.230)	S
Warwick House - HRA	-	0.395	0.395	R1
Total Changes HRA	12.170	9.198	(2.972)	
TOTAL CHANGES TO PROGRAMME	48.490	49.011	0.521	

Key of Categories	Category
Additional schemes from new funding secured	A
Scheme increase funded by previous years' reserves income	A1
Re-phasing	S
Profiling of New additional spend approved	P
Other Adjustments - Scheme Reductions/Increases	R1
Re-allocated Within Departments Programme	R2
Re-allocated To Different Departments Programme	R3