

Meeting of the Cabinet – 25th October, 2023

Joint Report of the Chief Executive and Director of Finance and Legal

Revenue Monitoring 2023/24

Purpose

1. To report the forecast 2023/24 General Fund revenue outturn position.

Recommendations

2. That Cabinet:
 - Note the forecast General Fund revenue outturn position for 2023/24 and the effect on General Balances at 31st March 2024.
 - Note progress with delivery of savings as set out in Appendix B.
 - Agree the outline of spending controls set out in Appendix C and delegate authority to the Chief Executive and the Director of Finance and Legal to refine these controls as required.

Background

3. At 31st March 2022 our unringfenced revenue reserves as a proportion of net revenue spend were 19%. The average¹ for all Metropolitan Councils at the same date was 55%. Calculated on the same basis, our position at 31st March 2023 was still 19%. Comparisons with other councils are not yet available.

¹ The percentage quoted is based on the Median average of all Metropolitan Councils

Forecast Revenue Outturn 2023/24

4. On 6th March Council set the 2023/24 budget. The budget was amended by Council on 10th July. The latest forecast performance against the amended budget is summarised below:

Directorate	Latest Budget £m	Outturn £m	Variance £m
Chief Executive	6.7	6.9	0.2
Adult Social Care	110.7	117	6.3
Children's Services	82	84.8	2.8
Health and Wellbeing	2.7	2.7	0
Finance and Legal	14.2	14.9	0.7
Digital, Commercial and Customer Services	16.6	16.6	0.0
Housing and Communities	48.7	51.6	2.9
Public Realm	2.5	2.4	(0.1)
Regeneration and Enterprise	14.4	17	2.6
Corporate, Treasury and Levies	13.9	8.6	(5.3)
Total Service Costs	312.4	322.5	10.1
Total Resources	(307.3)	(307.3)	0.0
Use of Balances	5.1	15.2	10.1

5. Appendix A gives further detail of forecast performance at service level. Appendix B summarises delivery on savings previously agreed. The significant reasons for budget variances are summarised as follows:

- Net staff savings from vacancies net of additional pay award (£12.2m).
- Additional cost of agency staff £9.5m.
- Additional cost of Adults' and Children's care packages due to demand and price £9.8m.
- Adverse trading activity £2.8m.
- Utilities £1.5m.
- Home to School Transport £1.0m.
- Energy from Waste adverse variance £0.8m.
- Transport £0.6m.
- Property £0.4m.
- Legal fees £0.4m.

- Release of contingency held mainly for revaluation of Business Rates adjustment released (£3.3m).
- One off income from Enterprise Zone / LEP and Black Country Consortium (£1.2m).
- Triennial pension overpayment recovery (£0.9m).
- Other net pressures £0.9m.

6. The Cabinet should note that this is a significant adverse variance with severe implications for the ongoing Medium Term Financial Strategy. The immediate impact on the General Fund is outlined below.

	Budget £m	Latest Position £m
Forecast balance 31 st March 2023	20.8	20.8
2022/23 outturn (as reported to July Cabinet)		1.0
General Fund Balance at 31st March 2023	20.8	21.8
Planned use of Reserves approved by Council March 2023	(4.2)	(4.2)
Planned use of Reserves approved by Council July 2023		(0.9)
Adverse Forecast 2023/24 outturn		(10.1)
Forecast General Fund Balance at 31st March 2024	16.6	6.6

7. We are currently working on the Medium Term Financial Strategy for 2024/25 onwards. This is work in progress. We have updated our financial modelling to take account of the ongoing effects of budget changes made by Council in July, updated pay, inflation and interest forecasts and the ongoing effect of the spending pressures outlined above. We have factored in improved forecasts of Business Rates and for next April the maximum Council Tax increase that we expect to be permitted without a referendum (4.99%). We have also built in assumptions about potential areas for savings. We have not changed our previous assumptions about government grants. The resulting forecast indicates a significant risk that the General Fund reserve could be exhausted within the next one to two years, if action is not taken.

Dedicated Schools Grant

8. The majority of Special Education Needs and Disability (SEND) services are met from the High Needs Block within the Dedicated Schools Grant (DSG). As previously reported, we (in common with many other councils) have been experiencing significant financial pressures from increasing demand for children that require additional educational support. Dudley is part of the 'Delivering Better Value in SEND programme' (DBV) that aims to support local authorities to improve delivery of SEND services for children and young people while ensuring services are sustainable.
9. Notwithstanding the high-level recovery plan that has been agreed, there is a forecast cumulative deficit of £34.3m on the High Needs Block, resulting in an overall DSG deficit at 31st March 2024 of £31m. The Government has regulated temporarily to ensure that this pressure does not impact the General Fund and has confirmed that this statutory override will be extended for a further three years to 31st March 2026. If the statutory override is not extended, then this further compounds the risk that the Council's General Fund will be exhausted.

External Audit

10. In July, the External Auditors (Grant Thornton) issued their Annual Audit Plan 2022-23. In this report they commented on the Council's financial position and on the budget amendments to be considered by Cabinet on 6th July and Council on 10th July. They stated that they were minded to consider that these represented weaknesses both in financial sustainability and governance. They are currently finalising their Annual Auditor's Report covering the two years 2021/2022 and 2022/23 and this is expected to be received shortly.

Spending controls

11. In view of the position set out above, it is proposed that Cabinet approve the immediate introduction of spending controls to reduce the deficit in the current financial year and the ongoing impact on future years. It is proposed that these controls be reviewed after each financial year end, but remain in place at least until the Council's unringfenced reserves return to a level of 20% of net revenue spend.

12. The proposed controls are outlined in Appendix C. They are designed to minimise spending except where an exemption applies. The exemptions are designed to maintain essential services and the Council's ability to function. Where exemptions do not apply, it is inevitable that there will be an impact on the quality of services. It is proposed that the application of exemptions will be reviewed by the Improvement Delivery Board to be set up following the recent Corporate Peer Review. It is further proposed that authority be delegated to the Chief Executive and the Director of Finance and Legal to refine these controls as required to facilitate their implementation.

Finance

13. In the Section 25 report to Council on 6th March, the Director of Finance and Legal stated: "The financial reserves that will remain available to the Council as a result of agreeing the proposals contained in this report are adequate to enable the setting of a lawful budget for 2023/24. Although adequate to set a lawful budget for 2023/24, reserves are low by comparison with other councils. The rate of Council Tax (and as a result the level of spending) is also low compared to other councils. Forecasts already build in the maximum increase in Council Tax without a referendum for 2023/24. There are significant risks to the forecast and Members should note that, if these risks materialise, there could be a need to reduce spending plans and/or raise additional income in order to avoid imprudent reductions to the level of reserves. This would be challenging in view of the context set out above."
14. The Council's finances have further deteriorated since the statement set out above. The position does not, in the opinion of the Director of Finance and Legal, currently require a formal report under Section 114 of the Local Government Finance Act 1988. However, there is a risk that such a report will be required in the next one to two years if action is not taken to control expenditure.

Law

15. The Council's budget setting process is governed by the Local Government Finance Acts, 1988, 1992, and 2012, and the Local Government Act 2003.

Risk Management

16. The Corporate Risk Register recognises the risk that the Council may be unable to set and/or manage its budget so as to meet its statutory obligations within the resources available. This risk is allocated the highest possible rating of 25.

Equality Impact

17. There are no direct Equality issues arising from this report.

Human Resources / Organisational Development

18. The proposed spending controls include controls over recruitment.

Commercial / Procurement

19. The proposed spending controls include controls over the letting of contracts.

Environment / Climate Change

20. There are no direct climate issues arising from this report.

Council Priorities and Projects

21. The aspirations of the Council Plan can only be delivered if the Council is financially sustainable.

A handwritten signature in blue ink, appearing to read 'K O'Keefe', with a long horizontal stroke extending to the right.

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Kevin O'Keefe
Chief Executive



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Iain Newman
Director of Finance and Legal Services

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List of Background Papers

General Fund Revenue Forecast Outturn 2023/24

	Latest Service Budget £'000	Forecast £'000	Variance £'000	Comment
Chief Executive	6,675	6,904	229	
People and Inclusion	3,040	2,961	(79)	Staff car park permits (£55k), other net savings (£24k).
Communications and Public Affairs	1,000	1,096	96	Events £96k
Chief Executives Office	2,635	2,847	212	Salary costs £156k, and non pay pressures £56k.
Adult Social Care	110,723	117,037	6,314	
Dudley Disability Service	53,522	57,113	3,591	Bedbased pressure £1295k (arising from 4 long term placements £545k and £750k of short term placements), Community Services pressure of £2793k (arising from 115 extra clients and +£70 pw increase in costs), backdated Business Rates at Ladies walk £219k. Offset by net staff savings (£716k).
Assessment and Independence	42,834	44,605	1,771	Additional 437 clients £2375k, and other net pressures £117k. Offset by net salary savings (£204k), and additional client income (£517k).

	Latest Service Budget £'000	Forecast £'000	Variance £'000	Comment
Access & Prevention, adults commissioning, Performance & complaints	9,906	9,751	(155)	Shortfall on Telecare income and additional staffing £84k, offset by net staffing savings within division (£239k).
Adult Safeguarding & Principal Social Worker	1,828	1,594	(234)	Net salary savings (£234k).
Integrated Commissioning	4,329	4,329	0	
Other ASC	(8,238)	(8,267)	(29)	Net Salary savings (£29k)
Adult Mental Health	6,542	7,912	1,370	Supported living £818k, Residential care £558k, other care costs £189k, offset by net salary savings (£195k).
Children's Services	81,958	84,762	2,804	
Adolescent Safeguarding	4,465	4,395	(70)	Net salary savings (£70k).
Family Safeguarding	5,955	5,737	(218)	Net salary savings (£218k).
Through Care	41,653	43,431	1,778	External Residential Placements £1,400k, Fostering £238k, Legal fees £156k, Transport £65k, offset by other net savings (£81k).
Front Door and Partnerships	2,673	2,776	103	Agency costs £103k.

	Latest Service Budget £'000	Forecast £'000	Variance £'000	Comment
Safeguarding Practice & QA	3,347	3,358	11	Other net pressures £11k.
Other Children's Services	2,293	2,501	208	Agency and temporary staff £208k.
Family Solutions	8,116	7,795	(321)	Use of grants to fund staffing activity (£321k).
Lead for Education Outcomes	8,927	10,090	1,163	Home to School Transport £1000k, School Improvement Officers £80k, other net pressures £83k.
Children's Disability Service and SEN Team	4,529	4,679	150	Direct payments £88k, other net pressures £62k.
Health and Wellbeing	2,641	2,695	54	
Communities and Healthy Places	403	403	0	
Environmental Health and Trading Standards	3,196	3,258	62	Legal fees 53k, other net pressures £9k.
H&W other	-958	-966	(8)	Other net savings (£8k).
Finance and Legal Services	14,181	14,835	654	
Law and Governance	5,015	5,675	660	Elections £200k, members allowances £83k, net cost of locums within legal £350k, other net pressures £27k.
Financial Services	6,742	6,787	45	Legal fees £45k.

	Latest Service Budget £'000	Forecast £'000	Variance £'000	Comment
Revenues and Benefits	1,808	1,757	(51)	Discretionary council tax discount £110k, other net pressures £94k, offset by release of reserves (£255k).
Audit and Risk Management	427	402	(25)	Net staff savings (25k).
Data Protection and Information Governance	189	214	25	Software licence £12k and salary costs £15k, offset by Traded service income (£2k).
Digital, Commercial and Customer Services	16,623	16,611	(12)	
Commercial	210	211	1	
Procurement	617	617	0	
Libraries	4,257	4,266	9	Legal fees.
Digital Customer Services	4,034	3,873	(161)	Net staff saving (£196k), various contractual pressures £66k and other net savings (£31k).
Technology Systems and Services	7,604	7,665	61	Net staffing savings (£40k), dilapidation one off pressure £24k, £60k pressure on contracted spend and other pressures £17k
DCCS other	-99	(21)	78	Shortfall of traded service income £71k and other net pressures £7k
Environment	48,731	51,660	2,929	
Waste & Transport Operations	10,984	11,962	978	Staffing £425k (of which pay award £225k, agency / sickness cover £1,600k, offset by vacancies (£1,400k)). Favourable Income

	Latest Service Budget £'000	Forecast £'000	Variance £'000	Comment
				(£100k); (of which Dry recycling plastics (£60k), vehicle sales (£40k)). Transport; Contracted out work £350k, increased costs of capital £150k, spot hire £115k, vehicles repairs £21k, bags and boxes £40k, barrier works £29k other net pressures of £118k which is mainly vehicle rechargeables offset by fuel savings (170k).
Energy, Sustainability and Climate Change	6,739	7,744	1,005	Staff saving (£48k), Energy from Waste £823k (of which PPA income shortfall £694k, Commercial waste income (£87k), EfW R&M cost £1441k, Increased fire suppression cost £91k, release of disputed dilapidation provision (£243k), avoided landfill costs (£320k), reduced payments to contractor due to lower income (£252k), reduced insurance premiums (£221k), release PPA reserve (£280k)). Household Waste Recycling Centre contract uplift inflation £150k, Pop up recycling £80k.
Neighbourhood Services	11,950	12,206	256	Net staffing savings (£775k), shortfall in pay and display income £103k, Street fines £653k, season tickets £50k, street scene income £43k, staff and council funded passes £117k, equipment £91k, other (£26k).

	Latest Service Budget £'000	Forecast £'000	Variance £'000	Comment
Transport & Highways Services	19,058	19,748	690	Net staff savings (£579k), offset by utilities £453k, under utilisation of in house staff £589k, potholes £152k and other pressures £75k.
Housing and Communities	2,507	2,422	(85)	
Maintenance	(80)	(51)	29	Under recovery of staff time £29k.
Community Safety	1,276	1,180	(96)	Maximising use of grants (£96k).
Housing Strategy	814	810	(4)	Other net saving (£4k).
Housing Options	290	290	0	
Housing Assets & Development	207	193	(14)	Net staffing savings (£14k).
Regeneration and Enterprise	14,418	16,967	2,549	
Culture, Leisure & Bereavement Services	236	1,536	1,300	Bereavement £374k (of which utilities £165k, shortfall of income £204k, other £5k). Halls, Himley, Market & Museums +£267k (of which net staffing costs £40k, Utilities 69k, shortfall of income £150k, other £8k). Leisure Centres £523k (of which £324k net staff costs, utilities £394k, other supplies & services +£72k, increased income (£267k)). Executive Support +£136k (of which net cost of interims +£160k, less other s&s savings (£24k)).

	Latest Service Budget £'000	Forecast £'000	Variance £'000	Comment
Planning	1,920	2,192	272	Net staff savings (£143k) offset by income shortfall £262k, consultants and other pressures £153k
Economic Growth & Skills	2,346	1,393	(953)	One-off windfall re Black Country Legacy funds (£555k), maximising Adult and Community Learning external funding (£200k), Other favourable variance being mainly Enterprise Zone budget (£198k).
Corporate Landlord Services	7,499	9,379	1,880	Catering Commercial £591k (of which Staffing £99k, external income £787k, provisions (£259k), other (£36k)). Catering & Cleaning Other £372k (of which Staffing (229k), internal income £590k, external income £289k, catering provisions (£209k) other (£69k)). Property £917k (of which Staffing (£104k), utilities £321k, Admin buildings including churn costs £220k, Construction and Design fees shortfall £163k, other internal income £98k, voids and NNDR £134k, Facility management £30k, CCTV £40k, external income £15k).
Projects and Placemaking	901	951	50	Other net pressures £50k
Regeneration Projects	1,516	1,516	0	

	Latest Service Budget £'000	Forecast £'000	Variance £'000	Comment
Corporate & Treasury	13,918	8,597	(5,321)	
Treasury	19,860	19,595	(265)	Lower borrowing costs and Minimum Revenue Provision due to slippage and lower interest rates (£1.255m) offset by higher HRA balances on usable reserves and high interest rates £0.829m. Higher interest rates paid on trust balances and adverse variances on internal balances £0.161m.
Levies	15,020	14,369	(651)	Reduced share of Transport Levy (£51k), Surplus due to latest profile re EZ modelling of the Black Country (£600k)
Corporate	(20,962)	(25,367)	(4,405)	BR revaluation contingency released (£3,013k), Pensions GF Over Recovery (£942k), general contingency released (£334k), other (£116k).
Total Service Costs	312,375	322,490	10,115	
Total Funding	(307,271)	(307,271)	0	
Use of Balances	5,104	15,219	10,115	

Appendix B

Delivery of Savings in current MTFS

2022/23 Savings		2022/23 £'000	Feb 23 Cabinet	Latest Update 2023
Adults	Review and update the charging policy for transport	60	In progress	Delivered
Chief Executive	Income from Boundary signs	40	In progress	Delivered
Regen & Enterprise	Halls - net increase in income from ticket sales, bar, and food as a result of increased number of shows following additional capital investment per recent Business Case	100	In progress	In progress
Regen & Enterprise	Bring bars back in-house for Stourbridge Town Hall & Cornbow Hall	10	In progress	In progress
Total		110		

2023/24 Savings		2023/24 £'000	Latest update
Adults	Income generation through fairer cost policy change, financial reviews and implementing charge on first day of confirmation permanent stay in a care home	30	Delivered
Adults	Increase in joint funding agreements	600	In progress
Adults	Transformation of service structures	370	In progress
Adults	Application of eligible grant funding to support services	50	In progress
Adults	Deploy pre-payment cards and apply new approaches to the financial oversight of Direct Payments	100	In progress
Adults	Review, assessment, and appropriate financial packages of care	230	In progress
Adults	New bed based banding framework	120	Delivered
Adults	Increase charges to Private residents for Telecare services	130	In progress

2023/24 Savings		2023/24 £'000	Latest update
Adults	Introduce charges to Council tenants for Telecare services	130	In progress
Adults	Reduce the Creative Support contract by 50% when current extension ends	160	Delivered
	Total	1,920	
Children's	Efficiency savings - review of expenditure budgets for low/medium risk areas inclusive of car mileage (post lockdown), supplies and services, premises, and a review of terminated pension agreements. Staffing savings arising from vacancy review	350	Delivered
Children's	Youth Justice Service - reorganisation following changes to service delivery	90	Delivered
Children's	Redirection of grant funding via partnership delivery to support Early Help	40	Delivered
Children's	Cessation of voluntary sector contract	30	Delivered
Children's	Education Business Partnership - vacancy review	30	Delivered
Children's	Families Come First - prior year growth funding released now service embedded	110	Delivered
Children's	Efficiency as a result of implementing market forces and avoiding excessive use of agency staff	100	Delivered
	Total	750	
CEX	Vacancy management in HR&OD	60	Delivered
CEX	Remove vacant Corporate PMO & Performance Support Assistant post	30	Delivered
	Total	90	
DCCS	Removal of ADSL on completion of Fibre Optic installations	10	Delivered
DCCS	Not recruiting a role on digital and a role in technology	70	Delivered
DCCS	Reduction in printing costs	30	In progress
DCCS	Reduction in print and mailing costs	30	In progress
DCCS	Virtualisation and consolidation of servers	30	Delayed

2023/24 Savings		2023/24 £'000	Latest update
DCCS	Advancing to E5 Technology provides the most advanced functionality of Microsoft Office applications and additional security, giving an opportunity to rationalise other applications that are no longer required	100	In progress
	Total	270	
F&L	Reduced costs of self-insurance	100	Delivered
F&L	Vacancy management in Revenues and Benefits	80	Delivered
F&L	Adjust Members' Allowance budget to reflect entitlement to no more than one responsibility allowance	50	Delivered
	Total	230	
H&W	Continued work on Public Health Grant funded substance misuse preventative measures, to reduce use of rehabilitation beds.	100	Delivered
	Total	100	
H&C	Staff costs to be met from Homelessness grants.	40	Delivered
H&C	Reduce abortive fees for Disabled Facilities Grants	10	Delivered
H&C	Reduce costs incidental to Disabled Facilities Grants	20	Delivered
	Total	70	
ENV	Review Depot security	40	Unachieved
ENV	Parking - Review of charges (free hours remain)	140	Unachieved
ENV	Utilise Symology as the IT system for Street Lighting and end the contract with Mayrise as from 31st March 23	10	Delivered
ENV	Review of current free surface car parks	40	Reversed July 2023
ENV	Street Lighting Energy- Invest to save proposal, LED lighting across the Borough	140	In progress
ENV	Efficiencies for MOT's	50	In progress
ENV	Stores review	170	Delivered
ENV	Fleet review	150	In progress

2023/24 Savings		2023/24 £'000	Latest update
ENV	Energy For Waste arrangements	2,000	In progress
ENV	Review of parking enforcement	100	Unachieved
ENV	Reducing Market Saturday Rounds from 2 to 1	10	Delivered
ENV	Savings from not deploying waste to HWRC	200	Delivered
ENV	Trade Waste - Round Optimisation	50	Delivered
ENV	Review of Green Care working practices.	80	Delivered
ENV	Savings from Directorate Restructure phase 1	30	Delivered
ENV	Depot review - Blowers Green	10	Delivered
ENV	Street Lighting efficiency review	70	Delivered
ENV	Changes to standby/call out arrangements for winter gritting	20	Delivered
ENV	Review of HWRC operating hours	210	Reversed July 2023
	Total	3,520	
R&E	Review and reduction in cleaning consultancy services	20	In progress
R&E	Dell Stadium - to implement price changes from September 2022	30	Delivered
R&E	Saving of annual subscription to the Black Country Consortium as a result of the winding up of the BCLEP/BCC	50	Delivered
R&E	Leisure Centres - savings	560	Delivered
R&E	Himley - net increase in car park income and secondary spend due to increased visits as a result of the installation of Play Area.	70	Unachieved
R&E	Halls - net increase in income from ticket sales, bar and food as a result of increased number of shows following additional capital investment of £550k	50	Unachieved
R&E	Estate rationalisation - Regent House Dudley	100	Delivered
	Total	880	

2023/24 Savings		2023/24 £'000	Latest update
	Grand Total	7,830	

Where savings have been partly implemented or delayed, the financial impact is reflected in the 2023/24 outturn forecast in Appendix A or is being met from directorate earmarked reserves.

Spending Controls

1. The following controls are designed to minimise spending except where an exemption applies. The exemptions are designed to maintain essential services and the Council's ability to function.
2. The controls apply to all funds of the Council, both revenue and capital. They apply even where a budget has been approved by Council and that individual budget line has not been overspent.
3. Default restrictions on spending are as follows (except where an exemption applies):
 - No new contracts should be let.
 - Existing contracts not to be extended beyond their end date or next break point.
 - No discretionary spend should be incurred on existing contracts
 - Existing agency and interim contracts should be terminated.
 - Fixed term contracts of employment should be terminated at their end date or next break point.
 - External recruitment should be frozen.
4. For an exemption to the above restrictions to apply, one or more of the following conditions must be met and options for more cost-effective methods of delivery should have been properly considered:
 - The expenditure (including any whole life cost) is funded from grant with no council match funding.
 - The expenditure generates a surplus.
 - The expenditure is for an essential service (with the definition that delivery of that service at that level is likely to be enforceable by a court).
 - The expenditure directly supports an essential service.
 - There is a clear case that the expenditure prevents a higher cost essential service.
 - The expenditure is essential to the good governance of the Council.
5. Exemptions in relation to recruitment, agency, interim and to all other contracts over £50k will be reviewed by the Improvement Delivery Board.