

# Title of report: Quarter 2 Budget and Performance

**Meeting: Cabinet**

**Meeting date: Thursday 24 November 2022**

**Report by: Cabinet member finance, corporate services and planning**

## **Classification**

Open

## **Decision type**

Non-key

## **Wards affected**

(All Wards);

## **Purpose**

To review performance for Quarter 2 2022/23 and the forecast budget outturn for the year.

To provide assurance that progress has been made towards delivery of the agreed revenue budget and service delivery targets, and that the reasons for major variances or potential under-performance are understood and are being addressed to the cabinet's satisfaction.

The forecast 2022/23 outturn shows a net overspend of £8.7 million after the use of reserves and recovery plan.

The proportion of performance measures showing an improvement, or remaining the same compared to the same period last year is 64%. At the end of the quarter, 82% of actions from the delivery plan are identified as complete or are progressing within planned timescales.

## **Recommendation(s)**

**That:**

- a) Cabinet review performance and financial forecast for year 2022/23, as set out in the appendices A-E, and identifies any additional actions to be considered to achieve future improvements.**

## Alternative options

1. Cabinet may choose to review financial, delivery and operational performance more or less frequently; or request alternative actions to address any identified areas of under-performance, including referral to the relevant scrutiny committee.

## Key considerations

### Revenue Budget

2. The latest outturn forecast for 2022/23 at the end of September 2022 is a potential cost pressure of £8.7 million after the use of reserves and recovery plan (£9.4 million at Quarter 1).
3. The table below sets out the cabinet portfolio position at the end of September 2022. Further service detail is available in appendix A.

#### Revenue Summary

		Gross Budget	Working Budget	Outturn	Variance	Planned Use of Reserves	Recovery Plan	Revised Variance	Q1 Outturn
		£000	£000	£000	£000	£000	£000	£000	£000
<b>Portfolio</b>	<b>Councillor</b>								
Health & Adult Wellbeing	Cllr Crockett	106,690	63,069	64,247	1,178		(713)	465	64,662
Children's and Family Services, and Young People's Attainment	Cllr Toynbee	54,859	48,016	55,178	7,161			7,161	54,673
Commissioning, Procurement and assets	Cllr Davies	24,600	17,706	18,615	909	(302)	(486)	121	17,818
Environment and Economy	Cllr Chowns	3,740	2,646	2,994	348	(298)	(50)	0	3,007
Housing, Regulatory Services and Community Safety	Cllr Tyler	4,818	1,469	1,702	233		(50)	183	1,652
Infrastructure and Transport	Cllr Harrington	20,142	9,444	9,199	(245)			(245)	9,349
Finance, Corporate Services and Planning	Cllr Harvey	22,879	13,344	15,366	2,022		(600)	1,422	14,244
Corporate strategy and budget	Cllr Hitchiner	1,586	791	644	(147)			(147)	752
<b>Portfolios</b>		<b>239,314</b>	<b>156,485</b>	<b>167,945</b>	<b>11,459</b>	<b>(600)</b>	<b>(1,899)</b>	<b>8,960</b>	<b>166,157</b>
Central, treasury management, capital financing & reserves		20,946	19,422	19,155	(267)			(267)	19,155
<b>Total Revenue</b>		<b>260,260</b>	<b>175,907</b>	<b>187,100</b>	<b>11,192</b>	<b>(600)</b>	<b>(1,899)</b>	<b>8,693</b>	<b>185,312</b>

4. The overall forecast indicates a potential cost pressure of £11.2 million (6.4% of budget). At this stage in the year, emerging costs pressures are still being validated however the underlying costs and demographic pressures will need to be managed and mitigating actions put in place to achieve a balance budget at the end of the financial year.
5. The table above indicates where there are in year plans to recover the forecast overspend and which will be funded from earmarked reserves. Whilst the impact of these one-off actions will reduce the outturn forecast for 2022/23 by £2.5 million to £8.7 million, it will be necessary to identify recurrent savings to address these cost pressures in future years.
6. The forecast overspend of £1.2 million in the Health and Adult Wellbeing Portfolio comprises net pressures within care provision budgets of £0.7 million and includes the impact of the 2022/23 pay award which has resulted in an additional pressure of £0.5m.
7. Children's and Family Services and Young People's Attainment is forecasting an overspend of £7.2 million at 30 September 2022. This overspend is largely explained by variances in Looked After Children of £5.2 million and Additional Needs of £1.1 million.
8. The forecast overspend in 2022/23 for Children's Placements is £4.3 million. The provision of children's social care continue to face increased demand and unit cost pressures and the level of overspend in the financial years from 2017/18 to 2022/23 is noted in the table below.

Focused activity in 2022/23 is underway to reduce the number of high cost placements and implement tighter controls to influence reductions in average placement cost.

						Forecast
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	£m	£m	£m	£m	£m	£m
Total Overspend in Year	2.4	2.1	1.4	5.1	3.5	4.3

9. The net £0.9 million overspend in Commissioning, Procurement and Assets comprises higher than anticipated waste collection costs of £0.3 million linked to contract inflation, revisions to the forecast rental income based on current activity levels and the impact of the 2022/23 pay award.
10. The forecast overspend of £0.3 million in Environment and Economy is explained by £0.2 million pressures arising from energy costs alongside costs associated with a £0.1 million Beryl bikes subsidy due to the cessation of grant funding.
11. The forecast £0.2 million overspend in Housing, Regulatory Services and Community Safety comprises cost pressures of £0.1 million in the Communications and Web presence budget and £0.1 million represented by reductions in income from Markets and Fairs and Gypsy and Traveller sites.
12. Infrastructure and Transport is forecasting an underspend of £0.2 million. This underspend comprises £0.1 million as a result of fixed costs for street lighting and grant reimbursement of £0.2 million offset by £0.1 million reduced car parking income.
13. Finance, Corporate Services and Planning is forecasting an overspend of £2.0 million at 30 September 2022. The most significant variances from budget are as a result of reduced planning applications of £0.5 million and staffing cost pressures across the portfolio. The impact of the 2022/23 pay award is an additional pressure of £0.2m.
14. The central, treasury management, capital financing and reserves £0.3 million underspend is detailed in appendix C and represents increased interest earnings on short term investments.

### Children's Improvement Plan Funding

15. At 30 September 2022, £3.5m of the £5.0m first tranche of the Children's Improvement plan funding, as approved by Cabinet in October 2021, has been spent. It is forecast that the first tranche will be fully spent by 31 October 2022 with a full year forecast of £11.4m against the total £11.5m budget.
16. An analysis of the expenditure to date is noted in the table below:

Revenue Item	Expenditure at 30 September 2022 £'000
CP Court Team	293
Assessment Team	371
Corporate Parenting Team	136
Fostering Team	198
Early Help Advanced Practitioners	1
Improvements Leads	50

IRO/CP Chairs	144
Signs of Safety	122
Auditors	487
Social Worker Academy	67
Service Managers	349
CiN Teams	642
Newly Qualified Social Workers	2
Managing Practitioners	153
2 Additional Project Teams Equinox	377
Social Worker (SEND)	7
Data & Systems Analyst	66
Commissioning Lead	31
Ofsted Investment	5
<b>Total Expenditure</b>	<b>3,501</b>

### Capital Budget

17. The original £99.1 million capital budget for 2022/23 has been revised to £65.4 million. This consists of £26.7 million 2021/22 carry forwards of unspent budget, other approved movements of £1.6 million and additional grants of £31.9 million. A summary breakdown is shown in the Table below.
18. An analysis of the reprofiling of project budgets in line with anticipated delivery is shown in Appendix B, Table C and this presents a reduction of £64.3 million.

	2022/23 Budget £'000	2023/24 Budget £'000	2024/25 Budget £'000	2025/26 Budget £'000	2026/27 Budget £'000	Total
February 2022 Council Approved Budget	99,094	90,546	44,901	-	-	234,541
Re-profile	(64,299)	(17,225)	37,139	42,984	1,400	0
Other approved movements	(5,951)	5,023	(705)	-	-	(1,633)
21/22 Carry Forwards	26,697	-	-	-	-	26,697
Additional Grants	9,902	16,691	4,852	239	170	31,854
<b>Revised Capital Budget</b>	<b>65,443</b>	<b>95,035</b>	<b>86,187</b>	<b>43,223</b>	<b>1,570</b>	<b>291,458</b>

19. The forecast spend position is £61.0 million which represents an underspend of £4.4 million against a budget of £65.4 million. Full details for each project are in Appendix B, Table A. This underspend consists of £3.3 million projects that are likely to deliver below the project budget and a further £1.1 million of budgets to be carried forward to 2023/24. These amounts represent budgets that may not be committed in this financial year for projects which are funded by grants or dependent upon the acquisition of land for housing and therefore budget is retained for delivery in future periods. The full capital programme analysed by project for current and future years can be seen in detail by Appendix B.

## Savings

20. The graph below shows the confidence in the delivery of savings planned for 2022/23. As can be seen below, at the end of September 2022, 92% of the savings agreed at Council in February 2022 are forecast to be achieved. This is based on £1.1m (69%) of the £1.6m savings for the year having already been achieved by the end of September 2022, and a further £0.4m on target to be achieved by the end of the year, leaving a total of £0.1m forecast as unlikely to be achieved.

Value of Savings £'000	Savings confidence
1,193	<b>Blue</b> Full savings have already been achieved (complete)
296	<b>Green</b> Forecast variance for the year is zero (or negative) but not yet fully achieved
134	<b>Red</b> Forecast is more than 10% away from target for the year
<b>1,623</b>	<b>Total Savings 2022/23</b>

21. The status of individual savings plans can be found in Appendix D, a summary of savings plan status per directorate can be found below:
- Community Wellbeing are set to deliver 100% of their £0.7m savings
  - Economy and Environment are due to deliver 68% of their £0.4m savings
  - Corporate have delivered 100% of their £0.5m savings
22. Where it has been identified there are risks to the delivery of savings alternative proposals are being developed in consultation with the Cabinet portfolio holders in preparation for the Quarter 3 Budget and Performance Report.

## Hoople Ltd Position and Performance at 30 September 2022

23. The financial position and performance of Hoople Ltd is reported at the company's quarterly Board Meeting. Membership on the company's Board by the council's s151 Officer and Leader ensures that management receive regular reports of the company's trading performance against budget, its financial position and key risks. The audited financial statements for the year ended 31 March 2022 were formally approved at the Hoople Ltd board meeting held on 13 October 2022.
24. The company's position at 30 September 2022 (Q2 of 2022/23) is a forecast loss of £31k, outstanding debtor balances of £252k (of which £221k is represented by debtor accounts raised within 30 days) and cash balances of £3.6 million. It is anticipated that savings will be identified to bring the outturn position back to the budgeted forecast of £75k profit for the 2022/23 financial year.

## Performance: Economy

25. All projects are now being captured in detail on delivery dashboard and progress monitored. Of the 23 activities of the delivery plan, 18 are on track (green), 2 are at risk (amber) and 3 are compromised (red).

26. 43% of measures have shown an improvement on the same point last year where comparison can be made. Where targets have been set, performance measures within the theme have met, or exceeded targets – there remains some work within the directorates to ensure all measures have targets established.
27. Cabinet approved the Herefordshire UK Shared Prosperity Plan Investment Plan at the end of July 2022 and submitted to government in early August 2022 seeking £6.6m of funds to support business, community and skills projects. We are awaiting the outcome of the submission.
28. The council submitted £43million of Levelling Up Fund bids to government at the start of August 2022 for a range of activity (following Cabinet approval in June 2022), including the development of Ross Enterprise Park, public realm enhancements in Ledbury and Leominster, a new transport hub and Active Travel Measures in Hereford.
29. Government approved the final stage Stronger Towns business case submissions for the Maylord Orchard Library and Leaning Resource Centre (£3m of £3.5m project grant), and Hereford and Art Gallery (£5m grant towards an £18m project).
30. The council have also committed significant funds to both of these projects which will play a key role in regenerating and re-shaping the city, including £0.5m to the Maylord Orchard Library and Learning Resource Centre and £8m to the Museum and Art Gallery project.

### **Performance: Environment**

31. Of the 26 activities (Projects) of the delivery plan, 21 are on track (green), 3 are at risk (amber), and 2 are compromised (red).
32. Over 80% of measures have shown an improvement on the same point last year where comparison can be made. Where targets have been set, 80% of performance measures within the theme have met, or exceeded targets – there remains some work within the directorates to ensure all measures have targets established.
33. Following development of the Citizens Climate Assembly Action Plan and subsequent approval and prioritisation of projects by Cabinet on 28 April 2022, the first 13 business cases have been approved and procurement for these projects is commencing; delivery to commence in the next few weeks with the majority starting in the new year and being delivered over the coming three years. 6 business case lights are still in development to be bought forward for approval.
34. The business case for a new retrofit programme to support 150 homes was approved as part of the Citizens Climate Assembly Action Plan; delivery of the pilot element will commence in Q3 – Q4 with the main programme to roll out during 2023.
35. Construction of the first wetland scheme in Luston is well advanced, with the bulk excavation and profiling work complete and the clay lining 90% complete. The remaining works will continue as weather allows. Planting of the required mix of phosphate-reducing plant species is ongoing, with two out of the three wetland cells now planted and growing; the final drainage installations are in progress, and the wetland is expected to start taking effluent from the waste-water treatment works during the latter half of November 2022; agreements with the Environment Agency and Dwr Cymru Welsh Water are largely complete and being finalised. The process of trading phosphate off-setting credits from this first wetland has begun, with assessment of offsetting need ongoing in connection with the first phase of eligible planning applications. Two further sites are at design stage, with one of these currently going through the planning process. Acquisition of the one site is complete, and is imminent for the next.

36. All four buildings that were earmarked for funding as part of the Sustainable Energy in Public Building projects have been cancelled due to numerous challenges – timescales, resident bats and lack of match funding. However, there is a further potential building in the pipeline (Ryefields) which is likely to progress; this is awaiting outcome of an asset review. Discussions with Halo have reopened, with a meeting planned for 7 November 2022.
37. Preparation, including communications, for replacement of the existing electric vehicle charge point network by new concessionaire Wenea was carried out in Q2; replacement commenced and due for completion in Q3. Plans for expansion of charge point network with Wenea ongoing during Q2. Additional funding for on street charge points secured through a consortium bid with Midlands Connect to the Government's 'Local Electric Vehicle Infrastructure scheme' with delivery to commence in 2023.

### **Performance: Community**

38. Of the 48 activities of the delivery plan, 3 has been completed (blue), 37 are on track (green), and 5 are at risk (amber), 3 are compromised (red).
39. 74% of measures have shown an improvement on the same point last year where comparison can be made (68% at Q1). 94% percent of reported performance measures within the theme have met, or exceeded targets, which represents an improvement on the previous quarter end position – there remains some work to ensure all measures have targets established.
40. All performance measures in Community Wellbeing are on track this year with the exception of admissions to care homes. Admissions have increased as a result of workforce challenges in the homecare market leading to more short term stays in residential homes. Recruitment across the care sector remains a major challenge. The Herefordshire Cares website is being proactively developed to showcase the range of job opportunities within the sector.
41. In the light of the pressures in the homecare market, the process to secure providers for a secondary framework was launched. The plan is for the framework to be operative before the end of November 2022 and is designed to bring additional capacity to meet the needs of vulnerable people for support at home. The framework will be part of a suite of approaches focussed on strengthening care supply and capacity.
42. Work on Hillside to make the dementia friendly adaptations is now fully underway and scheduled for completion by the end of February 2023. Bed closures are being managed through zones in order to minimise the impact on patient flow.
43. A new inspection framework for local authority adult social care services is due to launch in April 2023. The service is putting together a self-assessment as part of preparing for inspection which will enable strengths and areas for improvement to be readily identified.
44. The commissioning of additional domestic abuse services with annual funding from Department of Levelling Up, Housing and Communities (DLUHC) has progressed including joint commissioning of co-ordination of lived experience representation, with Worcestershire. Work with children's services has redesigned the way specialist domestic abuse advice is integrated in early help and MASH, responding in part to challenges identified by Ofsted.
45. Through the Household Support Fund 2, free school meals were provided to over 4,600 children during the summer, 3,200 people were supported through third party organisations and 3,200 pensioners through Post Office vouchers. The Household Support Fund 3 totalling £1.3 million for the final two quarters of the financial year has been launched.

46. Talk Community ran another very successful Holiday Activity Fund programme during the summer with more children attending than in 2021, together with eight community engagement events held. 68 Talk Community hubs are now live across the county. The county also welcomed the Queens Baton relay as part of the Commonwealth Games programme on 5 July 2022.
47. The Food Charter has been developed by our local Food Alliance as a step to Herefordshire becoming a Sustainable Food Place. The charter aims to get individuals and businesses to commit to support the local vision of 'A thriving and sustainable local food economy which contributes to a healthy lifestyle, healthy communities and a healthy environment.'
48. Work has started on the refresh of the Health and Wellbeing Strategy with public consultation on the proposed themes and priority areas commencing in November 2022.
49. Within the Children and Young People Directorate, the inspection of services during the summer and the subsequent Ofsted inspection report have required a review of service priorities in order that the pace of overall improvement is increased and capacity directed to where it is most needed. The likely impact of this in Q3 and Q4 on some Delivery Plan activity is currently being evaluated. Retention and recruitment, of social workers and of foster carers remains a significant challenge.

### **Performance: Corporate**

50. A set of corporate performance measures, which have been selected as an indication of the overall health of the organisation, are included in Appendix E. For measures which have baselines in 2021/22, 50% are showing an improvement (46% at Q1). 47% of measures which have targets set are meeting or exceeding target (38% at Q1).

### **Community impact**

51. In accordance with the accepted code of corporate governance, the council must ensure that it has an effective performance management system that facilitates effective and efficient delivery of planned services. To support effective accountability the council is committed to reporting on actions completed and outcomes achieved, and ensuring stakeholders are able to understand and respond as the council plans and carries out its activities in a transparent manner.
52. Regularly reviewing performance with a view to identifying actions which will further drive improvement in outcomes or efficiencies helps ensure the council achieves its County Plan priorities.

### **Environmental Impact**

53. This report details how progress is being made in achieving the Delivery Plan which details how the council is working to deliver the environmental ambitions set out in the County Plan. Individual projects and deliverables included within the Delivery Plan will all be subject to their own governance arrangements and assessment of environmental and ecological impact.

### **Equality duty**

54. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to –



- a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

55. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. Whilst this paper is not seeking any project specific decisions, in determining the council's budget allocation, the council is working towards its equality objectives (found here). In addition, projects identified within the delivery plan, where relevant, will be subject to an Equality Impact Assessment to ensure appropriate attention is given to our Equality Duty.

56. These recommendations have no direct financial implications, however cabinet may wish to consider how money is utilised in order to meet the council's objectives.

### **Legal implications**

57. There are no direct legal implications arising from this report.

### **Risk management**

58. The risks associated with the council's business are recorded on the relevant service risk register and escalated in accordance with the council's Performance Management Framework and Risk Management Plan. The highest risks, i.e. those scoring greater than 16 after controls, are escalated to the council's Corporate Risk Register.

### **Resource Implications**

59. These recommendations have no direct financial implications, however cabinet may wish to consider how money is utilised in order to meet the council's objectives.

### **Consultees**

60. None in relation to this report.

### **Appendices**

Appendix A - Revenue forecast

Appendix B – Capital forecast

Appendix C - Treasury Management forecast

Appendix D - Savings delivery

Appendix E - Delivery Plan dashboards

### **Background papers**

None Identified

## Report Reviewers Used for appraising this report:

**Please note this section must be completed before the report can be published**

Governance	Sarah Buffrey, Democratic Services Officer	Date 10/11/2022
Finance	Louise Devlin	Date 07/11/2022
Legal	Alice McAlpine	Date 07/11/2022
Communications	Luenne Featherstone	Date 07/11/2022
Equality Duty	Harriet Yellin	Date 08/11/2022
Procurement	Lee Robertson	Date 07/11/2022
Risk	Kevin Lloyd	Date 16/11/2022

Approved by Andrew Lovegrove Date 16/11/2022