BARNSLEY METROPOLITAN BOROUGH COUNCIL

REPORT OF: **Executive Director – Core Services & Director of Finance (Section 151 Officer)**

TITLE: CORPORATE FINANCE PERFORMANCE YEAR ENDING 2022/23

REPORT TO:	**Cabinet**
Date of Meeting	**14th June 2023**
Cabinet Member Portfolio	**Core Services**
Key Decision	**Yes**
Public or Private	**Public**

Purpose of report

The purpose of this report is to provide details of the 2022/23 draft revenue final accounts position for the General Fund (including Schools) and the Housing Revenue Account.

In addition, separate reports have been prepared detailing the Authority's final accounts positions for the Capital Programme and Treasury Management activities.

It should be noted that the accounts are draft subject to external audit scrutiny, although no significant changes are anticipated.

Council Plan priority

All

Recommendations

It is recommended that Cabinet:

1. **Note the final position for the General Fund which shows cumulative cost pressures for the year of £10.5M (after adjusting for statutory balances, scheme slippage & known expenditure commitments in 22/23 – see Appendix 1), an improvement of approximately £2.0M on the position reported at Q3.**

2. **Approve the release of £10.5M of reserves previously earmarked to mitigate these cost pressures and deliver a balanced budget in line with the MTFS.**

3. **Note the final position on the Housing Revenue Account, which shows cumulative cost pressures of £0.665M funded from a transfer from reserves.**

4. **Approve the write off of historic bad debts totaling £1.1M as detailed in Section 4.**

5. **Note that an updated MTFS and mitigating efficiency plans will be submitted to Cabinet in due course in lieu of the significant ongoing financial challenges faced by the Council.**

1. INTRODUCTION

1.1 The Council's Revenue budget for 2022/23 was approved on 24th February 2022. It identifies the overall resources set aside to fund day to day running costs of the council .

1.2 The Council operates a rolling five-year capital programme whereby resources and priorities are assessed annually to enable an efficient and successful programme of works to be completed in the best interest of the Borough.

2. PROPOSAL

Overall Position for the 2022/23 Accounts

KEY MESSAGES

- The Authority's outturn after adjusting for statutory balances, slippage and specific expenditure commitments requiring the earmarking of resources (see Appendix 1), shows that cost pressures higher than originally anticipated totalling £10.5M have been experienced during the year.

- To address this a drawdown of reserves previously earmarked as part of the 22/23 budget setting process is required. This is consistent with the plans set out in the MTFS which also requires a detailed efficiency mitigation plan to be developed to ensure the Council's ongoing financial sustainability.

- The Authority's Housing Revenue Account shows cumulative cost pressures and a call on strategic reserves of £0.665M.

Directorate	Approved Net Budget 2022/23	Projected Net Outturn 2022/23	Variance*
	£'000	£'000	£'000
Children's	50,806	57,782	6,976
Growth & Sustainability	50,408	55,884	5,476
Place Health and Adults	54,411	49,243	(5,168)
Public Health & Communities	13,443	12,854	(589)
Core Services	24,308	24,295	(13)
Service Totals	**193,376**	**200,058**	**6,682**
Corporate / General Items	18,019	21,825	3,806
Total	**211,395**	**221,883**	**10,488**
HRA	-	-	665

*Includes proposed earmarking of resources as detailed in Appendix 1

2.1 The table summarises the Council's financial performance for 22/23. Overall, there have been higher than anticipated cost pressures experienced over the past year totalling £10.488M. These costs include:

- an increased cost of providing Children's Social Care including investment in the Children's Services Development plan **(£7.7M)**;
- Increased costs of Home to School Transport driven in the main by increased numbers accessing the service and increased contractor costs **(£1.1M)**;
- increased pay costs as a result of the pay award being higher than anticipated **(£5.6M)**;
- Increased energy and inflation costs reflecting the current macro-economic landscape **(£4.0M).**

2.2 The cumulative pressure is less (£1.6M) than the position reported at Quarter 3 mainly as a result of lower than anticipated expenditure in Adult Social Care, although broadly in line with the position reported throughout the year.

2.3 Whilst the above pressures have been included in the revised Medium Term Financial Strategy approved by Full Council in February 23 (Cab.9.2.2022/6 refers), significant risks continue to arise which, without detailed mitigation plans, are not sustainable in the medium to long term. Therefore, the Council's SMT are in the process of reviewing the Councils approved 23/24 budget, MTFS and transformation and mitigation plans and will report to Council in due course.

<u>22/23 Efficiency Proposals</u>

2.4 A total of £2.1M of recurrent efficiency proposals were agreed as part of the 22/23 budget. These have been delivered in full as per the table below.

Directorate	2022/23 Efficiency £
Adults and Communities	100,000
Children's Services	-
Place	500,000
Public Health	-
Core	1,500,000
TOTAL	**2,100,000**

Earmarking of resources from 22/23 to 23/24

2.5 As in previous years, included in the overall outturn are resources which are required to be earmarked [set aside] to finance specific expenditure items in future years.

2.6 Earmarking's recommended for approval fall into 2 categories:

(A) Earmarking's previously approved by Cabinet or required by statute including
Schools and reserves previously agreed in the 22/23 reserves strategy;

(B) Earmarking's relating to project / scheme slippage or set aside to fund specific expenditure commitments in future periods. Examples include grant monies required to be earmarked for specific purposes to fund schemes, projects or initiatives continuing to completion in 23/24 and beyond (e.g., commitments for school improvement, ringfenced grant funding slippage (e.g ERDF, ESF etc.), vehicle replacement programme, smart working /transformation programmes, glassworks).

2.7 These are separately listed in Appendix 1 with a summary given in the table below:

2022/23 Proposed Earmarking	**£M**
Total of proposed earmarking's previously approved by Cabinet / Statute	**26.235**
Total of proposed earmarking's related to grant / project / scheme slippage / known expenditure commitments	**5.834**
Total - Proposed earmarking's included in overall outturn	**32.069**

Corporate Resources

Collection Rates

2.8 The Council's major sources of discretionary income are Business Rates and Council Tax. As Government funding continues to reduce, the Council's financial health becomes almost completely reliant upon the collection of both Council Tax and Business Rates. The following table compares actual collection rates for the year against the stretch targets that were set.

	21/22 Actual	22/23 Target	22/23 Actual	Variance to Target
Council Tax	96.77%	96%	96.85%	+0.85%
Business Rates (local share)	98.12%	97.5%	98.46%	+1.03%

2.9 Council Tax collection rates have again exceeded the stretch target by 0.85%. This is an extremely positive position, though it needs to be considered within the context of having a reduced amount to collect due to the increased awards of localised council tax support, additional funded hardship payments and other Government interventions linked to the cost-of-living crisis.

2.10 The ongoing cost of living crisis and withdrawal of related support schemes poses a major risk to future collection rates moving forwards.

2.11 Business Rates collection exceeded the stretch target of 97.5% by 1.03%, although similarly this should also be considered in the context of the additional support provided to businesses by Government. Whilst this support continues into 2023/24, collection rates will need to be monitored closely in future should this fall away. It is also worth noting that the Valuations Office undertook a business property revaluation exercise as at the 1st April 2023 which saw rateable values in Barnsley increase by 12% on average (8% nationally).

2.12 Future collection of both Council Tax and Business Rates will be closely monitored with any risks to collection being reported as part of normal budgetary procedures.

Arrears Management

Total Arrears

2.14 The table below shows that the overall overdue debt (arrears) position as at end of March 2023 is £19.6M. This comprises of prior years' debt of £10.1M and new debt of £9.5M.

	Pre-22/23 Arrears £M	2022/23 Arrears £M	TOTAL Arrears £M	Bad Debt Provision £M	Write Offs For Approval £M
Opening 2022/23 (as at 31.03.2022)	18.360	n/a	18.360	15.564	-
Total as at end Dec	10.083	8.378	18.461	17.113	-
Total as at end Mar	10.099	9.470	19.569	16.949	1.077*
Movement Dec to Mar	0.016	1.092	1.108	-0.164	-

Bad Debt Provision

2.15 Historic debt is traditionally much more difficult to collect. To offer some protection against non-collection, the Council sets a prudent provision for bad debt (allowed for within the 2022/23 budget). The current bad debt provision as at the end of March 2023 stands at £16.9M (86% of total arrears), a reduction of £0.2M from the position reported at the end of Quarter 3.

Write Offs

2.16 The S151 Officer is now also seeking approval to write off historic debt amounting to £1.077M which has become uneconomical to pursue. This is summarised in the table below:

Type of Debt	**Value of Write off (£M)**
Council Tax	0.504
Business Rates	0.286
Trade Debt - General Fund	0.200
Trade Debt - HRA	0.004
Housing Benefit	0.083
Sub Total	**1.077**
Rent Arrears	-
Total	**1.077**

Directorate Updates

Executive Director's Summary for Children's Services

LOOKING BACK – 2022/23

The final approved budget for 2022/23 for the Children Services Directorate is **£50.806M.** The Directorate has experienced additional cost pressures over and above those planned totalling **£6.976M** after proposed earmarking's of £10.5M (mostly related to Schools DSG budgets). The final year outturn is an improved position (-£0.669M) when compared to the reported position at Q3.

Financial position for the year ending March 2023

Children Services	**Approved Budget**	**Actual Costs**	**Total**	**Q3**	**VAR**
	£000	£000	£000	£000	£000
Education, Early Start & Prevention	12,152	11,397	**-754**	-623	**-131**
Children Social care	33,037	40,768	**7,731**	8,268	**-537**
Sub Total	**45,189**	**52,165**	**6,976**	**7,645**	**-669**
Schools	5,617	5,617	**-**	-	**-**
TOTAL	**50,806**	**57,782**	**6,976**	**7,645**	**-669**

Education, Early Start & Prevention

Education, Early Start and Prevention have an operational underspend of **-£0.754M** reported for the year, representing an increased underspend of £0.131M compared to Q3 position. The change is mainly due to increased staff vacancies and slippage on forecast staff costs associated with the Children Services Development Plan:

- *Inclusion Services (-£0.295M)* – mainly relates to vacant posts across Inclusion Services; particularly within the Education Psychology Service; increased fixed penalty notices income from schools; which is offset by cost pressure relating to the Mediation contract.
- *Early Start & Family Services (-£0.330M)* – staff turnover and vacancy savings.
- *Other Variances (-£0.129M)* – due to staff vacancies across Commissioning, Targeted Youth Support and School Improvement.

Children's Social Care & Safeguarding

Childrens Social Care and Safeguarding has experienced additional cost pressures over and above those originally planned totaling **£7.731M,** mostly relating to Looked After Children (LAC) placements, legal costs as well as additional approved investment in the Children's Development Plan. These cost pressures have been regularly reported throughout 22/23 and the overall position has improved from that reported at Q3 by £0.537M. The key financial pressures for the year are as follows:

- *Development Plan (£3.605M)* – relates to costs in 22/23 of implementing the range of actions included in the Development Plan aimed at improving and strengthening Children's Services. The main costs are agency staff to cover vacancies and to address rising demand (£3.156M) and new posts (£0.535M).
- *Children in Care (£3.665M)* – mainly relates to LAC costs and is due to increases in residential care and foster care placements in the year. LAC numbers as of 31st March 23 were 402, an increase of 55 for the year. The main cost pressure of £3.534M is on residential placements with a total of 62 placements as at 31st March 23, 28 more than planned for the year and 16 more than at 31st March 2022.
- *Assessment & Care (£0.005M)* – relates to increased legal costs of £0.880M offset by staffing slippage of -£0.875M.
- *Children Disability (£0.314M)* – relates to an increase in the number of disabled children supported during the year.

Schools/DSG Budgets

The final DSG budget for 2022/23 totals £94.5M, comprised of £61.5M delegated to maintained schools and £33.0M retained centrally by the Council. The following outlines the outturn position for the schools' DSG budgets:

- *Schools Delegated Budget (-£3.6M)* - The closing schools position showed surplus balances of £3.6M for the year. This is an improved position compared to the last reported position of £2.2M, although less than the position for the previous year (£4.8M).
- *Schools Centrally Retained Budgets (£3.9M)* - An overall deficit of £3.9M is reported for the year across all central DSG budgets – and represents an improved position when compared to the reported position (£4.1M) in Quarter 3. The deficit mainly relates to the high needs/SEND funding block (£4.2M) and is due to increases in the number of SEND

pupils supported in mainstream and special schools as well as increased placements in high cost specialist independent settings/schools.

The overall accumulative DSG Deficit balance (including 22/23 in year deficit) is £21.8M, this has been offset by a safety valve payment of £9.2m resulting in a final closing accumulative deficit balance of £12.6m in 22/23.

Approved Savings Position

The Directorate has no efficiency or savings proposals to implement or targets to achieve in 2022-23.

LOOKING FORWARD - 2023/24 and beyond

The following outlines the key risks / outlook for next year and beyond:

- **Increased Demand** - Continued increase in demand and caseloads and the pressure exerted on Social Worker staffing levels (exacerbated by recruitment challenges and staff absences). It is envisaged that the Development Plan (and associated investment) would positively address this issue;
- **Children's Placement** - Continued difficulties in sourcing placements for children & young people with complex needs both locally and sub-regionally – resulting in high cost / tariff placements. The investment in increased LAC commissioning capacity will focus on local market development, whilst strengthening our contracting and quality assurance arrangements for placements.
- **EHCP Numbers** Managing rising EHCP numbers and inflationary pressures in SEND and the impact on the action plans to deliver a sustainable SEND system as set out in the DSG management plan / Safety Valve Programme.

Executive Director's Summary for Growth & Sustainability

LOOKING BACK – 2022/23

The final approved budget for 2022/23 for the Growth & Sustainability Directorate is **£50.408M.** A cost increase **of £5.476M** is reported for the year after proposed earmarking's of £1.919M (mostly representing grant carry forward). The final year outturn is an improved position of £0.364M when compared to the reported position at Q3.

2022/23	Approved Budget	Actual Costs	Variance	Q3	VAR
	£000	£000	£000	£000	£000
Regeneration & Culture	16,619	19,434	2,815	3,257	(442)
Environment & Transport	33,789	36,450	2,661	2,583	78
TOTAL	**50,408**	**55,884**	**5,476**	**5,840**	**(364)**
Housing Revenue Account	**-**	**665**	**665**	**-**	**665**

Regeneration & Culture

Additional costs of £2.815M have been incurred by the Business Unit during the year - an improvement of (£0.442M) since Q3. This change is mainly due to a combination of a decrease in forecasted utility costs, increased property running costs and an increase in commercial income achieved. The following are the key financial variances for the year:

- Lower than anticipated staffing costs (£1.393M) due to difficulties in recruiting as well as maximising different funding regimes;
- A shortfall in commercial income of £0.629M mainly due to difficulty in maximising property occupancy / voids;
- An increase in property running costs £1.295M in relation to day-to-day repairs and increased security costs across the portfolio;
- An increase in the cost of energy of £2.071M due to the unprecedented rise in utility prices over the year;
- Various other increases in expenditure across the business unit in relation to general spend £0.213M.

Environment & Transport

An overspend position of £2.661M is reported for the year for the Business Unit – an increase of £0.078M since Q3, the change in position is due to a variety of minor movements across several budget lines within the Business Unit. The following are the key financial variances for the year:

- Home to School Transport costs have increased by £1.070M due to an increase in student numbers accessing the service and higher prices from service providers.
- A shortfall in car parking income £0.495M due to lower than anticipated usage.
- Energy price rises during the year resulted in an increase in the cost of operating the Borough's street lighting by £0.911M.
- The cost of fuel to run the Council's vehicle fleet has increased by 0.166M due to the rise in global oil prices.
- Other cross business unit pressures of £0.019M.

The above cost pressures are in line with what was reported during the year with resources set aside corporately to mitigate accordingly.

It is also worth noting that the actual costs of winter maintenance exceeded the current budget by £0.9M due to an increase in gritting frequency and the cost of grit. This cost increase has been funded by a provision set aside corporately so not reported in the above outturn position.

<u>LOOKING FORWARD- BEYOND 2022/23</u>

The following outlines the key risks / outlook for next year and beyond:

- **Home to School Transport** – A key risk to costs is the continuing rise in pupil numbers.

- **Property & Assets –** A new Asset Management Strategy is currently being developed to assist in managing the ongoing pressures on the service and reducing the budget over a 5-year period. The strategy includes maximising commercial income, reducing property running costs (including utilities) and reviewing the current property portfolio.

- **Wider economic pressures** – High levels of inflation will continue to impact on the cost of energy, parts & materials together with potential supply chain issues & skilled labour shortages.

- **Waste** – Future and current legislation changes in connection with waste disposal including but not limited to Extended Producer Responsibility (EPR), Persistent Organic Pollutions (POP) and the introduction of a Deposit Return Scheme (DRS) will likely have yet to be quantified financial implications moving forward.

- **Winter maintenance** – Will continue to be an on-going pressure and will be reviewed as part of the BMBC internal transformation programme and MTFS process.

- **Planning income** – Planning applications have steadily fallen during the 2022/23 financial year mainly due to the macro-economic pressures noted above. This is expected to continue in 2023/24, though is currently expected to be managed within current budgets.

Executive Director's Summary for Place Health and Adult Social Care

LOOKING BACK – 2022/23

The final approved budget for 2022/23 for the Place Health and Adult Social Care service is **£54.411M.** An overall **reduction in actual costs of £5.168M** is reported for the year after proposed earmarking's of £4.463M (mostly related to Barnsley ICB / health funding). The final year end outturn is an improved position (-£1.175M) when compared to the reported position at Q3.

Financial position for the year ending March 2023

Place Health and Adult Social Care	Approved Budget	Actual Costs	Total	Q3	VAR
	£000	£000	**£000**	£000	**£000**
Older People	32,120	29,056	**-3,064**	-1,749	**-1,315**
Working Age Adults	26,839	26,315	**-524**	-165	**-359**
ED / SD Management	-4,548	-6,128	**-1,580**	-2,079	**499**
TOTAL	**54,411**	**49,243**	**-5,168**	**-3,993**	**-1,175**

Older People (aged 65+)

The outturn position for the Older People Service is **-£3.064M** lower than anticipated for the year. This represents a further improvement of £1.315M when compared to the Q3 position. This improvement is mainly due to increased staffing underspends, Direct Payments funding clawed back and increased client contributions. The following are the key variances for the year:

- *OP Locality Teams (-£2.852M)* - This partly relates to staffing vacancies across all teams totalling -£0.372M (due to recruitment and retention issues currently effecting the Adult Social Care sector) and underspends on the Older People care provision budgets (-£2.480M). The key variances in the care provision budgets are as follows: increased client contributions (-£1.993M); funding clawed back from direct payment managed accounts (-£0.687M); offset by reduced health funding for joint care packages £0.221M.

- *Reablement (-£0.132M)* – This mainly relates to staff turnover and vacancy savings on support worker posts. Again, this is an issue across the care sector relating to recruitment and retention with work ongoing to address these issues.
- *Assisted Living Technology (-£0.080M)* – This is due to capitalisation of staffing costs to the Disabled Facilities Grant Scheme (-£0.150M) offset by a continued shortfall in trading income (£0.070M) from warden's central call charges, alarm units and telecare charges. Under the action plan put forward to address cost pressures in the service, it was agreed to align the sales income budget to a more achievable level offset against the savings from capitalising staffing costs.

Working Aged Adults (aged 18 – 64)

Lower than anticipated costs have also been incurred within the Working Age Adults Service of **£0.524M.** This is an improved position of £0.359M compared to Q3. The change is mainly due to increased staffing underspends and increased client and health contributions. The following are the key variances for the year.

- *Specialist / Mental Health Teams (-£0.386M) -* This underspend can be explained as follows: additional funding clawed back from direct payment accounts (-£1.057M); increase in expenditure on care packages – net of health funding for joint funded packages and client contributions (£0.834M); and staffing / other minor variances (-£0.163M).
- *In House Day Services / Shared Lives Team (-£0.138M) –* This is due in the main to staff turnover / vacancy savings within the in-house Day Services (-£0.190M), partly offset by unachieved income relating to the access to work service (£0.052M).

ED/SD Management Costs

The management costs budget within Adult Social Care is **-£1.580M** lower than anticipated and represents uncommitted Adult Social Care grant funding / resources together with minor variances across Commissioning, Adult Safeguarding Board, Training and Quality services.

Approved Savings Position

The Directorate have delivered efficiency savings totaling £0.100M during the year.

LOOKING FORWARD - 2023/24 and beyond

The following outline the key risks / outlook for next year and beyond:

- **Cost of Care Provisions** - Whilst the deferment of the ASC reforms and therefore the move towards a Fair Cost of Care has reduced pressure from providers for increased fee rates, cost of care risk due to increasing complexity of care is likely to continue in 23/24.

Managing the market, effective commissioning and ensuring sufficient funding contributions by health are key factors in managing risks.

- **Hospital Discharges -** Discharge Funding has continued in 23/24 (£1.9M) with a focus on reducing delayed hospital discharges through growing social care capacity; planning services to enable providers to make appropriate workforce capacity plans; and improving collaboration and information sharing across health and social care services.

- **New ASC Assurance Framework -** The health & Care Act 2022 introduces a new inspection and assurance framework with effect from April 2023, together with new legal powers for the Government to intervene in LAs to improve local services. CQC will assess LAs using a new single assessment framework that builds on the approach currently used to assess providers.

- **Performance Management -** Work is ongoing to develop a new performance management / reporting framework for adult social care, underpinned by robust business intelligence and data capability. This would ensure that ASC can comply with the following requirements: CQC inspection; statutory reporting to DHSC; council's performance framework, etc.

Director's Summary for Public Health and Communities

LOOKING BACK – 2022/23

Lower than anticipated costs of £0.589M are reported for Public Health & Communities after proposed earmarking's of £1.571M (mostly related to grant funding slippage within communities) This is a slight improvement (£0.057M) on the position reported at quarter 3.

2022/23	**Approved Budget**	**Actual Costs**	**Variance**	**Q3**	**VAR**
	£000	**£000**	**£000**	**£000**	**£000**
Public Health	4,358	4,067	(291)	(297)	6
Communities	9,085	8,787	(298)	(235)	(63)
TOTAL	**13,443**	**12,859**	**(589)**	**(532)**	**(57)**

Public Health

The Public Health Business Unit is reporting a reduction in anticipated costs of **-£0.291M**, which relates to:

- staffing turnover and vacancies and other related costs due to ongoing recruitment/retention issues particularly technical positions in Regulatory Services - £0.181M,
- contract savings predominantly Out of Area GUM £0.090M,
- an increase in fees & charges of £0.020M mostly in relation to food re-inspections as a result of businesses needing a good rating to be competitive on food delivery applications.

Communities

An underspend of -£0.298M is reported against the Communities Business Unit budget predominately due to staffing vacancies and ongoing recruitment/retention issues (£0.401M), a small underspend on supplies (£0.034M) and lower costs of the Healthier Community Contract's (£0.045M). However, these underspends have been offset by an increase in temporary accommodation costs within Safer Communities of £0.182M.

***Looking Forward* - 2023/24 and beyond**

- **Transformation** - The Communities Business unit is currently undertaking a significant service transformation programme which will realise efficiencies to support delivery of the Council's MTFS. Efficiencies for the Business unit of £0.340M have already been identified to come into effect from 23/24. The Public Health Business unit is implementing the service transformation which created efficiencies of £0.700M for 23/24 onwards to support the delivery of the Council's MTFS.

- **Staffing –**workforce challenges as a result of recruitment/retention issues are expected to continue. There are recruitment problems across the Business Unit which is currently putting additional pressure on the effectiveness of services. Due to these issues, Regulatory Services are implementing a forward plan to recruit and train for specialised technical posts to fill current vacancies and provide for succession planning.

- **Rough Sleepers** – The Government requirement to provide long term accommodation for Rough Sleepers.

- **Out of Area GUM –** A national review of Integrated Sexual Health provision which includes Out of Area GUM (e.g. where a Barnsley resident attends a clinic within another authority's area) is currently ongoing.

Executive Director's Summary for Core Services

LOOKING BACK – 2022/23

The final approved budget for 2022/23 for Core Services is **£24.309M**. Overall the directorate outturn was in line with the agreed budget, although this represented an adverse change in the position (£0.149M), as compared to the reported position at Q3 .

Financial position for the year ending March 2023

Core Services	Approved Budget	Actual Costs	Variance	Q3	VAR
	£000	£000	£000	£000	£000
Customer Information & Digital Services	8,170	8,311	**141**	-185	326
Finance	5,377	5,430	**53**	117	-64
Business Improvement, Human Resources and Communications	5,068	4,797	**-271**	-239	-32
Law & Governance	5,694	5,758	**64**	145	-81
Total – Core	**24,309**	**24,296**	**-13**	**-162**	**149**

Customer Information & Digital Services

Higher than anticipated expenditure of £0.141M has been incurred within the Customer

Information & Digital Service. This is an adverse movement of £0.326M since Q3 and includes earmarking additional grant funding of £0.100M for Cyber Security. This change mainly relates to higher than forecast contract licenses spend (£0.326M). Other key variances include savings of £0.227M due to staffing vacancies and one-off development work at a cost of £0.042M.

Financial Services
Financial Services is reporting higher than budgeted spend of £0.053M, although this position has improved since Q3 by £0.064M. The service has also fully delivered the £0.550M efficiency following a full-service restructure. The following are the key variances for the year:

- Schools Catering (£0.243M) –The position within schools catering is line with what was anticipated and reported throughout the year. Pressures as a result of inflationary cost increases, a reduced dividend from the Yorkshire Purchasing Organisation and increased overtime to cover the high level of staff absences have been experienced throughout 22/23. Whilst this is a negative position, it reflects an improvement of £0.019M since Q3 due to forecast inflation and employee costs not materialising as anticipated.

- Finance (-£0.190M) – The position on schools catering is partly offset by lower than anticipated expenditure within financial services of £0.190M (an increase of £0.044M since Q3). This is due to delays in recruitment to the new structure (£0.256M), increased trading income (-£0.047M), additional DLUHC grant (-£0.081M) offset by the cost of interim agency staff (£0.108M). Corporate debt initiatives have led to a reduction in legal fee income (£0.082M) as less customers are summoned to court.

Business Improvement, HR and Communications Services
One off savings due to staff vacancies and other overheads (-£0.394M) offset by additional costs for interpreters' fees (£0.065M) and Barnsley Spotlight Magazine (£0.058M), means an overall lower spend position than planned of £0.271M for the year, an increase if £0.032M since Q3.

Law and Governance Services
Law and Governance have overall incurred £0.064M more than planned during the year, although this position has improved by £0.081M since Q3. The following are the key variances for the year:

- Legal Services (£0.351M) – This relates to higher spend on staffing (£0.086M) due to the need to cover vacancies by agency staff and underachieved income relating to the loss of work via SYMCA SLA Income (£0.265M).

- Elections (0.031M) – This relates to late charges for portacabins (£0.025M) and other non-material overspends.

- Council Governance (-£0.052M) – This relates to staffing vacancies (-£0.090M) and additional income (-£0.062M) offset by additional expenditure on mayoral events, twinning and operation London Bridge (£0.100M).

- Joint Authorities (-£0.244M) – This relates to staffing vacancies (£-0.147M) and additional SLA income (-£0.096M).

Approved Savings Position
The Core Directorate had approved savings of £1.500M to deliver in 2022/23. All savings have been delivered in full and are included in the reported position.

LOOKING FORWARD - 2023/24 and beyond

The following outline the key risks / outlook for the next year and beyond:

- **MTFS / Transformation** – The current MTFS position requires transformation of all services across the Authority. The following areas of Core Services will be reviewed in the first tranche with an implementation date of 1st April 2024. All remaining services will be reviewed in the second tranche with an implementation date of 1st April 2025.
    - Customer Information & Digital – Service Design & Compliance
    - Law & Governance – Business Support
    - Law & Governance – Governance
    - Law & Governance – Legal Services
    - Internal Audit, Anti-fraud & Assurance
    - Strategic Procurement & Contract Management

- **Customer Information and Digital services** – More clarity is required regarding the increase in demand for software licenses along with changes in contracting arrangements from external suppliers. There is a risk that the increasing pressures associated with software licenses may impact on the ability to deliver the Transformation efficiency requirements. Work is ongoing to monitor these arrangements with a view to mitigating these pressures and drive out value for money wherever possible.

- **Legal Services** – The potential impact on Legal Services and the need to appoint locums to meet increasing demands as a result of potential commercial contract variances and other policy changes has been mitigated by an investment of £0.500M for the 2023/24 financial year.

- **Staffing** – Staff workforce challenges (in terms of recruitment / retention) are expected to continue in 2023/24. There are recruitment issues across the Business Unit which reduces the effectiveness of the services and the ability to create income generation. Initiatives, such as Refer a Friend, have been introduced to help address this issue.

- **SLAs with South Yorkshire Fire (£0.383M) and Police (£0.135M)** – There is the potential risk of cessation of SLAs in the 2024/25 financial year resulting in a budget pressure if staffing levels are not reduced accordingly.

Corporate Budgets

LOOKING BACK – 2022/23

The overall position on corporate budgets is a higher than anticipated spend of £3.806M although this is lower than originally forecast. The main reason for this position was the increased cost of the 2022/23 employee pay award which was £5.618M more than originally provided for.

This cost has been offset by lower than anticipated costs on financing the Council's Capital Expenditure (-£1.350M) due to proactively maximising/investing internal cash balances and early borrowing last financial year prior to the interest rate rises and additional one off S31 grant funding income (£0.549).

LOOKING FORWARD - 2023/24 and beyond

The overall MTFS position as of February 23 showed a cumulative deficit position over the 3-year planning period in excess of £20M before efficiencies. However, this position is currently under review especially given the continuing cost pressures in demand led services, the additional investment agreed in relation to the Children Services Development Plan and the broader economic picture impacting the Authority.

Therefore, it remains imperative that the 2023/24 efficiency proposals (£7.3M) agreed as part of the budget process are delivered in full and that the council drives forward the program of transformation service reviews over the period. The quarterly financial performance reports during 2023/24 will update on this position

Executive Director's Summary for Housing Revenue Account

LOOKING BACK – 2022/23

An overall reduction in reserves of **£0.665M** is reported for the Housing Revenue Account. This is an increased call on the reserves balance since the breakeven position reported at Q3.

2022/23	Gross Income	Gross Expenditure	Total Net	Q3	Var
	£000	**£000**	**£000**	**£000**	**£000**
Housing Revenue Account	(£76,097)	£76,762	£665	**£0**	£665

Income
Dwellings rents and other income overachieved by **(£0.416M)** because voids rent loss & right to buy sales were lower than initially budgeted for.

Expenditure
Repairs and Maintenance budget of £20.457M, with final actual expenditure of £20.846M resulted in an overspend of **£0.389M**. The overspend is predominantly due to responding to the damp and mold issues highlighted nationally.
General expenses within the HRA have risen to an overspend of **£0.446M** including but not limited to Housing Ombudsman subscriptions (which have increased by 50%), tenants related expenses and the furnished tenancy scheme.
The HRA has also seen a rise in Housing Disrepair Claims totaling **£0.246M** not previously budgeted for.

LOOKING FORWARD - 2023/24 and beyond

The following outlines the key risks / outlook for next year and beyond:

- Rents / Service Charges review to occur
- £2.5m Efficiency Programme to be developed
- Various changes and adoption of government legislation will likely have a financial impact
- A need to reduce the responsive work backlog and switching delivery from responsive to planned
- Housing Growth New Build Strategy to be developed
- Asset Management Strategy to be developed
- Stock De-Carbonisation Strategy to be developed

- Housing Disrepair Claims increasing and strategy to be developed
- Housing Management Repairs First IT System implementation
- Wider IT Housing Management system implementation
- Macro-economic pressures - inflationary pressures including but not limited to utilities, materials, labour etc.

3 IMPLICATIONS OF THE DECISION

3.1 Financial and Risk

3.1.1 The Authority's outturn after adjusting for statutory balances, slippage and specific expenditure commitments requiring the earmarking of resources (see Appendix 1), shows that cost pressures higher than originally anticipated totalling £10.5M have been experienced during the year.

3.1.2 To address this a drawdown of reserves previously earmarked as part of the 22/23 budget setting process is required. This is consistent with the plans set out in the MTFS which also requires a detailed efficiency mitigation plan to be developed to ensure the Council's ongoing financial sustainability.

3.1.3 The Authority's Housing Revenue Account shows cumulative cost pressures and a call on strategic reserves of £0.665M.

3.1.4 The Council's ongoing financial sustainability remains a key strategic risk

3.2 Legal

Not applicable.

3.3 Equality

Not applicable – Equality Impact Assessments are undertaken for key Treasury Management decisions where appropriate.

3.4 Sustainability

Decision-making wheel not completed – where appropriate individual decision-making wheels would be completed for key service areas.

3.5 Employee

None arising from this report.

3.6 Communications

No specific requirements.

4. CONSULTATION

4.1 This report has been prepared in consultation with Link Asset Services and approved by the Treasury Management Panel.

5. ALTERNATIVE OPTIONS CONSIDERED

5.1 Not applicable as reporting year-end position.

6. REASONS FOR RECOMMENDATIONS

6.1 Recommendations made in-line with the approved Capital Investment Strategy.

7. GLOSSARY

Not applicable.

8. LIST OF APPENDICES

Appendix 1 : Proposed 2022/23 Earmarking

9. BACKGROUND PAPERS

Service and Financial Planning 2022/23 – The Council's Medium Term Financial Strategy – 2022/23 Budget recommendations (Cab.9.2.2022/6 refers).

10. REPORT SIGN OFF

Financial consultation & sign off	Report prepared by Director of Finance
Legal consultation & sign off	Legal Services officer consulted and date

Report Author: Neil Copley
Post: Director of Finance
Date: 03/05/2023