ANNEX A – GFRA KEY VARIANCES AND MANAGEMENT ACTIONS

The Council General Fund Services are currently forecasting and overspend of £4.019m.

General Fund High Level Revenue Summary	P3 Position		
	2023/24 Full Year Budget	Forecast Outturn	Variance
Service	£m's	£m's	£m's
Adult Social Care	98.934	101.871	2.937
Public Health	12.517	12.517	0.000
Children's Services	55.640	56.731	1.091
Customer and Community	6.135	6.024	(0.111)
Strategy and Futures	0.000	0.000	0.000
Housing and Regeneration	0.000	0.000	0.000
Planning and Placemaking	2.137	2.174	0.037
Environment & Property	73.170	73.313	0.143
Resources - Retained MKC	5.196	4.902	(0.294)
Resources - Shared Services	(0.215)	(0.215)	0.000
Law & Governance	2.463	2.678	0.215
Corporate Codes & Debt Financing	18.698	18.699	0.001
Assets Management	(26.030)	(26.030)	0.000
General Fund Requirement	**248.645**	**252.664**	**4.019**
New Homes Bonus	(4.542)	(4.542)	0.000
NNDR	(72.599)	(72.599)	0.000
RSG	(6.731)	(6.731)	0.000
Public Health	(12.517)	(12.517)	0.000
Other Government Grants	(1.879)	(1.879)	0.000
Council Tax	(150.377)	(150.377)	0.000
Total Financing	**(248.645)**	**(248.645)**	**0.000**
Net Surplus / Deficit	**0.000**	**4.019**	**4.019**

GFRA KEY VARIANCES AND MANAGEMENT ACTIONS

Service Area	Adult Services	Responsible Officer	Victoria Collins	Variance £m	£2.937m

Key variations:

- **Assessment, Review and Hospital Discharge** is forecast to overspend by **£1.563m.** Older people support at home placements has a predicted overspend of £1.200m, the average cost of home care packages has increased by 15% (from £0.017m in January 2023, to £0.020m in June 2023). In addition, there has been an increase of support at home packages (11%) from 484 in January 2023 to 546 in June 2023.
- **Autism Service** is forecast to overspend by **£0.409m,** £0.184m of the overspend relates to one complex package. Currently, there are 52 number of packages, compared to 47 in April 2023.
- **Commissioning and Contracts** is forecasting an underspend of **(£0.789m).** Care home placements are forecast to underspend by (£0.500m), predominately due to increases in client contributions and backpay of income. Domestic Violence is forecast to underspend by (£0.240m) due to grant funding for part of the core Domestic Abuse contract. Additionally, the Manor House Contract is forecast to underspend by (£0.056m) as the number of clients has reduced from 23 to 19.
- **Day Services, Short Breaks and Shared Lives** is forecast to underspend by **(£0.085m).** This is due to five staff vacancies within the LD Internal Day Care Team which are currently in the process of being recruited to.
- **Homelessness** is forecast to overspend by **£0.929m** due to temporary accommodation costs. This is a result of the invest to save project introduced in 2020/21 which can no longer be delivered due to the current financial climate. The project aimed to reduce the overall costs to temporary accommodation by increasing prevention, move-on's and Assured Shorthold Tenancies. The current cost of repairs (including repairs after properties become void) is forecasted to be £0.534m overspent. Hotel use has increased to 21 households in June 2023 and 40 households are presenting as homelessness each week.
- **Learning Disability** is forecast to overspend by **£0.420m**. External support at home is forecasting an overspend of £0.362m due to the increasing cost of packages, on average this is £0.027m (two packages are costing £0.325m).
- **Mental Health** is forecast to overspend by **£0.084m**, due to an increase in external residential care placements which has a £0.509m overspend but offset by a £0.402m underspend in external supported living placement. The new Supported Living framework is now live so there should be more availability of providers going forward.
- **Physical Disabilities** is forecast to overspend by **£0.187m**. This is due to a decrease in CHC joint funding packages. Additionally, Direct Payments are overspending by £0.125m.

- **Reablement, OT and Home Care** is forecast to underspend by **(£0.234m**). This is due to 19 staffing vacancies across homecare (£0.195m). Whilst this service area is experiencing difficulties in recruiting to the vacant posts, a recruitment plan is in place, which included a recent campaign and ongoing adverts.

Key demand budgets concerns and actions

- Temporary Accommodation – the impact of the current economic climate and high inflation could result in an increase in households presenting at homeless.
- Discrepancies between systems – currently there is a £2.000m annual commitment variance between two social care systems (LAS and Adam); the majority of this will be due to packages remaining open on the payment system which need to be closed and therefore commitments are overstated. However, we need assurance that the packages are correct and end dates are input on the system when required. This is being discussed at Adults Leadership Team meeting during July, with an immediate action plan implemented.

Action plan for overspending areas

- A project group has been created for temporary accommodation demand, with the aim to increase the number of move-on's, as well as increasing the number of preventions which will ultimately bring down expenditure. There are currently 40 households under offer and preventions increased from 13 during June 2022 to 25 during June 2023.
- A demand management project group has been re-established, focusing initially on demand for older people's services. The aim will be to reduce demand by offering alterative solutions and determine the baseline for our services moving forward following disruption to trends and services over the COVID period.

Service Area	Public Health	Responsible Officer	Vicky Head	Variance £m	£0.000

Key variations:

- The Public Health grant for 2023/24 is £12.522m, an increase of 3.26% from 2022/23.
- Public Health is forecasting a contribution of £0.422m from the Public Health reserve after using £0.576m for one-off projects agreed as part of the budget, including Homelessness support on running the Old Bus Station, Young People focusing on Youth Counselling, Youth Justic Knife Crime, Mental Health and supporting vulnerable gamblers. This reduced the value of the reserve from £2.839m to £2.263m. Over the next 2 years, £1.175m has been committed from the reserve.
- There has continued to be an underspend in Smoking Cessation services of (£0.120m) due to demand for the service not returning to pre covid levels. The demand trend is being reviewed and monitored regularly.

Key demand budgets concerns and actions

- Risk of additional costs materialising from the Agenda for Change due to NHS staff pay increase, discussions are ongoing with our legal team and commissioned providers. There is a potential risk of £0.289m for 2023/24 and this will increase year-on-year in line with pay inflation.

Service Area	Children’s Services	Responsible Officer	Mac Heath	Variance £m	£1.091m

Key variations:

- **Children’s Social Work Staffing** is forecast to overspend by £0.427m across the Family Support (FST) and Children with Disabilities (CWD) teams. The FST’s have restructured into nine new teams, expanding from four previously. Significant investment was put into the budget to fund this change however there are a number of vacancies and long term absences which are being covered by agency staff to ensure statutory social work duties are being met and cases are allocated. Recruiting and retaining permanent staff continues to be a problem and the high level of agency use is putting a pressure on the budget. In addition, the shortage of agency staff means that the cap on agency workers has increased to £42 an hour, 67% of the current agency workers in the FST’s are on the top amount.
- **Children’s Placements** is forecast to overspend by £0.735m. The minimum allowance paid to in house carers is set by the DFE annually and rates were uplifted by 12.5% in April 2023 (4.5% was allowed for in the budget), this above inflation increase was announced after the budget was set resulting in a in year pressure of £0.383m. The number of residential placements continues to remain high. In 22/23 we had an average of 24 residential placements (up from 16 the year before) and in June 2023 we have 21 placements. We also have two unregulated placements which have significant costs of £17.5k per week each.

Key demand budgets concerns and actions

- **Children’s Placements** – the number of Looked After Children (LAC) has been steadily declining over recent years. In 2022/23 we had an average of 357 LAC (down from 369 the previous year) and in June 2023 we had 356. However, we are seeing an increasing pressure in the Leaving Care service. The numbers of Unaccompanied Asylum Seeking Children have increased. We had an average of 29 in 2022/23 (up from 25 the previous year) and in June 2023 there are 32 UASC. This number is expected to increase as we are part of the National Transfer Scheme (NTS) meaning we are on a rota for picking up additional UASC from other Local Authorities as well as the Home Office scheme to move on UASC from hotels. The UASC cohort tend to arrive in their teens and therefore only remain a LAC for a short time. This is keeping trend with our general LAC population who are older and ageing out quicker, nevertheless MKCC is still required to provide a statutory duty to support Care Leavers until 25 meaning demand in this area is increasing.

- **The Support Living Block contract** is due to expire in October 2023. The contract is currently held by Look Ahead and supplies 45 beds for our 16+ cohort, bids have been received for the new contract and these will be assessed and reviewed. A pressure has been put in the budget as the expectation is the new contract will cost more than the current one due to the changing needs of the service as well as changing regulations.
- **Home to School Transport** - The service continues to ensure that value for money and efficiency is being achieved through the reprocurement project, however given the volatility and demand led nature of Home to School Transport, there remains potential risks depending on the successful outcomes of reprocurement for the new academic year.

Action plan for overspending areas

- Step down plans for high costing residential placements are reviewed monthly by the Head of Service for Corporate Parenting and placement changes are chased up to avoid delays where a child can move on.
- A recruitment officer has been in place in the service since September 2022 and part of their focus is permanent staff recruitment including a marketing campaign to attract new staff. The service are also reviewing staffing structures to determine whether more easily recruitable ASYE staff can join teams where higher level social worker vacancies are available.

Service Area	Customer and Community	Responsible Officer	Sarah Gonsalves	Variance £m	(£0.111m)

Key variations:

- Regulatory unit staffing vacancies have resulted in a net underspend forecast of (£0.051m).
- Within Sustainability the net recovery of utility costs are forecast to be (£0.110m) below budget due to gas and electricity costs now being correctly allocated to the services.
- An unbudgeted seconded worker within the Performance Service has resulted in a pressure of £0.044m. This is offset by vacancies of (£0.078m).
- There is a pressure in Information Governance of £0.027m relating to staffing costs.
- A pressure of £0.055m has been forecasted in Leisure and Community due to unachievable income targets.

Action plan for overspending areas

- A review of all contracts within Leisure and Community is to be undertaken to ensure they remain sustainable and affordable.

Service Area	Planning and Placemaking	Responsible Officer	Paul Thomas	Variance £m	£0.037m

Key Variations:

- A slowdown in the market has resulted in a forecast pressure of £0.178m in land charges income. This is partially offset against DLUHC grant income of (£0.159m). Recharge costs from the Environment and Property service area will be factored into the land charges budget, these amount to £0.036m for P3.
- Recharge costs from the Urban Design Team will be factored into Development Management; these amount to £0.050m.
- Urban design has forecast a reduction in income of £0.046m as in-house work on the New City Plan is being prioritised over fee-earning work with other Local Authorities.
- An underspend of (£0.090m) is forecasted in Planning projects due to staff vacancies.

Key demand budgets concerns and actions

- Land charge income will continue to be closely monitored in the context of the wider economy and forecasted with consideration of previous trends.

New Pressures / Other key concerns

- Development management income is also being assessed regularly alongside land charges income, applying housing market intelligence and previous trends.
- DHLUC’s direction of travel with regard to an increase in planning fees is being closely monitored.

Service Area	Environment & Property	Responsible Officer	Stuart Proffitt	Variance £m	£0.143m

Key Variations:

- **Parking Income and Costs -** Parking income continues to steadily increase, and as such, is a relevant factor in the 2023/24 budget and monitoring. Income in 2022/23 was 74% of that in 2019/20 (pre-pandemic) however, as the income trends were still being monitored, the budget for 2023/24 was set at 66%.

  To date, the income is tracking strongly against the budget, and currently forecast to be £9.7m for the year, an increase of (£0.819m) on the budget. However, this forecast may be conservative and will likely to be increased to around £10m in the half year monitoring report. This will be in line with the position in 2022/23.

  In line with the increased income however is that the parking contract costs are showing a pressure of £0.127m. This is due to costs such as non-cash fees, texts and penalty charge notices which are variable and so increase as the income increases.

- **Waste Tonnage and Waste Disposal Costs** – Costs at the MK Waste Recovery Park (MKWRP) are impacted by the residual waste tonnage levels. The levels over the last 4 years show a depict an increase in 2020/21 with increased working from home but a significant drop last year, essentially due to economic changes and a general return to working in the office.

  Whist a £0.400m saving was included in the 2023/24 budget to reflect the tonnage drops in 2022/23, the current tonnage trend implies that this may still be a conservative position. Over the year, the current forecast is that tonnage will be 77,500 rather than the budgeted 80,000, thereby a saving of a further (£0.400m). This will continue to be monitored each month and any long-term changes can be reflected in the MTFP.

  However, the cost of disposing of items of upholstered domestic seating is forecast to be £0.300m following new guidance from the Environment Agency that waste containing persistent organic pollutants (POPs) must go to incineration rather than landfill.

  In addition, insurance of waste facilities is currently volatile, and the Council was notified late last year of an annual £0.102m increase in costs for 2023/24. Also, work is being carried out with the support of external specialists to review the MKWRP contract with unbudgeted costs of £0.100m.

- **New Waste and Environmental Service Contract** - The decision to award a five-year contract to Suez Recycling and Recovery UK Ltd (Suez) to collect waste, keep the streets clean and maintain council owned green spaces and play areas from 4 September 2023, at the very end of the budget process has resulted in a number of variances mainly due to updated assumptions.
  - Staff costs are showing a pressure of £0.220m for the 7 months on the new contract as the pay award for April 2023 was assumed to be 5% when the budget was set but the final pay award was actually 8%.
  - Landscape contract costs are showing a pressure due to a review of the Geographical Information Systems (GIS) data included in the original contract specification. Work is underway to confirm the position but at this stage, it is estimated that there could be a pressure of £0.200m for the 7 months of the new contract following the inclusion of more land parcels in the contract.
  - 2023/24 is a combination of both old (Serco) and new (Suez) contract costs and an assessment was carried out before the budget was set as to the impact of this. The estimated costs are circa £0.150m more than provided for as a one-off pressure essentially due to increased inflation.

- **Street lighting Electricity Costs** - Following an update from the MKCC energy buyer, it is forecast that electricity costs will decrease in October 2023 rather than increase as expected when the budget was set. Whilst this has still to be confirmed and will not be certain until October, the street lighting electricity costs are forecast to be (£0.223m) lower than budget.

- **Property Staff Costs** – There are a number of staff within the property team that are either recharged to capital or income generating schemes to offset their costs. As the year progresses and schemes are approved in line with planned delegated decisions, this opportunity to recharge becomes clearer. However, currently there are costs of £0.162m that require firm schemes to be allocated against, thus showing as a revenue pressure. Should the level of schemes not be sufficient to offset the costs of agency staff, a review of these costs will be undertaken.

Key demand budgets concerns and actions

- Currently the demand and market rates for recycled materials is in line with the budget assumptions but this could quickly change.
- Highways Adoptions has an income target of £1.586m and if the increase in interest rates and mortgages leads to a slump in the housing market, then developments may be deferred, and this income will be at risk.
- Both these risks are monitored closely each month.

New Pressures / Other key concerns

Possible pressures:

- Continued low UK economic growth coupled with inflation and higher interest costs could have a significant impact on rental income from the commercial property portfolio (bad debts and voids) plus Highways Adoptions income.

Possible opportunities for reduced costs or increased income:

- Parking income has stabilised with the latest full year income projection being (£1.12m) greater than budget. This positive variance has partly been factored into the forecast (£0.819m) and income trends will continue to be closely monitored and reflected in the MTFP.
- The bus stop advertising income includes an element related to a share of the advertising revenue generated by the operator from MKCC’s assets. This has been conservatively forecast and may be increased once the first quarter’s actual data is received.
- The MKWRP forecast waste volumes are currently showing a demand saving. This is being monitored closely each month; a further slowdown in UK economic activity could further reduce waste tonnage over the rest of the year.
- No demand saving on concessionary fares has been forecast. This is being monitored closely each month and a saving maybe recognised as the year progresses.

Service Area	Finance and Resources	Responsible Officer	Steve Richardson	Variance £m	(£0.294m)

Key Variations:

- Revenue & Benefits - A pressure of £0.045m has been recognised due to continued increased workloads linked to the cost-of-living crisis which has required the extension of a number of temporary officers for Q1 of the financial year.
- Internal Audit - A saving of (£0.107m) has been recognised in staff costs due to on-going vacancies.
- IT – An underspend of (£0.037m) in staffing has been recognised due to vacancies. No HRA income is expected during the year as previously supported services have now been replaced, resulting in a pressure of £0.103m, however an increase in schools' income of (£0.090m) is expected to partially alleviate this pressure.
- HR - A saving of (£0.169m) is recognised in staffing due to vacancies not yet filled. However, there is an overspend of £0.028m due to an increase in Occupational Health services & a further £0.017m overspend as a result of employee DBS checks.
- Finance - Currently some vacancies within Professional Finance are resulting in an overall saving of (£0.052m). An underspend in on-going pensions of (£0.045m) has been forecasted, based on 22-23 actuals due to current year projections not yet being available.

New Pressures / Other key concerns

- Mobile phone and print costs will be reviewed to ensure only necessary costs are incurred.

Action Plan for overspending areas

- Revenue and Benefits will be monitoring workloads closely and planning resource accordingly.

Service Area	Law and Governance	Responsible Officer	Sharon Bridglalsingh	Variance £m	£0.215m

Key Variations:

- The legal service has a staff pressure of £0.073m due to the continued use of agency staff to back-fill vacant posts. Legal has also recognised a pressure of £0.021m for annual subscriptions. Legal income is forecasted to be lower than budgeted by £0.058m due to recognising trends in previous actuals received.
- The new voter ID system in place for elections resulted in a pressure of £0.035m from additional equipment required for the May 2023 local elections.

Key demand budgets concerns and actions-

- Legal income is currently forecasted below budget; further work is being carried out to assess future income levels.

New Pressures / Other key concerns

- Election costs are expected to rise in future years; this is being reflected in the MTFP.

Action Plan for overspending areas

- Legal is continuing with a robust recruitment campaign in order to further reduce the usage of agency staff. Vacancies within the department, coupled with an increase in workload on the back of covid, increased a reliance on agency staff and a reduction in establishment costs, can be seen in the below, right-hand graph. Continued recruitment into vacant posts will see a reduction in more expensive agency resources.

Service Area	Debt Financing & Corporate Items	Responsible Officer	Steve Richardson	Variance £m	0.001
Key Variations: • No Variations					