

Financial Reporting 2023/24 – October (Month 7)

Date: 15 January 2024

Report of: Head of Democratic Services

Report to: Scrutiny Board (Strategy & Resources)

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

Brief summary

Scrutiny Board Strategy and Resources has a standing commitment to monitor financial performance throughout the financial year as part of its remit and to identify emerging issues and suggest alternative approaches as appropriate.

The Board is asked to consider the latest iteration of the Financial Reporting series that are considered by Executive Board as part of ongoing financial health monitoring. This report should be viewed in the context of wider discussions about the Proposed Budget for 2024/25 and provisional budgets for 2025/26 and 2026/27 which are considered elsewhere on this agenda, and the wider and ongoing financial challenge being faced by the Council.

In December 2023 the Executive Board received an update from the Chief Officer - Financial Services about the financial health of the Authority both in respect of the General Fund revenue budget and the Housing Revenue Account at Month 7 of the financial year.

The appended Executive Board report (Appendix 1) provides an update on financial performance against the 2023/24 budget, which targeted resources towards priorities set out in the Best City Ambition.

It also sets out some of the specific risks facing the Council as a result of the current financial climate.

Recommendations

- a) Members are asked to consider the relevant information within the attached Executive Board report and provide comment in relation to those service areas that fall within its remit.

What is this report about?

- 1 The Chief Officer Financial Services provides a regular budget report to the Executive Board throughout the year. The latest paper set out the position at the end of October (Month 7) and was considered by Executive Board on 13 December 2023.
- 2 The five scrutiny boards are also asked to consider the latest information on financial health alongside a report that provides detail of service performance in relation to strategic priorities that fall within the respective remits of the Boards, the performance report features elsewhere on this agenda.
- 3 In addition to the June and January meetings Scrutiny Board Strategy and Resources keeps a watching brief of the financial health of the authority throughout the year as part of its specific remit. Key council functions related to finance that fall under the Board's remit include: Setting, supporting and monitoring the Council's policies and procedures for budgets; Ensuring effective financial management and controls; Administering effective financial management and controls and Setting, supporting and monitoring the Council's financial strategy.
- 4 Appendix 1 presents the latest Financial Report. It sets out a projected overspend of £35.3m, equivalent to 6.2% of the net revenue budget for 2023/24, which highlights the budget pressures currently being faced by the council in terms of under-funding and ongoing inflationary pressures. This position takes account of the pre-existing saving requirement for 2023/24 of £58.6m for which the majority of budget action plans have been implemented or mitigating actions found. However, an £11.3m shortfall has been identified, primarily due to the significant pressures within Children's social care. This shortfall is included within the £35.3m overspend figure set out above. The council's Housing Revenue Account (HRA) is projecting an overspend of £1.3m (0.5% of the approved gross HRA expenditure budget), with plans being developed to balance that budget.
- 5 When the Board last considered financial reporting in October (Month 4) a number of pressures were identified that have contributed significantly to the budget pressures faced by the authority. At month 7 these pressures remain and are focussed on increased costs within Children Looked After (CLA) budgets and wider social care costs across both children's and adult's care services, unfunded staff pay rises, energy prices, fuel prices, increased costs of procured goods and commissioned services, higher demand for support and welfare services and reduced income as residents choose to spend their income differently to take account of the cost-of-living crisis.
- 6 At Month 4 of the financial year the Council was projecting an overspend of £33.9m, this position then improved to £30.5m at Month 6 but has since seen a further adverse movement to the position of £35.3m reported today. This is largely due to the increasing cost of social care, particularly within Children's Services. Any use of reserves to balance the budget (a legal requirement) in 2023/24 will have an impact on available resources for future years.
- 7 The overspend should be viewed through the wider national context: local government finances are in a critical state and there is growing concern as an increasing number of councils are reporting overspends in the current financial year and significant estimated budget gaps in future financial years which provide a challenge to their financial sustainability.
- 8 An important element of financial sustainability and robustness is availability of reserves to deal with unexpected events and unplanned expenditure. Following the closure of the 2022/23 accounts, the Council's general fund reserve was £33.2m, the 2023/24 budget assumes a £3m

contribution to this reserve as part of measures taken to ensure financial robustness and sustainability in the future.

- 9 The Strategy and Resources Scrutiny Board will continue to monitor the Council's financial position in 2023/24 and will also focus on specific budget plans for 2024/25 through the Proposed Budget for 2024/25 and Provisional Budgets for 2025/26 and 2026/27 item contained elsewhere on this agenda.

What impact will this proposal have?

- 10 This report is for information and members are asked to provide comment in the context of the wider discussions about performance, considered through the performance report and the Proposed Budget for 2024/25 and Provisional Budgets for 2025/26 and 2026/27.

How does this proposal impact the three pillars of the Best City Ambition?

Health and Wellbeing Inclusive Growth Zero Carbon

- 11 Delivery of the priorities identified in the Best City Ambition relies upon the organisation's long-term financial sustainability, with decision makers required to effectively balance the resource implications of the Council's policies against financial constraints. This is the primary purpose of the Medium-Term Financial Strategy, which provides the framework for the determination of the Council's annual revenue budget.
- 12 The appended report is a factual report, which needs to be seen in context of the requirement for the Council to be financially sustainable and deliver a balanced budget position in 2023/24 so that resources can continue to be targeted at the Council's priorities.

What consultation and engagement has taken place?

- 13 Public consultation on the Revenue Budget forms part of the process of setting the budget for the authority each year, that process was followed for the 2023/24 budget.
- 14 Relevant Executive Members and senior officers have been invited to attend today's meeting to discuss the appended report and to address any questions raised by the Scrutiny Board.

What are the resource implications?

- 15 The appended revenue report details all resource implications.

What are the key risks and how are they being managed?

- 16 The reported budget position is considered in the context of risk to both the in-year financial position and the potential impact on the Council's Medium Term Financial Strategy. These risks are included on the Council's corporate risk register. Further information surrounding other associated risks is set out in the appended report.
- 17 The appended report is a factual report which needs to be seen in context of the requirement for the Council to be financially sustainable and deliver a balanced budget position in 2023/24.

What are the legal implications?

1. More detail on the legal implications associated with the Executive Board report that is considered in the appendices to this report can be found under the legal implications section of those reports. However, the council has a statutory duty to ensure that it maintains a balanced budget and to take any remedial action as required in year. Section 28 of the Local Government Act 2003 provides that the council has a statutory duty to periodically conduct a budget monitoring exercise of its expenditure and income against the budget calculations during the financial year. If the monitoring establishes that the budgetary situation has

deteriorated, the authority must take such remedial action as it considers necessary to deal with any projected overspends.

Appendices

- Appendix 1 – Report of the Chief Officer - Financial Services to Executive Board (13 December 2023) on Financial Reporting 2023/24 – October (Month 7).

Background papers

- None