

## Financial Reporting 2023/24 – Month 10 (January)

Date: 25 March 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.

Appendix 1 to this report provides the Month 10 budgetary position in respect of the Council's 2023/24 General Fund revenue and Housing Revenue Account (HRA) budgets reported to Executive Board on 13th March 2024.

The national context for local authority finances is challenging with a number of authorities reporting that their budgetary position is under significant stress. The reasons for this focus on growing national pressures linked to children's social care costs both in terms of higher than projected numbers in care and the costs of care delivery, pressure in other demand led budgets, inflationary pressures on employee pay, energy and fuel prices and the overall cost of living impacting the prices paid for good and services.

As a result of this and the level of funding provided by Government the Council is projecting an overspend of £36.3m on the Authority's General Fund (6.3% of the approved 2023/24 net budget) and a balanced position in respect of the Housing Revenue Account (HRA).

The role of scrutiny as a 'critical friend' on financial performance and management contributes to supporting the Best City Ambition in ensuring a sustainable and robust financial position from which to deliver against the objectives set out in the Three key pillars.

### Recommendations

- a) Members are asked to note the content of the report and appendix within the wider Board remit linked to financial sustainability and long-term budgetary robustness.
- b) Board members are also asked to highlight any future areas of scrutiny work should any arise during discussion of this item.

## What is this report about?

- 1 Scrutiny Board Strategy and Resources has several key financial functions within its remit. These include scrutiny of the Council's functions with regard to the setting of the Budget and the Council's financial Strategy, i.e. ensuring effective financial management and controls; setting, supporting and monitoring the Council's policies and procedures for budgets; administering effective financial management and controls; and setting, supporting and monitoring the Council's financial strategy. As a consequence, the Board closely monitors financial performance as part of its remit. Appendix 1 provides the latest financial performance report for 2023/24 considered by Executive Board in March 2024.
- 2 The net revenue budget for 2023/24 was set at £573.4m in February 2023 with general reserves standing at £33.2m, following the closure of the 2022/23 accounts. There are plans to increase the general reserve by £3m in 2023/24 as a measure to enhance budgetary robustness in the future.
- 3 As noted above, a key area of budget pressure is in the provision of children's social care and in particular the Children Looked After budgets. The main causes of this are high-cost external placements where there is a projected overspend of £22.098m, semi-independent living for care leavers where there is a budget pressure of £3.551m, transport costs £4.256m largely linked to increase in demand for Education, Health and Care plans (EHCPs) and Independent Fostering Agency (IFA) placements £4.365m. Overall, the Children and Families Directorate is projecting an overspend of £39.344m driven largely by the pressures identified here.
- 4 These trends within children looked after services are not unique to Leeds and reflect the national picture where increased numbers of children in care, increased complexity of care requirements and higher costs have impacted all local authorities in England in what are demand led services.
- 5 As noted in previous reports considered by this Board, inflationary costs and the wider cost of living being felt in the economy are also adding pressure to the Council's budget. Important factors here are increased pay awards for staff, higher energy and fuels costs (which are now beginning to stabilise) and higher costs of goods and services which are in excess of the level of resources provided by Government.
- 6 Given the level of projected overspend the Council has opted to continue with two policies aimed at limiting spend these are to maintain a freeze on recruitment, agency and overtime spending and a freeze on non-essential spend except on health and safety related matters, income generation and provision of statutory service requirements. On recruitment a robust post-by-post review is conducted to identify which posts meet agreed exceptions and can be excluded from the freeze.
- 7 In order to manage the budget pressure, four key messages have been reiterated to staff in 2023/24:
  - Stay within budget – reduce discretionary spend and minimise recruitment, including agency and overtime.
  - Absorb in-year pressures – directorates required to absorb all in-year pressures.
  - Highlight issues early – use the budget monitoring process to raise issues with Financial Management as soon as possible.

- Robust monitoring is essential – includes detailed discussion at relevant monitoring meetings.

- 8 As noted above the general fund reserve stands at £33.2m following closure of accounts for the 2022/23 financial year, with plans to further enhance these by £3m in 2023/24. The Council also have other reserves and these will be used to support the budget in 2023/24. The Strategic Contingency Reserve, established in 2020/21, to fund future unforeseen budget pressures had an opening balance of £19.9m at the start of 2023/24. Budgeted use of this in 2023/24 is £14.3m with a further £0.6m committed to support Covid backlog recovery and £1.3m from this reserve to fund budgeted fleet savings which are not deliverable in year due to the costs of maintaining an ageing fleet and increased demand for services. A further £3.5m has been allocated against slippage in the Children’s Residential and Fostering provision action plan and £0.2m will provide Internship funding in Strategy and Resources.
- 9 At its meeting of 12th October 2023, the West Yorkshire Combined Authority (WYCA) confirmed a one off refund of transport levy reserves to member authorities aimed at reducing the financial pressures faced in the region, with Leeds to receive £17.7m. Together with any underspend on the energy budget and the use of the Merion House Reserve these funds will be applied towards balancing the 2023/24 budget position.

**What impact will this proposal have?**

- 10 Scrutiny Board Strategy and Resources has a clear interest in the financial health of the authority established through its remit. Ongoing scrutiny of budgetary matters will support the Council in terms of budgetary robustness and long-term sustainability and will support the delivery of the three pillars contained in the Best City Ambition.
- 11 The Vision for Scrutiny agreed by full Council sets out the nationally agreed four principles of good scrutiny. Within these is a commitment to ‘Promote Scrutiny as a means by which the voice and concerns of the public can be heard.’ Given media coverage of financial difficulty being experienced by local authorities it is hoped that this report assists in responding to any concerns amongst Leeds residents on this subject.

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

- Health and Wellbeing                       Inclusive Growth                       Zero Carbon

- 12 The terms of reference of the Scrutiny Boards continue to promote a strategic and outward looking Scrutiny function that focuses on the Best City Ambition.
- 13 Having a robust and sustainable budgetary position will enable the Council to deliver against its priorities including the three key pillars set out above.

**What consultation and engagement has taken place?**

Wards affected:		
Have ward members been consulted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

- 14 This is a factual report and is not subject to consultation.
- 15 The Authority’s Financial Strategy is driven by its ambitions and priorities as set out in the Best City Ambition. The determination of these ambitions were subject to consultation with Members

and officers throughout its development, with additional extensive stakeholder consultation carried out on the range of supporting plans and strategies.

### **What are the resource implications?**

16 All resource implications are detailed in the main body of the attached Executive Board report at Appendix 1.

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

17 As noted when the Scrutiny Board considered the Annual Corporate Risk report in December 2023, the risk of the in year financial position being in deficit and the Council being unable to balance the Medium-Term Financial Strategy were rated 'very high', reflecting the wider national context and the uncertainty of funding for future years.

### **What are the legal implications?**

18 The council has a statutory duty to ensure that it maintains a balanced budget and to take any remedial action as required in year.

### **Appendices**

- Appendix 1: Financial Reporting 2023/24 – Month 10 report considered by Executive Board on 13 March 2024.

### **Background papers**

- None