

Financial Health Monitoring 2022/23 – October (Month 7)

Date: 16 January 2023

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 Financial Health Monitoring report in the context of wider discussions about the proposed budget for 2023/24 and performance against strategic priorities that fall within the remit of the Board.

In December 2022 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 2022/23 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 14 December 2022.
- 2 Twice a year – in June and January – the five scrutiny boards are also asked to consider the latest information on financial health monitoring 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 Health Monitoring report. It sets out a projected overspend of £15.4m, reducing to £14.6m when Savings Action Plans, directed at mitigating against these pressures, are factored in. This position takes account of the pre-existing saving requirement for 2022/23 of £16.5m for which the majority of budget action plans have been implemented or mitigating actions found.
- 5 When the Board last considered the financial health of the authority in November (Month 5) a number of inflationary 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 staff pay, energy prices, fuel prices, increased costs of procured goods and 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 The latest UK CPI inflation figure is 10.7% for the month of November which is a reduction on the October rate of 11.1%, serving to illustrate the inflationary pressures faced by the Council and Leeds residents in the current financial year. As an example, the average UK pump prices for diesel and unleaded petrol saw increases of 28.5% and 18.2% respectively between October 2021 and October 2022.
- 7 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 2021/22 accounts, the Council's general fund reserve was £33.2m, an improvement of £5.4m on the position at the end of 2020/21. The 2022/23 budget assumes no contribution to this reserve during the current financial year, but as set out in the MTFs there is a planned £3m contribution each year up to 2027/28, commencing in 2023/24.
- 8 The Strategy and Resources Scrutiny Board will continue to monitor the Council's financial position in 2022/23 and will also focus on specific budget plans for 2023/24 through the Proposed Budget for 2023/24 and Provisional Budgets for 2024/25 and 2025/26 item contained elsewhere on this agenda.

What impact will this proposal have?

- 9 This report is for information and members are asked to provide comment in the context of the wider discussions about performance and the Proposed Budget for 2023/24 and Provisional Budgets for 2024/25 and 2025/26.

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

Health and Wellbeing

Inclusive Growth

Zero Carbon

- 10 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.
- 11 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 2022/23 so that resources can continue to be targeted at the Council's priorities.

What consultation and engagement has taken place?

- 12 Public consultation on the 2022/23 Revenue Budget was carried out between December 2021 and January 2022.
- 13 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?

- 14 The appended revenue report details all resource implications.

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

- 15 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.
- 16 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 2022/23.

What are the legal implications?

- 17 There are no legal implications arising from the attached Executive Board report

Appendices

- Appendix 1 – Report of the Chief Officer Financial Services to Executive Board (14 December 2022) on Financial Health Monitoring 2022/23 – October (Month 7).

Background papers

- None