

Financial Reporting 2023/24 – Month 4(July)

Date: 16 October 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.

Appendix 1 to this report provides the Month 4 budgetary position in respect of the Council's 2023/24 General Fund and Housing Revenue Account (HRA) budgets reported to Executive Board on 20th September 2023.

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 are largely due to an increase in both adults and children's social care costs resulting from both increased demand and increased costs, pressure in other demand led budgets, increased pay awards for staff, price inflation on contracts (including energy and fuel) and the overall cost of living impacting upon demand for Council's services.

As a result of this and the level of funding provided by Government the Council is projecting an overspend of £33.9m on the Authority's General Fund and a further overspend of £3.2m on the 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 provide the latest financial report for 2023/24 considered by Executive Board in September.
- 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 is a budgeted contribution of £3m to the general reserve in 2023/24 as a measure to enhance budgetary robustness in the future. The Council's Medium Term Financial Strategy also assumes a £3m annual contribution to the general reserve.
- 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 £14.658m, semi-independent living for care leavers where there is a budget pressure of £6.75m and Independent Fostering Agency (IFA) spend where the planned savings of £2m are expected not to be met due to higher than projected numbers. Overall, the Children and Families Directorate is projecting an overspend of £25.195m 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. Despite this national picture, as yet these higher costs have not been recognised by Government with additional funding to address them.
- 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, high energy and fuels costs (which are now beginning to stabilise) and higher costs for goods and services.
- 6 Given the level of the projected overspend the Council has responded by implementing 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 carried out to identify which posts meet agreed exceptions and can be excluded from the freeze.
- 7 As noted above the general fund reserve stands at £33.2m following closure of accounts for the 2022/23 financial year, with a budgeted contribution of £3m 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. The available balance in this reserve is currently forecast to be £3.7m at 31st March 2024.

- 8 The overspend on the HRA of £3.17m is the subject of further analysis and monitoring with an action plan being developed to bring the budget into balance.
- 9 Members should note that Month 4 is the latest available financial reporting update for 2023/24. Due to publication deadlines for this Scrutiny Board and Executive Board when this is considered on 16 October the Month 5 position will have been published for the Executive Board meeting on 18 October.

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 the recent 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? Yes No

- 14 The Council's financial health monitoring 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 This report has no specific risk management implications.

What are the legal implications?

18 This report has no specific legal implications.

Appendices

- Appendix 1: Financial Reporting 2023/24 – Month 4 report considered by Executive Board on 20th September 2023.

Background papers

- None