

Financial Reporting 2023/24 – October (Month 7)

Date: 24 January 2024

Report of: Head of Democratic Services

Report to: Children and Families Scrutiny Board

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

Brief summary

The Scrutiny Board (Children and Families) is asked to consider the latest information on financial performance in 2023/24 in the context of wider discussions about the proposed budget for 2024/25 and provisional budgets for 2025/26 and 2026/27 and also performance against strategic priorities that fall within the remit of the Board.

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.

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.

At the end of Month 7 there is a projected overspend of £35.3m, equivalent to 6.2% of the net revenue budget for 2023/24 and 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.

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 asked to consider the latest information on financial performance 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 (item 9).
- 3 In addition, the Scrutiny Board is also asked to consider the latest information on financial performance in the context of its wider discussions about the proposed budget for 2024/25 and provisional budgets for 2025/26 and 2026/27, which again feature elsewhere on the agenda (item 8).
- 4 As noted above, 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.
- 5 Key pressures facing the Council and that have featured in the regular iterations of this report considered by the Executive Board throughout the municipal year include; 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 cost-of-living pressures.
- 6 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.
- 7 The Board's remit covers areas of the Council budget that have been under the most significant pressure due to their demand led nature. The Children and Families directorate is projecting an overspend of £32.696m and can be broken down as follows:

Service Area	Budget Variation (£m) (underspend)
CLA: External Residential Placements	17.190
CLA: Semi Independent / Leaving Care	4.480
CLA: In House Placements	2.048
IFA Placements	3.180
Little Owls Nurseries	1.075
Secure Welfare	0.420
Transport	3.544
Projected Net Staff savings	(1.513)
Cost of additional pay award	1.225
Mitigation of pay award	(1.225)

Social Worker Retention Payment (allowance)	0.881
Learning Inclusion	1.205
Reprofiling of School Balances	(0.500)
Non-Essential Spend Savings	(0.500)
Non-Delivery of Action Plans	0.719
Other Variances	0.467
Total	32.696

8 Further details can be found on this in Appendix 1 to this report.

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 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

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 2023/24 so that resources can continue to be targeted at the Council's priorities.

What consultation and engagement has taken place?

Wards affected:

Have ward members been consulted? Yes No

12 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.

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.

What are the legal implications?

16 More detail on the legal implications associated with the Executive Board can be found under the legal implications section of that report in Appendix 1. 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