

# Decision Pathway – Report



**PURPOSE:** Key decision

**MEETING:** Cabinet

**MEETING DATE:** 4 July 2023

<b>TITLE</b>	<b>2023/24 Quarter 1 and Financial Outlook Report</b>		
<b>Ward(s)</b>	N/a		
<b>Author:</b> Jemma Prince	<b>Job title:</b> Finance Business Partner – Planning and Reporting		
<b>Cabinet Lead:</b> Cllr Craig Cheney – Deputy Mayor and Cabinet Member for Finance, Governance and Performance	<b>Director Lead:</b> Denise Murray – Director of Finance		
<b>Proposal origin:</b> Other			
<b>Decision maker:</b> Cabinet Member <b>Decision forum:</b> Cabinet			
<b>Purpose of Report:</b> The Council budget for 2023/24 was agreed by Full Council 21 February 2023. This report provides information and analysis at Quarter 1 (May 2023 extrapolated) on the Council’s financial performance against the approved budget and forecast use of resources for the financial year. This report also includes a medium term financial outlook for the Council and highlights the significant risks, issues and uncertainties with regards to the current budget assumptions contained within the Medium Term Financial Plan (MTFP) and Capital Strategy and while not being exhaustive sets out a direction of travel for the budget strategy for the coming year. Finally, this report also serves as a mechanism for any finance approvals or adjustments that are required on the Council’s approved budget.			
<b>Evidence Base:</b> The 5 year budget was approved by Council in February 2023.  The Council operates Directorate cash limited budgets and Executive Directors are responsible for ensuring that appropriate action is taken to contain both revenue and capital spending in line with the directorate’s overall budget limit. Budget holders forecasting a risk of overspend which can potentially be brought back in line with their budget should, in the first instance, set out in-service options for mitigation. Where these options are considered undeliverable or pressures cannot be contained across the directorate the budget scrutiny process will be triggered and a request may be made for the Executive to consider granting a supplementary estimate redirecting funds from an alternative source. As at Quarter 1 no supplementary estimates have been requested for 2023/24.  The Council’s overall annual revenue spend is managed and monitored across a number of areas and at Quarter 1, the forecast financial outturn for 2023/24 is as follows: The General Fund <ul style="list-style-type: none"> <li>◦ The General Fund is currently forecasting to deliver an outturn in line with its approved budget of £483.5m.</li> <li>◦ The General Fund savings programme for 2023/24 agreed by Council and included in the General fund budget above is £26.2m (23/24 savings £16.2m and £10.0m carried forward from prior years still requiring delivery). In addition to this £26.2m, there was an additional net £9.3m of savings undelivered at 2022/23’s full year outturn which also carry forward in to 2023/24 for delivery so that a total £35.5m savings are being tracked in the current financial year. Currently £9.0m of these £35.5m savings are reported as being at risk. A number of these savings' delivery risks are captured in the forecast outturn above or in the directorate risk and opportunities logs; however, it should be noted that not all risks are formally acknowledged in the outturn and as such this represents an underlining additional risk.</li> </ul>			

### The Ring-fenced Accounts

- Housing Revenue Account (HRA) is forecasting an underspend of £1.7m (1.2%) on the £137.4m approved gross expenditure budget. This net underspend is due to energy underspends within the Supervision and Management service and further underspends in both this service and Special services due to delays in recruitment to new staff posts.
- The Dedicated Schools Grant (DSG) approved budget, including amounts recouped by the Education and Skills Funding Agency for Academies, is £453.2m against which it is forecasting an £18.7m (4.1%) in-year deficit. This is primarily driven by High Needs spend increases in EHCP assessments and need. This in-year forecast overspend, when combined with the prior year's carried forward deficit of £39.7m, brings the forecast total accumulated carried forward in to 2024/25 deficit £58.3m.
- The Public Health Grant allocation for 2023/24 is £35.7m and no variation is forecast.

### Capital Programme

- The Cabinet recommended Capital programme budget was £298.1m comprising £149.5m for General Fund, £15.3m for projects pending and £133.3m for the HRA. In addition to this is slippage (carry forward) from 2022/23 of £56.3m so that the scheduled revised total budget for 2023/24 is £354.4m. Against this budget, the forecast variation at Quarter 1 is a net £43.3m (12.2%) underspend comprising £24.5 (6.9%) underspend for the General fund and a £13.8m (3.9%) underspend for the HRA, predominantly attributed to delays in major projects and new build and land enabling works. The £5.0m (1.4%) balance of underspend is against pending/contingency budget. The budget is to be revised further to incorporate the 3 amendments as applicable and as approved at Full Council (February 2023).
- The adjustment of the Capital Budget for 2023/24 to reflect the treatment of the recently awarded Clean Air Zone £11m Stretch DfT Grant as capital rather than revenue expenditure.

### Further Risks & Opportunities

- Further risks and opportunities to the Council have been identified which could materialise during the financial year. These are a combination of costs, savings delivery, income generation and funding opportunities. Details are outlined within the directorate appendices. The total additional potential weighted net risk, predominantly arising with Adult Social Care, Children and Education directorates, which these present to the Council is currently assessed as £15.2m.

### MTFP July Outlook Update

- In addition to the above reported service risks there are also significant additional risks relating to Cost of Living (inflationary) pressures, funding changes and other emerging risks. The Council continues to monitor these emerging risks which are currently projected to amount to £9.9m for 2024/25. The scale of the funding gap is predicted to grow. With a base case assumption of a £24.7m gap by 2028/29 being assessed. The report provides a forecast outlook to aid timely robust and methodical planning and allows the Council to identify and respond to issues early. Details are set out in section 9 of Appendix A1 and in Appendix A10.

### External Funding Decision

- N/A

Full detail of Quarter 1 revenue and capital spending and forecast is provided in Appendices A1 to A9.

### **Cabinet Member / Officer Recommendations:**

That Cabinet notes:

- The General Fund forecast outturn in line with the approved budget at Q1 2023/24/
- The General Fund emerging net risk of £15.2m, noting that if overspends against the agreed budgets do emerge, Executive Directors will be required to develop and implement plans to mitigate overspends within 2023/24, in consultation (where required) with elected Members.
- A forecast underspend of £1.7m within the HRA and that over or under spends that materialise on the HRA will be funded by a transfer to or from the HRA general reserve at the end of the financial year.

- A forecast in-year deficit of £18.7m accumulating to a total £58.3m carried forward deficit in the DSG for 2023/24, and the requirement for the Council and the Schools Forum to work together to develop a clear mitigation plan which addresses the High Needs overspend.
- A breakeven position on Public Health services.
- The technical virements since original budget approval (see Tables 3a and 3b of Appendix A1)
- A forecast £43.3m underspend (including £24.5m underspend for the allocated General fund and a £13.8m underspend on HRA) against the revised Capital Programme's Budget
- The treatment of the recently awarded Clean Air Zone £11m Stretch DfT Grant as capital rather than revenue funding.
- The level of outstanding debt as at 31 May 2023 (see section 10 Table 9 in Appendix A1)
- The opening balances on the General Fund and Earmarked Reserves (see section 2.6 in Appendix A1)
- The redirection of reserves totalling £2.2m between Business Transformation, Key Line Of Business and Digital Transformation Reserves as part of and following approval at Extraordinary Cabinet 15 May 2023. (see section 2.66 in Appendix A1)
- The performance on delivery of savings (as summarised in section 4 in Appendix A1)
- The MTFP July Outlook Update which reports significant additional emerging risks currently projected to grow from £9.9m to £24.7m over the MTFP timeframe 2024/25-2028/29 (Appendix A10).

That Cabinet approves:

- Revisions to the approved Capital Budget to incorporate the reprofiling of prior year unspent budget carry forward (see Appendix A9)

**Corporate Strategy alignment:**

This report sets out progress against our budget, part acting in line with our organisational Theme of Effective Development Organisation, making sure that we are financially competent and resilient, offering good value for money (page 58).

**City Benefits:**

Cross priority report that covers whole of Council's business

**Consultation Details:** N/a

**Background Documents:** N/a

<b>Revenue Cost</b>	See above	<b>Source of Revenue Funding</b>	N/A
<b>Capital Cost</b>	See above	<b>Source of Capital Funding</b>	N/A
<b>One off cost</b> <input type="checkbox"/>	<b>Ongoing cost</b> <input type="checkbox"/>	<b>Saving Proposal</b> <input type="checkbox"/>	<b>Income generation proposal</b> <input type="checkbox"/>

**Required information to be completed by Financial/Legal/ICT/ HR partners:**

**1. Finance Advice:** The resource and financial implications are set out in the report.

**Finance Business Partner:** Jemma Prince, Finance Business Partner - Planning and Reporting, 28 June 2023

**2. Legal Advice:** The report, including the detail set out in the Appendices, will assist Cabinet to monitor the budget position with a view to meeting the Council's legal obligation to deliver a balanced budget. There are no specific legal issues arising from the decisions recommended in the report.

**Legal Team Leader:** Nancy Rollason, Head of Legal Service, 22 June 2023

**3. Implications on IT:** Whilst the process of financial monitoring has no IT implications itself, the council continues to carry business continuity and cyber-security risks and the overall financial position (and its capacity for change management) makes it likely that this will continue. The redirection of Key Line Of Business Reserves to the Digital Transformation Reserve is supported because the KLOB reserve was not being utilised; however this is indicative of the organisation's lack of capacity to address its digital deficits and does not indicate that the significant risks related to Line of Business Systems have been addressed

**IT Team Leader:** Tim Borrett, Director: Policy, Strategy and Digital, 22 June 2023

**4. HR Advice:** Recruitment controls remain in place, and within the gift of Directors/Executive Directors. There are no plans to further tighten these at this stage, but this will be kept under on-going review. The forecast overspend on the General Fund, coupled with the potential under-delivery of General Fund savings, are significant, and it is

difficult to imagine that keeping spending within budget will not have an impact on the employment of BCC staff.

**HR Partner:** James Brereton, Head of Human Resources, 22 June 2023

<b>EDM Sign-off</b>	Sarah Chodkiewicz	
<b>Cabinet Member sign-off</b>	CLlr Craig Cheney	
<b>For Key Decisions - Mayor's Office sign-off</b>	Mayor's Office	

<b>Appendix A – Further essential background (A1-A10)</b>	<b>YES</b>
<b>Appendix B – Details of consultation carried out - internal and external</b>	<b>NO</b>
<b>Appendix C – Summary of any engagement with scrutiny</b>	<b>NO</b>
<b>Appendix D – Risk assessment</b>	<b>NO</b>
<b>Appendix E – Equalities screening / impact assessment of proposal</b>	<b>NO</b>
<b>Appendix F – Eco-impact screening/ impact assessment of proposal</b>	<b>NO</b>
<b>Appendix G – Financial Advice</b>	<b>NO</b>
<b>Appendix H – Legal Advice</b>	<b>NO</b>
<b>Appendix I – Exempt Information</b>	<b>NO</b>
<b>Appendix J – HR advice</b>	<b>NO</b>
<b>Appendix K – ICT</b>	<b>NO</b>
<b>Appendix L – Procurement</b>	<b>NO</b>