

Decision Pathway – Report



PURPOSE: Key decision

MEETING: Cabinet

MEETING DATE: 5 September 2023

TITLE	2023/24 P4 Finance Exception Report		
Ward(s)	N/a		
Author: Jemma Prince	Job title: Finance Business Partner – Financial Planning, Reporting and Strategy		
Cabinet Lead: Cllr Craig Cheney – Deputy Mayor and Cabinet Member for Finance, Governance and Performance	Director Lead: Denise Murray – Director of Finance		
Proposal origin: Other			
Decision maker: Cabinet Member			
Decision forum: Cabinet			
Purpose of Report:			
<p>The Council budget for 2023/24 was agreed by Full Council 21 February 2023. This report provides information and analysis at Period 4 (July 2023 extrapolated) on the Council’s financial performance against the approved budget and forecast use of resources for the financial year.</p> <p>In addition, this report also serves as a mechanism for any finance approvals or adjustments that are required on the Council’s approved budget.</p>			
Evidence Base:			
<p>The 5 year budget was approved by Council in February 2023.</p> <p>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.</p> <p>As at Period 4 no supplementary estimates have been requested for 2023/24.</p> <p>The Council’s overall annual revenue spend is managed and monitored across a number of areas and at Period 4, the forecast financial outturn for 2023/24 is as follows:</p> <p>The General Fund</p> <ul style="list-style-type: none"> ◦ The General Fund is currently forecasting a risk adjusted overspend of £12.1m, 2.5%, on the approved budget of £483.5m. This reflects a deterioration of £12.1m in the period. Children and Education account for this new pressure. ◦ All directorates have made significant progress in identifying funds to be held in abeyance to mitigate the £12.1m forecast outturn variance. ◦ 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 £10.5m (30%) 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.

The Ring-fenced Accounts

- Housing Revenue Account (HRA) is forecasting an overspend of £2.7m (2.0%) on the £137.4m approved gross expenditure budget.
- The Dedicated Schools Grant (DSG) revised budget, including amounts recouped by the Education and Skills Funding Agency for Academies, is £452.3m 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 and further Cabinet approved revisions of £7.4m so that the scheduled revised total budget for 2023/24 is £361.8m. Against this budget, the forecast variation at Period 4 is a net £60.1m (16.6%) underspend comprising £48.5 (13.4%) underspend for the General fund and a £6.1m (1.7%) underspend for the HRA, predominantly attributed to delays in major projects and new build and land enabling works. The £5.5m (1.5%) balance of underspend is against pending/contingency budget. The budget is still to be revised further to incorporate the 3 amendments as applicable and as approved at Full Council (February 2023).

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 report. These risks, which present a net £11.9m, arise within Adult and Communities Directorate and Growth and Regeneration Directorate and are currently assessed as mitigatable in full.

Decisions to note

- Appendix A2 sets out details of funding extensions to the Changing Futures Programme.
- Appendix A3 details an Urgent Key Decision taken regarding the emergency temporary accommodation for Afghan refugees.

Cabinet Member / Officer Recommendations:

That Cabinet notes:

- The General Fund forecast £12.1m adverse outturn variance against the approved budget for 2023/24.
- The performance on delivery of savings (as summarised in Section 3 in Appendix A).
- The General Fund additional net risk of £11.9m against which Executive Directors plan to mitigate in full (as summarised in Section 4 in Appendix A).
- The progress made across directorates in identifying funds to be held in abeyance to mitigate the forecast outturn variance, as summarised in Section 5 in Appendix A).
- A forecast overspend of £2.7m within the HRA and that over- or under-spends that materialise on the HRA will be funded by a transfer from or to 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.
- A forecast £60.1m underspend (including £48.5m underspend for the allocated General fund and a £6.1m underspend on HRA) against the revised Capital Programme's Budget
- The Changing Futures Programme application for and acceptance of external funding (section 8.1 and Appendix A2).
- The urgent key decision for Emergency Temporary Accommodation For Afghan Refugees (section 9.1 and Appendix A3).

That Cabinet approves:
<ul style="list-style-type: none"> The transfer of those funds to be held in abeyance (section 5) to a Corporately held Earmarked Reserve.
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

Revenue Cost	See above	Source of Revenue Funding	N/A
Capital Cost	See above	Source of Capital Funding	N/A
One off cost <input type="checkbox"/>	Ongoing cost <input type="checkbox"/>	Saving Proposal <input type="checkbox"/>	Income generation proposal <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, FBP – Financial Planning, Reporting & Strategy, 23 August 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. Any specific legal issues in respect of the decisions to be noted have been dealt with in the appendices. Legal Team Leader: Nancy Rollason, Head of Legal Service, 24th August 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. Similarly, several in-flight digital transformation projects require the capacity and participation of colleagues council-wide in order to be successful in reducing cost and risk – for example in the housekeeping of data. Any mitigations of in-year financial pressure which impacts people's capacity further, for example through redirecting effort to new savings initiatives or holding open vacancies, increases risk that their projects will not be successful. IT Team Leader: Tim Borrett, Director: Policy, Strategy and Digital, 23 August 2023
4. HR Advice: Any impacts on the employment of the Council's staff will be undertaken in consultation with those affected and their trade union representatives and in line with the Council's Managing Change Policy. HR Partner: James Brereton, Head of Human Resources, 23 August 2023

EDM Sign-off	Xxx	xxx
Cabinet Member sign-off	Xxx	xxx
For Key Decisions - Mayor's Office sign-off	Xxx	xxx

Appendix A – Further essential background (A-A3)	YES
Appendix B – Details of consultation carried out - internal and external	NO
Appendix C – Summary of any engagement with scrutiny	NO
Appendix D – Risk assessment	NO
Appendix E – Equalities screening / impact assessment of proposal	NO
Appendix F – Eco-impact screening/ impact assessment of proposal	NO
Appendix G – Financial Advice	NO
Appendix H – Legal Advice	NO

Appendix I – Exempt Information	NO
Appendix J – HR advice	NO
Appendix K – ICT	NO
Appendix L – Procurement	NO