North Somerset Council

Report to the Executive

Date of Meeting: 6 September 2023

Subject of Report: Budget Monitor 2023/24 - Month 3

Town or Parish: All

Officer/Member Presenting: Mike Bell, Leader of the Council

Key Decision: Yes

Reason:
Financial values in respect of budget changes are greater than £500,000

Recommendations

The Executive is asked to;

i. Note the projected revenue and capital budget forecasts as detailed within the report and also the issues and assumptions that underpin the forecasts,

ii. Note the financial risks being assessed by the council, which may have an impact on future monitoring reports,

iii. Approve the in-year amendments to the revenue and capital budgets as detailed in Appendices 1A and 5.

1. Summary of Report

This report provides a summary of the council's integrated revenue and capital financial positions after the first three months of the 2023/24 financial year and includes details of the key issues and activities that are likely to have a significant impact on the council's finances during the year. The initial forecast of the new financial year reflects an overspend of £2.135m, which equates to 1.02% of the net revenue budget.

Clearly this is the first report of the new financial year and so efforts have focused upon material areas of the council's budget or those which have identified issues early in the year. The report includes some potential risks that have been identified, as they may feature in future reports should their profiles increase, or the risks are realised and they become real pressures.

Recognising the ongoing impacts that the economic climate is having on the council's financial position, the report also provides a high-level overview of the potential solutions, options or decisions that could be considered in order to balance the budget in the current year.

2. Policy

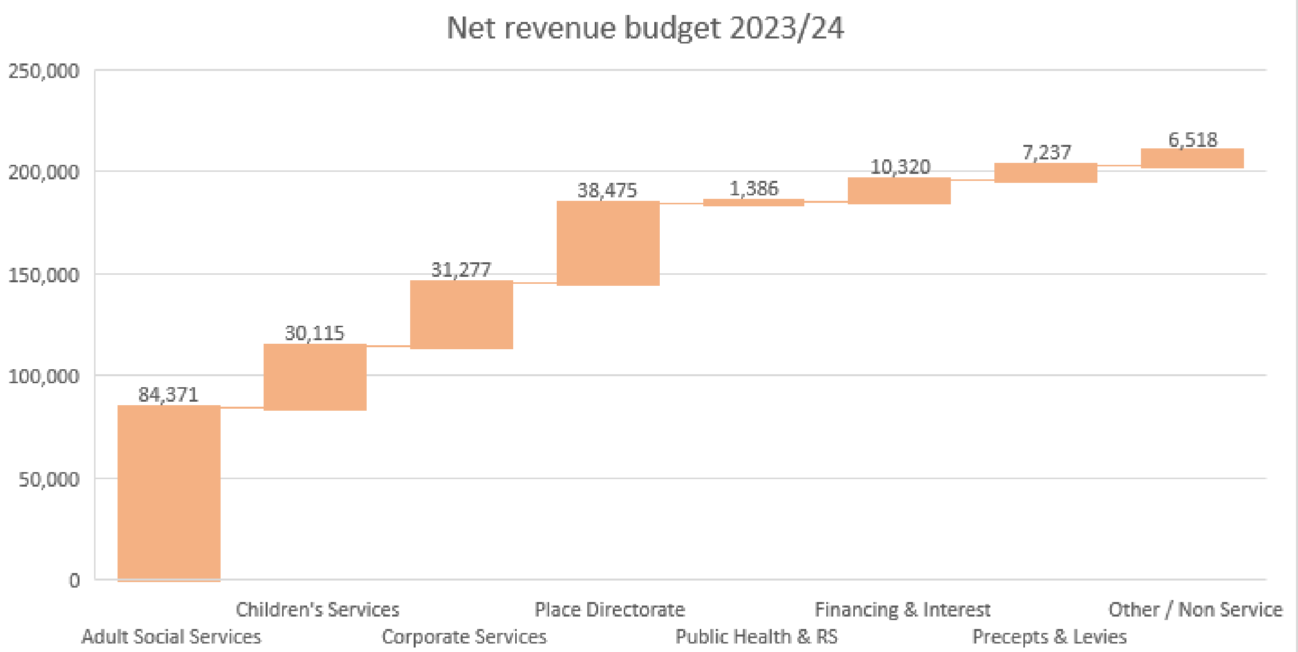
The council's budget monitoring is an integral feature of its overall financial and assurance framework, ensuring that resources are planned, aligned and managed effectively to achieve successful delivery of its aims and objectives, notably the provision of quality services to those within our communities.

The ongoing impacts and risks associated with the broader economic position mean that the council could be exposed to a rapidly changing environment and so understanding the financial consequences and reporting issues through our monitoring framework have become more important responsibilities than before.

3. Details

3.1. Overview of the annual revenue budget

The council's revenue budget for 2023/24 was approved in February 2023 and the graphic below shows how this budget is shared across each of the directorates and spending areas. Further details of individual services budgets below these totals can be found at **Appendix 1.**



A significant proportion of the council's budget is allocated to services who provide much valued social care and support to those adults and children most in need within our communities, although spending in these areas can be difficult to manage as many elements are demand led.

The Place directorate holds budgets for many of the public facing services which are recognisable by residents and businesses within their daily lives such as leisure, libraries, waste, highways and sustainable transport and also areas such as planning, place-making and climate change, whereas the corporate services directorate delivers a combination of revenues and benefits and customer services to the public as well as support services to internal customers.

The budgets for public health and regulatory services look fairly small on the chart, although are much larger in terms of gross expenditure; a large proportion of these services are funded through a specific public health grant which is ring-fenced and must be off-set against defined expenditure.

The council's revenue budget also contains;

- £10m for capital financing; this is the council's way of setting aside money each year to repay costs associated with any borrowing that has been undertaken to fund investments in large capital projects
- £12m for other expenditure; this area of the budget largely contains elements that that are not directly linked to specific services but are where the council is required to pay levies, precepts and joint arrangements, e.g. environmental agency levy, apprentice levy, magistrates court precept, town and parish council precepts and the contribution to the shared coroners and mortuary services. This area also includes any contingency provisions – further details are provided in Section 3.5.

3.2. Revenue budget summary – key headlines

Shown below is a summary of the council's financial forecast after the first three months of the year, using information provided by budget managers across the council. This indicates how much the council believes that it will spend on delivering its services by the end of the year, based on the best information available now.

Revenue Budget Monitoring Summary 2023/24					
	Original Net Revenue Budget	Month 3 Forecast - June2023			
		Revised Revenue Budget	Forecast Spend to 31 March 2024	Projected Out-turn Variance	
	£000	£000	£000	£000	%
Service Expenditure Budgets					
Adult Social Services	84,334	84,371	84,177	(194)	-0.23%
Children's Services	30,011	30,115	32,383	2,268	7.53%
Corporate Services	31,241	31,277	32,030	752	2.41%
Place	38,393	38,475	40,329	1,855	4.82%
Public Health & Reg Services	1,374	1,386	1,501	115	8.33%
Sub total - Service Budgets	185,354	185,623	190,420	4,797	2.58%
Other Council-wide Budgets					
Capital Financing & Interest	10,320	10,320	9,339	(981)	-9.51%
Precepts & Levies	7,237	7,237	7,237	0	0.00%
Other Non Service Budgets	3,530	3,520	3,543	23	0.65%
Contingency Budget	1,432	1,428	100	(1,328)	-93.00%
Provision for MTFP Risks	375	375	0	(375)	-100.00%
Provision for Additional Pay Costs & Offer above 4%	1,450	1,195	1,195	0	0.00%
Sub total - Non Service Budgets	24,345	24,076	21,413	(2,662)	-11.06%
Total Net Revenue Budget	**209,699**	**209,699**	**211,834**	**2,135**	**1.02%**
General Fund Financing Budgets	(209,699)	(209,699)	(209,699)	0	0.00%
NET REVENUE BUDGET TOTALS	**0**	**0**	**2,135**	**2,135**	**1.02%**

The table is displayed in the council's standard financial monitoring template and depicts the reported position for each of the 'directorates' in turn, as well as portraying an aggregated picture of all council services.

Key messages and headlines that can be taken from the table are;

- The council's approved net revenue budget for the year totals £209.699m (white and blue shaded columns)

- It is forecast that the council will spend £211.834m on delivering services by the end of the year (green shaded column)

- This is £2.135m more than the council has available to spend or had planned to spend when the budget was approved back in February (yellow shaded columns).

Clearly, this is the first report to be prepared and shared in respect of the 2023/24 financial year and information has been gathered whilst managers are still trying to assess and quantify impacts to their service budgets, both operationally as well as in terms of changing costs.

It is important to recognise that these forecasts are likely to change over the coming months as more information is gathered, reviewed and assessed and so the financial reporting will continue to be updated and refreshed throughout the year.

The council has a legal requirement to balance its budget at the end of each year and so it must give consideration of how this overspend would be funded if the position remained unchanged. Section 3.5 of the report describes some of the options and choices available to mitigate this position over the coming months.

3.3. Significant budget pressures included within the forecast

The council's financial monitoring processes are consistently applied and embedded across all directorates and service areas. Each month the finance service collaborates with senior managers who have been given specific financial responsibilities, to review and assess the key risks and issues being faced by services so that they can prepare a forecast which accurately portrays the financial performance likely to be achieved at the end of the financial year.

Reports are presented to each Director and their leadership teams so that they can review and assess the latest projections by their budget managers and identify and approve any actions arising or mitigations which may need to be implemented in the future.
An extract of the monthly reporting information from each Director is included within this report and can be found in **Appendix 2**. These summaries fulfil the requirements of the constitution as they provide a detailed breakdown of material financial variances when compared to the budget, that are forecast to occur within each service area.

These summaries do contain many operational challenges within the budgets and analysis of these variances would usually form part of the main body of the report. However, given that the council is forecasting a **net overspend of £2.135m** after releasing its contingency budget and other mitigation measures, this section of the report now provides focus on the **main factors** that are driving the overspend so that the core issues can be understood before future actions can be considered.

Issue	**£000**
Service related pressures	
Children's services – placement costs, including disabled children's packages and community support	1,912

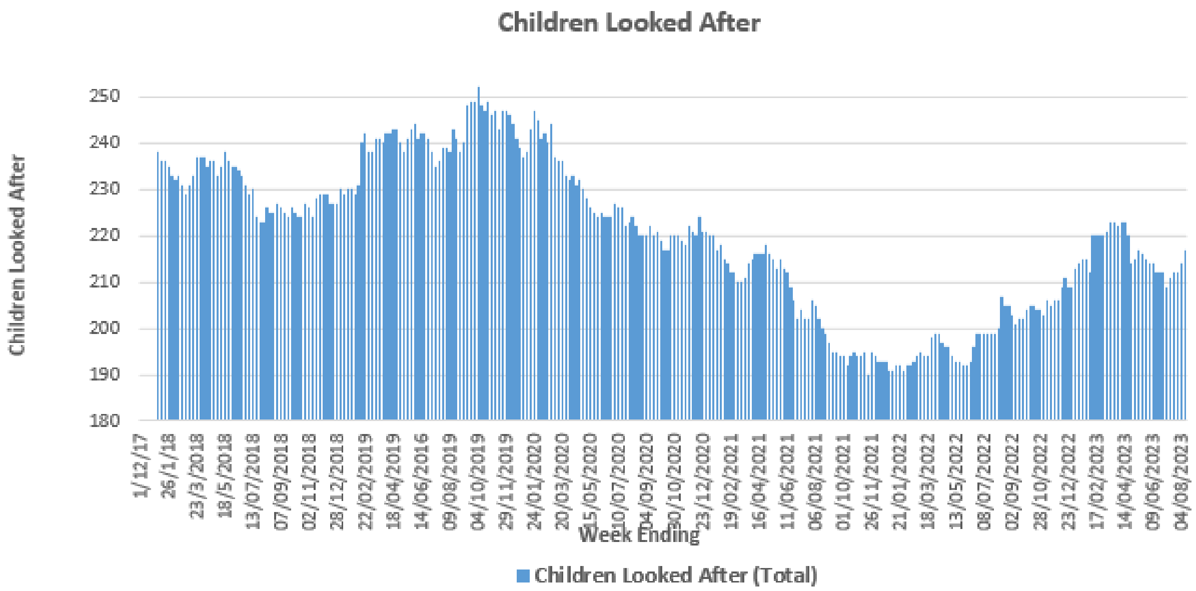
Increase in Waste disposal costs	1,100
Home to School Transport costs	368
Wider pressures affecting several / all services	
Potential impact of the pay award	1,194
Short-fall in achieving vacancy management targets	770
Changes to the delivery plans of budget savings proposals	533
All other variations within the budget (net)	238
Material mitigations	
Net increase in interest received on investments	-1,083
Release of the council's contingency budget	-1,328
Release of corporate provisions for pay and savings proposals	-1,569
Forecast overspend at Month 3	**2,138**

3.3.1. Specific service-related pressures

Children's services – placement costs

Two years ago the council had relatively low numbers of looked after children when compared with previous records and also with other similar authorities, and at the same time had been very successful in managing both the costs of support packages as well as the outcomes for young people through its Step Down Programme, which was designed to ensure that the support package or placement provided to each child considered their individual needs whilst also considering the financial impacts of decisions taken.

However as can be seen from the chart below the number of looked after children has slowly risen over the past 18 months at a time when the cost of placements has been impacted by both inflation as well as the availability of provision.



The council reported an overspend in this area of the budget last year and recognising the ongoing pressures took steps to increase the base budget through the medium term financial planning process, aligning the draft budget levels for 2023/24, to information known at that time.

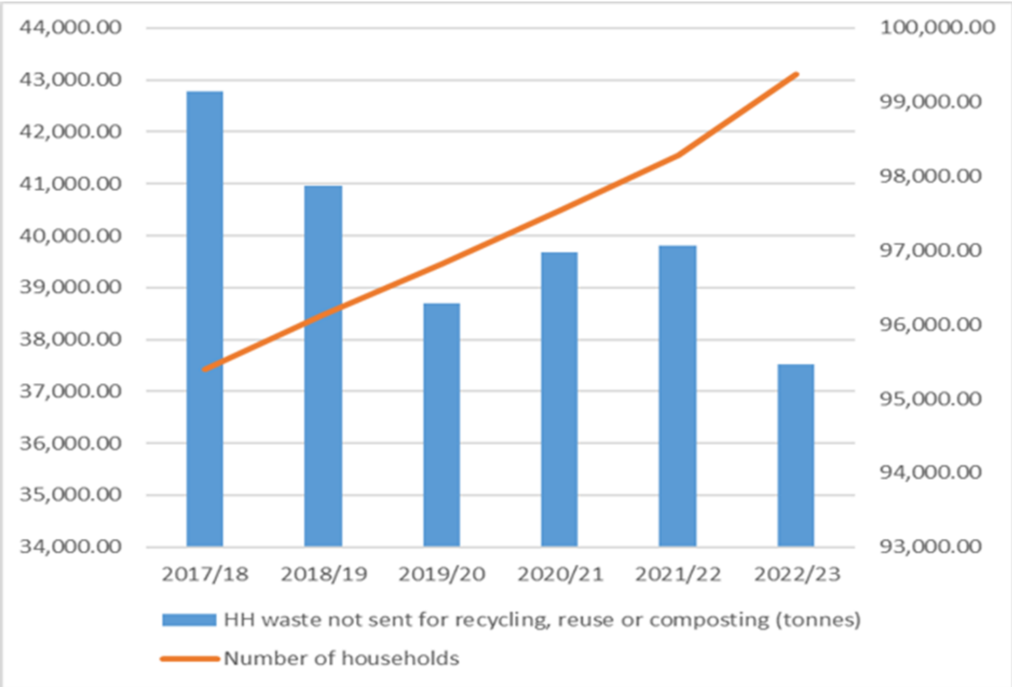
Unfortunately numbers of children requiring support and access to services have continued to rise, as have the complexity of need in some cases, which means that an over spend for the current financial year is being predicted. The directorate leadership team are currently undertaking a review of planned spending for this area with a view to providing a more detailed forecast and an assessment of the service requirements and strategies that are likely to be needed for the remainder of this financial year, and into the next. Activities will also look at all aspects of the processes that underpin decisions, from data collection and sharing to decision making and reporting to see if improvements can be made.

Waste services – disposal costs

The council has four contracts for the disposal and treatment of waste. There are two factors which impact the total cost of disposal:

- The price per tonne to dispose of waste
- The amount of waste being disposed

Historically there had been a reduction in residual waste tonnages despite the growing number of properties which resulted in a saving on disposal costs. This saving has therefore meant the service has been able to absorb inflation on the cost of disposing of waste. The graph below shows the residual waste tonnages since 2017/18:



The service is forecasting for the waste tonnages to plateau meaning that it will not be possible to absorb the inflation on the cost of disposal.

In 2023/24 contractual inflation is at an all-time high, with one contract increasing by 12.9% and the other contract increasing by 7.2%. Since the service are not forecasting an overall reduction in tonnages this is going to cause an overspend of c£1.1m in 2023/24.

The costs have also increased due to new legislation on Persistent Organic Pollutants (POPS) which came into effect from April 2023. Furniture containing POPS must be treated separately from general waste resulting in additional costs, for 2023/24 this is estimated to be c£170k.

These pressures will need to form part of our medium-term financial plan (MTFP) to ensure we set a robust budget for waste disposal in future financial years.

Home to School Transport (HTST) costs

The service are currently forecast to overspend the annual budget by £368k in the current financial year, which is largely due to higher levels of inflation on some of the contracts that have recently been re-procured.

The HTST team have yet to assess whether there is likely to be any increased demand for its services, beyond the additional growth that was included within the 2023/24 budget. Which was intended to re-base the underlying revenue budgets and ensure that the service started the new financial year with an appropriate baseline.

3.3.2. Broader pressures affecting more than one service

Potential impact of the pay award

Staff working in local government have their pay and conditions determined by a negotiating body, the National Joint Council (NJC) for local government services. The NJC is made up of representatives from UNISON, other trade unions and the employers.

Each year the council includes provision within its budget to reflect a potential increase in its pay bill, although given that negotiations often take place after the budget has been set an estimate has to be used. The council's 2023/24 directorate revenue budgets include provision equivalent to a **4%** increase in pay, which is similar to the assumptions used by many other councils at the time.

The council also chose to include a central budget, equivalent to a further 1% increase as a contingency measure, plus provision to fund any potential increases that could have become due if changes were made to the pay-structure.

In March 2023 the council was advised that the NJC had made a final offer to local government employees, the main component of which was a flat rate increase of £1,925 on all pay points up to point 43, with an increase of 3.88% on points above that level.

The headline offer means the increase of £1,925 would be worth an increase of 9.42% to those at the lower end of the pay scale, reducing as a proportion of salary for those staff who are higher up the scale.

Although the final offer presented by the NJC employers has not been accepted, the council has used this information to undertake some modelling to understand what the financial impact might be, should it, or a similar offer be accepted in the future.

To complete this assessment the council has taken into consideration how many staff it employs on the different points of the pay scale. Calculations indicate that the council would be required to spend all of the central provision to fund the additional costs associated with this offer.

The exact timescales for reaching an agreement on this issue are not yet known and an update will be provided in future reports.

Vacancy management targets

The council currently employs approximately 1,360 staff on a full-time equivalent basis, 1,100 of which are funded by the annual revenue budget. In addition to budgeting for the total cost of employing these staff the council also includes a turnover provision, to recognise that a proportion of these posts will be held vacant at any one time as staff leave and join the council. This is a standard budgeting consideration used by the majority of councils and is a way of not including additional contingencies within the budget at times when finances are challenging.

At this point in the year the forecasts show that the council has not yet reached its budgeted vacancy management targets in many service areas meaning that overspends are being reported however, all service leads are aware of the situation and will ensure that future recruitment decisions take this issue into account and it is anticipated that this overspend will reduce over the coming months.

Delivery of MTFP savings

Included at **Appendix 3** is a schedule of the savings proposals that were incorporated within the 2023/24 revenue budget, together with an assessment showing the status and progress for each of the plans, as well as an indication of the likely values that could be achieved by the end of the financial year.

The schedule indicates that there is a current short-fall of £533k against the £10.420m of savings included within the budget. Where there are specific challenges which may mean that it is difficult to deliver against the original proposal, leadership teams will actively look for mitigations or alternatives to cover any short-falls. Further updates will be included within future reports to the Executive and scrutiny panels.

3.3.3. Mitigations and opportunities

Investment interest

Whilst the majority of economic impacts are creating pressures within the council's financial position, the increase in interest rates is having a positive impact on the amount of money that the council can earn on its surplus cash-flow balances. The month 3 position anticipates that the council will generate at least £1m more than the approved budget this year and this is being used to offset some of the areas described above.

Should interest rates remain at beneficial levels throughout the rest of the year then it may be possible to increase this sum further.

3.4. Significant risks being held and monitored, not included within the forecast

The council's financial monitoring processes not only capture and forecast projections of income and expenditure, they also assess areas of risk that may materialise at some point during the financial year, or document situations that may require the council to consider providing support or incurring additional expenditure at some point.

This information is collated by each director and shared within their commentaries, copies of which have been included at **Appendix 2** of this report however, a separate table bringing together some of the more material financial risks has also been included. Modelling shows that if all of these risks were to materialise then the council could be exposed to further challenges of c£3.5m in a full financial year.

3.5. Options to resolve the over spend

When setting the budget before the start of each year the council must consider the robustness of the estimates and assumptions, as well as plans and strategies that could be used to deliver a balanced budget should unexpected pressures or events materialise.

The base budget for the current financial year includes the following provisions as part of its risk management and mitigation measures which can be used to fund some of the financial pressures;

- £1.432m General contingency budget
- £1.450m Provision for pay costs linked to changes in the pay structure and increases above 4% pay award
- £0.375m Provision to cover any delays to MTFP savings plans

As can be seen from the summary table in section 3.2, many of these provisions have been released and **are already included** within the net overspend of £2.135m, which means that additional mitigations would be required to reduce the overspend over the coming months. Such measures could include;

- Directors to consider ways in which they can reduce areas of spending within their remit, e.g. reviewing vacancy and recruitment decisions, reducing areas of non-essential or discretionary spending, reviewing new funding sources, looking at the profile of planned spending on new projects or initiatives to see if these will be delayed or can be deferred, review opportunities for greater integration with external partners to share costs or maximise funding streams,

- Take a corporate financial approach to decisions with a view to reducing costs and also generating more income – this could include the council reviewing its capital spending plans with a view to either reducing the overall levels of spend, re-phasing projects until later years, or changing the way in which this spend can be financed in order to defer new borrowing costs and / or increase the returns that could be generated on surplus cash balances,

- Assessing the impact of the council's new energy contract to reduce cost forecasts – the new contract with West Mercia Energy is due to start in October 2023 and it is hoped that the market and associated prices will have stabilised and potentially reduced compared to February, which is when the budget was set. At this time both estimated usage and estimated prices were used to calculate the budget and monitoring shows that these have both reduced since then.

In the event that these measures are not successful then the council could consider other options such as those listed below, although whilst reserves do form part of the council's risk management strategies they can only be used as a one-off measure and once spent, would impact on the council's ability to respond to potential pressures in future years;

- Draw down funding from the corporate risk reserve and also undertake a wider review of earmarked reserves to see if there are any balances that could be re-purposed or released,

- Fund any residual overspend from the council's general revenue reserve

Whilst these measures focus attention on achieving a balanced budget by the end of the financial year, consideration must also be given to how the pressures and risks described within this report will feed through into the council's medium term financial planning process because if solutions are short-term, then the underlying challenges will remain present and cause continue to cause concern in future years.

3.6. Impact on reserves and balances

3.6.1. General reserves

The council's general revenue reserve balance at the start of the year was £10.162m, having been increased slightly at the end of the last year following an underspend. This balance equates to 5% of the net revenue budget for the current financial year (excluding town and parish precepts), which is within the parameters of the council's reserves strategy approved as part of the budget setting.

Given that the forecast overspend is currently £2.135m it is recommended that other actions are implemented as soon as possible to reduce the risk of the council needing to draw down funding from this reserve at the end of the financial year. This is because the council is also holding many other risks which are likely to be maintained or even grow and so a reduced general fund reserve balance would not be sustainable to support future years.

3.6.2. Earmarked reserves

The council has a series of other reserves which have previously been ear-marked or ring-fenced for a specific purpose and the overall balance on these has remained at broadly similar levels over the past 18 months, although there have been changes within individual sums.

These reserves do have the potential to be considered as part of mitigating actions against some of the one-off budget pressures noted above, as they form part of the council's overarching financial strategies although it is important to understand why reserves are being held, along with the potential spending profiles and planned outcomes associated with each one

They are currently being used to;- ensure that financial issues are smoothed across financial years where appropriate, support the council's longer-term financial sustainability; meeting obligations agreed in previous years, support economic recovery, funding service plans, regeneration and place-making investments, deliver corporate plan priorities as well as provide against risk and uncertainty.

3.7. Capital budget summary – key headlines

The capital programme covers the period up to 2028/29, with particular focus and attention given for the 3-year period 2023-2026. The programme covers all aspects of the councils' services and has been built up in several phases following different stages of approval.

Appendix 4 provides details of all schemes currently included within the latest programme – the summary shows that the overall programme totals **£453.981m**, with **£143.370m** of investments across north somerset expected to be delivered during the current financial year.

The monitor shows the budgets currently allocated to each project, how much has been spent in-year and how the project will be financed when it has been delivered. The table also includes an assessment for each project which is aligned to the council's risk management framework. Those projects without an assessment at this stage are either yet to be started or are awaiting their assessment to be validated by the Capital Programme, Planning and Delivery Board (CPPDB) and will be included within future reports.

The capital programme is fully funded which means that the council has identified resources to cover all of the planned spend that will be incurred over the next few years. At this time the council expects to receive £297.3m of grants and contributions from external stakeholders to fund specific schemes which is an extremely positive outcome as this is in addition to the investment that the council can afford to deliver. The schedule does show that the council will need to borrow £142.1m to fund projects within the programme; the annual costs associated with this will need to be fully reflected within the council's revenue budget and medium term financial plans.

A significant focus of the CPPD Board has been to ensure that spending plans are more accurately aligned within our financial reporting. This improvement within the governance framework not only enables readers to understand delivery plans, it also ensures that resources and the associated financial implications are fed through each of the council's strategies. For example, more up to date spending plans improves the council's cash-flow forecasts, which in turn could improve investment decisions and allow more interest to be generated. More focus on the accuracy of spending plans also improves the forecasting information, which is likely to reduce areas of overspending.

In addition to re-profiling the budgets, the CPPD Board have begun to consider and discuss reports linked to the impact of rising inflation on the council's capital spending plans, coupled with a backdrop of rising interest rates, which is increasing the amount of money that the council might have to repay on its borrowing. This may mean that the council will need to scale back some of its spending plans to ensure that it is affordable and sustainable across the medium term. A more detailed update will be provided within the capital strategy update report, which is due to be considered by the Executive at the meeting in October.

Appendix 5 lists out all of the changes which have been reflected within the programme during the current financial year, which require retrospective approval from the Executive.

A small number of these changes have been the subject of individual reports to the Executive in recent months due to their scale, for example the Banwell By-Pass, or as a result of procurement and commissioning plans, whilst others of a smaller scale have been through the director or Section 151 governance decision making process in accordance with financial regulations.

The most significant element of change in financial terms relates to the re-profiling of budgets, as noted above, to ensure that they are aligned to realistic spending plans.

Notes are provided below to indicate the reasons that a capital project may have been given a Red RAG status at this time;

- SEND Interventions linked to the safety valve (SV) programme – the council initially received a block of grant funding for SEND intervention activities. Work has taken place to allocate the single block of funding across a range of individual projects so that plans for each area are transparently shared, governed and monitored. An adjustment to one of the individual budgets is outstanding as the budget is showing as a negative value and so it has been set to Red as a reminder to complete this action.

- Spending on private sector renewals – the budget for the year has been set at £12k and the monitoring to date shows committed expenditure of £61k has been incurred. The Red status indicates that a review of the project will be undertaken to inform future actions or decisions.
- Clevedon Seafront – the council has experienced a number of issues with the delivery of the project which are being independently reviewed – the Red status reflects the current position.
- Spending on A371 Safer Roads – this scheme was due to be finalised during the previous financial year and so no budget remains however, the monitoring to date shows committed expenditure of £10k has been incurred. The Red status indicates that a review of the project will be undertaken to inform future actions or decisions.
- A38 Major Road Network – this scheme has temporarily been flagged as Red for review purposes, partly because there has been a delay in receiving information on funding from the government. This has recently been received and it is anticipated that a report will be presented to the CPPB Board to understand and potentially reset the project parameters.

3.8. Dedicated schools budget

The Dedicated Schools Grant (DSG) is a ring-fenced grant included with the council's overall revenue budget, which must be used to fund the schools' part of the budget.

Much of the grant is directly allocated fund the operational costs associated with schools, although the government also provides other funding within 'blocks' for supporting children with higher needs, early years provision, as well as a small element for central costs.

Although the table shows that the council's DSG allocation is £204m for the current financial year, a lot of this relates to schools that are now being operated as academies and so the funding is paid direct to them by the Department for Education (DfE), using the formula agreed by the Strategic Schools Forum, which oversees funding all schools in North Somerset, whether they be maintained or not.

The tables below provide a summary of the DSG allocations for 2023/24.

Change year on year	2022/23	2023/24	Change £s	Change %
Schools Block	145,657	**154,548**	8,891	6.10%
High Needs Block	32,236	**35,558**	3,322	10.30%
Early Years Block	11,640	**12,304**	664	5.70%
Central Service Block	1,670	**1,704**	34	2.00%
TOTAL (£000)	**191,204**	**204,115**	**12,911**	**6.80%**

Change from Gross Allocation to Net Receipt	Income (DSG)	Deductions	Transfers	Payable to NSC
Schools Block	154,548	-146,917	-1,545	**£6,086**
High Needs Block	35,558	-3,686	1,545	**£33,417**
Early Years Block	12,304	0	0	**£12,304**
Central Service Block	1,704	0	0	**£1,704**
TOTAL (£000)	**204,115**	**-150,603**	**0**	**£53,512**

Although spending on schools' budgets and the DSG grant are included within the councils' annual revenue budget, any surplus or deficit that may arise at the end of each financial year must be held separately to other council services and is transferred into a reserve on the balance sheet, these sums are not included within the general fund balance nor in the financial table in section 3.2.

Over recent years the council, along with many other local authorities have experienced significant pressures within the High Needs block, which is the area of the budget which funds special schools and alternative provision, as well as top-up funding to cover the costs for children with special education needs and disabilities who require additional support in their school and learning environment.

The monitoring for the first three months of the year shows that these pressures are likely to continue until such time as the council's measures and mitigations included within the Safety Valve (SV) improvement programme are implemented and begin to deliver the required outcomes.

	£000
Dedicated Schools Deficit - bal b/fwd 1 April 2023	**9,685**
Projected in-year pressures;	
Increased demand for Top Up Funding	4,065
Increased costs of Out of County Placements	1,935
Increased SEN equipment & Other costs	160
Bespoke Education Packages	575
Sub total re projected in-year (surplus) / deficit	6,767
Receipt of Safety Valve Funding for year 2	(2,110)
Dedicated Schools Deficit - proj c/fwd March 2024	**14,342**

This table shows a high-level forecast of the in-year DSG position along with the impact this would potentially have on the cumulative deficit at the end of the year.

The Safety Valve programme is a joint arrangement between the council and the Department for Education who are working together to place schools onto a sustainable financial footing over a five-year period.

4. Consultation

The report has been developed through consultation with the council's corporate leadership team, and also with each of the departmental leadership teams. Discussions and briefings on financial matters are an established part of the relationships with directors and Executive Members.

5. Financial Implications

Financial implications have been included throughout the report.

The detailed values included throughout the report include all of the council's forecast expenditure, income receipts as well and any proposed transfers to or from reserves as this enables a more transparent representation of the council's finances to be shared should any funding decisions or further action required; the values therefore, exclude any technical accounting adjustments such as impairment or depreciation.

6. Legal Powers and Implications

The Local Government Act 1972 lays down the fundamental principle by providing that every local authority shall make arrangements for the proper administration of their financial affairs including balancing their budgets each year from within their own resource allocations, although further details and requirements are contained within related legislation.

The setting of the council's budget for the forthcoming year, and **the ongoing arrangements for monitoring** all aspects of this to ensure that the councils spending is within the approved limits, is an integral part of the financial administration process.

Further requirements are contained within the Local Government Act 1988, Section 114 (3) which provide for instances whereby the chief finance officer of an authority makes a judgement that the expenditure of the authority in a financial year is likely to exceed the resources available.

7. Climate Change and Environmental Implications

Both of the reports presented to the Executive at this meeting, in terms of **monitoring of the budget for the current year** and also setting budgets for future years, will be impacted by the ongoing uncertainty surrounding the costs of energy, which does provide an opportunity to highlight these issues.

Whilst there are no specific climate related impacts to note at this stage, it is clear that climate and environmental related implications will be at the forefront of our thinking when considering underlying service policies, priorities and strategies associated with the revenue budget, as well as through formulating investment plans and determining options to make reductions in our energy usage and associated costs to ensure a more sustainable future.

8. Risk Management

The council's Strategic Risk Register includes two risks associated with the financial planning:

Risk	Inherent risk score	Residual Likelihood	Residual Impact	Residual Risk Score	Comments
Risk that we do not manage budgets effectively in-year, including by not implementing and delivering the savings or transformational projects required to meet the financial challenge	HIGH	4	4	HIGH	This reflects the council-wide position which incorporates many risks with a potential financial impact at the highest level within the matrix
Risk that we are unable to deliver the priorities of the council by not planning to meet the Medium-Term Financial challenge	HIGH	4	4	HIGH	This reflects the current position at this time although it is expected to change as we progress nearer to setting the budget for the years ahead

The council's Corporate Leadership Team routinely review the budget monitoring forecasts as well as significant risks which may emerge from within directorate risk registers or operational activities, which may also have a financial consequence.

In addition, the Corporate Leadership Team also have regular planned session to ensure that they can support the process to share options which will deliver a balanced budget for future years through the development of the Medium Term Financial Plan.

However, given the sustained challenges within the wider economic situation and the uncertainty that this is having on the council's own financial position, it is recognised that such risks have escalated over recent months. The finance service work plan has been updated to reflect more inflationary factors and risks and work is being carried out to understand the impacts that this may bring so that appropriate mitigation can be implemented or alternative options considered.

9. Equality Implications

There are no specific equality implications with regard to the recommendations contained within this report although it should be noted that the council has utilised additional Government funding to support vulnerable residents whether appropriate, financial support to those providing essential services, and working in partnership with community groups.

Individual savings proposals incorporated into the revenue budget for the current financial year are supported by an Equality Impact Assessment.

10. Corporate Implications

The Corporate Plan and MTFP, along with the supporting financial monitoring processes and performance management framework are vital tools to help align effort across the organisation and ensure that services are all are focused on delivery to agreed community and organisational priorities.

With continuing financial pressures and demands for services, it is essential that the councils' limited resources continue to be prioritised and allocated in line with the identified priorities. The Corporate Plan continues to be reviewed in the light of emerging risks and pressures and steps are being taken to assess timeframes and monitor key outcomes.

11. Options Considered

None – the council is legally required to set a balanced budget and to implement a robust financial framework to ensure that spending is aligned to available resources and all available options to achieve this are considered within the details above.

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Appendices:

Appendix 1	Revenue budget details for 2023/24 and summary of virements
Appendix 2	Financial commentaries from each director
Appendix 3	Schedule of the savings included within the revenue budget
Appendix 4	Capital budget monitoring for 2023/24
Appendix 5	Schedule of capital budget virements – to be approved

Background Papers:
Exec report – February 2023, Medium Term Financial Plan and Revenue Budget update
Council report – February 2023, Council Tax Setting 2023/24