

Budget 2023/24: Update Report

Reason for the Report

1. To provide Members with an update on the budget for 2023/24 and an estimate of the gap forecast in October 2022.

Structure of the Papers

2. To facilitate the scrutiny the following appendices are attached to this report:

Appendix 1: Cabinet report – Budget 2023/24: Update Report

Appendix 2: Correspondence following previous budget scrutinies.

Background

3. This Committee is the home Scrutiny Committee for the Council's financial policy, planning, and control. The Committee's Terms of Reference require Members to scrutinise budget proposals annually, budget strategy and preparations, and to monitor corporate-wide financial performance throughout the year.
4. The Committee scrutinised the Budget and Medium-Term Financial Plan in July 2022, at which point the indicative budget gap for 2023/24 was forecast at £29.080million.
5. The Budget 2023/24 Update report attached at **Appendix 1** updates the forecast and will be considered by the Cabinet at its meeting on 20 October 2022.

Issues

6. The Budget Update report addresses the key factors likely to affect the 2023/24 budget, which are ***inflationary pressures*** on goods and commodities, workforce

costs, and commissioned services; **interest rates**; the **UK mini budget**; and **demand** in services for children looked-after, adult social care and homelessness services.

7. The Council has an indicative funding allocation for 2023/24 of +3.5%. This is a £19.065 million increase that has been assumed within current 2023/24 financial forecasts. The Provisional Settlement is expected to be received in mid-December.
8. Budget Monitoring at Month 4 2022/23 indicated a potential overspend of £7.4 million by the end of the year and a further update will be presented to Cabinet in November.
9. At **point 22 of Appendix 1** Members can reference a table outlining the indicative budget gap for 2023/24, which is now estimated at £53 million. The updated forecast reflects employee costs, price inflation, capital financing, commitments and realignments, demographic pressures, emerging financial pressures, Aggregate External Finance adjustments and earmarked reserves.
10. The report states that the position remains volatile in respect of emerging pressures and ongoing risk and there is a risk the gap could increase due to further demand or price fluctuations, of if directorates are unable to address the cost pressures identified at month 4.
11. Members are advised that the affordability of **capital financing** and deliverability of the **capital programme** will be impacted by interest rate risk; capital receipt risk; inflationary pressure and the potential that capitalisation directions may be required to support the transformational change that will be necessary to deliver revenue budget savings on the scale required.
12. The update states most of the budget gap will need to be identified through budget savings, whilst continuing to identify efficiency savings. However, building on the levels of savings found over the past decade, it will not be possible to balance the 2023/24 budget through efficiencies alone
13. The Council intends to consult with residents on what is important to them and their communities for the 2023/24 Budget, following the receipt of the Provisional Local Government Settlement. The Ask Cardiff survey, recently launched, has already initiated budget consultation, with the inclusion of questions around budgetary priorities

14. The scale of the financial challenge facing the Council will inevitably affect employee budgets and the shape of the workforce. Trade unions have been briefed on the scale of the 2023/24 budget gap as it is likely that there will be redundancies within the Council's workforce in the lead up to, and during the financial year commencing 1 April 2023. Members are advised that from 20 October 2022, formal consultation with employees and trade unions will commence, seeking views and comments about ways of avoiding, reducing, and mitigating the consequences of the numbers of staff being made redundant.

Previous Scrutiny

15. In July 2022 the Committee considered the Budget Strategy for 2023/24/ The issues raised by members can be found in correspondence at **Appendix 2a**.

16. In September 2022 Members considered the Budget month 4 2022/23 position and the concerns and observations conveyed to Cabinet can be found at **Appendix 2b**

Scope of the Scrutiny

17. This item will give Members the opportunity to consider the Council's forecast position in respect of the budget gap that will need to be addressed as the Council develops its budget proposals for 2023/24. Members may wish to explore the financial resilience work underway to tackle the challenges posed by inflation, the energy crisis, interest rates, the labour market and weak economic growth that may curtail public sector funding.

18. To facilitate the scrutiny, the following witnesses have been invited to attend Committee to answer Members questions:

- Councillor Chris Weaver, Cabinet Member for Finance, Modernisation & Performance
- Christopher Lee, Corporate Director – Resources, and
- Ian Allwood, Head of Financial Services.

Legal Implications

19. The Scrutiny Committee is empowered to enquire, consider, review, and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct legal implications. However, legal implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any legal implications arising from those recommendations. All decisions taken by or on behalf of the Council must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers on behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. Scrutiny Procedure Rules; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances.

Financial Implications

20. The Scrutiny Committee is empowered to enquire, consider, review, and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct financial implications at this stage in relation to any of the work programme. However, financial implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any financial implications arising from those recommendations.

RECOMMENDATIONS

21. The Committee is recommended to:

- i. note the updated position in preparing the budget for 2023/24;
- ii. consider whether it wishes to relay any comments, observations, or recommendations for consideration by the Cabinet.

DAVINA FIORE

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14 October 2022