

Budget Monitoring - Month 6 2023/24

Reason for the Scrutiny

1. To update Members on the Council's financial monitoring position at Month 6 of 2023/24. The position will be considered by Cabinet at its meeting on 23 November 2023.

Structure of the Papers

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

Appendix A – Cabinet report – Budget Monitoring – Month 6 2023/24.

Attached to the Cabinet report are the following appendices

Appendix 1 – Revenue Monitoring Position

Appendix 2 – Directorate Commentaries Month 6

Appendix 3 – Efficiency Savings Monitoring Month 6 2023/24

Appendix 4 – Capital Monitoring 2023/24 Month 6

Appendix 5 – Capital Monitoring Position 2023/24 Month 6

Background

3. Within its Terms of Reference this Committee has continuing responsibility for monitoring the overall Council Revenue and Capital budgets, as well as responsibility for monitoring specific service areas. Those services include *Corporate Management*, *Economic Development* (County Estates, Facilities and Operational Management), *People & Communities* (Performance & Partnerships), *Governance & Legal Services*, and *Resources* (Finance, Digital Services, Customer Services, Human Resources, Commissioning & Procurement) budgets.

4. The report to Cabinet attached at **Appendix A** sets out the Revenue and Capital Budget position at month 6 2023/24.
5. The Committee has previously monitored revenue and capital budget positions at month 4 in September 2023, noting that the £6.457m overspend at Month 4 was an improvement on the Month 4 position in 2022/23, that the Corporate Director Resources expected there to be further progress evident at Month 6 2023/24, and welcomed the Cabinet Member, Finance, Modernisation & Performance's confidence that a balanced budget was achievable at year end.

Revenue Budget

6. Members are reminded that the budget was set by Council in March 2023. Key sources of funding are the Revenue Support Grant (RSG) from Welsh Government, Council Tax, income sources (fees and grants) and earmarked reserves.
7. This report to Cabinet states that the Council continues to face unprecedented challenges to its financial resilience due to energy prices, pay award inflation, increasing demand for services, the legacy of the pandemic and the cost-of-living crisis.
8. The month 6 2023/24 budget monitoring report attached at **Appendix A** states that, at this point, a net overspend of **£5.388 million** on the revenue account is projected for the end of the 2023/24 financial year. This represents an improvement of £1.069 million from the position reported in Month 4. The overspend is comprised of Directorate projected budget overspends of **£7.688 million** and a projected Capital Financing underspend of **£1.5 million**, and the release of **£800,000** from the General Contingency budget.
9. The service areas predicting the most significant overspends at Month 6 are Children's Services (£3.185 million), Education & Lifelong Learning (£1.785 million), and Economic Development (£2.224 million). A 6% average pay award has now been agreed and has been built into the Month 6 projections, however risks remain in year, particularly inflation and demand/supply issues.

10. Members may wish to note the table at **point 6** of the report to Cabinet that shows each Directorate's position, underspends are reported in brackets. Further detail of the Revenue Monitoring position can be found in **Appendix 1**, and more detailed explanations of each Directorate's position are provided in **Appendix 2**.

Savings

11. At **Appendix 3** Members will find a progress report on the **£17.666 million** Directorate Savings Proposals for 2023/24. Savings are identified as being generated from **Efficiencies or Service Change**. At Month 6 2023/24 the performance against savings proposals for both efficiency and service change continue to be below the level required, with *Efficiency* proposals currently projecting **£8.561 million** (Month 4 - £7.953 million) will be delivered (84.8%) and *Service Change proposals* currently projecting **£1.648 million** (Month 4 - £1.705 million) will be delivered (59.33%). This suggests that **£7.457million** of proposed savings will be unachieved. Further work in delivering more of these budget proposals remains a key priority along with spending controls that will need to be applied in the second half of this financial year.

Capital Programme 2023/24

12. Members will find detail of the Council's Capital Programme in **Appendices 4 and 5** of the papers. **Appendix 4** is a spreadsheet of the Council's Capital Programme which is currently a total of **£240.526million** for 2023/24. The 123 current schemes are listed by Directorate., **Appendix 5** sets out more narrative context around the progress made by each Directorate on delivering each scheme within the Capital Programme.

13. At Month 6 2023/24 the projected outturn for the year is **£287.761 million** against an adjusted total capital programme of **£356.437million** with a total variance of (£68.676) million. Expenditure at Month 6 was **£72.047 million** which represents **40% of the projected outturn**, however there are a number of large expenditure items which are anticipated to progress during the latter part of the year.

14. **Points 21-36 of Appendix A** present an update of progress on Capital Schemes, stressing the essential role that the Council's capital investment programme plays in both stimulating the local economy and delivering local services. There is reference to significant construction cost inflation resulting from increased tender activity, material availability, and labour shortages. This represents a delivery and affordability risk to projects to remain within estimated budgets following the outcome of tenders. This may require re-prioritisation of schemes to be undertaken including changes in specification where this allows the same outcomes to be met.
15. Directorates are again reminded that effective contract management will be required. There is a need to allocate sufficient capacity and resource to ensuring projects progress in the timescales intended. The need to utilise grants awarded and ensure they are fully utilised in approved timescales is an important risk to be managed by directorates in the remainder of the year.
16. Members will recall that the Annual Property Plan considered by this committee on 12 July 2023 provided a detailed update on targets set in respect of capital receipts and planned property transactions in 2023/24. The report to Cabinet highlights that close monitoring needs to be undertaken of the overall Capital Receipts target and a circa £3 million target of non-earmarked General Fund receipts for the current year. The value of such receipts generated in the first 6 months of the year is £183,000 and significant progress will need to be made in the latter part of the year to meet this target. During the third quarter, the Strategic Estates Department will focus on completion of in-year targeted Annual Property Plan transactions.
17. At **points 29-36 of Appendix A** Members will find details of the Housing Revenue Account position. This budget covers estate regeneration schemes; planned investment in the refurbishment of Council dwellings; disabled adaptations and expenditure on the development of new housing and other development projects. The programme of work for the Housing Revenue Account is **£111.000 million** and at month 6 expenditure was **£41.400 million**, circa **38% of the projected outturn**.

18. The Council continues to experience significant demand for affordable housing. Expenditure on the development of new housing across several sites during the year is currently projected to total £87.453 million, against an initial assumption totalling £90 million.
19. Financial implications within the report caution that capital expenditure this year requires effective contract management given the prevailing economic climate causing delays or increased costs. Should such issues continue to emerge they will need to be escalated as a matter of priority to assess the overall impact on the programme and implement any required action. Similarly, such risks need to be monitored in relation to the generation of capital receipts which underpin the overall affordability of the programme.
20. The capital financing outturn is currently forecast to be £1.500 million underspent at the end of the financial year. The forecast underspend is primarily due to delays in the timing of capital expenditure outflows and, also, new external borrowing assumed to be deferred to the latter part of the year.

Way Forward

21. Councillor Chris Weaver, Cabinet Member, Finance, Modernisation and Performance, Christopher Lee, Corporate Director Resources, and Ian Allwood, Head of Finance, will be in attendance to answer Members questions on the Month 6 financial position.

Legal Implications

22. 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 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 of 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

23. 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.

RECOMMENDATION

The Committee is recommended to:

- i. note the revenue and capital position for Month 6 2023/24
- ii. consider whether it wishes to make any observations, recommendations or requests to the Cabinet.

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16 November 2023