

SCRUTINY ITEM

REPORT OF	MEETING	DATE	ITEM NO
MANAGEMENT TEAM	INTERNAL AFFAIRS SCRUTINY COMMUNITY	20 th FEBRUARY 2024	6
GENERAL FUND REVENUE BUDGET MONITORING REPORT 2023/24 - POSITION AS AT 31st DECEMBER 2023			

PUBLIC ITEM

This item is for consideration in the public part of the meeting.

PURPOSE OF THIS REPORT

The purpose of this report is to provide an update on the General Fund Revenue Budget of the Council as at 31st December 2023.

SOURCE OF REFERRAL

The terms of reference for this committee include receiving periodic update reports in respect of the Council's revenue and capital budgets. This report is based upon information extracted from the financial ledger system of the Council for the period to 31st December 2023 and feedback and commentary received from budget holders.

FURTHER INFORMATION

The General Fund Revenue Budget Monitoring report is included as an appendix to this report and is also available at the link below:

<http://www.fylde.gov.uk/council/finance/budget-monitoring/>

SUGGESTED RECOMMENDATIONS

The committee are requested to:

- Consider and scrutinise the General Fund Revenue Budget Monitoring report; and
- Note and accept the report.

REPORT

Summary

The purpose of this report is to provide an update on the council's General Fund Revenue Budget Monitoring as at 31st December 2023. The appendix shows the value of the most significant variances for all of the Council services by Portfolio Holder and provides a brief explanation for each variance.

1. Background

- 1.1 The Local Government Finance Settlement for 2023/24 was once again a single-year settlement intended as a holding position, designed for short-term stability and certainty for planning purposes and to promote financial sustainability within available resources - based on detailed allocations for 2023/24 and a fairly full set of policy principles for 2024/25. The broad approach was based on a uniform roll-over of the core elements of the settlement; additional resources for priority services (in particular social care for upper tier authorities); balancing service pressures with taxpayer concerns through council tax referendum principles; and a fallback, by way of a minimum funding guarantee, for outlying councils. Finance reform was deferred, once again, at least until 2025/26 and possibly even later.
- 1.2 Against this backdrop, the Council approved the 2023/24 budget at its meeting on 2nd March 2023. Subsequently on 25th May 2023 the Executive Committee approved the financial outturn position for 2022/23. The impact of those approvals, including growth items approved at the Council budget meeting, along with slippage from 2022/23 as approved by the Executive Committee, are now reflected in the financial ledger. Therefore, this report monitors expenditure and income against the updated approved budgets for 2023/24.
- 1.3 The Council operates a system of Revenue Budget Monitoring which revolves around the production of detailed monthly monitoring reports for budget holders. Significant variances from the expected budget position at the point of monitoring, both for expenditure and income, are summarised in monitoring reports which are periodically reported to Scrutiny Committee for consideration. This report therefore details the findings and issues emerging from budget monitoring carried out to 31st December 2023.
- 1.4 It should be noted that work continues on improving budget profiling across the Council in order that budget profiles more accurately reflect the spending pattern of individual budgets across the financial year. This serves to enhance budget monitoring and focus attention on true variances rather than budget profiling issues. This is a continuous process with budget holders so that the improved profiling continues to refine the budget monitoring system.

2. Budget Rightsizing Exercise

- 2.1 For a number of years the Council has carried out an annual budget rightsizing exercise to analyse underspends which have occurred over the last 3 financial years and to adjust current and future year budgets to better reflect the level of resource requirement in the context of current financial constraints. This process is currently being repeated during 2023/24 and the resulting changes will be reflected in the latest budgets and updates to the Councils Financial Forecast. In respect of a number of the variances identified in this report budget adjustments are proposed as part of the Financial Forecast Update report to be presented to the Executive Committee in January 2024 and to Council in February.

3. Conclusions

- 3.1 The Medium Term Financial Strategy (MTFS) report that was presented to Council in March 2023 sets out the full context of the financial landscape of the council at that time, including an assessment of the key financial risks which primarily relate to uncertainties around reviews of the future funding regime for local government and the ongoing impact of inflation. The report can be found at this link: [MTFS Report March 2023](#).
- 3.2 To try and bring inflation down to its 2% target, the Bank of England began raising interest rates from the historically low level of 0.1% in December 2021 by incremental increases in the intervening period to the current level of 5.25%. Further increases are not anticipated and the next movement in base rate is expected to be in a downwards direction at some point during 2024.

3.3 Price inflation as measured by the Consumer Prices Index (CPI) has remained above the Bank of England target throughout the year to date. From a peak of an 11.1% annual increase in October 2022 the rate of inflation has fallen to the latest published figure at the time of writing of 4.0% for December. Initially driven by energy price effects and by inflation in sectors such as retail and hospitality which were re-opening after the pandemic lockdowns, inflation then was initially expected to be temporary. Thereafter price rises slowly became more widespread during 2022/23, as a combination of rising global costs and strong demand which was exacerbated by supply shortages as a consequence of the ongoing conflict in Ukraine. The surge in wholesale gas and electricity prices during 2022/23 contributed significantly to overall cost pressures. Whilst the rate of increase may have slowed during the year to date, prices continue to rise month by month.

Provision for inflation within the revenue budget is limited to areas where the council has no choice but to pay increased prices, e.g. due to contractual terms. **Price increases represent a significant cost pressure to the council and increase the risk that existing budget provision is insufficient to cover the cost of service delivery. The position will be kept under continuous review by Management Team.**

3.4 As a result of the external pressures that are affecting all local authorities, instructions remain in place that officers should not commit to any unnecessary expenditure and should seek to maximise efficiencies wherever possible. Finance staff work continuously with budget holders across the Council and are heavily reliant upon budget-holders to be able to understand and quantify the potential impact of in-year budget variances within their areas of responsibility. In light of the potential for future general reductions in central government funding from 2024/25 onwards, the Council needs to continue with the approach to delivering savings and efficiencies which have helped deliver balanced budgets and provided contributions to reserves over recent years.

3.5 This report considers the revenue budget monitoring position as at December 2023, and whilst much uncertainty exists with respect to the remainder of the year, it is clear at this point that inflationary pressures have resulted in an increased number of adverse variances as set out in the appendix to the report. The financial risks facing the Council, as set out in the MTFs report to Council in March 2023 remain. Instructions issued by Management Team that budget holders remain prudent are still in place, and the overall financial position of the Council will be captured in the next update of the financial forecast in the MTFs report.

BACKGROUND PAPERS RELEVANT TO THIS ITEM		
Name of document	Date	Where available for inspection
Medium Term Financial Strategy - 2022/23 to 2026/27	2 nd March 2023	Report to Budget Council March 2023
General Fund Budget Monitoring Report as at 30 th September 2023 – Report to Internal Affairs Scrutiny Committee	21 st November 2023	Budget Monitoring Report to September 2023

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