



**Resources and Public Realm
Scrutiny Committee**
19 July 2023

**Report from the Corporate
Director of Finance & Resources**

Budget Update - Medium Term Financial Strategy

Wards Affected:	All
Key or Non-Key Decision:	Not applicable
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	Three: Appendix 1: Cabinet (17 July 23) Financial Outturn 2022/23 Appendix 2: (Cabinet (17 July 23) Q1 2023/24 Financial Forecast Appendix 2a Appendix A - Q1 2023/24 Financial Forecast Appendix 2b Appendix B - Q1 2023/24 Financial Forecast Appendix 3 Cabinet (17 July 23) Medium Term Financial Outlook
Background Papers:	None
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1 Purpose of the Report

- 1.1 This report provides an update on Brent's overall financial position by examining the financial outturn position for 2022/23, the Q1 financial forecast for 2023/24 and the medium term financial outlook, which is part of the committee's role in undertaking budget scrutiny throughout the year.

2 Recommendations

- 2.1 That the committee note the report

3 Detail

Financial Outturn 2022/23

- 3.1 This report sets out the outturn for income and expenditure versus the revenue budget and capital programme for 2022/23 and other key financial data. The Council's General Fund outturned at break even. The Housing Revenue Account (HRA) and Dedicated Schools Grant (DSG) also broke even. In 2022/23 the Council's capital programme spent £165m which equates to 71% of the approved budget.
- 3.2 Whilst the General fund as a whole broke even, there was a service overspend of £3.7m in the Children and Young People's department as a result of increased placement and staffing costs. Adult Social Care and Health overspent by £0.9m while other General Fund services outturned with modest variations. The budgeted use of corporate contingencies has resulted in an overall breakeven position for the General Fund.
- 3.3 The £0.9m overspend in the Adult Social Care department largely comes from a growth in client numbers; in particular, Elderly Nursing Care clients grew by 18% between April 22 and March 2023. There was also growth in the number of 'transition' clients moving from the CYP service to ASC. These clients tend to transition initially at a higher package cost, increasing costs in-year for the Learning Disability service. A number of these packages were not identified as relating to ASC until Q3 2022/23 and therefore partly account for the shift between the Q3 forecast and outturn at year end.
- 3.4 The £3.6m overspend in the Children & Young People's department has arisen mainly because of increased pressures against the demand led services budgets in Forward Planning, Performance and Partnerships, linked to increases in placement costs, and in Localities, with the continued use of agency social work staff to cover vacant positions because of recruitment and retention challenges.
- 3.5 Overall, the financial outturn has worsened by £1m since the Q3 forecast was presented to Cabinet in January 2023, where the General Fund has worsened by £2.6m and the DSG has improved by £1.6m. This demonstrates the significant pressures facing the Council as a result of volatility in demand led budgets within children's and adult social care.

Q1 2023/24 Financial Forecast

- 3.6 This report sets out the current forecast of income and expenditure versus the revenue and capital budgets for 2023/24 and other key financial data. The 2023/24 budget was set by Full Council in February 2023. This budget was

developed to accommodate for the pressures arising as a result of the current economic climate and cost-of-living crisis. Specifically, the 2023/24 budget report set out the scenario modelling and sensitivity analysis conducted to manage both high levels of inflation and increased demand for services which are expected to have a significant impact on the current budget. At this stage of the financial year no new material or exceptional risks have been reported other than pressures already budgeted for. Therefore, the overall forecast for the Council as at Quarter 1 is a break-even position. The budget also reflects £13.5m of savings that were agreed for 2023/24.

- 3.7 That being said, there are a number of risks and uncertainties across all service areas that could affect the assumptions made around the impact of inflation and the demographic pressures. These are set out in more detail in the Q1 Financial Forecast report.

Medium Term Financial Outlook

- 3.8 This report sets out the overall financial position facing the Council and highlights the significant risks, issues and uncertainties with regards to the Council's Medium Term Financial Strategy (MTFS). It also sets out the proposed budget setting strategy for 2024/25.
- 3.9 The medium-term risks and uncertainties with regards to the current budget assumptions contained within the MTFS primarily relate to exceptional factors such as high levels of inflation, rising interest rates, increased demand for key services and uncertainty in government funding. However, it must be recognised that the situation remains uncertain and it is extremely difficult to make a full, definitive and comprehensive assessment of the ongoing financial impact of these issues. As such, the figures in this report are based upon best estimates and forecasts and will therefore be subject to change.
- 3.10 The report also outlines how the MTFS will aim to provide a framework to invest broader ambitions and long-term priorities such as the Borough Plan, the cost-of-living crisis and other future steps to ensure the Council continues to operate in a financially sustainable and resilient way as well as supporting residents in need.
- 3.11 Much of what the Council terms 'growth' is in fact the cost of standing still. Some of this is unavoidable (e.g. contract inflation, pay awards), whilst other parts result from growth pressures, such as demographic changes, that increase demand for services (e.g. adult social care, children's services, homelessness). As can be seen from the Financial Outturn 2022/23 report, pressuring arising from demand led budgets (primarily social care) are volatile and a small increase in demand can quickly lead to in year overspends that are challenging to mitigate with management interventions in the short term.
- 3.12 Looking forward to 2024/25 and 2025/26, besides general inflation, pay awards and contractual indexation, the Council needs to provide growth for unavoidable demographic and demand-led service pressures. Allowing for growth based on

service forecasts, results in a budget gap of £8m over this period. This will need to be met by savings.

3.13 The budget setting process is set out as follows:

- Draft budget, and new savings proposals, for 2024/25 and 2025/26 presented to Cabinet in autumn 2023. The precise date is dependent on the Chancellor's autumn statement where announcements on the Spending Review and Local Government funding are expected;
- The proposals, together with any changes made by Cabinet, will form the basis of consultation between autumn 2023 and February 2024 with residents, businesses and other key stakeholders;
- The Budget Scrutiny Task Group will review the budget proposals and report accordingly;
- The General Purposes Committee will review the calculation of the Council Tax base in December 2023; and
- After the statutory processes of consultation, scrutiny and equalities have concluded, a draft budget will be presented to Cabinet to recommend a final budget and Council Tax to the February 2024 Council meeting.

4 Financial Implications

4.1 The financial implications are contained within the body of this report.

5 Legal Implications

5.1 There are no legal implications arising out of this report.

6 Equality Implications

6.1 There are no equality implications arising out of this report.

7 Consultation with Ward Members and Stakeholders

7.1 Not applicable.

Report sign off:

Minesh Patel

Corporate Director of Finance & Resources