

BARNSELY METROPOLITAN BOROUGH COUNCIL

REPORT OF: DIRECTOR OF FINANCE (S151 OFFICER)

TITLE: Strategic Risk : Financial Sustainability

REPORT TO:	Audit Committee
Date of Meeting	13th March 2023

Purpose of report

To provide Audit Committee with an update on the Council's Financial Sustainability Strategic Risk, in particular referencing the 2023/24 Budget, Council Tax Setting and updated Medium Term Financial Strategy for the period covering 2023 – 2026 agreed by Full Council on the 23/24.

Executive Summary

Attached to this paper is the full suite of budget papers for the period 2023 – 2026 which was agreed at Full Council on the 23rd February 2023.

When the Council agreed the 2022/23 budget last year, concerns were highlighted in respect of the cost of living crisis but no one could predict at that time what has since come to pass. The legacy impact of the pandemic and the ongoing conflict in Ukraine continues to cause havoc with the economy, with low growth and high inflation forecast in the near term.

This has resulted in a significant increase in the cost of living for all residents and businesses in our communities and is also having a significant impact on the cost of simply maintaining the quality council services we deliver.

In addition to rising costs, the demand for council services particularly in Children's and Adults Social Care has also continued to increase significantly following the lifting of the COVID 19 restrictions.

These cost pressures have been highlighted throughout 2022/23 within the Council's Quarterly Financial Performance Report. The report as at the end of December 2022 shows a current estimated overspend of £12M.

As we move into the 2023/24 financial year these pressures have increased further adding an unprecedented £35 Million increase in the cost of merely maintaining existing service levels.

And whilst the 2023/24 budget shows a balanced position, this has been delivered mainly due to an increase in core funding including additional social care grant, a 3.9% increase in council tax and efficiency savings of some £7.3M, together with the use of £5.5m reserves for the first time in a long while.

However, the future remains uncertain, fuelled by significant volatility both in terms of funding and costs. The Director of Finance's Section 25 Report attached at section 1 in the budget pack highlights in further detail some of these significant risks:

- Robustness of Estimates.
This area covers the risks attached to the Adult Social Care Reforms, demography and demand, inflation and supply chains issues, funding, and the Council's ambitious savings/transformation programme. It also highlights the process undertaken with regards to future income and cost assumptions, with some of these assumptions (e.g. Pay) already adrift to the likely / actual position.
- Adequacy of Reserves
The Council has been able to maintain its level of Minimal Working Balance of £20M. Furthermore, the increase in the general Social Care Grant (£7M) received has also been held back to help address future pressures in Social Care.

- Prudence and Affordability

This section highlights the responsibilities placed on the Council with regards the financial impact of new additional borrowing. Whilst the Director of Finance's previous advice was against any significant additional borrowing until the Glassworks scheme was complete / de-risked financially, now that the scheme is complete new additional borrowing can now be prudently considered subject to normal governance arrangements. Consequently , the budget does approve additional borrowing to invest in the Council's Housing Stock over the period to 2030.

- Value for Money

We await the External Auditor's Value for Money Report for this year although at present no major areas of concern have been flagged.

- Medium Term Financial Strategy and Budget Reductions Measures

This section highlights that whilst a balanced position can be delivered for 23/24, there remains significant gaps in future years which will need to be delivered via a transformation / efficiency plan.