

Report to Cabinet

Report Title	Quarter 1 Forecast Revenue and Capital Outturn 2024-25
Date of Meeting	11 September 2024
Report Author	Sima Khiroya, Assistant Director Financial Management & Procurement
Corporate Director	Dawn Calvert, Chief Financial Officer s151
Lead Cabinet Member(s)	Councillor Sara Muldowney
Why is this a key decision?	1. Expenditure over £500K yes / no 2. Significant impact on 2 or more wards yes / no
Wards Affected	All
Is report Urgent?	Yes / No
Appendices (if any)	Appendix 1: Budget Monitoring Report 2024/25 as at 30 th June 2024 (Quarter 1) Appendix 2: General Fund Earmarked Reserves 2024-25 Appendix 3: Savings Tacker 2024-2025 Appendix 4.1: Capital Budget and Forecast 2024-25 General Fund Appendix 4.2: Capital Budget and Forecast 2024-25 HRA

1. Executive Summary

- 1.1 This report sets out the estimated forecast revenue outturn position for 2024-25 for the General Fund, Housing Revenue Account (HRA) and Dedicated Schools Grant (DSG) and provides an update on delivery against the savings target for 2024-25.
- 1.2 The **total service position** is showing a £3.070m net overspend position against a general fund budget of £172.400m at the end of quarter 1 (Period 3) for 2024/25. The overall position is showing significant pressures in Place, with a significant overspend linked to the demand for homelessness support, and Children's Services, where placement costs in the first quarter demonstrate demand and cost pressures over budget.
- 1.3 For the financial year 2020/21 and the first 3 months of financial year 2021/22, the government introduced a one-off income loss scheme, the **Covid Sales, Fees and Charges Scheme**. This was intended to compensate local authorities for irrecoverable and unavoidable losses from sales, fees and charging income, generated in the delivery of services, that was impacted due to the Covid-19

pandemic. Based on the estimates available at the time, the Authority claimed compensation to the value of £2.3m. Following a reconciliation of the claim, it has been identified that this figure was overestimated by £1.2m. It is assumed that government will recover these funds, and therefore this has been projected for in the council's outturn position but funded via an amount held in reserves.

- 1.4 The **total full year General Fund** overspend position as at the end of quarter 1 (period 3) is £2.105m against a budget of £68.572m.
- 1.5 Of the £19.9m **savings** target for 2024-25, £0.6m (3%) has been identified as unachievable at quarter 1 (red rating). In addition, there is a risk of successful delivery of £3.9m of the target (20% - amber rating). Monitoring of the 'at risk' savings is in-hand and mitigation actions being developed for those risks that cannot be delivered as originally planned.
- 1.6 The 2024-25 approved **Capital Budget** is a total of £115.1m; £69.9m general fund services and £45.2m HRA. At the end of quarter 1, there is anticipated slippage on the general fund capital programme of £2.8m (4%).

2. Recommendation(s)

- 2.1 To note and comment on the council's Service position and forecast overspend position as at quarter 1 of £3.070m.
- 2.2 That the service pressures highlighted, and the actions being taken to mitigate these, be noted, to resolve the overspend forecast against the current year budget, with a review of progress by the end of September 2024.
- 2.3 Note and comment on the capital programme and the anticipated General Fund Capital Programme slippage of £11.776m projected in the report.
- 2.4 Note that this position will remain provisional while further financial review is carried out and will be presented in the next quarter report.
- 2.5 Note that the quarter 2 report will present a movement between quarters to demonstrate the direction of travel.

3. Commissioner Comment:

- 3.1 It is imperative that the overspend of £2.105m is recovered and the mitigating actions are put in place to tackle the overspend in year. Commissioners seek a report on mitigating actions to be reported by the end of September and for oversight at the following Financial Recovery Board. The overspend position should be considered against an inherently high-risk position with exceptional demands on Homelessness and increased costs already crystallising due to complexity of cases in Childrens. The reporting to Cabinet is much improved with transparency of demand data and transparency on the use of reserves.
- 3.2 There has been good progress on the delivery of the £19.9m savings in 2024/25; continued focus is necessary on the Amber risk savings and mitigation actions need to be reported to the next Financial Recovery Board.

4. Proposals – the rationale and evidence for the recommendations

- 4.1 The regular, timely and accurate reporting of the Revenue and Capital Budget monitoring information throughout the financial year is a key financial control. It

makes visible any variations to budget to inform decision making and enables the council to take timely mitigating actions.

- 4.2 It is important that issues driving variations to budget are understood, challenged, and addressed so that the council remains both within the approved budget envelope and on track to delivering the plans Members budgeted for.
- 4.3 **Appendix 1** to this report provides a detailed review of the projected outturn position at the end of quarter 1. The total service position is showing a £3.070m net overspend against a general fund budget of £172.4m. Primarily pressures exist in Children's Services (£1.0m overspend) and Place (£1.9m overspend). This position exists after a transfer from specific earmarked reserves of £6.2m.
- 4.4 After taking account of transformation funding, central financing, and treasury and investment funding, the net position of the Council is forecast to be a £2.105m overspend against a total net budget of £68.572m.
- 4.5 On a quarterly basis, movements in the position between each quarter will be presented in these reports. Any adverse movements will be explained further.
- 4.6 For each service area in turn, the report provides explanations of current and future risk and emerging issues, which are impacting on the position.
- 4.7 The position at quarter 1 on the DSG is a £0.952m overspend on the High Needs Block. At this stage pupil movement within the schools and high needs blocks for the impact of the new academic year is not fully known. This will be included once the impact has been evaluated to allow a more accurate picture of the projected outturn position.
- 4.9 The general fund capital programme budget for 2024/25 is £69.905m. At quarter 1 the projected outturn is £58.066m, a variance of £11.839m. Of this underspend, £11.776m is anticipated slippage on current schemes in the programme, and £0.063m is actual underspending. **Appendix 4.1** has been provided to give a scheme-by-scheme report.

5. Alternative options considered

- 5.1 On 28 February 2024 Council approved the setting of balanced budgets for financial year 2024/25. Savings proposals of £19.9m were approved at Cabinet on 10th January 2024 and 21st February 2024 with a recommendation that Council agree as part of the wider budget setting. Continued measures to control expenditure are in force following the Section 114 and government intervention.
- 5.2 The budget forecast at this stage in the financial year assumes a total transfer from reserves of £10.6m (including £4.3m Transformation funding).
- 5.3 This report, and the associated appendices, provides a quarterly review of the financial position of the Council, as required in statute.
- 5.4 Reports are produced in line with the Council's budget monitoring timetable for the respective financial year.

6. Consultation

- 6.1 n/a

7. Implications

7.1 Financial

Caroline May

Assistant Director, Finance

9 August 2024

The attached report is primarily financial in nature and the financial implications of the issues raised have been included in the report and its associated appendices.

8. Risks

Any current, and future risks, associated with each service area have been included in the report. Each Directorate has been consulted on to determine risks to service delivery impacted upon by the respective current and future financial position.

9. Legal

Implications verified by:

Helen Nicol

Assistant Director Legal & Governance

9 August 2024

The Local Government Finance Act 1992 requires a Council to set a balanced budget for each financial year. There are statutory requirements of the Council's Section 151 Officer in relation to setting a balanced budget pursuant to section 114 of the same Act.

Section 28 of the Local Government Act 2003 requires to Council to periodically conduct a budget monitoring exercise of its expenditure and income against the budget calculations during the financial year. There is no statutory requirement of the regularity of such reviews, but quarterly seems to be entirely appropriate. If the monitoring establishes that the budgetary situation has deteriorated, the Council must take such remedial action as it considers necessary to deal with any projected overspends. This report allows for the periodic monitoring of the budget as required by statute.

10. Diversity and Equality

Implications verified by:

Rebecca Lee

Team Manager, Community Development Team

9 August 2024

There are no equality or diversity implications directly resulting from this report

11. Other implications (where significant) – i.e. Staff, Health Inequalities, Sustainability, Crime and Disorder, or Impact on Looked After Children

None

12. Background Documents

None