

Report to People Overview and Scrutiny Committee

Report Title	Q2 Forecast Revenue and Capital Outturn Report
Date of Meeting	Thursday, 30 January 2025
Report Author	Sima Khiroya, Assistant Director Financial Management & Procurement
Corporate Director	Chief Financial Officer S151
Lead Cabinet Member(s)	Cabinet Member for Resources
Wards Affected	(All Wards);
Appendices (if any)	<ol style="list-style-type: none"> 1. Revenue and Capital Monitoring Report as at 30th September 2024 (Quarter 2) <ol style="list-style-type: none"> 2.1 General Fund Earmarked Reserves 2024/25 2.2 HRA Earmarked Reserves 2024/25 2. Savings Tracker 2024/25 <ol style="list-style-type: none"> 4.1 General Fund Capital Budget & Forecast 2024/25 4.2 HRA Capital Budget & Forecast 2024/25

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 at quarter 2.
- 1.2 The **total service position** is showing a £2.722m net overspend position against a general fund budget of £172.398m at the end of quarter 2 (Period 6) for 2024/25. The overall position is showing significant pressures in Place (£1.919m overspend) and Corporate Services (£1.181m overspend). The movement between quarter 1 and quarter 2 is a reduction in net service expenditure of £0.348m.
- 1.3 The actual reduction in gross expenditure for services between quarter 1 and quarter 2 is £0.741m, however, there has also been a reduction in the projected transfer from reserves by £0.393m, resulting in the net position reducing by £0.348m.

- 1.4 The 2024/25 budget was set assuming exceptional financial support being required from central government in the amount of £68.570m. The position at quarter 2 shows a forecast additional pressure of £1.896m against this funding. There is an imperative that this pressure is managed by the end of the financial year.
- 1.5 Services have been asked to take action to mitigate their pressures within the current financial year, where possible. Pressures that are ongoing into the next financial year, will be reflected in the MTFs Budget Setting process for 2025/26.
- 1.6 For the financial year 2020/21, the government introduced a one-off income loss scheme, the **Covid Sales, Fees and Charges Scheme (SFC)**. 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. This covered loss of income in areas such as the registrars service, Grangewaters outdoor education centre, nurseries, parking charges etc. The compensation for income loss claims during the financial year 2020/21 were based on what was happening at the time, and as the financial year progressed, other corresponding reductions in expenditure and the impact of other funding released by the Government to compensate for loss of income and expenditure (such as the cultural grant for the Theatre and funding for staff on Furlough), meant we were in a position where we had overclaimed. The total value of claims that had been submitted during the financial year, based on the estimated income losses made at the time of the claims, amounted to £2.270m. After a full reconciliation as part of the financial year-end accounts, the total income loss that should have been claimed was calculated as £1.069m, resulting in an overclaimed amount of £1.202m. This amount has been provided for within available funding.
- 1.7 The budget forecast at this stage in the financial year projects a total transfer from reserves to services of £12.024m (including £5.246m Transformation funding). In addition, an amount of £0.965m from previously received Contain Outbreak Management Fund Grant is being held in reserves and will be utilised to offset the overspend on Homelessness Services in the Place Directorate.
- 1.8 Of the £19.866m **savings** target for 2024-25, £0.823m (4%) has been identified as unachievable at quarter 2 (red rating), following directorate deep dive reviews on all savings. At quarter 2, there has been a reduction on at amber savings (at risk) from 19% to 10% (£3.863m at quarter 1 to £2.008m at quarter 2). The values for savings on track and mitigated have increased between quarters 1 and 2.
- 1.9 The 2024-25 approved **Capital Budget** is a total of £107.5m; £58.4m general fund services and £49.1m HRA. At the end of quarter 2, there is anticipated slippage on the general fund capital programme of £30.6m (52%) and £10.2m (21%) on the HRA capital programme.

2. Recommendations

For the reasons set out in this report, the Committee is recommended to:

- 2.1 Note and comment on the council's Service position and forecast overspend position as at quarter 2 of £2.722m, representing a reduction of £0.348m on the position presented at quarter 1.
- 2.2 Note and comment on the council's overall position and forecast overspend position at quarter 2 of £1.896m, representing a reduction of £0.209m on the position presented at quarter 1.
- 2.3 Note the approval of the transfer of £1.381m reserves to a MTFs Delivery Reserve and £1.5m to an Adult Social Care & Children's Social Care Demographic Risk Reserve (*as per section 14 of Appendix 1 and 4.7 below*) approved at Cabinet 11th December 2024.
- 2.4 To note and comment on the progress made on delivery against the savings target for 2024/25 and the remaining red (unachievable) rated savings.
- 2.5 Further to an in-depth review and re-profiling of the General fund capital projects, to note and comment on the capital programme, and the anticipated General Fund Capital Programme slippage of £30.627m and £10.157m HRA Capital Programme slippage projected in the report.
- 2.6 Note the approval of the addition of the DEFRA grant funding in the capital programme (*as per section 16 of Appendix 1 and 4.12 below*) approved at Cabinet 11th December 2024.

3. Commissioner's Comments

It is essential that there is focus on recovery to ensure that the overspend of £2.722m is redressed before year end and that there is a clear and transparent recovery plan demonstrating how this will be achieved and by when. This needs to be reported through to the Finance Recovery Board and also the next opportunity at Cabinet.

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 2. The total service position is showing a £2.722m

net overspend against a general fund budget of £172.398m. This represents a reduction from the quarter 1 position by £0.348m.

- 4.4 Primarily pressures exist in Corporate Services (£1.181m overspend) and Place (£1.919m overspend). This position exists after a transfer from specific earmarked reserves of £5.813m for service budgets.
- 4.5 After taking account of transformation funding, central financing, and treasury and investment funding, the net position of the Council is forecast to be a £1.896m overspend against a total net budget of £68.570m at quarter 2, representing a reduction on the quarter 1 position by £0.209m.
- 4.6 The position at quarter 2 on the DSG is a £1.151m overspend, representing a £0.199m increase on the quarter 1 position.
- 4.7 A review of General Fund Earmarked Reserves has identified a balance of £2.881m that is not required. It is planned to utilise this to set up a MTFs Delivery Reserve in the amount of £1.381m and the balance of £1.5m to be used to set up an Adult Social Care and Children's Services Demographic Risk Reserve. This has been shown in **Appendix 2.1**. Cabinet are being requested to approve this transfer.
- 4.8 The total balance of HRA Earmarked Reserves at the start of the financial year, as shown in **Appendix 2.2**, was £44.561m. At quarter 2, £3.0m is planned to be used for decant costs associated with Blackshots Tower Block.
- 4.9 The Savings Target for 2024/25 is a total of £19.866m with the quarter 2 savings monitoring report provided in **Appendix 3**. The quarter 2 position shows that of the £19.866m 2024-25 savings target, there has been an increase in unachievable (red rated) savings to £0.823m (4%), an increase of 1% on the quarter 1 position. This has been offset by a reduction in savings at Risk £2.008m (10%), which has reduced from 19%. The values of savings on track, delivered and mitigated has increased between quarters 1 and 2.
- 4.10 The general fund capital programme budget for 2024/25 is £58.398m. At quarter 2 the projected outturn is £26.762m, a variance of £31.636m. Of this underspend, £30.627m is anticipated slippage on current schemes in the programme, and £1.931m is actual underspending. **Appendix 4.1** has been provided to give a scheme-by-scheme report.
- 4.11 An in-depth review of the capital programme has recently been completed leading to a re-profiling of £30.6m for General Fund projects. A substantial portion of this re-profiling, amounting to £21.4m, is tied to the Grays and Tilbury Town Fund, which is supported by government grants. Several projects are currently in the design and planning stages, with construction anticipated to commence in 2025/26. Additional slippage in the improvement works at Tilbury Pioneer Academy, totalling £4.7m, has occurred due to planning delays; however, construction is also expected to begin during 2025/26.

4.12 The HRA capital programme budget for 2024/25 is £49.058m. At quarter 2 the projected outturn is £38.901m, a variance of £10.157m which is anticipated slippage on current schemes, as shown in **Appendix 4.2**.

4.13 The Council has been awarded a further £0.922m of Government funding from the Department for Environment, Food & Rural Affairs (DEFRA) to support the delivery of weekly food waste collections. The capital funding is for the purchase of food waste bins (this includes internal kitchen caddies, external kerbside caddies and communal bins) and food waste collection vehicles. The additional funding is not currently included within the capital programme, and any additions to the capital program are subject to Member approval.

5. Alternative options considered.

5.1 n/a

6. Consultation

6.1 The forecast revenue and capital outturn report is presented to Corporate, Place, and People Overview & Scrutiny Committees for review and challenge on a quarterly basis.

7. Financial Implications

7.1 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.

Implications verified by: Caroline May, Assistant Director, Finance

Date: 18 November 2024

8. Risk Implications

8.1 The table below provides the high-level risks, mitigations and risks status associated with this report. Each Directorate has been consulted on to determine risks to service delivery impacted upon by the respective current and future financial position.

8.2 Financial risks are discussed monthly as part of the budget monitoring process with each Directorate.

RISK DESCRIPTION & CONSEQUENCE	MITIGATIONS	RISK STATUS
Fluctuations in demand-led services leads to a worsened financial position against the budget.	Monthly monitoring of financial position will determine fluctuations in demand that are leading to pressures that will need to be mitigated by underspends in other areas in the budget. Demographic changes are built into the budget assumptions. Any residual risks would	Green

	be funded within available council funding and resources.	
Inflation and other cost pressures	Staff Pay and inflationary pressures cause significant impact on the council's budget. These are estimated and built into the forward planned budget.	Green
If the organisation is not able to redesign its services quickly enough, a reduction in staffing levels and loss of experienced and skilled staff will have an impact on service delivery, and on remaining staff.	New Corporate Plan priorities linked to staff values. Any redesign of services linked to Council and Corporate Plan priorities.	Green
Legal disputes & claims, self-Insurance and the risk of claims to the council not being covered by the council's insurance policies	Ensure sufficient resources are available to secure the appropriate advice / advisor for complex operational issues and to protect / successfully defend the council's position should the need arise. Unknown claims cannot be forecast.	Amber
Failure to prevent or detect acts of significant fraud or corruption against the Council from either internal or external sources.	An established system of internal control to prevent fraud and increase the likelihood of detection including financial system controls, internal audit processes, fraud awareness in the Council, and financial delegation.	Green
Government policy, funding decisions, and the economy	Assumptions on government policy, funding and the economy are built into the budget as part of the MTFS process: increase in numbers of residents, loss of rental income, financial settlement, collection rates, future legislative changes etc.	Green

Implications verified by: Kelly McMillan, Chief Risk Advisor

Date: 12 November 2024

9. Legal and Governance Implications

- 9.1 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.

- 9.2 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.

Implications verified by: Helen Nicol, Assistant Director Legal & Governance

Date: 18 November 2024

10. Equality and Diversity Implications (including the public sector equality duty)

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

Implications verified by: Roxanne Scanlon, Community Engagement & Project Officer

Date: 26 November 2024

11. Other Relevant Implications

- 11.1 Not applicable.

12. Background Documents

- 12.1 Not applicable.