

Title of report: Q4 2024/25 Budget Report

Meeting: Cabinet

Meeting date: Thursday 5 June 2025

Cabinet Member: Cabinet member finance and corporate services

Report by: S151 Officer

Report Author: Director of Finance (S151 Officer)

Classification

Open

Decision type

Non-key

Wards affected

(All Wards);

Purpose

To report the provisional financial outturn position for 2024/25 for revenue and capital budgets, subject to external audit. The 2024/25 outturn shows a net underspend of £0.5 million after the use of reserves and implementation of recovery plan actions.

Recommendation(s)

That: Cabinet

- a) review the financial outturn for 2024/25, as set out in the appendices A-E, and identifies any additional actions to be considered to achieve future improvements; and**
- b) agree the transfer of the reported underspend of £0.5 million to increase the General Fund Balance.**

Alternative options

1. Cabinet may choose to review financial performance more or less frequently; or request alternative actions to address any identified areas of variance from budget, including referral to the relevant scrutiny committee.

Key considerations

Revenue Outturn

2. The council's approved net revenue budget for 2024/25 is £212.8 million which includes planned savings of £19.5 million comprising £11.6 million of Directorate Savings and £7.9 million of Council-wide budget savings.
3. This report presents the outturn underspend position for 2024/25 of £0.5 million (0.2% of budget) after the use of reserves and recovery actions implemented by management during the year. Detailed explanations for variances from budget are set out in Appendix A, by Directorate and Service Area.
4. In November 2024, Cabinet approved the transfer of £11.0 million from the Business Rates risk reserve to establish a Budget Resilience Reserve to mitigate against in-year cost pressures. The outturn position assumes a transfer of £4.0 million from the Budget Resilience Reserve, applied to expenditure in adult social care and temporary accommodation budgets in the Community Wellbeing Directorate in 2024/25.
5. This reduces the reserve balance from £11.0 million to £7.0 million at 31 March 2025. The Earmarked Reserves and General Balances Policy Statement 2025/26, reviewed by Cabinet in January 2025, confirms that this balance will be carried forward at 31 March 2025 to manage future emerging risks and in-year budgetary pressures over the medium term period.
6. It is recommended that the £0.5 million underspend for the year ended 31 March 2025 is transferred to increase the General Fund Balance from £9.6 million to £10.1 million.
7. The General Fund Balance, expressed as a percentage of the council's net revenue expenditure, is a key measure of the council's financial resilience. The General Fund Balance was last increased in the year ended 31 March 2022 from £9.1 million to £9.6 million. At £10.1 million, the General Fund represents 4.4% of net revenue expenditure in 2025/26 and represents 2.3 weeks of spend.
8. The Children & Young People Directorate budget delivered an underspend of £2.8 million in 2025/26 and planned savings of £2.3 million have been delivered in full. The budget amendment, approved in February 2024, allocated additional budget of £2.3 million to the Directorate to mitigate against non-delivery of savings.
9. As savings have been delivered in full, the additional budget has not been used in 2024/25 and is presented as an underspend which contributes to the overall underspend position for the year as noted in Table 1: 2024/25 Revenue Outturn below. It is proposed that this budget is not returned to reserves (£1.3 million Financial Resilience Reserve, £0.9 million Care Market Costs) in the year ended 31 March 2025.

10. The revenue outturn position for 2024/25 by Directorate, is shown in Table 1 below.

Table 1: 2024/25 Revenue Outturn

| 2024/25 Revenue Outturn | | | |
|--------------------------------|------------------------------|-----------------------|--------------------|
| | Revenue Budget £m | Outturn £m | Variance £m |
| Community Wellbeing | 76.2 | 77.8 | 1.6 |
| Children & Young People | 59.7 | 56.9 | (2.8) |
| Economy & Environment | 26.7 | 25.3 | (1.4) |
| Corporate Services | 22.2 | 23.9 | 1.7 |
| SEN&Home to School Transport | 9.3 | 12.7 | 3.4 |
| Directorate Total | 194.1 | 196.6 | 2.5 |
| Central | 16.4 | 15.7 | (0.7) |
| Sub-Total | 210.5 | 212.3 | 1.8 |
| C&YP Budget Amendment | 2.3 | - | (2.3) |
| Total | 212.8 | 212.3 | (0.5) |

Delivery of Savings

11. Council approved a total of £19.5 million of savings for 2024/25 comprising Directorate Savings of £11.6 million and £7.9 million of Council-wide Savings. As at 31 March 2025, £10.9 million (56%) of the approved savings have been delivered.
12. Where savings have not been delivered recurrently in 2024/25, a focused review of the original proposals and planned activity has been undertaken and revised savings plans have been developed, where appropriate, to confirm activity to deliver savings in 2025/26.
13. The revised savings plans will be approved as part of Directorate Savings Boards and Budget Boards in 2025/26 and delivery will be monitored robustly against approved targets as part of monthly routine budget monitoring arrangements.
14. The status of individual savings plans is included at Appendix D; a summary by Directorate is noted in Table 3 below.

Table 3: Delivery of Savings 2024/25

| | Approved Savings £m | Delivered £m | Not delivered £m |
|-------------------------|------------------------------------|-------------------------|---------------------------------|
| Community & Wellbeing | 3.2 | 2.4 | 0.8 |
| Children & Young People | 2.3 | 2.3 | - |
| Economy & Environment | 3.3 | 2.8 | 0.5 |
| Corporate Services | 2.8 | 1.2 | 1.6 |
| Council-wide Savings | 7.9 | 2.2 | 5.7 |
| Total | 19.5 | 10.9 | 8.6 |
| | 100% | 56% | 44% |

Dedicated Schools Grant (DSG)

15. The cumulative DSG deficit is accounted for as an unusable reserve on the council's Balance Sheet, as permitted via statutory instrument, which will remain in place until 31 March 2026. This enables all local authorities to ring-fence the DSG deficit from the overall financial position in the statutory accounts. Beyond the period of the statutory override, the expectation is that any balance on the DSG Unusable Reserve will transfer back to the council's total Earmarked Reserves.
16. On 1 April 2024, the cumulative deficit brought forward was £6.1 million. The outturn position for 2025/26 is an overspend of £13.9 million in 2024/25. This increases the council's cumulative DSG deficit to £20.0 million at 31 March 2025. A deficit budget of £20.2 million has been approved for 2025/26; if expenditure is contained within the approved budget, the cumulative DSG deficit will total £40.2 million by 31 March 2026 which is the end of the statutory override period.
17. The Earmarked Reserves and General Balances Policy Statement 2025/26 reported to Cabinet in January 2025 highlighted forecast Earmarked Reserve balances (excluding Schools' balances) of £45.7 million at 31 March 2026. If reserves are required to support the council's financial position in 2025/26, there will be insufficient Earmarked Reserves to mitigate the cumulative deficit balance at 31 March 2026.
18. The risk to the council's overall financial position once the override period ends is being monitored alongside the assessment of the adequacy of the council's reserves, as part of the council's medium term financial strategy. It should be noted that this issue is a major concern amongst local authorities nationally.
19. Herefordshire, like many other local authorities, continues to experience increases in demand which are not met by corresponding increases in funding. This is a significant risk across local government and the number of authorities with significant DSG deficits is increasing. The council continues to work with the Department of Education, Local Government Association and other local authorities to seek clarification on the position once the statutory instrument expires and a sustainable funding strategy for the High Needs budget.
20. Measures to contain the deficit and mitigate future cost and demand pressures will be managed by the Service through the DSG Deficit Management Plan and the financial impact of agreed mitigations will be monitored and reported throughout the year as part of the council's routine budget monitoring processes.

Capital Outturn

21. The 2024/25 approved capital budget of £160.0 million has been revised to £97.0 million. The revised capital budget includes £15.3 million of unspent project budgets brought forward from 2023/24, approved movements of £0.3 million, £4.1 million additional grants and a reduction of £82.7 million reprofiled into future years, all of which are detailed at the bottom of Appendix B Table b. A summary breakdown is shown in Table 4 below.

Table 4: Revised Capital budget 2024/25 to 2027/28

| | 2024/25 Budget £m | 2025/26 Budget £m | 2026/27 Budget £m | 2027/28 Budget £m | Total £m |
|---------------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|---------------------|
| February 2024 Council Approved Budget | 160.0 | 50.8 | 19.2 | - | 230.0 |
| Re-profile Budget | (82.7) | 55.3 | 20.1 | 7.3 | 0.0 |
| Other Approved Movements | 0.3 | 2.5 | - | - | 2.8 |
| 23/24 Carry Forward | 15.3 | - | - | - | 15.3 |
| Additional Grant | 4.1 | 31.8 | 22.4 | 20.4 | 78.7 |
| Revised Capital Budget | 97.0 | 140.4 | 61.7 | 27.7 | 326.8 |

22. The final spend position is £74.1 million which represents an underspend of £22.9 million against a budget of £97.0 million; an increase in underspend of £5.6 million from the position reported at Quarter 3. Full details for each project are in Appendix B, Table a. This underspend consists of £5.2 million projects that have delivered below the project budget and £17.7 million in respect of project budgets to be rolled forward for delivery 2025/26 (£11.7 million) and 2026/27 (£6.0 million). The full capital programme analysed by project for current and future years can be seen in detail by Appendix B Table b.

Community impact

23. In accordance with the accepted code of corporate governance, the council must ensure that it has an effective financial control framework to support delivery of services within the agreed budget. The council is accountable for how it uses the resources under its stewardship, including accountability for outputs and outcomes achieved. In addition, the council has an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies.

Environmental Impact

24. The council provides and purchases a wide range of services for the people of Herefordshire. Together with partner organisations in the private, public and voluntary sectors we share a strong commitment to improving our environmental sustainability, achieving carbon neutrality and to protect and enhance Herefordshire's outstanding natural environment.
25. This report is to review the financial outturn at Quarter 3 of 2024/25 so will have minimal environmental impacts, however consideration has been made to minimise waste and resource use in line with the council's Environmental Policy.

Equality duty

26. The Public Sector Equality Duty requires the Council to consider how it can positively contribute to the advancement of equality and good relations and demonstrate that it is paying 'due regard' in our decision making in the design of policies and in the delivery of services.
27. The mandatory equality impact screening checklist has been completed for this activity, and it has been found to have no impact for equality.

Legal implications

28. There are no direct legal implications arising from this report.

Risk management

29. The risks associated with the council's business are recorded on the relevant service risk register and escalated in accordance with the council's Performance Management Framework and Risk Management Plan. The highest risks, i.e. those scoring greater than 16 after controls, are escalated to the council's Corporate Risk Register.

Resource Implications

30. These recommendations have no direct financial implications, however cabinet may wish to consider how money is utilised in order to meet the council's objectives.

Consultees

31. None in relation to this report.

Appendices

Appendix A - Revenue outturn

Appendix B – Capital outturn

Appendix C - Treasury management outturn

Appendix D - Savings delivery

Appendix E – Earmarked Reserve balances

Background papers

None Identified