

# Title of report: Q3 Budget Report

**Meeting:** Cabinet

**Meeting date:** Thursday 29 February 2024

**Cabinet Member:** Cabinet member finance and corporate services

**Report by:** S151 Officer

**Report Author:** Head of Strategic Finance (Deputy S151)

## Classification

Open

## Decision type

Non-key

## Wards affected

(All Wards);

## Purpose

To report the forecast position for 2023/24, including explanation and analysis of the drivers for the material budget variances, and outline current and planned recovery activity to reduce the forecast overspend.

To provide assurance that progress has been made towards delivery of the agreed revenue budget and service delivery targets, and that the reasons for major variances or potential under-performance are understood and are being addressed to the cabinet's satisfaction. The forecast 2023/24 outturn shows a net overspend of £10.7 million at Quarter 3.

## Recommendation(s)

**That: Cabinet**

- a) review the financial forecast for 2023/24, as set out in the appendices A-D, and identifies any additional actions to be considered to achieve future improvements;
  - b) Note the forecast revenue outturn position at Quarter 3 2023/24 of a £10.7 million overspend, before management action, and the potential impact of this overspend on the council's reserves;
  - c) Note the impact of the 2023/24 forecast outturn on the 2024/25 budget requirement and the future financial sustainability of the council;
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- d) Request that Scrutiny Management Board reviews the budget monitoring position and that relevant Cabinet Members provide explanation for key variances and actions identified to address key pressures; and
- e) Agree the continuation and strengthening of management actions to reduce the forecast overspend as identified in this report.

### Alternative options

1. Cabinet may choose to review financial, delivery and operational performance more or less frequently; or request alternative actions to address any identified areas of under-performance, including referral to the relevant scrutiny committee.

### Key considerations

#### Revenue Forecast Outturn

2. This report presents the Quarter 3 revenue forecast outturn position for 2023/24 and highlights the continuing impact of increasing demand for adult and children’s social care and the challenging national and global economic environment. Detailed explanations for variances from budget are set out in Appendix A by Directorate and Service Area.
3. The council’s approved net revenue budget for 2023/24 is £193.3 million which includes planned savings of £20.0 million comprising £14.1 million of Directorate savings and £5.9 million of Central budget savings.
4. **The Quarter 3 revenue outturn forecast for 2023/24 shows an overspend of £10.7 million.** before management action, including £6.5m of Directorate savings and £0.9m of Central savings assessed as at risk at Quarter 3. This represents a variance of 5.5% against budget with the most significant forecast overspend in Children & Young People (£11.7 million).
5. The forecast revenue outturn position at Quarter 3 by Corporate Director portfolio is shown in Table 1 below. The £4.0 million All Ages Social Care budget has been applied to Directorate budgets in 2023/24 to meet additional demand and cost pressures in Community Wellbeing (£2.6 million) and the Children & Young People (£1.4 million).

**Table 1: Quarter 3 Forecast revenue position 2023/24 before recovery action**

<b>2023/24 Forecast Revenue Outturn at Quarter 3 (December 2023)</b>			
	<b>Revenue Budget £m</b>	<b>Forecast Outturn £m</b>	<b>Forecast Variance £m</b>
Community Wellbeing	70.7	71.0	0.3
Children & Young People	52.2	63.9	11.7
Economy & Environment	27.7	27.7	0.0
Corporate Services	26.0	26.7	0.7
All Ages Social Care			
<b>Directorate Total</b>	<b>176.6</b>	<b>189.3</b>	<b>12.7</b>
Central	16.7	14.7	(2.0)
<b>Total</b>	<b>193.3</b>	<b>204.0</b>	<b>10.7</b>

Further information on the subject of this report is available from Rachael Hart, Tel. 01432 383775, email Rachael.Hart@herefordshire.gov.uk

## Management Activity and Further Recovery Actions

6. Initial management activity already underway is expected to reduce this forecast overspend to £9.4 million, as set out in Table 2 below, and each Directorate will continue to identify **further recovery action and options to mitigate at risk savings targets** to respond to the significant financial challenges the council is facing and ensure recurrent spending is sustainable within the resources available. Corporate Directors will continue to develop Directorate recovery plans to manage in year delivery of services within the approved budget.
7. Additional expenditure controls are in place to support recovery activity in 2023/24. Directorate panels will review expenditure on goods and services as well as changes in staffing arrangements to provide increased rigour and challenge over expenditure for the remainder of the financial year. These controls will continue, as part of Directorate financial management, as required in 2024/25.

**Table 2: Updated forecast revenue position 2023/24**

<b>Updated 2023/24 Forecast Revenue Outturn at Quarter 3 (December 2023)</b>					
	<b>Revenue Budget £m</b>	<b>Forecast Outturn £m</b>	<b>Forecast Variance £m</b>	<b>Management Action £m</b>	<b>Revised Forecast £m</b>
Community Wellbeing	70.7	71.0	0.3	(0.3)	0.0
Children & Young People	52.2	63.9	11.7	(0.2)	11.5
Economy & Environment	27.7	27.7	0.0	(0.1)	(0.1)
Corporate Services	26.0	26.7	0.7	(0.3)	0.4
<b>Directorate Total</b>	<b>176.6</b>	<b>189.3</b>	<b>12.7</b>	<b>(0.9)</b>	<b>11.8</b>
Central	16.7	14.7	(2.0)	(0.4)	(2.4)
<b>Total</b>	<b>193.3</b>	<b>204.0</b>	<b>10.7</b>	<b>(1.3)</b>	<b>9.4</b>

## Savings

8. Council approved a total of £14.1 million Directorate Savings for 2023/24. A review of the delivery and status of the 2023/24 approved savings has been undertaken informed by planned and actual activity in the year to date to determine savings targets at risk of in-year delivery. This review **identifies £6.5 million of this target at risk of delivery** at Quarter 3.
9. The **delivery of savings in full and on time is critical** to ensure the 2023/24 revenue outturn position is balanced and to prevent further pressure on future years' budgets. Progress on delivery of savings and mitigations will continue to be monitored and reported in the next budget monitoring report to Cabinet.
10. A breakdown, by Directorate, of the savings at risk of delivery in 2023/24 is shown in Table 3 below. Explanations for under/non-delivery and planned mitigations, identified as part of Directorate recovery plans, are set out in Appendix D.

**Table 3: Assessment of Delivery of Savings at Quarter 3**

	Target £m	At Risk £m	In Progress £m	On Target £m	Delivered £m
Community & Wellbeing	6.1	1.1	1.6	0.1	3.3
Children & Young People	4.5	4.2	-	0.3	-
Economy & Environment	2.2	0.9	-	0.1	1.2
Corporate Services	1.3	0.3	0.6	-	0.4
<b>Total</b>	<b>14.1</b>	<b>6.5</b>	<b>2.2</b>	<b>0.5</b>	<b>4.9</b>

## Capital Budget

11. The revised 2023/24 capital budget of £147.8 million was approved by Council on 8 December 2023. Capital budgets had been reprofiled in line with expected delivery Appendix B Table c, this has reduced 2023/24 budget by £78.9m and this has been reallocated across the following three years. A summary breakdown is shown in Table 4 below. This was reported at the December Council meeting in appendix B forecast, but wasn't included in the proposed changes from cabinet on 5 October 2023 as they had not been agreed at that time.

**Table 4: Revised Capital budget 2023/24 to 2026/27**

	2023/24 Budget £'000	2024/25 Budget £'000	2025/26 Budget £'000	2026/27 Budget £'000	Total
December 2023 Council Approved Budget	147,821	105,417	23,788	10,570	287,596
Budget Reprofile	(78,948)	45,527	25,424	7,997	-
<b>Revised Capital Budget</b>	<b>68,873</b>	<b>150,944</b>	<b>49,212</b>	<b>18,567</b>	<b>287,596</b>

12. The forecast spend position is £53.2 million which represents an under spend of £15.7 million against a budget of £68.9 million. Full details for each project are in Appendix B, Table a. This underspend consists of £3.2 million projects that have delivered below the project budget, a further £1.0 million of budgets where the projects are on hold awaiting successful bids and £11.5 million in respect of project budgets to be rolled forward for delivery 2024/25. This forecast under spend position may change if any project delivery are further delayed. The full capital programme analysed by project for current and future years can be seen in detail by Appendix B Table b.

## Community impact

13. 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

14. 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.
15. This report is to review the financial forecast at Quarter 3 of 2023/24 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

16. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to –

  - a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
  - b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
  - c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
17. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. Whilst this paper is not seeking any project specific decisions, in determining the council's budget allocation, the council is working towards its equality objectives: [Equality, diversity and inclusion – Herefordshire Council](#). In addition, projects identified within the delivery plan, where relevant, will be subject to an Equality Impact Assessment to ensure appropriate attention is given to our Equality Duty.
18. 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.

## Legal implications

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

## Risk management

20. 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**

21. 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**

22. None in relation to this report.

## **Appendices**

Appendix A - Revenue forecast

Appendix B – Capital forecast

Appendix C - Treasury management forecast

Appendix D - Savings delivery

## **Background papers**

None Identified