

Title of report: Q1 2024/25 Budget Report

Meeting: Cabinet

Meeting date: Thursday 26 September 2024

Cabinet Member: Cabinet member finance and corporate services

Report Author: Director of Finance (S151 Officer)

Classification

Open

Decision type

Non-key

Wards affected

(All Wards);

Purpose

To report the forecast position for 2024/25 at Quarter 1 (June 2024), including explanation and analysis of the drivers for the material budget variances, and to 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 are understood and are being addressed to the cabinet's satisfaction.

The forecast 2024/25 outturn shows a net overspend of £10.8 million at Quarter 1, before management action estimated at £4.0 million to reduce the forecast overspend for 2024/25 to £6.8 million.

Recommendation(s)

That: Cabinet

- a) **Review the financial forecast for 2024/25, as set out in the appendices A-D, and identifies any additional actions to be considered to achieve future improvements; and**
- b) **Note the management action identified to reduce the forecast outturn position for 2024/25; and**
- c) **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 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. Detailed explanations for variances from budget are set out in Appendix A by Directorate and Service area.
3. This report presents the first revenue forecast outturn position for 2024/25 and highlights emerging budget pressures to support increases in demand across social care budgets, temporary accommodation and Special Educational Needs (SEN) transport services.
4. The Quarter 1 revenue outturn position for 2024/25 shows a forecast variance from budget of £10.8 million (5.1% of net budget), before management action. It is expected that planned management activity will reduce the forecast overspend to £6.8 million.
5. This variance represents cost pressures of £12.1 million noted below, reduced by £1.3 million of delivered Children & Young People 2024/25 Savings Targets, previously removed from the 2024/25 budget by amendment.
 - +£4.5 million in-year net cost pressures;
 - +£4.8 million 2024/25 Savings Targets assessed 'at risk';
 - +£0.4 million 2023/24 Savings Targets assessed 'at risk'; and
 - +£2.4 million Council wide Savings pending completion of Directorate restructures and vacancy reviews.
6. The forecast outturn position for 2024/25 by Directorate, is shown in Table 1 below.

Table 1: 2024/25 Forecast Revenue Outturn before management recovery action

2024/25 Forecast Revenue Outturn at Quarter 1 (June 2024)			
	Revenue Budget £m	Forecast Outturn £m	Forecast Variance £m
Community Wellbeing	76.8	79.9	3.1
Children & Young People	64.9	65.6	0.7
Budget Amendment	2.3	1.0	(1.3)
Economy & Environment	27.6	28.7	1.1
Corporate Services	24.7	26.6	1.9
Directorate Total	196.3	201.8	5.5
Central	16.4	21.7	5.3
Total	212.7	223.3	10.8

Further information on the subject of this report is available from
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Management Activity and Recovery Actions

7. Initial activity already underway is expected to reduce this forecast overspend to £6.8 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 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.
8. Additional expenditure controls implemented during 2023/24 and management recovery actions had a positive impact on the final outturn position; reducing the forecast overspend of £13.8 million reported at Quarter 2 by £5.1 million for the year ended 31 March 2024. These controls remain in place to support recovery activity in 2024/25. Directorate panels will continue to review expenditure on goods and services as well as changes in staffing arrangements to maintain the increased level of rigour and challenge over expenditure for the remainder of the financial year.

Table 2: Updated forecast revenue position 2024/25

Updated 2024/25 Forecast Revenue Outturn at Quarter 1 (June 2024)					
	Revenue Budget £m	Forecast Outturn £m	Forecast Variance £m	Management Action £m	Revised Forecast £m
Community Wellbeing	76.8	79.9	3.1	(0.2)	2.9
Children & Young People	64.9	65.6	0.7	(0.1)	0.6
Budget Amendment	2.3	1.0	(1.3)	(1.0)	(2.3)
Economy & Environment	27.6	28.7	1.1	(0.1)	1.0
Corporate Services	24.7	26.6	1.9	(0.2)	1.7
Directorate Total	196.3	201.8	5.5	(1.6)	3.9
Central	16.4	21.7	5.3	(2.4)	2.9
Total	212.7	223.5	10.8	(4.0)	6.8

Savings

9. 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. A review of the delivery and status of the 2024/25 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.
10. This review **confirms £8.2 million (43%) of the total savings target for the year has been delivered at Quarter 1** with a further £6.5 million (33%) assessed as 'on target/in progress' for the year. Savings of £4.8 million (24%) are assessed as 'at risk' with work underway to identify mitigations as a priority.
11. The budget amendment, approved in February 2024, removed savings of £2.3 million from the Children & Young People Directorate budget. As at June 2024, **saving targets S2 (Reduction in Social Worker establishment) and S3 (Reduction in number of agency social workers) totalling £1.3 million are confirmed as delivered in full.** Activity to deliver saving target S1 (Reduction in High Cost Placements) is assessed as 'in progress' but not reflected in the outturn

position at Quarter 1. This budget is monitored on a weekly basis due to its volatility and risk of impact on the Directorate financial outturn. As activity to deliver this target progresses to provide assurance of delivery, achievement of the saving will be reflected in the outturn position.

12. The **delivery of savings in full and on time is critical** to ensure the 2024/25 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.
13. A breakdown, by Directorate, of 2024/25 approved savings 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 1

	Target £m	At Risk £m	In Progress £m	On Target £m	Delivered £m
Community & Wellbeing	3.2	-	1.6	0.6	1.0
Children & Young People	2.5	0.2	1.0	-	1.3
Economy & Environment	3.1	-	0.5	-	2.6
Corporate Services	2.8	1.2	0.5	-	1.1
Council wide Savings	7.9	3.4	2.3	-	2.2
Total	19.5	4.8	5.9	0.6	8.2
	100%	24%	30%	3%	43%

Capital Outturn

14. The 2024/25 approved capital budget of £160.0 million has been revised to £176.1 million. The revised capital budget includes £15.3 million of unspent project budgets brought forward from 2023/24, approved movements of £0.3 million, removal of a project (£2.6) million and £3.1 million additional grants. 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
Removal of Maylords Library Project	(2.6)	-	-	-	(2.6)
Other Approved Movements	0.3	-	-	-	0.3
23/24 Carry Forward	15.3	-	-	-	15.3
Additional Grant	3.1	23.7	21.7	20.3	68.8
Revised Capital Budget	176.1	74.5	40.9	20.3	311.9

15. The forecast spend position is £110.3 million which represents an underspend of £65.8 million against a budget of £176.1 million. Full details for each project are in Appendix B, Table a. This underspend consists of £3.2 million projects that will deliver below the project budget and £62.6

million in respect of project budgets to be rolled forward for delivery 2025/26. These amounts represent budgets that may not be committed in this financial year for projects which are funded by grants or construction has started late and therefore budget is retained for delivery in future periods. This forecast under spend position will reduce in Q2 when the budgets are reprofiled to match expected delivery, as per the guidance from external audit to have an updated budget position half way through the year, rather than continuing to report under spends. The full capital programme analysed by project for current and future years can be seen in detail by Appendix B Table b.

Community impact

16. 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

17. 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.
18. This report is to review the financial outturn at Quarter 1 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

19. 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.
20. 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 (found here). 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.

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.

Legal implications

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

Risk management

23. 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

24. 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

25. None in relation to this report.

Appendices

Appendix A - Revenue outturn

Appendix B - Capital outturn

Appendix C - Treasury management outturn

Appendix D - Savings delivery

Background papers

None Identified