
2024/25 Revenue Financial Performance Quarter Three

Committee considering report:	Executive
Date of Committee:	13 February 2025
Portfolio Member:	Councillor Iain Cottingham
Report Author:	Shannon Coleman-Slaughter
Forward Plan Ref:	EX4516

1 Purpose of the Report

- 1.1 To report on the financial performance of the Council's revenue budgets. This report is Quarter Three for the 2024/25 financial year. The report is highlighting the financial position at each quarter of the financial year and impact on the Council's General Fund position. This allows the Executive and Scrutiny Commission to consider the implications and the actions being taken to mitigate and manage the position.

2 Recommendations

- 2.1 There are no recommendations made within this report. Members are asked to note:
- (a) The Quarter Three Revenue Budget Manager forecast of £11.5m overspend (Q2 £11.1m) against a net revenue budget of £164.6 million.
 - (b) The Forecast Reductions of £8.6m inclusive of £2.5m of adjustments through amended application of accounting policies, £4.9m of transformation funding and £1.1m of service delivery mitigations, which (if achieved) would reduce the forecast revenue overspend to £2.9m. £477k of specific revenue earmarked reserves are proposed to be applied to the overspend resulting in a revised net overspend of £2.4m (Q2 £2.1m).
 - (c) The forecast General Fund position of £3.6m (£4.1m on 1.4.2024), after consolidation of all revenue earmarked reserves into the General Fund at 31.3.2025, with the exception of the ringfenced Public Health Grant and schools' balances.
- 2.2 Members are further requested to note that:
- (a) £4.9 of reductions to the revenue forecast are dependent on realisation of transformation funding, alongside a further £1.0m of transformation expenditure forecast embedded into projects to be incurred by 31.3.2025. Currently transformation funds held are £4.9m, there is therefore a £1m risk to the General Fund forecast position.
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- (b) The Council has sought Exceptional Financial Support (EFS) from central government. A request for £13m in 2024/25 with a further £3m to support the balancing of the 2025/26 budget has been submitted with a decision expected in late February 2025. The request is designed to allow the Council to build resilience within its reserves position at the close of financial year 2024/25 and provide a minimum 5% General Fund requirement on 1.4.2025 to support the 2025/26 revenue budget.

3 Implications and Impact Assessment

Implication	Commentary
Financial:	The forecast position at Q3 has significant financial implications. The General Fund was £4.1m at 1.4.2024. The forecast General Fund position as at 31.3.2025 is considerably lower than the minimum recommended level of £9.3m to support the 2025/26 revenue budget. As the Council is in a forecast overspend position, a contribution to reserves cannot be made for financial year 2025/26. The viability of the General Fund is subject to significant risk should funding to support transformational expenditure is not realised or actions plans produced by services are not realised prior to outturn.
Human Resource:	Not yet discussed in detail with HR
Legal:	None
Risk Management:	Financial Review Panel (FRP) continues to internally securitise all recruitment and agency expenditure. Social care expenditure is subject to individual panel review across Adult Social Care and Children’s Social Care down to an individual package basis.
Property:	Review of assets continue to be undertaken with a view to possible sales that could be utilised for reduced capital financing costs and / or funding for a range of transformational activity across the Council to reduce costs.
Policy:	

	Positive	Neutral	Negative	Commentary
Equalities Impact:				
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		X		
B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		X		The proposal aims to continue to protect those characteristics
Environmental Impact:		X		Unlikely to have any long-term environmental impact.
Health Impact:		X		
ICT Impact:		X		N/A
Digital Services Impact:		X		N/A
Council Strategy Priorities:		X		All expenditure is aligned to the deliver of Council priorities, this report provides detail on the level of expenditure incurred.
Core Business:		X		
Data Impact:		X		N/A

Consultation and Engagement:	Service Directors, Executive Directors.
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4 Executive Summary

4.1 The Quarter Three budget manager forecast variance is an overspend of £11.5m. The forecast pressure has steadily increased throughout the financial year against the net £164.6m revenue budget. Social care demand pressures have primarily driven the forecast position, as seen nationally across the local government sector.

Expenditure Forecasts	Budget	Percentage of Budget	Quarter One Overspend	Quarter Two Overspend	Quarter Three Overspend	Q3 Forecast Percentage of Council Overspend
	£000s	%	£000s	£000s	£000s	%
Total Forecast Net Expenditure	£164,609		£ 9,295	£ 11,144	£ 11,522	
Adult Social Care	£69,682	42.3%	£ 1,469	£ 2,195	£ 2,082	18.1%
Children's Social Care	£23,455	14.2%	£ 1,513	£ 1,973	£ 2,491	21.6%
Education & SEND	£11,653	7.1%	£ 3,212	£ 3,110	£ 2,953	25.6%

4.2 The net revenue budgets for Adult Social Care, Children's Social Care, Education and SEND provision make up £104.8m of the Council's net revenue budget of 164.6m (63.7%). The corresponding overspend across social care provision is £7.5m against a total forecast net revenue budget overspend of £12.5m (65.3%).

4.3 A number of strategies have been adopted to mitigate rising cost pressures and minimise the impact on the Council's General Fund position. The Council has undertaken an extensive programme of transformation with a view to generating efficiencies and avoid costs in the longer term. Transformation funding is dependent upon the disposal of Council held surplus assets and the Council's commercial property portfolio. The Executive approved and adopted a revised Property Investment Strategy in November 2023, with a view to gradually disinvest and dispose of the commercial property portfolio. In year the Council has sought minimise and offset cost through amendments to service delivery (via application of grant income streams where applicable) and revision of accounting policies and treatment of accruals whilst retaining compliance with the CIPFA Code of Practice on Local Authority Accounting (The Code). The mitigations applied to the forecast overspend are as follows:

Mitigations to the Revenue Forecast	Quarter One £000s	Quarter Two £000s	Quarter Three £000s
Forecast Expenditure	£9,295	£11,144	£11,522
Application of transformation funding	-£3,528	-£5,212	-£4,978
Service Delivery Mitigations	-£1,018	-£1,197	-£1,135
Revised Net Forecast Expenditure	£4,749	£4,735	£5,409
Application of accounting policy changes	-£2,500	-£2,500	-£2,500
Application of specific ringfenced reserves	-£363	-£283	-£477
Net overspend chargeable to General Fund at Outturn	£1,886	£1,952	£2,431

4.4 The revised outturn of £2.4m is dependent on delivery of the mitigations identified and realisation of capital receipts to fund transformational expenditure included in the forecast revenue position. The forecast outturn position has a direct impact on the Council’s General Fund level. The General Fund reserve is currently at £4.1m (per the 2023/24 Financial Statements). Based on the forecast outturn position, post consolidation of all revenue earmarked reserves except schools’ balances and the ringfenced Public Health Reserve, the General Fund is estimated to be in the region of £3.6 as at 31.3.2025. The 5% recommended minimum General Fund level to support the net revenue budget for financial year 2025/26 is £9.3m. The forecast General Fund level for 31.3.2025 is as follows:

	£000s
General Fund at 1.4.2025	£ 4,057
Impact of forecast outturn	-£ 2,431
Consolidation of non ringfenced revenue reserves	£ 2,027
Forecast General Fund at 31.3.2025	£ 3,652

4.5 The above General Fund position will effectively dissolve all revenue earmarked reserves with the exception of the ringfenced Public Health reserve and schools’ balances which are held separately to the General Fund. More details on reserves are included in the Council’s budget setting papers in support of the 2025/26 annual budget.

4.6 The General Fund level is subject to potential realisation of further financial risks should the mitigations planned to reduce in the year overspend are not realised, or transformation expenditure is unfunded at outturn.

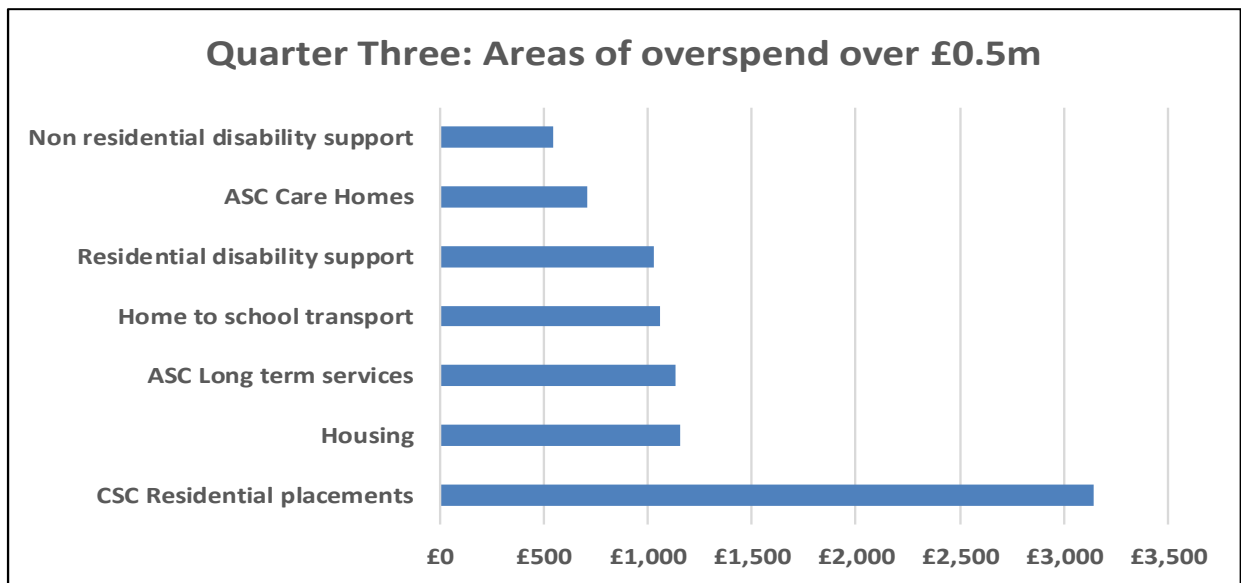
4.7 Due to the pressures across social care budgets and the level of General Fund reserve being substantially below that required to support delivery of the Council’s 2025/26 revenue budget and enable the Council to financially respond to unforeseen significant financial events, the Council has submitted a request for Exceptional Financial Support. The Council has requested £13m of support in the current financial year to enable the Council to build resilience into the Council’s reserves position. A further £3m has been requested in support of the 2025/26 revenue budget and is detailed within the 2025/26 Revenue Budget papers, separate to this paper. A decision on the application for support is anticipated at the end of February 2025. The Council currently has a 114 risk in respect of the resilience of the General Fund.

5 Revenue Position at Quarter Three

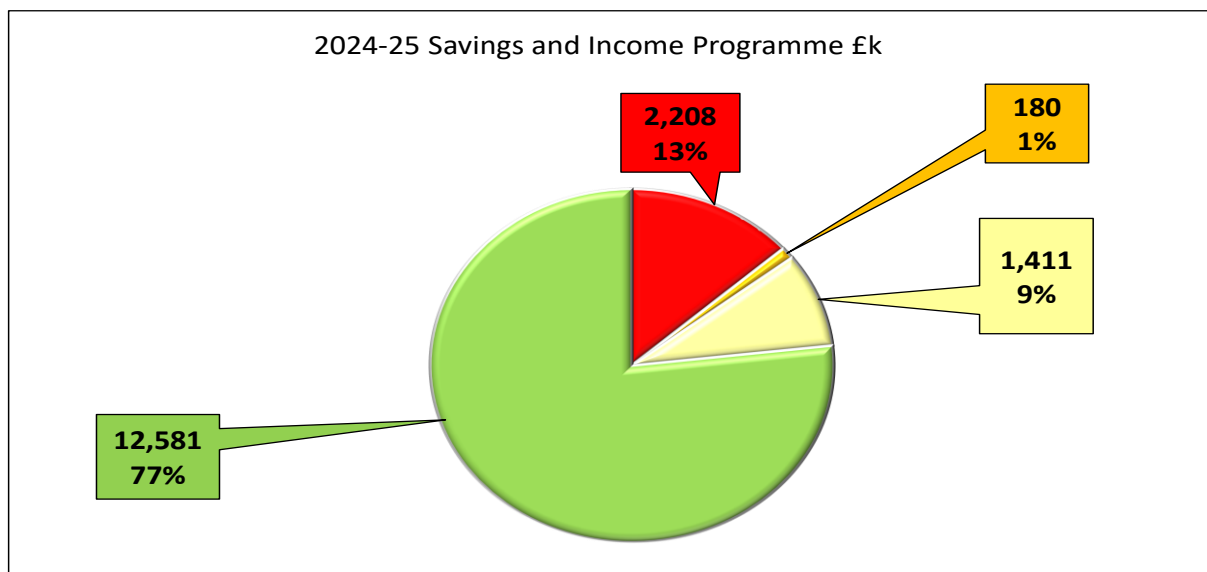
5.1 The key areas of overspend relate to demand led services. The combination of increasing unit costs (inflation), alongside complexity of need and in areas volume of demand have created significant overspends. In respect of budget planning for 2025/26, significant investment in excess of £8m is planned across social care budgets (Adults and children’s), the Council is moving forward with plans to outsource Council run care homes to a commissioned based and privately managed model. In respect of housing pressures in respect of temporary accommodation, transformation projects have been undertaken repurposing surplus council assets into accommodation units, with financial benefits modelled for 2025/26. The key areas of overspend over are shown below.

2024/25 Revenue Financial Performance Quarter Three

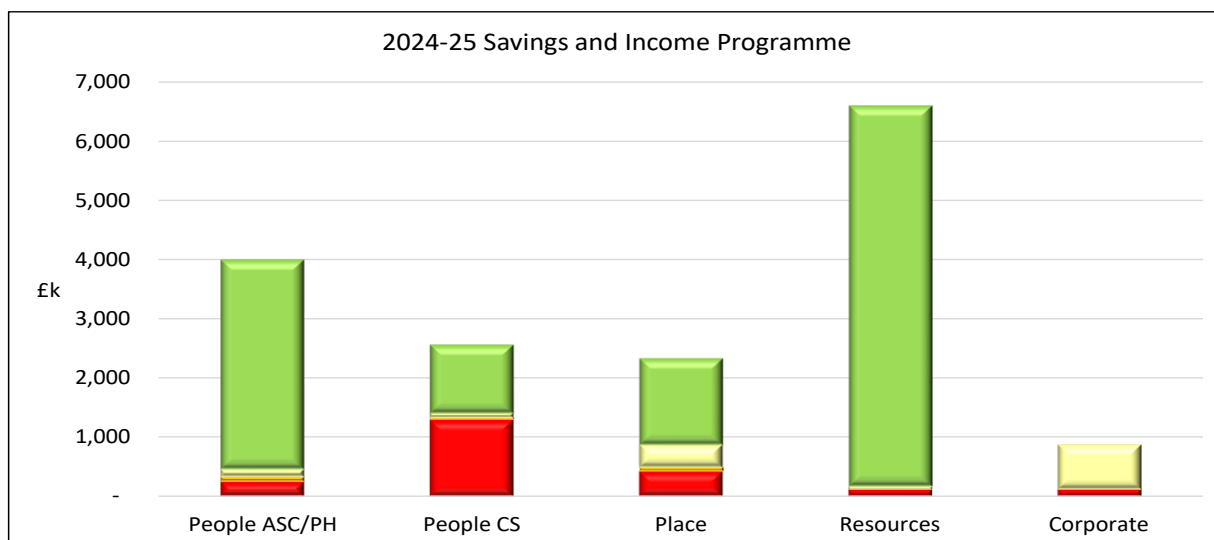
Key areas of overspend	Q1	Q2	Q3
	£000s	£000s	£000s
CSC Residential placements	£ 1,882	£ 2,859	£3,146
Housing	£ 672	£ 914	£1,157
ASC Long term services	£ 1,172	£ 1,524	£1,129
Home to school transport	£ 1,657	£ 1,098	£1,061
Residential disability support	£ 956	£ 992	£1,027
ASC Care Homes	£ 420	£ 362	£711
Non residential disability support	£ 466	£ 655	£544



5.2 The 2024/25 revenue budget was built with a savings and income generation programme totalling £16.4m (£14.3m ongoing and £2.1m one off single year savings). Forecast achievement of savings is monitored via a Red, Amber, Yellow and Green (RAYG) system. The status of the programme as quarter three is shown below:



2024/25 Revenue Financial Performance Quarter Three



5.3 A Any unachieved savings carried into 2025/26 will impact on viability of the delivery of the 2025/26 revenue budget and sustainability of the Council's Genera Fund.

Proposals

None.

6 Other options considered

None

7 Conclusion

7.1 The Council is facing an unprecedented level of financial pressures due a range of factors. The Council is taking proactive steps to reduce this expenditure as highlighted in this report, but the Quarter Three revenue forecast position is placing a significant pressure on the Council's financial resilience. This position will continue to be monitored during quarter four of the financial year with a view to managing pressures whilst mitigating impacts on front line services.

8 Appendices

None.

Background Papers:

Quarter One and Two Revenue Reports

Subject to Call-In:

Yes: No:

2024/25 Revenue Financial Performance Quarter Three

- The item is due to be referred to Council for final approval
- Delays in implementation could have serious financial implications for the Council
- Delays in implementation could compromise the Council's position
- Considered or reviewed by Scrutiny Commission or associated Committees, Task Groups within preceding six months
- Item is Urgent Key Decision
- Report is to note only

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