
2024/25 Revenue Financial Performance: Provisional Outturn

Committee considering report:	Executive
Date of Committee:	3 July 2025
Portfolio Member:	Councillor Iain Cottingham
Report Author:	Elizabeth Griffiths
Forward Plan Ref:	EX4695

1 Purpose of the Report

- 1.1 To report on the financial performance of the Council's revenue budgets. This report is Quarter Four, the provisional outturn for the 2024/25 financial year. The report highlights the financial position at outturn and the impact on the Council's General Fund position. This allows the Executive and Scrutiny Commission to consider the implications of the outturn on the 2025/26 financial year.
- 1.2 The report builds on the budget monitoring already delivered throughout the year and where significant variances to Q3 reporting have been noted. The provisional outturn figures are subject to external audit scrutiny and hence maybe subject to change. Any changes will be reflected in the figures that will form the basis of the Council's financial statements for the 2024-25 financial year.
- 1.3 West Berkshire, like many councils nationally is facing rising costs in all areas, the most significant of these being social care where we have a statutory responsibility to provide support, but rising demand is pushing up market prices and outstripping our ability to fund it. This has been mitigated in previous years by the generation of savings and the use of reserves. In 2024/25 the opening reserve position of the Council was £4.2m, he in year forecast overspends were anticipated to reduce the General Fund further resulting in a request to central government for Exceptional Financial Support (EFS) to enable the reserve position to be bolstered.
- 1.4 EFS is a process whereby central government give a special dispensation to allow local authorities to borrow money to spend on providing what would otherwise be revenue funded services. This money comes in the form of a loan which has to be repaid with interest and therefore, the authority is not only required to prove to central government that requests are being kept to a minimum but it's clearly sensible in terms of our overall financial position to keep this borrowing as low as possible, not only in the current year, but in subsequent years. Central government have provisional agreed to a maximum EFS package of £13m for financial year 2024/25 (with a further £3m in 2025/26). The final determination of the Council's required EFS will be subject to external review (by central government) and is informed by the outturn and overall position of the draft financial statements for 2024/25.

2 The Executive are asked to note the following:

2.1 To note the provisional management accounting outturn of £15.9m overspend, this is prior to the following adjustments noted below, which result in an adjusted overspend position of £6.77m. Executive should also note that even with the adjustments, the outturn would have resulted in negative reserves without the application of EFS funding. The adjustments are as follows:

- (a) The Dedicated Schools Grant (DSG) overspend of £6.68m. The overspend is subject to a statutory override, enabling the Council to transfer the overspend to a separate reserve protecting the Council's General Fund. The overall cumulative deficit relating to the DSG held on the Council's Balance Sheet as at 31.3.2025 is approximately £16.5m. This is impacting the Council's revenue budget with a capital financing cost of £750k per annum. The deficit is projected to increase to £31-37m by the end of 2025/26, increasing the revenue impact to £1.4- £1.67m per annum.
- (b) The Public Health Grant underspend of £181k. Public Health funds are ringfenced and cannot be deployed in support of the Council's General Fund position. Unutilised Public Health funding is held in a separate reserve to the Council's General Fund. The overall cumulative reserve Public Health reserve held on the Council's Balance Sheet as at 31.3.2025 is approximately £1.19m.
- (c) The Council has limited ringfenced revenue reserves beyond the General Fund. The 2024/25 position utilises £17k from the Proceeds of Crime Act reserve and £428k from Commuted Sums earmarked reserves for open spaces, play equipment and highways. The overall cumulative non-General Fund reserves held on the Council's Balance Sheet as at 31.3.2025 is approximately £3.4m (provisional).
- (d) In accordance with the Council's policy on the use of flexible capital receipts, application of £2.868m of capital receipts in the form of transformation funding against the revenue outturn position. The remaining capital receipts balance held on the Council's Balance Sheet and committed against future transformation projects, as at 31.3.2025 is approximately £4.5m (provisional).
- (e) The annual Minimum Revenue Provision (MRP) adjustment of £4.36m. MRP is a capital financing adjustment between the General Fund and unusable reserves relating to the provision for the repayment of debt in accordance with the CIPFA Accounting Code of Practice and CIPFA Prudential Code for Capital Finance.

2.2 Members are informed:

- (a) That the provisional revenue deficit in the outturn is in excess of the Council's General Fund position as at 1.4.2024 (start of the 2024/25 financial year). The General Fund in essence is fully deployed in support of delivery of the Council's revenue budget, with a further £2.4m deficit created.
- (b) That it is anticipated as part of the finalisation of the Council's 2024/25 financial statements, that the provisional EFS allocation of £13m relating to 2024/25 will be fully deployed to mitigate the Council's outturn position and rebuild the Council's

General Fund to the minimum balance required to support the 2025/26 revenue budget, as detailed in the budget papers adopted by Full Council in February 2025.

3 Implications and Impact Assessment

Implication	Commentary
Financial:	The revenue outturn position (which is provisional until finalised as part of the external audit of the Council's financial statements), is in excess of the Council's opening General Fund position (as at 1.4.2024). The EFS request provisionally agreed by central government of £13m will be fully deployed mitigating the impact of the outturn position on and bringing the General Fund balance to the minimum level recommended by the s151 Officer as part of the 2025/26 budget papers adopted by Council in February 2025.
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. The Property Investment Board (PIB) is assessing investment properties to determine the optimal strategy for disposal and retention. The Capital and Asset Group (CAG) are now reviewing all capital proposals and business cases, and the Finance and Governance Group (FAGG) will be reviewing all requests for Transformation spend going forward to ensure they are both deliverable and compliant.
Property:	Reviews 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 but this must be balanced against the long-term loss of revenue that disposal of income generating assets would incur.
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 delivery 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 provisional outturn position for 2024/25 is £181.2 million of net expenditure against a net budget of £165.2m.
- 4.2 The position continues to be driven primarily by social care demand pressures and capital financing costs attributable to financing the deficit position relating to the DSG and the High Needs Block.
- 4.3 The table below shows the revenue outturn position in service areas before movements to and from reserves which remove the surplus in Public Health of £181k and apply £6.77m of funding from the Dedicated Schools Grant, the former slightly worsening the position, the latter substantially improving it. It is before the accounting adjustment of £4.4m for MRP which would increase the deficit but before the application of £2.9m of transformation funding which would improve it.

		Annual Net Budget to 31/03/2025 £	Net Exp/Inc to 31/03/2025 £	Actual Variance to 31/03/2025 £
Executive Director People - Adult Social Care & Public Health		258,620	260,202	1,582
Adult Social Care		69,682,300	70,208,502	526,202
Public Health & Wellbeing		-80,000	-261,047	-181,047
People - Adult Social Care & Public Health		69,860,920	70,207,657	346,737
Executive Director People - Children's Services		217,590	226,965	9,375
Children's Social Care		23,455,300	25,637,142	2,181,842
Education & SEND		11,653,280	14,021,273	2,367,993
Education (DSG Funded)	Overspend trfrd to reserves, see 2.1 (a)	-444,000	6,238,519	6,682,519
People - Children's Services		34,882,170	46,123,899	11,241,729
Executive Director – Place		81,850	239,903	158,053
Community Services		5,141,480	5,050,151	-91,329
Environment		27,001,320	27,299,215	297,895
Development & Housing		3,234,530	2,937,767	-296,763
Place		35,459,180	35,527,037	67,857
Executive Director - Resources		415,740	861,446	445,706
Finance, Property & Procurement		2,975,840	4,778,910	1,803,070
Strategy, ICT & Governance		9,121,790	9,021,487	-100,304
Transformation		0	348,934	348,934
Resources		12,513,370	15,010,776	2,497,406
Chief Executive		577,010	895,339	318,329
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Capital Financing & Management	Includes £4,363,560 MRP, see 2.1 (e)	11,316,460	13,430,498	2,114,038
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Total		164,609,110	181,195,205	16,586,095
Adjustments and mitigations:				
	See 2.1 (a)	Dedicated Schools Grant		-6,682,519
	See 2.1 (b)	Public health underspend		181,047
	See 2.1 (c)	POCA & Commuted sums		-445,250
		Transformation		-2,867,765
		Adjusted outturn		6,771,608

- 4.4 **Adult Social Care** has overspent by £526k. This is an improvement of £850k on the forecast position at Q3, mainly due to an agreed change in the calculation of accruals. With the main ASC system, Care Director, due to be replaced by Mosaic by the end of this financial year, we expect the 2025/26 accruals to be much more system driven and based on improved data which could lead to another shift in value at the 2025/26 year end.
- 4.5 During 2024/25, client numbers were lower than those modelled for the budget, but the cost of care was over 5% higher with more clients placed in externally commissioned beds outside of our care homes. The service currently carries a large risk of overspend in 2025/26 if discretionary increases cannot be held at the low level allowed for in the budget. With requests reaching 20% in some cases, the impact is potentially significant, and negotiations are underway with providers to try to reduce and mitigate this risk.
- 4.6 Our care homes showed an overspend of £1.3m driven by the need to supplement vacant posts with agency staff. There is a potentially significant revenue pressure for 2025/26 relating to achievability of £1.5m of budgeted savings through the planned transfer of two homes to a third-party provider. Although the contract went through an invitation to tender it was not able to be awarded.
- 4.7 **Children's Social Care** has overspent by £2.2m. While the number of children in our care has stabilised, the complexity of needs continues to increase with more children requiring specialist residential settings at significant cost.
- 4.8 There is a potential risk for the 2025/26 budget due to an increase in the number of residential placements since the budget was set. Children's services have secured transformation funding in 2025/26 for a dedicated Commissioning and Brokerage team to ensure placements are both appropriate and affordable. This initiative aims to save £3m over the period of the project.
- 4.9 The **Education and SEND** budget have an overspend of £2.37m. Almost a million pounds of this relates to home to school transport provision. The service are steadily improving the position through proactive contract management and continued savings in areas of discretionary spend have been identified. However, both the number of clients being supported by the service and the cost of delivering that support has risen, again, due to the increasing complexity of needs. The Education Service has also incurred significant agency costs as key posts have proved difficult to recruit to, primarily in relation to Educational Psychologists.
- 4.10 The DSG and within it the High Needs Block, funds the provision of SEND commissioned services, but it should be noted that this year's deficit (overspend) of almost £7m is forecast to increase in the short term to around £20m per year, quickly propelling this year's closing cumulative deficit of £17m to £73m by 2027/8 if all currently planned mitigations are realised and almost £95m without them. This is held as an unusable reserve on the Council's balance sheet. There is currently a statutory override in place for all Councils until March 2026 at which point, if nothing changes, the liability – which is projected at that point to be between £31-£37m, will fall to the Council. Removal of the statutory override (as with the majority of Councils nationally), could result in the immediate issue of a s114 notice.

- 4.11 The DSG is monitored quarterly and financial performance reported through the Heads Funding Group and West Berkshire Schools Forum. Unspent school balances are held in earmarked revenue reserves in the Council's Balance Sheet and cannot be applied in support of core Council activities.
- 4.12 The **Place Directorate** budget outturn showed an overall underspend of £68k. While parking and planning income underachieved, this was offset by several large underspends in other areas.
- 4.13 A notable overspend in Housing and Development was £933k on emergency accommodation. This is being mitigated in 2025/6 with Walnut Cose which opened its doors to families in March with 16 families being places in that month.
- 4.14 **Finance, Property and Procurement** overspent by £1.8m. This was largely down to the following areas.
- 4.15 A backdated adjustment was processed of housing benefit payments to housing rent accounts, resulting in an £654k rental pressure to the Council. This catchup adjustment has been the result of a yearend reconciliation between data held within the Council's main finance system and the Council's separate housing rent account software and brings both systems up to date and in line with each other.
- 4.16 Dependency on high cost agency/consultancy support to fill vacant senior finance roles. Three key roles are currently under recruitment with a view to mitigating the risk of further overspending in 2025/26.
- 4.17 There was a pressure of £390k in property management relating to delayed disposals of two former operational properties which were subject to rationalisation in prior financial years. One of these properties has now been disposed off, with the second property currently being marketed.
- 4.18 A loss of £477k of income due to the sale of a commercial property whose income had been included in the 2024/25 budget. The income loss demonstrates the significant revenue benefit that some of our investment buildings generate to support the delivery of our services. The Property and Investment board are currently reviewing assets to determine which ones should be offered for sale and which should be retained for the valuable yield they contribute to the Council's revenue budget.

5 Transformation

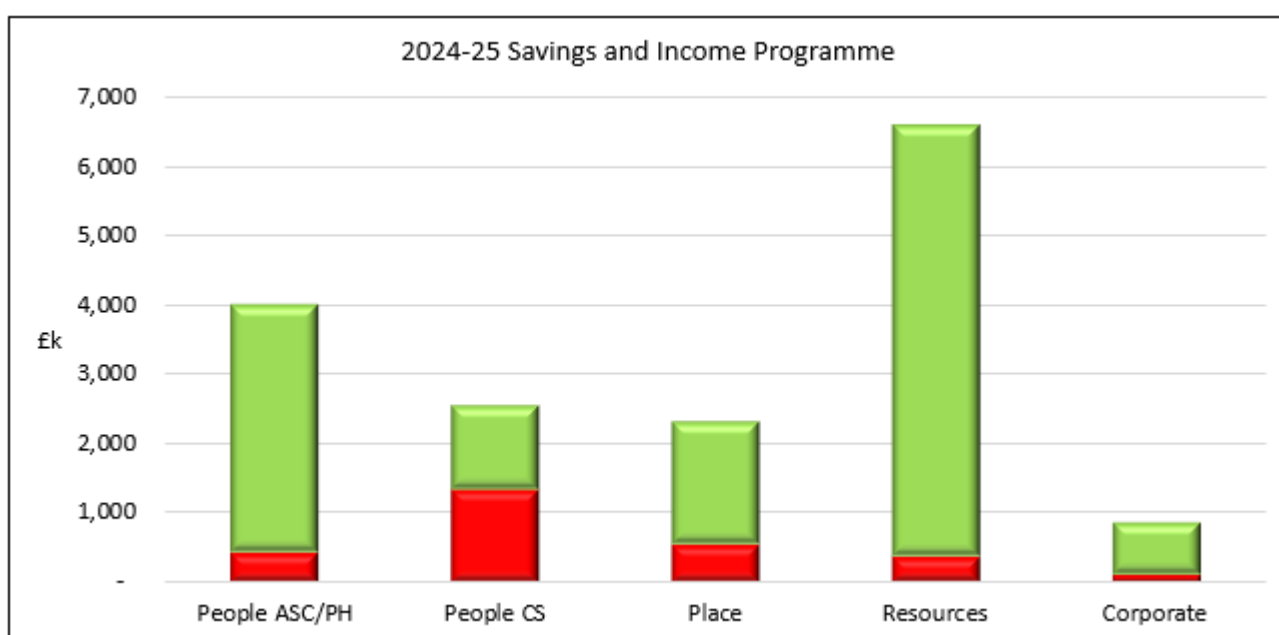
- 5.1 The **Transformation** cost centre which funds the transformation team is overspent by £349k and is funded through the application of capital receipts in accordance with the Council's flexible use of capital receipts policy.

6 Budgeted savings

- 6.1 Budgeted savings were largely achieved in the year with £13.5m out of a possible £16.4m (83%) ragged green as achieved. The breakdown of the value of the savings by Directorate can be seen below:

2024-25	Red	Amber	Yellow	Green	Total
	£k	£k	£k	£k	£k
People ASC/PH	441	-	-	3,562	4,002
People CS	1,348	-	-	1,222	2,569
Place	552	-	-	1,786	2,339
Resources	377	-	-	6,218	6,595
Corporate	125	-	-	750	875
Total	2,842	0	0	13,538	16,381
%	17%	0%	0%	83%	100%

6.2 The Resources Directorate and ASC / Public Health had the highest savings targets, and the proportion of savings delivered vs undelivered is shown below:



6.3 The highest value of undelivered savings relate to Children's Social Care (£1.35m) and were either unachieved due to the lack of a commissioning team – a situation which will be remedied by the receipt of transformation funding in 2025/26, the achievement of savings but insufficient to reverse the significant overspends incurred in some areas, or, in the case of the Foster Carer recruitment initiative, is still in its infancy but there is hope that this starts to deliver savings soon.

7 Conclusion

7.1 The financial situation of the Council remains extremely difficult. EFS funding has been secured to mitigate the impact of the 2024/25 outturn on the Council's General Fund and our previous forecasts have proved sufficiently accurate for the requested amount to be correct – however, this is a short-term fix, not a long-term solution. EFS funding must be repaid with interest, and savings must be found to close the projected gap in the budget and end our reliance on this additional borrowing.

- 7.2 Transformation funding will be an essential part of this, but it must meet the qualifying criteria and deliver ongoing savings to help close that budget gap.
- 7.3 Boards such as the Financial Review Panel, the Capital and Asset Group, the Property Investment Board and the Finance and Governance Group, all play an important role to review and assess proposals to ensure they are compliant and appropriate, affordable and deliver savings, or at the very least, good value for money.
- 7.4 The budget for 2025/26 will not have the capacity to absorb additional investment over and above pay inflation, contract inflation and modelled growth. The 2025/26 budget will be constrained; additional growth will be possible if Directorates are able to self-fund the cost of it from savings proposals over and above their savings targets. In order to protect the delivery of the service and the Council's workforce, no savings will be permitted to be offset between operational service delivery and establishment costs. The Finance and Governance Group will review and challenge these proposals.
- 7.5 All non ring-fenced grants without conditions will be held centrally and services will bring forward proposals for spend against them which will be considered by the Finance and Governance Group. All spend must still be compliant with the restrictions of the grant it relates to.
- 7.6 The Capital and Asset Group will consider the business cases and financial viability of all new capital proposals. Any capital project not yet started or undergoing a material change in scope or cost must also submit an up to date business case for consideration.
- 7.7 The Senior Leadership Team will consider all applications for Transformation funding prior to a final approval process by Corporate Programme Board, based on business cases demonstrating achievable long-term savings generated by the proposal.
- 7.8 The Property and Investment Board have the task of reviewing each asset to determine which investment properties should be sold and which retained. A balance must be struck between the lure of a one-off capital receipt which could potentially fund some additional transformation spend in the short term or reduce the impact of EFS borrowing – vs the long-term revenue streams we might be sacrificing which, under current PWLB restrictions, cannot be replaced. All rental income sacrificed will need to be replaced with income generation or savings proposals to offset the lost revenue stream.
- 7.9 All of these processes will require the whole organisation to be mindful of the financial situation and factor that into every decision made, to go further to find additional savings and to strive to mitigate risk and additional costs whenever and wherever they are identified.
- 7.10 The ongoing revenue budget shortfall which has depleted the Council's reserves over a number of financial years to the point the Council has been required to seek financial support from central government. The 2024/25 revenue outturn fully deploys the Council's existing General Fund and consumes a proportion of the provisionally agreed EFS. The balance of the EFS is required to bring the Council's General Fund to the level recommended by the S151 officer as part of the 2025/26 budget setting process. The position of the Council's General Fund effectively removes the safety net and erodes financial resilience. The only way to rebuild this is to continue to find and deliver savings and additional income from across the entire organisation.

Proposals

None.

8 Other options considered

None

9 Appendices

None

Background Papers:

Quarter One, Two and Three Revenue Reports

Subject to Call-In:

Yes: ☐ No: ☒

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 ☒

Officer details:

Name: Shannon Coleman-Slaughter
Job Title: Service Director – Finance, Property & Procurement, s151 Officer.
Tel No: 01635 503225
E-mail: Shannon.ColemanSlaughter@westberks.gov.uk
