DECISION-MAKER:		CABINET		
SUBJECT:		FINANCIAL POSITION UPDATE		
DATE OF DECISION:		26 NOVEMBER 2024		
REPORT OF:		COUNCILLOR LETTS DEPUTY LEADER AND CABINET MEMBER FOR FINANCE AND CORPORATE SERVICES		
CONTACT DETAILS				
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STATEMENT OF CONFIDENTIALITY
Not Applicable
BRIEF SUMMARY
This report provides a summary of the financial position of the council for 2024/25 as at the end of October 2024 (month 7). Further details for the month 6 (September 2024) position and on the Autumn Budget 2024 have also been included for information. The position as at the end of October 2024 is a £14.25M favourable variance, with the detail set out in Appendix 1. This is a further positive movement of £1.07M compared to the position at month 6 (£13.18M underspend forecast).

RECOMMENDATIONS:

	Cabinet is recommended to:	
	i)	Agree the £1.85M adjustments to be made to directorate budgets to reflect sustained favourable variances reported at month 7 of 2024/25 due to transformation measures, to be transferred to centrally held contingency to reduce the reliance on Exceptional Financial Support (EFS), as set out in paragraph 6.
REASONS FOR REPORT RECOMMENDATIONS		
1.	To ensure that Cabinet fulfils its responsibilities for the overall financial management of the council's resources.	
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED		
2.	Not applicable.	
DETAIL (including consultation carried out)		

	Latest Financial Position
3.	The forecast financial position of the council as at the end of October 2024 (month 7) is set out at Appendix 1. Table 1 summarises the General Revenue Fund Forecast. The adverse movement from month 6 for directorates is after £1.22M sustainable savings have been taken centrally in month 7.
4.	**Table 1 – General Revenue Fund Forecast 2024/25**

	Working Budget Month 7 £M	Forecast Outturn Month 7 £M	Forecast Variance Month 7 £M	Movement Month 6 to Month 7 £M
Children & Learning	60.81	59.22	(1.59) F	0.63 A
Community Wellbeing	94.49	92.58	(1.91) F	(0.31) F
Enabling Services	26.31	25.87	(0.44) F	0.10 A
Growth & Prosperity	37.71	36.30	(1.41) F	0.10 A
Resident Services	25.98	25.77	(0.21) F	(0.19) F
Strategy & Performance	4.94	4.59	(0.36) F	(0.20) F
Total Directorates	**250.25**	**244.34**	**(5.91) F**	**0.14 A**
Centrally Held Budgets	28.35	20.06	(8.29) F	(1.22) F
Net Council Expenditure before EFS	**278.60**	**264.39**	**(14.20) F**	**(1.07) F**
Centrally Held Funding	(239.32)	(239.37)	(0.05) F	0.00
Net Over/(Underspend) before EFS	**39.28**	**25.02**	**(14.25) F**	**(1.07) F**
Exceptional Financial Support (EFS)	(39.28)	(25.02)		
Net Over/(Underspend)	**0.00**	**0.00**		

Numbers are rounded. 'F' indicates as favourable variance, 'A' is an adverse variance

5.	Sustained favourable variances are being achieved by directorates through demand management transformation activity and other measures. In accordance with the Business Planning & Budgeting Framework, agreement is sought to transfer these budgets to centrally held contingency. Table 2 summarises the proposed budget adjustments.

6.	**Table 2 – Proposed Budget Adjustments**

	Budget Adjustment £M
Community Wellbeing	
Care packages costs (transformation), including lower demand	(0.35)
Growth & Prosperity	
School Travel Service	(0.73)
Highways costs capitalisation	(0.45)
Traffic management income	(0.33)
Total Directorates	**(1.85)**
Centrally Held Contingency	
Budget transferred for sustained favourable variances	1.85
Net Adjustment	**0.00**

Numbers are rounded

7. Where overspends are forecast, service areas are required to develop Deficit Recovery Plans to bring budgets back into projected balance. All Deficit Recovery Plans from previous months have been implemented and there are no new plans required this month.

Financial Monitoring as at the end of September 2024

8. The forecast position on the General Revenue Fund as at the end of September 2024 was a net favourable variance (before exceptional financial support) of £13.18M, as reported to Cabinet on 29 October 2024. Further details are provided in the paragraphs below, appendices 2 and 3 and the following Members' Room documents:

- General Revenue Fund Forecast
- Details of savings delivery
- Key Financial Risks Register
- Performance Indicators
- Collection Fund Forecast

Treasury Management

9. Treasury Management borrowing and investment balances as at the end of September 2024 and forecasts for the year-end are set out in Appendix 2. After taking into account maturing and new debt requirements in year and a forecast reduction in investment balances, net borrowing is expected to increase by £150.44M to £480.62M as at 31 March 2025. This forecast remains subject to change, most notably regarding the increased use of balances and changes to the capital programme.

10. As at the end of September 2024 the forecast cost of financing the council's loan debt was £21.83M of which £6.75M related to the HRA, however this will be subject to movement as the need for further borrowing for the remainder of the year becomes more certain.

11.	Treasury management investments are primarily made to manage day-to-day cash flows using short-term low risk instruments. The council's investment balances as at the end of September 2024 were £44.80M and are expected to be around £48M at year end.
12.	Appendix 2 includes an overview of current performance along with an update on the financial outlook.
	<u>Prudential Indicators</u>
13.	The council is required to have regard to the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much it can afford to borrow. The Prudential Code includes a series of indicators to demonstrate the objectives of the Code are being fulfilled which are required to be reported on a quarterly basis. The prudential indicators as at the end of September 2024 are detailed in Appendix 3. The council has operated within the limits set by the prudential indicators for the first six months of 2024/25.
14.	The prudential indicators include the ratio of financing costs to net revenue stream as a measure of the affordability of the capital programme. The upper limit for this ratio is currently set at 11% for the General Fund. The 2024/25 forecast for the General Fund is 8.98%.
	<u>Schools</u>
15.	As at the end of September 2024 there were 12 schools forecasting a deficit balance totalling £4.3M which compares to 14 schools with deficits totalling £4.9M at the end of the last financial year (2023/24). There are 30 schools forecasting a surplus balance of £7.2M which compares to surpluses totalling £7.8M at the end of the last financial year. The net position is therefore a £2.9M surplus.
16.	The Schools Finance team are working with schools and providing advice on areas where the schools need to make changes to return to surplus. The current 3-year deficit recovery timetable for schools in deficit to get back to a balanced budget may be extended if necessary, for schools that have experienced significant pressures.
17.	The government announced a change in policy for schools that had previously received more than two consecutive judgements of "requires improvement". This has reduced the risk that a school would be required to join an academy trust with any deficit on conversion being a charge to the council's General Fund.
	<u>Dedicated Schools Grant (DSG) 2024/25</u>
18.	The forecast outturn for the Dedicated Schools Grant (DSG) as at the end of September 2024 is a £5.9M cumulative deficit, an improvement of £1.2M from the £7.1M cumulative deficit as at 31 March 2024. The deficit has been driven primarily by the significant year on year increases in Education Health Care Plans (EHCPs) and with higher levels of needs in these plans. Whilst this reflects the national picture, the impact is reflected in our local financial resilience. The increase in High Needs funding has helped mitigate some of the pressure being experienced and further work is being undertaken as part of the DfE programme Delivering Better Value in SEND. The primary strategy for managing the increase in High Needs is threefold: 1. Reduce the number of children requiring an Education and Health Care Plan through targeted early intervention support, through enhanced training and support to schools and parents.

	2. Reduce the number of children requiring a place at a special school, by improving the consistency of offer and inclusive practice at mainstream schools and by developing SEND units and resourced provisions within mainstream schools. 3. Maintain a reduction in the reliance of placements in high cost out of city special independent school places, by enhancing the offer and facilities of local mainstream schools, and on the development of highly specialist units and resourced provisions. There has been a reduction in the number of placements in out of city special independent school places and the resultant reduced spend is reflected in the forecast reduction in the deficit.
19.	The Schools Budget is ring-fenced and presently the DSG deficit is subject to a statutory override which means that the deficit will not impact on the wider council services or council tax payers. The statutory override is in place until March 2026.
20.	What this means, however, is that whatever deficit remains, as of April 2026, will impact directly on the council and will need to be covered by General Fund resources. It is therefore important the council ensures robust plans are in place to address the deficit within the 3 year window allowed by Government. The council will need to engage with other authorities and Government to control this deficit. This is likely to be a difficult challenge, which faces many councils nationally.
	Autumn Budget 2024
21.	On 30 October the Chancellor Rachel Reeves delivered the new Government's first Budget – "Fixing the foundations to deliver change".
22.	The main headlines from a local government perspective are: • £1.3Bn additional grant funding for local government in 2025/26, of which at least £600M million is for social care. Taken together with local income from council tax and locally-retained business rates this is expected to provide a 3.2% real-terms increase in Core Spending Power. • The Government announced its intention to reform the funding formula for local government and implement multi-year settlements from 2026/27. • The small business rate multiplier is being frozen for 2025/26 and the standard business rate multiplier increased by inflation. 40% relief for the retail, hospitality and leisure sector for 2025/26 was announced, with new permanently lower tax rates to be introduced for the sector from 2026/27 for properties with rateable values below £500k, to be funded by a higher tax rate for properties over £500k. Local authorities will be compensated for the loss of business rates income from the tax policy changes. • The employer's national insurance contribution rate will increase by 1.2% in 2025/26 and the secondary threshold reduce from £9,100 to £5,000. Local authorities will receive funding for the direct staffing costs of these changes, which will be in addition to the £1.3Bn. • A 6.7% increase in the National Living Wage to £12.21 and an increase in the Minimum Wage for 18 to 20 year-olds from £8.60 to £10.00 (16.3%). • Local authorities in England are expected to receive around £1.1Bn of new funding in 2025/26 through the implementation of the Extended Producer Responsibility scheme to improve recycling outcomes from January 2025.

	• Core schools budget will be increased by £2.3Bn. There is also a £1Bn uplift in Special Educational Needs & Disabilities (SEND) funding (6% real-terms increase from 2024/25) and £300M for further education. £30M is being provided for the rollout of free breakfast clubs in thousands of primary schools. Education capital funding is to increase by 19% to £6.7Bn for 2025/26, including a £1.4Bn school rebuilding fund. • £69M to continue delivery of a network of Family Hubs. • £165M is allocated to a range of Public Sector Reform and Innovation projects in 2025/26 "including to support foster carer recruitment and planning reform". • A new tax on vaping liquid is to be introduced from October 2026 and above inflationary increases in tobacco taxes. • £233M additional funding for 2025/26 to prevent homelessness and rough sleeping and to prevent rises in the number of families in temporary accommodation. • Additional £500M for the Affordable Homes Programme, increasing the annual budget to £3.1Bn and over £5Bn confirmed for housing investment in 2025/26. • Reduction in right to buy discount and 2-year extension of 100% right to buy receipts retention. • Consultation on a 5-year commitment for a social housing rent settlement of Consumer Price Index (CPI) +1%. • £1Bn of funding to remove dangerous cladding, including in social housing. • £86M increase in Disabled Facilities Grant. • £1Bn to extend the Household Support Fund (HSF) in England and Discretionary Housing Payments (DHPs) in England and Wales in 2025/26. • £500M of new funding for local roads maintenance. • £650M announced for local transport funding outside of mayoral combined authorities. • Bus fare cap to continue, however cap increased from £2 to £3. • £200M to be allocated to local authorities for on-street electric vehicle charging points and £100M under the Active Travel Fund. • Extension of the UK Shared Prosperity Fund (UKSPF) for a further year, at a reduced level of £900M. • An English Devolution White Paper is expected later this year. • Funding to be withdrawn for Local Enterprise Partnerships and Pan-Regional Partnerships.
23.	The impact of the Autumn Budget 2024 on the council's Medium Term Financial Strategy is currently being assessed. Confirmation on individual local authority funding allocations will be announced in the provisional Local Government Finance Settlement, expected in mid-December 2024.
RESOURCE IMPLICATIONS	
Capital/Revenue	
24.	The revenue implications are contained in the report.
Property/Other	
25.	None.

LEGAL IMPLICATIONS	
Statutory power to undertake proposals in the report:	
26.	Financial reporting is consistent with the Section 151 Officer’s duty to ensure good financial administration within the council.
Other Legal Implications:	
27.	None.
RISK MANAGEMENT IMPLICATIONS	
28.	Risk management implications are contained in the report.
POLICY FRAMEWORK IMPLICATIONS	
29.	None.

KEY DECISION? No

WARDS/COMMUNITIES AFFECTED:	All

SUPPORTING DOCUMENTATION

Appendices

1.	Financial position update report month 7 2024/25
2.	Treasury Management as at end of September 2024
3.	Prudential Indicators as at end of September 2024

Documents In Members’ Rooms

1.	General Revenue Fund Forecast as at end of September 2024
2.	Details of savings delivery as at end of September 2024
3.	Key Financial Risks Register as at end of September 2024
4.	Performance Indicators as at end of September 2024
5.	Collection Fund Forecast as at end of September 2024
Equality Impact Assessment	
Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out?	No
Privacy Impact Assessment	
Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out?	No
Other Background Documents **Equality Impact Assessment and Other Background documents available for inspection at:**	

Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)

1.	The 2024/25 Budget and Medium Term Financial Strategy (Council 6 March 2024)	
2.		