DECISION-MAKER:		CABINET COUNCIL		
SUBJECT:		FINANCIAL POSITION UPDATE		
DATE OF DECISION:		27 AUGUST 2024 (CABINET) 18 SEPTEMBER 2024 (COUNCIL)		
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 July 2024 (month 4). The month 3 (June 2024) position has also been included for completeness. The position as at the end of July 2024 is a £7.43M favourable variance, with the detail set out in Appendix 1. This is a further positive movement of £2.01M compared to the position at Month 3 (£5.42M underspend forecast).

RECOMMENDATIONS:

	Cabinet is recommended to:	
	i)	Agree the £6.13M adjustments to be made to directorate budgets to reflect sustained favourable variances reported in the first four months of 2024/25 due to transformation and other measures, to be transferred to centrally held contingency to reduce the reliance on Exceptional Financial Support (EFS), as set out in paragraph 6.
	ii)	Within the £6.13M, recommend Council approve the budget adjustment for the sustained favourable variance of £3.75M for Community Wellbeing to be transferred to centrally held contingency, as this element requires Council approval.
	iii)	Agree the progress being made to deliver on the Deficit Recovery Plans that

		have been developed to mitigate forecast overspends in a number of specified budget areas, as set out in paragraph 7.
	iv)	Recommend Council approve the virement of £20M income and expenditure within the Schools Budget to recognise increased funding, as set out in paragraph 22.
	Council is recommended to	
	i)	Approve the budget adjustment for the sustained favourable variance of £3.75M for Community Wellbeing to be transferred to centrally held contingency.
	ii)	Delegate authority to the Cabinet to consider and approve the transfer to centrally held contingency of any further sustained favourable directorate variances regardless of value, identified in subsequent financial position updates.
	iii)	Approve the virement of £20M income and expenditure within the Schools Budget to recognise increased funding, as set out in paragraph 22.
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 July 2024 (month 4) is set out at Appendix 1. Table 1 summarises the General Revenue Fund Forecast.	

4.	**Table 1 – General Revenue Fund Forecast 2024/25**

	Working Budget Month 4 £M	Forecast Outturn Month 4 £M	Forecast Variance Month 4 £M	Movement Month 3 to Month 4 £M
Children & Learning	62.15	60.64	(1.51) F	(0.48) F
Community Wellbeing	99.08	95.01	(4.07) F	(0.04) F
Enabling Services	26.13	25.84	(0.29) F	(0.21) F
Growth & Prosperity	38.75	37.68	(1.07) F	(0.28) F
Resident Services	27.01	27.63	0.63 A	(0.06) F
Strategy & Performance	4.94	4.82	(0.12) F	0.00
Total Directorates	**258.06**	**251.62**	**(6.43) F**	**(1.07) F**
Centrally Held Budgets	20.54	19.60	(0.94) F	(0.94) F
Net Council Expenditure before EFS	**278.60**	**271.22**	**(7.37) F**	**(2.01) F**
Centrally Held Funding	(239.32)	(239.37)	(0.05) F	0.00
Net Over/(Underspend) before EFS	**39.28**	**31.85**	**(7.43) F**	**(2.01) F**
Exceptional Financial Support (EFS)	(39.28)	(31.85)		
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
Children & Learning	
Residential and Independent Foster Carer placements	(1.06)
Community Wellbeing	
Care packages and costs	(3.75)
Growth & Prosperity	
School Travel Service	(0.75)
Concessionary Fares	(0.30)
Resident Services	
Service Centre	(0.27)
Total Directorates	**(6.13)**
Centrally Held Contingency	6.13
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.

Earlier in the year Culture & Tourism were reporting a £0.29M adverse variance. The service developed and implemented a Deficit Recovery Plan to mitigate pressures through reductions in spend, increase income, finding alternative funding solutions and utilising vacancies in the wider directorate. As at month 4, the Deficit Recovery Plan has been successful in mitigating this overspend.

For Bereavement Services, pressures in the service have been partially mitigated by increased forecast income from burials in Cemetries and the adverse variance has reduced from £0.52M to £0.45M. Further mitigations are under consideration, including reductions in spend and options to increase income in year.

Deficit recovery plans are also in place or being developed in the following areas:

- City Services – District Operating Teams (£0.40M) – mitigations under consideration include holding vacancies, potential service reductions and reviewing how services are funded. Deficit Recovery Plans are in development.
- Landscaping Services (0.21M) - mitigations under consideration include reviewing the operations of the service for potential reductions in expenditure and increases in income. Deficit Recovery Plans are in development.
- City Services – Waste Operations (£0.25M) and Commercial Services (£0.04M) – these are new areas of overspending as at month 4 for which Deficit Recovery Plans are now required.
- Children's Social Care (£0.61M at risk savings) – Deficit Recovery Plans have been developed for the areas these relate to and will be implemented by Month 5, including virement of funds from elsewhere in the Directorate and realisation of savings and spend reductions.

	Financial Monitoring as at the end of June 2024
8.	The forecast position on the General Revenue Fund as at the end of June 2024 was a net underspend (before exceptional financial support) of £5.42M. Appendix 2 provides a summary of the financial position as at month 3 and further details are provided in the paragraphs below, appendices 3 and 4 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 June 2024 and forecasts for the year-end are set out in Appendix 3. 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 £121.34M to £451.52M 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 June 2024 the forecast cost of financing the council's loan debt was £22.61M of which £5.95M 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.	Interest rates have risen substantially since 2021 although they have largely plateaued over the last year. Over the last quarter gilt yields have risen slightly overall, having had several peaks and troughs. The Bank Rate remained at 5.25% through the quarter with short term interest rates largely being around this level.
12.	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 June 2024 were £55.23M and are expected to reduce to £48M by year end.
13.	Appendix 3 includes an overview of current performance along with an update on the financial outlook.
	Prudential Indicators
14.	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 June 2024 are detailed in Appendix 4. The council has operated within the limits set by the prudential indicators for the first three months of 2024/25.
15.	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 set at 15%, which has been increased for the General Fund in the short term to account for a potential increase to fund the Exceptional Financial Support. The 2024/25 forecast for the General Fund is 12.48%.

	Schools
16.	As at the end of June 2024 there were 13 schools forecasting a deficit balance totalling £4.3M which compares to deficits totalling £4.9M at the end of the last financial year (2023/24). There are 29 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.
17.	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 to 5 years if necessary, for schools that have experienced significant COVID-19 pressures.
18.	When a school is required to become an academy by the Department for Education, normally following an inadequate Ofsted inspection grade, then the deficit on conversion becomes a charge to the council's General Fund. There are currently two schools with an Ofsted grade "Requires Improvement", with a combined deficit totalling £0.7M.
	Dedicated Schools Grant (DSG) 2024/25
19.	The forecast outturn for the Dedicated Schools Grant (DSG) as at the end of June 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.
20.	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.
21.	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.
22.	The Schools Budget does not currently reflect the revised funding and associated expenditure plans for 2024/25, especially in relation to Early Years changes. To update the position, budget adjustments increasing expenditure and income (funding) by £20M are required. The increased funding is largely in the Early Years Block to expand subsidised provision for 2-year-old children and for children under 2 years old. Given the quantum of the budget changes Council are requested to approve the budget changes.
RESOURCE IMPLICATIONS	
Capital/Revenue	
23.	The revenue implications are contained in the report.
Property/Other	
24.	None.
LEGAL IMPLICATIONS	
Statutory power to undertake proposals in the report:	
25.	Financial reporting is consistent with the Section 151 Officer's duty to ensure good financial administration within the council.
Other Legal Implications:	
26.	None.
RISK MANAGEMENT IMPLICATIONS	
27.	Risk management implications are contained in the report.
POLICY FRAMEWORK IMPLICATIONS	
28.	None.

KEY DECISION? No

WARDS/COMMUNITIES AFFECTED:	All

SUPPORTING DOCUMENTATION

Appendices

1.	Financial position update report month 4 2024/25
2.	Financial position update report month 3 2024/25
3.	Treasury Management as at end of June 2024
4.	Prudential Indicators as at end of June 2024

Documents In Members' Rooms

1.	General Revenue Fund Forecast as at end of June 2024

<table>
<tr><td>2.</td><td colspan="2">Details of savings delivery as at end of June 2024</td></tr>
<tr><td>3.</td><td colspan="2">Key Financial Risks Register as at end of June 2024</td></tr>
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<tr><td>5.</td><td colspan="2">Collection Fund Forecast as at end of June 2024</td></tr>
<tr><td colspan="3">Equality Impact Assessment</td></tr>
<tr><td colspan="2">Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out?</td><td>No</td></tr>
<tr><td colspan="3">Privacy Impact Assessment</td></tr>
<tr><td colspan="2">Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out?</td><td>No</td></tr>
<tr><td colspan="3">Other Background Documents
Equality Impact Assessment and Other Background documents available for inspection at:</td></tr>
<tr><td colspan="2">Title of Background Paper(s)</td><td>Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)</td></tr>
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1.	The 2024/25 Budget and Medium Term Financial Strategy (Council 6 March 2024)	
2.		