

Report subject	<b>Council Budget Monitoring 2024/25 at Quarter Two</b>
Meeting date	10 December 2024
Status	Public Report
Executive summary	<p>This report provides the quarter two 2024/25 projected financial outturn information for the general fund and housing revenue account (HRA).</p> <p>The February 2024 approved general fund budget for 2024/25 was balanced on the assumption of £38m in savings, efficiencies, and additional resources.</p> <p>Consistent with the position being reported by other upper tier authorities, the relentless demand for services and ever-increasing costs is a continual financial challenge. The 2024/25 quarter two budget monitoring position for BCP Council is a net forecast overspend for the year of £3m. In line with the previous year, this is after the release of the corporate contingencies in support the overall position.</p> <p>Officers are committed to working tirelessly to bring the forecast back into balance. The intention is that Portfolio Holder, Directors, and Budget Holders will be able to demonstrate the impact of this effort as part of the quarter three budget monitoring report. This work will include the implementation of mitigation strategies and a tightening of controls on expenditure. It is critical they do so to maintain the council's financial health as the medium-term financial plan makes no allowance for the current forecast overspend.</p>
Recommendations	<p><b>It is RECOMMENDED that Cabinet:</b></p> <p><b>A. Note the budget monitoring position for quarter two 2024/25.</b></p> <p><b>B. Request Corporate Directors to implement mitigation strategies to reduce their budget pressures alongside tightening their implementation of the expenditure controls in place.</b></p>
Reason for recommendations	To comply with accounting codes of practice and best practice which requires councils to regularly monitor the annual budget position and take any action to support the sustainability of the council's financial position.

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Wards	Council-wide
Classification	For Decision

## Background

1. In February 2024 Council agreed the 2024/25 annual general fund net revenue budget of £359m, and a capital programme of £148m. The revenue budget included delivery of £38m of itemised service and transformation savings. Budgets were also agreed for the ring-fenced housing revenue account (HRA) and Dedicated School Grant for school funding.
2. A budget pressure of £3.6m was reported at quarter one, after releasing £4.8m of the central contingency to offset undelivered savings. The contingency was specifically increased on a one-off basis in 2024/25 to recognise the optimum bias in the highest level of savings included in the budget in the five years since the council was formed.
3. Services were expected to put mitigation measures in place to deliver a balanced budget by the year end. The spending control mechanism remains in place across all areas with only essential spending permitted and this is likely to remain in force throughout the year.

## Revenue Outturn Projection 2024/25 at Quarter Two

4. Overall, net pressures have grown further since quarter one but the central contingency of £7.9m has been fully released to provide further offset with the projected outturn reduced to an overspend of £3m.
5. New pressures have emerged in quarter two for adult social care, largely due to increased demand within services purchased jointly with the NHS. Other significant pressures across services are largely on-going from quarter one.
6. A summary of the year end projection is included in the table below. The table summarises the total variances by directorate and includes the impact of the savings not expected to be delivered by the year end. The detail of savings is considered further in the next section of the report.

**Table 1: Summary projected outturn as at quarter two**

Quarter 1		Quarter 2 Budget Position				
Total Variances £000's	Budget Area	Revised Budget £000's	Projected Outturn £000's	Total Variance £000's	Undelivered Savings in variance £000's	Underlying Variances £000's
(54)*	Wellbeing	124,194	125,579	1,385	(2,310)	(925)
3,320	Children	90,962	94,167	3,205	(2,233)	972
3,321	Operations	57,767	60,805	3,038	0	3,038
698*	Resources	40,469	41,331	862	(109)	753
(3,667)	Central	45,567	40,041	(5,526)	4,652	(874)
<b>3,618</b>	<b>Total</b>	<b>358,959</b>	<b>361,923</b>	<b>2,964</b>	<b>0</b>	<b>2,964</b>

\*As adjusted for services moving between directorates

7. Children's pressures have reduced slightly overall as the forecast for care packages has been reassessed but the unavoidable use of agency staff in both social care and education services is continuing. The operations overspend is largely due to unbudgeted car park expenditure. The budget surplus for central budgets is due to the release of the contingency to offset undelivered savings across services and to support the overall council position.
8. Appendix A1 provides the detail and reasons for projected budget variances in each service area and these include any undelivered savings.
9. Appendix A2 provides a summary revenue outturn statement.

### Savings Monitoring 2024/25

10. Progress monitoring at quarter two shows that 88% of the £38m budgeted savings are on track to be delivered, a slight improvement since quarter one. A summary is presented in the table below with the detail in Appendix A3:

**Table 2: Summary of progress in savings delivery 2024/25.**

2024/25 Savings by Directorate	Council Approved Savings £000s	Quarter 2 Forecast £000s	Quarter 2 Forecast Shortfall £000's
Wellbeing Directorate	(10,330)	(9,633)	698
Children's Services Directorate	(2,953)	(2,453)	500
Operations Directorate	(10,060)	(10,060)	0
Resources Directorate	(1,085)	(1,012)	73
<b>Total general service based savings</b>	<b>(24,428)</b>	<b>(23,158)</b>	<b>1,270</b>
Wellbeing Directorate	(3,847)	(2,165)	1,612
Children's Services Directorate	(4,162)	(2,429)	1,733
Operations Directorate	(3,829)	(3,829)	0
Resources Directorate	(1,192)	(1,226)	36
Across services	(503)	(503)	0
<b>Total transformation/efficiency savings</b>	<b>(13,533)</b>	<b>(10,152)</b>	<b>3,381</b>
<b>Total service based savings</b>	<b>(37,961)</b>	<b>(33,310)</b>	<b>4,651</b>

11. In Wellbeing the main savings not yet delivered include for demand management, where it is too early in the year to confirm, and from delayed commissioning activity to reduce the cost of services as it has taken longer than expected to recruit staff.
12. In Children's services, the financial impact from the delay in mobilisation of the new staff structures cannot now be recovered. Other savings not delivered include greater contributions from the NHS towards care costs and the rising costs of care overall.
13. Across Operations all savings are generally considered to be on track and within Resources, only a small amount is considered undeliverable.

### **Reserves Monitoring for 31 March 2025**

14. Table 3 below summarises the projected movement in reserves during the current financial year.

**Table 3: Summary of projected movements in reserves**

	Balance 1 April 2024	Balance 31 March 2025	Movement
	£m	£m	£m
Un-earmarked reserves	26.1	26.1	0
Earmarked reserves*	39.0	35.9	(3.1)
<b>Total reserves</b>	<b>65.1</b>	<b>62.0</b>	<b>(3.1)</b>

These reserves do not include revenue reserves earmarked for capital, school balances or the negative DSG reserve.

15. The above table assumes that the mitigations to address the current £3.0m projected overspend will be successful. This will need to be reviewed as part of future budget monitoring reports.
16. Earmarked reserves are those that have been set aside for specific purposes The main movements in earmarked reserves include drawing down government grants in line with the latest profile of their application.
17. Appendix B provides a summary of earmarked reserves projected for 31 March 2025.

### **Dedicated Schools Grant (DSG)**

18. The DSG in 2024/25 totals £363m and is provided to fund early years providers, schools, a small range of central services and provision for pupils with high needs. High needs funding within this total is £61m.
19. Consistent with many councils nationally, in recent years the DSG budget has not been balanced with growing demand and rising placement costs outstripping funding growth for pupils with high needs. The high needs funding gap for 2024/25 was budgeted at £28m. This is net of a funding transfer of £1.3m from schools as agreed by the Department for Education in late February 2024.

20. The accumulated deficit reflecting the 2024/25 funding shortfall was projected to increase from £63.5m at 1 April 2024 to £91.5m by March 2025.
21. At quarter two an anticipated overspend of £16.5m (total high needs funding gap of £44.5m) is projected with an accumulated deficit at March 2025 of £108m as reported to Cabinet in October.

**Table 4: Summary position for dedicated schools grant**

Dedicated Schools Grant	£m
<b>Accumulated deficit 1 April 2024</b>	<b>63.5</b>
Budgeted high needs funding shortfall 2024/25	28.0
High needs overspend 2024/25	16.5
<b>Projected accumulated deficit 31 March 2025</b>	<b>108.0</b>

22. The number of education, health, and care plans (EHCPs) and average placement costs continued to rise further over budget during the second quarter following the unexpected rise in new assessments requests that occurred in July. Actions to change the trajectory of the deficit are still in the early stages of implementation.
23. Conversations are on-going with government in seeking a solution to mitigate the impact of the high level of unfunded expenditure with the progress considered in a separate report on the meeting agenda.

### **Capital Programme**

24. The original £148 million capital budget has been updated to £181m at quarter two to take account of expenditure slippage from 2023/24, reprofiling some expenditure into 2025/26, adding new schemes, and removing schemes no longer viable or being reconsidered. The majority of schemes in the current programme are within the Operations directorate, accounting for £151m (83%) of the programme.
25. In 2024/25, the total programme includes funding for education provision not yet allocated to schemes. Previously, only approved schemes were included in the programme for monitoring progress and in February 2024 the children's capital programme for the current years was shown at only £0.8m. This approach did not highlight the significant unallocated historic funding from the Department for Education (DfE) at April 2024. Schemes have been brought forward in 2024/25 with the current programme including £12.3m of approved schemes with work underway to develop projects for the £10.9m currently uncommitted.
26. Appendix C provides a monitoring report for the capital programme at quarter two. This shows 31% of the current year programme has been delivered.

### **Housing Revenue Account (HRA)**

27. The HRA is a separate account within the council that ring-fences the income and expenditure associated with the council's housing stock. The HRA does not therefore directly impact on the council's wider general fund budget.
28. The 2024/25 HRA budget was approved by Council in February 2024. It budgeted for total income of £55.6m for the year and a net surplus of £5.9m.

29. As reported last time, a £0.2m favourable income variances from rents is projected due to lower levels of rental voids and right-to-buy sales than expected. Other favourable variances are from supervision and management expenditure due to unused contingency of £0.3m, and from interest earned of £0.8m (up from £0.45m at quarter one) with rate movements ahead of budget with borrowing costs fixed.
30. Pressures are in property repairs and maintenance of £0.3m. The response repairs in the Poole neighbourhood were brought in-house and a new contractor was appointed to undertake repairs of void properties. This replaced the previous separate arrangements for each neighbourhood and will deliver a consistent standard.
31. The forecast depreciation charge of £14.8m is £2.4m adverse to budget and is unchanged from the previous estimate. This follows the harmonisation of approaches between the two neighbourhoods implemented at the end of last year. As a non-cash charge, it has no overall impact on the financial position of the HRA.
32. The net impact of the above variances is that the £5.9m budgeted surplus is projected to reduce to £4.5m (£4.4m reported at quarter one) which is £1.4m less than budgeted.
33. The HRA February 2024 budget paper set out a capital programme of £44.7m for 2024/25. This includes £25.2m investment in new-build projects delivered as part of the council newbuild housing & acquisitions strategy (CNHAS) and £16.2m in planned maintenance. Expenditure for the year is forecast at £40.4m (£40.9m projected at quarter one) with further slippage on new build schemes overall and purchase of existing properties. The planned maintenance programme remains on track.
34. Appendix D provides a summary of HRA budget monitoring for both the revenue and capital account at quarter two.

## **Scenarios**

35. The projected outturn is prepared based on estimates and assumptions, with the mostly likely outcome included in budget monitoring reports.

## **Summary of financial implications**

36. This is a financial report with budget implications a key feature of the above paragraphs.
37. The growing DSG deficit is a significant risk to the financial position of the council with the accumulated DSG deficit greater than the total of the council's earmarked and unearmarked reserves at 31 March 2025. The forecast that the in-year funding gap is continuing to grow will inevitably bring forward the date when the council exhausts its cashflow position which is currently providing the resources to cover the excess High Needs budget related expenditure.

## **Summary of legal implications**

38. The recommendations in this report are to comply with the council's financial regulations with attention drawn to significant budget variances as part of good financial planning to ensure the council remains financially viable over the current

year and into the future. Additional legal advice may be required depending on the outcome of conversations with government as referenced at paragraph 23 of this report

### **Summary of human resources implications**

39. There are no direct human resources implications from the recommendations in this report.

### **Summary of sustainability impact**

40. There are no direct sustainability impacts from the recommendations in this report.

### **Summary of public health implications**

41. The council is seeking to maintain appropriate services for the vulnerable as well as improve the sustainability of services important for the wellbeing of all residents.

### **Summary of equality implications**

42. Budget holders are managing their budgets with due regard to equalities issues.

### **Summary of risk assessment**

43. The projected outturn is prepared based on estimates and assumptions, including that mitigation plans for current general fund budget pressures will be successful. Budget monitoring corporately will continue to be reported quarterly to manage these variances and other significant issues emerging throughout the year.
44. The most significant risk to the council's financial sustainability continues to be the current level and growth of the accumulated deficit for the DSG. The annual funding gap will continue to grow unless current trends can be reversed and there are no signs that current activity underway is being successful. Central government will need to take action to address the national problem but in the meantime the council needs take steps to minimise the financial problem as far as possible.

### **Background papers**

45. The link to the budget papers at February Council for 2024/25 is below:

[Welcome to BCP Council | BCP \(ced.local\)](#) items 76 (HRA) and 77 (General fund)

46. The link to the September Cabinet budget monitoring report for quarter one is below:

[Welcome to BCP Council | BCP](#) item 39

47. The link to the October Cabinet DSG high needs report is below:

[http://ced-pri-cms-02.ced.local/documents/s52985/Hlgh%20Needs%20Schools%20Grant%20Expenditure%20Forecast.pdf?\\$LO\\$=1](http://ced-pri-cms-02.ced.local/documents/s52985/Hlgh%20Needs%20Schools%20Grant%20Expenditure%20Forecast.pdf?$LO$=1)

## **Appendices**

- Appendix A    A1 Revenue Projected Budget Variances by Service Area 2024/25
  - A2 Revenue Outturn Summary 2024/25
  - A3 Revenue Savings Monitoring 2024/25
- Appendix B    Earmarked Reserves Projection for 31 March 2025
- Appendix C    Capital Programme Monitoring 2024/25
- Appendix D    HRA Projected Outturn 2024/25