

## Slough Borough Council

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| <b>REPORT TO:</b>       | <b>Corporate Improvement Scrutiny Committee</b>   |
| <b>DATE:</b>            | <b>17 December 2024</b>   |
| <b>SUBJECT:</b>         | <b>Budget Management Report Quarter 2</b>   |
| <b>CHIEF OFFICER:</b>   | <b>Annabel Scholes, Executive Director, Finance and Commercial</b>  |
| <b>CONTACT OFFICER:</b> | <b>Dave McNamara, Director Financial Management</b>   |
| <b>WARD(S):</b>         | <b>ALL</b>  |
| <b>PORTFOLIO:</b>       | <b>Councillor Smith – Leader of the Council<br/>Councillor Chahal – Lead Member Financial Oversight</b>               |
| <b>EXEMPT:</b>          | <b>NO</b>   |
| <b>APPENDICES:</b>      | <b>A: Cabinet response to recommendations (section 1,2)<br/>B: Savings &amp; Mitigations<br/>C: Capital Programme</b> |

### 1. SUMMARY and RECOMMENDATIONS

- 1.1. This report sets out the Council's current and forecast financial performance for the financial year 2024/25 as at the end of Quarter 2, 30 September. The report also contains relevant information relating to management controls and activity that support current financial resilience and longer-term financial sustainability.
- 1.2. The report was put before Cabinet on 18 November 2024 with the following recommendations, their responses to which are set out in Appendix A
  - i. **General Fund (Revenue)** – A balanced outturn on an approved budget of £160.202m. This includes the £11.4m of mitigations identified during Quarter 1 that is now being proactively managed within services. Further action has been identified to contain pressures that have arisen during Q2 including the curtailment of a number of projects. The 24/25 Pay award has been settled within the £2.6m set aside for this and the balance of £1.228m has been used to offset pressures.
  - ii. Virements in accordance with the council's constitution and includes mitigations agreed in Quarter 1 that require Cabinet approval. The values shown are the net impact on departments forecast allowing for offsetting

underspends. These are funded through the Recovery Actions agreed at Q1, other underspends and further actions proposed for the second half of 2024/25.

- iii. In addition to the virements in the table below, there are a further 2 virements required, as follows:
- iv. A £250k saving on Fees and Charges across all directorates is held in contingency, and should be distributed; and
- v. A £2.660m figure held in contingency in respect of the pay award needs distributing, noting this is offset by the saving on the pay award in the table below.

| <b>Cabinet Virements to approve (Revenue)</b>   | <b>£m</b>    | <b>Temporary or Permanent</b> |
|---|--------------|-------------------------------|
| <b>Operational Matters</b>  |              |                               |
| Supporting vulnerable young people through investment in EHCP processing, Educational Psychologist and Home to School Transport | 1.353        | Temporary (addressed in MTFS) |
| Supporting increasing number of vulnerable adults   | 3.603        | Temporary (addressed in MTFS) |
| Temporary Accommodation   | 4.401        | Temporary (addressed in MTFS) |
| Procured additional external resources to fund the balance sheet review and interims to deliver the backlog accounts            | 0.600        | Temporary                     |
| Other Recovery Actions from Q1  | -2.963       | Temporary                     |
| Reduction in Slough Children First contract costs   | -2.166       | Temporary                     |
| Reduction in Non-Departmental Cost and Balance Sheet contributions  | -3.735       | Temporary                     |
| Reduction in assumed use of 2024/25 Pay Award (including SCF)   | -1.228       | Permanent                     |
| Removal of historic saving in respect of the integration of support services  | 0.235        | Permanent                     |
| Deferral of purchase of Library Stock   | -0.100       | Temporary                     |
| <b>TOTAL</b>  | <b>0.000</b> |                               |

- vi. **General Fund (GF) (Capital)** – The revised capital budget is £35.428m with a projected outturn of £25.294m resulting in underspend of £10.134m. This compares to a £1.868m forecast underspend in Quarter 1.
- vii. Approve the following virement which require Cabinet approval in accordance with the council’s constitution.

| <b>Cabinet Virements to approve (Capital)</b>   | <b>£m</b> |
|---|-----------|
| Arbour Vale capital works – Release unused contingency from the car park budget and increase the classroom budget | 0.500     |

- viii. **Housing Revenue Account (HRA Revenue)** – An underspend of £3.478m is forecast, in line with budget. This compares to a £3.734m forecast underspend in Quarter 1.
- ix. **Housing Revenue Account (HRA Capital)** – The revised capital budget is £25.003m with a projected outturn of £19.641m resulting in an underspend of £5.362m. This compares to a £8.062m forecast underspend in Quarter 1.
- x. **Dedicated Schools Grant (DSG)** – There is an overspend of £0.254m in the Schools Block due to higher than anticipated costs for growth in 2024/25. Further details are set out in para. 8 of this report including the risks This compares to a forecast overspend of £0.155m in Quarter 1.
- xi. **Council Tax and Business Rates collection** – As at the 30 September, actual Council Tax collected was 54.26% (target 55.50%) and actual Business Rate collected was 57.41% (target 56.60%).
- xii. **Sundry Debt** – Total outstanding sundry debt including adult social care debt as at the 30 September 2024 was £9.743m. Based on the age profile of the debt, £5.914m is the calculated bad debt provision (61%).
- xiii. **Financial Resilience** – The Council is committed to improving financial resilience, moving towards financial sustainability and improvement in governance and process as laid out in the Directions issued by Government and a capitalisation direction for exceptional finance support in 2024/25.
- xiv. Once the Council has concluded the outstanding financial accounts, a formal financial resilience statement will be prepared.

**1.4** The Budget task Group has met on 3 occasions since September 1 2024 and has received information about budget pressure for 2024/25 and 2025/26.

**1.5** It has also received more detailed information about pressures in 2024/25 in relation to Adult Social Care (ASC) and a further 'deep dive' will have been undertaken on December 4 2024.in relation to Temporary Accommodation.

**1.6** The task group will feed its findings into the pre-meeting on 11 December to inform the committee's key lines of enquiry in relation to this report.

## **Recommendations**

**1.7** That CISC members:

- a. Note the budget management outturn for Q2 2023-24for
- b. Where appropriate, raise issues of concern and/or recommendations for the attention of Cabinet at its meeting in January.

## **Commissioner Review**

Commissioners note the 2024/25 forecast financial outturn as at Quarter 2, work to date in developing mitigations and risks exposure for 2025/26 should recurrent mitigations not be identified. The Council will need to continue to identify proposals, undertake due diligence and assess and refine the forecasts to ensure a balanced outturn is achieved.

## **2. Report**

2.1. The 2024/25 budget and Medium-Term Finance Strategy was approved by Full Council on 7<sup>th</sup> March 2024, based on an estimated financial deficit of £348.045m, analysed as follows:

| <b>Financial Year</b> | <b>£m</b>      |
|-----------------------|----------------|
| Up to 2023/24         | 298.645        |
| 2024/25               | 23.078         |
| Future Years          | 26.320         |
| <b>Total</b>          | <b>348.045</b> |

2.2. The budget was set in the context of a challenging external environment and known risks within the budget and prior year accounts still to be audited. The section 25 statement that accompanied the budget setting for 2024/25 provided a statement on the robustness of estimates and adequacy of reserves including the continued need for exceptional finance support. The current status of the Council's accounts to be audited are as follows:

| <b>Financial Year</b> | <b>Status</b>   |
|-----------------------|---|
| 2018/19               | Final Accounts in the process of being signed off by the auditors shortly   |
| 2019/20               | Draft Accounts published and the statutory public inspection period closed on 20 June 2024  |
| 2020/21               | Draft Accounts published and the statutory public inspection period closed on 8 August 2024   |
| 2021/22               | Provisional draft accounts published (Audit Committee 31 October 2024), draft accounts to be published for public inspection November |
| 2022/23               | Accounts to be completed and now scheduled to be ready for publication by December  |
| 2023/24               | Accounts to be completed by February 2025   |

- 2.3. The Council received a letter from MHCLG on the 28 October seeking an update position on the accounts for 2021/22 and 2022/23 recognising the requirement to comply with the 30-working day public inspection period prior to issue of the audit opinion. We have responded setting out that due to the specific issues experienced, with regard to these years, that the end of October deadline would not be met, but draft accounts are targeted to be published by early December. Having multiple financial years actively being worked on is an extremely challenging environment and adds considerable risk and uncertainty to financial planning and refreshing the Medium Term Financial Strategy (MTFS).

### **3. GENERAL FUND**

#### **3.1. Summary**

- 3.1.1.** The council's financial position continues to be really challenging having identified £11.423m, of mitigations in Quarter 1. Due diligence on the mitigations is being undertaken as part of an internal peer challenge review during October to conclude prior to the November Cabinet meeting.
- 3.1.2.** The council's approach remains to challenge all expenditure decisions through the established Recruitment Panel, Expenditure Control Panel and Directorate Panels. As part of approving expenditure, in advance of any contractual commitment, Directors and the Chief Finance Officer (S151) now approve all purchase orders as part of gaining assurance that the council's spend remains within budget for 2024/25.

- 3.1.3.** The council continues to see an increased demand on services and recruitment challenges (agency and interim offset in part by vacancies), whilst still actively managing delivery of savings and mitigating actions. The council remains in recovery and the recent announcement by government that it is minded to extend intervention by a further two years, recognises the need that over the medium to longer term the council needs to spend within its available resources.
- 3.1.4.** Table 1 summarises departmental and non-departmental financial performance year to date and projected outturn. The council is intending to move towards year-to-date commitment accounting and budget profiling as part of its improvement journey and therefore the year-to-date position is based upon the finance position as the month end has closed. To support the improvement journey, the council will reintroduce the no Purchase Order / no pay policy from 1 January 2025 and a dedicated email address to submit invoices to. This change will be a soft launch during Quarter 3 with all suppliers being notified of this change.
- 3.1.5.** Based on approval of the recommendations earlier in this report, the Council has a balanced position for 2024/25 albeit with risks still to manage.

Table 1: Forecast Outturn

| <b>Q1</b>               |                                   | <b>Full Year</b>       |                       |                         |                 |
|-------------------------|-----------------------------------|------------------------|-----------------------|-------------------------|-----------------|
| <b>Forecast Outturn</b> | <b>Service Budgets</b>            | <b>Original Budget</b> | <b>Current Budget</b> | <b>Forecast Outturn</b> | <b>Variance</b> |
| <b>£m</b>               |                                   | <b>£m</b>              | <b>£m</b>             | <b>£m</b>               | <b>£m</b>       |
| 39.882                  | Adults Services                   | 35.572                 | 38.389                | 41.992                  | 3.603           |
| 11.587                  | Children's Services               | 10.452                 | 10.515                | 11.869                  | 1.353           |
| 39.043                  | Slough Children First             | 39.043                 | 39.043                | 36.877                  | (2.166)         |
| 1.018                   | Public Health & Public Protection | 1.350                  | 1.431                 | 0.792                   | (0.639)         |
| 21.118                  | Regen, Housing & Environment      | 14.583                 | 14.695                | 19.096                  | 4.401           |
| 2.862                   | Chief Executive's Office          | 3.418                  | 6.150                 | 5.945                   | (0.205)         |
| 1.956                   | Law and Governance                | 2.173                  | 2.173                 | 1.885                   | (0.288)         |
| 14.238                  | Corporate Services                | 12.560                 | 15.280                | 14.769                  | (0.511)         |
| <b>131.704</b>          | <b>Total Service Budgets</b>      | <b>119.152</b>         | <b>127.677</b>        | <b>133.225</b>          | <b>5.548</b>    |
|                         | <b>Non Departmental Budgets</b>   |                        |                       |                         |                 |
| 15.095                  | Other Non Dept Budgets            | 16.433                 | 14.598                | 12.308                  | (2.290)         |
| (1.000)                 | Conts to / from Reserves          | (1.000)                | (7.690)               | (11.190)                | (3.500)         |
| 16.356                  | Minimum Rev. Provision            | 16.114                 | 16.114                | 16.356                  | 0.242           |
| 9.503                   | Capital Financing                 | 9.503                  | 9.503                 | 9.503                   | -               |
| <b>39.954</b>           | <b>Total Non Dept Budgets</b>     | <b>41.050</b>          | <b>32.525</b>         | <b>26.977</b>           | <b>(5.548)</b>  |
|                         |                                   |                        |                       |                         |                 |
| <b>171.658</b>          | <b>Total Expenditure</b>          | <b>160.202</b>         | <b>160.202</b>        | <b>160.202</b>          | <b>(0)</b>      |
|                         | <b>Financing</b>                  |                        |                       |                         |                 |
| (82.424)                | Council Tax                       | (82.424)               | (82.424)              | (82.424)                | -               |
| (36.306)                | Business Rates                    | (36.306)               | (36.306)              | (36.306)                | -               |
| (7.786)                 | Revenue Support Grant             | (7.786)                | (7.786)               | (7.786)                 | -               |
| (10.608)                | Government Grants                 | (10.608)               | (10.608)              | (10.608)                | -               |
| <b>(137.124)</b>        | <b>Total Financing</b>            | <b>(137.124)</b>       | <b>(137.124)</b>      | <b>(137.124)</b>        | <b>-</b>        |
| <b>34.534</b>           | <b>New Total Expenditure</b>      | <b>23.078</b>          | <b>23.078</b>         | <b>23.078</b>           | <b>(0)</b>      |
| (23.078)                | Capitalisation Direction          | (23.078)               | (23.078)              | (23.078)                | -               |
| <b>(160.203)</b>        | <b>Total Funds</b>                | <b>(160.203)</b>       | <b>(160.203)</b>      | <b>(160.203)</b>        | <b>-</b>        |
|                         |                                   |                        |                       |                         |                 |
| <b>11.456</b>           | GAP                               | <b>(0)</b>             | <b>(0)</b>            | <b>0</b>                | <b>(0)</b>      |
|                         |                                   |                        |                       |                         |                 |
| <b>-</b>                | <b>Total</b>                      | <b>-</b>               | <b>-</b>              | <b>(0)</b>              | <b>-</b>        |

1.1.1. Key variances and movement since Quarter 1 can be seen in the next table and are shown as Pressures or Reductions in expenditure.

|  | Q1     | Q2     |
|--|--------|--------|
|  | £m     | £m     |
| Support for People with Learning Disabilities  | 2.175  | 1.858  |
| Localities Social Work   | 4.036  | 3.864  |
| Mental Health Services   | 1.975  | 2.847  |
| Rehabilitation, Recovery and Reablement & Long-Term Occupational Therapy                       | 1.144  | 1.466  |
| Inclusion relating to processing of Education Health & Care Plans and Home to School Transport | 1.486  | 2.096  |
| Temporary Accommodation  | 6.565  | 5.565  |
| Finance  | 1.906  | 1.353  |
| Slough Children's First  | -0.725 | -2.166 |

1.1.2. The variances in the table above are analysed as follows:

*Support for People with Learning Disabilities*

This reflects an overspend relating to services to people with a learning disability of £2.090m (14%), with some mitigating underspends within the service. Expenditure reflects a year-on-year increase of 7% compared to 2023/24.

*Localities Social Work £3.864m*

There are a number of variances within the net position of £3.864m, including

- An overspend on employees costs due to reliance on interims £0.707m (23%);
- Payments to third party organisations who provide accommodation and support of £4.347m (20%) against budget
- Increased forecast receipts primarily in respect of Deferred Payment Packages (£1.204m) (21%); the projected forecast expenditure is in line with 2023/24.
- A contingency for Provider Uplifts at 4.0% compared to the budgeted uplift of 2.9%, and this amounts to £0.550m.

*Mental Health £2.847m*

The projected forecast expenditure is greater than 2023/24 by £2.873m mainly reflecting fee uplifts, and increased numbers of people supported



*Rehabilitation, Recovery and Reablement & Long-Term Occupational Therapy £1.466m –*

This is almost entirely due to increased employee costs of £1.441m (63%) driven by an overspend on interims and the use of the external market to deliver services.

*Inclusion relating to processing of Education Health & Care Plans and Home to School Transport £2.096m*

Inclusion - The service is forecasting an overspend of £1.674m This is in part driven by a misalignment of the budget as it does not represent the current operations of the service. Additional educational psychologists and SEND case officers have been employed to meet the increase in demand.

Work has been undertaken to review and re-align the budgets and growth bids have been submitted as part of the 2025/26 Budget Build and MTFs process.

School Services This area is forecasting an overspend of £0.357m the majority of which relates to transport for SEN Pupils. This has seen an increase in demand for the service in recent years. Over 1,000 school transport applications have been reviewed.

*Temporary Accommodation £5.565m*

The forecast overspend of £5.565m is due to ongoing pressure on the costs of Temporary Accommodations (TA). There are a number of large families that require multiple emergency accommodations. In addition to the high costs of placements, homelessness approaches have increased and subsequent TA referrals.

The forecast also reflects the MTFs and additional recovery plan savings of £4m being delivered by procuring more cost effective TA accommodation, managing Homelessness and improving service processes. Several mitigating measures are being put in place to contain and reduce costs in the short and medium term. It will be monitored via a new Housing Service Improvement.

While most of the accommodation costs are recoverable from TA clients through Housing Benefits and clients cash contributions only 70% of projected providers costs are currently estimated to be recoverable. In addition, as TA costs are larger than the rate at which the Council can claim HB subsidy where this happens it is recorded as HB Subsidy loss and more work is being done in this area to quantify the sums lost.

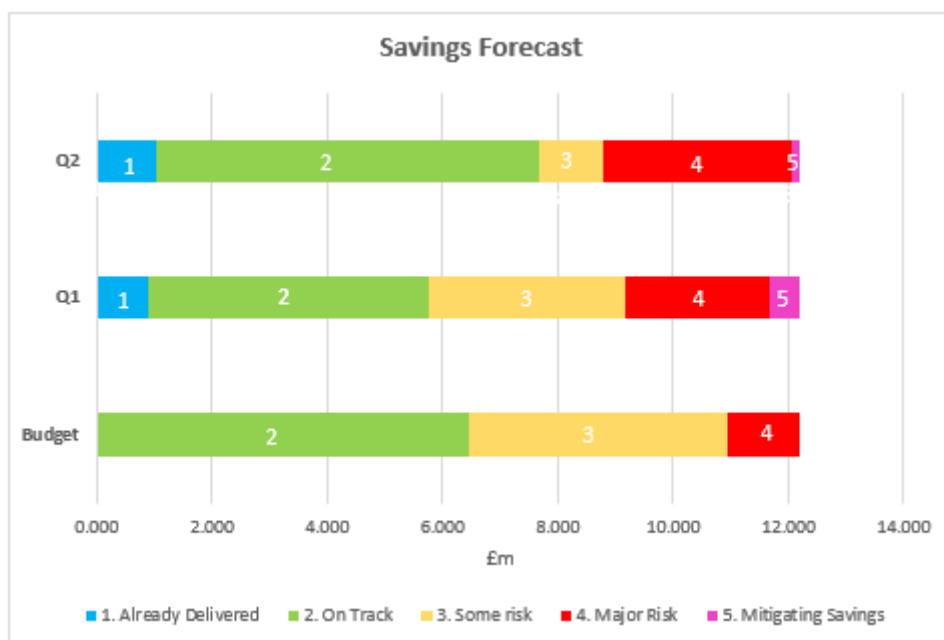
*Finance £1.353m*

Finance is currently forecasting a £1.353m overspend, reflecting a significant improvement of £0.706m from the previous quarter. The overspend is driven by staffing costs. Key cost pressures contributing to this situation include work on previous years' accounts and essential finance improvement work.

3.1.8 Underpinning the forecast is approved savings within the 2024/25 budget of £12.183m. Further detail can be seen in Appendix B however, directorates are expected to identify alternative mitigating savings to ensure that they remain within their budgets.

3.1.9 The next graph shows the direction of travel of delivering the savings since the budget was set and Quarter 1 performance. £7.679m (63%) has either been delivered or is on track and is showing a positive trajectory. However, there has been a deterioration in delivery savings with £2.606m now at major risk of non-delivery.

Table 2 Summary of Savings Forecasts



## 2. CAPITAL PROGRAMME

4.1 The General Fund capital budget was originally £23.3m in 2024/25. There are carry forwards from 2023/24 of £22.9m totalling £46.2m. There has been a further refresh to the phasing of the capital programme up to 2027/28 to form a more realistic plan of spend over the course of the programme, which was approved at July Cabinet. The total budget for 2024/25 is now £35.4m.

4.2 The capital spend up to the end of September 2024 is £4.573m. The programme has been forecast monthly and shows spend expecting to increase from October 2024. Nevertheless expenditure to date is low relative to the budget. Programme spend will be profiled over the year and monitored closely such that underspends can be identified and appropriate action taken with regard to project delivery and capital financing.

- 4.3. The forecast for 2024/25 at Quarter 2 is £25.294m. The underspend in Children's (£0.6m) and A4 Cycle Lane project (£0.5m) are due to delays in procurement which have pushed the projects back. The DfT grant forecast has been reduced by £0.5m to reflect revenue use of the funding, this is transferred to revenue to net off costs when they are incurred.
- 4.4 There are 2 large projects within Children's (SEND and Haybrook College) that are awaiting Cabinet approval. These may require forecast adjustment and carry forward of budget into 2025/26.
- 4.5 The Arbour Vale project which is against the SEN Resources Expansion budget line above was approved by Cabinet on 3 June 2024. The total spend for this project is £4.100m, spread over 2024/25 and 2025/26. The total spend for this project is unchanged but the split of the spend has altered due to underground utility issues found in the preliminary works for the classrooms which caused delays and redesign of the piling and foundations, funded from unused contingency for the Car Park. The revised allocation for this project is below:

| Arbour Vale SEN Capital Works | Original Budget | Current Budget |
|-------------------------------|-----------------|----------------|
|                               | £m              | £m             |
| Car Park                      | 2.400           | 1.900          |
| Classroom                     | 1.700           | 2.200          |
| <b>Total</b>                  | <b>4.100</b>    | <b>4.100</b>   |

| Q1 Forecast   | CAPITAL                             | Original Budget | Current Budget | Forecast Outturn | Variance        |
|---------------|-------------------------------------|-----------------|----------------|------------------|-----------------|
| £m            |                                     | £m              | £m             | £m               | £m              |
| 1.589         | Adults                              | 1.140           | 1.589          | 1.679            | 0.090           |
| 8.878         | Children's Services                 | 3.720           | 9.464          | 7.948            | (1.516)         |
| 23.093        | Regeneration, Housing & Environment | 18.431          | 24.375         | 15.622           | (8.753)         |
|               | Finance & Commercial                | -               | -              | 0.045            | 0.045           |
| <b>33.560</b> | <b>Grand Total</b>                  | <b>23.291</b>   | <b>35.428</b>  | <b>25.294</b>    | <b>(10.134)</b> |

## 5. HOUSING REVENUE ACCOUNT (HRA)

- 5.1. The HRA forecast is a surplus of (£3.478m) in line with budget. The ongoing pressure on housing management staffing and internal recharge costs is fully offset by underspend in utility costs, repairs and management and additional lease renewal income for two car parks.

- 5.2. The HRA surplus will be transferred to the HRA general reserves at the end of the year to meet future & exceptional housing stock management, maintenance and improvement needs.

| Q1<br>Forecast<br><br>£m | HRA                          | Original        | Current         | Forecast        | Variance       |
|--------------------------|------------------------------|-----------------|-----------------|-----------------|----------------|
|                          |                              | Budget          | Budget          | Outturn         |                |
|                          |                              | £m              | £m              | £m              | £m             |
|                          | <b>Expenditure</b>           |                 |                 |                 |                |
| 13.483                   | Repairs & Maintenance        | 13.586          | 13.586          | 13.390          | (0.196)        |
| 6.601                    | Housing Management           | 6.571           | 6.501           | 6.706           | 0.205          |
| 2.781                    | Central Support Recharges    | 2.781           | 2.781           | 3.181           | 0.400          |
| 3.788                    | Estate Services              | 3.917           | 3.987           | 4.072           | 0.085          |
| 14.999                   | Capital Charges              | 14.999          | 14.999          | 14.999          | -              |
| <b>41.652</b>            | <b>Total HRA Expenditure</b> | <b>41.854</b>   | <b>41.854</b>   | <b>42.348</b>   | <b>0.494</b>   |
|                          | <b>Income</b>                |                 |                 |                 |                |
| (40.783)                 | Rents - Dwellings            | (40.783)        | (40.783)        | (40.783)        | -              |
| (2.964)                  | Service Charges Income       | (2.964)         | (2.964)         | (2.964)         | -              |
| (1.640)                  | Non-Dwellings & Other Income | (1.584)         | (1.584)         | (2.078)         | (0.494)        |
| <b>(45.387)</b>          | <b>Total HRA Income</b>      | <b>(45.331)</b> | <b>(45.330)</b> | <b>(45.827)</b> | <b>(0.494)</b> |
|                          |                              |                 |                 |                 |                |
| <b>(3.735)</b>           | <b>HRA (Surplus)/Deficit</b> | <b>(3.477)</b>  | <b>(3.477)</b>  | <b>(3.478)</b>  | <b>0.000</b>   |

## 6. CAPITAL PROGRAMME (HRA)

- 6.1. The Capital HRA budget in 2024/25 is £24.7m. In addition, there have been carry forward requests from 2023/24 of £0.3m, this has been approved by Cabinet in July 2024, total revised budget £25.0m.
- 6.2. The HRA capital spend up to the end of September 2024 is £3.577m.
- 6.3. The forecast for 2024/25 at Quarter 2 is £19.641m. The £5.362m underspend is due to; Decarbonisation works (£2.7m), based on current plan for 24/25 but work is underway to mitigate this underspend and Foyer House (£3.3m) which is no longer expected to be purchased. This is offset by an overspend relating to Roof replacements of £0.6m.
- 6.4. Expenditure to date is low relative to the budget. Programme spend will be profiled over the year and monitored closely such that underspends can be identified and appropriate action taken with regard to project delivery and capital financing.
- 6.5. The table below summarises the position for capital; a more detailed breakdown, by individual project, is provided in the Appendix C

| Q1 Forecast<br>£m | CAPITAL                     | Original Budget<br>£m | Current Budget<br>£m | Forecast Outturn<br>£m | Variance<br>£m |
|-------------------|-----------------------------|-----------------------|----------------------|------------------------|----------------|
| 10.400            | RMI Capital Programme       | 14.263                | 14.573               | 11.481                 | (3.092)        |
| 3.791             | Planned Maintenance Capital | 2.880                 | 2.880                | 4.102                  | 1.222          |
| 2.750             | Affordable Homes            | 7.550                 | 7.550                | 4.058                  | (3.492)        |
| <b>16.941</b>     | <b>HRA Total</b>            | <b>24.693</b>         | <b>25.003</b>        | <b>19.641</b>          | <b>(5.362)</b> |

## 7. DEDICATED SCHOOLS GRANT

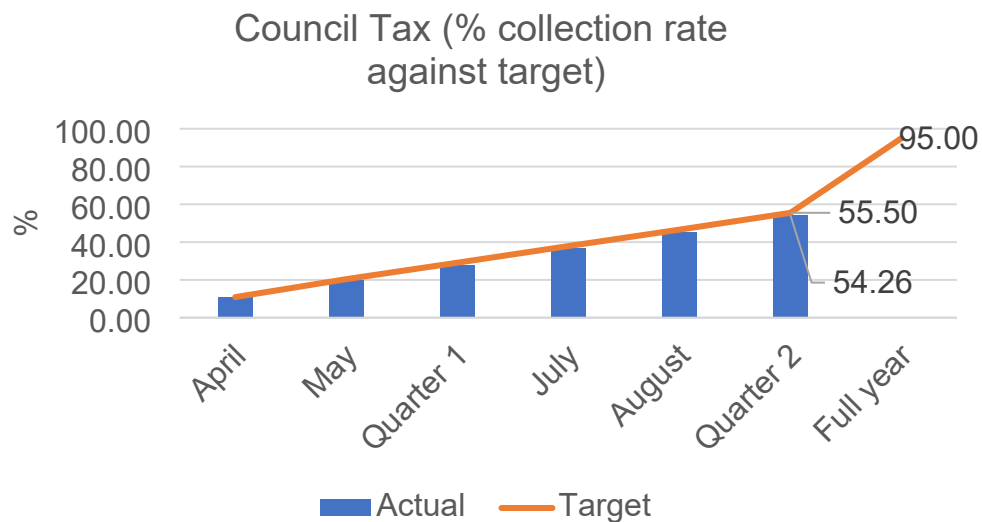
- 7.1. DSG balances for the 4 blocks are separately included and are currently forecast net nil, with the exception of a £0.254m overspend in the Schools Block due to higher than anticipated costs for growth in 2024/25. This will be funded by the £0.253m underspend in the 2023/24 Schools Block relating to growth.
- 7.2 At present, the DSG High Needs Block budget is forecast to be on budget but there is an acknowledged, but as yet unquantified, pressure due to the backlog and additional new EHCP plans. In addition there will be a requirement for Out Of Borough placements, which could also increase the forecast significantly. A new resource has been recruited for the High Needs Block to analyse the data and support future forecasts and plans.
- 7.3 Cost allocations into the HNB from other areas require reviewing to ensure compliance with DSG guidance and this could have repercussions for the General Fund forecast, both for 2024/25 and future years.
- 7.4 In addition to the budgeted DSG blocks, there are scheduled DSG Safety Valve payments of £3.24m due in 2024/25 subject to criteria being met. This was not budgeted.

| Q1 Forecast<br>£m | Childrens' Services - DSG  | 2024/2025 Projected Allocation<br>£m | Projected Outturn<br>£m | Variance<br>£m |
|-------------------|----------------------------|--------------------------------------|-------------------------|----------------|
| 0.840             | DSG: CSSB                  | 0.840                                | 0.840                   | -              |
| 21.810            | DSG: Early Years           | 21.810                               | 21.810                  | -              |
| 27.755            | DSG: High Needs            | 27.755                               | 27.755                  | -              |
| 43.030            | DSG: Schools               | 42.875                               | 43.129                  | 0.254          |
| (3.240)           | DSG: Safety Valve Payments | -                                    | (3.240)                 | (3.240)        |
| <b>90.195</b>     | <b>DSG Total</b>           | <b>93.280</b>                        | <b>90.294</b>           | <b>(2.986)</b> |

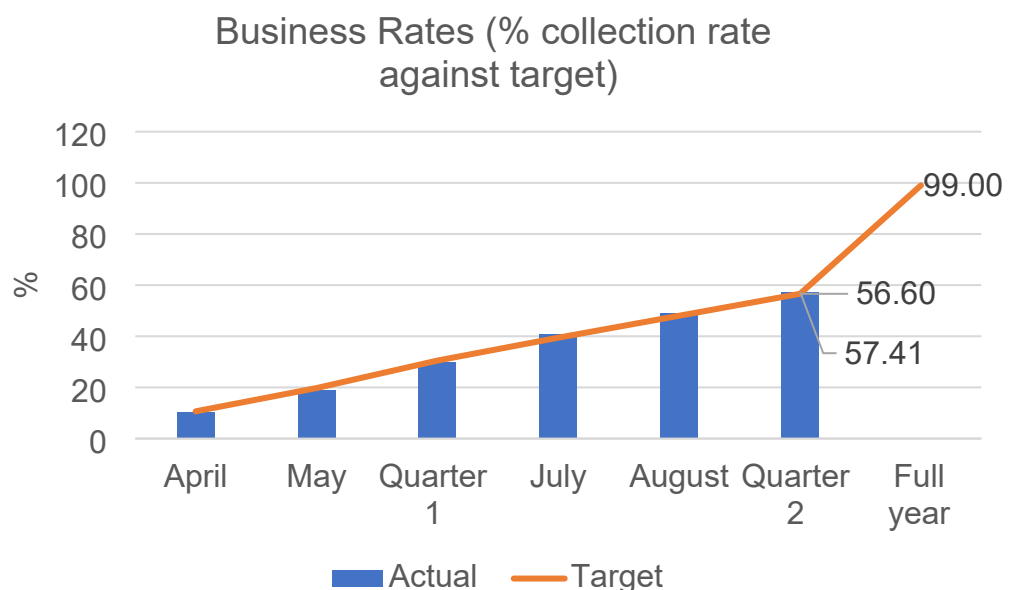
## 8. COUNCIL TAX AND BUSINESS RATES PERFORMANCE

8.1. Performance data is collated on collection rates for Council Tax and Business Rates and reported on an on-going basis. The collection rate achieved compared to the rate assumed in setting the budget impacts on the following year's budget.

8.2. In respect of Council Tax collection is 54.26% and 1.24% behind target, which equates to £1.193m in cash terms. It is also behind the position in September 2023, which was 55.04%. In 2024/25 prepayments are down £0.525m compared to 2023/24. It is noted residents are struggling with cost of living increases, and all the authorities in Berkshire are behind where they were at the same point in 2023. It is forecast collection will move closer to target by the end of October.



8.3. Business Rates, collection is currently 0.81% ahead of target, or £0.963m in cash terms. It is also 0.82% ahead of the position in August 2023 which was 56.59%.



## 9. SUNDRY DEBT AND ADULT SOCIAL CARE DEBT

9.1. The current position as at the 30 September 2024 for sundry and adult social care debt is shown in the next table including a current assessment of the bad debt provision requirement.

| <b>At 30 September 2024</b>                     | <b>Total<br/>£m</b> | <b>Provision Required<br/>%</b> | <b>£m</b>     |
|---|---------------------|---------------------------------|---------------|
| Not Due   | 0.232               | 0%                              | 0.000         |
| 0 - 29 Days                                     | 1.683               | 5%                              | 0.084         |
| 30 - 59 Days                                    | 0.605               | 15%                             | 0.091         |
| 60 - 89 Days                                    | 1.620               | 50%                             | 0.810         |
| 90 - 119 Days                                   | 0.189               | 75%                             | 0.142         |
| 120 - 365 Days                                  | 1.316               | 100%                            | 1.316         |
| Over 366 Days                                   | 3.439               | 100%                            | 3.439         |
| Adult Social Care secured debt                  | 0.659               | 5%                              | 0.033         |
| Balance outstanding                             | 9.743               |                                 | 5.914         |
| Bad Debt Provision                              |                     |                                 | 6.106         |
| <b>Increase (+) / Decrease (-) in Provision</b> |                     |                                 | <b>-0.192</b> |

9.2. The total level of Adult Social Care debt included above is £4.434m.

9.3. The net bad debt provision for accounts receivable debt and court costs debt were £5.486m higher than needed at year end 2023/24. An independent review of the debt provision has been undertaken as part of the balance sheet review. Based on this review and the Councils assessment, a prudent approach has been taken to release £3.500m of the bad debt provision as part of the recovery actions and continue to review the provision each month to assess any further release later in the financial year. The current budget assumes a £0.500m contribution to the provision which will now not be made and instead contribute towards the recovery action, meaning that in total there is a total of £4.000m one off recovery action following this review.

9.4. As at the 30th September 2024 the balance outstanding for Sundry Debts was £9.743m. Applying the formula used to estimate the level of provision required suggests this requires a provision of £5.914m. The current provision is £6.106m. The decrease in provision has been incorporated into the forecast.

## 10. FINANCIAL RESILIENCE AND SUSTAINABILITY

10.1. The Council remains committed to improving financial resilience, moving towards financial sustainability and improvement in governance and process as laid out in the Directions issued by Government and a capitalisation direction for exceptional finance support in 2024/25. Once the Council has concluded the outstanding financial accounts, a formal financial resilience statement will be prepared.

## 10.2. In summary:

- a) The Expenditure Control Panel (ECP) has been reviewed and relaunched requiring the S151 Officer to approve all spend in alignment with existing internal controls. The council will reintroduce the no Purchase Order, no pay from 1 January 2025 to strengthen internal control and governance with a soft launch during Q3.
- b) The current assumption on the capitalisation direction is £348.045m of exceptional finance support can be repaid primarily through asset sales and capital receipts is under review due to the realisation that the asset assumptions need revising;
- c) Asset sales are expected to contribute towards repayment of the capitalisation debt. To date in 2024/25 capital receipts from three asset sales have yielded £2.5m (gross), £2.2m (net) from a budget assumption of £40.5m gross which is lower than the original assumptions. Following the detailed asset review, the General Fund assumptions for further disposals over the period to 2027/28 are projected to be lower, and this is being reflected in updated Treasury Management Strategy assumptions.
- d) An independent assurance review of the balance sheet and ledger was commissioned to provide assurance for exceptional financial support. The report has been shared with MHCLG (then DLUHC) and provides recommendations and next steps which has also been reported to members of the Audit and Corporate Governance Committee on 10 July and 30 September, and incorporated into the Council's Financial Improvement Plan (FIP);
- e) An issue has been identified as part of preparing prior year statement of accounts with cash / Income reconciliation. This work is ongoing, and to date £0.800m has been identified as duplicated cash since January 2024 and therefore this remains a risk that until this exercise is completed, this is a managed risk within 2024/25;
- f) The following table provides an overview of reserve balances during 2024/25. By 31 March 2025, the budget smoothing reserve will be £6.350m and there is a further £2m commitment during 2025/26 which relates to the creation of the Transformation Fund which could total £4m. The general fund reserve will be £22.000m.



|                                    | Balance<br>at<br>1/4/2024<br>£m | Transfers (to)<br>/from reserves<br>(24/25 Budget)<br>£m | Transfers (to)<br>/from reserves<br>(Recovery<br>Actions)<br>£m | Other<br>forecast<br>movements | Forecast<br>reserve<br>position as at<br>31/3/2025<br>£m |
|------------------------------------|---------------------------------|--|---|--------------------------------|--|
| <b>MTFS Reserve</b>                |                                 |  |   |                                |  |
| - Test and trace support grant     | (0.385)                         | -  | -   | -                              | (0.385)  |
| - Contain Outbreak Management Fund | (0.376)                         | -  | -   | 0.376                          | (0.000)  |
| - Client Management SCF            | 0.059                           | -  | -   | -                              | 0.059  |
| - Transformational Reserve         | (2.660)                         | -  | -   | -                              | (2.660)  |
| - Directorate Carry forwards       | (3.792)                         | 3.792  | -   | -                              | (0.000)  |
| <b>MTFS Reserve total</b>          | <b>(7.154)</b>                  | <b>3.792</b>   | <b>-</b>  | <b>0.376</b>                   | <b>(2.985)</b>   |
| Better Care Fund                   | (5.302)                         | -  | 2.817   | -                              | (2.485)  |
| Public Health Reserve              | (2.543)                         | -  | 0.081   | 1.933                          | (0.529)  |
| Public Health Contingency Funding  | (0.008)                         | -  | -   | -                              | (0.008)  |
| Proceeds of Crime POCA             | (0.324)                         | -  | -   | -                              | (0.324)  |
| Insurance                          | (0.232)                         | -  | -   | -                              | (0.232)  |
| Budget Smoothing reserve           | (10.350)                        | 2.000  | -   | 2.000                          | (6.350)  |
| Redundancy/Severance Payments      | (5.884)                         | -  | -   | -                              | (5.884)  |
| <b>Earmarked reserves total</b>    | <b>(24.643)</b>                 | <b>2.000</b>   | <b>2.898</b>  | <b>3.933</b>                   | <b>(15.811)</b>  |
| Unallocated general fund balance   | (21.000)                        | (1.000)  | -   | -                              | (22.000)   |
| <b>General fund reserves total</b> | <b>(45.643)</b>                 | <b>1.000</b>   | <b>2.898</b>  | <b>3.933</b>                   | <b>(37.811)</b>  |

10.3. As part of the Council's recovery, we are developing a financial resilience tracker.

10.4 The council members and officers continue to manage financial risks within the forecasts and continue to undertaken monthly reporting. Risks include:

- a) Cash / income reconciliation including ensuring that all income is coded correctly;
- b) Increased demand on social care budgets and temporary accommodation including Housing Benefit Subsidy loss;
- c) Increasing demand for Education Health & Care Plans (EHCPs);
- d) Increasing demand for provision for children with Special Educational Needs;
- e) Improving data metrics to and data quality to improve forecasting;
- f) Savings associated with operational assets which have not yet been disposed; and
- g) Realisation of capital receipts;

## 11 IMPLICATIONS of the RECOMMENDATIONS

### 11.1 Financial implications

11.1.1 This is a financial report and therefore gives consideration to the financial implications throughout the report.

## 11.2 Legal implications

11.2.1 Section 31 of the Local Government Finance Act 1992 requires the Council to set a balanced budget at the start of each financial year. Section 28 of the Local Government Act 2003 requires all local authorities to review actual expenditure against this budget on a regular basis during the year. Where it appears that there has been a deterioration in the financial position, the local authority must take such action as is necessary to deal with the situation.

11.2.2 The Secretary of State for Levelling Up, Housing and Communities made a direction under s.15 of the Local Government Act 1999 on 1 December 2021 (which has subsequently been updated). The Direction required an action plan to achieve financial sustainability and to close the long-term budget gap. This report contains significant information on the work undertaken to improve financial sustainability and to close the in-year and longer term budget gap, although there are significant risks and the Council will still need a capitalisation direction for some years to come. In addition, the appointed commissioners have reserve powers to exercise the function of proper administration of the Council's financial affairs and all functions associated with the strategic financial management of the Council, including providing advice and challenge of the budget and scrutinising all in-year amendments to annual budgets.

11.2.3 The Council's best value duty requires it to keep under review its services to ensure continuous improvement. This includes having a financial strategy and budgets which are clearly aligned with strategic priorities and a robust process for reviewing and setting the budget. There should be a robust system of financial controls and reporting to ensure clear accountability and a clear strategy to maintain adequate reserves. There should be collective accountability for the budget and MTFs both at officer and political level. Regular financial reporting to Cabinet ensures members are aware of the issues mid-year and the mitigating measures in place, as well as providing for public accountability.

## 11.3 Risk management implications

11.3.1 There are significant risks related to the monitoring of the Council's financial position and implementing mitigation and recovery proposals. In the first instance it is imperative that budget holders have a clear understanding of their budget position and make reasonable assumptions including consideration of spending pressures and compensating mitigation to determine their forecast. Whilst the financial monitoring of complex budgets is difficult, it is important to determine a baseline so that members and senior officers can see the scale of mitigation and recovery actions, and the resultant impact on service delivery necessary to deliver a balanced budget.

11.3.2 Budget holders, supported by Finance, need to ensure that forecasts are accurate and are reviewed in light of changing circumstances throughout the year,

11.3.3 Actions taken by departmental management teams to identify mitigations and recovery actions similarly need to be monitored and included in regular reports.

11.3.3 Steps taken to develop and monitor the effectiveness of regular budgets, mitigations and recovery actions.

#### 11.4 Environmental implications

There are no specific environmental implications arising from this report.

#### 11.5 Equality implications

There are no specific equality implications arising from this report.