

<b>GROWTH, RESOURCES AND COMMUNITIES SCRUTINY COMMITTEE</b>	AGENDA ITEM No. 7
<b>24 SEPTEMBER 2024 2024</b>	PUBLIC REPORT

Report of:	Executive Director of Corporate Services and S151 Officer
Cabinet Member(s) responsible:	Councillor Jamil, Deputy Leader and Cabinet Member for Finance and Corporate Governance
Contact Officer(s):	Emma Riding, Service Director Financial Management (Deputy Section 151 Officer)

**FINANCE AND BUDGET UPDATE**

RECOMMENDATIONS	
<b>FROM:</b> <i>Cecilie Booth</i> , Executive Director of Corporate Services and S151 Officer	<b>Deadline date:</b> September 2024
<p>It is recommended that Growth, Resources and Communities Scrutiny Committee:</p> <ol style="list-style-type: none"> <li>1. <i>Notes the latest financial position and projections as set out in the report.</i></li> <li>2. <i>Notes the direction of travel and next steps as set out in the report.</i></li> </ol>	

**1. ORIGIN OF REPORT**

1.1 This report is submitted to Growth, Resources and Communities Committee to provide a progress update on the Councils Financial Position.

**2. PURPOSE AND REASON FOR REPORT**

2.1 The purpose of this report is to update the Scrutiny Committee on the progress of items under the portfolio of the Deputy Leader and Cabinet Member for Finance and Corporate Governance.

2.2 This report is for the Growth, Resources and Communities Scrutiny Committee to consider under its Terms of Reference Part 3, Section 4, Overview Scrutiny Functions, Paragraph No.2.1 Functions determined by Council:

10. Strategic Financial Planning

**3. TIMESCALES**

Is this a Major Policy Item/Statutory Plan?	<b>NO</b>	If yes, date for Cabinet meeting	<b>N/A</b>
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**4. BACKGROUND AND KEY ISSUES**

**4.1 Current year position**

At the end of July (month 4), the forecast outturn position for 2024/25 is showing a projected overspend of £11.1m (5%), against the £220m net revenue budget. This represents a £0.8m adverse movement in the forecast in comparison to June ([report](#) to Cabinet on 17 September)

The main factors impacting the position are summarised as follows:

- Interest rates remaining high, impacting on the Councils cost of borrowing
- A rise in the number of Children's Social Care Placement
- Demand for Adult Social Care packages
- A rise in homelessness presentations, driving up the cost of Temporary accommodation and use of Bed and Breakfast
- Pressure across leisure services with cost neutral delivery not being achieved
- Lower than anticipated income relating to solar energy, due to the level of panel degradation and an increasing number of assets offline and needing repair.
- An increase in cost of the Materials Recycling Facility contract

The following table provides an overview of the current forecast at a directorate level:

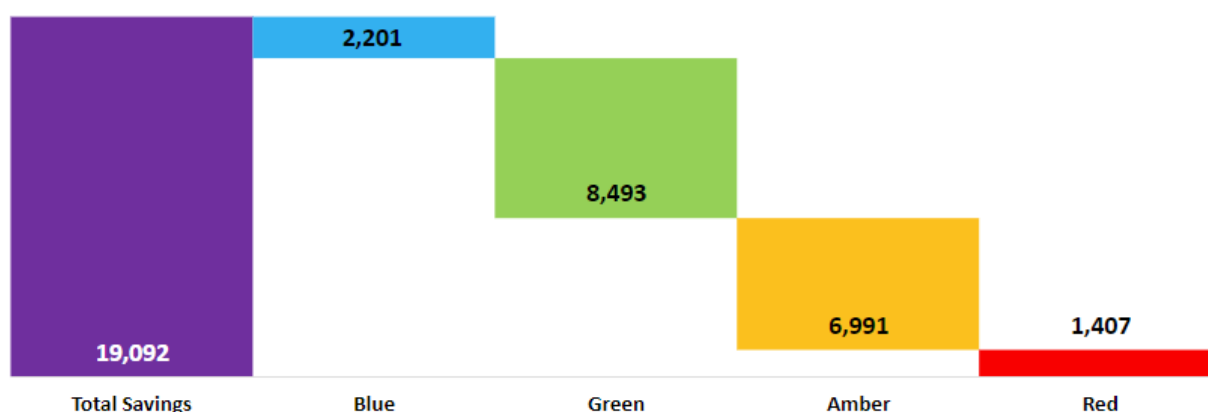
**Table 1: 2024/25 Forecast Position- Directorate Analysis**

Directorate	Budget £000	Actual £000	Forecast £000	Variance £000	Overall Status
Place & Economy	19,513	(929)	23,455	3,942	Overspend
Children and Young People	55,229	(22,210)	58,804	3,575	Overspend
Adult Social Care	75,180	20,498	76,458	1,278	Overspend
Public Health	(316)	(4,770)	(316)	-	On Budget
Corporate Services	32,114	15,365	32,046	(68)	Underspend
Legal & Governance	4,491	1,400	4,661	170	Overspend
Capital Financing	34,100	448	36,295	2,195	Overspend
<b>Total Expenditure</b>	<b>220,310</b>	<b>9,802</b>	<b>231,403</b>	<b>11,092</b>	<b>Overspend</b>
Financing	(220,310)	(27,440)	(220,310)	-	On Budget
<b>Net</b>	<b>0</b>	<b>(17,637)</b>	<b>11,092</b>	<b>11,092</b>	<b>Overspend</b>

The Savings Programme delivery has however seen a positive change of position over recent months, with 56% as either delivered or on track and only 7% at high risk of non-delivery.

**Graph 1: Savings Programme Progress**

Forecast Savings Delivery 2024/25 by Risk Rating (£000)



The Council's Capital Programme for 2024/25 is set at £142.3m. As at the end of July the forecast spend was £96.1m, 68% of the total programme.

## Management Action

The overspend is moving in the wrong direction, having a detrimental effect on the Councils reserves balances and financial resilience. Management action and controls have been put in place to minimise spend and bring the position as close to breakeven as possible, these include:

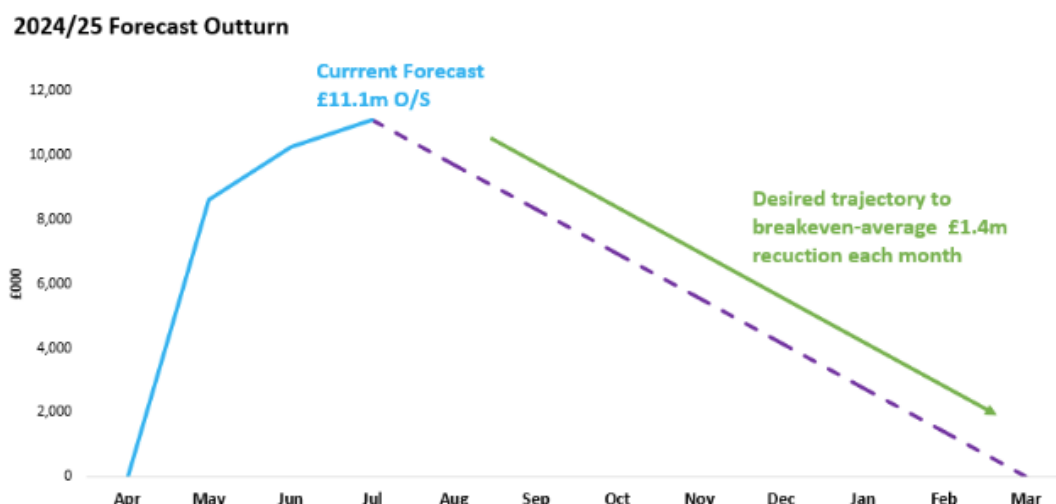
- Recruitment freeze - to reduce reliance on agency workers and hold vacancies where appropriate.
- Short term freeze on new procurement activity to put in place some improvements within the service.
- Review of savings programmes rated at high risk of delivery as well as areas of overspend, by the Chief Executive and Executive Director of Corporate Services.
- Capital expenditure moratorium to limit the need for new borrowing.

These controls have delivered some progress in July. There has been a reduction in agency spending (14 less agency staff) in addition to the capital programme forecast being reduced by a further £15.3m.

We have requested that there is increased communication to the organisation around the financial position and asked all staff to consider carefully every financial decision they are taking to ensure any expenditure is only essential and reflects value for money. In the past, the whole organisation has risen to the challenge and either eradicated an overspend like in 2022/23 or significantly reduced it like in 2023/24.

The scale of the challenge is significant, and to bring this position to a break even position would require a reduction in overspend of roughly £1.4m each month (as demonstrated in graph 2). We recognise this is difficult, when demand for services is increasing, therefore in addition to the actions set out above we are prioritising effort on 9 key areas where we believe an impact could be made. This includes Children's placements, Culture and Leisure, Homelessness, Home to School Transport etc.

### Graph 2: Path to break-even



### Budget Setting for 2025/26 and Medium-Term Financial Strategy (MTFS) 2025/28

The future outlook has changed considerably since the update at [Q4 2024/25](#), where gaps of £3.2m in 2025/26, £6.9m in 2026/27 and £9.7m in 2027/28 were set out. [The Medium Term Financial Strategy 2025/28 Q1 update](#) (17 September Cabinet agenda) set out the scale of the

challenge and the risks presenting, with the following areas putting further strain on the future outlook:

- The NNDR forecast has been significantly impacted by slower than anticipated growth, much higher levels of empty properties attracting relief, and the adverse effect of appeals relating to the 2017 Ratable Value (RV) list.
- The cost of borrowing is much higher than expected. From mid-2022 the base rate rose sharply to 5.25% and has only recently dropped to 5%. It isn't expected to fall to 3.5% until the end of 2027, therefore it will continue to impact the cost of refinancing maturing loans.
- Demand in areas such as Adults, Housing, Children's, Home to School Transport and Special Educational Needs is significantly outstripping the demand assumptions built into budget. In most cases this is not just a trend locally but is evident and replicated on a national scale.

Taking this into account, the Council is currently estimating the budget gap in 2025/26 could range from £13.3m-£24.3m, with table 21 summarising the position in the following years.

<b>Table 2- MTFS Funding Gap</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>	<b>2026/27 £000</b>	<b>2027/28 £000</b>
<b>Best Case Scenario</b>				
Funding	(220,310)	(223,415)	(238,436)	(247,535)
Net Revenue Expenditure	220,310	236,689	249,443	258,741
	<b>0</b>	<b>13,274</b>	<b>11,007</b>	<b>11,206</b>
<b>Worst Case Scenario</b>				
Funding	(220,310)	(222,715)	(237,736)	(246,835)
Net Revenue Expenditure	231,402	246,998	261,378	272,524
	<b>*11,092</b>	<b>24,284</b>	<b>23,642</b>	<b>25,689</b>

\*July BCR Position

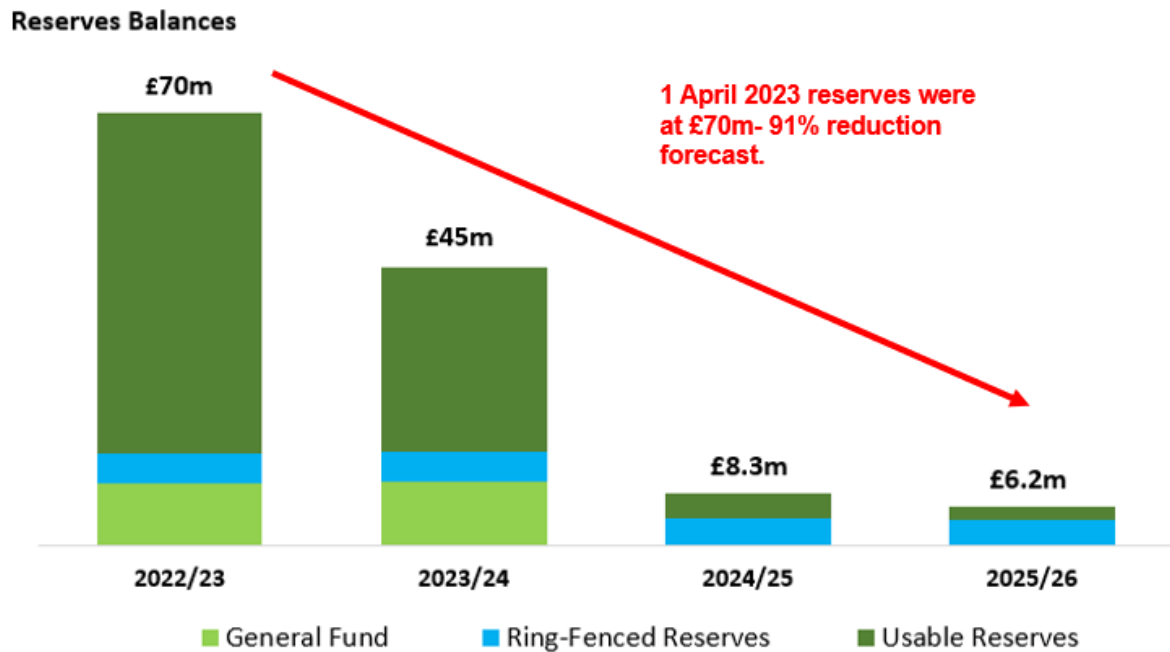
The [MTFS report](#) sets out the full details and assumptions modelled.

## Reserves

The financial projection set out above leaves the Councils reserves balances in an incredibly vulnerable position. The £11.1m overspend completely wipes out the general fund, taking them down to just over £8.3m. This position also includes the Dedicated Schools Grant (DSG) deficit and ring-fenced reserves that account for £4.3m - which cannot be used for general purposes.

The uncommitted reserves balances have reduced sharply, which is reflective of the rapid change in financial position we have seen. The graph shows the overall reduction since 31 March 2013.

**Graph 3: Reserves balances**



As part of the Budget, the section 151 Officer has a legal requirement to publish a section 25 Robustness Statement, which sets out an assessment on the adequacy of reserves balances. If the in-year position doesn't improve and a budget gap remains in future years, the reserves balances would not be at an adequate level.

### Financial Management Improvement

During 2023/24 huge strides were made to improve Financial Management across the Council and lay strong foundations for us to move forward with the rest of the improvement plan. This included the finance team restructure, training for budget managers, finance staff and Councillors.

A self-assessment of the Councils compliance with the CIPFA Financial Management Code has been completed, with recommended actions for improvement now in implementation phase. One of the 1st key milestones has been the full review of the Councils financial regulations. This has now been approved by the Audit Committee and Ethics Scrutiny Committee and will be recommended for approval by full council on 16 October.

The Unit4 Financial Planning and Analysis (FP&A) module was launched on time on 1<sup>st</sup> June. Budget Managers have been using the system to complete their Budgetary Control Reports since then. Workforce reports are being progressed in line with the HR and Payroll module going live later in Summer, with a plan to further develop and maximise the capability of the system in train.

As mentioned above the Council has raised the bar in terms of communication with staff around the financial position, with a regular slot on the bi-weekly staff conversations and a monthly finance focus blog. We want to raise awareness of the position and the challenge we face to ensure that good financial management is at the core of everything we do.

Budget accountability is another key area of focus. This has also been raised by the Independent Improvement and Assurance Panel, in their most recent [report](#) (4.1.4). In addition to providing training and tools (FP&A), Budget Manager Accountability letters have been issued to clearly set out the roles and responsibilities of the Budget Manager and will act as an annual reminder for new and more established Budget Managers.

## **5. CONSULTATION**

5.1 Consultation on the contents of this report has been via the Corporate Leadership team, Cabinet and Financial Sustainability Working Group.

## **6. ANTICIPATED OUTCOMES OR IMPACT**

6.1 Following debate and discussion at committee, it is anticipated that Members will be fully informed on the Councils financial position.

## **7. REASON FOR THE RECOMMENDATION**

7.1 Not Applicable – Progress report, item for information.

## **8. ALTERNATIVE OPTIONS CONSIDERED**

8.1 Not Applicable – Progress report, item for information.

## **9. IMPLICATIONS**

### **9.1 Financial Implications**

Not Applicable – Progress report, item for information.

### **9.2 Legal Implications**

There are no legal implications in respect of the report.

### **9.3 Equalities Implications**

This report is to give an overview / progress update and as such there are no anticipated equality implications.

### **9.5 Carbon Impact Assessment**

Not Applicable – Progress report, item for information.

## **10. BACKGROUND DOCUMENTS**

10.1 BCR Q1 Report [Agenda item 5](#)  
MTFS Q1 update - 2025/28 [Agenda item 6](#)  
Budget approved at Council on 21 February [1. Council Cover Report.pdf \(peterborough.gov.uk\)](#)

## **11. APPENDICES**

11.1 None.