

EXECUTIVE BOARD DECISION



REPORT OF: Executive Member for Finance and Governance

LEAD OFFICER: Strategic Director Finance and Resources

DATE: 14th November 2024

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

KEY DECISION: Y

TITLE OF REPORT: Corporate Revenue Budget Monitoring 2024/25 – Quarter 2

1. EXECUTIVE SUMMARY

1.1 The purpose of this report is to provide the Executive Board with an update on the Council's Revenue Budget for 2024/25 based on a budget monitoring exercise undertaken at the end of September 2024 (Quarter 2).

2. RECOMMENDATIONS

2.1 It is recommended that Executive Board:-

- a) give approval to the Portfolio Cash Limit Adjustments as outlined in Appendix 1;
- b) note the General Fund Budget Summary position as at 30th September 2024 as shown at Appendix 2 and in particular the forecast overspend of £2.156m at the end of Quarter 2 which, if sustained until the year end, will result in an equivalent additional drawdown of reserves;
- c) request Portfolio Holders to review their budgets for the remainder of 2024/25 with a view to identifying potential mitigating actions;
- d) note the forecast overspend on the High Needs DSG budget in 2024/25 and the emerging risks around the affordability of High Needs provision from 2025/26 onwards;
- e) note the Earmarked Reserves and General Fund Balance position as at 30th September 2024 as shown at Appendix 3.

3. BACKGROUND

3.1 In accordance with the Council's Financial Procedure Rules, all Portfolios are required to examine their revenue budget position monthly. Quarterly reports are submitted to the Executive Board for review and action as necessary along with a final report, detailing the financial outturn for the year.

4. RATIONALE

4.1 The development of the budget is a key element of the Council's financial governance processes. The requirement for the Council to monitor its budget during the year is set out in s28 of the Local Government Act 2003 with s28(3) requiring the Council to act, as it considers necessary, if there has been a deterioration in its financial position.

5. KEY ISSUES

Portfolio Cash Limits - Adjustments

5.1 At the meeting of Finance Council on 26th February 2024, the Council agreed the General Fund Revenue Budget for 2024/25.

5.2 As Councillors will be aware, the budget is subject to changes for a range of reasons as the financial year progresses. Following the change in Portfolio Responsibilities as set out at the Annual Council Meeting, it has been necessary to re-cast budgets between Portfolios to reflect these changes. Equally, various adjustments have been made to reflect in-year virements, supplementary estimates and the carry-forward of unspent budgets from the last financial year.

5.3 **Appendix 1** provides a detailed analysis of the various budget adjustments that have occurred during the period to 30th September 2024. The impact of these adjustments on the Council's Budget for 2024/25 is summarised in Table 1 below:-

Table 1: Working Budget 2024/25 (as at 30th September 2024)

	Working Budget at 30 th June 2024 £000	Adjustments £000	Working Budget at 30 th Sept 2024 £000
Portfolio Budgets	176,439	356	176,795
Other Corporate I & E	18,882	(1,472)	17,410
Net Revenue Expenditure	195,321	(1,116)	194,205
Less Core Funding	(105,818)	-	(105,818)
Less Council Tax	(72,314)	-	(72,314)
Shortfall before Reserves	17,189	(1,116)	16,073
Change in Specific Reserves	(17,189)	1,116	(16,073)
Change in GF Balance	-	-	-
Funding 'Gap'	-	-	-

*1 – See Appendix 1

5.4 The Executive Board is asked to approve these budget adjustments (where they haven't already been approved in accordance with Financial Procedure Rules).

Forecast Performance against Controllable Budgets

- 5.5 Table 2 below provides a summary of the forecast outturn position on the Council's General Fund Revenue Budget for 2024/25 compared to the Working Budget referred to in Table 1 above. As the table indicates, based on the Quarter 2 budget monitoring position there is a forecast overspend of £2.156m. A more detailed analysis is provided at **Appendix 2**:-

Table 2: Forecast Performance against Controllable Budgets

	Working Budget at 30 Sep 2024 £000	Forecast Outturn £000	Variation £000
Portfolio Budgets	176,795	182,336	5,541
Other Corporate I & E	17,410	14,025	(3,385)
Net Revenue Expenditure	194,205	196,361	2,156
Less Core Funding	(105,818)	(105,818)	-
Less Council Tax	(72,314)	(72,314)	-
Shortfall before Reserves	16,073	18,229	2,156
Change in Specific Reserves	(16,073)	(17,231)	(1,158)
Change in GF Balance	-	(998)	(998)
Funding 'Gap'	-	-	-

*1 – See Appendix 2

- 5.6 Councillors should note that this is a forecast outturn position for the year based on the Quarter 2 monitoring position. Further budget monitoring exercises will be undertaken during the year and these will be reported to the Executive Board accordingly.

Portfolio Budgets

- 5.7 As indicated in Table 2 above, the forecast outturn position on the Portfolio Budgets is an overspend of £5.632m. An analysis of this position by Portfolio is shown in the Table 3 below:-

Table 3: Portfolio Forecast Performance against Controllable Budgets

	Working Budget at 30 Sep 2024 £000	Forecast Outturn £000	Variation £000
Adults Social Care and Health	77,032	77,425	393
Children, Young People and Education	47,833	50,427	2,595
Housing and Public Health	2,855	2,907	52
Environment and Communities	13,345	13,643	298
Growth and Development	14,342	15,948	1,606
Finance and Governance	13,333	13,628	295
Digital and Customer Services	9,179	9,481	302
Schools and Education (DSG)	(1,123)	(1,123)	-
Portfolio Budgets	176,795	182,336	5,541

*1 – As per Portfolio Budgets in Table 1

5.8 The narrative below provides more details of these forecast variances. Councillors should note that some of the variations here reflect underlying budget pressures which are expected to be sustained into the new financial year. Therefore, work is currently being undertaken to assess the impact of these budget pressures on the Council's Medium Term Financial Plan.

Adult Social Care and Health

5.9 The forecast outturn position for Adult Social Care and Health is an overspend of £393k. This is summarised in the table below

Table 4: Adult Social Care and Health – Forecast Outturn 2024/25:-

	Working Budget at 30 Sep 2024 £000	Forecast £000	Variation £000
Independent Sector	58,426	59,647	1,221
Independent Sector Other	321	402	81
ASC and Social Work	3,989	3,734	(255)
Day Services	3,104	2,934	(170)
Independent Living	1,579	1,455	(124)
Integrated Commissioning	4,185	3,588	(597)
Mental Health	1,278	1,243	(35)
Prevention, Neighbourhoods & Learning	257	257	0
Safeguarding	1,083	1,222	138
Shared Lives	826	780	(46)
Strat Gov & Bus Support	641	588	(54)
Supporting People	1,006	1,367	361
Transport	336	208	(128)
Adult Social Care and Health	77,032	77,425	393

5.10 The key variances to note include:-

- at the end of Qtr2, the external commissioning budgets are forecast to overspend by around £1.22m. The forecast is based on current activity levels including estimated transitions totalling £881k and new packages of care anticipated yet to be processed equating to around £428k. As the year progresses, the impact of demand and cost of care packages as well as joint funding contributions will continue to be closely reviewed and any variations reported in future monitoring;
- staffing remodelling activity within the Department is continuing and currently there is a predicted delay in recruitment savings for the year based on updated recruitment profile. The net overall forecast for non-commissioning cost centres including the area of supporting people is an underspend of £828k;

- work is underway to progress towards the achievement of savings target implemented as part of 2024/25 budget strategy. Current information suggests that in the main the Portfolio is on track to achieve the savings target;
- for Supporting People, there is a predicted overspend of £361k because of current contractual arrangements for these services, however, these are offset by vacancy savings covered above due to ongoing restructuring activity in the department.

Children, Young People and Education

5.11 The forecast outturn position for Children, Young People and Education is an overspend of £2.595m. This is summarised in the table below:-

Table 5: Children, Young People and Education – Forecast Outturn 2024/25

	Working Budget at 30 Sep 2024 £000	Forecast £000	Variation £000
Adolescent Services	4,230	3,749	(480)
Early Years	2,260	1,923	(337)
Education	7,240	7,479	239
Adult Education and Related Services	364	364	0
Directorate	5,677	5,338	(339)
Strategic Social Work	6,568	7,257	688
Permanence	21,017	23,888	2,871
Strategy, Policy and Performance	476	429	(47)
Children, Young People and Education	47,833	50,427	2,595

5.12 The key variances to note include:-

- an underspend of £480k is anticipated on Adolescent Services. This is primarily due to lower than expected expenditure on the Leaving Care Service;
- an underspend of £337k is anticipated within Early Years. This is predominantly due to staffing vacancies;
- the predicted overspend of £239k on Education is entirely due to unexpected costs incurred in relation to the academisation of one of our schools;
- a forecast overspend of £688k on Strategic Social Work. This is mainly due to the use of Agency Social Workers to deal with existing caseloads and to cover vacancies, sickness absence, maternity leave and secondments within the Service;
- Permanence is forecast to overspend by £2.871m. This is due to higher than expected costs on commissioned placements that are being offset to a degree by underspends of £371k within our Fostering Service. As new in-house fostering households are approved later in the year, it is hoped that the additional expenditure against the fostering budget would see a much larger reduction in expenditure on commissioned placements.

Housing and Public Health

5.13 The forecast outturn position for Housing and Public Health, is broadly break even. This is summarised in the table below:-

Table 6: Housing and Public Health – Forecast Outturn 2024/25

	Working Budget at 30 Sep 2024 £000	Forecast £000	Variation £000
Community Safety/Asset Management	580	642	61
Housing Needs	452	423	(28)
Housing Services	29	29	0
Community Development Management	38	58	20
Public Health	1,755	1,755	0
Housing and Public Health	2,855	2,907	52

5.14 There are no significant variances to report at this stage.

Environment and Communities

5.15 The forecast outturn position for Environment and Communities is an overspend of £298k. This is summarised in the table below:-

Table 7: Environment and Communities – Forecast Outturn 2024/25

	Working Budget at 30 Sep 2024 £000	Forecast £000	Variation £000
Cleansing Services	3,296	3,223	(73)
Directorate	548	548	0
Grounds Maintenance	231	176	(55)
Healthy Lifestyle	31	102	71
Leisure Services	651	874	223
Management Overhead	1,624	1,647	23
Neighbourhood Health	296	222	(74)
Parking Services	(1,125)	(1,097)	28
Parks and Open Spaces	(93)	(47)	45
Public Protection Service	233	356	123
Transport	(276)	(269)	7
Waste Disposal	7,928	7,909	(19)
Environment and Communities	13,345	13,643	298

5.16 The key variances to note include:-

- Leisure Services (comprising the various Leisure Centres, School Swimming etc) is forecast to overspend by £223k. This is a combination of increased transport costs for School Swimming, lower than expected income and the additional cost of replacement equipment at the Leisure Centres;
- The forecast overspend on Public Protection of £123k reflects largely a shortfall in income of £79k from Taxi Licensing.

Growth and Development

5.17 The forecast outturn position for Growth and Development is an overspend of £1.606m. This is summarised in the table below:-

Table 8: Growth and Development – Forecast Outturn 2024/25

	Working Budget at 30 Sep 2024 £000	Forecast £000	£000
Arts Services	30	30	0
Building Control	158	193	35
Business/Enterprise Centres	(44)	(64)	(20)
Commercial Investment/Tenanted Estate	(568)	(627)	(59)
Corporate Property	1,434	1,578	144
Development Control/Planning	(504)	(254)	250
Directorate/Growth Team	4,389	4,544	155
Halls and Entertainment	324	331	7
Highways Maintenance	3,836	4,222	385
Housing Services	133	168	35
Jct 4 Skatepark	3	3	0
Library Services	1,395	1,470	75
Markets	1,091	1,194	103
Museum Services	384	420	36
RPL Office Accommodation	62	62	0
Strategic Transport/Co-ordination	2,186	2,575	389
Town Centre Regeneration	32	102	70
Growth and Development	14,342	15,948	1,606

5.18 The key variances to note include:-

- The forecast overspend on Corporate Property reflects the trajectory of current spending on the Council's asset base. As with the Highways Budget below, this area of activity is to be subject to a Policy and Finance 'Deep Dive' to understand better the underlying cost pressures and what, if anything, remedial action can be taken to ensure that expenditure remains within budget;

- Development Control is forecasting an overspend of £250k. This is largely due to a fall off in income (from planning applications) received by the Council. The level of income from planning applications is subject to some volatility from one year to the next as it is affected by number of applications for major schemes that are submitted in each year;
- The forecast overspending on the Directorate reflects mainly the underachievement of savings approved as part of the Council's budget for the year. The savings proposed related to implementation of the asset management interventions which have either yet to yield the savings agreed or have not resulted in the savings anticipated. Having reviewed the proposals, it is likely that the full amount of savings will be realised in 2025/26;
- a forecast overspend on the Highways Service of £385k. This mainly reflects the additional cost to the revenue account of highways improvements. As previously reported, it should be noted that the Highways function is the subject of a Policy and Finance 'Deep Dive' which is looking more closely at the budgets for this area and how they align to the various activities within the function and how both revenue and capital funding is properly utilised;
- the overspend on Library Services relates mainly to the additional cost of business rates;
- the Markets budget is forecast to overspend primarily due to lower than expected income from Darwen Market due to a higher number of vacant stalls and, as a corollary of that, highest than expected cost of business rates from the void stalls;
- an expected overspend on Strategic Transport/Co-ordination of £389k due to additional security costs at Blackburn Bus Station, higher than expected costs for Concessionary Fares and lower than budgeted recharges to the capital account for Transport staffing. The latter issue is currently being reviewed to determine what further scope there is to capitalise costs in this area.

Finance and Governance

5.19 The forecast outturn position for Finance and Governance is an overspend of £295k. This is summarised in the table below:-

Table 9: Finance and Governance – Forecast Outturn 2024/25

	Working Budget at 30 Sep 2024 £000	Forecast £000	£000
Advice Services	117	113	(4)
Central Services	372	387	15
Democratic Services	1,466	1,275	(191)
Financial Support Services	5,960	5,941	(19)
Human Resources and Training	2,035	2,411	376
Legal Support Services	2,103	2,203	100
Other Non Distributable Costs	1,279	1,297	18
Finance and Governance	13,333	13,628	295

5.20 The key variances to note include:-

- an underspend of £191k on Democratic Services mainly because of lower-than-expected costs of Elections (some of which is offset by grant income provided by Government);
- The forecast overspend of £376k in Human Resources and Training is partly due to a loss of income on SLAs with Schools, an expected shortfall in the savings from staff turnover and a shortfall in the savings expected from the centralisation of training budgets. On the latter point, the budget saving expected from the centralisation of training budgets did assume a reduction in the number of Apprentices recruited by the Council.

Digital and Customer Services

5.21 The forecast outturn position for Digital and Customer Services is an overspend of £302k. This is summarised in the table below:-

Table 10: Digital and Customer Services – Forecast Outturn 2024/25

	Working Budget at 30 Sep 2024 £000	Forecast £000	£000
Corporate Policy and Support	3,256	3,350	94
Coroners Services	365	377	12
IT Management and Governance	4,013	4,037	24
Customer Services	1,206	1,353	146
Civil Contingencies	322	388	65
Blackburn Registrars	16	(24)	(40)
Digital and Customer Services	9,179	9,481	302

5.22 There are no significant variances to report at this stage.

Schools and Education (DSG)

5.23 Councillors will be aware that Schools in the Borough are primarily funded by Dedicated Schools Grant (DSG). DSG is received by the Council but is, in the main, passported to Schools. DSG comprises four ‘blocks’ of funding – one each for Schools, Early Years, Central Services and High Needs.

5.24 Schools and Education funding from DSG is monitored by the Schools Forum and reports are considered on a regular basis. The forecast outturn for the Schools, Early Years and Central Services Blocks is breakeven. In contrast, the High Needs DSG Block for 2024/25 is forecast to overspend by £2.589m as shown in Table 11 below:-

Table 11: High Needs DSG Budget – Forecast Outturn 2024/25

	Working Budget at 30 Sep 2024 £000	Forecast Outturn £000	Variation £000
Special Schools Place and Top Up Funds	8,061	9,113	1,052
Pupil Referral Unit and Alternative Prov.	2,877	2,687	(190)
Resourced Provision	587	562	(25)
Mainstream Top Up Funds	5,752	7,302	1,550
High Needs Centrally Retained Costs	14,312	14,514	202
High Needs DSG	31,589	34,178	2,589

5.25 The key variances to note include:-

- the forecast saving on the Pupil Referral Unit and Alternative Provision is due to the release of funding relating to 1:1 tuition which is being met through exclusion income deductions from Schools;
- The forecast overspend on Mainstream Top Up Funding of £122k is due to a higher than anticipated number of children subject to an Education, Health and Care Plan;
- The forecast overspend of £155k on High Needs Centrally Retained Costs relates mainly to the expected additional cost of top-up funding for pupils places out of areas in other Local Authority provision.

5.26 Should there be a deficit on the High Needs Budget by the year end as forecast above, this additional cost would have to be met from the DSG Reserve. The DSG Reserve currently has a balance of £4.382m and will reduce to £1.793m at the year end if the deficit reported here is sustained (and assuming no other variances on DSG).

5.27 Looking ahead, the pressures on the High Needs budget appear sustained, particularly given the rising number of children with special educational needs (and the corresponding increase in Education, Health and Care Plans (EHCPs)) in the Borough. Subject to the funding to be made available for High Needs in the forthcoming Local Government Finance Settlement, which will include an additional £1bn as announced in the Government's recent budget, there is every likelihood that the Council will have insufficient DSG reserve to cover the cost of High Needs provision in 2025/26. This is a matter which will be considered in more detail as part of the budget setting process for the next year.

5.28 It must be stressed, however, that this is not unique to Blackburn with Darwen (and, indeed, given the pro-active approach of the Council's Education Team, this Council is one of a small number of Councils that currently does not have a High Needs funding deficit). The National Audit Office recently produced a report on the Special Education Needs (SEN) system that concludes there has been a significant increase in the number of children identified as having SEN which has increased the cost of the SEN system.

5.29 Whilst funding for SEN has increased, the system is neither delivering better outcomes nor preventing local authorities facing significant financial risks. Indeed, the cumulative High Needs funding deficit by March 2026 is forecast to be up to £4.9bn and is, therefore, becoming nationally significant. The relevance of March 2026 in this context is that it is the date on which the current statutory override, which allows Councils to carry High Needs funding deficits without funding them, expires and the deficit would, under normal circumstances, must be met from Council General Fund resources leading to many Councils not being able to balance their budgets.

Other Corporate Income and Expenditure Budgets

5.30 The forecast outturn position for Other Corporate Income and Expenditure Budgets an underspend of £3.385m. This is summarised in the table below:-

Table 12: Other Corporate Income and Expenditure Budgets – Forecast Outturn 2024/25

	Working Budget at 30 Sep 2024 £000	Forecast Outturn £000	Variation £000
RCCO	7,836	7,836	-
School Contribution to Capital	(260)	(260)	-
Contingencies	10,122	9,072	(1,050)
Debt Charges	-	-	
<i>Interest and Investment Income</i>	(2,990)	(4,560)	(1,570)
<i>Debt interest payable</i>	11,895	11,390	(505)
<i>Minimum Revenue Provision</i>	6,638	6,378	(260)
Other Non-Ringfenced Grants	(16,044)	(16,044)	-
Town and Parish Council Precepts	213	213	-
Other Corporate Income and Expenditure	17,410	14,025	(3,385)

5.31 The key variances to note include:-

- an estimated underspend of £1.050m on the contingent sum held for the 2024/25 pay award for staff. As Councillors might be aware, the pay award offer made by the National Employers Organisation was not originally accepted by the Unions. However, the Unions have since accepted the pay award offer and this variance reflects the reduced cost to the Council against the estimate included in the budget;
- forecast additional Investment Income of £1.570m. This reflects additional returns on investments arising from higher-than-expected rates of return (interest rates have not reduced at to the rate assumed in the Council's budget) and higher than expected cash balances;
- lower than expected debt interest payments; as set out in the Council's Mid-Year Treasury update provided elsewhere on the Agenda for this meeting, the Council has not had to undertake any new borrowing in the current year to date resulting in an underspend in debt costs against that budgeted;

- an underspend on the Minimum Revenue Provision (MRP) of £260k. Because of the lower than expected capital expenditure in 2023/24, the amount of MRP assumed to be set aside in 2024/25 will be less than budgeted.

Reserves and Balances

- 5.32 At the start of the financial year, the Council had Reserves and Balances totalling of £80.080m. This includes a General Reserve of £6.998m (which includes the Minimum Working Balance of £6.000m)
- 5.33 In approving the Budget for 2024/25, the Council agreed to use £10.440m from specific earmarked reserves in support of the budget.
- 5.34 At Quarter 1, a further £7.007m was allocated from earmarked reserves which arose mainly from carrying forward grants and other contributions into specific reserves at the end of the financial year 2023/24. Following the Quarter 2 Budget Monitoring exercise, a contribution to specific reserves of £1.374m (comprising £258k adjustment related to Quarter 1 and £1.116m for Quarter 2). Details of these adjustments are set out at Appendix 3.
- 5.35 Given the forecast outturn position set out in this report, and should there be no further mitigation during the remainder of the financial year, the Council would need to draw an additional £2.156m from its Reserves and Balances to achieve a balanced budget. The extent to which this will be necessary will be subject to regular review as part of the regular budget monitoring reports presented to the Executive Board.
- 5.36 Considering the various adjustments referred to in this report, the estimate of Balances and Reserves as at 30th September 2024 is £61.850m. A detailed analysis of these changes is provided at **Appendix 3**.

6. POLICY IMPLICATIONS

- 6.1 There are no policy implications arising directly from this report.

7. FINANCIAL IMPLICATIONS

- 7.1 The financial implications are generally as given in the report.
- 7.2 The Council has a statutory obligation to have a balanced budget from one year to the next. As outlined in this report, there is forecast net overspend of £2.156m which, if sustained until the year end, will need to be funded by an additional drawdown of reserves.

8. LEGAL IMPLICATIONS

- 8.1 There are no legal implications arising directly from the contents of this report.

9. RESOURCE IMPLICATIONS

- 9.1 There are no other resources implications arising from the contents of this report.

10. EQUALITY AND HEALTH IMPLICATIONS

10.1 There are no equality and health implications arising from the contents of this report.

11. CONSULTATIONS

11.1 None arising from the contents of this report.

12. STATEMENT OF COMPLIANCE

12.1 None arising from the contents of this report.

Appendices

Appendix 1 – Portfolio Cash Limit Adjustments

Appendix 2 – Summary General Fund Revenue Account – Forecast Outturn at 30th September 2024

Appendix 3 – Earmarked Reserves and General Fund Balance – Position as at 30th September 2024

CONTACT OFFICER:	Dean Langton, Strategic Director Finance and Resources Simon Ross, Head of Financial Services
DATE:	November 2024
BACKGROUND PAPERS:	None