

Decision Report FP/24/06/25

Committee: Executive

Meeting or Proposed Decision Date – 02

December 2024

Key Decision – No



2024/25 General Fund Revenue & Capital Budget Monitoring Report – Quarter 2 – End of September 2024

Chair of Committee: Cllr Bill Revans Leader of the Council and Lead Member for Governance & Communications

Executive Member(s): Cllr Liz Leyshon Deputy Leader of the Council and Lead Member for Finance, Procurement and Performance

Local Member(s) and Division(s) affected: All

Executive Director: Maria G Christofi Interim Chief Finance Officer (Section151 Officer)

Executive Summary

1. This report is the General Fund Revenue & Capital Budget Monitoring Report for the end of September 2024 (Quarter 2). The purpose of this report is to provide Members with a forecast of the 2024/25 year-end spend (Outturn) against the Council's approved Revenue budget and Capital Programme budget as at the end of September 2024, and to explain projected variances against individual revenue budgets, capital projects, and the capital programme as a whole.

General Fund Revenue

2. The last report Executive received was the General Fund Revenue Budget Monitoring Report for Month 5, as at the end of November 2024, which reported a forecast net revenue underspend of £0.736m.
3. The Council is now **forecasting a balanced revenue position** (on-budget). There is a forecast **underspend of £2.419m within Service Directorates** for 2024/25. The Corporate contingency of £6.000m remains unallocated, leading to a **revenue forecast underspend of £8.479m** within budget lines. The **£8.479m will reduce the drawdown from Earmarked Reserves to £28.321m** which were budgeted to balance the 2024/25 budget.
4. There has been an **increase of £7.743m** in the revenue forecast underspend position of £0.736m reported from Month 5. The main movements are reported in the following areas:

Positive movements in forecast outturn

- **Adult Services** are reporting an increase forecast underspend of **£0.355m** to relating to Physical/Sensory Loss/65+ due to higher than anticipated return on direct payment surplus. In addition to this, an increase forecast underspend of

£1.055m in Learning Disabilities is due to progressive model of delivery as per the Transformation Programme.

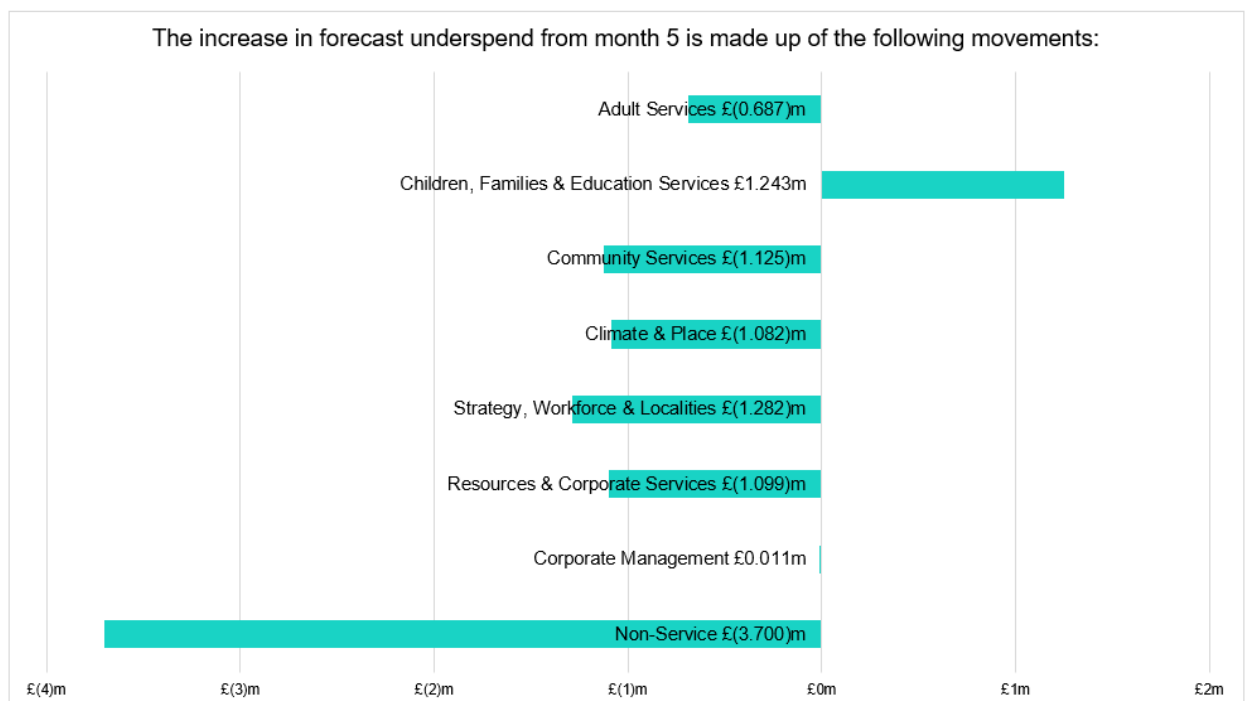
- **Children, Families & Education Service**, has a decrease of **£1.119m** in Education and Transport relating to work undertaken by the team to reduce the average cost per child. In addition to this, an increased forecast underspend of **£0.138m** in Children's Commissioning due to holding staff vacancies and reduced contract costs.
- **Community Services**, the Cultural Services' forecast underspend has increased by **£0.114m** due to the Yeovil Devolution package and closure of the service in Museums and Tourist. Regulatory & Operational Services has a forecast decrease of **£1.011m** due to salary forecasts and spend reduction.
- The Infrastructure & Transport budget within **Climate & Place** has a forecast decrease of **£0.967m** due to holding vacancies and increased income. Income is currently higher than anticipated.
- **Strategy, Workforce & Localities** are forecasting an underspend of **£0.615m**, a decrease of **£1.282m** due to the holding staff vacancies.
- **Resources & Corporate Services** are forecasting an underspend of **£1.900m**, a decrease of **£1.099m** across all services due to staffing and holding vacancies.
- **Non-Service** has a forecast underspend of **£6.812m**, an increase of **£3.700m** since Month 5. The underspend is mainly due to capital financing costs being lower and interest income being higher than budgeted.

Negative movements in forecast outturn

- The overspend forecast in the Commissioning budget within **Adults Services** has increased by **£0.710m** due to pooled budget arrangements with the Integrated Care Board (ICB). There has also been a small increase of **£0.013m** to the forecast overspend within Mental Health as the service continues to be an area of growth.
- An increase in the forecast overspend of **£2.792m** in **Children & Families** largely relating to an increase in External Placements.
- The Information Communication Technology budget within **Resources & Corporate Services** has a forecast decrease of **£0.174m** as a result of software amalgamation costs, and the withdrawal of the Education Core Offer.

5. Work continues to ensure that assumptions within the forecast are relevant and robust. This is a priority in those areas with demand led budgets and pressures.
6. The Council continues to have Spend Control Boards in place. The monitoring and outcomes of these boards are included in quarterly revenue monitoring reports to Executive. Having these Spend Control Boards in place has encouraged the whole organisation to think and act differently, and their continuance is essential in order to maintain control over the Council's budget. More details can be found in **paragraphs 19-20** and **Appendix K**.
7. **Chart 1**, is a graph showing the largest changes in revenue forecast outturn position from Month 5, reported to the Executive on the 4 November 2024, and Quarter 2.

Chart 1: Movement in revenue forecast outturn position from Month 5



Capital Programme

8. The Council's Capital Programme has a forecast outturn of £114.166m against a reprofiled budget of £119.319m. The original budget for 2024/25 was £268.721m, which was revised down to £195.009m at Quarter 1. With this further slippage of £75.690m, this takes the total slippage to £149.509m against the original budget.

Recommendations

9. That the Executive:
 - a) Notes Council is now **forecasting a balanced revenue position** (on-budget).
 - b) Notes the total Council Revenue forecast underspend of **£8.479m** for the year. There is a forecast **underspend of £2.419m within Service Directorates** for

2024/25 and the Corporate Contingency of £6.000m, whilst remains unallocated it has been released into the forecast outturn within budget lines **Table 1**.

- c) Note that the planned use of reserves of £36.800m for Medium Term Financial Plan (MTFP) Support towards the budget is forecast to **reduce by of £8.479m to £28.321m**, due to the forecast underspend within budget lines.
- d) Agree that mitigating actions are to be identified in order to reduce any overspends, to take action and to contribute to the long-term financial sustainability of the authority.
- e) Agree that the **Council continues with the aim of avoiding a Section 114 notice** by taking all of the necessary actions and continuing to operate as if one has been issued.
- f) Note the progress and **delivered savings of £13.114m** of the approved savings programme as set out in **Table 2** and **Appendix J**.
- g) Notes that work will continue to find mitigating or substitute savings for the **£0.432m** of Red unachievable savings, deliver the £5.142m Amber at risk savings and the £20.189m Green on track savings.
- h) Note the in-year forecast overspend on the Dedicated Schools Grant of **£28.259m, an increase of £2.419m** from Month 5 (**in paragraph 14**).
- i) Note the total forecast Dedicated Schools Grant year-end **deficit of £64.199m** as set out in **Appendix C**.
- j) Note the collection rates for Council Tax and Business Rates as set out in **paragraph 24**.
- k) Note the quarterly update on the prudential indicators detailed in **Appendix L**.
- l) Note the outstanding debt position as detailed in **Chart 3** and **Appendix M**.
- m) Note the level of General Reserves is **£52.4m** (risk-based assessment – minimum £30m, maximum £60m).
- n) Approves the additional Quarter 2 capital slippage of **£75.690m** into future years
- o) Approves **£22.123m** of externally funded additions to the capital programme, as detailed in **Section 34** of this report.
- p) Notes **£2.708m** of virements within the capital programme, as shown in **Appendix O**.

Reasons for Proposals

To ensure that the Council continues to work to a balanced revenue and capital outturn and to maintain tight financial control over its budget.

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Main report and supporting information

Background and purpose of report

General Fund Revenue

10. Full Council approved the 2024/25 budget in February 2024, and **Table 1** provides a summary of budget, forecasts, and variances on a service-by-service basis as at the end of September 2024. This table shows a breakdown of the budget into expenditure and income to give the net budget for each service. Further details and mitigations being taken by the responsible director are outlined in **Appendices A to Q**.

Table 1: 2024/25 Revenue Budget Monitoring Report as at the end of September 2024 (Quarter 2)

Service Area	Current Expenditure Budget £m	Current Income Budget £m	Current Net Budget £m	Full Year Projection £m	Month 6 Variance £m	Overspend / (Underspend)	RAG Status	Ongoing Pressure £m	One-off Pressures £m	Movement From Month 5 £m
Adult Services										
Adult Social Care Operations:										
Physical Disability/Sensory Loss/65 Plus	166.108	(27.873)	138.235	134.984	(3.251)	Underspend	Green	-	8.356	(0.355)
Mental Health	43.367	(6.348)	37.019	36.189	(0.830)	Underspend	Green	-	0.917	0.013
Learning Disabilities	145.385	(7.802)	137.583	134.969	(2.614)	Underspend	Green	-	4.449	(1.055)
Adult Social Care - Commissioning	21.595	(94.900)	(73.305)	(70.106)	3.199	Overspend	Red	-	3.210	0.710
Adult Services Total	376.455	(136.923)	239.532	236.036	(3.496)	Underspend	Green	-	16.932	(0.687)
Children, Families & Education Services										
Children & Families	115.076	(16.570)	98.506	108.416	9.910	Overspend	Red	14.467	0.273	2.792
Commissioning & Performance	19.106	(7.521)	11.585	11.058	(0.527)	Underspend	Green	-	-	(0.138)
Education	59.284	(26.877)	32.407	32.071	(0.336)	Underspend	Green	0.340	1.277	(1.119)
Childrens Services	0.330	(0.001)	0.329	0.037	(0.292)	Underspend	Green	-	-	(0.292)
Children, Family & Education Services Total	193.796	(50.969)	142.827	151.582	8.755	Overspend	Red	14.807	1.550	1.243
Community Services										
Housing	14.485	(7.865)	6.620	6.642	0.022	Overspend	Amber	-	0.516	-
Customer Services	8.856	(3.321)	5.535	5.535	-	On-budget	Green	-	-	-
Cultural Services	12.744	(3.625)	9.119	7.805	(1.314)	Underspend	Green	0.114	-	(0.114)
Regulatory & Operational Services	24.733	(11.591)	13.142	12.862	(0.280)	Underspend	Green	-	0.454	(1.011)
Community Services Total	60.818	(26.402)	34.416	32.844	(1.572)	Underspend	Green	0.114	0.970	(1.125)
Climate & Place										
Climate, Environment & Sustainability	66.985	(8.899)	58.086	61.188	3.102	Overspend	Red	-	3.140	0.040
Infrastructure & Transport	49.688	(26.960)	22.728	22.696	(0.032)	Underspend	Green	1.240	-	(0.967)
Economy, Employment & Planning	20.107	(10.317)	9.790	9.988	0.198	Overspend	Amber	-	0.255	(0.100)
Accountable Bodies	4.157	(0.559)	3.598	3.543	(0.055)	Underspend	Green	-	-	(0.055)
Climate & Place Total	140.937	(46.735)	94.202	97.415	3.213	Overspend	Red	1.240	3.395	(1.082)
Strategy, Workforce & Localities										
Partnership & Localities	3.109	(0.225)	2.884	2.884	-	On-budget	Green	-	-	-
Strategy & Performance	7.544	(1.059)	6.485	5.795	(0.690)	Underspend	Green	0.140	-	(0.689)
Workforce	10.125	(3.902)	6.223	5.439	(0.784)	Underspend	Green	-	-	(0.238)
Governance, Democratic & Legal Services	11.213	(1.424)	9.789	10.648	0.859	Overspend	Red	1.300	0.023	(0.355)
Strategy, Workforce & Localities Total	31.991	(6.610)	25.381	24.766	(0.615)	Underspend	Green	1.477	0.023	(1.282)
Resources & Corporate Services										
Finance & Procurement	120.475	(106.088)	14.387	13.907	(0.480)	Underspend	Green	0.483	0.092	(0.841)
Strategic Asset Management	19.457	(24.027)	(4.570)	(4.671)	(0.101)	Overachievement	Green	-	-	(0.432)
Information Communication Technology	20.145	(2.891)	17.254	15.935	(1.319)	Underspend	Green	0.137	0.179	0.174
Resources & Corporate Services Total	160.077	(133.006)	27.071	25.171	(1.900)	Underspend	Green	0.620	0.271	(1.099)
Public Health	24.039	(23.000)	1.039	1.039	-	On-budget	Green	-	-	-
Corporate Management	1.574	(0.103)	1.471	1.490	0.019	Overspend	Amber	-	0.019	(0.011)
Non-Service	78.584	(10.912)	67.672	60.849	(6.823)	Underspend	Green	0.120	-	(3.700)
Traded Services	-	-	-	-	-	On-budget	Green	-	-	-
Total Service Position	1,068.271	(434.660)	633.611	631.192	(2.419)	Underspend	Green	18.378	23.160	(7.743)
Corporate Contingency	6.000	-	6.000	-	(6.000)	Underspend	Green	-	-	-
Total After Contingencies	1,074.271	(434.660)	639.611	631.192	(8.419)	Underspend	Green	18.378	23.160	(7.743)
Council Tax	-	(361.071)	(361.071)	(361.071)	-	On-budget	Green	-	8.479	-
Business Rates	-	(128.447)	(128.447)	(128.447)	-	On-budget	Green	-	-	-
Grants	-	(65.997)	(65.997)	(66.057)	(0.060)	Overachievement	Green	-	-	-
Collection Fund (Surplus)/Deficit	-	(7.713)	(7.713)	(7.713)	-	On-budget	Green	-	-	-
Total After Funding	1,074.271	(997.888)	76.383	67.904	(8.479)	Underspend	Green	18.378	31.639	(7.743)
Reserves	-	(39.499)	(39.499)	(31.020)	8.479	Reduced draw	Green	-	8.479	8.479
Capitalisation Direction	-	(36.884)	(36.884)	(36.884)	-	On-budget	Green	-	-	-
Total Position	1,074.271	(1,074.271)	-	-	-	On-budget	Green	18.378	40.118	0.736

Key Variances and Movements

11. The final two sections below 'total after contingencies' of **Table 1** above show the different sources of funding to balance the budget for 2024/25. The financial challenges facing the Council are significant and the 2024/25 budget was set with significant one-off resources. Use of **Earmarked Reserves of £36.800m** was budgeted and **Exceptional Financial Support with a Capitalisation Direction of £36.884m** from Ministry of Housing Communities and Local Government (MHCLG) have been used to close the budget gap and set a balanced budget for 2024/25. It is forecast that **£28.321m of Earmarked Reserves** will be used due to underspends within other areas.

12. The main revenue variances at Quarter 2 are:

- **Adult Services** are forecasting an underspend of **£3.496m** (1.5% of budget). This is an **increase of £0.687m** from Month 5. This is due to the commissioning work carried out with the market to reduce weekly residential and nursing fees and the movement within the Learning Disabilities budget due to the growth being less than originally anticipated.
- **Children's Services** are forecasting an **overspend of £8.755m** (6.1% of budget). This is an **increase of £1.243m** from Month 5. This is mainly due to an overspend of £11.613m (£14.467m gross less £2.800m children's management contingency) on the External Placements budget due to the rising numbers of children moving into high cost residential and unregistered placement offset by underspends in Home to School transport and SEN Transport (£1.119m) and Fieldwork (£1.422m).
- **Community Services** are forecasting an **underspend of £1.572m** (4.6% of budget). This is an **increase of £1.125m** from Month 5. The underspend is due to legacy budgets of £1.200m still being held in Leisure, however underspends have been identified in Museums and Tourism due to devolution or closure of the service. Regulations and Operations have increased their underspend due to updated forecasts regarding salary positions, and reducing service spend without impacting the delivery of the service.
- **Climate & Place** is forecasting an **overspend of £3.213m** (3.4% of budget). This is a **decrease of £1.082m** from Month 5. The overspend is due to an increase in Waste Services contract costs, and safety defects, vehicle, and salary costs within Highways. The Infrastructures Programme Group variance is due to uncertainties of being able to attribute salary costs to capital projects, and Land Charges highlight an income budget that has not yet been achieved, offset by holding vacancies.
- **Strategy, Workforce & Localities** are currently forecasting an **underspend of £0.615m** (2.4% of budget). This is a **decrease of £1.282m** from Month 5. This is mainly due to a forecast overspend in Legal Services due to reliance on locum/agency lawyers, to deliver statutory and demand led services, because of recruitment challenges, offset by holding vacancies, and an underspend in the training budget.
- **Resources & Corporate Services** are currently forecasting an **underspend of £1.900m** (7% of budget). This is an **increase of £1.099m** from Month 5. There are a variety of pressures including one-off external audit costs, income budgets that have not yet been achieved, and Health & Safety costs on property, as well as savings on Microsoft products in ICT contract costs, offset by holding vacancies.

- **Non-Service** has a forecast outturn **underspend of £6.823m** (10.1% of budget) this is an **increase of £3.700m** from Month 5. This relates to the capital financing forecast that has been updated due to investment income being expected to be higher by the end of the financial year.
- The Corporate Contingency budget remains unallocated, however **all £6.000m has been released into the forecast outturn.**
- The **overachievement of £0.060m** income forecast for **grants** is due to receiving confirmation that the 2024/25 Services grant will be more than budgeted. There is no movement in forecast from Month 5.

13. The Dedicated Schools Grant (DSG) budget for Quarter 2 forecasts an in-year **overspend of £28.259m** on the High Needs Block, this is an **increased overspend of £2.419m** from Month 5. The High Needs block budget was set with a budgeted deficit of £18.853m for 2024/25. The cause remains to be mainly due to the Mainstream Top Ups and Costed Plans budgets have had an increase to the average rate of a costed plan of approximately 10%, as well as a shift in the profile of need to higher banded children. Also, the average number of places is higher than anticipated for the financial year within the Independent Non-Maintained School (INMS) and Children Looked After (CLA) Pre-16 budget.

Mitigations

14. To pull back the revenue overspend forecast within Service Directorates, to a balanced position for outturn, and protect the Council's reserves position, the following elements of the budget are being reviewed:

- A focus on Commissioning of suitable Children's Placements including step down
- Capital programme
- Alternative funding sources
- Recharges across to Housing Revenue Account, Dedicated Schools Grant, Public Health Grant
- Invoiced income versus alternative payment methods
- Fees and charges
- Annual underspends (review from 2023/24 outturn)

MTFP Savings Monitoring

15. The Council's 2024/25 revenue budget included **£34.977m** of approved MTFP savings proposals. In addition to this **£3.9m** of savings which were not achieved in 2023/24 have been rolled forward to 2024/25. Therefore, the total savings to be delivered in 2024/25 is **£38.877m.**

16. **Table 2** shows the Quarter 2 forecast achievement of savings against the approved amounts. Services monitor these monthly based on their achievement to date and

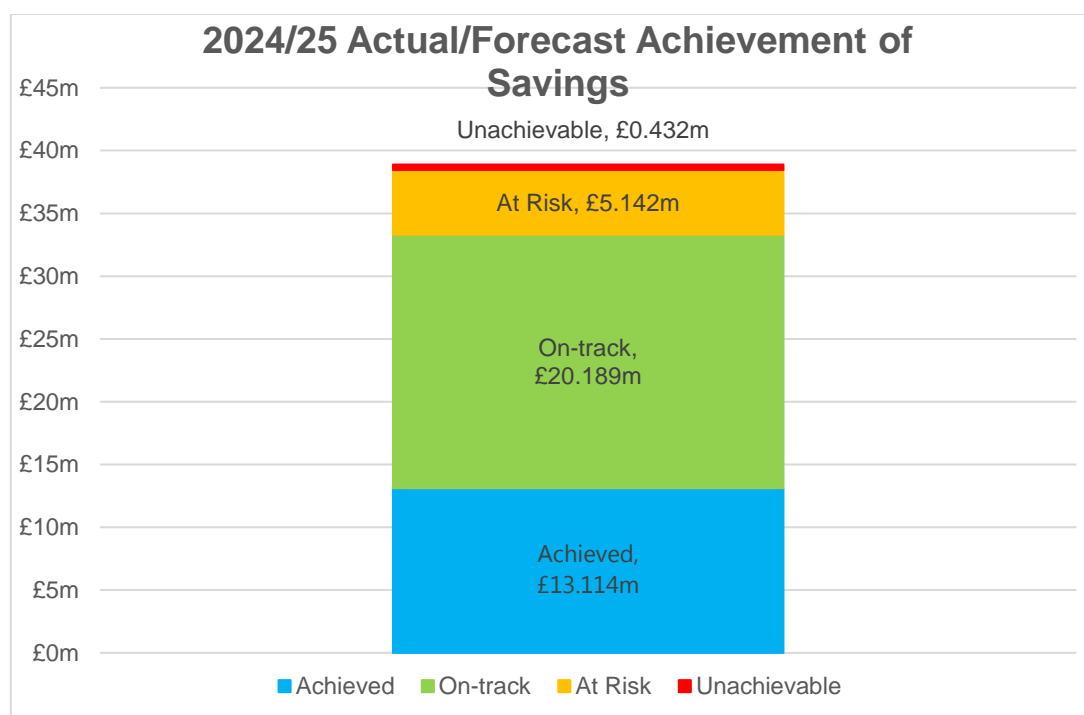
the forecast profile for realising the savings over the year. The forecast positions are reflected in the outturn position.

Table 2: Performance of Agreed Savings Proposals as at end of September 2024 (Quarter 2)

Service Area	Approved Savings £m	Achieved £m	On-track £m	At Risk £m	Unachievable £m
Adults Services	(13.708)	(8.908)	(4.800)	-	-
Children & Family Services	(9.570)	(0.834)	(4.904)	(3.677)	(0.155)
Community Services	(2.866)	(0.115)	(2.412)	(0.225)	(0.114)
Climate & Place	(5.637)	(2.171)	(2.183)	(1.233)	(0.050)
Strategy, Workforce & Localities	(0.484)	(0.402)	(0.082)	-	-
Resources & Corporate Services	(2.564)	(0.684)	(1.760)	(0.007)	(0.113)
Public Health	-	-	-	-	-
Non-Service	(4.048)	-	(4.048)	-	-
Total	(38.877)	(13.114)	(20.189)	(5.142)	(0.432)

Percentages	100%	34%	52%	13%	1%
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Chart 2: Actual/Forecast Achievement of Savings during 2024/25



17. Delivery of the savings is vital to ensure the current and future financial viability of the Council. Where savings are not forecast to be achieved then the relevant service directors are working on the development of alternative recovery or mitigation measures. These measures will be listed in future reports. See **Appendix J** for further information.

Spend Control Board

18. The Spend Control Board was established in October 2023 to review and challenge all purchases over £100 to avoid non-essential spending. As of April 2024, this threshold was increased to £500. The Council has seen a slight reduction in the number of suppliers paid, from 29,455 in Quarter 1, to 28,929 in Quarter 2. The value of payments to suppliers also decreased by £27.617m in Quarter 2, totalling £317.069m. The Council enforced a '**No Purchase Order, No Pay**' policy last financial year, rejecting any supplier invoice without a valid purchase order number unless it was on an exemption list. This policy aims to ensure proper procurement procedures and improve budgeting, and forecasting.
19. The Finance team continues to work with services to ensure compliance with the purchase order policy, which has led to a cultural change within the organisation. Initially, there were many retrospective purchase orders, but this has declined with the enforcement of the policy. The value of purchase orders reviewed by the Spend Control Board decreased by £7.31m in Quarter 2, with a total of £45.43m reviewed. The number of purchase orders reviewed also dropped from 1,167 in Quarter 1 to 1,091 in Quarter 2, with a slight increase in the value of retrospective purchase orders. This indicates improved adherence to procurement procedures and a reduction in non-essential spending. **Appendix K** provides further information on the Spend Control Board.

Treasury Management

20. Cash balances have been higher than anticipated in Quarter 2, leading to a greater return than forecast. These balances are forecast to reduce during the second half of the financial year. The Bank of England reduced interest rates in August 2024, with further reductions expected through the end of 2024 and 2025. This and the associated impact on returns on cash balances is being closely monitored.
21. Cash resources are being utilised to ensure borrowing is kept to a minimum, only taking out new borrowing as the authority's cashflow requires it. Somerset Council has complied with its Prudential Indicators for 2024/25 to the end of quarter two.
22. Further details of investments, borrowing and Treasury Prudential Indicators can be found in **Appendix L**.

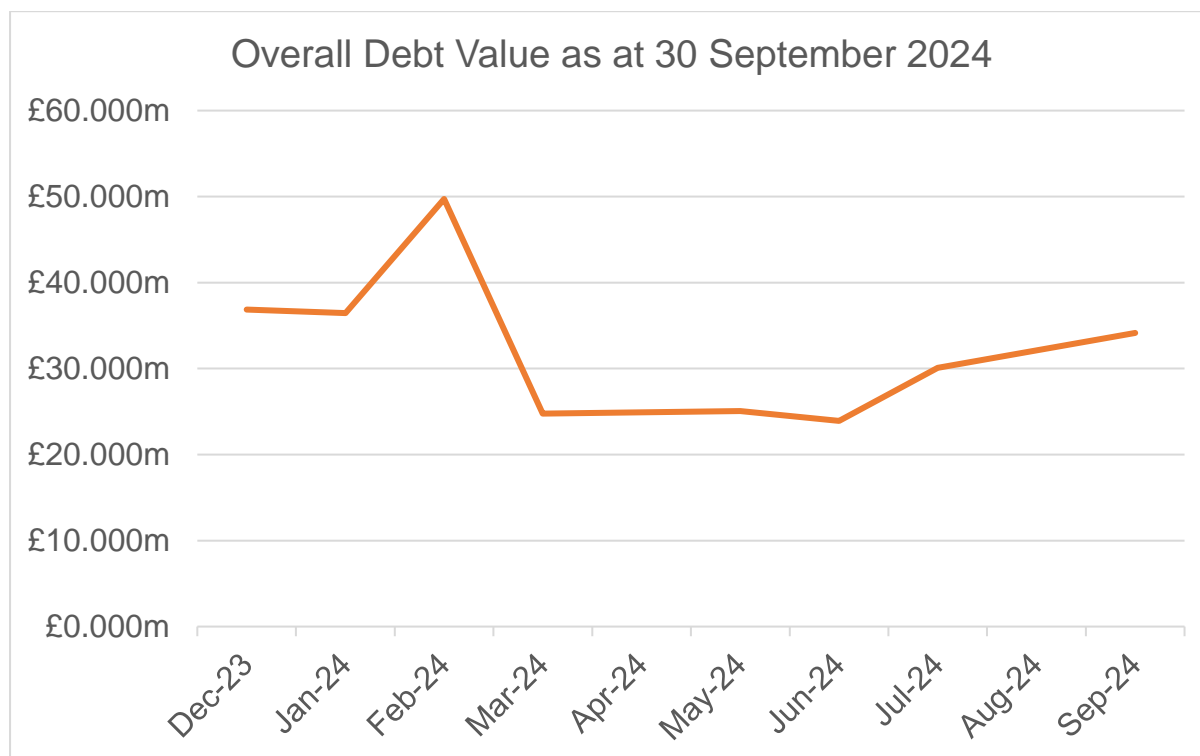
Collection Fund

23. For 2024/25, the amount of Council Tax collected at the end of Quarter 2 was **57.04%** against a target of 56.72%. The amount of Business Rates collected by the end of Quarter 2 was **56.33%** against a target of 54.08%. Both of these collections are ahead of the in-year profile as at Quarter 2.

Debtor Management

24. At the end of Quarter 2 total debt stands at £34.18m. This is an increase of £5.18m since Quarter 1. A large amount of this debt was only raised during Quarter 2 and is not yet classed as 'aged.' Further information on the debtor position can be found in **Appendix M**.

Chart 3: Overall Debt Value as at 30 September 2024.



Reserves

25. The financial impact of a £8.479m revenue underspend is a reduction in the forecast use of the £36.800m MTFP Earmarked Reserves Support towards the budget to £28.321m. There is a further £10.346m of Service use of Earmarked Reserves taking the total forecast use to £38.667m. This would bring the estimated level of Earmarked Reserves to £66.213m at year-end, and the projected level of General Reserves would remain at £52.374m. This is above the £30m minimum risk-based assessment of reserves approved by Council in February 2024. Please see **Appendix N** for more details on Earmarked Reserves.

Capital Programme

26. This report is for the General Fund and does not include anything in relation to the Council's Housing Revenue Account. The General Fund (GF) mainstream Capital programme that includes all the departments and represents schemes which are funded from Council resources (capital receipts or borrowing). It is the area of the programme where the Council has the greatest discretion.

27. A high-level update on the significant schemes that are planned to be delivered is provided. Each scheme has a nominated Budget Manager who is responsible for ensuring the scheme stays within budget, and who provides the forecast the spend, working with the Capital Finance team and Finance Business Partnering Team.
28. Capital investment decisions are now required to be underpinned by a robust business plan that sets out the full costs and risks and any expected financial return alongside the broader outcomes including economic and social benefits. Where possible the project initiation document /business cases have been collected to provide details on each project. Officers are responsible for monitoring and delivering projects within approved budgets and reporting variances.
29. The Capital and Finance Business Partnering Teams are working closely with budget holders to review their capital schemes, with particular focus on the spend profile against that budgeted for 2024/25 to try and forecast more accurately the spend this year and that unlikely until future years. The effect of which can be seen in **Table 3** below where the 2024/25 capital budget is now set at £119.319m. This will also allow the Treasury Management Team to forecast more accurately the borrowing requirement for the year. The reprofiled budgets can be seen in **Appendix P**.

Table 3: 2024/25 Quarter 2 Capital profiling comparison to original budget and Quarter 1 budget.

	Original Budget 2024/25	Revised Budget per Q1 Report 2024/25	Revised Q2 Budget including slippage 2024/25	Budget slipped into future years	Variance (under)/ overspend
	£m	£m	£m	£m	£m
Adult and Health Services	4.689	4.132	4.132	0.557	-
Children's Services	40.556	34.973	14.166	26.391	-
Climate and Place	183.792	141.857	88.982	94.810	-
Community Services	18.689	4.444	5.833	11.898	0.958
Resources and Corporate Services	20.625	9.368	6.071	15.619	(1.065)
Strategy, Workforce and Localities	0.370	0.235	0.135	0.235	-
Total Services	268.721	195.009	119.319	149.509	(0.107)

Capital Spend for 2024/25

30. Total spending for 2024/25 is estimated to be **£114.166m**; Against the reprofiled budget of £119.319m there is a total variance of £5.153m being forecast; slippage of £5.046m and a net underspend of £0.107m.
31. **Table 4** provides a Directorate level breakdown of the reprofiled 2024/25 budget and spend against it. The slippage mainly relates to the Staplegrove Housing Infrastructure project for which a £14.216m grant was received with a spend deadline of 31 March 2025. The delivery of the project is delayed, and negotiations are underway to extend the deadline, however, should the deadline not be

extended it is possible that £9.000m can be committed and £5.216m may need to be returned.

32. The net £0.107m underspend is mainly due to:

- a) Brought forward overspends in Community Services of £0.958m, being the balance brought forward from 2023/24 of £0.703m plus current year spend of £0.032m on other schemes and write off of £0.221 brought forward balance on Heritage Conservation plus £0.028m current year costs not budgeted, less an underspend on Norton Fitzwarren playing pitches of £0.025m
- b) A £1.065m underspend mainly in Property Services following a detailed review of the projects identified a number of projects that were completed or old projects brought forward in legacy District budgets that are no longer expected to be delivered.

Table 4: Directorate summary of 2024/25 spend against budget

Capital Programme General Fund	Reprofiled Budget Q2 2024/25	Forecast Outturn 2024/25 Q2	Total Variance (under)/ overspend	Slippage Forecast to Q2 Budget	Variance (under)/ overspend
	£m	£m	£m	£m	£m
Adult and Health Services	4.132	4.132	-	-	-
Children's Services	14.166	14.166	-	-	-
Climate and Place	88.982	83.549	(5.433)	(5.433)	-
Community Services	5.833	6.780	0.947	(0.012)	0.958
Resources and Corporate Services	6.071	5.404	(0.667)	0.398	(1.065)
Strategy, Workforce and Localities	0.135	0.135	-	-	-
Total Services	119.319	114.166	(5.153)	(5.046)	(0.107)

33. A summary by Service and Directorate is in **Appendix O**.

External Funding Additions to the Programme since Quarter 1 report for 2024/25

34. There are **additions of £22.123m** to the capital programme which Members are recommended to approve:

- **£0.407m** – works to Bridges funded by the Somerset Rivers Authority (SRA).
- **£0.167m** – DfT grant funding towards Highway Improvement Schemes.
- **£19.188m** – Levelling Up funding for the Toneworks restoration.
- **£0.659m** – S106 funded projects undertaken.
- **£1.702m** – Grant funded by the Dept for Energy, Security & Net Zero for contributions to improvements to reduce the carbon impact in social housing

Financing of the 2024/25 Capital Programme

35. The financing of the capital programme is in **Table 6** below. The Grants and Contributions consist of Central Government funding of £87.987m of which £9.000m relates to the Staplegrove Infrastructure Project, Other Grants of

£0.816m, and £5.248m of CIL/S106. Borrowings at £18.733m constitute £16.4% of the funding required.

Table 6: Expected Financing of 2024/25 Forecast Spend

Capital Programme General Fund	Forecast Outturn 2024/25	Grant and Contributions	Capital Receipts	RCCO and Reserves	Borrowing
	£m	£m	£m	£m	£m
Adult and Health Services	4.132	4.132	-	-	-
Children's Services	14.166	8.968	0.009	(0.085)	5.274
Climate and Place	83.549	78.132	1.089	0.069	4.259
Community Services	6.780	2.427	-	0.100	4.253
Resources and Corporate Services	5.404	0.256	0.075	0.126	4.947
Strategy, Workforce and Localities	0.135	0.135	-	-	-
Total Services	114.166	94.051	1.172	0.210	18.733

Capital Programme 2024/25 to 2027/28

36. Appendix P shows the total capital programme for 2024/25 to 2027/28, in terms of the forecast spend for each year.

Links to Council Plan and Medium-Term Financial Plan

37. The 2024/25 Revenue Budget was approved by Council in February 2024 as part of the Medium-Term Financial Plan (MTFP) and is the financial resourcing plan to deliver the Council Plan.

38. The 2024/25 Capital Budget was approved by Council in February 2024 alongside the Medium-Term Financial Plan (MTFP) and is the financial resourcing plan to deliver the Council Plan. Monitoring of the agreed programme has been delegated to Executive and is undertaken on a quarterly basis.

Other options considered

39. No other options were considered as continuing to monitor the budget on a monthly basis is considered best practice.

Key considerations for the Council

Scrutiny comments/recommendations:

40. This report was presented to Scrutiny for Corporate & Resources Committee, on 25 November 2024.

Consultation and feedback

41. A consultation is not required for this report.

Financial and Risk Implications

Current Risk Score:

There are two relevant Strategic Risks which are ORG0083 Revenue Budget overspend for 2024/25 and ORG0057 Sustainable Medium Term Financial Plan.					
ORG0057 Sustainable Medium Term Financial Plan					
Likelihood	5	Impact	5	Risk Score	25
This has a current risk score of 25 which is an increase to the previous score of 20. The increase is in recognition of the issues set out in this report, and the Medium Term Financial Plan & Strategy Update report, which went to Executive on 7 October. Despite all the actions taken and mitigations put in place, the risk is set at 25, the highest risk score possible.					
ORG0083 Revenue Budget overspend for 2024/25 – A significant budget overspend in the current financial year (2024/25) would have to be funded from council reserves, reducing them to dangerously low levels, affecting the Council’s Financial Resilience, and potential S114 notice.					
Likelihood	3	Impact	4	Risk Score	12

42. Large scale capital projects can operate in environments which are complex, with a range of variables, and continually evolving. Effective risk identification and control within such a dynamic environment includes populating a project risk register. In addition, it requires amplifying the known risks so that they are not hidden or ignored, demystifying the complex risks into their more manageable sum of parts, and anticipating emerging risks which can escalate rapidly are all necessary components of good capital programme risk management.

Legal and Procurement Implications

43. There are no specific legal implications arising from this report.

HR / Workforce Implications

44. There are no specific HR /Workforce implications arising from this report.

Equalities Implications

45. There are no specific equalities implications arising from this report.

Community Safety Implications

46. There are no community safety implications arising from this report.

Climate Change and Sustainability Implications

47. There are no climate change and sustainability implications arising from this report.

Health and Safety Implications

48. There are no health and safety implications arising from this report.

Health and Wellbeing Implications

49. There are no health and wellbeing implications arising from this report.

Social Value

50. There are no Social Value implications arising from this report.

Other Implications:

51. The Council needs to carefully consider its VAT partial exemption calculation and the risk of breaching the partial exemption threshold. Capital projects represent the bulk of this risk. A breach would likely cost the Council several million pounds per year if in breach. Finance is working closely with departments to ensure that partial exemption risks are considered as part of significant capital projects.

Background Papers

- Medium Term Financial Strategy (MTFS) 2025/26 to 2029/30 report to Executive and Council April 2024.
- 2024/25 Budget, Medium-Term Financial Plan & Council Tax Setting report to Council in February 2024.
- 2024/25 General Fund Revenue Budget Monitoring Outturn Report to Scrutiny for Corporate & Resources and Executive in September 2024.
- Budget Monitoring Report – 2024/25 Emerging Issues & 2023/24 Provisional Outturn to Executive and Scrutiny for Corporate & Resources in July 2024.
- 2024/25 General Fund Capital Budget Monitoring Report - Qtr1 to Scrutiny in August 2024 and to Executive in September 2024.
- 2024/25 General Fund Revenue Budget Monitoring Report – Month 4 – End of July 2024 to Scrutiny in September 2024 and Executive in October 2024
- 2024/25 General Fund Revenue Budget Monitoring Report – Month 5 – End of August 2024 to Scrutiny in October 2024 and Executive in November 2024.
- 2024/25 General Fund Capital MTFP Budget report to Corporate & Resources Scrutiny, Executive, and Full Council February 2024.
- 2023/24 Month 12 (Qtr. 4) Capital Budget report to Corporate & Resources Scrutiny & Executive September 2024.

Appendices

Appendix A: Adults Services

Appendix B: Children, Families & Education Services

Appendix C: Dedicated Schools Grant

Appendix D: Community Services

Appendix E: Climate & Place (including Accountable Bodies)

Appendix F: Strategy, Workforce & Localities

Appendix G: Resources & Corporate Services

Appendix H: Public Health

Appendix I: Other service areas

Appendix J: MTFP Savings Monitoring

Appendix K: Spend Control Board

Appendix L: Treasury Management

Appendix M: Debtor Management

Appendix N: Earmarked Reserves Update

Appendix O: General Fund Capital Programme Outturn Forecast 2024-25

Appendix P: General Fund Capital Programme Budget & Funding

Appendix Q: 2024-25 Summary Updates for Major Capital Projects

**Report assurance checklist ahead of report publication
(for Audit, Executive, Full Council and Scrutiny Committees)**

	Officer Name	Date Completed
Legal & Governance Implications	David Clark / Jill Bryon	16/11/2024
Finance & Procurement	Nicola Hix	16/11/2024
Workforce (*)	Dawn Bettridge	18/11/2024
Asset Management (*)	Simon Lewis	
Executive Director	Maria G Christofi	16/11/2024
Executive Lead Member	Cllr Liz Leyshon	17/11/2024
Consulted:		
Local Division Members	All	N/A
Opposition Spokesperson(s)	Cllr Diogo Rodrigues Opposition Spokesperson for Transport and Digital	
Relevant Scrutiny Chair(s)	Cllr Bob Filmer, Chair - Scrutiny Corporate & Resources Committee	

Note:

Directors may nominate additional officers to act on their behalf

(*) – these areas only need to be consulted on proposals if the proposals have workforce or asset management implications

Reports will not be published if assurance checklist has not been adequately completed – report author to liaise with Democratic Services well ahead of publication deadline