

REPORT TITLE: Corporate Financial Monitoring Report, Quarter 1.

Meeting:	Cabinet
Date:	9th September 2025
Cabinet Member (if applicable)	Councillor Graham Turner
Key Decision Eligible for Call In	Yes Yes
<p>Purpose of Report: To receive information on financial monitoring for General Fund Revenue, Housing Revenue Account (HRA) and Capital Plan, as at Quarter 1 (month 3), 2025/26.</p>	
<p>Recommendations</p> <ol style="list-style-type: none"> 1) note the forecast revenue outturn position at Quarter 1 for 2025/26 (£5.9m overspend) and that and that Executive Directors have been asked to bring forward sustainable proposals to reduce the overspend to bring the budget back into balance. 2) approve that the £149k of the budget amendment for Christmas week bin collections be redirected to support the Flytipping strategy £100k and the Kirklees Clean-Up project £49k. 3) note the Quarter 1 forecast that the Dedicated Schools Grant (DSG) deficit is forecast to increase by £12.5m in 2025/26 to £76.3m. 4) note the Quarter 1 forecast HRA position as £181k overspend and forecast year-end reserves position of £14m; 5) note the Quarter 1 forecast capital monitoring position for 2025/26 and approve a further net reduction in the 2025/26 position of £9.6m due to £9.9m re-profiling (£7.2m General Fund and £2.7m HRA) into future years. Also note £0.4m net increase in the overall capital plan (£0.3m 2025/26, £0.1m 2026/27) due to increased grant and S106 contributions as set out in the accompanying slides (Appendix 1 slides 33-38 and Appendix 3); 6) note the Quarter 1 treasury management prudential indicators (slide 39-52, Appendix 1). <p>Reasons for Recommendations This Quarter 1 report updates the Cabinet on the current financial position as of Month 3 (30 June), together with key risks.</p>	
<p>Resource Implications: To note information on financial monitoring for General Fund Revenue, DSG, Housing Revenue Account (HRA) and Capital Plan, as at Quarter 1 (month 3), 2025/26.</p>	

Date signed off by <u>Executive Director</u> & name	Rachel Spencer Henshall – 21 August 2025
Is it also signed off by the Service Director for Finance?	Kevin Mulvaney – 21 August 2025
Is it also signed off by the Service Director for Legal Governance and Commissioning?	Sam Lawton – 21 August 2025

Electoral wards affected: All

Ward councillors consulted: None

Public or private: Public

Has GDPR been considered? Yes. This report contains no information that falls within the scope of General Data Protection Regulations.

1. Executive Summary

1.1 The attached slides provide information on financial monitoring for General Fund, Revenue, DSG, Housing Revenue Account (HRA) and Capital Plan, as at Quarter 1 (month 3), 2025/26.

Cabinet are advised that the projected overspend at Q1 of £5.9m for the General Fund is the lowest Q1 forecast overspend since COVID. The projected overspends in each of the last few years at the equivalent period and outturn are shown below

	Q1 Projection (£m)	Outturn (£m)
2022/23	24.6	27.0
2023/24	20.3	7.3
2024/25	12.9	5.6

1.2 It is evident that the additional resources that were included in Directorate base budgets as part of the 2025/26 budget are having the desired effect. The size of the projected overspend is lower and whilst there are still some variations, as described below, these are fewer in number.

1.3 As a result of this progress the vacancy freeze has been removed and posts are now beginning to be released for recruitment, although release of posts are still subject to review by Executive Directors and then the Head of People Services and the S151 Officer on a fortnightly basis.

1.4 Services are now in a position where provided they live within their means and stick to their approved budgets, they can now spend budgets to deliver outcomes rather than spend on what was previously termed as essential spend only.

1.5 Clearly this position will be kept under review as the year progresses.

2. Information required to take a decision

2.1 The slides accompanying this report provide a more detailed breakdown of the projected outturn financial monitoring position, as follows:

Forecast General Fund revenue outturn position in 2025/26 by service area;

General Fund reserves and balances movements in-year;

Forecast HRA revenue outturn position including movements in HRA reserves in-year;

Forecast capital outturn position in 2025/26;

Treasury management prudential indicators.

3. Implications for the Council

3.1 Council Plan

N/A

3.2 Financial Implications

3.2.1 The forecast outturn position at Q1 is a projected overspend of £5.9m after the use of £2m of the budget contingency reserve. Within the position of £5.9m, an estimated £4.3m is due to slippage in the approved savings programme across the Council.

3.2.2

2025/26 Forecast – Quarter 1			
	Revised Budget £000	Forecast Q1 £000	Variance Q1 £000
Children and Families	86,594	90,521	3,927
Adults and Health	110,586	112,271	1,685
Place	54,741	57,693	2,952
Public Health & Corporate Resources	61,468	61,191	(277)
Central Budgets	73,901	73,551	(350)
General Fund	387,290	395,227	7,937
Use of Budget Contingency Reserve	-	(1,993)	(1,993)
Adjusted General Fund Total	387,290	393,234	5,944



3.2.3 The key service variations (outlined in more detail in the slide deck) are summarised below.

3.2.4 The projected outturn position for **Children's Services** at Q1 is pressure of £3.9m. The main reasons for the current projected position are demand led pressures primarily in the

cost and number of External Residential Placements (ERPs). As at Q1, there were 43 External Residential Placements, an increase of 11 since 31/03/25 and the average placement cost has increased from £6.1K p/w to £6.5K p/w. It is also noted that numbers of LAC (Looked After Children) have increased recently. At Q1, the number had increased to 652 from 635 at 31/03/25.

- 3.2.5 The overall projected position for the **Adults & Health** Directorate is an overspend of £1.7m.
- 3.2.6 Within the Adult Social Care related portfolio, there is a small overall variance on demand led activities (external provision) of £0.1m but within this, Residential and Nursing care home placements, and Independent Homecare are projecting overspends respectively of £3.2m and £0.1m, offset by underspends on Shared Lives (£0.4m), Carers/Emergency Support (£0.8m), and on Self-Directed Support (£2.0m), the latter mainly in relation to Commissioned Services. There is also a variance in relation to the previous year savings target around income/debt £1.8m not achieved. A small underspend is being projected across employee budgets (£0.1m).
- 3.2.7 There is also an adverse variance in relation to Castle Grange and Claremont House care homes – the delay in their sale has resulted in a reduced level of expected saving against the assumed levels within Adult Social Care and Place. It is estimated that £0.4m of variance will be funded as a one-off from the budget contingency reserve.
- 3.2.8 The Communities and Access portfolio is projecting an underspend of £0.3m, with small variances across a range of activities.
- 3.2.9 The overall projected position for the **Place** directorate as at Q1 is an overspend of £2.9m
- In Development there is an overspend of £0.5m that largely relates to the management and maintenance of corporate buildings.
 - Highways & Street scene is forecast to overspend by £1.0m, with the main pressure areas being Parking £0.7m and Highways £0.5m.
 - Pressures of c£1.5m in relation to the cost of Home to School Transport are forecast. It is proposed that the Strategic Budget contingency reserve is used to mitigate this pressure in 2025/26
- 3.2.10 **Public Health and Corporate Resources** – The projected underspend forecast at Q1 is - £0.3m. This is predominantly due to vacancies across the directorate. There are some demand pressures on Legal Services creating a £0.5m overspend. No variations are currently forecast on the Housing Benefit Subsidy loss at Q1. This will be kept under close monitoring.
- 3.2.11 At Quarter 1 there is a projected underspend of £0.4m in **Central Budgets**. This sits within Treasury Management and is related to slippage in the in-year capital plan and a combination of interest rates on borrowing taken to date being lower than budgeted and interest income on balances. The approved budget included an amendment of £149k for Christmas week bin collections. It has not been possible to progress this and therefore it is proposed that it is redirected to support the Flytipping strategy £100k and the Kirklees Clean-Up project £49k.
- 3.2.12 Executive Directors have been asked to bring forward proposals to bring the projected overspend back into a balanced position and there remains in place controls on recruitment

whereby all posts have to be approved for release by Executive Directors, the Head of HR and the S151 officer

3.2.13 Total forecast usable reserves at 31 March 2026, excluding any impact of this projected overspend are £64.9m, of which £38.8m are identified as earmarked.

Dedicated Schools Grant

3.2.14 The projected outturn position for the DSG at Q1 is an in year overspend of £12.5m which will increase the cumulative deficit to £76.3m. The service is working collaboratively with schools to change the way in which funding is allocated to mainstream schools for children with SEND through the introduction of "Cluster Working" and it is anticipated that over time this will lead to stabilisation of costs and reductions. A more robust approach to contract management has also been introduced and this is helping to mitigate the impact of provider increases although the cost of Independent School Places still continues to rise, as does demand.

3.2.15 As part of the Safety Valve agreement the Council will contribute a sum of £2.15m per annum for 5 years. This is fully provided for in the budget. Members are reminded that the Statutory Override of DSG deficits has been extended to March 2028 and that the Council is awaiting further guidance from the Government as to the treatment of deficits.

3.2.16 The deficit has a significant impact upon Council cash flows as it has to fund this deficit from existing balances, which it could have ordinarily used to help manage borrowing on the capital plan. This Council, along with others, has made representation to the DfE as to the cost of this which indicatively is £3.8m at 5%

HRA

3.2.17 The projected outturn for the HRA at Quarter 1 is a small forecast overspend of £181k. There are continued pressures around building safety and maintenance of housing stock and the resources required to support this. However significant Improvements have been made in relation to damp mould and condensation cases and disrepair cases. Following the increased charges to tenants and leaseholders for communal services from April 2025, there has been a reduction in the shortfall for these services.

Quarter 1 Capital

3.2.18 The budget for the Capital Plan including rollover was set at £300.4m within the Financial Outturn & Rollover Report 2024/25. Since then, capital budgets have been further reviewed under Financial Procedure Rules 3.8-3.14, in terms of re-profiling slippage into future years, with the aim of narrowing of the gap between the reported in-year capital budget and forecast outturn for 2025/26. To date the review has identified slippage of £9.9m (General Fund £7.2m, HRA £2.7m) being re-profiled into subsequent financial years offset by an increase in grant allocations of £0.3m, representing an overall reduction of £9.6m (Appendix 3).

3.2.19 The Council's revised capital budget at Quarter 1 for 2025/26 is £290.8m. The forecast capital outturn at Quarter 1 is £290.8m. The capital monitoring is presented as in-line with budget, with any slippage identified being re-profiled into future years. The Quarter 1 position is summarised in the Table below

	Rollover Plan	Change / Re-profile	Revised Budget Q1	Actual Costs	Forecast at Q1	Variance Q1
	£'000	£'000	£'000	£'000	£'000	£'000
Children and Families	25,727	0	25,727	1,466	25,727	0
Adults & Health	4,223	0	4,223	371	4,223	0
Place	204,201	(6,686)	197,515	24,700	197,515	0
Public Health & Corporate Resources	18,848	(203)	18,645	458	18,645	0
General Fund	252,999	(6,889)	246,110	26,995	246,110	0
HRA	47,363	(2,679)	44,684	6,201	44,684	0
TOTAL	300,362	(9,568)	290,794	33,196	290,794	0

3.2.20 Noting that Quarter 1 is an early capital forecast, officers will continue to review capital budget profiles in year, including any more detailed recommendations for potential re-profiling of scheme budgets between years (allowable under Financial Procedure Rules 3.8-3.14), as part of future financial monitoring. Any such recommendations would reflect the affordability, sustainability and prudence of the Capital Programme in the context of the Council's financial review.

Updated Multi-year Capital Plan

EXPENDITURE CAPITAL PLAN	2025/26	2026/27	2027/28	2028/29	2029/30	Total
	£'000	£'000	£'000	£'000	-31/32 £'000	£'000
Children & Families	25,727	29,573	21,610	3,827	2,750	83,487
Adults & Health	4,223	8,424	3,031	0	0	15,678
Place	197,515	222,487	121,792	77,907	144,195	763,896
Public Health & Corporate Resources	18,645	11,681	11,911	11,569	11,100	64,906
GENERAL FUND	246,110	272,165	158,344	93,303	158,045	927,967
HOUSING REVENUE ACCOUNT	44,684	65,565	70,589	54,502	109,874	345,214
COUNCIL TOTAL	290,794	337,730	228,933	147,805	267,919	1,273,181

3.2.21 The multi-year Capital plan currently stands at £1.27bn overall (see also slides 37-38) an increase of £0.4m, all held within the General Fund. Additional Local Electric Vehicle Infrastructure (LEVI) funding of £0.3m for Phase 1 Electric Vehicle Charging points in Kirklees is now included within the plan. A further £0.1m has been received in S106 contributions towards the Lees Holme Park Playable Spaces scheme within the Play Strategy Capital Plan.

3.2.22 A review of the overall Capital Plan is underway. All schemes will be reviewed in respect of baseline need, strategic priorities, deliverability and affordability. The review will also consider new capital bid proposals by services which will be assessed by the Capital Assurance Board prior to recommendations for inclusion within the plan. Future capital plan updates will continue to be presented to Council via the annual budget strategy update and annual budget approval reports to Cabinet and Council as a matter of course, as part of the annual planning cycle.

3.3 Legal Implications

Section 28 Local Government Act 2003 imposes a statutory duty, from time to time to carry out budget monitoring of expenditure and income against budget calculations during the financial year. If there is a deterioration in its financial position the council must take such action as it considers necessary to remedy the situation.

3.4 Climate Change and Air Quality

N/A

3.5 Other (eg Risk, Integrated Impact Assessment or Human Resources)

There is an ongoing risk around the volatility of demand budgets.

4 Consultation

This report has been prepared by the Service Director - Finance, in consultation with the Executive Leadership Team.

5 Engagement

N/A

6 Options

6.1 Options considered

N/A

6.2 Reasons for recommended option

N/A

7 Next steps and timelines

That Cabinet endorse the recommendations set out in this report.

8 Contact officer

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9 Background Papers and History of Decisions

Annual budget report 2025-27 to Budget Council, 5 March 2025

Budget Strategy Update Report to Council, 17 September 2025

10 Appendices

Appendix 1: Financial Monitoring slides

Appendix 2: Savings Plan slides

Appendix 3: Breakdown of Capital Budget Changes Since Council Budget Report 2025/26

11 Service Director responsible Kevin Mulvaney, Service Director – Finance.