

<b>Report to</b>	Cabinet
<b>Date of meeting</b>	27 <sup>th</sup> June 2023
<b>Lead Member / Officer</b>	Councillor Gwyneth Ellis, Lead Member for Finance, Performance and Strategic Assets / Steve Gadd, Head of Finance and Audit
<b>Report author</b>	Steve Gadd, Head of Finance and Audit
<b>Title</b>	Finance Report (May 2023/24)

## **1. What is the report about?**

The report gives details of the council's revenue budget and savings as agreed for 2023/24. The report also provides a summary update of the Capital Plan as well as the Housing Revenue Account and Housing Capital Plan.

## **2. What is the reason for making this report?**

The purpose of the report is to provide an update on the council's current financial position and confirm the agreed service budgets for 2023/24.

## **3. What are the Recommendations?**

3.1 Members note the budgets set for 2023/24 and progress against the agreed strategy.

3.2 Members approve the plans to provide match-funding to support an Empty Homes Grant Scheme to bring empty property back into use, as detailed in section 6.9 and Appendix 5.

3.3 Members to note the use of the capital programme contingency to fund the projected overspend on the Botanical Gardens Depot (phase 1) capital scheme, as detailed in section 6.10.

## **4. Report details**

The report provides a summary of the council's revenue budget for 2023/24 detailed in Appendix 1. The full Budget Summary Report for 2023/24 which provides details of the council's revenue budget including departmental budget summaries will be shared at a later meeting of this Cabinet, delayed due to the work required to reflect the new Council structure from April 2023 and to completing the additional work on the 2021-22 Statement of Accounts.

The council's net revenue budget is £250.793m (£233.696m in 22/23). The position on service and corporate budgets is a forecast overspend of £3.348m. Services need to continually review expenditure and income in their areas to mitigate the impact of the overall budget overspend. Narrative around the current risks and assumptions underlying this assessment are outlined in Section 6 and Appendix 2.

The 2023/24 budget required service savings and efficiencies of £8.172m to be identified and agreed as detailed below:

- Capital Financing Budget & Corporate contingencies budget reduced (£2.267m)
- Impact of the triennial actuarial review of the Clwyd Pension Fund (£3.828m)
- Savings from bringing Revenues & Benefits service back in house (£0.300m)
- Fees and Charges inflated in line with agreed Fees and Charges policy (£0.423m).
- Operational efficiencies (£0.538m) mostly identified by services throughout the year and within Head Service delegated responsibility in consultation with Lead Members.
- Schools were also asked to plan for 1% efficiencies (£0.816m).

The corporate and operational savings, and fees and charges increases are assumed to have been achieved.

## **5. How does the decision contribute to the Corporate Priorities?**

Effective management of the council's revenue and capital budgets and delivery of the agreed budget strategy underpins activity in all areas, including corporate priorities.

## 6. What will it cost and how will it affect other services?

Significant service narratives explaining variances and risks are detailed in Appendix 2, however the following should also be noted:

**6.1 Corporate Budgets** – Although currently projected to break-even, the following risks are difficult to quantify at this early stage of the year:

- Pay settlements for 2023/24
- Call on contingencies relating to energy and other inflationary pressures.

These will be monitored closely over the coming months.

**6.2 Education and Children's Service** – Although an additional pressure of £2.7m was accepted as part of the agreed budget for 2023/24 this service area remains a risk. The current outturn prediction is £1.6m overspend due to pressures in children's social care.

**6.3 Adult Social Care and Homelessness** – Although an additional pressure of £8.187m was included in the budget for 2023/24 this service remains an area of concern. The current outturn prediction is £1.664m due to pressures in placement costs (£1.5m) and (£0.2m) in Homelessness.

**6.4 Schools** - The budget agreed by Council for 2023/24 included a total net additional investment (excluding increases in Welsh Government grants) in schools delegated budgets of £3.03m. The first monitoring period for schools is at the end of June when they will be submitting detailed monitoring reports. School balances carried forward into 2023/24 remain at a historically high level at a net balance of £8.939m, which represents a decrease of £3.509m on the balances brought forward into 2022/23 of £12.448m. Education and Finance colleagues will work closely to help ensure that these balances are used in a timely and effective manner. There is a small underspend of £169k on non-delegated school budgets.

**6.6 The Housing Revenue Account (HRA)**. The latest revenue position assumes a decrease in balances at year end of £818k compared to £922k at the time the budget was approved. This movement relates to a reduction in estimated rental income, offset by a reduced contribution to the HRA capital programme. HRA balances are therefore forecast

to be £750k at the end of the year. The Capital budget of £19.5m reflects the reduced revenue contribution.

**6.7 Treasury Management** – At the end of May, the council's borrowing totalled £250.143m at an average rate of 4.18%. Investment balances were £13m at an average rate of 3.38%.

**6.8** A summary of the council's **Capital Plan** is enclosed as Appendix 3. The approved capital plan is £104.5m with expenditure to date of £4.9m. Appendix 4 provides an update on the major projects included in the overall Capital Plan.

**6.9** The Capital Scrutiny Group has reviewed and support a business case for capital spend of £178k as match-funding contribution to the Welsh Government's National Empty Homes Grant Scheme notional allocation of £1.78m over 2 years. The proposal is to implement an empty homes scheme providing support to enable empty properties to be brought back into use as the main and only residence of the property owner. The proposals are detailed in Appendix 5 and recommended in 3.2.

**6.10** The Botanical Gardens Depot (phase 1) project included within the capital programme (£880k) is projected to overspend by £186k (21%) due to delays and increases in material costs. The scheme is near completion and the overspend will be funded from the overall contingency within the capital programme, which currently stands at £764k.

## **7. What are the main conclusions of the Well-being Impact Assessment?**

A Well-being Impact Assessments for the Council Tax rise was presented to Council on 25 January.

## **8. What consultations have been carried out with Scrutiny and others?**

In addition to regular reports to the Corporate Governance Committee, the budget process has been considered by SLT, Cabinet Briefing, Group Leaders and Council Briefing meetings. The School Budget Forum have been included in the proposals through-out the

year. Trade Unions have been consulted through Local Joint Consultative Committee. The budget process for 2024/25 includes plans to consult and engage with the public and other stakeholders.

## **9. Chief Finance Officer Statement**

The substantial level of overspend across services is a grave concern in the current year and for the medium term. Significant investment has gone into these specific service areas in recent years and it is expected that that need will continue. Initial pressures have already been included in the Medium Term Financial Plan and these will be kept under review, while the pressure for these services will need to be reviewed in the coming months. The contingencies held corporately look to be sufficient to cover the service pressures for this financial year, but further risks and pressures are expected in the coming months which may require positive management action to reduce in year expenditure.

## **10. What risks are there and is there anything we can do to reduce them?**

This remains a very challenging financial period and these specific service issues, along with inflationary pressures across all services, are becoming increasingly hard to finance as our funding fails to keep up with inflationary, service and demographic pressures. The level of budget pressures in year is likely to reduce our level of contingencies to a level that will need to be replenished within the budget process for 2024/25. Although the financial outlook looks uncertain, the Council has a robust Budget Process in place which will help identify these pressures and identify savings and methods of funding which will help maintain the Council's financial health going forward.

## **11. Power to make the decision**

Local authorities are required under Section 151 of the Local Government Act 1972 to make arrangements for the proper administration of their financial affairs.