

<b>Report to</b>	Cabinet
<b>Date of meeting</b>	24 <sup>th</sup> October 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 (September 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 installation of new salt storage facilities at Kinmel Park depot in Bodelwyddan, 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 Nant Clwyd Y Dre Lord's Garden Wall repairs 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 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 £3.446m (£3.119m overspend last month), increased this month mainly due to additional pressures within Social Care and Housing and Environment budgets offset by savings in the Capital Financing budget. Services need to review all the expenditure and income in their areas to mitigate the impact of the overall budget overspend. The budget mitigation reserve can cover this overspend in the current year, however that will reduce the resources available to meet unforeseen pressures in future years. 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 included in budget for 2023/24 this service area remains a risk. The current outturn prediction is £1.853m overspend (previously £1.041m) due to pressures in children's social care (£1.721m), and in Education services (£132k). The movement this month is due mainly to new placements costs.

**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 £1.793m overspend (previously £2.152m) due to pressures in placement costs (£0.9m) and in Homelessness (£0.9m). The reduction in Adult Social Care this month is due to reduced demand on domiciliary care and drawdown of reserves.

**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 latest projection for school balances to be carried forward into 2024/25 is a net credit balance of £1.848m, which represents a decrease of £7.091m on the balances brought forward into 2023/24 of £8.939m. The majority of the movement is as expected as the high opening balances were mainly due to receipt of one-off funding to be spent on catch-up and recovery programmes in school. Education and Finance colleagues will work closely to help ensure that these balances are used in a timely and effective manner, and monitor closely the schools projecting deficit balances. There is a small underspend of £162k 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 £792k 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 £776k at the end of the year. The Capital budget of £20m is largely allocated

between planned improvements to existing housing stock (£12m) and new build developments and acquisitions (£8m).

**6.7 Treasury Management** – At the end of September, the council’s borrowing totalled £277.152m at an average rate of 4.35%. Investment balances were £11.7m at an average rate of 3.69%.

**6.8** A summary of the council’s **Capital Plan** is enclosed as Appendix 3. The approved capital plan is £112.8m with expenditure to date of £32.6m. 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 new salt storage facilities at Kinmel Park depot in Bodelwyddan as detailed in Appendix 5 and recommended in 3.2.

**6.10** The Nant Clwyd Y Dre Lord’s Garden Wall repairs project included within the capital programme (£525k) is projected to overspend by £249k (47%) due to a number of elements: archaeological watching brief extension due to significant Roman finds, additional anchors and scaffolding to address instability in remaining wall and specialist health and safety requirement. The Capital Scrutiny Group has reviewed and support the planned expenditure and the overspend will be funded from the overall contingency within the capital programme, which currently stands at £578k.

## **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 31 January 2023.

## **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. The services will need to review all the expenditure and income in their areas to mitigate these budget overspends. Similar to last financial year, CET will review the overall position to consider what specific actions are required by services. 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 in the coming months 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. The significant budget pressure in-year will reduce the level of reserves held by the Council and this will be taken into account during the budget process.

## **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.