

Report to	Cabinet
Date of meeting	25 June 2024
Lead Member / Officer	Councillor Gwyneth Ellis, Lead Member for Finance, Performance and Strategic Assets / Liz Thomas, Head of Finance and Audit
Report author	Rhian Evans, Chief Accountant (Deputy S151 Officer)
Title	Finance Report (2023/24 Financial Outturn)

1. What is the report about?

Cabinet has received regular monitoring reports throughout the financial year on the performance of expenditure against budget and savings as agreed for 2023/24. This report details the final position at financial year end.

The draft Annual Statement of Accounts for 2023/24 is due to be submitted to the external auditors and the Governance and Audit Committee in September for information. In consultation with Audit Wales it is planned that the audited accounts will then be presented to the Governance and Audit Committee in March 2025 for formal approval.

2. What is the reason for making this report?

To report the final revenue position and approve the proposed treatment of balances.

3. What are the Recommendations?

3.1 Members note the final revenue outturn position 2023/24 and approve the reserves position for 2023/24 as described in the report and detailed in Appendices 1-3

4. Report details

4.1 2023/24 Outturn The final Revenue Outturn figures are detailed in **Appendix 1** and the key points are summarised below:

- The final position on service and corporate budgets (including schools non-delegated budget underspend of £115k) is an overspend of £513k.
- On the funding side there was a small shortfall in Council Tax collection of £163k.
- This resulted in the requirement to use £676k of the Budget Mitigation reserve to fund the net overspend.
- School overspent by £5.258m resulting in total budget overspend of £5.934m.

The 2023/24 budget included savings and efficiencies of £8.172m, of which £6.09m were achieved from corporately held budgets, schools at £0.82m and the services put in place measures and monitored the remaining £1.26m within overall budgets.

4.2 Services – Collectively services overspent by £3.2m during the year. Budgetary control measures to mitigate against increasing costs and demand for services, put in place in the Autumn due to the predicted level of overspend which reached a peak of £4.5m, helped to reduce the overall level of overspend. Most services ended the year with an underspend. To help deliver the overall budget strategy, it is proposed that services do not carry forward any under spends.

Education and Children's, Highways and Environmental, and Adult Social and Homelessness Services ended the year in an overspend. Despite budgets increasing in 2023/24, increases in demand and the complexity of delivering, what are mainly statutory services, has outstripped the enhanced budgets.

4.3 Corporate Budgets – Centrally held contingency budgets are difficult to project, in particular this year. The key elements of the underspend of £2.7m relate to factors that have been reported to Cabinet throughout the year and are mainly due to contingencies for pay and energy costs, with energy in particular being managed within budgets and the contingency held not being called upon. The Capital Financing Budget overspend by £87k due to increasing borrowing needs for major capital schemes at a time of increasing interest rates in the latter part of the year.

4.4 Earmarked Reserves – The transfers to and from reserves, those which are set-aside for a specific purpose, are detailed in **Appendix 2**. The majority of the movements

have been budgeted for or have been approved in previous monitoring reports to Cabinet. All reserves are reviewed as part of the annual budget process.

Liability to the pension fund in-year was in a surplus position and that has been added to the Pension reserve. As part of the budget saving measures for 2024/25 the exit costs associated with the Voluntary Exit Scheme running since November 2023 have been funded by the Pensions reserve in 2023/24, resulting in a net increase to the reserve of £0.7m.

4.5 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. Individual schools' delegated reserves and the overall schools position is detailed in **Appendix 3**. The overall schools' balances carried forward into 2024/25 is £3.681m, compared with balances brought forward into 2023/24 of £8.939m, which means schools have collectively drawn down £5.258m from their reserves. Education and Finance colleagues are working closely with schools to help ensure that these balances are used in a timely and effective manner.

4.6 Housing Revenue Account (HRA) - HRA balances carried forward into 2024/25 are £1.180m, compared with balances brought forward into 2023/24 of £1.568m, which means a drawdown of HRA reserves of £388k.

4.7 2024/25 Budget - The Council has an on-going project to replace most of the Council's existing financial systems to a new single finance system. This includes the automated system that produces the monthly budget monitoring information to Cabinet and we're working towards the first monthly update on budget monitoring and the savings tracker being brought to Cabinet in July. The finance team are having regular meetings with services and working through latest service demands and comparing with forecast budgets. It is early in the financial year and pressures in some areas do not become evident until early Autumn and there are always risks associated with managing budgets and achieving savings and these are being monitored. High risk areas include any changes in residential placements in Children's Services, and care fees in Adult Social Care. Though these risks could be mitigated by recurring corporate underspends described in 4.3.

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?

The council's net revenue budget for 2023/24 was £250.793m. The final position on service and corporate budgets was a net overspend £513k (0.3% of the net revenue budget for those areas). Taking account of funding and schools, the variance on the total budget was an overspend of £5.934m (2.4% of net revenue budget). The net overspend figure includes £5.258m overspend within schools which is carried forward separately. The overall position required the use of £676k of the Budget Mitigation reserve to fund the net overspend position.

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 Governance and Audit 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.

9. Chief Finance Officer Statement

9.1 The substantial level of overspend across services is of concern and despite significant investment going into specific service areas in recent years the demand pressures remain for these services. All services were asked to find in-year savings by ceasing non-essential spending and delaying expenditure where possible. This approach,

along with corporate contingencies not being required, was successful in mitigating against the increasing cost pressures across the Council and reduced the level of overspend from that projected. The action in year to help reduce the overall pressure has meant that we have been able to fund the overspend from the Budget Mitigation reserve and keep the level of unearmarked reserves above the £5m level that we view as a prudent level to cope with unforeseen financial pressures.

9.2 School balances have decreased this financial year, and 13 schools have deficit balances (compared with 3 in the previous year). Whilst much of the movement was 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, increasing costs have had an impact on all schools. It is likely that schools will face significant financial challenges in 2024/25 and 2025/26 and these balances are expected to fall further in those years.

9.3 Cost pressures have been included within the 2024/25 budget to reflect the 2023/24 and forecast service pressures as much as possible in order to build in resilience. These have been estimated based on latest forecasts of demands and costs and are therefore considered to be reasonable having regard to statutory services' spending needs in 2024/25 and the financial context within which the budget is set. The Council has a robust budget process in place which will help identify pressures and savings and methods of funding which will help maintain the Council's financial health going forward.

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

10.1 This remains a challenging financial period and some 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. A Medium Term Financial Strategy, which provided a range of financial forecasts and a summary of the Budget Strategy for 2025/26 and beyond, was presented to Cabinet in April. This forms the basis of the risk management approach.

10.2 Despite careful monitoring of costs and tracking of savings proposals, ultimately if a significant in-year over spend materialises in 2024/25 of the like seen in 2023/24, and, if savings proposals cannot be delivered, this will lead to reserves being called upon in 2024/25. This will reduce the Council's level of financial resilience and sustainability going

forward. The financial situation is extremely challenging, and effective and disciplined in-year financial management is essential by all budget holders.

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.