

Report to	Cabinet
Date of meeting	24 th September 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 (September 2024/25)

1. What is the report about?

The report gives details of the Council's revenue budget and savings as agreed for 2024/25 as well as the Housing Revenue Account and Housing Capital Plan.

2. What is the reason for making this report?

2.1 Regular reporting to Cabinet of the financial position is good practice to enable Members to have oversight and scrutiny. The report provides an update on the Council's current financial position and confirms the agreed service budgets for 2024/25.

3. What are the Recommendations?

3.1 Members note the budgets set for 2024/25 and progress against the agreed strategy.

4. Report details

4.1 The Council's net revenue budget is £271.021m (£250.793m in 23/24) as detailed in Appendix 1. The position on service and corporate budgets is a forecast over spend of £240k (no underspend or overspend was being forecast last month). It is early in the financial year and the budget position in some service areas will not become evident until early Autumn. High risk areas include changes to residential placements in Children's

Services, Homelessness, care fees in Adult Social Care and school transport. Pressures are emerging in some of these areas which are on current forecasts will be mitigated by underspends recurring from last financial year in the centrally held contingency budgets. Narrative explaining the current risks and assumptions underlying this assessment are outlined in Section 6 and Appendix 2.

4.2 In setting its budget for 2024/25 the Council faced pressures of £24.6m from inflationary increases such as pay and increases in demand and costs of providing social care. The increase in Welsh Government funding and in the level of Council Tax meant the 2024/25 budget required service savings and efficiencies of £10.384m to be identified, as summarised below:

- **Major Savings Proposals** – large-scale saving projects (£2.388m)
- **Non-Strategic savings** – Operational efficiencies/smaller scale savings within Head of Service delegated responsibility in consultation with Lead Members. These include both the proposals already identified in the budget setting report, as well as the further £3m target given to Heads of Service at the time of setting the budget to enable a balanced budget to be set (£5.296m)
- **Schools** received funding to cover all inflationary pressures including pay awards, pension contributions and energy, and an increase for demography. Given the scale of the challenges, schools were asked to find savings of 3% (£2.7m). The net position was an increase of £4.916m (5.82%).

4.3 Due to the timing of implementation, some of the proposals will not realise a full year saving in 2024/25 which will create an in-year budget pressure for those services. These pressures are monitored with the service budget. A full year saving will be achieved from 2025/26 onwards. The savings tracker is updated on a quarterly basis and will be presented to Cabinet in October.

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

Effective management of the Council's budgets and delivery of the agreed budget strategy underpins activity in all areas. The 2024/25 budget include allocations to continue to support both corporate and service priorities, but the Council will need to reflect on the

future financial outlook and consider realistically what can be achieved within available funding.

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

Significant service narratives explaining pressures and risks of over- and under-spend are detailed in Appendix 2, however the following should also be noted:

6.1 Education and Children's Service – Although an additional pressure of £2.0m was included in the budget for 2024/25 this service area remains a risk. The current outturn prediction is £1.961m overspend due to pressures in Children's Social Care (£1.546m) and in Education services (£415k).

6.2 Highways and Environmental Services – The current outturn prediction for the service as a whole is £1.124m due to pressures on the winter maintenance budget and not achieving full year savings from the proposals included in 2024/25. The issues with the roll out of the new waste model has resulted in temporary additional resources needing to be deployed, over and above budget, during an extended implementation phase now estimated to run from June to September. Revised recycling routes are being finalised and planned from October onwards. Routes are being added to those originally planned therefore resulting in higher costs of service delivery than initially envisaged. These combined additional in year costs for waste are currently forecast at £1.200m, however this gross overspend is netted off by a one-off receipt which the Council has just received from its share of the refinancing of the North Wales Residual Waste Treatment Partnership, bringing the waste service into balance for the year. An additional Cabinet meeting has been scheduled for Tuesday 1st October, for Cabinet to approve the revised routes, which will include financial information.

6.3 Adult Social Care and Homelessness – Additional pressures of £7.969m were included in the budget for 2024/25, this service remains an area of concern. The current outturn prediction is £390k due to changes to some packages in mental health services and complex disabilities.

6.4 Corporate Budgets – Centrally held contingency budgets are difficult to forecast with certainty as their very nature is to be unknown until actual costs are incurred and the final position confirmed at year end. At this point in the year, it is estimated that £3.26m can be released as some of the underspend in 2023/24 recurs in 2024/25; on contingency for

pension costs (£500k) and energy (£1m) and the contingency held for the pay and grading review (£1.76m) can be released due to delays in the process nationally.

6.5 Schools - The budget agreed by Council for 2024/25 included a total net additional investment (excluding increases in Welsh Government grants) in schools delegated budgets of £4.9m. School balances carried forward into 2024/25 of £3.681m are low compared to recent years. Early discussions with schools forecast a reduction to school balances of £6.722m resulting in a net debit balance of £3.041m carried forward into 2025/26. Discussions are continuing with schools to support the work required to reduce the extent of projected use of balances.

6.6 The Housing Revenue Account (HRA). The HRA revenue balances brought forward to 2024/25 of £1.180m are budgeted to increase to £1.288m at the end of the year. The HRA 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 August, the Council's borrowing totalled £298.361m at an average interest rate of 4.44%. Investment balances were £8.75m at an average interest rate of 4.91%.

6.8 The approved capital plan is £94.1m with expenditure to date of £17.9m.

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

A Well-being Impact Assessment (WIA) encompassing the combined budget reduction measures and impact for the Council Tax rise was presented to Council on 30 January.

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 Council, along with all other Welsh councils, face unprecedented financial challenges. Cost pressures for high-risk areas, based on forecast of demands and costs at the time, have been included within the 2024/25 budget to build in resilience. The pressures included in the Medium Term Financial Plan will be kept under review. The level of pressures on the services is of concern and will need to be closely monitored. 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 and will be considered in due course as to what additional action may need to be taken to reduce the pressures.

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

10.1 The Council faced a significant financial challenge in setting its 2024/25 budget which is set to continue in the medium term due to a combination of funding from Welsh Government not increasing sufficiently to keep up with continued inflationary pressures, increased service demand and complexity of needs for services. The Council's Medium Term Financial Strategy forms the basis of approach to managing these risks.

10.2 Despite careful monitoring of budgets and tracking of saving proposals, ultimately if a significant in-year overspend materialises in 2024/25 similar to that experienced in 2023/24, and if saving 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.