

Report to	Cabinet
Date of meeting	22 October 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 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 under spend of £400k (£240k overspend last month). The movement this month relates mainly to pressures within parking services offset by reduced costs of Homelessness. It is early in the financial year and the budget position in some service areas will not become evident until later in the year. High risk areas include changes to residential placements in

Children's Services, Adult Social Care placements and school transport. 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 **Monitoring Delivery of Savings** - progress in delivering savings approved as part of setting the 2024/25 budget is being tracked and a current status update is provided in Appendix 3. One of the major saving proposals has been achieved and the remaining are progressing. 66% of the non-strategic savings have been achieved and progress updates for the remaining non-strategic saving proposals will continue to be reported to Cabinet on a regular basis. Due to the timing of implementation, some of the proposals will not realise a full year saving in 2024/25 which creates an in-year budget pressure for those services. These in-year pressures are monitored with the service budget.

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 £1.968m overspend (previously £1.961m) due to pressures in Children's Social Care (£1.546m) and in Education services (£422k).

6.2 Highways and Environmental Services – The current outturn prediction for the service as a whole is £1.124m overspend (previously £1.124m) due to pressures on the winter maintenance budget and not achieving full year savings from the budget proposals. 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 from June to September and revised recycling routes agreed from October. These combined additional in-year costs for waste are forecast at £1.200m however this is netted off by a one-off receipt which the Council has received from its share of the refinancing of the North Wales Residual Waste Treatment Partnership, bringing the waste service into balance for the year.

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 £510k underspend (previously £390k overspend) due to an underspend (-£1m) in Homelessness from reduced emergency temporary accommodation placements netted off by an overspend in Adult Social Care (£490k) due to changes to some packages in mental health services, complex disabilities and community living.

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. It is estimated that £3.26m can be released; 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. Schools forecast a reduction to school balances of £6.340m resulting in a net debit balance of £2.659m 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 September, the Council's borrowing totalled £302.114m at an average interest rate of 4.44%. Investment balances were £3m at an average interest rate of 4.88%.

6.8 A summary of the Councils' **Capital Plan** is enclosed as Appendix 4. The approved capital plan is £96.1m with expenditure to date of £22.6m. Appendix 5 provides an update on the major projects included in the overall Capital Plan.

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, were included within the 2024/25 budget to build in resilience. The pressures included in the Medium Term Financial Plan will be kept under review. Whilst there is a budget under-spend currently projected, the level of pressures on services overall remains a concern and will need to be closely monitored as further risks and pressures are expected in the coming months.

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, if a significant in-year overspend materialises in 2024/25 this will lead to reserves being called upon. 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.