

<b>Report to</b>	Cabinet
<b>Date of meeting</b>	21 January 2025
<b>Lead Member / Officer</b>	Lead Member for Finance, Performance and Strategic Assets / Head of Finance and Audit
<b>Report author</b>	Chief Accountant (Deputy s151 Officer)
<b>Title</b>	Finance Report (December 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.

## **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 underspend of £3.924m (£4.285m underspend last month). The movement of £361k relates mainly to increased cost of school transport and children social care offset by reduction in pressures this month by Adult Social Care. Further details 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 (£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** – an update of the progress in delivering the savings is provided in Appendix 3. Two of the major saving proposals and 70% of the non-strategic savings have been achieved. Due to the timing of implementation, some of the proposals will not realise a full year saving in 2024/25 and 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.

## **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** –The current outturn prediction is £2.063m overspend (previously £1.956m). The pressures in Children's Social Care (£1.631m) increased by £88k this month due to cost of new placements. The overspend in Education services (£432k) increased by £19k this month, relates to pressures in additional learning needs and education packages in out-of-county settings.

**6.2 Highways and Environmental Services** – The current outturn prediction for the service as a whole is £1.124m overspend (no change since last month). Although the overall overspend has not changed this month, savings achieved from service reviews have been offset by other pressures within the service. The budget overspend relates mainly to pressures on the winter maintenance budget and not achieving full year savings from the budget proposals.

**6.3 Planning, Public Protection and Countryside** - The budget projection is an overspend of £680k due to Car Park income shortfall (£236k), an increase in the costs for the school transport contracts (£431k) and pressures across the service (£13k). Increased pressure for the school transport service has been a high risk throughout the year and the overspend is based on the current transport contracts. A risk remains for further pressures due to emergency or new transport routes requirements during the remainder of this school term.

**6.3 Adult Social Care and Homelessness** –The current outturn prediction is £800k underspend (previously £578k underspend). The movement this month of £222k relates to reduced pressures within Adult Social Care services due to the good progress made in implementing the saving proposals which is helping to offset the overall pressure. The total underspend in Homelessness (-£1.3m) from reduced emergency temporary accommodation placements is netted off by a total overspend in Adult Social Care (£500k) due to pressures across older people services, mental health services, complex disabilities and community living.

**6.4 Corporate Budgets** – The budget is projected to underspend by £7.128m (no change since last month) due to an in-year grant award received from Welsh Government (WG) (£3.868m) and release of contingency budgets for pension costs (£500k), energy (£1m), and the pay and grading review (£1.76m) released due to delays in the process nationally. The grant award from WG is to support in year pay pressures and the cost of the increase in Teachers' pension contributions; the costs of both formed part of the pressures in setting the 2024/25 budget. Whilst some funding was expected for the Teachers' pension contribution, the amount was uncertain. WG released this funding further to its supplementary budget, reflecting the impact of the UK Government budget (October 2024), on the Welsh budget.

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 £6.185m resulting in a net debit balance of £2.504m carried forward into 2025/26. The non-delegated budget is projected to overspend by £432k due to pressures within additional learning needs and education packages in Out of County settings.

6.6 **The Housing Revenue Account (HRA)**. The HRA revenue balances brought forward to 2024/25 of £1.180m are forecast to reduce by £420k to £760k at the end of the year. This movement relates to reduced rental income and an increased revenue contribution to the HRA capital programme, offset by reduced estimated debt charges. The HRA capital budget of £20m is largely allocated between planned improvements to existing housing stock (£14m) and new build developments and acquisitions (£6m).

6.7 **Treasury Management** – At the end of December, the Council's borrowing totalled £318.123m at an average interest rate of 4.47%. Investment balances were £4.4m at an average interest rate of 4.62%.

6.8 A summary of the Councils' **Capital Plan** is enclosed as Appendix 4. The approved capital plan is £81.8m with expenditure to date of £37.7m.

## **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 in the medium term. The pressure in the school transport service has been a known risk throughout the year and remains a risk as the costs could increase with any emergency or new transport requirements for the remainder of the school term. Other high-risk areas include changes to residential placements in Children's Services and Adult Social Care placements. As we had included the Teachers' pension cost and the NJC pay award within the pressures for setting the 2024/25 budget; the grant award released from Welsh Government to reflect the impact of UK Government fiscal events will bolster our reserves to help boost the Council's financial resilience over the medium term. The pressures included in the Medium Term Financial Plan will be kept under review. The pressures faced by services remain 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 due to our funding 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 There are risks regarding the capacity within the Finance team due to continued development of the new financial system, implemented in April, and with some vacancies in the service. As with the introduction of any new system there has been some disruption as a result, with teams needing to work to find solutions to these issues. To mitigate the risk, the finance team are focusing on high-risk areas, to update Cabinet on areas of significant risk of overspend.

## **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.