

Report to	Cabinet
Date of meeting	18 February 2025
Lead Member / Officer	Lead Member for Finance, Performance and Strategic Assets / Head of Finance and Audit
Report author	Chief Accountant (Deputy s151 Officer)
Title	Finance Report (January 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.

3.2 Members approve the set-aside of £3.956m to earmarked reserves, as detailed in 4.4.

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 £4.559m (£3.924m underspend last month). The movement of £635k relates to release of funds from corporate contingencies and reduced pressures in Adult Social Care offset by

increased pressures in Children' services, Highways and Environmental services and property and asset services. Further details are outlined in Section 6 and Appendix 2.

4.2 In setting its budget for 2024/25 the Council 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 within Head of Service delegated responsibility in consultation with Lead Members (£5.296m).
- **Schools** received funding to cover all inflationary pressures and 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 the status as at 31 December is provided in Appendix 3. 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.

4.4 **Revenue Earmarked Reserves** - The Council has received £3.956m Welsh Government grant to support in year pay pressures and the cost of the increase in Teachers' and Fire service pension contributions. As these costs formed part of the pressures in setting the 2024/25 budget it is proposed to set-aside the amount received, to earmarked reserves as follows:

HES: Severe Weather Reserve - £500k – the previous reserve was used last year. With exceptional weather events becoming more frequent, it is prudent to have a reserve to cover additional costs incurred due to severe weather events.

Corporate: Transformation Reserve - £750k – earmarked for pump priming transformation projects increasing the total available within the transformation reserve to £1.040m

Corporate: Budget Mitigation Reserve - £2.706m – earmarked reserve to help smooth the impact of any in-year overspends or where savings are less than forecast or cannot be achieved. This will provide a total reserve of £6.748m to help mitigate future in-year pressures on services.

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 £2.319m overspend (previously £2.063m). The pressures in Children's Social Care (£2.048m) increased by £417k this month due to changes to placement cost estimates including one new placement. The overspend in Education services (£271k) relates to pressures in additional learning needs and education packages in out-of-county settings, reduced by £161k this month due to grant income.

6.2 Highways and Environmental Services – The current outturn prediction is £1.564m overspend (previously £1.124m). The budget overspend, and movement this month of £440k, relates to pressures within the waste service (£1.2m) and winter maintenance service (£691k) with the costs in both areas increased this month, offset by savings across the service (-£325k). There remains a high risk on this service during these winter months.

6.3 Planning, Public Protection and Countryside - The budget projection is an overspend of £627k (previously £680k) due to Car Park income shortfall (£184k) slightly improved this month by £53k, an increase in the costs for the school transport contracts (£431k) and pressures across the service (£12k).

6.3 Adult Social Care and Homelessness –The current outturn prediction is £1.086m underspend (previously £800k underspend). The underspend in Homelessness (-£1.3m) (reduced by £14k this month), is due to a reduction in emergency temporary accommodation placements. The pressures in Adult Social Care (£200k) relate to placement costs and demand across the service areas, reduced this month by £300k due to receipts of grant and further progress being made with implementing the saving proposals.

6.4 **Corporate Budgets** – The budget is projected to underspend by £8.224m (£7.128m last month). The movement this month (£1.096m) in the main relates to pay; centrally held funding for pay awards has now been vired to services with an underspend declared this month. The overall underspend is due to an in-year grant award received from Welsh Government (WG) (£3.956m) and release of contingency budgets (£4,268m); it is proposed to set-aside the grant amount in earmarked reserves, as detailed in 4.4.

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 £5.782m resulting in a net debit balance of £2.101m carried forward into 2025/26.

6.6 **The Housing Revenue Account (HRA)**. The HRA revenue balances brought forward to 2024/25 of £1.180m are forecast to reduce by £340k to £840k at the end of the year. This movement relates to reduced rental income. The HRA capital budget of £16m is largely allocated between planned improvements to existing housing stock (£10m) and new build developments and acquisitions (£6m).

6.7 **Treasury Management** – At the end of January, the Council's borrowing totalled £308.408m at an average interest rate of 4.49%. Investment balances were £29.2m at an average interest rate of 4.64%.

6.8 A summary of the Councils' **Capital Plan** is enclosed as Appendix 4. The approved capital plan is £84.8m with expenditure to date of £40.2m.

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 pressures for the winter maintenance and waste service has been a known risk throughout the year and remains a risk during these winter months. 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.