

<b>Report to</b>	Cabinet
<b>Date of meeting</b>	25 March 2025
<b>Lead Member</b>	Lead Member for Finance, Performance and Strategic Assets
<b>Head of Service</b>	Head of Finance and Audit
<b>Report Author</b>	Chief Accountant (Deputy s151 Officer)
<b>Title</b>	Finance Report (February 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?

To provide information regarding the Council's current financial position and confirms the agreed service budgets for 2024/25.

## 3. What are the Recommendations?

- 3.1. That the Committee 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 £102k (£4.559m underspend last month). The movement of £4.457m relates mainly to the set-aside to earmarked reserves (£3.956m) approved in the February Cabinet and increased pressures across services (£501k). 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. Progress in delivering these savings 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. An update of the tracker will be provided in the April Cabinet report.

## **5. How does the decision contribute to the Corporate Plan 2022 to 2027: The Denbighshire We Want?**

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 £2.244m overspend (previously £2.319m). The pressures in Children's Social Care (£2.215m) increased by £167k this month mainly due to placements requiring more complex needs to be met. The overspend in Education services (£29k) relates to pressures in additional learning needs and education packages in out-of-county settings, reduced by £242k this month due to grant income.
- 6.2. **Highways and Environmental Services** – The current outturn prediction is £2.066m overspend (previously £1.564m). The overspend relate to increased costs for the waste service (£1.628m) and winter maintenance (£807k) offset by savings and additional income across the service (-£369k). The movement this month of £502k relate to increases to fleet costs in the waste service (£430k), winter maintenance (£237k) and variances across the service offset by additional income for streetworks (-£165k). 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 £751k (previously £627k) relate to school transport costs (£420k), Car Park income shortfall (£178k), and pressures across the service increasing this month (£153k). There continues to be risks in under-achieving income budgets for both planning and parking fees.

- 6.4. **Adult Social Care and Homelessness** –The current outturn prediction is £1.086m underspend (no change this month). The underspend in Homelessness (-£1.3m) 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 offset by grant income.
- 6.5. **Corporate Budgets** – The budget is projected to underspend by £4.268m (£8.224m underspend last month) due to release of contingency budgets. The movement this month (£3.956m) relates to the set-aside to earmarked reserves of the Welsh Government grant received towards the costs of the Teachers' and Fire service pension costs and NJC pay pressures, as approved in the February Cabinet.
- 6.6. **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. There is a small underspend of £34k on non-delegated school budgets
- 6.7. **The Housing Revenue Account (HRA)**. The HRA revenue balances brought forward to 2024/25 of £1.180m are forecast to reduce by £425k to £755k 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 £15m is largely allocated between planned improvements to existing housing stock (£9m) and new build developments and acquisitions (£6m).
- 6.8. **Treasury Management** – At the end of February, the Council's borrowing totalled £331.918m at an average interest rate of 4.50%. Investment balances were £23.5m at an average interest rate of 4.43%.
- 6.9. A summary of the Councils' **Capital Plan** is enclosed as Appendix 4. The approved capital plan is £73m with expenditure to date of £45.1m.

## **7. What are the main conclusions of the Well-being Impact Assessment and what changes have, or will be made to the project or approach as a result of the 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 2024.

## **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. The pressures included in the Medium Term Financial Plan and faced by services remain a concern and will be kept under review.

## **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.

10.3. The council will be producing the outturn and the statement of accounts with the new financial system for the first time. There are risks associated with working with a new system. This puts additional pressure on the finance team and requires an extended period for closing the accounts, longer than in previous years. This will mean that the final outturn will be reported to Cabinet a month later than usual in June 2025.

## **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.