

Report to	Cabinet
Date of meeting	23 January 2024
Lead Member / Officer	Councillor Gwyneth Ellis, Lead Member for Finance, Performance and Strategic Assets / Liz Thomas, Head of Finance and Audit
Report author	Liz Thomas, Head of Finance and Audit
Title	Finance Report (December 2023/24)

1. What is the report about?

The report gives details of the council's revenue budget and savings as agreed for 2023/24. The report also provides a summary update of the Capital Plan as well as the Housing Revenue Account and Housing Capital Plan.

2. What is the reason for making this report?

The purpose of the report is to provide an update on the council's current financial position and confirm the agreed service budgets for 2023/24.

3. What are the Recommendations?

3.1 Members note the budgets set for 2023/24 and progress against the agreed strategy.

4. Report details

4.1 The report provides a summary of the council's revenue budget for 2023/24 detailed in Appendix 1. The council's net revenue budget is £250.793m (£233.696m in 22/23). The position on service and corporate budgets is a forecast overspend of £3.229m (£3.325m overspend last month) mainly due to pressures within Adults Social Care and Homelessness, Children's Services and Highways and Environmental Services offset this

month by services' actions to achieve in-year temporary savings. The budget mitigation reserve can cover this overspend in the current year, however that will reduce the resources available to meet unforeseen pressures in future years. Services need to continually review expenditure and income in their areas to mitigate the impact of the overall budget overspend. Narrative around the current risks and assumptions underlying this assessment are outlined in Section 6 and Appendix 2.

The 2023/24 budget required service savings and efficiencies of £8.172m to be identified and agreed as detailed below:

- Capital Financing Budget & Corporate contingencies budget reduced (£2.267m)
- Impact of the triennial actuarial review of the Clwyd Pension Fund (£3.828m)
- Savings from bringing Revenues & Benefits service back in house (£0.300m)
- Fees and Charges inflated in line with agreed Fees and Charges policy (£0.423m).
- Operational efficiencies (£0.538m) within Head Service delegated responsibility in consultation with Lead Members.
- Schools were also asked to plan for 1% efficiencies (£0.816m).

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

Effective management of the council's revenue and capital budgets and delivery of the agreed budget strategy underpins activity in all areas, including corporate priorities.

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

Significant service narratives explaining variances and risks are detailed in Appendix 2, however the following should also be noted:

6.1 Corporate Budgets – It is estimated that corporate contingencies amounting to £391k and capital financing budget of £750k will be available to be released. Call on other contingencies and inflationary pressures continue to be monitored closely.

6.2 Education and Children's Service – Although an additional pressure of £2.7m was included in budget for 2023/24 this service area remains a risk. The current outturn prediction is £2.389m overspend (previously £1.909m) due to pressures in children's social care (£2.441m), and a small surplus in Education services (-£52k). The movement this month is mainly due to increased costs for two children's placements, where the needs of the young person have increased recently.

6.3 Adult Social Care and Homelessness – Although an additional pressure of £8.187m was included in the budget for 2023/24 this service remains an area of concern. The current outturn prediction is £1.938m overspend (previously £2.033m) due to pressures in Adult Social Care (£1.095m) and in Homelessness (£0.843m). Increased pressures within Adult Social Care this month are offset by a slight reduction in Homelessness costs.

6.4 Schools - The budget agreed by Council for 2023/24 included a total net additional investment (excluding increases in Welsh Government grants) in schools delegated budgets of £3.03m. The latest projection for school balances to be carried forward into 2024/25 is a net credit balance of £1.723m, which represents a decrease of £7.216m on the balances brought forward into 2023/24 of £8.939m. The majority of the movement is as expected as the high opening balances were mainly due to receipt of one-off funding to be spent on catch-up and recovery programmes in school. Education and Finance colleagues work closely to help ensure that these balances are used in a timely and effective manner, and monitor closely those schools projecting deficit balances. There is a small underspend of £162k on non-delegated school budgets.

6.5 The Housing Revenue Account (HRA). The latest revenue position assumes a decrease in balances at year end of £814k compared to £922k at the time the budget was approved. This movement relates to a reduction in estimated rental income, offset by a reduced contribution to the HRA capital programme. HRA balances are therefore forecast to be £754k at the end of the year. The Capital budget of £17m is largely allocated between planned improvements to existing housing stock (£9m) and new build developments and acquisitions (£8m).

6.6 Treasury Management – At the end of December, the council's borrowing totalled £300.943m at an average rate of 4.36% and our investments were £22.1m at an average rate of 5.18%.

6.7 A summary of the council's **Capital Plan** is enclosed as Appendix 3. The approved capital plan is £103.9m with expenditure to date of £54m. Appendix 4 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 Assessments for the Council Tax rise was presented to Council on 31 January 2023.

8. What consultations have been carried out with Scrutiny and others?

In addition to regular reports to the Corporate Governance 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. The budget process for 2024/25 includes plans to consult and engage with the public and other stakeholders.

9. Chief Finance Officer Statement

The substantial level of overspend across services is a grave concern. All services were asked to find in-year savings by ceasing non-essential spending and delaying expenditure where possible. These savings have offset an increase in demand for high cost placements in Children's Services this month. The earmarked Budget Mitigation reserve will be used to support the overspend, but further risks and pressures in the coming months mean continued positive management action is required to reduce in-year expenditure. The services need to continually review the expenditure and income in their areas to mitigate these budget overspends. Significant investment has gone into these specific service areas in recent years and the demand pressures continue on the services. Substantial work has been undertaken to set a balanced budget for 2024/25 and current service pressures are reflected in the recently refreshed Medium Term Financial Plan.

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

This remains a very challenging financial period and these specific service issues, along with inflationary pressures across all services, are becoming increasingly hard to finance as our funding fails to keep up with inflationary, service and demographic pressures. The level of budget pressures in year reduces our level of contingencies for the future and puts pressure on the financial resilience of the Council when faced with the financial position

projected within the Medium Term Financial Plan. Although the financial outlook looks uncertain, the Council has a robust Budget Process in place which will help identify these pressures and identify savings and methods of funding which will help maintain the Council's financial health going forward.

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.