

Report to	Cabinet
Date of meeting	30 th July 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 (July 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 Regular reporting to Cabinet of the financial position and the progress made in implementing the saving proposals is good practice to enable Members to have oversight and scrutiny. 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. 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%).

4.2 No cash from reserves was required to achieve a balanced budget in line with the strategy to minimise the use of cash reserves in setting future budgets. However, there is a heightened level of risk in the budget given the scale of the savings needed to be found, continued uncertainty around cost pressures on items of expenditure such as pay and the level of overspend incurred by services in 2023/24.

4.3 The difference between the provisional and final Local Government settlement for 2024/25, published after the Council set its budget, provided a small balance £0.484m which has been set-aside as a contingency to provide further safeguard against the risk of an in-year overspend, or in not being able to achieve full-year savings in 2024/25.

4.4 It is early in the financial year and the budget position in some service areas will not become evident until early Autumn. High risk areas include changes to residential placements in Children's Services, Homelessness, care fees in Adult Social Care and school transport. It is anticipated that the early indicative pressures in these areas will be mitigated by underspends recurring from last financial year in the centrally held contingency budgets. Narrative explaining the current risks and assumptions underlying this assessment are outlined in Section 6 and Appendix 2.

4.5 **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. All of the major saving proposals are progressing. 62% of the non-strategic

savings have already been achieved and progress updates for the remaining non-strategic saving proposals will continue to be reported to Cabinet on a quarterly basis going forward. Due to the timing of implementation, some of the proposals will not realise a full year saving in 2024/25 which will create an in-year budget pressure for those services. These pressures will be monitored with the service budget. A full year saving will be achieved from 2025/26 onwards.

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 Corporate Budgets – Centrally held contingency budgets are difficult to project especially at this early stage of the year. Some of the underspend in 2023/24 on contingency for elements of pay and energy is estimated to recur and could mitigate the risks and pressures being identified within service budgets.

6.2 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 and the current forecast pressure is detailed in Appendix 2.

6.3 Adult Social Care and Homelessness – Additional pressures of £7.969m were included in the budget for 2024/25, whilst this service remains an area of concern the current forecast is within budget.

6.4 Highways and Environmental Services – The service was overspent in 2023/24 due to overspends on the winter maintenance budget and the waste and recycling budget. The winter maintenance budget is being reviewed in year in anticipation of needing to be

increased in budget setting for 2025/26. The budget for waste and recycling was not increased in 2024/25 as it was anticipated that the new model for waste collection would result in reducing costs to budget. The issues with the roll out of the new model will result in additional costs being incurred that are short term and therefore one-off in nature, but over and above budget with the amount dependent on how long additional resources are required. The new recycling routes are currently being reviewed, once the review is completed the recurring costs of changes proposed will be assessed to determine impact on in year and future budgets.

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 £3.681 represents a decrease of £5.258m on the balances brought forward into 2023/24 of £8.939m.

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 June, the Council’s borrowing totalled £306.343m at an average interest rate of 4.49%. Investment balances were £15.7m at an average interest rate of 5.17%.

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, faces unprecedented financial challenges. Cost pressures for high-risk areas, based on latest forecast of demands and costs, have been included within the 2024/25 budget to build in resilience. The early indication of potential pressures on the services is of concern and will need to be closely monitored. It is anticipated that recurring underspend from 2023/24 on some of the contingencies held corporately can mitigate the indicative service pressures at this time.

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 A new financial system was introduced from April and whilst progress has been made in developing automated budget monitoring information from the new system, it will not be in place until September. To mitigate the risk of not being able to fully report forecast spend against budget during the first few months of the financial year, the finance team are reviewing budgets manually, focusing on high-risk areas in conjunction with Heads of Service.

10.3 Despite careful monitoring of budgets and tracking of saving proposals, ultimately if a significant in-year overspend materialises in 2024/25 similar to that experienced in 2023/24, and if saving proposals cannot be delivered, this will lead to reserves being called upon in 2024/25. 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.