

<b>Report to</b>	Cabinet
<b>Date of meeting</b>	19 November 2024
<b>Lead Member / Officer</b>	Councillor Gwyneth Ellis, Lead Member for Finance, Performance and Strategic Assets / Liz Thomas, Head of Finance and Audit
<b>Report author</b>	Rhian Evans, Chief Accountant (Deputy s151 Officer)
<b>Title</b>	Finance Report (October 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 as well as the Housing Revenue Account and Housing Capital Plan.

## **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 under spend of £479k (£400k underspend last month). There remains a risk surrounding the budget position as the demand on some services areas will not become fully evident until later in the year. High risk areas include changes to residential placements in Children's Services,

Adult Social Care placements and school transport. Narrative explaining the current risks and assumptions underlying this assessment 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. 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%).

4.3 **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 30 September 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 which creates an in-year budget pressure for those services. 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, 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 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. The current outturn prediction is £1.891m overspend (previously £1.968m) due to pressures in Children's Social Care (£1.474m), reduced by £72k this month and in Education services (£417k) reduced by £5k this month.

**6.2 Highways and Environmental Services** – The current outturn prediction for the service as a whole is £1.124m overspend (previously £1.124m) due to pressures on the winter maintenance budget based on the level of pressure in the service last year, and not achieving full year savings from the budget proposals. The combined additional in-year costs for waste, for the extended implementation phase June to September and the revised recycling routes agreed from October, are forecast at £1.200m however this is netted off by a one-off receipt which the Council has received from its share of the refinancing of the North Wales Residual Waste Treatment Partnership, bringing the waste service into balance for the year.

**6.3 Adult Social Care and Homelessness** – Additional pressures of £7.969m were included in the budget for 2024/25, this service remains an area of concern due to the unpredictable nature of demand in this area. The current outturn prediction is £510k underspend. Although the overall total is unchanged from the previous monthly report, there is a movement this month with an additional underspend of £300k in Homelessness netted off by an increase of £300k in Adult Social Care in older people services. This means that the total underspend in Homelessness (-£1.3m) from reduced emergency temporary accommodation placements is netted off by a total overspend in Adult Social Care (£790k) due to increases across older people services, mental health services, complex disabilities and community living.

**6.4 Corporate Budgets** – Centrally held contingency budgets are difficult to forecast with certainty as their very nature is to be unknown until actual costs are incurred and the final position confirmed at year end. It is estimated that £3.26m can be released; contingency for pension costs (£500k) and energy (£1m) and the contingency held for the pay and grading review (£1.76m) can be released due to delays in the process nationally. The pay

award for NJC has been agreed and the budget will be vired to services in the current month.

**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 £6.340m resulting in a net debit balance of £2.659m carried forward into 2025/26. Discussions are continuing with schools to support the work required to reduce the extent of projected use of balances.

**6.6 The Housing Revenue Account (HRA).** The HRA revenue balances brought forward to 2024/25 of £1.180m are forecast to reduce to £944k (£1.288m previously) at the end of the year. This movement relates to a reduction in estimated rental income. 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 October, the Council’s borrowing totalled £311.364m at an average interest rate of 4.45%. Investment balances were £10.2m at an average interest rate of 4.91%.

**6.8** A summary of the Councils’ **Capital Plan** is enclosed as Appendix 4. The approved capital plan is £96.1m with expenditure to date of £27.8m.

## **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. Cost pressures for high-risk areas, based on forecast of demands and costs at the time, were included within the 2024/25 budget to build in resilience. The pressures included in the Medium Term Financial Plan will be kept under review. Whilst there is a budget under-spend currently projected, the level of pressures on services overall remains 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 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 Despite careful monitoring of budgets and tracking of saving proposals, if a significant in-year overspend materialises in 2024/25 this will lead to reserves being called upon. This will reduce the Council's level of financial resilience and sustainability going forward.

10.3 There are risks regarding the capacity within the Finance team. A new financial system was brought into use in April. 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. The Council had over time, developed an efficient automated way within the legacy system of producing the monthly finance update to Cabinet quickly. Whilst good progress has been made to develop the budget monitoring facility of the new system, the process is still under development. To mitigate the risk, the finance team are reviewing budgets manually, 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.