

Report to	Cabinet
Date of meeting	17 December 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 (November 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 Council Tax Base for setting the 2025/26 budget as detailed in Appendix 3.

3.3 Members approve the use of the capital contingency to fund the overspend on the Lôn Parcwr scheme as detailed in 6.8.

3.3 Members approve the Ysgol Y Castell business case for submission to the Welsh Government Capital Programme, as detailed in section 6.9 and Appendix 5

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 £4.285m (£479k underspend last month). The movement this month is due to Welsh Government awarding additional in year funding to support pay pressures and Teachers' pension costs. Further details 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 (£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** – 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. **Council Tax Base** – The Council is required to calculate annually its Council Tax Base (CT Base) for the following financial year. The CT Base is an amount required by the Local Government Finance Act 1992 to be used in the calculation of council tax for billing authorities and major precepting authorities and in the calculation of the amount of a precept payable by each billing authority to a major precepting authority. The CT Base is a measure of the tax raising capacity of an authority. It is expressed in terms of the number of Band D equivalent dwellings in an authority's area, taking into account exemptions, discounts, disablement relief and the authority's estimate of its collection rate for Council Tax. The details for each community area in Denbighshire, for Cabinet approval, is in Appendix 3.

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 £1.956m overspend (previously £1.891m) due to pressures in Children's Social Care (£1.543m), increased by £69k this month and in Education services (£413k) reduced by £4k this month.

6.2 Highways and Environmental Services – The current outturn prediction for the service as a whole is £1.124m overspend (no change since last month) 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.

6.3 Adult Social Care and Homelessness –The current outturn prediction is £578k underspend (previously £510k underspend). The movement this month of £68k is due to slightly reduced pressures within Adult Social Care services. The total underspend in Homelessness (-£1.3m) from reduced emergency temporary accommodation placements is netted off by a total overspend in Adult Social Care (£721k) due to pressures across older people services, mental health services, complex disabilities and community living.

6.4 Corporate Budgets – The budget is projected to underspend by £7.128m due to a grant award received this month from Welsh Government (WG) (£3.868m) and contingency budgets previously released; pension costs (£500k) and energy (£1m), and the pay and grading review (£1.76m) released due to delays in the process nationally. The grant award from WG is to support in year pay pressures and the cost of the increase in Teachers' pension contributions. Funding for Teachers' pension contribution was indicated by UK Government when the Council's budget was set but the level of unknown. The costs of both the Teachers' pension and NJC pay award formed part of the pressures in setting

the 2024/25 budget. The WG have released this funding further to its supplementary budget reflecting the impact of UK Government budget in October on the Welsh budget.

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 £6.185m resulting in a net debit balance of £2.504m 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 £420k to £760k 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 £20m is largely allocated between planned improvements to existing housing stock (£14m) and new build developments and acquisitions (£6m).

6.7 Treasury Management – At the end of November, the Council's borrowing totalled £323.931m at an average interest rate of 4.49%. Investment balances were £18.6m at an average interest rate of 4.68%.

6.8 A summary of the Councils' **Capital Plan** is enclosed as Appendix 4. The approved capital plan is £96.2m with expenditure to date of £32m. The capital scheme for Improvements at Lôn Parcwr Depot, Ruthin (approved July 2022) is reporting an overspend of £15.9k which increases the overall overspend on the scheme to £30.9k (17.6% of the original scheme estimate). It is proposed to fund this overspend by use of the contingency, which currently stands at £500k.

6.9 The Capital Scrutiny Group has reviewed and support a business case relating to Ysgol Y Castell for submission to the Welsh Government Capital Grant Programme as detailed in Appendix 5 and recommended in 3.3.

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. 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.