

CYNGOR GWYNEDD – Report to Cyngor Gwynedd Cabinet

	Revenue Budget 2024/25 – End of November 2024 Review
Cabinet Member:	Councillor Huw Wyn Jones, Cabinet Member – Finance
Relevant officer:	Ffion Madog Evans, Assistant Head of Finance Department – Accountancy and Pensions
Date of meeting:	21 January 2025

1. Decision sought

- 1.1 Noting that there are projections of £8.3 million of overspend by Council departments, with 83% of it relating to adult and child care, to accept the report on the end of November 2024 review of the revenue budget and support the steps the Chief Executive has introduced to address the significant overspend by the Adults, Health and Well-being Department, the Children and Families Department, the Highways, Engineering and YGC Department and the Environment Department.
- 1.2 Delegate the right to the Head of Adults, Health and Wellbeing in consultation with the Head of Finance and the relevant Cabinet Members to make a number of necessary budget transfers, without limitation on the value, within services budgets in the Adults, Health and Well-being Department to reflect the current pressures, including in the field of Learning Disability, Older People, Physical Disability and Mental Health.
- 1.3 Approve additional financial support above the £201k contractual payment to Cwmni Byw'n Iach to be funded from the transformation fund, and to delegate the right to the Cabinet Member for Economy in consultation with the Finance Cabinet Member, Chief Executive and Head of Finance to agree the amount of final financial support above the contractual payment to Cwmni Byw'n Iach at the end of the financial year.
- 1.4 To approve the transfer of £4,409k of underspend on corporate budgets to the Council's Financial Strategy Reserve.
- 1.5 Exclude clause 16.3.1.(C) of the Financial Regulations and not allow departments to carry any underspend into the next financial year.

2. The reason why the Cabinet needs to make the decision

- 2.1** It is the Cabinet's responsibility to take action, as necessary, to secure appropriate control over the Council's budgets (e.g., approval of significant virements or supplementary budgets).

3. Introduction and Rationale

Background / Introduction

- 3.1** The end of November report is submitted on the latest review of the Council's revenue budget for 2024/25, and a summary of the situation per Department is outlined in **Appendix 1**. The current projections suggest that five of the departments will overspend by the end of the year. Significant overspend is anticipated by the Adults, Health and Well-being Department, the Children and Supporting Families Department, the Highways, Engineering and YGC Department and the Environment Department.

- 3.2** In **Appendix 2**, further details are provided relating to the main issues and the budget headings where significant variances are anticipated, along with specific recommendations where appropriate.

4. The reasoning and justification for recommending the decision

The Savings Situation

- 4.1** In the 2024/25 Budget report to the Full Council on 7 March 2024, it was reported that £5,648,890 worth of savings were required to assist in closing the 2024/25 financial deficit. The budgets have been reduced by this amount; therefore, the situation is reported upon after considering the savings.
- 4.2** In recent years, we have reported on risks to achieving savings. Savings schemes to the value of £2 million were removed during 2023/24. In terms of the remaining schemes, there are risks relating to the delivery of some of the schemes.
- 4.3** The latest situation in terms of savings is that £42 million, namely 90% of the amended savings schemes since 2015, have now been realised.

5. Council Departments

5.1 Adults, Health and Well-being Department

After the Department received an additional permanent budget allocation of over £3.2

million this year to meet pressures in various fields, the latest projections suggest that there will be an overspend of £3.3 million by the end of the year (compared with £3.9 million in 2023/24). The overspending is the result of a combination of different factors, including an increase in the pressures on the domiciliary care provision, with higher staffing costs, sickness levels and high rates of non-contact hours within the internal provision. The other main issues include direct payments, which overspend £1.5 million in the older people service, and supported accommodation in the learning disabilities service.

After work was commissioned by the Chief Executive last year to look at the department's financial position, the work is now being addressed.

5.2 Children and Families Department

The department's financial position has worsened substantially since the 2023/24 situation, when an overspend of £2.6 million was reported, but this has now further increased to £3.7 million, mainly because of an increase in out-of-county placement costs. The department had seen the complexity of packages increasing, and recent increasing use of unregistered placements.

As a result of the exceptional overspending by the Children and Families Department, the Chief Executive has already commissioned work to explain the detail in Children's care, to obtain a better understanding of the issues and a clear programme of response. The work is led by the Statutory Director of Social Services.

5.3 Education Department

Following a £1.5 million overspend in the 2023/24 financial year on school transport, the field received an additional budget allocation this year of £896k on a permanent basis and a further £896k for just one year, to address the pressure on the school buses and taxis field following the re-tendering of contracts. A combination of grant receipts and cutting back on spending means that an underspend is anticipated by the department.

5.4 Byw'n Iach

Over the past few years, as the income levels of Byw'n Iach were disrupted by Covid, the company has received annual financial support from the Council which was £550k in 2022/23 and £308k in 2023/24, which was above the contractual payment of the delivery contract, to enable them to maintain their services. The financial support continues this year, and the required sum is now £201k. Cabinet approval is sought for the amount above the contractual payment, delegating the right to the Cabinet Member for Economy in consultation and the Finance Cabinet Member, Chief Executive and Head of Finance to agree the of final amount of support at the end of the financial year.

5.5 Highways, Engineering and YGC Department

An overspend of £699k is anticipated by the department, a reduction was seen in the work being commissioned by external agencies which is having a negative impact on the income of the highways services. In municipal, there is a combination of factors, including additional pressure on the budgets of staff responsible for street cleaning and cleaning public toilets. Income losses are issues for land maintenance and public toilets, but there are projections of higher income by the bereavement services. An improvement was also seen in the income projections for Gwynedd Consultancy.

5.6 The Environment Department

An overspend of £970k is anticipated, with the annual trend of overspending in the field of waste collection and recycling continuing, and accounting for £667k of the overspend. Employment costs and levels of sickness and overtime were problematic in the field; but the matter is being addressed and therefore seems to be reducing. Additional fleet costs, in terms of vehicle hire, is another matter. Lack of parking income was also evident this year. Several savings schemes are also slipping, which is part of the picture.

5.7 Housing and Property

The trend of significant pressure on the emergency accommodation service continues, with projections that spending in this field will be £5 million this year, compared with £6.8 million last year. The reported financial situation is after taking into account an additional budget of £3m allocated from the council tax premium and also a one-off additional budget of £0.9 million allocated as part of the bids procedure for 2024/25 to assist with the extra pressures. It is anticipated that the department as a whole will underspend (£303k).

5.8 Corporate

Underspend on corporate because of additional tax yield and prudent projections when setting the 2024/25 budget. Following a recent national pay settlement, the council received a grant late in the year towards the additional pressure. The reported underspend is reduced as there is a need to bridge the required savings which were part of the Council's financial strategy for 2024/25.

6. Conclusion

6.1 It is anticipated that many Council departments will overspend by the end of the year, with overspending in adults and children care accounting for 83% of departmental overspend.

There are significant overspending projections for the Adults, Health and Well-being Department, the Children and Families Department, the Highways, Engineering and YGC Department and the Environment Department this year. In light of the exceptional overspending projections by the Children and Families Department, the Chief Executive has already commissioned work to explain the detail in the area of Children's care, in order to obtain a better understanding of the issues and a clear programme of response. This is consistent with the arrangements that have been implemented in the other departments that substantially overspend.

A Medium-Term Financial Plan report was submitted to the Cabinet on 14 May 2024, which outlined the savings and cuts procedure for responding to the financial position. This included recommending freezing spending during the year, should it become apparent that substantial overspend is likely. This measure is already in force since reporting on the overspend projections in the August Review. Therefore, a combination of freezing expenditure arrangements, as well as making use of the Council's reserves is needed to fund the anticipated financial deficit for 2024/25.

The Council's financial regulations allow the departments to keep underspends of up to £100k. But, given the current financial situation and in line with regulations, I recommend that Cabinet decide not to allow this this year.

Earlier this year, the Council received a one-off reimbursement to all councils from the returns of re-funding Parc Adfer, in Deeside. The contribution has been placed in a fund, with the first call on it to be used to fund the overspending in the waste field.

7. Next steps and timetable

- 7.1** To act on the recommendations submitted and present a follow-up report to the Cabinet in May on the situation at the end of the financial year.

8. Views of the Statutory Officers

8.1 Chief Finance Officer

I have worked with the Cabinet Member to prepare this report and I confirm the content.

8.2 Monitoring Officer

No comments to add in terms of propriety.

Appendices:

Appendix 1 – Summary of departmental budgets' net positions

Appendix 2 – Details of budgets and the significant variances