

CYNGOR GWYNEDD - Report to Cyngor Gwynedd Cabinet

	Revenue Budget 2024/25 - End of August 2024 Review
Cabinet Member:	Councillor Paul Rowlinson, Cabinet Member – Finance)
Relevant officer:	Ffion Madog Evans, Assistant Head of Finance Department - Accountancy and Pensions
Date of meeting:	15 October 2024

1. Decision sought

- 1.1 Noting a forecasts of £7.6 million overspend by Council departments, to accept the report on the end of August 2024 review of the revenue budget, and support the steps the Chief Executive has put forward to address the significant overspend by the Adults, Health and Wellbeing Department, Children and Families Department, Highways, Engineering and YGC and the Environment Department.
- 1.2 To approve the transfer of £1,868k of underspend on corporate budgets to the Council's Financial Strategy Reserve.

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 August 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 six of the departments will overspend by the end of the year. Substantial overspending is projected for the Adults, Health and Well-being Department, Children and Families Department, 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 savings worth £5,648,890 were required to assist to close 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 achieve savings. Savings schemes to the value of £2 million were deleted during 2023/24. In terms of the remaining plans, there are risks relating to the delivery of some of the plans.
- 4.3** The latest situation in terms of savings is that £41.7 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 £2.7 million by the end of the year (compared with £3.9 million in 2023/24). The overspending comes as a 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 with the internal provision. The other main issues include direct payments, which overspends £1.3 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 position, when an overspend of £2.6 million was reported, but which has now increased to £3.2 million; mainly as a result of an increase in out-of-county placement costs. An increase was seen in the complexities of packages and recent increased use of unregistered placements.

As a result of the exceptional overspending by the Children and Families Department, the Chief Executive has commissioned work to explain the details in the Children care picture, in order to obtain a better understanding of the issues and a clear programme of response. The work will be led by the Statutory Director of Social Services.

5.3 Education Department

Following an overspend of £1.5 million during 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 one-year only to address the pressures on the school bus and taxi field, following the re-tendering of contracts, therefore we report on a balanced financial position.

5.4 Byw'n lach

Over the past years, the income levels of Byw'n lach have been 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 £101k.

5.5 Highways, Engineering and YGC Department

An overspend of £649k 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 are a combination of factors, including additional pressure on the budgets of street cleaning and cleaning public toilets. Income losses are issues for grounds maintenance and public toilets. Higher income projections by the bereavement services, and the staffing underspend in a number of fields is assisting the financial position.

5.6 The Environment Department

An overspend of £1,083k is forecasted, with the annual trend of overspend in the waste collection and recycling fields continues and is responsible for £664k of the overspend. Employment costs and sickness and overtime levels are problematic in this field; however, the matter is being addressed and therefore seems to be reducing. Additional fleet costs, in terms of vehicle hire, is another matter. Reduced parking income is also evident this year. A number of slipping savings schemes are also a 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 £6.4 million this year, compared with £6.8 million last year. The overspend of £227k reported comes after considering the additional budget of £3m which has been allocated from the council tax premium as well

as a one-off additional budget of £1.2 million allocated as a part of the bids procedure for 2024/25 to assist with the extra pressures.

5.8 Corporate

Underspend on corporate as a result of prudent projections when setting the 2024/25 budget and a reduction in the numbers who claim the council tax reduction compared with previous years. Underspend on other budgets assisting the financial position.

6. Conclusion

6.1 It is anticipated that many Council departments will be overspending by the end of the year with significant overspend in some fields. Significant overspend is forecasted by the Adults, Health and Wellbeing Department, Children and Families Department, Highways, Engineering and YGC and the Environment Department this year. As a result of the exceptional overspending by the Children and Families Department, the Chief Executive has commissioned work to explain the details in the Children care picture, to obtain a better understanding of the issues and a clear programme of response. This is consistent with the arrangements already in place in the other departments which are significantly overspending. The work will be led by the Statutory Director of Social Services.

A Medium-Term Financial Plan report was submitted to the Cabinet on 14 May 2024, which outlined the savings and cuts procedure in order to respond to the financial position. This included recommending freezing the spending during the year, should it become apparent that substantial overspend is likely. Considering the latest overspending projections, it is considered that such a measure is appropriate. Therefore, there will be a need for a combination of spending freeze arrangements and use the Council's reserves to fund the financial deficit projected for 2024/25.

In addition, the Council received a one-time rebate to all councils from the proceeds of the re-funding of Restoration Park, in Deeside. The contribution has been put into a fund, with the first call from it to be used to fund overspending in the waste area.

Some uncertainty remains nationally in terms of the pay settlement situation and in terms of the Welsh Government's contribution to increases to teacher pay and pensions, it is expected that the picture will be clearer by the end of November review.

7. Next steps and timetable

7.1 To act on the recommendations submitted and present a follow-up report to the Cabinet on 25 January 2025 following the end of November review.

8. Views of the Statutory Officers

8.1 Chief Finance Officer

I have collaborated 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