

# Financial Strategy

# Outline

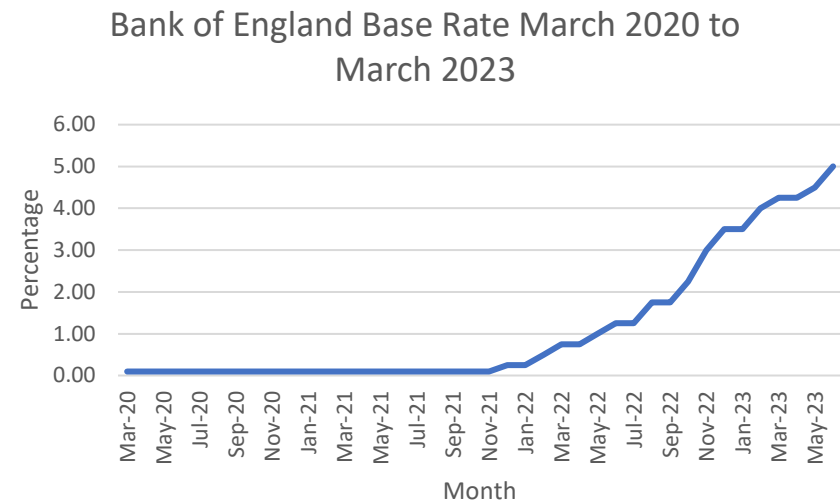
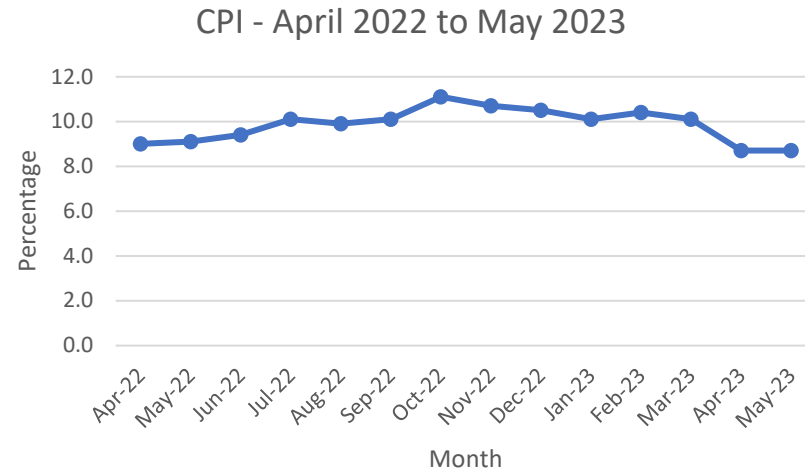
- Strategy
- Economic Outlook
- Current 5 year position
- Approach

# Strategy

- Broadly as for 2023/24
- Principles
  - **Delivering Corporate Plan**
  - Focus on supporting the most vulnerable
  - Sustainable finances
  - Appropriate level of reserves
  - Generating local tax revenue
  - Fees & charges
  - Collective responsibility to manage the finances
  - Accessible & transparent finances
  - Deliver best value

# Economic Outlook

- Not great!



# Current Five Year Position

	2024/25	2025/26	2026/27	2027/28	2028/29
	£K	£K	£K	£K	£K
Government Grant	5,597	6,244	6,306	6,369	6,433
Council Tax	3,789	3,937	4,090	4,250	4,416
Reversal of 2022/23 use of reserves	-496	0	0	0	0
Use of smoothing Reserves	1,700	0	0	0	0
<b>Total Additional Funding</b>	<b>10,590</b>	<b>10,181</b>	<b>10,396</b>	<b>10,619</b>	<b>10,848</b>
Investment	1,471	1,470	1,154	0	
Demography	2,493	2,493	2,493	2,493	2,493
Inflation	10,939	7265	8,688	8,800	8,914
Capital Financing	80	190	224	187	0
Other Pressures	2,037	66	637	0	0
<b>Total Pressures</b>	<b>17,020</b>	<b>11,484</b>	<b>13,196</b>	<b>11,480</b>	<b>11,407</b>
<b>Overall Gap</b>	<b>-6,430</b>	<b>-1,303</b>	<b>-2,800</b>	<b>-861</b>	<b>- 559</b>

# A Possible Way to Focus

Savings Framework	Possible Transformation Themes
<ul style="list-style-type: none"><li>• Demand Management &amp; Early Intervention</li><li>• Generating Income</li><li>• Service Review &amp; Redesign</li><li>• Wider Community</li><li>• Digital Strategy</li><li>• Corporate Asset Management</li><li>• Workforce</li><li>• Procurement</li></ul>	<ul style="list-style-type: none"><li>• Target operating model</li><li>• Strengthening communities</li><li>• Service transformation</li><li>• Digital innovation</li><li>• Economic growth</li></ul>

These approaches could work for single year, BAU savings and/or contribute to a wider transformation programme

The approaches would have a medium term transformational focus

# Draft Capital Strategy 2024/25 and Initial Capital Programme Proposals 2024/25 to 2028/29

# Key Headlines

- The report sets out the Council's proposed Draft Capital Strategy for 2024/25 at Appendix 1
- The Capital Strategy looks at the longer-term view of the Council's Capital investment requirements and outlines the various Council Strategies which identify the priority areas for capital investment and the external factors that result in the need to incur capital expenditure.
- Available capital resources are difficult to predict over a long period especially given the uncertainty in the current economic climate.
- In the final settlement for 2023/24 Welsh Government confirmed that the general capital funding will remain at the same level for 2024/25 with no further projections beyond this point. (£6.997M, being made up of £3.545M grant and £3.452M of supported borrowing)



# Five Year Capital Programme

Directorate	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
Learning and Skills	7,811	1,000	2,750	3,435	1,000
Social Services	1,067	725	100	100	100
Environment	3,685	2,260	2,260	2,260	2,260
Housing	40,755	35,257	23,746	22,034	25,204
Place	2,440	1,605	1,605	1,605	1,450
Corporate Resources	766	1,419	1,919	1,819	1,819
City Deal	1,835	2,594	0	0	0
Pipeline Schemes	22,370	42,138	20,177	3,000	0
<b>Total</b>	<b>80,729</b>	<b>86,998</b>	<b>52,557</b>	<b>34,253</b>	<b>31,833</b>

# Funding of Capital Programme

Funding	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
General Capital Grant	3,545	2,378	2,378	2,378	2,378
General Fund (GF) Reserves/Revenue	1,962	1,438	1,398	1,300	800
HRA Revenue/Reserves	7,107	6,718	6,805	7,631	8,531
Capital Receipts	368	1,280	155	155	0
Grants	26,448	35,205	21,437	4,770	2,770
S106	763	600	2,350	3,035	0
<b>Total</b>	<b>40,193</b>	<b>47,619</b>	<b>34,523</b>	<b>19,269</b>	<b>14,479</b>
<b>Borrowing Requirement</b>					
Supported Borrowing	3,452	3,451	3,451	3,451	3,451
Unsupported Borrowing GF	9,762	12,749	3,012	2,500	0
Unsupported Borrowing HRA	27,322	23,179	11,571	9,033	13,903
<b>Total Borrowing Requirement</b>	<b>40,536</b>	<b>39,379</b>	<b>18,034</b>	<b>14,984</b>	<b>17,354</b>
<b>Total Capital Programme</b>	<b>80,729</b>	<b>86,998</b>	<b>52,557</b>	<b>34,253</b>	<b>31,833</b>

# Next Steps

- Next steps have changes slightly since the report went to Cabinet in July
- New capital bids will be invited for return in October 2023
- Capital bids to be evaluated by Strategic Insight Board in November 2023
- Revised capital proposals to include bids will be brought to Cabinet and Scrutiny in January 2024

# Revenue Monitoring

Quarter 1 Apr-Jun 2023

# Overall Revenue Projected Position

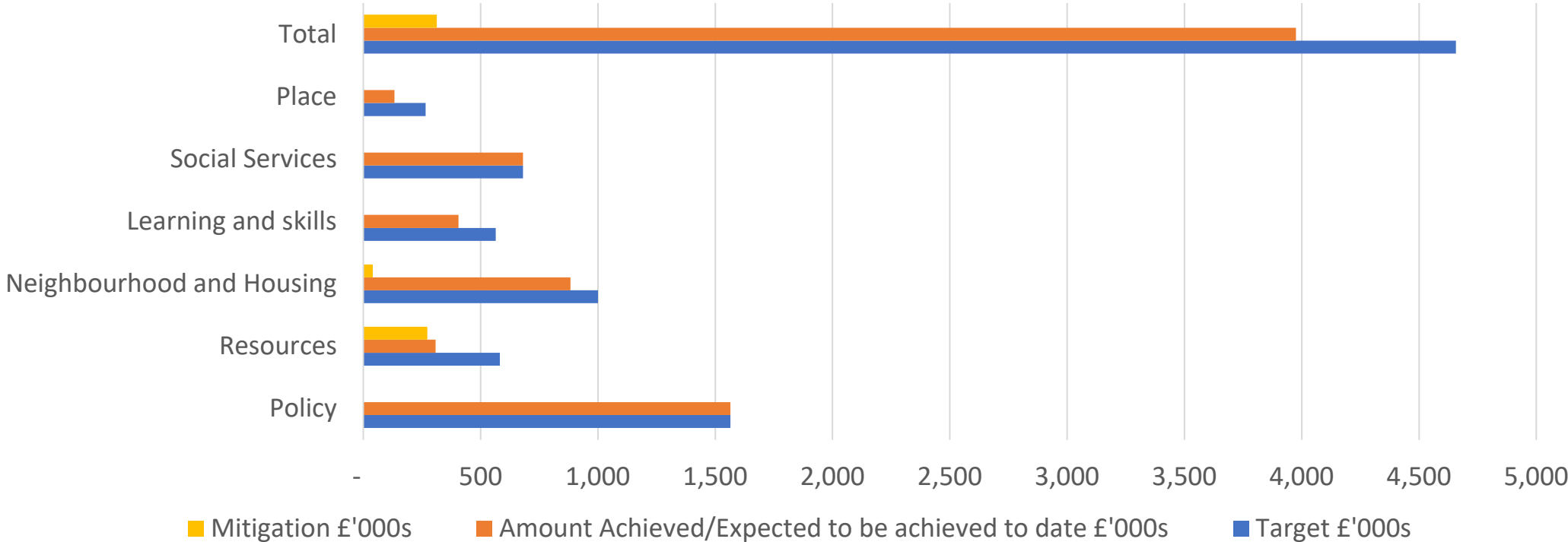
Directorate	Original Budget 2023/24	Virement Request 2023/24	Amended Budget 2023/24	Projected Outturn	Variance
	£000's	£000's	£000's	£000's	£000's
Learning and Skills	130,711	-33	130,678	130,678	0
Social Services	88,858	33	88,891	89,891	1,000
Environment and Housing	34,260	700	34,960	35,960	1,000
Corporate Resources	5,047	-667	4,380	4,380	0
Place	4,261	60	4,321	4,321	0
Policy	33,381	-93	33,288	31,288	-2,000
Use of Reserves	-2,096	0	-2,096	-2,096	0
<b>Total</b>	<b>294,422</b>	<b>0</b>	<b>294,422</b>	<b>294,422</b>	<b>0</b>
Public Sector Housing (HRA)	10,672	0	10,672	10,672	0
<b>Total</b>	<b>305,094</b>	<b>0</b>	<b>305,094</b>	<b>305,094</b>	<b>0</b>

# Key Headlines Revenue

- Significant Emerging Pressures in Social Services – masked by planned and unplanned use of reserves total drawdown circa £7m (made up of £3m unplanned, £2m step in and £2m budget programme/market forces etc.). Increased costs of care packages and costs of residential homes which are offset in part by staff vacancies
- Ongoing pressures in Neighbourhood Services which include Potholes and Patching, Staffing Budgets including market forces payments.
- Emerging pressures in Place in respect of income and shortfall against savings.
- Some underspends in Policy as a result of continued internal borrowing and investment income offsetting £2m.

# Savings 2023/24

Projected Achievement of Savings by Directorate £000's



# Key Pressures by Directorate

## Learning and Skills (Schools)

- Assumed £6.5m use of reserves in 23-24 similar to 22-23
- Schools have submitted three year budgets in line with the statutory deadline of 30<sup>th</sup> June 2023. There are 21 schools that have submitted a deficit budget for the 2023/24 financial year, with total deficits estimated at £2.7M. The regulations require that schools that find themselves in a deficit position should submit a balanced recovery plan showing how the deficit will be eradicated over the next few years, this is also referenced in the Councils Fair Funding scheme for schools which dictates that the period for a balanced recovery plan should be three to five financial years. Currently only two of the schools in a deficit position have provided a balanced recovery plan, and the other 19 schools have submitted non-recoverable budget deficits.



# Key Pressures by Directorate

## Learning and Skills ( Excl Schools)

- Currently assuming a breakeven position
- Some shortfall on savings due to timing around implementing. This shortfall would need to be met from reserves in first instance.
- Schools Non-Delegated: Early Retirement/Voluntary Retirement (ER/VR) budget
- ALN & Wellbeing: Out of County Income
- ALN & Wellbeing: The Children's Placements budget
- ALN & Wellbeing: Due to increased need a new Welsh Medium Resource Base
- Strategy, Resources, Culture & Community Learning: As part of the efficiency savings for the Directorate the Arts Service was set an income target of £65k projected shortfall in year.

# Key Pressures by Directorate

## **Social Services**

- Projected overspend £4m (£3m to be offset by additional drawdown from reserves and £1m Policy underspend).
- £2m of Step in funding will be needed
- Ongoing Budget Programme Commitment
- Additional Care package costs £4m offset by vacancies across Adult Services particularly in C1V, Reablement etc. Impacted by demographic increase, return to care and special rates for residential and nursing placements.
- Pressure in respect of placements for Childrens care and legal costs.
- Pressure in respect of staffing costs residential home.
- May be offset by reduction in costs and grant income but additional grant in at risk given NHS and WG financial position this year.

# Key Pressures by Directorate

## **Environment and Housing**

- Projected overspend of £1m to be offset by Policy.
- Highways patching and pot holes
- Energy costs – particularly Street Lighting Energy
- Staffing budgets – market forces payments to HGV drivers
- Transport budgets – increased costs of fuel/parts and setting aside funding for renewal.
- Ash die back – work continues however no specific allocated budget
- Staff pay award if greater than 6% estimated within budget for 2023/24
- Animal Welfare investigations within Regulatory Services
- Accommodation to meet the need of homeless people and families currently based at the Copthorne Hotel.
- Cost of providing support to assist Ukranian families moving into the Eagleswell school site

# Key Pressures by Directorate

## **Corporate Resources**

- Projected small underspend.
- Delays to the implementation of 2023/24 savings initiatives such as the reorganisation of Council Office space which impacts savings proposals for Docks Office and Contact OneVale.
- Coroner Services Overspend £70k.
- Legal Services Income Shortfall
- Annual Microsoft Licencing Cost

# Key Pressures by Directorate

## Place

- Overspend to be offset by use of reserves.
- Regeneration - Vale Enterprise Centre – there is likely to be demand on the budget due to increased costs of empty property rates, coupled with reduced rental income from mothballing phase 3 which due to age and condition is no longer fit for purpose.
- Planning fees are currently on target but concerns over the economy and inflation could affect this position by year-end.
- Private Housing - fee income on Disabled Facility Grants is currently behind profile. This is due to the lack of available contractors to carry out the works. In addition, potential applicants are also holding back until the Council adopts a new Independent Living Policy. This position, coupled with the inability to the savings target agreed for this service this year means that the service is projecting to be over budget by some £90,000 this year. This position will however be monitored closely.

# Use of Reserves

As at	Balance 01/04/2023	Capital Funding	Planned Transfer (from) reserves	Planned Transfer to reserves	Unplanned Drawdown from Reserves	Estimated Balance 31/03/2024
	£'000	£'000	£'000	£'000	£'000	£'000
<b>General Fund</b>	11,523	0	-496	0	0	11,027
<b>Insurance</b>	4,877	0	0	0	0	4,877
<b>Service Reserves</b>	22,521	-646	-6,426	42	-3,246	12,246
<b>Risk and Smoothing Reserves</b>	29,802	-4,404	-4,022	165	0	21,541
<b>Capital</b>	17,726	-14,885	-477	823		3,187
<b>Schools</b>	7,254	0	-6,500	0		754
<b>Housing Revenue Account</b>	16,486	-15,537	0	0		949
<b>Total</b>	110,190	-35,472	-17,921	1,030	-3,246	54,581

# Capital Monitoring

Quarter 1 Apr-Jun 2023

# Capital Key Highlights

- The report gives an update on the progress of the Capital Programme between the 1<sup>st</sup> April 2023 and the 30th June 2023.
- Many areas are continuing to experience an increase in costs associated with the delivery of schemes, officers are reporting the requirement to re-negotiate submitted tenders.
- Schemes are being closely monitored throughout the year to identify overspends and slippages. Some slippage is anticipated to be reported in quarter 2.



# Capital Programme Summary

Directorate	Approved Programme 2023/24	Amendments 2023/24	Slippage Approved into 2023/24	Total Capital Programme 2023/24
	£000	£000	£000	£000
Learning & Skills	36,697	(1,176)	(1,864)	33,657
Social Services	595	0	342	937
Housing	45,019	6,700	1,992	53,711
Environment	12,830	6,897	6,046	25,773
Place	4,039	664	1,329	6,032
Corporate Resources	1,130	(33)	895	1,992
City Deal	2,506	0	0	2,506
Pipeline Schemes	1,152	60	(7)	1,205
<b>Total</b>	<b>103,968</b>	<b>13,112</b>	<b>8,733</b>	<b>125,813</b>

# Capital Programme Summary

Actual Spend to June 2023	Directorate	Approved Programme 2023/24	Forecast Outturn 2023/24	Variance
£000		£000	£000	£000
2,205	Learning & Skills	33,657	33,710	53
84	Social Services	937	937	0
4,631	Housing	53,711	53,711	0
1,832	Environment	25,773	25,846	73
249	Place	6,032	6,032	0
23	Corporate Resources	1,992	2,098	106
0	City Deal	2,506	2,506	0
69	Pipeline Schemes	1,205	1,205	0
9,093	Total	125,813	126,045	232

# Capital Key Highlights

- £4.089M have been secured from Welsh Government in relation to the Active Travel Fund 2023/24
- Core Active Travel - £645k
- Eglwys Brewis Active Travel Route - £2.433m
- Rhoose (Station Road) Active Travel - £674k
- Port Road and Wenvoe Active Travel Improvements - £336k.
- Early Years Childcare Capital Grant – This scheme is currently on the 2023/24 Capital programme with a budget of £470k. A further grant award has been allocated for Project Management costs associated with the delivery of the grant It is requested to increase this scheme budget by £39k, to be funded through Welsh Government grant to provide a new budget of £509k.
- Allotment Grant – An allocation of funding has been awarded for an allotment support grant for the period 1st April 2023 to 31st March 2025 £29k in each year. The primary purpose of the funding is to increase the availability of good quality allotment plots but may be used for other activities such as improving accessibility and increasing biodiversity.
- Target Hardening Grant – An award of funding has been successful and funding of £44k has been secured from Welsh Government for the installation of CCTV, cameras and intruder kits.

# Capital Key Highlights

- Inclusion of Strong Communities Capital Schemes
- Dinas Powys Junior - Modular Classroom – Delegated Authority has been approved to increase the Council's Capital Programme by £500k using S106 money for a replacement classroom modular building at the Dinas Powys Junior School site.
- Celtic Way Park and Play Area, Rhose - Delegated authority has been approved to include a new scheme in the Council's 2023/24 Capital Programme with a budget of £181k to be funded from S106 monies. The proposal will upgrade the existing play equipment and undertake ancillary works at Celtic Way Park and play area following consultation with elected Members.
- Llantwit Major Leisure Centre - improvements to toilets and changing rooms - Delegated Authority has been approved to increase the Council's Capital programme by £238k to be funded from S106 money. Facilities will be improved at the toilets and changing rooms at Llantwit Major Leisure Centre.
- Delegated Authority to allocate the Housing Improvement Programme.