

Report to	Cabinet
Date of meeting	25 th May 2021
Lead Member / Officer	Julian Thompson Hill
Report author	Steve Gadd, Head of Finance and Property
Title	Finance Report (2020/21 Financial Outturn)

1. What is the report about?

Cabinet has received regular monitoring reports throughout the financial year on the performance of expenditure against budget and savings as agreed for 2020/21. This report details the final position at financial year end.

The first draft of the Annual Statement of Accounts for 2020/21 is on target to be submitted to the external auditors by 15th June. The audited accounts will then be presented to the Corporate Governance Committee in September for formal approval.

2. What is the reason for making this report?

To report the final revenue position and approve the proposed treatment of balances.

3. What are the Recommendations?

3.1 Members note the final revenue outturn position 2020/21

3.2 Members approve the proposed treatment of reserves and balances as described in the report and detailed in Appendices 1, 2 and 3

3.3 Members note the details of transfers to and from Earmarked Reserves as set out in Appendix 4

4. Report details

The final Revenue Outturn figures are detailed in Appendix 1, along with the proposed treatment of service year end balances. The final position on service and corporate budgets (including schools underspend of £7.058m) is an underspend of £9.457m.

The 2020/21 budget required service savings and efficiencies of £4.448m to be identified and agreed as detailed below:

- Corporate savings identified relating to the triennial actuarial review of the Clwyd Pension Fund (£2m)
- Schools savings of 1% (£0.692m)
- Service efficiencies and savings (£1.756m)

The corporate savings have already been achieved and the schools' savings are delegated to the governing bodies to monitor and deliver. On top of this £1.086m of the service savings had originally been designated as savings that have already been implemented.

Impact of Corona Virus - The strategy of working in partnership with Welsh Government has helped secure significant funding that has been detailed in previous reports. A system of monthly expenditure claims and quarterly income loss claims was established. Further recent funding announcements should ensure that Covid pressures in 2020/21 are covered, while also indicating that funding will continue to be available, if required, at least for the first 6 months of next financial year.

DCC has received £19m by the end of the financial year and, due to the timing of the final grant claims (deadline for submission 14th May), there are outstanding claims of £2.7m. The final outturn position assumes that these amounts will be paid in full once Welsh Government have had the opportunity to review the claims. The total value of direct financial help from these two grant sources alone will be £21.7m if the final claims are paid in full.

Schools - The budget agreed by Council for 2020/21 included a total net additional investment (excluding increases in Welsh Government grants) in schools delegated budgets of just over £2.9m. An overall school balance is to be carried forward into 2021/22 of £5.670m, which represents an increase of £7.058m on the deficit balances brought forward into 2020/21 of £1.388m.

The movement from last year largely relates to the receipt of one-off funding and one-off savings relating to schools being closed for much of the year and, in particular, a number of large grants were received at the end of March. Although this is really welcome the one-off nature of this funding should be born in mind. **Appendix 3** details the balances by school and also highlights that the overall balance as a percentage of the 2020/21 budget is 7.2%, as a percentage of the budget for 2021/22 it is 7%. Much of the funding is committed to be utilised during 2021/22 to ensure schools and pupils can recover from the impact on the Covid pandemic.

Corporate Budgets – The key elements of the underspend of £1.874m relates to a number of factors that have been reported to Cabinet throughout the year. WG funding was confirmed to offset the full year impact of Covid on the Council Tax Yield and the Council Tax Reduction Scheme which allowed for the release of contingencies. However, the majority of the underspend relates to an allocation of funding (£1.663m) received from Welsh Government which recognises the pressures of reacting to Covid on the Council as a whole. The funding has been applied in year to help cover overspends not directly covered by other WG Covid Grants which has allowed services with commitments going into 2021/22 to put forward proposals to carry forward their underspend to cover those costs. Although we have applied the budgeted cash contribution from the Budget Mitigation Reserve of £0.685m and set up reserves of £0.200m each for the Carbon Zero and Ash Die-back projects, we have been able to put the net underspend of £0.721m back into the reserve which now stands at £1.7m which will be used to help fund the Invest to Save Scheme agreed as part of the budget process for 2022/23, pressures in 2021/22 or helping to balance the budget in future years.

Given the overall position within services and the availability of corporate funds, it is proposed that services carry forward the net under spends listed as Committed Service Balances in **Appendix 1** to help deliver the 2021/22 budget strategy and meet existing commitments. **Appendix 2** summarises the service proposals.

Appendix 4 details the transfers to and from Earmarked Reserves in full. The majority of the movements have been budgeted for or have been approved in previous monitoring reports to cabinet. It should be noted that all reserves are reviewed as part of the annual budget process.

5. How does the decision contribute to the Corporate Priorities?

Effective management of the council's revenue and capital budgets and delivery of the agreed budget strategy underpins activity in all areas, including corporate priorities.

6. What will it cost and how will it affect other services?

The council's net revenue budget for 2020/21 was £208.302m. The final position on service and corporate budgets was a net underspend £2.705m (2.3% of the net revenue budget for those areas). Taking account of funding and schools, the variance on the total budget was an underspend of £9.457m (4.5% of net revenue budget). The net overspend figure includes £7.058m underspend within schools which is carried forward separately. Where services have highlighted legitimate expenditure commitments, it is proposed that those services carry the net balance forward to 2021/22. The position within each service and intended use of brought forward service balances will be reviewed during 2021/22.

7. What are the main conclusions of the Well-being Impact Assessment?

A Well-being Impact Assessments for the Council Tax rise was presented to Council on 21 January.

8. What consultations have been carried out with Scrutiny and others?

In addition to regular reports to the Corporate Governance Committee, the budget process has been considered by CET, SLT, Cabinet Briefing 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. This year also saw an engagement exercise with the public using social media, the experience of which will be built on in future years.

9. Chief Finance Officer Statement

It is welcome that the Covid Financial Recovery Strategy approved by Cabinet in May 2020 has provided a robust plan for the Council's response. By the end of the financial year direct financial help received from WG exceeded £21.7m which is a testament to the value of partnership working between Local Authorities and WG. It also means that the Council is in a healthy position to face the financial challenges that undoubtedly lie ahead.

Although school balances have increased this financial year, this largely relates to the receipt of one-off funding and one-off savings relating to schools being closed for much of the year and the schools position will require careful monitoring going forward. There remain a small number of schools in financial difficulty and Education Finance will continue to work closely with those schools to help develop robust plans, and chief and senior officers in Education and Finance will continue to meet regularly to review those plans and take remedial action if necessary.

10. What risks are there and is there anything we can do to reduce them?

This remains a challenging financial period and there is still uncertainty around the ongoing impact of Covid 19, Brexit and the financial strategy of the UK government in dealing with the long term financial impact on the public finances of the Covid response. Although the financial outlook looks uncertain, our finances are in a healthy position and a robust 3/5 year budget process has recently been approved by SLT, CET, Cabinet and scrutinised by the Governance and Audit Committee.

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.