

Report to	Cabinet
Date of meeting	23 rd November 2021
Lead Member / Officer	Julian Thompson Hill
Report author	Steve Gadd, Head of Finance and Property
Title	Finance Report (October 2021/22)

1. What is the report about?

The report gives details of the council's revenue budget and savings as agreed for 2021/22. The report also provides a summary update of the Capital Plan as well as the Housing Revenue Account and Housing Capital Plan.

2. What is the reason for making this report?

The purpose of the report is to provide an update on the council's current financial position and confirm the agreed service budgets for 2021/22.

3. What are the Recommendations?

3.1 Members note the budgets set for 2021/22 and progress against the agreed strategy.

3.2 Members approve the conversion of Llys Anwyl, Rhyl into apartments for social rent as detailed in this report (Section 6.7) and Appendices 5 and 6.

4. Report details

The report provides a summary of the council's revenue budget for 2021/22 detailed in Appendix 1. The council's net revenue budget is £216.818m (£208.302m in 20/21). The position on service and corporate budgets is a forecast overspend of £1.179m (£0.656m

overspend last month). Narrative around the current risks and assumptions underlying this assessment are outlined in Section 6.

The 2021/22 budget required service savings and efficiencies of £2.666m to be identified and agreed as detailed below:

- Fees and Charges inflated in line with agreed Fees and Charges policy (£0.462m).
- Operational efficiencies (£690k) mostly identified by services throughout the year and within Head Service delegated responsibility in consultation with Lead Members.
- Savings of £0.781m have also been identified which change service provision in some way and which were shared in detail with Cabinet and Council in the December briefings.
- 1% (£0.733m) Schools efficiency target from Schools Delegated Budgets.

The operational savings and fees and charges increases are assumed to have been achieved and the schools' savings are delegated to the governing bodies to monitor and deliver.

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?

Significant service narratives explaining variances and risks are detailed in Appendix 2, however the following should also be noted:

6.1 Impact of Corona Virus - The strategy of working in partnership with Welsh Government continues to ensure significant grant funding to help with Covid related pressures. So far six expenditure claims for April to September have been submitted amounting to £4.3m. Two income claims totalling to £3.1m for quarters 1 and 2 have also been submitted. It is expected that the income claims will start to reduce now as the wider Covid restrictions have reduced, however expenditure claims are likely to continue.

6.2 Corporate Budgets – Currently projected to break even. However the following risks were identified in previous months, some of which have now been resolved. This may allow for the release of contingency to help fund service overspends in future months.

- Ongoing impact of Covid on the Council Tax Yield – this is still a risk although performance in this area is recovering
- Ongoing impact on the Council Tax Reduction Scheme – At present the additional budget agreed as part of the 21/22 is enough to fund the projected spend in this area – however this remains a volatile area that is impacted by the wider economic situation
- Pay settlements for 2021/22 – the recent offer by employees regarding local government workers and the announcement regarding teachers' pay can be funded within the pressures included in the 21/22 budget. However it should be noted that the non-teachers' pay offer has yet to be agreed and therefore remains a risk.

The position will continue to be monitored closely over the coming months.

6.3 Schools - The budget agreed by Council for 2021/22 included a total net additional investment (excluding increases in Welsh Government grants) in schools delegated budgets of just over £2.5m. The latest projection for school balances to be carried forward into 2022/23 is a net credit balance of £3.829m, which represents a decrease of £1.841m on the balances brought forward into 2021/22 of £5.670m. There is a small underspend of £124k on non-delegated budgets. The movement largely relates to the one-off Covid grants received last financial year which boosted school reserves and which are now projected to be spent this financial year on the catch-up and Covid recovery programme in schools.

6.4 The Housing Revenue Account (HRA). The latest revenue position assumes a decrease in balances at year end of £1.315m, which is £0.662m more than the £653k at the time the budget was approved. The Capital budget of £20.7m is largely allocated between planned improvements to existing housing stock (£6.7m) and new build developments and acquisitions (£14m).

6.5 Treasury Management – At the end of October, the council's borrowing totalled £243.720m at an average rate of 3.69%. Investment balances were £11.3m at an average rate of 0.008%.

6.6 A summary of the council's **Capital Plan** is enclosed as Appendix 3. The approved capital plan is £52.93m with expenditure to date of £16.70m. Appendix 4 provides an update on the major projects included in the overall Capital Plan.

6.7 The Strategic Investment Group approved a Business Case for the acquisition of Llys Anwyl, Rhyl in July 2020 (£0.5m). An updated Business Case has now been developed which includes the latest cost estimates for the re-development. This proposal relates to the conversion of Llys Anwyl, Rhyl to provide 12 no. self-contained apartments which will be let at a social rent. The proposal will help address the unmet need for accessible and energy efficient social housing in Rhyl and will bring a vacant building back into productive use. The conversion works will complete by October 2022 and funding has been allocated within the Housing Stock Business Plan.

Due to tight timescales, the Strategic Investment Group are currently reviewing the proposal through email. Any changes to the recommendation will be reported verbally to Cabinet. The Business Case is included as Appendix 5, and the Wellbeing Impact Assessment as Appendix 6.

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 26 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 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. The Covid pandemic did impact on the level of consultation and engagement with the public, however plans are in place to engage early with all stakeholders during the budget process for 2022/23.

9. Chief Finance Officer Statement

It is welcome that Covid financial assistance has been confirmed for the whole of 2021/22 by Welsh Government. However it should be noted that some of the criteria have been tightened which may mean that services have to fund some additional pressures. Monitoring continues to show pressures in the usual areas of Homelessness and Childrens' Services. Significant investment has gone into these areas in recent years and it is expected that that need will continue. Initial pressures have already been included in the Medium Term Financial Plan and these will be finalised as part of the on-going budget process.

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.