

<b>Report to</b>	Cabinet
<b>Date of meeting</b>	14 <sup>th</sup> December 2021
<b>Lead Member / Officer</b>	Julian Thompson Hill
<b>Report author</b>	Steve Gadd, Head of Finance and Property
<b>Title</b>	Finance Report (November 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 Council Tax Base for setting the 2022/23 budget as detailed in Appendix 5.

## **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 £1.349m (£1.179m

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.

A decision is required on the calculation of the Council Tax Base for the 2022/23 financial year. The Council Tax Base is an amount required by the Local Government Finance Act 1992 to be used in the calculation of council tax by billing authorities and major precepting authorities and in the calculation of the amount of a precept payable by each billing authority to a major precepting authority. The Council Tax Base is a measure of the tax raising capacity of an authority. It is expressed in terms of the number of Band D equivalent dwellings in an authority's area, taking into account exemptions, discounts, disablement relief and the authority's estimate of its collection rate for Council Tax.

## **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 seven expenditure claims for April to October have been submitted amounting to £5.3m. Two income claims amounting 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. Obviously this will depend on the quickly changing situation regarding the Omicron variant.

**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 still 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 £4.164m, which represents a decrease of £1.506m 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 £1.316m, which is £0.663m more than the £653k at the time the budget was approved. The Capital programme for 2021/22 currently stands at £29.3m is largely allocated between planned improvements to existing housing stock (£13m) and new build developments and acquisitions (£16m).

**6.5 Treasury Management** – At the end of November, the council’s borrowing totalled £241.621m at an average rate of 3.68%. Investment balances were £11.3m at an average rate of 0.01%.

**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 £19.37m. Appendix 4 provides an update on the major projects included in the overall Capital Plan.

## **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.