

Report to	Cabinet
Date of meeting	7 th June 2022
Lead Member / Officer	Councillor Gwyneth Ellis, Lead Member for Finance, Performance and Strategic Assets / Steve Gadd, Head of Finance and Property
Report author	Steve Gadd, Head of Finance and Property
Title	Finance Report (2021/22 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 2021/22. This report details the final position at financial year end.

The first draft of the Annual Statement of Accounts for 2021/22 is on target to be submitted to the external auditors prior to submission to the Governance and Audit Committee in July for information. It is hoped that the audited accounts will then be presented to the Governance and Audit 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 2021/22

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 £6.778m) is an underspend of £9.177m.

As highlighted in the April report, during March Welsh Government announced a one-off increase in Revenue Support Grant for 2021/22 of £60m (DCC share is £1.994m). Although technically un-hypothecated WG have requested that £10m (£0.332m for DCC) be used to fund improvements to the travel arrangements for care workers, including electric vehicles. DCC's share has been placed in a specific reserve for this purpose. The remaining amount of £1.662m will be placed in the Budget Mitigation Reserve in order to help the Council deal with inflationary pressures. This is shown in Appendix 1.

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 were also identified which change service provision in some way and which were shared in detail with Cabinet and Council in the December 2020 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.

Impact of Corona Virus - The strategy of working in partnership with Welsh Government continued to ensure significant grant funding to help with Covid related pressures. DCC has received £10.9m by the end of the financial year and, due to the timing of the final grant claims, there are outstanding claims of £4.1m. 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 £15m if the outstanding claims are paid in full.

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. An overall school balance is to be carried forward into 2022/23 of £12.448m, which represents an increase of £6.778m on the balances brought forward into 2021/22 of £5.670m.

The movement from last year largely relates to the receipt of additional Welsh Government one-off funding. 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 2021/22 budget is 15.27%. Much of the funding is committed to be utilised during 2022/23 to ensure schools and pupils continue to recover from the impact on the Covid pandemic. Education and Finance colleagues will work closely to help ensure that these balances are used in a timely and effective manner.

Corporate Budgets – The key elements of the underspend of £1.964m relates to a number of factors that have been reported to Cabinet throughout the year. However, the majority of the underspend relates to centrally held contingency budgets for service overspends, pay settlements, energy costs and Business Rates. The underspend has been used to help fund service overspends of £0.807m which has allowed Cabinet to consider approving the carry forward of those services that have underspent. It is expected that the unused base budget contingencies in 21/22 will be required in 22/23 to fund the impact of inflationary increases in costs across the Council.

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 2022/23 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 2021/22 was £216.818m. The final position on service and corporate budgets was a net underspend £2.399m (1.7% of the net revenue budget for those areas). Taking account of funding and schools, the variance on the total budget was an underspend of £9.177m (4.2% of net revenue budget). The net underspend figure includes £6.778m 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 2022/23. The position within each service and intended use of brought forward service balances will be monitored during 2022/23.

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 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 of working in partnership with WG has provided a robust basis for the Council's continued response during 2021/22. By the end of the financial year direct financial help received from WG will have exceeded £15m 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 the schools position will require careful monitoring going forward. Even during a period of additional financial help from WG some services have continued to see pressures in year, and a number of others are projecting pressures going forward into 2022/23. This is alongside the pressure the Council is facing on costs across all services. The Council has a robust Budget Process in place which will help identify these pressures and identify methods of funding which will help maintain the Council's financial health going forward.

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. It is welcome that the WG have given indicative positive settlement figures for the 23/24 and 24/25, it should be noted that this is well below the current estimated increase in costs and pressures. Although the financial outlook therefore remains uncertain, our financial position remains healthy and a robust medium term budget process is in place in order to help the Council make informed decisions going forward.

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.