

Report to	Cabinet
Date of meeting	22 nd November 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 (October 2022/23)

1. What is the report about?

The report gives details of the council's revenue budget and savings as agreed for 2022/23. 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 2022/23.

3. What are the Recommendations?

3.1 Members note the budgets set for 2022/23 and progress against the agreed strategy.

4. Report details

The report provides a summary of the council's revenue budget for 2022/23 detailed in Appendix 1. The council's net revenue budget is £233.696m (£216.818m in 21/22). The position on service and corporate budgets is a forecast overspend of £5.535m (£2.661m overspend last month). The increase of £2.874m is due to additional pressures within

social care budgets, both Adults' and Children, the Homelessness service and in School Transport. The services will need to review all the expenditure and income in their areas to mitigate the impact of these budget overspends. The budget mitigation reserve will cover most of this overspend in the current year, however we will also need to drawdown from general reserves. Narrative around the current risks and assumptions underlying this assessment are outlined in Section 6 and Appendix 2.

The 2022/23 budget required service savings and efficiencies of £0.754m to be identified and agreed as detailed below:

- Fees and Charges inflated in line with agreed Fees and Charges policy (£0.120m).
- Operational efficiencies (£0.634m) mostly identified by services throughout the year and within Head Service delegated responsibility in consultation with Lead Members.
- No savings were requested from Community Support Services or Schools.

The operational savings and fees and charges increases are assumed to have been achieved.

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 and Inflation - We continue to claim for eligible Free School Meals direct payments. A contingency of £1.9m was agreed as part of the budget for 22/23 to fund any ongoing impact of the pandemic which cannot be claimed from WG this year, and in recognition of the increases in inflation at the time the budget was set. Early indications are that whilst the risk due to Covid has diminished considerably, the

inflationary risk has increased largely due to the war in Ukraine. The position will continue to be monitored closely over the coming months.

6.2 Corporate Budgets – It is currently estimated that corporate non-inflationary related contingencies amounting to £404m will be available to be released. Details relating to other risks are still being analysed:

- Pay settlements for 2022/23 – pay awards have been agreed for local government services employees and Chief Officers and funds will be vired to services to fund the increase. Although ‘final offers’ have been made, the pay settlement for craftworkers, Chief Executives and teachers have yet to be agreed.
- Call on contingencies relating to energy and other inflationary pressures (see 6.1)

These will be monitored closely over the coming months.

6.3 Education and Children’s Service – The current outturn prediction is £2.700m overspend (previously £2.416m). Although an additional pressure of £750k was accepted as part of the agreed budget for 2022/23 this remains an area of concern. The majority of the pressure (£2.1m) relate to residential and independent fostering placements, which have either commenced this financial year or are now projected to continue longer than previously predicted. The Out-of-County income budget pressure of £569k is due to a reduction in number of pupils from other Councils attending DCC facilities.

6.4 Community Support Service – Although an additional pressure of £3.127m was included in the budget for 2022/23 this service area remains a high risk area. As highlighted in previous reports a service cash reserve of £2.440m was available to help fund any in year pressures. The service is now anticipating having to use all this cash reserve to fund in-year pressures in 2022/23 and still overspend by £2.169m (previously £606k). The majority of this pressure (£1.6m) and the increase this month, relates to the overspend on the homelessness budget due to higher rates and lengthier stays at accommodation. (see Appendix 2 for further details).

6.5 Schools - The budget agreed by Council for 2022/23 included a total net additional investment (excluding increases in Welsh Government grants) in schools delegated budgets of just over £4.4m. The latest projection for school balances to be carried forward into 2023/24 is a net credit balance of £6.430m, which represents a decrease of £6.018m on the balances brought forward into 2022/23 of £12.448m. The movement is as expected as the movement last year largely related 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. The grants are now projected to be spent this financial year on the catch-up and Covid recovery programme in schools. There is a small underspend of £78k on non-delegated school budgets.

6.6 The Housing Revenue Account (HRA). The latest revenue position assumes a decrease in balances at year end of £1m compared to £4k at the time the budget was approved. The movement relates to increases to repair and maintenance costs and capital contribution to capital, and a reduction in estimated rental income. HRA balances are therefore forecast to be £1.022m at the end of the year. The HRA Capital budget of £25m is largely allocated between planned improvements to existing housing stock (£14m) and new build developments and acquisitions (£11m).

6.7 Treasury Management – At the end of October, the council's borrowing totalled £242.391m at an average rate of 3.96%. Investment balances were £17.5m at an average rate of 2.10%.

6.8 A summary of the council's **Capital Plan** is enclosed as Appendix 3. The approved capital plan is £70.4m with expenditure to date of £15.7m. Appendix 4 provides an update on the major projects included in the overall Capital Plan. The Capital Plan contingency was increased by £1.676m to £2.176m (up from the £0.500m agreed in February) due to carrying forward the unhypothecated element of a capital grant received from WG in March. After an allocation made to the Waste Project, the contingency level at £1m will help mitigate the risks to the overall programme of the impact of inflation on capital costs.

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 25 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 has continued to 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 2023/24.

9. Chief Finance Officer Statement

As noted in section 4, the substantial specific pressures and level of overspend across services is a grave concern in the current year and for the medium term. The services will need to review all the expenditure and income in their areas to mitigate these budget overspends. The budget mitigation reserve will cover most of this overspend, however we will also need to drawdown from general reserves. Significant investment has gone into these specific service 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 kept under review, while the pressure for these services will need to be closely monitored and reviewed in the coming months. These issues, along with inflationary pressures across all services, are becoming increasingly hard to finance as our funding fails to keep up with inflationary, service and demographic pressures.

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

This remains a very challenging financial period and there is still uncertainty around the ongoing inflationary increases, Brexit and the financial strategy of the UK government in dealing with the long term financial impact on the public finances of the response to Covid, the cost of living crisis and recent announcements about tax policy. Although the financial outlook looks uncertain a robust 3/5 year budget process to help meet the challenges ahead has recently been approved by SLT, CET, Cabinet and scrutinised by the Governance and Audit Committee. The significant budget pressure in-year will reduce the level of reserves held by the Council and this will be taken into review during the budget process.

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.