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| Report to | Cabinet |
| Date of meeting | 13 rd December 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 (November 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.
- 3.2 Members approve the plans to spend a capital grant (£1.203m) to upgrade Schools' kitchens and dining facilities to accommodate the Universal Primary Free School Meals scheme as detailed in section 6.9 and Appendix 5.

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 £2.189m (£5.535m overspend last month). The reduction of £3.346m is due to services' actions to identify service reserves which can be released and achieve in-year temporary savings, underspend in capital financing costs and further release of corporate contingency. Services need to continually review expenditure and income in their areas to mitigate the impact of the overall budget overspend. The budget mitigation reserve will cover this level of overspend in the current year. 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. 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 estimated that corporate contingencies amounting to £1.036m can be released; which includes £700k of the contingency detailed in 6.1 and £230k due to travel savings from new ways of working. Details relating to other risks are still being analysed:

- Pay settlements for 2022/23 – pay awards have been agreed for local government services employees, Chief Officers and Chief Executives and funds have been vired to services to fund the increase. Although ‘final offers’ have been made, the pay settlement for craftworkers 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 £2.423m overspend (previously £2.700m). 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 (£2.180m) 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 Education service overspend (£243k) is due to Out-of-County income budget pressure of £742k offset this month by grant maximisation and small efficiencies across the service. The Out-of-County income budget is overspent 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. The current outturn prediction is £2.287m (previously £2.169m) due to an overall pressure of £4.7m, in high cost placements (£3.1m) and homelessness service (£1.6m), netted off by fully utilising a cash reserve (£2.4m) (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 £5.991m, which represents a decrease of £6.457m 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 £194k compared to £4k at the time the budget was approved. This decrease relates to a reduction in estimated rental income. HRA balances are therefore forecast to be £1.863m at the end of the year. The HRA Capital budget of £26m is largely allocated between planned improvements to existing housing stock (£15m) and new build developments and acquisitions (£11m).

6.7 Treasury Management – At the end of November, the council’s borrowing totalled £234.058m at an average rate of 4.09%. Investment balances were £6.3m at an average rate of 1.86%.

6.8 A summary of the council’s **Capital Plan** is enclosed as Appendix 3. The approved Capital Plan for 22/23 is £51.8m with expenditure to date of £17.9m. 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.

6.9 The Budget Board has reviewed and support a business case for spending a £1.203m capital grant from Welsh Government. The proposal is to upgrade Schools’ kitchens and dining facilities to accommodate the Universal Primary Free School Meals scheme. The proposals are detailed in Appendix 5 and recommended in 3.2.

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 6, the substantial specific pressures and level of overspend across services is a grave concern in the current year and for the medium term. 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. All services need to review expenditure and income in their areas to mitigate these budget overspends. After action by services to achieve savings in-year, the budget mitigation reserve will now cover this level of overspend. 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.