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| <b>Report to</b>             | Cabinet  |
| <b>Date of meeting</b>       | 28 <sup>th</sup> March 2023  |
| <b>Lead Member / Officer</b> | Councillor Gwyneth Ellis, Lead Member for Finance, Performance and Strategic Assets / Steve Gadd, Head of Finance and Property |
| <b>Report author</b>         | Steve Gadd, Head of Finance and Property   |
| <b>Title</b>                 | Finance Report (February 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 match-funding requirement for the Clwyd West Levelling Up Grant programme, as detailed in section 6.8 and Appendix 5.
- 3.3 Members approve the 'Four Great Highways' project as part of the Clwyd South Levelling Up Grant programme, as detailed in section 6.9 and Appendix 6.

## **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 £2.846m (£2.249m overspend last month). The increase of £0.6m is due to additional pressures within Children services and Highways and Environmental services. All services continue to review 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 these 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 Corporate Budgets** – A contingency of £1.9m was agreed as part of the budget for 22/23 to fund any ongoing impact of the pandemic, and in recognition of the increases in inflation at the time the budget was set. It is estimated that corporate contingencies amounting to £1.546m 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 – funds have been vired to services to fund the increase for those pay awards have been agreed. Although 'final offers' have been made, the pay settlement for teachers has yet to be agreed.
- Call on contingencies relating to energy and other inflationary pressures (see 6.1)

These will be reviewed when the final outturn is known.

**6.2 Education and Children's Service** – The current outturn prediction is £3.437m overspend (previously £2.999m). 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 (£3.255m) relate to children's placements, which have either commenced this financial year or are now projected to continue longer than previously predicted. The Education service overspend (£182k) relates to Out-of-County budget pressure of £704k due to a reduction in number of pupils from other Councils attending DCC facilities, offset by grant maximisation and small efficiencies across the service (see Appendix 2 for further details).

**6.3 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 £2.318m (previously £2.369m) due to an overall pressure of £4.8m, in high cost placements (£3.4m) and homelessness service (£1.4m), netted off by fully utilising a cash reserve (£2.4m) (see Appendix 2 for further details).

**6.4 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 £6.071m, which represents a decrease of £6.377m 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 £42k on non-delegated school budgets.

**6.5 The Housing Revenue Account (HRA).** The latest revenue position assumes a decrease in balances at year end of £578k 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 £1.479m at the end of the year. The HRA Capital budget of £23m is largely allocated between planned improvements to existing housing stock (£12m) and new build developments and acquisitions (£11m).

**6.6 Treasury Management** – At the end of February, the council's borrowing totalled £273.035m at an average rate of 4.08%. Investment balances were £36.2m at an average rate of 3.44%.

**6.7** A summary of the council's **Capital Plan** is enclosed as Appendix 3. The approved Capital Plan for 22/23 is £51.1m with expenditure to date of £30.3m. 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 2022) due to carrying forward the unhypothecated element of a capital grant received from WG in March. After allocations to the Waste Project and the Levelling Up Scheme, the contingency level at £764k will help mitigate the risks to the overall programme of the impact of inflation on capital costs.

**6.8** The Clwyd West bid for Levelling Up funding (LUF) including the requirement for match-funding was supported by Cabinet on 28 June 2023. The UK Government confirmed the award of funding for the Clwyd West bid on 18 January 2023. The project cost is £12.759m with a match-funding commitment by the Council of £1,038,108. The match-funding amount will be funded from the corporate priorities budget set aside when the 2023/24 budget was set. A summary of the Clwyd West LUF programme is attached as Appendix 5 and approval of the match-funding amount recommended in 3.2.

**6.9** The Clwyd South LUF programme, including the funding, has been approved in principle by Cabinet. The Budget Board reviews business cases for individual LUF projects. The Budget Board has reviewed and support a business case for the 'Four Great Highways' project to invest in the infrastructure in Llangollen as detailed in Appendix 6 and recommended in 3.3.

## **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 2022.

## **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.

## **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 continue to be closely monitored. 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 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 and the cost of living crisis. Although the financial outlook looks uncertain a robust 3/5 year budget process to help meet the challenges ahead has 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.