

Report to	Cabinet
Date of meeting	23 rd May 2023
Lead Member / Officer	Councillor Gwyneth Ellis, Lead Member for Finance, Performance and Strategic Assets / Steve Gadd, Head of Finance and Audit
Report author	Steve Gadd, Head of Finance and Audit
Title	Finance Report (2022/23 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 2022/23. This report details the final position at financial year end.

The first draft of the Annual Statement of Accounts for 2022/23 is on target to be submitted to the external auditors prior to submission to the Governance and Audit Committee in September for information. After consulting with Audit Wales and the Governance and Audit Committee it is currently planned that the audited accounts will then be presented to the Governance and Audit Committee in January 2024 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 2022/23

3.2 Members approve the proposed treatment of reserves and balances as described in the report and detailed in Appendices 1 and 2

3.3 Members note the details of transfers to and from Earmarked Reserves as set out in Appendix 3

4. Report details

4.1 The final Revenue Outturn figures are detailed in Appendix 1, along with the proposed treatment of service year end balances. The key points are summarised below:

- The final position on service and corporate budgets (including schools overspend of £3.509m) is an overspend of £5.095m.
- Excluding schools, the position is an overspend of £1.585m.
- On the funding side there was a very small shortfall in Council Tax collection of £0.019m.
- This resulted in the requirement to utilise £1.604m of unearmarked reserves in order to fund the net overspend.

The 2022/23 budget required service savings and efficiencies of £0.754m to be identified and these are assumed to have been achieved.

4.2 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. An overall school balance is to be carried forward into 2023/24 of £8.939m, which represents a decrease of £3.509m on the balances brought forward into 2022/23 of £12.448m. Education and Finance colleagues will work closely to help ensure that these balances are used in a timely and effective manner. The school balances position is detailed in **Appendix 2**.

4.3 Corporate Budgets – The key elements of the underspend of £2.203m 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 the possible ongoing impact of Covid, pay settlements, inflationary pressures and Business Rates. The increase in the underspend from that reported in March largely relates to refunds received due to Business Rates revaluations and lower pension costs.

4.4 Service Outturn Positions - As agreed in the autumn, given the overall position within services and the availability of corporate funds, it is proposed that services do not

carry forward any under spends to help deliver the overall budget strategy and help fund other service overspends. The position for services is shown in **Appendix 1**.

4.5 Appendix 3 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 2022/23 was £233.696m. The final position on service and corporate budgets was a net overspend £1.585m (1% of the net revenue budget for those areas). Taking account of funding and schools, the variance on the total budget was an overspend of £5.114m (2.2% of net revenue budget). The net overspend figure includes £3.509m overspend within schools which is carried forward separately. The overall position required the use of £1.604m of unearmarked reserves in order to fund the net overspend position.

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.

9. Chief Finance Officer Statement

The substantial 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. However it is welcome that all services reviewed expenditure and income in their areas to help mitigate these budget overspends during the autumn and that the final outturn position is broadly in line with the in year monitoring following that exercise. 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. The action in year to help reduce the overall pressure has meant that we have been able to fund the overspend from unearmarked reserves, while keeping the level of those reserves above the £5m level that we view as a prudent level to cope with unforeseen financial pressures.

Although school balances have decreased this financial year, they still remain at historically high levels. However it is likely that schools will face significant financial challenges in 2023/24 and 2024/25 and these balances are expected to fall further in those years.

The Council has a robust Budget Process in place which will help identify these pressures and identify savings and 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 very challenging financial period and there is still uncertainty around the ongoing inflationary increases, 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. A Medium Term Financial Strategy, which provided a range of financial forecasts and a summary of the Budget Strategy for 2024/25 and beyond, was presented to Cabinet in April. This forms the basis of the risk management approach.

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.