

REPORT TO THE CABINET
24 JANUARY 2023

Cabinet Member: Councillor Ioan Thomas, Cabinet Member – Finance

Subject: Revenue Budget 2022/23 - End of November 2022 Review

Contact officer: Ffion Madog Evans, Senior Finance Manager

1. Decision sought

The Cabinet is requested:

- Accept the report on the end of November 2022 review of the Revenue Budget, and consider the latest financial situation regarding the budgets of each department / service.
- Although the impact is not as substantial now compared to the last two years, it is noted that the financial impact of Covid on some fields continue in 2022/23, which are a combination of additional costs, income losses and a slippage in the savings programme.
- To note that significant overspend is anticipated in the Adults, Health and Well-being Department, Education Department, Economy and Community Department, Highways and Municipal Department and the Housing and Property Department this year. The specific reasons that affect departments are detailed in section 5 of the report, but the impact of increased inflation and electricity prices is a particularly prominent factor.
- Approve the transfer of £3.188 million of underspend on Corporate budgets to the Council's Financial Strategy Reserve.
- Although it is premature to transfer money from funds until the financial position is finalised at the end of the year, it is recommended that the order in terms of using funds to fund the financial deficit at the time will be:
 - firstly, use School Balances to fund the additional costs of inflation on the salaries of teachers, assistants, administrative staff and electricity which is above the budget level in the schools
 - secondly, use the Council Tax Premium Fund to fund the additional pressure in the Homelessness field
 - finally, use the post-Covid recovery arrangements fund established to fund the associated financial challenges that face the Council.

2. Introduction / Background

It is the Cabinet's responsibility to take action, as necessary, to secure appropriate control over the Council's budgets (e.g., approval of significant virements or supplementary budgets).

This end of November report is submitted on the latest review of the Council's revenue budget for 2022/23, and a summary of the position per Department is outlined in **Appendix 1**. The current projections suggest that the Departments of Adults, Health and Well-being, Children and Families, Education, Economy and Community, Highways and Municipal and Housing and Property will overspend by the end of the year. Significant overspend by five of the six departments is reported, while other Council departments are operating within their budget.

In **Appendix 2**, further details are provided relating to the main issues and the budget headings where significant variances are anticipated, along with specific recommendations where appropriate.

3. Covid

The financial side effect of the Covid crisis has been substantial to the Council, with a combination of additional costs along with loss of income, to the value of over £20 million in 2020/21 and a further £17.5 million in 2021/22. Local Authorities were able to claim from Welsh Government's hardship fund for compensation in 2020/21 and 2021/22, but as the fund has now come to an end, pressures fall on the Council in 2022/23.

Although the impact is not as substantial in 2022/23 compared to the last two years, additional costs, income losses and a slippage in the savings programme as a result of Covid continue in some fields.

4. The Savings Situation

After reviewing the savings situation, it appears that over £33.5 million, namely 95% of the amended savings schemes since 2015, have now been realised. A delay was seen in the realisation of some savings schemes as a result of the Covid crisis.

It was seen that the delay in realising the savings was most prominent in the Adults, Health and Well-being Department with schemes to the value of £930k, whilst the Highways and Municipal Department had £608k.

5. Council Departments

There are significant overspend projections for various reasons in five departments this year. The main issues within the departments are as follows:

5.1 Adults, Health and Well-being Department

Latest projections suggest over £2.2 million of overspend, which is a combination of many factors including failure to realise savings to the value of £930k. Pressures on supported accommodation and direct payment packages are issues in Older People's Services while staffing above the budget level and an income shortfall are issues in Community Care.

5.2 Education Department

An overspend of £1.6m is anticipated in the Education Department as a result of the additional cost of inflation on the salaries of teachers, assistants, administrative staff which is £1,031k above the budget this year. The impact of higher electricity costs on the schools for the first six months of October 2022 onwards is anticipated to be £614k. Considering that the schools have already benefited from almost a million in energy savings which have derived from Covid and the associated lockdown periods, it is therefore considered appropriate to use school balances to fund the additional pressures this year.

5.3 Byw'n Iach

Due to the side effect of Covid, the Byw'n Iach Company received financial aid from the Welsh Government's hardship fund valued at £1.4 million in 2021/22 and £2.7 million in 2020/21. Such support is not available from the Government this year. However, as the side effect of Covid continues in 2022/23 and disrupts the ability to generate income, the Council confirmed necessary financial support to maintain Cwmni Byw'n Iach services by extending the assurance period provided to the Company until the end of 2022/23. According to latest projections, the value of the aid required is £839k. Higher electricity costs of £183k are responsible for the remainder of the Byw'n Iach overspend.

5.4 Waste and Recycling

The annual trend of overspend in the waste collection and recycling fields continues. The Highways and Municipal Department is also facing difficulty in realising savings worth £608k, with £335k of it in the waste field.

5.5 Housing and Property

Implications of a change in legislation relating to Homelessness mean significant financial pressures this year. Although an allocation of £1.5m from the Council's post-Covid arrangements fund was provided to assist the situation, a net overspend of £2.7 million is anticipated this year.

5.6 Corporate

Prudent projections when setting the 2022/23 budget and a change to taxation legislation are factors that contribute to the additional tax outputs, with houses transferring from non-domestic rates to council tax. A reduction in the numbers who claim the council tax reduction compared with previous years. The interest receipt projection is £1.3 million more favourable following a recent increase in interest rates.

6. General Conclusion

Overspend position is as a result of many factors including failure to realise savings, the financial side effect of Covid, salary inflation above budget level, increasing electricity prices and a number of other prominent matters within the departments this year. It is anticipated that use must be made of Schools and Council reserves to fund the financial deficit of £7.4 million projected for 2022/23.

7. Next steps and timetable

To act on the recommendations submitted and present a follow-up report to the Cabinet in May regarding the situation at the end of the financial year.

Local member's views

Not relevant

Views of the statutory officers**The Monitoring Officer:**

No observations to add in relation to propriety.

Head of Finance Department:

I have collaborated with the Cabinet Member in the preparation of this report, and I confirm the content.

Appendices

Appendix 1 - Summary of departmental budgets' net positions

Appendix 2 - Details of budgets and the significant variances