

REPORT TO THE CABINET

13 JUNE 2023

Cabinet Member: Councillor Ioan Thomas, Cabinet Member – Finance

Subject: Final Accounts 2022/23 – Revenue Out-turn

Contact officer: Ffion Madog Evans, Assistant Head of Finance

1. The decision sought / purpose of the report

The Cabinet is requested:

- 1.1 To consider and note the final financial position of the Council's departments for 2022/23.
- 1.2 **To approve the amounts to be carried forward** (the "Revised Over/(Under) Spend" column of the summary in **Appendix 1**), namely -

DEPARTMENT	£'000
Adults, Health and Well-being	100
Children and Families	76
Education	(96)
Economy and Community	0
Highways and Municipal	100
Environment	6
Gwynedd Consultancy	0
Housing and Property	0
Corporate Management Team and Legal	(17)
Finance	(10)
Corporate Support	(16)

- 1.3 To approve the following recommendations and virements (as outlined in **Appendix 2**) -

- In the Education Department, that £1,304k of additional electricity inflation and salaries of school assistants and administrative staff costs that is above the budget is funded from the balances of individual schools.
- In the Housing and Property Department, that £2,482k of the Council Tax Premium Fund is used to fund the additional pressure in Homelessness.

- Financial assistance of £550k to the Economy and Community Department as the effects of covid have affected the income levels of Cwmni Byw'n lach.
- The following departments that are over-spending to receive one-off partial financial assistance to limit the overspend that will be carried forward by the Department to £100k.
 - £3,785K - Adults, Health and Well-being
 - £2,434k - Highways and Municipal
- On Corporate budgets:
 - use (£2,851k) of the Corporate net underspend to assist the departments that have overspent in 2022/23.
 - that (£3,899k) relating to capital costs is allocated to a capital programme fund.
 - with the remainder of the net underspend of (£952k) on Corporate budgets being transferred to the Transformation Fund to fund the Council's priorities.

1.4 To approve the virements from the specific reserves as outlined in **Appendix 3** following a review of the reserves, harvesting (£3,918k) from reserves to be used in its entirety to assist the departments that have overspent in 2022/23.

2. Introduction / Background

2.1 A summary of the final position of all departments has been outlined in **Appendix 1**, with the amounts to be carried forward (subject to Cabinet approval) in the "Revised Over/(Under) Spend 2022/23" column. At the end of the year, seven departments are overspending, five of which are overspending significantly.

2.2 In **Appendix 2**, further details are provided relating to the main issues and the fields where there were significant variances to what was reported previously, along with several specific recommendations. Those recommendations have been highlighted for consideration in 1.3 above.

2.3 In the last review of the revenue budget undertaken on the end of November position, a shortfall of £4.3m was anticipated. Since then, the overspend position in the fields of adults, waste and homelessness has worsened; however, the favourable position of many corporate budgets helps to alleviate the financial position of the Council as a whole by the end of the financial year.

2.4 **The Cabinet is requested to approve the final financial position for 2022/23, which is the basis of the statutory financial statements.**

3. Covid

- 3.1 The financial impact 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 to compensate them in 2020/21 and 2021/22, but as the fund has now come to an end, pressures fall on the Council in 2022/23.
- 3.2 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

- 4.1 Following a review of the savings situation, it appears that over £33 million, namely 94% 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.
- 4.2 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 £921k having slipped, whilst the Highways and Municipal Department had £608k.

5. Council Departments

- 5.1 An overspend position is reported by 7 departments as a result of many factors including failure to realise savings, salary inflation above budget level, reduction of income as a result of the financial impact of Covid, increasing electricity prices and several other matters. The trend continues and is worsening with substantial pressures in the field of adult social care, waste and homelessness. The main issues are as follows:
- 5.2 **Adults, Health and Well-being Department**
The overspend has increased to £3.9 million by the end of the year, which is a combination of several factors including failure to realise savings to the value of £921k. The increasing use of agency staff in various fields also contributes to the overspend reported. Pressures on supported accommodation and direct payment packages are issues in Older People's Services and in Learning Disability while staffing above the budget level and an income shortfall are issues in Community Care.

5.3 **Education Department**

Overspend of £1.2m by the Education Department. In the schools, the impact of the additional inflation cost of assistants and administrative staff of £690k and the effect of higher electricity prices £614k higher than the budget this year. Considering that the schools have already benefited from almost £1million 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 of £1,304k this year. During the year, increasing pressures are becoming more prominent on the school buses and taxis budget.

5.4 **Byw'n lach**

Due to the impact of Covid, Cwmni Byw'n lach 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 impact of Covid continues in 2022/23 and disrupts the ability to generate income, the Council confirmed necessary financial support to maintain Cwmni Byw'n lach services by extending the assurance period provided to the Company until the end of 2022/23. The value of the support needed is £550k, which is a reduction from the £839k projected during the year.

5.5 **Highways and Municipal Department**

The annual trend of overspend in the areas of waste collection and recycling continues. There was one-off spending and increased pressures on the Highways services budget by the end of the year. The Highways and Municipal Department is also facing difficulty in realising savings worth £608k, with £335k of it in the waste field.

5.6 **Housing and Property Department**

Implications of a change in legislation relating to Homelessness mean significant financial pressures continue. Although an allocation of £1.5m from the Council's post-Covid arrangements fund was provided to assist the situation, a net overspend of £2.5 million is reported this year.

5.7 **Corporate**

Underspend reported on Corporate as a result of 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. Grant receipts and slippages on capital schemes means that there is a need for slippage in relevant revenue funding. The effect of the recent increase in interest rates has led to interest receipts worth an additional £1.3 million. The pressures on many budgets were not as much as anticipated.

- 5.8 **In Appendix 1, the underspend / overspend position of each department is reported to the Cabinet, and a formal decision is sought to approve the amounts to be carried forward.** Financial Procedure Regulation 16.3.1 details the arrangements for sums to be "carried forward" at the end of the year. There are five requests for the Cabinet to cancel the departmental deficit at the closure of 2022/23.
- 5.9 Generally, where departments have underspent, that position would be for one time in 2022/23 only.
- 5.10 Appropriate consideration was given to the budgets that are under pressure in the 2023/24 budgetary cycle, and most of those permanent matters have already been addressed in the financial strategy for 2023/24 (by management action to prevent the trend and/or by amending the budget).

6. Schools

- 6.1 A section of **Appendix 2** details the budgetary position of schools, where a statute has presented delegated powers for governing bodies to carry balances forward at the end of a financial year. The county total of schools' balances has decreased by £4.8m, namely from £16.7m in 2021/22 to £11.9m in 2022/23. In recent years, a significant increase has been seen in school balances as a result of Covid and substantial grant receipts, but they have now reduced with projections of further reductions by the end of 2023/24 and back to usual levels. We will soon be publishing detailed information on the balances of individual schools in a 'Section 52 Statement'.
- 6.2 The Education Department has arrangements to challenge individual schools to justify the need for their balances, and they are asking headteachers and the relevant schools' governing bodies to explain their intention to use their balances (particularly those with balances exceeding 5% of their budget). The side-effect of Covid in terms of higher than usual reserves continues, and this must be considered when discussing with the schools.
- 6.3 Two primary schools and one secondary school have a deficit at the end of the 2022/23 financial year. I confirm that the relevant Finance Unit will also ensure that headteachers and governing bodies of the schools which have financial deficits will deal with them.

7. Corporate Budgets and Reserves

- 7.1 For many reasons, there has been a one-off underspend on several Corporate budget headings this year, as outlined in 5.7 and the last part of **Appendix 2**.

- 7.2 An underspend of £7,702k is reported on Corporate headings. It is suggested that a transfer of £3,899k linked to capital should be made to the capital programme fund. It is suggested that £2,851k of the net underspend is used to assist the departments which overspend and the remaining £952k to be transferred to the Transformation Fund.
- 7.3 The adequacy of the Council's specific reserves was reviewed by the Head of Finance once again at the closure of this year's accounts, in accordance with the policy approved some years ago. This review managed to harvest £3,918k of resources, as outlined in **Appendix 3**. Given the overspend position of some of the departments, it is considered appropriate that it is all used to assist with the financial situation this year.

8. Next steps and timetable

- 8.1 The purpose of this report is to detail the out-turn position in terms of the underspend or overspend position of individual departments and the Council's expenditure as a whole in 2022/23. We will consider the information and will reflect the position in the final accounts.
- 8.2 The latest position and information are reflected here, and in bringing the process to a close, there may be further changes. However, no substantial change to the general situation is anticipated.
- 8.3 The Finance Department have produced 2022/23 statutory financial statements to be certified by the Head of Finance by the statutory deadline. The draft out-turn report was submitted to the Governance and Audit Committee on 25 May.

Local member's views

Not relevant

Views of the statutory officers**The Monitoring Officer:****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 - Final underspend / overspend position of each department

Appendix 2 - Main budgetary matters and fields where there were significant variances

Appendix 3 - Harvested resources following a review of reserves