

REPORT TO THE CABINET
25 OCTOBER 2022

Cabinet Member: Councillor Ioan Thomas, Cabinet Member – Finance

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

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1. Decision sought

The Cabinet is requested:

- To accept the report on the end of August 2022 review of the Revenue Budget, and consider the latest financial position regarding the budgets of each department/service.
- To note that the financial impact of Covid on some fields continues in 2022/23, although the impact is not as substantial in 2022/23 compared to the last two years, 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.
- Given the significant overspend anticipated by the Adults, Health and Well-being Department and the Highways and Municipal Department, to note the Chief Executive's intention to call a meeting of relevant officers in order to get to the root of the overspend. To ensure that definite steps are taken to bring the situation within control before the end of the financial year, and report to the Cabinet on the response plan.
- 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 procedure in terms of using funds to fund the financial deficit at the time will be:
 - initially use School Balances to fund the increase in electricity prices in schools
 - secondly, use £4.5 million from the post-Covid recovery arrangements fund established to fund the associated financial challenges that face the Council
 - finally, finance the rest from the Financial Strategy Reserve.

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 August 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. The impact of increased inflation, particularly electricity prices that are above the budget, is detailed in Appendix 1. 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 £33.4 million, namely 94% of the amended savings schemes since 2015, have now been realised. Without a doubt, 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 £533k.

5. Council Departments

Increased prices, particularly the impact of higher electricity prices, seem to be very prominent in 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 £1.9 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. Staff costs and lack of income are problematic within Community Care.

5.2 Education Department

An overspend of £1.3m is anticipated by the Education Department which results from the impact of higher electricity costs for a six-month period from October 2022 onwards on the schools. 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 £842k. Higher electricity costs are responsible for the remaining overspend of Byw'n Iach.

5.4 Highways and Municipal Department

The annual trend of overspend in the municipal field continues, with the most prominent problems in the field of waste collection and disposal. The department is also facing difficulty in realising savings in a number of fields to the value of £533k.

5.5 Housing and Property

Implications of a change in legislation relating to Homelessness involve 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 £3.2 million is anticipated this year.

5.6 Corporate

Prudent projections when setting the 2022/23 budget are responsible for additional tax outputs and also contributing to the underspend on Council Tax Reductions. The latest increase in interest rates means that the projections of receiving £1.1 million interest is more favourable.

6. General Conclusion

Overspend position is as a result of many factors including failure to realise savings, the financial side effect of Covid, 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 £7.1 million projected for 2022/22.

7. Next steps and timetable

To act on the recommendations submitted and present a follow-up report to the Cabinet on 24 January 2023 regarding the situation at the end of November 2022.

Appendices

Appendix 1 - Summary of departmental budgets' net positions

Appendix 2 - Details of budgets and the significant variances