



## Report of the Director of Finance & S151 Officer

Cabinet – 18 July 2024

### Revenue Financial Outturn 2023/2024

<b>Purpose:</b>	To report on the detailed Revenue financial outturn for 2023/24
<b>Policy Framework:</b>	Budget 2023/24. Transformation and Future Council
<b>Consultation:</b>	Cabinet Members, Corporate Management Team, Legal and Access to Services.
<b>Recommendation(s):</b>	It is recommended that Cabinet:  1) Notes the comments and variations in this report and approves the proposed reserve transfers detailed in Section 8.4, 8.5 and 8.6.
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#### 1. Background and Introduction

- 1.1 This report details net expenditure for 2023/24 and highlights variances from the revised budget.
- 1.2 The Revenue Budget for 2023/24 was approved at Council on 2<sup>nd</sup> March 2023. The budget as approved included the following proposals to address a total funding requirement of £62.057m.

<b><u>Budget Proposals 2023/24</u></b>	<b>£'000</b>
Planned Service Savings.	-24,839
Net effect of Council Tax base changes and increased charge.	-5,528
<u>Aggregate External Finance Increase</u>	<u>-31,690</u>
<u>Overall resourcing</u>	<u>-62,057</u>

- 1.3 The specific savings proposals detailed above were incorporated into Directorate budgets at service level and have formed part of the monitoring reported to Cabinet on a quarterly basis during the year.
- 1.4 2023/24 marked the tenth year following the introduction, from 1<sup>st</sup> April 2014, of the Council's single status pay and grading scheme relating to all staff on NJC grades. Elements of the appeals and grievance process remain ongoing and the extent to which appeals are successful could impact future budget planning and financial performance. Costs arising from case specific individual successful appeals and grievances have not been built into budgets going forward and will have to be met from within existing Directorate Budgets. A Council wide provision of £15m has already been prudently made in 2022/23 and set aside for any general class/group claims.
- 1.5 The report that follows details the Revenue outturn position for 2023/24, makes commentary on comparison with in-year budget monitoring, now minor residual impacts of COVID 19 and Cost of Living impacts on both expenditure and Welsh Government support and, where appropriate, details action already taken in setting the 2024/25 Revenue Budget based on the previously anticipated outcome at quarter 3 of the year. It remains critical that the progress on savings previously adopted under *Sustainable Swansea*, then within the approved "Swansea – Achieving Better Together, Transformation Strategy & Programme Framework" and now under the "Successful and Sustainable Swansea Corporate Transformation Plan", is subject to constant review and updated during each financial year and that future budgets are constantly informed by outcomes from the monitoring process.

## **2. Detailed Outturn Position**

- 2.1 Overall direct revenue expenditure for 2023/24 was £13,558,000 less than the revised budget enabling the net draw from core earmarked reserves excluding capital financing to be reduced significantly (from over £35m to £7m) as follows:

	<b>£000's</b>
<b>Net Expenditure on Services per appendix 'A' – underspend</b>	<b>-5,928</b>
Reduced call on Contingency fund	-2,405
Increased call on Apprenticeship levy	167
Inflationary provision not utilised	-5,196
One off corporate costs	2,344
Council Tax collection one off surplus	-2,463
Other net underspends	-77
<b>Lower net draw from core reserves</b>	<b>13,558</b>
Or alternatively, this can be viewed as follows:	
Add to General Reserves	2,000
Draw from other earmarked reserves	28,328
Add to capital financing/reserves	-16,770
<b>Lower net draw from core reserves</b>	<b>13,558</b>

**It must be emphasised that service under spending due to delayed and slipped spending is shown as an underspend above but the offsetting compensating carry forward requests for unspent sums are shown below the line as reserves adjustments. The overall ask for carry forwards and pre committed sums for extra capital financing in 2024/25 is around £7m and particularly significant for some directorates and thus these are separately highlighted in Director comments – albeit not strictly part of the variation in outturn itself. They only are implemented if the report and the recommendations in the report are agreed at Cabinet. Unless read in conjunction, however, it would give a misleading impression of significant underlying underspend which is NOT expected to recur. Indeed, services will be under significant spending pressure in 2024/25 given elevated and prolonged levels of now fully embedded inflation (despite what headline annual figures might imply about falling inflation), demography and demand, and the dropping out of now used one off service earmarked reserves, especially in Adult Social Care.**

- 2.2 Members will see from the table at 2.1 above that the net overall underspend at year end is the result of both the services forecast and planned underspending together with corporate costs such as NDR adjustments and corporate bad debt provision which are included as part of “One off corporate costs/income”.

During the in-year reporting to members it was highlighted that a small element only of the Contingency fund was potentially required, along with other reserves. The improvement during the last quarter to outturn is largely as a result of ongoing action taken in the third and fourth quarter by all Services to contain, reduce or delay potential spending.

- 2.3 Separately, there is, as highlighted during the year, but not until now wholly formally quantified, a further continuation of exceptionally significant in year underspending on net capital financing of £16.770m. An element of capital programme slippage has again contributed to some of the capital charge underspend. There is an ongoing strategy to monitor interest rates and average in the borrowing requirement over a period of time to fund the 4-year capital programme in line with a robust treasury management strategy. **Such underspends should therefore be considered temporary, albeit not necessarily solely one off (see 2.4) as the capital programme's financing requirements develop in the medium term and later years of the MTFP.** As previously reported to Council, the early years of that programme have been drawn down at fixed rates with very long maturity dates (historically the lowest PWLB long term rates ever secured by this Council) before any of the increases in UK base rates took effect whereas cash is invested at prevailing heightened variable interest rates. **Noting the continuing volatility in capital markets and prolonged pressure on yields and rates, material externalisation of the remaining requirement is unlikely and in year capital financing underspending is likely to persist, however this is temporary** until a time when cashflow requirements or market conditions dictate. **Heightened yields/rates persist, so whilst in the short term remaining hugely and uniquely beneficial to this Council, net financing costs will likely rise significantly in future as set out in the medium-term financial plan,** as cash balances are drawn down and variable interest rates begin to drop whereas debt is fixed (albeit at low rates).
- 2.4 As outlined throughout the year (and set out in Section 6 below) it is proposed that the whole underspend on the Capital Charges be transferred in its entirety to the Capital Equalisation Reserve to help prudently meet part of future capital costs and temporarily financing the deferred externalisation of future debt. This approach was re-affirmed by Council in its review of all reserves.
- 2.5 The improved final position, lower overspends and one-off gain on the council tax collection fund means it is affordable and appropriate to, for the first time in years slightly, and prudently, increase General Reserves, which still remain admittedly very low for the size of this Council (around 2% of budget).
- 2.6 Details of net expenditure variations are given in Section 2.8.1 and onwards below.
- 2.7 Recommendations in terms of Reserve Movements as a result of the final outturn position as set out in Section 2.1 to 2.5 above are made in Section 6 of this report.

2.8 The Directorate/Services outturn position itself is made up of a mix of over and under spends as a result of “business as usual” and it is clear that some individual elements of the overspends within service areas may continue into 2024/25 and large one-off income or grant reimbursement gains are unlikely to fully continue. However, the approved budget for 2024/25 addressed a number of the major underlying budget issues from previous years only on a one-off basis (social services and schools). The embedded Cost of Living Crisis is also likely to impact in ways that may not yet be reliably forecasted, so the underspends in 2023/24 and proposed reserves movements should continue to be seen as integral to cushioning some of the inevitable net additional burden placed on future Council finances and policy choices.

2.8.1 The following sets out the major service specific variances in 2023/24.

### **Finance Directorate**

<b>Summary of variances:</b>	£
CTRS	-359,000
Net Employee Costs	-171,000
Housing Benefits	-41,000
Supplies and Services	-639,000
Other income shortfall	207,000
Other net variances	5,000
<b>Total net underspend</b>	<b>-998,000</b>

### **Director Comments**

1. CTRS (Council Tax Reduction Scheme) is a Council approved, administered and part funded local support scheme based on a broad national model with the bulk of an assumed fixed cost (around 80%) then funded in block grant by Welsh Government. The Council has to fund the residual core of around 20%. Local council tax increases require the Council to set aside funding in full for the cost of CTRS which reduces the overall value of net income raised by council tax. If demand for CTRS increases the Council holds all the risk of overspending. If council tax goes up the cost of CTRS goes up and the cost falls fully to the Council. The budget is an uncapped entirely demand led service. Traditionally there is not full take up of CTRS and some savings are already assumed, managed, and accounted for in the level of CTRS awarded in future years. Growing economic uncertainty (cost of living concerns, recent 40-year high inflation albeit starting to drop significantly, wage growth significantly lagging prices, etc.) means there is the likelihood of demand and CTRS spend rising significantly over time and this may soon start to exceed not undershoot budget in future years. Whilst shown entirely separate to the council tax raised it should be read in conjunction with the core council tax collection levels achieved.

2. Supplies and Services – the directorate carries a modest central budget for exigencies – these were not required to be called upon in year and significant savings have been offered here in the 2024/25 budget already so will not be expected to reoccur at same rate of underspend.
3. Net Employee Costs - some naturally occurring budget savings as a modest number of posts (given the size of the overall function and numbers of employees) remained vacant during the year, exacerbated by it proving hard to fill vacant temporary roles in line with wider economy supply/workforce shortages.

### **Corporate Services Directorate**

#### **Summary of Variances:**

	£
<b>Base budget (under)/over spends:</b>	
Director of Corporate Services	-5,000
Communications, Corporate Planning & Performance	-249,000
Digital and Customer Services	0
HR and Service Centre	99,000
Legal and Democratic Services	-71,000
	<u>-226,000</u>
<b>Specific Project funding sought to be carried forward into 2023/24 in this report:</b>	
Oracle Project	-156,000
Schools Innovation Project	-201,000
Internet of Things Project	-60,000
Other	-79,000
	<u>-496,000</u>
<b>Total net underspend</b>	<b><u><u>-722,000</u></u></b>

#### **Director Comments**

1. Corporate Services Directorate's total net expenditure in 2023/24 was £24.711 million. The Directorate delivered £2.4 million of recurrent savings and finished the year with an overall underspend of £722,000, comprising £496,000 of funding for specific projects which will be required in 2024/25 and £226,000 of underspends on Directorate base budgets.
2. The underspends in the Communications and Marketing Service and Legal and Democratic Services were a result of staff vacancies, and recruitment and spending restrictions. These we partially offset by an overspend in the HR and Service Centre budget due to additional staff costs and third-party payments.

3. The Directorate is set to deliver further recurrent savings of £0.9 million in 2024/25, which includes the removal of vacant posts that contributed to the Directorate's 2023/24 underspend position. This, combined with unfunded pressures in the Service Centre, means 2024/25 will be another challenging year for Corporate Services.

### **Director of Social Services**

<b>Summary of Variances</b>	<b>£</b>
Adult Services Prevention and Tackling Poverty	721,353
Child & Family Services	-2,515,273
Grants, Commissioning and Partnerships	-725,191
Integrated Services for Older People	2,484,791
Resources Hub	40,529
External Arrangements	35,800
<b>Total</b>	<b><u>42,009</u></b>

### **Director's Comments**

In a financially challenging year, the Directorate has had to make significant use of reserves and provisions to deliver a near balanced outturn. This strategy is not repeatable in 2024/25, and a financial recovery plan is in development.

During the year, and across the directorate, we have seen overspends on commissioned activity which have been offset by underspends on our internal services.

Within Adult Services and Tackling Poverty we have seen overspends in commissioned care for learning disability and mental health support. These pressures have been identified across residential care, supported living and direct payments. Within Integrated Services, these pressures have been most acute for domiciliary care where demand has increased through the year. In these two areas, the overspends on commissioned services have been partially offset by underspends on our internal services. These underspends are attributable to both our ability to generate income and underspends on staffing.

Within Child and Family Services a continued staffing underspend and increased grant income has absorbed fee and demand pressure in respect of independent placements.

The underspend in Grants, Commissioning and Partnerships is attributable to staffing and our continued alignment of spend to enable grant funding to be used to offset core funded activity where permitted.

The variance within External Arrangements primarily relates to those services that we host on behalf of the region. An overspend within the Community Equipment Service will be funded through use of a ring-fenced reserve whilst regional underspends will be retained for future use.

## Director of Education

	£
School Transport	2,019,841
Catering & Cleaning	-1,301,526
Pension, Maternity, Misc Grants.	-2,890,772
Capital / asset costs	-176,349
Maes Derw - PRU	208,857
STF Sickness Scheme	122,468
School Improvement Team	-94,303
Stakeholder Engagement	-23,932
Additional Learning Needs	137,328
School Support	-271,307
Education Management Systems	-148,073
Other variances	-641,138
<b>Total net underspend</b>	<b>-3,058,906</b>

## **Director Comments**

The Directorate was projecting an underspend in Quarter 3; however, with robust management of in-year spending using restrictions, vacancy management, one-off savings and additional grant funding, this has increased and helped to off-set the Transport and ALN overspend.

School Transport has overspent by £2m, due to increases in fuel and contract prices with indexation of 4.95%. There has been a steady increase in demand, particularly for learners with additional needs. There are also savings targets for walking routes which are taking longer to implement and be achieved. £1m was funded in base budget during the year from the central inflation provision to offset increasing costs which improved the position.

Additional Learning Needs (ALN) pressures continue to grow; however, grant awards have had a significant impact on financial outturn and have improved the position for ALN. The concern is that these are 'one-off' and future years are going to show a very different outcome. The pupil referral unit (PRU) at Maes Derw once again overspent, due to staff, agency and transport costs; however, due to managing costs and a late grant allocation the service did not overspend as much as predicted.

There are several significant underspends currently forecast which has enabled the Directorate to offset the overspends outlined above and achieve an underspend by saving core budget. We have been actively controlling costs and maximising income from grants and will continue to use grant funding to offset core costs where this is allowable. Currently, maternity and pensions paid to primary and secondary school staff has been less than previous years due to changes in national policy on shared parental leave and pay. This has been reflected in next year's budget.



Within Catering and Cleaning, a revised rate for universal free school meals backdated to April 2023 has significantly helped the position. This, along with reduced inflation on food and lower staffing costs due to economies of scale have improved the budget to in excess of £1m which has covered the pressure that was included in the budget planning for this year.

Continuing management action to mitigate the scale of cost pressures and make savings have helped in areas such as Capital, School Improvement/Support, Stakeholder Engagement and information technology (IT). Like other areas, a few of these are demand-led budgets and other savings are unrepeatable.

Moving into 2024/25, it is expected that many of the above reported underspends are either grants that could disappear or savings which have been fully utilised so our forecast pressures will return. Significant focus will be directed at financial monitoring to ensure the Directorate is able to identify issues as early as possible as the year progresses.

### **Place Directorate**

	<b>£</b>
Culture, Tourism, Sport & Leisure	-975,725
Housing and Public Protection	1,507,219
Economic Regeneration and Planning	554,452
Highways and Transportation	-749,350
Waste Management, Parks and Neighbourhood Working	2,005,437
Corporate Building Services	-322,640
Corporate Property Services	-2,813,479
Director of Place	-396,907
<b>Total net underspend</b>	<b><u><u>-1,190,993</u></u></b>

### **Director Comments**

The Directorate budget continued to be impacted during the post-Covid period in terms of income recovery, volatility in key market sectors such as recylates and the combined effects of inflation including pay inflation. This has resulted in a range of continued financial challenges and budget pressures impacting services across the Directorate. These have been closely monitored and managed during the year. Importantly the Directorate budget received £11.99m of Economic Recovery Fund (ERF) monies aimed at supporting the post-Covid recovery phase. Additionally, a sum of £0.83m has been utilised from the temporary Covid Impacts reserve to assist with this process and associated pressures.

The Directorate outturn showed an underspend of £1.19m (see table above) however this needs to be set in the appropriate context and noted that without the above-mentioned support the Directorate would have out-turned an overspend of circa £11.63m taking into account the Homelessness and Affordable Housing unbudgeted transfers to and from reserves respectively and this overspend would have been higher

without the deployment of in year spend mitigation measures including restrictions in recruitment.

Carry forwards of £795,993 being sought in this report comprising:

	£	
Homelessness	1,298,900	[1]
Economic Recovery Fund	676,390	
Commuted Sums	268,386	
Affordable Housing commuted sum transfer to HRA	-1,600,000	[2]
Other	152,317	
Total requested carry forward	795,993	

[1] Due to pressures of Homelessness in 2023/24, the entire Homelessness Reserve of £1.525m was drawn down to offset a significant overspend in year. However, a late decision from WG allowed the use of the Homelessness Prevention Grant to provide temporary accommodation. Therefore, allowing £1.299m to be requested as a carry forward back to the Homelessness Reserve for use in 2024/25.

[2] The overspend on Housing and Public Protection includes a contribution for the acquisition of properties to increase the social housing stock. This spend will be funded by drawing down £1.6m from S106 Affordable Housing Reserve.

### **3. Items met from the Contingency Fund**

- 3.1 The Council Report on 2<sup>nd</sup> March 2023 highlighted a number of risks that may need to be met from the Contingency Fund in 2023/24.
- 3.2 The £1.652m Outturn figure shown at Appendix 'A' represents the cost of the ER/VR exercise for 2023/24 which has been charged to the Contingency Fund on an 'Invest to Save' basis. This £1.652m reflects the workforce restructures implicit within the budget proposals for 2023/24 and some elements of 2024/25. As in prior years access to ER/VR requires a maximum payback period of three years for an employee who leaves under the scheme.
- 3.3 Other costs have been funded from contingency in year including funding for agreed deferred specific savings as per Council decision (£901,000) and Car Parks extended offer on pricing tariffs (£850,000).
- 3.4 Items charged to the fund represent one-off costs which, apart from any ER/VR costs, will not re-occur during 2024/25. The budgeted Contingency fund for 2024/25 is £3.590m. The Contingency fund was not fully utilised in 2023/24 so there is additional one-off funding available to bolster the existing 2024/25 Contingency Fund.

#### 4. Inflation Provision 2023/24

- 4.1 The 2023/24 budget included an exceptional provision of £20.330m for both inflation (£19.330m) and the Apprenticeship Levy (£1m). This was increased specifically because of the levels of general inflation forecast for 2023/24 and because of the unprecedented previous energy price rises.
- 4.2 The final calls on the Inflation Provision were as follows:

<b>Inflation Provision 2023/24</b>	<b>2023/24 (£m)</b>
Budgeted contribution for year (including apprenticeship levy)	20.330
Apprenticeship Levy	-1.167
Social Care Energy Costs	-1.000
Education Home to School Transport Costs	-1.000
Schools Energy Costs	-6.000
Council as Corporate Landlord Energy Costs (Including Street Lighting)	-5.464
Community Groups Energy Costs support	-0.115
Freedom Leisure Energy Costs support	-0.176
Wales National Pool Energy costs support	-0.169
Arena Energy Costs support	-0.210
<b>Balance 31st March 2024</b>	<b>5.029</b>

#### 5. Schools Expenditure and Reserves Position

- 5.1 The Schools delegated budget for 2023/24 was £189,670,000.
- 5.2 This delegated budget in reality reflects in actual expenditure as shown in the Education directorate line of the outturn summary given at Appendix 'A', and any variation in expenditure incurred by Schools at a level greater/less than overall delegated budgets will result in a movement in ring-fenced delegated schools' reserves.
- 5.3 During 2023/24 Schools expenditure overall was £3,179,041 more than the delegated budget, equating to an overspend of approximately 1.65%.
- 5.4 This overspend will be funded by the schools' own reserves. The following is a summary of overall Schools Reserves since 2021:

	Balance 31/3/2021	Balance 31/3/2022	Balance 31/3/2023	Balance 31/3/2024	Overall change over last 3 year period (%)
Primary	12,023,244	15,554,761	11,237,371	9,989,031	<b>-16.9</b>
Secondary	8,451,907	12,353,391	8,379,243	6,582,326	<b>-22.1</b>
Special	305,256	483,069	538,359	404,576	<b>+32.5</b>
<b>Total</b>	<b>20,780,407</b>	<b>28,391,221</b>	<b>20,154,973</b>	<b>16,975,933</b>	<b>-18.3</b>

5.5 The above table is presented to reflect the quantum of schools' reserves against each stream and the position **within individual schools may vary quite considerably** from the trend shown.

5.6 The above overall movement in Schools Reserves – a net decrease of £3,179,041 or 15.8% in one year has to be viewed in the context of an overall increase in Schools funding of £10,624,000 in 2023/24 and increased inflationary pressures.

5.7 As a result of the impact of the pandemic, schools had been unable to plan and function as normal which had hindered their ability to spend in line with agreed budget plans in previous years. Projects and developments that were previously delayed have started to be realised resulting in decreasing reserves.

5.8 In addition to pandemic recovery, inflationary pressures and higher than expected pay awards have also resulted in an as expected call on reserves.

5.9 It is expected, given the above reserve position that the outturn position for 2024/25 for schools, will again evidence a net call on existing reserves, even after allowing for £11.5m of one off additional and exceptional targeted support.

## **6. Ongoing implications for the 2024/25 budget**

6.1 There are ongoing risks from any planned savings not achieved from 2023/24 budget which cumulatively impact future years.

6.2 There are ongoing overspend risks arising from the outturn position in the following areas:

- Any unachieved 2023/24 savings targets,
- Social Services both Children and especially Adults,
- Home to School Transport,
- Homelessness,
- Waste Management Recyclates.

6.3 There are inherent risks in the current 2024/25 budget around:

- The one-off nature of around £11.5m of schools' support which merely delays the future inevitable funding gap,
- The overspend in adult social care temporarily masked by large-scale one-off use of reserves,
- Welsh Government aspirations to eliminate social care profit in children's services, which on their own modelling, is likely to increase medium term costs for councils,
- New budget savings falling in 2024/25,
- Additional Learning Needs pressures,
- Ongoing costs relating to residual Single Status appeals,
- Now embedded 40-year high inflation levels (including service, general and energy inflation) which were never funded even as headline annual rates have now come down significantly as base effects drop out (noting core service inflation remains nearer 6%).

6.4 There are emerging and continuing risks going forward in future years arising from national developments around:

- Risks to public finances,
- Embedded and previously unfunded substantial inflationary pressure (even as future headline rates are lower) and supply bottlenecks as the wider economy recovers,
- Risk of redistribution of block government grant (especially with NDR receipts fundamentally reduced pan-Wales),
- Continued loss of existing specific grants,
- Ongoing demographic pressures especially in the older age population, pressures and interlinkages with NHS health care funding and a relative fragile private sector care sector,
- Higher than expected cases of looked after children,
- Affordability of the future teacher and national employer pay awards (yet to be determined) which will need to address National Minimum and Living Wage issues and to recognise the efforts of all staff, but equally noting that any such pay rises are not fully funded by government grant.

6.5 Continued uncertainty at national government level over the wider economy means there remains significant doubt as to the certainty of future spending review control totals, and consequentials for Wales, and ultimately Welsh Local Government funding despite a nominally announced previous 3-year funding package up to and including 2024/25, with merely competing UK level spending and tax pledges made which most political and economic commentators have deemed unrealistic. Budgets and funding assumptions risk being simply overrun with embedded inflationary increases and supply side pressures far outstripping the nominal value of future increases and thus requiring significant future real terms cuts and council tax increases whilst still appearing to rise slightly in nominal terms.

- 6.6 We can anticipate therefore that the authority's overall budget position will remain under significant pressure for the foreseeable future, notwithstanding the immediate apparent but relative one-off financial strength declared at outturn, with added uncertainty and thus all efforts to live within future budgets must be redoubled.

## **7. Savings Tracker 2023/24**

- 7.1 During the COVID pandemic, the service savings built into the annual budget were not specifically and separately monitored. As the budget was underspent in each year then the savings have been assumed to have been met.
- 7.2 As the operation of the Council is now back to "business as usual", during 2023/24 the monitoring of the specific savings was resumed. In line with the monitoring process pre-pandemic, each Director monitors and reports on progress of individual savings. A summary of this progress is attached at Appendix B.
- 7.3 The summary shows that against a savings target of £21.9m, £18.5m or some 85% has been achieved by 31<sup>st</sup> March.
- 7.4 Of the total savings delivered in 2023/2024, just under £1m came from programmes within the Successful and Sustainable Swansea Corporate Transformation Plan

## **8. Summary of Outturn Position and Recommendations**

- 8.1 The outturn position for 2023/24 reflects a significant improvement on the forecast position at quarter 3 (Reported to Cabinet in February 2024). This is as a result of actions taken and additional income in relation to treasury management lending activity at elevated interest rates and other various "one-off" funding including Social Services heavy use of reserves. There is also some slippage on various Economic Recovery Fund schemes, which will need to be carried forward for 2023/24 committed spend.
- 8.2 This is the minimum that should be expected in terms of Service Revenue Budgets because of in year budget monitoring, management action, spending restrictions and additional support that materialised during the year.
- 8.3 The report to Council in November 2023 reviewing reserves proposed just one change at that time, namely the transfer of the Restructuring Costs Reserve into the Transformation Reserve, in line with the decision by Cabinet in April 2023 to use the Restructuring Costs Reserve to fund the Workforce and OD Transformation and the Digital Strategy 2023 – 2028 Transformation Programme.

8.4 Based on the net Revenue position arising out of the actual final outturn position it is recommended that the following transfers are made TO earmarked Revenue Reserves as follows:

<b>Director</b>	<b>Carry Forward</b>	<b>£</b>
Corporate Services	Re-affirmation of Freedom of the City & County of Swansea and ceremonial march for HMS Cambria	8,000
	To fund future schools IT Costs	201,000
	Internet of Things Project	60,000
	Additional funds for InPhase Development	10,300
	Elections New Burdens Funding	33,373
	Modern Polling Equipment Contract	46,400
	Return unspent ICT/Oracle drawdown to reserves	155,800
		<b>514,873</b>
<b>Director</b>	<b>Carry Forward</b>	<b>£</b>
Finance/ Corporate Costs	Future Oracle licensing costs	1,500,000
		<b>1,500,000</b>
Social Services	Regional Adoption Service	942,000
	West Glamorgan Regional Partnership	48,144
		<b>990,144</b>
Education	Teacher Centre System	78,100
	Replenish Schools ICT Infrastructure Reserve	2,100,000
		<b>2,178,100</b>
Place	Various Commuted Sums, Joint Venture and other Third Party ring-fenced reserves (net transfers)	458,052
	Unspent use of Digital Transformation reserve	9,282
	Cleansing Equipment/Vehicle Replacement Reserve	70,000
	Arena/Copr Bay	35,676
	Homelessness	1,298,900
	Swansea Bay Sports Park Consultancy	50,000
	Food and Safety additional resource to meet FSA Compliance	49,768
	New software operating system Civica CX	20,000
		<b>1,991,678</b>
	<b>Overall Contributions TO Reserves</b>	<b>7,174,795</b>

8.5 In addition to the above it should be noted that there has been drawdown in excess of budgeted reserve usage of £2,259,510, as follows:

	£
Net additional take from Economic Recovery Fund for approved schemes	28,531
Net additional take from various established reserves (minor variations to budgeted take)	40,646
Community Equipment Regional Reserve	347,175
Use of Contingency re Swansea City Centre	243,158
S106 Affordable Housing	1,600,000
	<b>2,259,510</b>

8.6 A summary of the most significant reserve transfers together with available balances as at 1<sup>st</sup> April 2024, subject to any budgeted transfers included as part of the 2024/25 budget or scheme slippage into 2024/25 are proposed as follows:

- That the underspend on the Capital Financing Charges in 2023/24 of £16,770,000 be added to the remaining balance on the Capital Equalisation Reserve. This will result in some £23,460,070 being available in this reserve as at 1 April 2024. Although it should be noted that there are a number of approved commitments for use of this reserve in 2024/25 and beyond and the cash flow is being used to temporarily defer external borrowing .
- That the unused balance of the Contingency budget, together with the remaining underspend as a result of outturn, and the unused balance on the Economic Recovery Fund be transferred into the Contingency reserve for use in 2024/25. This will result in £12.4m being available for use in future years on a one off basis.
- Of the £12.4m, £600k has been earmarked for Highways as per the FPR7 report that was agreed by Cabinet in May 2024. A further £400k has been earmarked for Schools.
- That the remaining balance on the Economic Recovery Fund after use (£21.7m) and after transfers to Contingency (£6m) will be £3.3m to cover slippage and approved spend for the final Economic Recovery Fund schemes.
- That £2m is added to the General Reserve, bringing the balance to £12m in total, the absolute minimum the S151 is willing to countenance given the inherent and emerging risks highlighted in Section 6.

8.7 The overall position for reserves is an extremely complex one compounded by our active but hugely beneficial treasury management strategy . For the avoidance of doubt there is a net draw from reserves in 2023/24 of just over £7m shown but this is heavily masked by a net £17m gain, and thus add to the capital equalisation reserve, which is



**temporary and exceptional in value and highly distorting and MUST not be relied upon to reoccur** even though in the short term there will be further windfall gains as variable interest rates exceed our pooled long term fixed borrowing rates. The draw from schools' reserves of just over £3m is in addition to that making a net £10m draw from reserves. Schools can be expected to draw significantly from reserves again in 2024/25 despite £11.5m of one-off emergency support which is also due to drop out in 2025/26 exacerbating the pressures on core statutory services. Adult social care has already exhausted its earmarked service reserves in 2023/24 and thus faces immediate structural pressure in 2024/25. The Council is also starting to spend significant elements of its admittedly deliberately large working capital, fully short term financed by further draws from cash backed reserves to avoid locking in new borrowing at elevated interest rates. Whilst looking like only modest draws now, the draws from reserves and cash to temporarily fund capital will grow significantly during 2024/25 and **are clearly not sustainable in the medium to longer term.**

8.8 Notwithstanding these proposed transfers, it is a duty of the Section 151 Officer to consider levels of General and earmarked reserves in order to continually monitor their adequacy and projected use. This has to be done in terms of both current known and projected future liabilities.

8.9 It is the opinion of the Section 151 Officer at this point that there is no scope within even the slightly increased General reserves to fund any additional expenditure of the Council given the current risks facing the Council in terms of ongoing spending pressures, inflation, and the uncertainty of the real terms value of future Welsh Government funding streams. That means that subject to any limited emergency one off use of earmarked reserves, and other limited action the S151 Officer can propose immediately in year, all spending must otherwise be wholly contained within existing budgets or met by the specific and already very substantial earmarked reserves proposed set up as part of this outturn report.

## **9. Legal Implications**

9.1 There are no legal implications relating to matters contained within this report.

## **10. Integrated Assessment Implications**

10.1 The Council is subject to the Equality Act (Public Sector Equality Duty and the socio-economic duty), the Well-being of Future Generations (Wales) Act 2015 and the Welsh Language (Wales) Measure, and must in the exercise of their functions, have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimization and other conduct prohibited by the Acts.

- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.
- Deliver better outcomes for those people who experience socio-economic disadvantage.
- Consider opportunities for people to use the Welsh language.
- Treat the Welsh language no less favourably than English.
- Ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs.

10.2 The Well-being of Future Generations (Wales) Act 2005 mandates that public bodies in Wales must carry out sustainable development. Sustainable development means the process of improving the economic, social, environmental and cultural well-being of Wales by taking action, in accordance with the sustainable development principle, aimed at achieving the ‘well-being goals’.

10.3 Our Integrated Impact Assessment (IIA) process ensures we have paid due regard to the above. It also takes into account other key issues and priorities, such as poverty and social exclusion, community cohesion, carers, the United Nations Convention on the Rights of the Child (UNCRC) and Welsh language.

10.4 The Revenue budget of the Council was approved following the application of the corporate Integrated Impact Assessment (IIA) process throughout the Budget setting process. It is essential where service levels are affected by changes to the Revenue Budgets (including savings options) that the IIA process (alongside consultation and engagement as appropriate) is applied to ensure due regard is paid to the potential equality impacts of any proposals prior to decision making.

**Background papers:** None

**Appendices:**

Appendix A – Revenue Outturn Summary 2023/24

Appendix B – Savings Tracker 2023/24