



## Report of the Cabinet Member for Economy, Finance & Strategy

Cabinet – 20 July 2023

### Revenue Financial Outturn 2022/2023

<b>Purpose:</b>	To report on the detailed Revenue financial outturn for 2022/23
<b>Policy Framework:</b>	Budget 2022/23. 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 6.3, 6.4 and 6.5.
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#### 1. Background and Introduction

- 1.1 This report details net expenditure for 2022/23 and highlights variances from the revised budget.
- 1.2 The Revenue Budget for 2022/23 was approved at Council on 3<sup>rd</sup> March 2022. The budget as approved included the following proposals to address a total funding requirement of £40.044m.

<b><u>Budget Proposals 2022/23</u></b>	<b>£'000</b>	<b>£'000</b>
Planned Service Savings.		-4,758
Net effect of Council Tax base changes and increased charge.		-1,343

Aggregate External Finance Increase	-33,943
Overall resourcing	-40,044

- 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 2022/23 marked the ninth 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 successful appeals and grievances have not been built into budgets going forward and will have to be met from within existing Directorate Budgets.
- 1.5 The report that follows details the Revenue outturn position for 2022/23, makes commentary on comparison with in-year budget monitoring, impacts of COVID 19/Cost of Living on both expenditure and Welsh Government support and, where appropriate, details action already taken in setting the 2023/24 Revenue Budget based on 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 recently approved "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 2022/23 was £17,402,000 less than the revised budget as follows:

	£000's
<b>Net Expenditure on Services per appendix 'A' - underspend</b>	<b>-18,435</b>
Increased call on Contingency fund	568
Increased call on Apprenticeship levy	71
Inflationary provision not utilised	-3,130
One off corporate costs/income	3,571
Council Tax collection surplus	-32
<u>Other net underspends</u>	<u>-15</u>
<u>Overall net underspend</u>	<u>-17,402</u>

**It must be emphasised that Service under spending due to delayed and slipped spending is shown as an underspend above but the offsetting carry forward requests for unspent sums are shown below the line as reserves adjustments. The overall ask for**

**carry forwards is just under £14m and particularly significant for both Corporate Services and Place 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 2023-24 given elevated and prolonged levels of inflation.**

- 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 including NDR adjustments, bad debt provision adjustment and Cost of Living payments which are included as part of “One off corporate costs/income”.

During the in-year reporting to members it was highlighted that a significant element of the Contingency fund (including the previous year unused element) was potentially required, along with other reserves, to fund the nationally agreed pay award for teaching and local government staff. The improvement during the last quarter to out-turn 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 formally quantified, a further continuation of significant in year underspending on capital financing of £8.577m. 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 in 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. Noting the continuing volatility in capital markets and upward 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. Part of the 21<sup>st</sup> Century Schools programme still needs to be financed under the Welsh Government Mutual Investment Model and upward pressure on yields/rates persist, financing costs here will likely rise in future as set out in the medium-term financial plan.

- 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. This approach was re-affirmed by Council in its review of all reserves.

- 2.5 The improved final position, lower overspend and reduced cost of ER/VR scheme, has resulted in a minimal call on the Restructure Reserve in year. This allows the S151 officer to propose that £2.8 million is retained in the Restructure Reserve to be used for transformation and to continue to contribute towards helping centrally fund the costs of ER/VR and other restructuring costs in 2023-24, again only where there is an evidenced business case and reasonable payback period, as in previous years.
- 2.6 Details of net expenditure variations are given in Section 2.8.2 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 2023/24 and large one-off income or grant reimbursement gains are unlikely to fully continue. However, the approved budget for 2023/24 addressed a number of the major underlying budget issues from previous years. It is likely that the COVID 19 pandemic will continue to impact both operations and finances of the Council into 2023/24, although this is likely to be to a lesser extent than previously. The Cost of Living Crisis is also likely to impact in ways that may not yet be reliably forecasted, so the underspends in 2022/23 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.
- 2.8.1 The following table sets out the additional costs identified as incurred during the year as a result of COVID-19 together with the funding received from Welsh Government. As has been reported during the year not all additional costs incurred by the Authority as a result of the pandemic were fully eligible for funding from the Welsh Government. Some of these related to “local decisions” made by the Authority and others as a result of Welsh Government determining and applying its various eligibility criteria.

### **Costs Identified as a result of COVID 19 in 2022-23**

	<b>Costs £000's</b>	<b>Grant Income £000's</b>
Services	6,133	6,051
Corporate	7,256	7,256
Agency on behalf of Welsh Government	4,469	4,469
	<b><u>17,858</u></b>	<b><u>17,776</u></b>

Other Welsh Government grants related to COVID 19 not included above

Services	399
Corporate	1,025
	<b><u>1,424</u></b>

2.8.2 The following sets out the major service specific variances in 2022/23.

**Finance Directorate**

<b>Summary of variances:</b>	£
CTRS	-1,976,000
Admin Grant - Cost of Living/Winter Fuel/Self Isolation payments	-724,000
Net Employee Costs	-353,000
Housing Benefits	368,000
Supplies and Services	386,000
Other income shortfall	132,000
Other net variances	37,000
<b>Total net underspend</b>	<b><u>-2,130,000</u></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, a 40-year high inflation albeit starting to drop slightly, wage growth significantly lagging prices, etc.) means there is the likelihood of demand and CTRS spend rising significantly over time. Whilst shown entirely separate to the council tax raised it should be read in conjunction with the core council tax collection levels achieved.

- Administration Grants – throughout the year the Council administered tens of millions of pounds of residual Covid, cost of living and other support grants on behalf of Welsh Government, albeit on a smaller scale than the preceding year. Each grant came with a variable value administration fee to recompense for the work undertaken. The majority of the work was achieved by reprioritising other work and not recruiting to temporary short-term posts or by utilising software and other automated solutions which saw some modest overspending elsewhere (but substantially less than the income received). With the cessation of the bulk of covid grant support schemes this scale of windfall will not continue into 2023-24. A small carry forward request of £249k, earmarked for investment into the revenues and benefits team, fully funded by the overall service underspend and from the administration fees already received is shown ‘below the line’ via earmarked reserves.
- 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	-16,000
Communications and Marketing	-377,000
Digital and Customer Services	-501,000
HR and Service Centre	435,000
Legal and Democratic Services	-378,000
	<hr style="width: 100%; border: 0.5px solid black;"/> -837,000
<b>Specific Project funding sought to be carried forward into 2023/24 in this report:</b>	
Oracle Project	-3,827,000
Schools Innovation Project	-253,000
Public Wi-fi/Internet of Things Project	-132,000
Other	-48,000
	<hr style="width: 100%; border: 0.5px solid black;"/> -4,260,000
<b>Total net underspend</b>	<hr style="width: 100%; border: 0.5px solid black;"/> <b>-5,097,000</b> <hr style="width: 100%; border: 0.5px solid black;"/>

#### **Director Comments**

- Corporate Services Directorate’s total net expenditure in 2022-23 was £24.769 million. The Directorate delivered £139,000 of recurrent savings and finished the year with an overall underspend of £5.097 million, comprising £4.26 million of funding for specific projects which will be required in 2023-24 and £837,000 of underspends on Directorate base budgets.
- The under spend on the Director of Corporate Services budget related to staff costs. Within this budget the council also spent £3.66 million

Welsh Government grant funding to deliver Track Trace and Protect and the Welsh Vaccination Certification Service.

3. There was an underspend of £377,000 on the Communications and Marketing Service budget, as a result of the recruitment and spending restrictions and some unspent one-off funding which was added to the base budget in year to support Design Print.
4. The £501,000 underspend in Head of Digital and Customer Services was a result of unfilled staff vacancies, savings on supplies and services, including in year savings made on ICT contract costs.
5. There was an overspend of £435,000 in the HR and Service Centre budget. £388,000 related to the Service Centre and is a result of third-party payments and credit/debit card transaction fees which have increased significantly over recent years without a corresponding increase in budget.
6. Legal and Democratic Services had an underspend of £378,000 at year end, primarily resulting from carrying vacancies throughout the year due to spending restrictions.
7. The Directorate is set to deliver recurrent savings of £2.8 million in 2023-24, which includes the removal of vacant posts and reductions in supplies and services budgets that have contributed to the Directorate's 2022-23 underspend position. This, combined with the need to address the unfunded pressures in the Service Centre, will prove very challenging for the Directorate in 2023-24 and beyond.

### **Director of Social Services**

#### **Summary of Variances**

	<b>£</b>
Adult Services Prevention and Tackling Poverty	3,391,675
Child & Family Services	-1,817,020
Grants, Commissioning and Partnerships	-1,012,893
Integrated Services for Older People	-1,734,165
Resources Hub	70,462
External Arrangements	-61,796
<b>Total net underspend</b>	<b><u>-1,163,737</u></b>

#### **Director Comments**

We are pleased to report an underspend for the year despite significant challenges in some areas and the pressures caused by an underfunded pay award.

The overspend within Adult Services and Tackling Poverty is primarily attributable to pressures on commissioned care where spend for those with Mental Health and Learning Disabilities has grown significantly during the year. There are also pressures within External Domiciliary Care, which have been worsened by a reduction in client income.

Within Child and Family Services, significant unbudgeted grant income has supported the position and a continued staffing underspend has absorbed significant expenditure on agency staff. We have underspent on independent placements, although this remains an extremely volatile area.

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

Integrated Services' position is supported by a significant underspend on Externally Commissioned Care. Whilst activity levels have increased, the income performance for the year has been exceptional and reflects the work undertaken within the Directorate and with our Finance and Legal colleagues.

The variance within External Arrangements 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 underspends in relation to regional funding will be retained for future use.

### **Director of Education**

	<b>£</b>
School Transport	2,352,686
Catering & Cleaning	-428,912
Pension, Maternity, Misc Grants.	-1,317,932
Capital / asset costs	-172,498
Maes Derw - PRU	431,604
STF Sickness Scheme	102,123
School Improvement Team	-81,295
Stakeholder Engagement	-119,921
Additional Learning Needs	-1,329,430
School Support Savings	-168,473
IT Cloud Savings	-115,935
Other variances	43,563
<b>Total net underspend</b>	<b><u><u>-804,420</u></u></b>

### **Director Comments**

The Directorate was projecting an overspend in previous Quarterly Reports. However, with robust management of in-year spending using restrictions, vacancy management, one-off savings and additional grant funding, this has helped to off-set the overspend and absorb the underfunded pay award.

The overspend on School Transport is significantly higher than earlier projections due to the increase in contract and fuel pricing. A decision to offer top-up payments to retain our current school transport providers was made by officers, with temporary funding approval and underwrite



from the S151 Officer using known budget cover from central inflation and contingency sums, preventing further suppliers from handing back their contracted services for Swansea schools. Future costs of all transport provision will remain under significant pressure and require formal member decision in due course as part of future budget setting.

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.

Changes to historic pensions arrangements, maternity costings and miscellaneous grants have allowed for an underspend, where in previous years continuing unfunded pressures have remained. The Welsh Government's Covid fee for administering free school meal payments has also helped the position.

The reversal of an unutilised provision has significantly helped offset overspends and cost pressures within Catering and Cleaning, due to increased inflationary and staff cost pressures.

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 FY 2023/2024, 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 the year progresses.

### **Place Directorate**

	<b>£</b>
Culture, Tourism, Sport & Leisure	-1,041,859
Housing and Public Protection	-871,341
Economic Regeneration and Planning	-3,820,101
Highways and Transportation	950,539
Waste Management, Parks and Neighbourhood Working	2,212,189
Corporate Building Services	-543,684
Corporate Property Services	-1,682,007
Director of Place	-4,443,977
<b>Total net underspend</b>	<b><u><u>-9,240,242</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. Importantly the Directorate budget received £9.60m of Economic Recovery Fund (ERF) monies aimed at supporting the post-Covid recovery phase. Additionally, a sum of £1.447m has been utilised from the temporary Covid Impacts reserve to assist with this process and associated pressures. £3.2m of this Reserve is sought to be carried forward into 2023/24 to enable further support to anticipated continued future pressures within the Directorate.

The Directorate outturn showed an underspend of £9.24m (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 £0.36m and this overspend would have been higher without the deployment of in year spend mitigation measures including restrictions in recruitment.

Carry forwards of £9,845,018 being sought in this report comprising:

	£
Economic Recovery Fund	2,260,865
Capital Equalisation Reserve	2,825,000
Temporary Covid Impacts	3,200,000
Housing Options	500,000
Community Budgets	527,650
Commutated Sums	270,597
Other	260,906
<b>Total requested carry forward</b>	<b>9,845,018</b>

Community budgets are allocated for 5-year term so carry over required to ensure full allocation available to members in subsequent years.

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

- 3.1 The Council Report on 3<sup>rd</sup> March 2022 highlighted a number of risks that may need to be met from the Contingency Fund in 2022/23.
- 3.2 The £1.739m Outturn figure shown at Appendix 'A' represents the cost of the ER/VR exercise for 2022/23 which has been charged to the Contingency Fund on an 'Invest to Save' basis. This £1.739m reflects the workforce restructures implicit within the budget proposals for 2022/23 and some elements of 2023/24. 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 In addition to the above, other costs have been funded from the contingency in year including funding for Coroners Court Rooms (£26,000), Honorary Freedom – Merchant Navy (£2,200), Ashlands Sports Centre (£150,000) and Swansea Barrage & Lock Gate Study (£132,075).

3.4 Items charged to the fund represent one off costs which, apart from any ER/VR costs, will not re-occur during 2023/24. The budgeted Contingency fund for 2023/24 is £6.118m. The Contingency fund was fully utilised in 2022/23, including the balance brought forward from 2021/22, so there is no additional funding available to bolster the existing 2023/24 Contingency Fund.

#### 4. Schools Expenditure and Reserves Position

4.1 The Schools delegated budget for 2022/23 was £179,046,000.

4.2 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.

4.3 During 2022/23 Schools expenditure overall was £8,236,248 more than the delegated budget, equating to an overspend of approximately 4.60%.

4.4 This overspend will be funded by the schools' own reserves. The following is a summary of overall Schools Reserves since 2020:

	Balance 31/3/2020	Balance 31/3/2021	Balance 31/3/2022	Balance 31/3/2023	Overall change over last 3 year period (%)
Primary	4,697,855	12,023,244	15,554,761	11,237,371	<b>+239.2</b>
Secondary	2,777,164	8,451,907	12,353,391	8,379,243	<b>+301.7</b>
Special	254,290	305,256	483,069	538,359	<b>+211.7</b>
<b>Total</b>	<b>7,729,309</b>	<b>20,780,407</b>	<b>28,391,221</b>	<b>20,154,973</b>	<b>+260.8</b>

4.5 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.

4.6 The above overall movement in Schools Reserves – a net decrease of £8,236,248 or 29.0% in year has to be viewed in the context of an overall increase in Schools funding of £11,742,000 in 2022/23 and the considerable impact of the pandemic over the past two years.

4.7 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 in 2022/23.

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

4.9 It is expected, given the above reserve position that the outturn position for 2023/24 for schools, will again evidence a net call on existing reserves.

## **5. Ongoing implications for the 2023/24 budget**

5.1 There are ongoing risks from any planned savings not achieved from 2022/23 budget which cumulatively impact future years.

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

- Any unachieved 2022/23 savings targets,
- Social Services both Adults and Children,
- Home to School Transport,
- Education catering and cleaning,
- Waste Management Recyclates.

5.3 There are inherent risks in the current 2023/24 budget around:

- New budget savings falling in 2023/24,
- Additional Learning Needs,
- Ongoing costs relating to residual Single Status appeals,
- Inflation levels (including general and energy inflation) are at the highest they have for 30 years and remain a grave concern,
- Any ongoing effects from the COVID-19 pandemic could continue to affect national and indeed global finances, at a time when the Welsh Government has effectively removed grant funding available.

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

- Risks to public finances generally through Covid 19 spending and lost national taxation receipts,
- Very substantial inflationary pressure 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 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.

- 5.5 Continued uncertainty at national government level over the wider economy means there remains some doubt as to the certainty of Comprehensive Spending Review control totals, and consequential for Wales, and ultimately Welsh Local Government funding despite a nominally announced 3-year funding package up to and including 2024/25. Budgets and funding assumptions risk being simply overrun with 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 appearing to rise fairly significantly in nominal terms.
- 5.6 We can anticipate therefore that the authority's overall budget position will remain under significant pressure for the foreseeable future, notwithstanding the immediate relative financial strength declared at outturn, with added uncertainty and thus all efforts to live within future budgets must be redoubled.

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

- 6.1 The outturn position for 2022/23 reflects a significant improvement on the forecast position at quarter 3 (Reported to Cabinet in February 2023). This is as a result of actions taken and additional income in relation to specific COVID costs and other various "one off" funding including Social Services funding with much of it not confirmed until late at the end of the financial year. There is also significant slippage on various Economic Recovery Fund schemes, which will need to be carried forward for 2023/24 committed spend.
- 6.2 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.
- 6.3 The report to Council in October 2022 reviewing reserves proposed just one change at that time, creating an IT Development Fund from the balance held in the Contingency Reserve. This has also been highlighted in the quarterly monitoring reports. Based on the net Revenue position arising out of the actual final outturn position it is recommended that:
- 6.3.1 The following transfers are made TO earmarked Revenue Reserves as follows:
- Oracle Project Slippage £3,827,276.
  - Various ICT projects funding unspent £389,800.
  - Slippage on various corporate services reserve/grant funded items £24,054.
  - Housing Benefits/Revenues Service Improvements £249,000.
  - Social Services various late grant funding received £798,551.
  - Social Services Various regional arrangements £544,042.
  - Additional Learning Needs various grants/underspends needed to fund future spend £433,000.

- Education late grant funding received £198,000.
- Various Place ring-fenced reserves such as commuted sums, Joint Ventures and Community Budgets £1,107,945.
- Unused temporary covid funding to be set aside for future impacts £3,200,000.
- Homelessness £500,000.
- Crematorium sinking fund £8,405.
- Slippage on various Recovery Fund Schemes (all Services) £2,191,274.
- Slippage on schemes funded by the Capital Equalisation Reserve £2,825,000.

6.4 In addition to the above it should be noted that there has been drawdown in excess of budgeted reserve usage of £2,463,038, where spend has occurred ahead of profile, largely with joint or ring-fenced services.

6.5 A summary of the most significant reserve transfers together with available balances as at 1<sup>st</sup> April 2023, subject to any budgeted transfers included as part of the 2023/24 budget or scheme slippage into 2023/24 are as follows:

- That the underspend on the Capital Financing Charges in 2022/23 of £8,577,000 be added to the remaining balance on the Capital Equalisation Reserve. This will result in some £22,809,851 being available in this reserve as at 1 April 2023. Although it should be noted that there are a number of approved commitments for use of this reserve in 2023/24 and beyond.
- That £881,024 of the un-utilised balance of the Contingency Fund in 2022/23 is proposed to be transferred into the Economic Recovery reserve to cover future commitments. This will mean only the budgeted contingency of £6,118,000 is available for use in 2023/24.
- That the remaining underspend as a result of out-turn be transferred to the Economic Recovery Reserve. This together with slippage of funding for schemes from 2022/23 into 2023/24 will result in some £31,008,332 being available, on a one-off basis, in this reserve as at 1 April 2023. Again, noting that this has been committed for approved ERF schemes and for use as an Energy Fund in 2023/24 and beyond.
- That the balance on the Restructuring Reserve of £2,800,000 be retained for purposes set out in 2.5 above.

6.6 The overall position for reserves is a complex one. For the avoidance of doubt there is a net draw from reserves in 2022/23 of just under £2m shown, a position that will only increase significantly given the planned heavy use of the Economic Recovery Fund and the heavy draw to support energy costs in 2023/24. The draw from schools reserves of over £8m is in addition to that making a £10m draw from reserves. Schools can be expected to draw significantly from reserves again in 2023/24. The position is then somewhat flattered by an underspend of just under £9m on capital financing (in line with the agreed capital

financing strategy which is paying increasingly significant short term dividends given substantially elevated interest rates both earned on substantial cash balances but also on debt servicing costs avoided) which is an add to the Capital Equalisation Reserve and a proposed near £14m earmarking for one off carried forwards to be expected to be expended predominantly also in 2023/24. 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 will grow significantly during 2023/24 and are clearly not sustainable in the medium to longer term.

6.7 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.

6.8 It is the opinion of the Section 151 Officer at this point that there is no scope within 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.

## **7. Legal Implications**

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

## **8. Integrated Assessment Implications**

8.1 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.

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'.

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.

- 8.2 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:**

Appendices: Appendix 'A' Revenue Outturn Summary 2022/23



# OUTTURN 2022-23

## APPENDIX A

### Directorate

	Revised Budget £'000	Revenue Outturn £'000	Variance £'000	Variance %
Corporate Services	29,866	24,769	-5,097	-17.1
Finance	32,556	30,426	-2,130	-6.5
Social Services	145,588	144,424	-1,164	-0.8
Education	202,313	201,509	-804	-0.4
Place	82,071	72,831	-9,240	-11.3
<b>Net Directorate expenditure</b>	<b>492,394</b>	<b>473,959</b>	<b>-18,435</b>	<b>-3.7</b>
Financed from Contingency Fund	1,171	1,739	568	
<b>Total Service costs</b>	<b>493,565</b>	<b>475,698</b>	<b>-17,867</b>	
Inflation /Apprenticeship levy	4,130	1,071	-3,059	
Corporate items		3,571	3,571	
<i>Levies:</i>				
Swansea Bay Port Health	88	88	0	
Corporate Joint Committee	200	200	0	
<i>Contributions:</i>				
Combined Fire Authority	14,692	14,692	0	
	<b>512,675</b>	<b>495,320</b>	<b>-17,355</b>	
<i>Capital financing charges</i>				
Principal repayments	16,868	13,898	-2,970	-17.6
Net interest charges	20,510	14,903	-5,607	-27.3
<b>Net Revenue Expenditure</b>	<b>550,053</b>	<b>524,121</b>	<b>-25,932</b>	<b>-4.7</b>
<b>Movement in balances</b>				
General Balances	0	0	0	
Earmarked reserves	-27,737	-1,758	25,979	
<b>Total Budget Requirement</b>	<b>522,316</b>	<b>522,363</b>	<b>47</b>	
Discretionary NNDR relief	418	403	-15	-3.6
<b>Total CCS requirement</b>	<b>522,734</b>	<b>522,766</b>	<b>32</b>	
Community Council precepts	1,697	1,697	0	
<b>Total spending requirement</b>	<b>524,431</b>	<b>524,463</b>	<b>32</b>	<b>0.0</b>
Revenue Support Grant	297,425	297,425	0	
NNDR	89,167	89,167	0	
Council Tax incl COVID	137,839	137,871	32	0.0
<b>Total financing</b>	<b>524,431</b>	<b>524,463</b>	<b>32</b>	<b>0.0</b>