



To:  
**Councillor Rob Stewart,  
Cabinet Member for Economy,  
Finance and Strategy**

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28 September 2023

Summary: This is a letter from the Service Improvement, Regeneration and Finance Scrutiny Performance Panel to the Cabinet Member for Economy, Finance and Strategy concerning the meeting held on 5 September 2023 and the Revenue Financial Outturn and Revenue Outturn HRA for 2022/23. This letter does not require a response.

Dear Councillor Stewart,

On the 5 September, the Service Improvement, Regeneration and Finance Scrutiny Performance Panel met to discuss the Revenue Financial Outturn and Revenue Outturn HRA for 2022/23. The Panel are grateful to the Director of Finance for attending to discuss and answer questions.

### **Revenue Financial Outturn 2022/23**

We were pleased to see overall a positive outturn position with an underspend across all directorates. The officer highlighted there has been a request to carry forward nearly £14m of the £18m service underspending with a draw from earmarked reserves of around £10m. He stressed the substantial persistent inflation pressures, unresolved pay awards and enhanced energy costs that will be faced in 2023/24.

Also highlighted was the underspend on capital financing of £8.6m due to slippage, borrowing at low sub 2% rates and temporary loaning out of surplus cash at variable rates of above 5%, which has contributed to a draw from earmarked reserves that was materially lower than originally assumed compared to the budget. The £10m draw from earmarked reserves consists of £8m from schools' reserves. The officer stressed that this is not a sustainable financial position. We noted the small surplus of £32,000 in Council Tax collection, the officer advised not to assume this will continue going forward.

We discussed the borrowing of an additional £75m including £25m for the Coastal Risk Management programme. We asked whether this borrowing would be carried out in the next year and were informed borrowing will be deferred as long as is affordable until interest rates have fallen as to borrow at rates of over 5% would eliminate any

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gain from borrowing at 1.89%. We asked about the Minimum Revenue Position (MRP) on which the officer reported that Council has agreed that any money saved on the MRP is saved into the Capital Equalisation Reserve, it will continue to some extent throughout 2023/24 but not at the same amount as previous levels.

We asked further about the school reserves of £8m and how this is apportioned. The officer informed us that despite the deficit and the pressures on schools, Swansea Council is in one of the richest authorities in terms of schools however there will be further draw from schools reserves in 2023/24.

We asked for more information on why £3.8m is being carried forward for the Oracle project for the next financial year. This is an important project; we have several questions and are interested in seeing the financial profile of expenditure considering the budget was increased in addition to the carried forward funds. We were informed that this is coming to Cabinet in October, and it was later confirmed that this will also come to the Scrutiny Programme Committee in October.

We asked about saving in the underspends on vacant posts and whether these posts will be removed altogether or be kept permanently vacant. We were informed there are likely to be a combination of reasons including some hard to fill posts, particularly in social care, some filled temporarily, and some held deliberately vacant to help manage overall budgets.

### **Revenue Outturn 202/23 Housing Revenue Account (HRA)**

The officer informed us that the HRA is relatively cash rich in terms of revenue and a very substantial revenue contribution is made to capital every year. There was significant slippage on the capital programme because of around £6m underspending, the majority of which rolls over immediately and assumed to be spent in the following year. There is a very significant increase in the HRA reserves at the end of 2022/23 but with the expectation that they're drawn down in 2023/24. We noted the income from rents and other income is around £1.2m more than budgeted and asked if that indicated a reduction in rent arrears, we were informed that rent arrears have been more resilient than expected.

### **Your Response**

We are interested in any thoughts you may have on the contents of this letter but in this instance, we require no formal written response.

Yours sincerely,



### **Councillor Chris Holley**

Convener, Service Improvement, Regeneration and Finance Scrutiny Performance Panel

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