



## CABINET – 26<sup>TH</sup> JULY 2023

**SUBJECT: PROVISIONAL REVENUE BUDGET OUTTURN FOR 2022/23**

**REPORT BY: CORPORATE DIRECTOR FOR EDUCATION AND CORPORATE SERVICES**

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### **1. PURPOSE OF REPORT**

- 1.1 To provide Cabinet with details of the provisional revenue budget outturn for the 2022/23 financial year prior to the completion of the annual external audit of the accounts by Audit Wales.
- 1.2 To seek Cabinet approval of specific proposals for the use of General Usable Service Reserves.
- 1.3 To seek Cabinet endorsement of proposals for the use of surplus General Fund balances prior to consideration by Council.

### **2. SUMMARY**

- 2.1 In advance of the 2022/23 Draft Financial Statements being audited by Audit Wales, this report provides an overview of the Council's performance against the revenue budget for the 2022/23 financial year.
- 2.2 Members receive detailed budget monitoring reports as part of the Scrutiny process throughout the financial year.
- 2.3 The report also includes specific proposals for the use of General Usable Service Reserves and surplus General Fund balances.

### **3. RECOMMENDATIONS**

- 3.1 Cabinet is asked to:
  - 3.1.1 Note the provisional 2022/23 revenue budget outturn position.
  - 3.1.2 Approve the proposed use of General Usable Service Reserves totalling £1.148m as set out in section 5.10 of the report.
  - 3.1.3 Endorse the proposed use of surplus General Fund balances totalling £3.455m as detailed in section 5.11 of the report, prior to consideration by Council on 27 September 2023.

- 3.1.4 Endorse a recommendation to Council to maintain the General Fund balance at £15.166m.

#### 4. REASONS FOR THE RECOMMENDATIONS

- 4.1 To ensure that Cabinet is aware of the provisional revenue budget outturn for the 2022/23 financial year and supportive of the proposed use of reserves.

#### 5. THE REPORT

##### 5.1 Overview

- 5.1.1 The 2022/23 provisional outturn position is attached as Appendix A and is summarised below:-

	<b>£m</b>
Net Service Directorate Underspends	4.201
Miscellaneous Finance Underspend	4.317
Council Tax Surplus	0.420
Schools Overspend	(5.947)
Housing Revenue Account (HRA) Underspend	5.340
<b>Total Net Underspend: -</b>	<b>8.331</b>

- 5.1.2 The total net underspend of £8.331m is significantly lower than in recent years (net underspends of £38.517m and £37.815m in 2020/21 and 2021/22 respectively) and this signifies the return of a more realistic picture of financial performance that is not impacted by the significant levels of external grant funding received in recent years in response to the Covid-19 pandemic.
- 5.1.3 After adjusting for earmarked reserves, 50% of underspends are carried forward by Directorates and are available to meet the requirements of these service areas. The remaining balance is transferred to the General Fund. Overspends are normally funded from future Directorate budgets or balances brought forward from previous years. Service reserves held by Directorates can be used to fund one-off cost pressures or to pump-prime service reconfiguration, but they cannot be relied upon to deliver balanced budgets in the medium to longer-term.
- 5.1.4 The Council has managed the financial challenges presented by the Cost-of-Living crisis during the 2022/23 financial year, but the position will be extremely challenging moving forward. The 2023/24 budget proposals approved by Council on 23 February 2023 included total cost pressures of £55.4m. These pressures are being funded through an increase in the Welsh Government Financial Settlement of £22.2m, permanent savings of £4.9m, temporary savings of £6.9m, the one-off use of reserves totalling £15.3m, and £6.1m from a 7.9% increase in Council Tax.
- 5.1.5 Due to the unprecedented levels of inflation, the current economic outlook, and the range of temporary budgetary measures that were approved for the 2023/24 financial year, the Council's Medium-Term Financial Plan (MTFP) has been updated based on a range of assumptions, resulting in a potential savings requirement of £48.335m for the two-year period 2024/25 to 2025/26.

5.1.6 The following paragraphs provide details of the more significant variations against budget by service area for the 2022/23 financial year.

## 5.2 Education and Lifelong Learning (£3.089m Overspend)

5.2.1 Overall, the Directorate is reporting a net overspend of £3.089m, which includes an overspend of £5.947m for schools. The schools in-year overspend is ring-fenced, consequently school balances have reduced from £17.2m to £11.3m as of 31 March 2023.

5.2.2 At the end of the 2021/22 financial year there were no schools with a deficit balance. As of 31 March 2023 there were five primary schools (£151k collectively) and three secondary schools (£949k collectively) carrying forward deficit balances.

5.2.3 Excluding schools, the Education & Lifelong Learning Directorate (including Home to School/College Transport) is reporting an underspend of £2.858m. The most significant variances against budgets are as follows: -

Service Area	(Overspend)/ Underspend £m
Home to School/College Transport	(0.219)
Covid-19 Related Expenditure (Summer Term Support for Schools)	(0.227)
Pension Costs of School Based Staff	0.390
Management and Support Service Costs	0.224
Psychological Service and Schools Based Counselling	0.421
Advisory Support Service	0.164
EOTAS, Additional Support and Out-of-County	1.056
Early Years Central Team	0.297
School Improvement	(0.152)
Adult Education	0.169
Youth Service	0.237
Library Service	0.126
Net Other	0.373
<b>Total Net Underspend: -</b>	<b>2.858</b>

5.2.4 There is a reported overspend of £219k for Home to School/College Transport which equates to 2.6% of the budget. Contracts are due to be reviewed during the 2023/24 financial year which may result in further cost pressures for this budget.

5.2.5 The Covid-19 related expenditure of £227k was incurred to support specific temporary issues raised by Headteachers following the end of financial support on 31 March 2022 from WG through the Covid-19 Hardship Fund. The expenditure relates to an agreement by the Authority to support an additional mid-day clean in schools to the end of the Summer Term 2022, and additional supply cover costs for the most vulnerable staff. This included pregnant staff (26+ weeks), supported by a risk assessment to the end of December 2022.

5.2.6 The £390k underspend on the pension costs of school-based staff follows two years of good budget settlements for schools, which has had a positive impact on the retention of staff.

- 5.2.7 The £224k underspend for Management & Support Service costs is primarily linked to in-year vacancies, additional income generation and savings linked to general office costs.
- 5.2.8 The £421k underspend for the Psychology Service and School Based Counselling Team is linked in part to ensuring that grant funding was fully expended in the financial year. Further underspends in the Psychology Service and Advisory Support Teams were linked to in-year vacancies and delays in recruitment. The recruitment issues have largely been addressed for the 2023/24 financial year.
- 5.2.9 There is a net underspend of £1.056m for the budgets supporting our most vulnerable learners (Education Other Than at School (EOTAS), Additional Support and Out-of-County). This is an area where budgets will need to be re-aligned as we progress the EOTAS Strategy with the development of expanded provision at the old Pontllanfraith Comprehensive site, and to incorporate the financial impact of the Additional Support Review. The positive outturn position follows budget growth in recent years to support significant financial pressure in this area, plus work to support more cost-effective practices. An element of the underspend relates to a delay in the expansion of two classrooms at Glan Y Nant (Pupil Referral Unit).
- 5.2.10 The £297k underspend in the Early Years Central Team is due to the success of the Team in accessing specific grant funding to support staff related costs.
- 5.2.11 The in-year projected net underspend for the Directorate allowed for an additional level of targeted spend totalling £152k in relation to support for school improvement.
- 5.2.12 The £169k underspend for Adult Education is largely due to expenditure being managed within available grant funding levels, and income levels being greater than initially projected.
- 5.2.13 The total net underspend of £363k for Youth and Library Services is largely linked to in-year vacancies and delays in recruitment.

### 5.3 Social Services (£981k Underspend)

- 5.3.1 There is a net underspend of £981k for Social Services, which is summarised in the table below:-

<b>Service Area</b>	<b>Revised Budget 2022/23 £m</b>	<b>Outturn 2022/23 £m</b>	<b>(Over)/ Underspend £m</b>
Children's Services	30.214	33.648	(3.434)
Adult Services	78.482	74.720	3.762
Business Support	2.314	2.210	0.104
Social Services Transport	1.702	1.153	0.549
<b>Totals: -</b>	<b>112.712</b>	<b>111.731</b>	<b>0.981</b>

- 5.3.2 Within the Children's Services Division increasing demand for, and the complexity of children looked after placements, led to an overspend of £5.224m. However, vacancy savings of £931k, other non-recurring savings of £209k and the use of £650k of additional grant funding reduced the Division's net overspend to £3.434m.

- 5.3.3 The Adult Services Division experienced increased demand for long-term residential and nursing care, with service users' confidence in care homes beginning to recover as we emerged from the Covid-19 pandemic. This surge in demand led to an overspend of £1.376m.
- 5.3.4 Demand for short-term respite provision in care homes also saw a surge in 2022/23 leading to a further overspend of £528k, which is linked to a shortfall in capacity within the domiciliary care market caused by a national staff shortage across the sector.
- 5.3.5 In order to enable a smoother transition into adulthood, services for children with disabilities is managed within the Adult Services Division. As experienced in the Children's Services Division, there was increasing demand for, and complexity of children looked after, resulting in an overspend of £153k for placements for children with disabilities.
- 5.3.6 The overspends for Adult Services have been more than offset by underspends totalling £5.819m, resulting in the net underspend for the Division of £3.762m. The most significant areas of underspend are the following: -
- £2.107m due to a lack of staffing capacity within the domiciliary care market;
  - £1.870m in respect of Day Services due to recruitment challenges, which limited capacity in our own day centres and external provision;
  - £1.335m in non-recurring savings such as vacancies, reduced demand for casual staff to cover staff absences, and reimbursement of overpayments from prior years; and
  - £507k of additional short-term funding streams.
- 5.3.7 The £104k underspend for Business Support is due to vacant posts in the Financial Services Team (£86k), reduced stationery and printing costs (£25k), and other miscellaneous non-recurring underspends totalling £77k. These underspends are partially offset by an overspend of £84k due to increased energy and cleaning costs across the Social Services office estate.
- 5.3.8 The increasing demand for children looked after placements also resulted in an overspend of £52k in respect of the transport costs associated with these placements. However, the limited capacity in Day Services provision resulted in an underspend of £601k in respect of transport to and from day centres. This resulted in a net overall underspend of £549k in respect of Social Services transport costs.

#### **5.4 Economy & Environment (£603k Overspend)**

- 5.4.1 The overall net outturn position for the Economy & Environment Directorate is an overspend of £603k, after adjusting for the approved earmarking of reserves.
- 5.4.2 The Regeneration & Planning Division is reporting an overall net underspend of £254k.
- 5.4.3 Regeneration is reporting an underspend of £287k, the most significant elements of which are the following: -
- £69k in Town Centre Management due in the main to recruitment delays.
  - £60k for Cwmcarn Visitor Centre
  - £127k in Community Regeneration due to the transfer of staff to the Caerphilly Cares Team.

5.4.4 Planning has a net overall overspend of £33k which is primarily due to income budgets not being achieved, partially offset with in-year salary savings while recruiting to vacant posts.

5.4.5 The Infrastructure Division is reporting a net underspend of £352k, which consists in the main of the following: -

- An underspend of £487k for Network Contracting Services (NCS) due to additional income generated.
- A net underspend of £200k for the Engineering Projects Group (EPG) due to reduced sickness levels, delays in recruiting to vacant posts, and maximisation of grant funding.
- A net overspend of £340k for Highways Services arising from additional costs in reactive maintenance, additional costs in respect of contractors and agency staff, partially offset by some savings due to delays in filling vacant posts and one-off grant income.

5.4.6 The Public Protection Division is reporting an overall underspend of £675k, the most significant elements of which are the following: -

- £96k in the Food Team due to delays in filling vacant posts.
- £95k in Enforcement, also largely due to delays in filling vacant posts.
- £73k in Emergency Planning due to vacant posts.
- £120k for Community Safety Wardens due to vacant posts.
- A Catering underspend of £241k due in the main to additional one-off grant funding received from WG in March 2022.

5.4.7 The Community & Leisure Division is reporting a net overspend of £1.912m as summarised in the table below: -

<b>Service Area</b>	<b>(Overspend) Underspend £m</b>
Waste Strategy and Cleansing Operations	(0.164)
Parks, Countryside and Cemeteries	(0.715)
Leisure Services	(0.485)
Building Cleaning	(0.077)
Vehicle Maintenance and Fleet Management	(0.471)
<b>Total Net Overspend: -</b>	<b>(1.912)</b>

5.4.8 The net overspend of £164k for Waste Strategy & Cleansing Operations consists in the main of the following: -

Overspends

- £614k overspend for Residual Recycling mainly due to additional staffing costs (£386k), fuel costs (£80k), vehicle hire (£122k), vehicle repairs (£88k), and additional bins (£34k), partially offset by a net underspend of £96k on other budgets.
- £417k overspend for Organic Recycling due in the main to additional staffing costs (£227k), additional agency costs (£157k), fuel (£46k), additional bins/materials (£20k), partially offset by a net underspend of £33k on other budgets.

- £894k overspend for Dry Recycling due in the main to additional staffing costs (£84k), agency costs (£45k), fuel (£48k), vehicle Hire (£409k), vehicle repairs (£129k), and additional contractor costs (£233k). These overspends are partially offset by a net underspend of £54k on other budgets.

#### Underspends

- £189k underspend for Civic Amenity Sites due to salary savings (£141k), vehicle/plant related costs (£60k), telephone charges (£30k), additional income (£25k), partially offset by additional contractor payments.
- £37k underspend for Bulky Waste due to contractor savings (£52k), offset by additional salary costs (£15k).
- £81k underspend on the Revenue Contribution to Capital Outlay (RCCO) budget.
- £34k underspend on Commercial Waste due to additional income.
- £36k for Trehir due to reduced maintenance and effluent charges.
- £138k underspend for HQ Staff due to vacant posts (£131k), transport savings (£20k), partially offset by a net overspend of £13k on other budgets.
- £1.271m underspend for Cleansing, the main elements of which are salary underspends (£1.031m) due to staff covering other service areas within the Division, and reduced contractor payments (£213k).

5.4.9 There is a net overspend of £715k for Parks, Countryside and Cemeteries, consisting of the following: -

- £493k overspend for Parks and Playing Fields due to additional fuel costs, additional vehicle hire, vehicle repair charges, additional contractor costs, additional agency costs and reduced income.
- £37k overspend for Playgrounds due to additional contractor costs arising from increased equipment damage at some sites, partially offset by additional income and salary savings due to vacant posts not being filled.
- £109k overspend for Outdoor Facilities due to additional utility costs and increased contractor costs, partially offset by some salary savings and additional income.
- £34k overspend on HQ staffing costs.
- £51k overspend for Countryside Services.

5.4.10 The net overspend of £485k for Leisure Services is due to the following: -

- £477k overspend in Leisure Centres due to increased salary costs and income targets not being met.
- £48k overspend in Outdoor Education due to income levels not being achieved, but partially offset with salary savings.
- £28k underspend on Community Centres as non-urgent spend was held back to support the broader budget position.
- £12k underspend on Sports & Health Development due to a reduction in hours for a member of staff.

5.4.11 The Building Cleaning overspend of £77k is due to income levels being lower than anticipated.

5.4.12 The overspend of £471k for Vehicle Maintenance & Fleet Management is due to the inability to recruit Fitters and consequently contracting out at an additional cost to keep the fleet mobilised. Income for the service was also at a lower level than budgeted.

5.4.13 The reported overspends within Community & Leisure Services will be subject to further review by the Corporate Management Team.

## **5.5 Corporate Services – (£2.327m Underspend)**

5.5.1 The outturn position for the Directorate of Corporate Services is an underspend of £2.327m after adjusting for the agreed earmarking of reserves. The most significant elements of the underspend are the following: -

5.5.2 There is a net underspend of £474k for Corporate Finance, a significant element of which relates to one-off funding received from WG for the administration of Cost of Living Support Scheme grant payments and Winter Fuel payments. Underspends have also occurred through delays in filling vacant posts.

5.5.3 Business Improvement Services is reporting an overall net underspend of £251k, which is largely due to vacant posts.

5.5.4 There is a net underspend of £770k for Customer & Digital Services. This includes underspends of £247k in Information Technology, £298k in Procurement and £225k in Customer Services. The most significant elements of these underspends are delays in appointing to vacant posts and a number of existing staff not being at the top of pay scales.

5.5.5 For People Services there is a net underspend of £548k. This consists of underspends of £77k in the Apprentice Programme, £65k for the MeUs Leadership Development Programme, £70k in Communications, £67k in Occupational Health, £212k in Health and Safety and £57k in Human Resources.

5.5.6 Legal Services is reporting a net underspend of £230k, which is due to delays in filling vacant posts and additional income.

5.5.7 There is a net underspend of £27k for Property Services.

## **5.6 General Fund Housing & Private Housing (£1.361m Overspend)**

5.6.1 There is a net overspend of £1.361m for Housing Services, excluding the Housing Revenue Account (HRA).

5.6.2 £1.128m of the overspend is in General Fund Housing and this relates to Homelessness and the ongoing cost pressures experienced as a direct result of temporary accommodation (Bed & Breakfast placements). This is a legacy of Covid-19 where these costs were fully funded by WG in 2020/21 and 2021/22, but the level of funding has reduced significantly in 2022/23. Growth has been built into the 2023/24 budget to meet this ongoing cost pressure.

5.6.3 There is a projected overspend of £233k for Private Housing which is due to significant disruption to staffing levels and contractor availability, which impacted on the ability to generate enough income from agency fees to sustain the budget.

## **5.7 Miscellaneous Finance - (£4.317m Underspend)**

5.7.1 Budgets in Miscellaneous Finance underspent by £4.317m, the most significant elements of which are the following: -

- £361k underspend on debt charges due to delays in the need to borrow.
- £1.424m additional investment income due to interest rate increases.
- £367k underspend on City Deal borrowing.
- £970k from underspends on provisions for pay awards and Housing Benefit subsidy, along with an underspend on contributions to the Gwent Crematorium Service.
- £322k on Free School Meals funding held centrally that was not required during the financial year.
- £247k underspend on the Carbon Energy Tax budget.

## **5.8 Council Tax Collection – (£420k Surplus)**

5.8.1 The Council Tax surplus of £420k is lower than the typical levels experienced prior to Covid-19, and this has been further impacted by financial pressures arising from the Cost-of-Living crisis.

5.8.2 The Council Tax Team encourages all residents to contact the Council as soon as possible if they are struggling to pay their Council Tax and they actively promote Council Tax Reduction take-up for those residents on low incomes. The Team also supports residents to set up payment plans and residents experiencing financial difficulty can also access support and advice from the Caerphilly Cares Team.

## **5.9 Housing Revenue Account (£5.340m Underspend)**

5.9.1 The majority of the underspend for the Housing Revenue Account (HRA) is due to the inability to progress fully with the Post Asset Management Strategy Programme due to the ongoing impact of limited resources (staff and contractors). This restricted the spend on the capital programme meaning the revenue contributions from the HRA were not required to the extent anticipated. However, more work was directed to the response area to address the backlog of repairs that the Team had been unable to complete since the pandemic. There were also underspends on the Capital Financing Requirement budget due to delays in the need to borrow and underspends also occurred within the Strategy & Development budget where revenue provision for investigative work (e.g. Land appraisals) towards increasing housing supply was not fully expended.

5.9.2 HRA Working Balances stood at £21.5m at the start of 2022/23. However, due to the continued restrictions throughout the year, this balance, along with the £5.3m surplus made in year, will be carried forward to assist in funding future HRA commitments in relation to increasing housing supply and maintaining the WHQS on our existing properties. However, £4.5m of this balance has been earmarked separately towards match funding the Transitional Accommodation Capital Programme (TACP), which is helping to provide good quality transitional homes for those facing homelessness. There is also a separate earmarked balance of £795k originally set up for welfare reform which will be used to help alleviate the cost of living crisis for our tenants.

## **5.10 Impact on General Usable Service Reserves**

5.10.1 As outlined in paragraph 5.1.3, after adjusting for earmarked reserves 50% of underspends are carried forward by Directorates and are available to meet the requirements of these service areas in subsequent financial years. Overspends are normally funded from future Directorate budgets or balances brought forward from previous years. However, in the current financial climate it is not feasible to top-slice budgets given the potential savings requirement of £48.335m for the two-year period

2024/25 to 2025/26.

5.10.2 The following table provides a summary of General Usable Service Reserves and the closing balances as at 31 March 2023: -

<b>Service Area</b>	<b>Opening Balance (01/04/22) £m</b>	<b>In-Year Movement 2022/23 £m</b>	<b>Closing Balance (31/03/23) £m</b>
Education & Lifelong Learning	<b>1.074</b>	0.411	<b>1.485</b>
Social Services	<b>5.396</b>	(2.683)	<b>2.713</b>
Economy & Environment	<b>1.177</b>	(1.671)	<b>(0.494)</b>
Corporate Services	<b>0.622</b>	0.559	<b>1.181</b>
General Fund Housing & Private Housing	<b>0.601</b>	(1.604)	<b>(1.002)</b>
<b>Totals: -</b>	<b>8.870</b>	<b>(4.988)</b>	<b>3.882</b>

5.10.3 Cabinet will note the deficit General Usable Service Reserves balances for the Economy & Environment Directorate and General Fund Housing and Private Housing. As already mentioned, it is not feasible to fund these deficits by top-slicing the 2023/24 budgets due to the scale of the financial challenge that services face moving forward. Section 11 of this report therefore includes proposals to fund these deficits from surplus General Fund balances.

5.10.4 The Education and Lifelong Learning and Corporate Services Directorates have identified some immediate cost pressures that require consideration for funding from General Usable Service Reserves, and Cabinet is therefore asked to consider the following proposals totalling £1.148m: -

<b>Description</b>	<b>Amount £m</b>
<b>Education &amp; Lifelong Learning</b>	
- Shortfall in funding for September 2022 Teachers Pay Award	0.123
- New Demountable at Ysgol Gymraeg Trelyn	0.120
<b>Corporate Services</b>	
- Extension of Fixed-term Contracts for Schools I.T. Team	0.605
- Top-up of Earmarked Reserve for Cloud Migrations	0.300
<b>Total: -</b>	<b>1.148</b>

5.10.5 **Shortfall in Funding for September 2022 Teachers Pay Award** – WG has provided additional one-off funding for the 2023/24 impact of the September 2022 teachers pay award but to ensure that the full cost can be met in 2023/24 further funding of £123k is required.

5.10.6 **New Demountable at Ysgol Gymraeg Trelyn** - Ysgol Gymraeg Trelyn is currently at full capacity with no additional surplus places. In order to accommodate the rollout of Universal Primary Free School Meals it is necessary to expand both the kitchen and dining area at the school. The Headteacher and Governing Body of the school are in full support of this initiative, however they have evaluated the school site and the only available option is to extend the kitchen and dining facilities into the school's Wellbeing room. This has created a need for the installation of an additional demountable on site

to compensate for the loss of the room. The only area identified to site this is away from the main school building. Funding of £30k has been secured from WG but a further £120k is required for this facility to be installed in readiness for the start of the new school year in September 2023.

5.10.7 **Extension of Fixed-term Contracts for Schools I.T. Team** – Funding has previously been set aside to support these fixed-term posts, but this is now almost fully utilised. The Schools Support Team was established within Customer and Digital Services to support the deployment of the Welsh Government Ed Tech funding programme. The programme itself required a significant change in the way schools procured and deployed technology in order to meet the WG Core Digital standards to develop better learning outcomes for all learners within Wales.

5.10.8 The core results from the Team in the past two years are significant in terms of keeping children safe throughout the Covid-19 pandemic, by learning through online facilities and services. As we have emerged from the pandemic the Team has deployed digital technology and support on a daily basis. Since September 2022 to date, the Team has successfully closed over 5000 support calls.

5.10.9 In the next two years the Council is expected to continue to receive Ed Tech funding which will see more technology deployed into the learning environments. The schools I.T. Support Team will be critical to the successful deployment and application of this technology. The Team will also support the wider Digital Team in supporting schools with fit for purpose infrastructure and security provision. It is therefore proposed to extend the fixed-term contracts for the Team for a further period of 2 years at a cost of £605k.

5.10.10 **Cloud Migrations** – £500k has previously been set aside to fund the initial one-off costs associated with Cloud migrations and the purchase of software as a service for critical I.T. systems. These costs include initial set-up costs and professional support, along with the first year’s additional maintenance costs. The programme of migrations is progressing well, but further funding is now required to meet the one-off costs of the next planned migrations, in particular the Council’s General Ledger system. It is therefore proposed that a further sum of £300k is set aside.

## 5.11 Impact on the General Fund

5.11.1 The table in Appendix B shows the movements on the General Fund balance from 01 April 2022 to 31 March 2023, along with agreed commitments for 2023/24. The forecast General Fund balance as reported to Council on 23 February 2023 was £13.041m. The updated position is a balance of £18.621m, an increase of £5.580m. The variations to the forecast are as follows: -

	<b>£m</b>
Increased Contribution from Service Areas (including Miscellaneous Finance)	5.160
2022/23 Council Tax Surplus	0.420
<b>Net Increase: -</b>	<b>5.580</b>

5.11.2 It is usually recommended by the Head of Financial Services & S151 Officer that the minimum balance on the General Fund should be 3% of the Council’s net revenue budget, which equates to £13.172m for the 2023/24 financial year. This results in a surplus General Fund balance of £5.449m being available to support the Council in the delivery of its strategic priorities.

5.11.3 There are a number of items that will require consideration for funding from the surplus General Fund balance as summarised in the following table: -

Description	Amount £m
In-year Impact of 2023/24 NJC Pay Awards	1.959
Funding of Economy & Environment General Usable Service Reserves Deficit	0.494
Funding of General Fund Housing and Private Housing General Usable Service Reserves Deficits	1.002
<b>Total: -</b>	<b>3.455</b>

5.11.4 **In-year impact of 2023/24 Pay Awards** – The latest pay offer for National Joint Council (NJC) staff is an increase of £1,925 on all pay points from April 2023. This results in an additional funding requirement of £1.959m for the current financial year. This position will be reviewed again once the pay awards have been finalised, and the confirmed increases will also need to be factored into the budget setting process for the 2024/25 financial year. It is currently assumed that the teachers pay award from September 2023 will be fully funded by WG.

5.11.5 **General Usable Service Reserve Deficits** - As outlined in paragraph 5.10.3, there are deficit General Usable Service Reserve balances for the Economy & Environment Directorate, and General Fund Housing and Private Housing as at 31 March 2023. These deficits must be funded, and it is therefore proposed that the deficits totalling £1.496m are met from the surplus General Fund balance.

5.11.6 Cabinet is asked to endorse a recommendation to Council that surplus General Fund balances totalling £3.455m are utilised as detailed in paragraphs 5.11.3 to 5.11.5 of this report. If approved, this will reduce the General Fund balance to £15.166m, which is £1.994m higher than the 3% minimum balance usually recommended by the Head of Financial Services & S151 Officer. Given the significant financial challenges that we face moving forward, Cabinet is asked to endorse a recommendation to Council that the General Fund balance is maintained at £15.166m.

## 5.12 Conclusion

5.12.1 The overall 2022/23 net underspend of £8.331m is significantly lower than in recent years (net underspends of £38.517m and £37.815m in 2020/21 and 2021/22 respectively) and signifies the return of a more realistic picture of financial performance that is not impacted by the significant levels of external grant funding received in recent years in response to the Covid-19 pandemic.

5.12.2 The Council faces significant financial challenges moving forward with an anticipated savings requirement of £48.335m for the two-year period 2024/25 to 2025/26.

5.12.3 The scale of the financial challenge facing the Council requires new approaches to service delivery and this is being led by the Chief Executive, Leader, CMT, and Cabinet and is being co-ordinated through our Transformation and Placeshaping Investment Programmes. It is vital that required changes are developed at pace and that key decisions are made early to ensure that the projected savings requirement for 2024/25 and 2025/26 can be delivered.

## **6. ASSUMPTIONS**

6.1 There are no assumptions within this report.

## **7. SUMMARY OF INTEGRATED IMPACT ASSESSMENT**

7.1 The 2022/23 revenue budget outturn position does not require an Integrated Impact Assessment to be completed as it is a statement of fact and is reported for information only.

7.2 The proposals for the use of General Usable Service Reserves are not strategic in nature and do not require changes to policy, therefore Integrated Impact Assessments are not required.

7.3 The proposals for the use of surplus General Fund balances relate to unavoidable cost pressures in relation to pay awards, and the funding of deficit balances in General Usable Service Reserves. These proposals do not require Integrated Impact Assessments to be completed.

## **8. FINANCIAL IMPLICATIONS**

8.1 As detailed throughout the report.

## **9. PERSONNEL IMPLICATIONS**

9.1 There are no direct personnel implications arising from this report other than the proposal to fund some fixed-term posts.

## **10. CONSULTATIONS**

10.1 There are no consultation responses that have not been reflected in this report.

## **11. STATUTORY POWER**

11.1 Local Government Act 1972.

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#### Appendices:

Appendix A - Provisional Outturn Summary 2022/23

Appendix B - Movement on General Fund

**PROVISIONAL OUTTURN 2022/23****SUMMARY**

<b>SERVICE AREA</b>	<b>UNDERSPEND (OVERSPEND) £m</b>	<b>TAKE TO GENERAL FUND £m</b>
Education & Lifelong Learning	2.858	1.429
Social Services	0.981	0.490
Economy & Environment	(0.603)	0.000
Corporate Services	2.327	1.163
General Fund Housing	(1.128)	0.000
Private Housing	(0.233)	0.000
Miscellaneous Finance	4.317	4.317
Council Tax Surplus	0.420	0.420
<b>TOTALS</b>	<b>8.938</b>	<b>7.819</b>

<b>OTHER</b>	<b>UNDERSPEND (OVERSPEND) £m</b>	<b>TAKE TO GENERAL FUND £m</b>
Schools	(5.947)	N/A
Housing Revenue Account (HRA)	5.340	N/A
<b>OVERALL TOTAL SURPLUS</b>	<b>8.331</b>	<b>7.819</b>

Service area surpluses are subject to a 50% take to General Fund balances after specific agreed earmarking of funds.

Miscellaneous Finance underspends and Council Tax surpluses are transferred in total to General Fund balances.

School and HRA balances must be ring-fenced to those service areas.

## APPENDIX B

**MOVEMENT ON GENERAL FUND**

	£m	£m
<b>Opening Balance 01/04/2022</b>		<b>27.235</b>
<b>Use of Funds as Previously Agreed by Council: -</b>		
Budget Strategy Contribution 2022/23	(1.050)	
In-Year impact of 2022/23 Pay Awards	(6.860)	
Cost of Living Hardship Fund	(3.000)	
Cost of Living Crisis Contingency	(2.098)	
Home to School/College Transport	(0.460)	
Wi-Fi Infrastructure Review	(0.100)	
Heolddu Leisure Centre Fitness Equipment	(0.100)	
Emporium Car Park Repairs	(0.100)	
Highway Inspections (Covid-19 Backlog)	(0.120)	
External Asbestos Surveys	(0.100)	
Modern Patch Management Tool	(0.100)	
Cloud Migrations	(0.500)	
Canal Refurbishment	(0.200)	
Additional RSG (Electric Vehicles/Driving Lessons)	(0.595)	<b>(15.383)</b>
<b>Approved Contribution from Earmarked Reserves to Support 2023/24 Budget</b>		<b>15.345</b>
<b>Funds Transferred into General Fund (2022/23): -</b>		
Education & Lifelong Learning – 50% of Directorate Underspend	1.429	
Social Services - 50% of Directorate Underspend	0.490	
Corporate Services - 50% of Directorate Underspend	1.163	
Miscellaneous Finance Underspend	4.317	
Council Tax Surplus 2022/23	0.420	<b>7.819</b>
<b>General Fund Closing Balance 31/03/2023</b>		<b>35.016</b>
<b>2023/24 Commitments Previously Agreed by Council: -</b>		
Budget Strategy Contribution 2023/24		<b>(1.050)</b>
Earmarked Reserves Funding Released to Support the 2023/24 Budget		<b>(15.345)</b>
<b>Current General Fund Balance</b>		<b>18.621</b>