

## CEREDIGION COUNTY COUNCIL

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| <b>Report to:</b>                            | <b>Cabinet</b>   |
| <b>Date of meeting:</b>                      | <b>26/07/22</b>  |
| <b>Title:</b>                                | <b>2021/22 Controllable Revenue Outturn</b>                |
| <b>Purpose of the report:</b>                | <b>Report on the final 2021/22 Budget Outturn position</b> |
| <b>For:</b>                                  | <b>For information</b>                                     |
| <b>Cabinet Portfolio and Cabinet Member:</b> | <b>Cllr Gareth Davies, Finance &amp; Procurement</b>       |

### 1. SUMMARY

This report provides Cabinet with information about the Council's final Controllable Revenue Budget performance for the 2021/22 financial year. The Q3 monitoring report for the period to 31/12/2021 forecasted a £1.165m underspend for the year.

The final overall revenue position is an overall underspend on £668k. This includes the benefit of a surplus on Council Tax collection and additional WG Revenue Support Grant funding (which came as a result of an amended 2021/22 Local Government Finance Settlement issued in March 2022). The underspend is lower than projected due to transfers to earmarked reserves which will assist in delivering the Council's corporate priorities. The overall surplus will result in General Balances rising to £6.7m, which equates to 4.1% of the 2022/23 Budget (being just above the mid-point of the target range of between 3% and 5%).

It is important to recall and note the challenge that the 2022/23 Budget Setting process presented. The late inclusion of £1.0m of additional one-off Welsh Government funding, following the amended 2021/22 Settlement, enabled the Council's element of the Council Tax to be held to a 2.5% increase. The one-off nature of the funding does though present an ongoing base budget challenge. This is now being reviewed in light of the 2021/22 Revenue Outturn position and an update will be reported to Members in due course as part of the 2022/23 Financial Monitoring reports.

The Cost of Living crisis continues unabated. The Council has made significant progress in implementing the WG's Cost of Living scheme, having made £1.6m of payments directly to c10,500 households and enabled £1.3m of payments to c8,700 households through the Post Office for those eligible households not on Direct debit. This both supports the rural Post Office network and is a much quicker end to end route for eligible households to receive their payment.

The Council itself is experiencing unprecedented inflation pressures since the 2022/23 Budget was set. This is already evidencing itself in tender processes (mainly Capital) and in Revenue costs (particularly where services are impacted by fuel and energy prices, where contracts are linked to inflation). Pay awards also remain as yet undetermined for 2022/23, with there now being a much greater risk of pay inflation exceeding the levels currently budgeted. The Council's financial risks have therefore already been re-assessed for these reasons and adjusted higher.

Earmarked reserves are regularly reviewed and re-aligned to emerging priorities, commitments and potential needs. This has been looked at further as part of the Outturn process and a full breakdown of Earmarked reserves is shown in Appendix 1. In overall terms, specific Earmarked reserves (excluding General Balances) have increased at year-end to just under £54m (being 32.5% of the 2022/23 Budget).

Managing the financial dynamics of COVID19 has continued to be both challenging and resource intensive. The 2021/22 performance continues to demonstrate though, that despite COVID19, the Council's overall financial position remains positive and resilient and the Council's balance sheet is strong, notwithstanding that greater headwinds now exist.

## **2. CORE BUDGET PERFORMANCE**

In many ways 2021/22 has continued in a similar vein to 2020/21. COVID19 impacts and the pressures that Services have continued to operate under have been considerable. From a financial perspective, there has still been significant levels of additional one-off grant funding available, often at short notice and late on in the financial year. This has contributed significantly to the overall positive financial position and means in many instances Services have not yet returned to a more 'normal' financial year.

There is only one main area of overspend, which relates to Policy, Performance & Public Protection. This solely relates to the accounting treatment of an ongoing Contaminated Land case and this position has been managed corporately within the overall Outturn position.

The final variance on the Pyrrh Through Age model is a negligible adverse variance, although this includes £1.145m of funding to assist with Social Care cost pressures and £1.388m in the form of the Social Care Recovery Fund, both WG funding streams that ended on 31/03/22.

Delegated School Budgets have underspent by just under £2m, enabling this sum to be transferred into School Balances - meaning these rise from £6.3m to £8.3m. Ceredigion has no Schools in a deficit position. Whilst this elevated level of balances is above normal expectations and thresholds, there has been approx. £3m of one-off grant funding streams during the year, echoing a similar pattern to 2020/21.

Governing Bodies will need to use the one-off resources they have available in their Balances wisely and prudently as part of delivering their Educational outcomes and the continued recovery from the disruption that COVID19 has had on Schools. The Council will continue to actively support all Schools in this regard, including updating previous work to understand the plans and commitments of each School against their Balances.

Overall, across all Services, the combined effect of Service underspends and additional grant funding has enabled additional transfers to earmarked reserves to be considered over and above those already planned and budgeted. The more significant of these are:

- i) New ICT & Digital Investment reserve - £1.0m
- ii) New Placements Equalisation reserve, to assist with smoothing the impact of high-cost Social Care placements between financial years - £1.0m
- iii) Net increase in the PFI reserve to manage inflation - £0.7m
- iv) Increase in the Enabling Individual & Family Resilience reserve - £1.0m. To provide funding for Through Age & Wellbeing Strategy investment, initiatives and pump priming (e.g. Regional Investment Fund projects match funding)
- v) New Cost & Inflationary Pressures reserve to hold the additional £1.4m extra RSG monies from the 21/22 Final Settlement

The analysis of the final controllable revenue outturn position is different to previous year's due to the re-opening of the 2021/22 Local Government Settlement and the additional funding that this brings outside of the normal Controllable Budget. Therefore, the overall final position can be summarised as follows:

|                                 | <b>2021/22<br/>Latest<br/>Budget<br/>£'000</b> | <b>2021/22<br/>Actuals<br/>£'000</b> | <b>Under/<br/>(Over)<br/>spend<br/>£'000</b> |
|---------------------------------|--|--------------------------------------|--|
| <b>Funding</b>                  |  |                                      |  |
| Council Tax                     | <b>(45,078)</b>                                | (46,629)                             | 1,551  |
| NNDR + RSG                      | <b>(109,658)</b>                               | (111,093)                            | 1,435  |
| <b>Total Funding</b>            | <b>(154,736)</b>                               | <b>(157,722)</b>                     | 2,986  |
| Less Transfers to Reserves *    | -  | 2,001                                | (2,001)                                      |
| <b>Total Net Funding</b>        | <b>(154,736)</b>                               | <b>(155,721)</b>                     | 985  |
| <b>Controllable Budget</b>      | <b>154,736</b>                                 | <b>155,053</b>                       | <b>(317)</b>                                 |
| <b>Overall Outturn Position</b> | -  | <b>(668)</b>                         | 668  |

\* These Transfers to Reserves relate specifically to setting aside the WG RSG £1.4m plus part of the increase in the PFI reserve. There are other transfers to reserves within the Controllable Budget position.

A further breakdown of the Controllable Budget position is shown overleaf:

| Corporate Lead Officer / Service        | 2021/22 Latest Budget £'000 | 2021/22 Actuals £'000 | Under/ (Over) spend £'000 | Comment   |
|---|-----------------------------|-----------------------|---------------------------|---|
| Customer Contact                        | 5,732                       | 5,705                 | 27                        | No issues of significance.  |
| Democratic Services                     | 4,089                       | 4,016                 | 73                        | No issues of significance.  |
| Economy & Regeneration                  | 3,455                       | 3,189                 | 266                       | Underspend arising mainly in Property Services (partly due to temporary building closure savings during COVID), together with an increased level of Land Charges income.  |
| Finance & Procurement                   | 20,187                      | 20,004                | 183                       | Underspends against Corporate Redundancy budgets, core service operations and also Treasury savings has enabled transfers to reserves to be made relating to Corporate Capital, PFI and Insurance.  |
| Highways & Environmental Services       | 17,470                      | 17,474                | (4)                       | Additional Waste grant from WG combined with an underspend on Waste Disposal costs has enabled a transfer to reserves to be made in relation to Coast Protection scheme costs.  |
| Legal and Governance                    | 1,531                       | 1,527                 | 4                         | No issues of significance, other than an increase in Social Care Legal costs is being seen.   |
| People & Organisation                   | 2,085                       | 2,082                 | 3                         | No issues of significance.  |
| Policy, Performance & Public Protection | 2,249                       | 2,657                 | (408)                     | The main issue of concern relates to a Contaminated Land remediation works case.  |
| <u>Pyrth Through Age Model</u>          |                             |                       |                           |   |
| Porth Cymorth Cynnar                    | 3,761                       | 3,719                 | 42                        | Whilst the overall position is heavily masked by one off WG and Regional grant funding, a broadly breakeven position is a significant achievement for these services. Ongoing financial challenges remain in particular in the areas of Looked After Children and Independent Sector Placement costs, however there were temporary savings in the areas of Dom Care, Day Services and Housing. This and the benefit of grant funding has enabled a transfer to reserves to be actioned. |
| Porth Cynnal                            | 23,561                      | 23,632                | (71)                      |   |
| Porth Gofal                             | 11,611                      | 11,595                | 16                        |   |
|   | 38,933                      | 38,946                | (13)                      |   |
| <u>Schools &amp; Culture</u>            |                             |                       |                           |   |
| Schools & Culture (LEA)                 | 5,684                       | 5,557                 | 127                       | No issues of significance, a transfer to reserves relating to 21 <sup>st</sup> Century Schools matched funding has been actioned as planned. There is also an increase in School Balances of just under £2m.  |
| Delegated Schools Budgets               | 42,951                      | 42,951                | -                         |   |
|   | 48,635                      | 48,508                | 127                       |   |
| Leadership Group                        | 5,780                       | 5,801                 | (21)                      | See also the COVID19 section of this report. The overall financial position has enabled transfers to reserves to be made in relation to a new Placements equalisation reserve and an initial transfer to a new ICT Digital Investment reserve.  |
| Levies, C/Tax Premium & Reserves        | 4,590                       | 5,144                 | (554)                     | £462k has been transferred to the Council Tax Premium reserve which now stands at a cumulative £1.12m. The overall Outturn position has enabled a further transfer to a new ICT Digital Investment reserve which is shown against this heading.   |
| <b>Total Controllable Budget</b>        | <b>154,736</b>              | <b>155,053</b>        | <b>(317)</b>              |   |

### **3. COVID19 BUDGET PERFORMANCE**

There has been a range of financial dynamics that have still required active management by the Finance & Procurement service. Most of the aspects referenced under this section have been accounted for under the Leadership Group budget heading. The following section summarises the position on the more significant of the specific COVID19 aspects:

- a) Increased COVID19 Costs and WG Emergency Hardship Fund  
During 2021/22 monthly Hardship claims totalling £7.4m were submitted to WG. The net cost to the Council after allowing for ineligible items was £86k, equating to a c.99% funding rate.
- b) Lost Income in Services  
WG have provided £1.4m of Lost Income funding, with the main Income streams affected being Wellbeing Centres, Trunk Road Agency, Waste, School Catering and Car Parks.
- c) Financial Benefits  
Whilst the majority of COVID19 related financial impacts are negative, there have been some savings. The most significant of these is Travelling costs, where there has been a £392k saving against core budgets, so this has been treated corporately. It is expected that a reduction in Travelling costs will continue into the future, with a £243k base budget reduction being assumed in the 2022/23 Budget setting process. In addition, the Council has received fees for the administration of various Schemes totalling a net £292k.
- d) Council Tax collection  
The actual final in-year collection rate for 2021/22 was 97.2%, which compares with 96.8% for 2020/21 and 97.3% for 2019/20. Although the in-year collection rate has nearly recovered to pre COVID levels, the impact of arrears is still being seen in previous years' outstanding balances. WG have provided £618k of additional funding and this has been taken into consideration when assessing an appropriate level of Bad Debt Provision.

In overall terms, the Council has been able to manage the COVID related financial position within the resources available.

### **4. OTHER WG COVID / COST OF LIVING RELATED SCHEMES**

There have been a range of national Schemes where WG has chosen to use Local Government as the preferred operational delivery partner at a local level. Ceredigion has stepped up to this challenge, achieving this through the redeployment of existing staff using a Team Ceredigion approach and the prioritisation of these schemes over and above other activities. The schemes have been fully funded by WG and the more significant ones operating in 2021/22 were as follows:

|  |  |
|--|--|
| NNDR Business Rates relief for Leisure, Retail & Hospitality sectors               | Approx. £8.3m of NNDR relief was awarded to eligible businesses for 2021/22  |
| Self Isolation Support scheme  | £1.073m cumulative payments to date – Scheme runs into 22/23 and expected to close 31/07/22 (to allow applicants to make an application for isolation period up to 30/06/22) |
| Care Workers Statutory Sick Pay enhancement scheme for Employers                   | £63k cumulative payments to date – Scheme runs into 22/23. Was to close 30/06/22, but now expected to be extended to 31/08/22  |
| £735 Payment for Carers (Round 2)  | £1.564m of payments for over 1,600 Carers. Scheme completed  |
| Cultural Freelancer Fund – May 2021 round  | £48k of grants paid – Scheme closed  |
| Economic Resilience Fund Discretionary Business Grants – June & August 2021 rounds | £100k of grants paid – Schemes closed  |
| £200 Winter Fuel Support Payments  | £576k of payments made - Scheme closed   |
| Omicron Business Grants  | NNDR and Discretionary Grant scheme - £1.6m cumulative payments. Scheme closed   |
| £1,498 Payment for Carers (Round 3)  | £1.243m cumulative payments to date. Payments in progress during 22/23.  |
| £500 Unpaid Carers Scheme  | £56k of grants paid – 22/23 Scheme which closes 15/07/22   |
| £150 Cost of Living Scheme   | £2.9m cumulative payments to date. Discretionary Application process to open next.   |

In addition to these there are still a significant number of COVID related specific grants schemes that are / have been supported and resourced during the year. These include Test, Trace & Protect (Contract Tracing), Temporary Field Hospitals decommissioning, Vaccination Centres, Bus Emergency Funding, Social Care Recovery Funding and various Education and Highways related grants.

## **5. FINANCIAL RESILIENCE**

These results again demonstrate and support a strong financial position, although the Medium Term financial risk has been updated to reflect the current unprecedented inflation pressures since the budget was set and the Current crises started.

This is already evidencing itself in contracts and tenders (mainly capital), for example fuel and energy increases and other inflation linked contracts due during this financial year. It is also possible, although it's too early to tell, that pay-awards could be settled at a higher figure.

As referenced previously, when the budget was set for the current year WG announced new extra funding to assist with cost pressures and £1m was taken into the 2022/23 budget setting process at the time. It was referenced at the time that there was a forecasted underspend for the current year and other emerging extra funding items.

In practice, these positive performance results mean that the £1m allocated using one off funding can now be considered for being replaced using a combination of Council Tax Surplus (in the base budget going forward) and Service underspend capacity. The options for base budget adjustments will be considered further when quarter one Financial Monitoring report is submitted. If adjusted, it would place the base budget setting in readiness for the usual process to start and it would release the one-off £1m to assist with meeting the exceptional extra cost pressures currently being experienced.

## 6. CONCLUSION

The Budget performance for the year has ultimately been very positive in overall terms, despite the challenges and demands that continued to be present during the course of the year.

Considerable funding has continued to be forthcoming, particularly from WG - both in terms of the COVID Hardship Fund, various other specific grants and the reopening of the 2021/22 Local Government Finance settlement. The benefits of this, however, are only temporary and one-off. Nevertheless, this has contributed to the Council's balance sheet remaining strong and resilient, which will assist in delivering the Corporate Priorities for the new administration and helping to tackle the Cost of Living challenges now being faced.

|  |   |
|--|---|
| <b>Has an Integrated Impact Assessment been completed?</b> | No  |
| <b>If, not, please state why</b>                           | Report is for information   |
| <b>Wellbeing of Future Generations:</b>                    | <p><b>Summary:</b></p> <p><b>Long term:</b> Not Applicable</p> <p><b>Integration:</b> Not Applicable</p> <p><b>Collaboration:</b> Not Applicable</p> <p><b>Involvement:</b> Not Applicable</p> <p><b>Prevention:</b> Not Applicable</p> |
| <b>Recommendations(s):</b>                                 | To note the report  |
| <b>Reasons for decision:</b>                               | None required   |
| <b>Overview and Scrutiny:</b>                              | Considered during the budget setting process  |
| <b>Policy Framework:</b>                                   | Medium Term Financial Strategy  |

|                                |   |
|--------------------------------|---|
| <b>Corporate Priorities:</b>   | The Budget supports the Strategic Objectives of the Council |
| <b>Financial implications:</b> | Compliant   |
| <b>Statutory Powers:</b>       | Local Government Finance Act 1972                           |
| <b>Background Papers:</b>      | Revenue Budget 2021/22                                      |
| <b>Appendices:</b>             | Appendix 1 – Earmarked Reserves                             |
| <b>Corporate Lead Officer:</b> | Steve Johnson   |
| <b>Reporting Officers:</b>     | Duncan Hall and Justin Davies                               |
| <b>Date:</b>                   | 30/06/22  |



**STATEMENT OF EARMARKED RESERVES AND GENERAL BALANCES**

|  | <u>Actual</u><br><u>Balances</u><br><u>as at 31/03/21</u><br>£'000 | <u>Actual</u><br><u>Transfers</u><br><u>(To)/from</u><br>£'000 | <u>Final underspend</u><br><u>to General</u><br><u>Balances</u><br>£'000 | <u>Actual</u><br><u>Balances</u><br><u>as at 31/03/22</u><br>£'000 |
|--|--|--|--|--|
| Delegated Schools Budget - Primary                 | (3,034)  | (1,195)  | -  | (4,229)  |
| Delegated Schools Budget - Secondary               | (1,874)  | (528)  | -  | (2,402)  |
| Delegated Schools Budget - All Through             | (1,441)  | (240)  | -  | (1,681)  |
| Insurances - Supply Cover                          | (297)  | 112  | -  | (185)  |
| Schools & Culture Service                          | (396)  | (100)  | -  | (496)  |
| <b>Schools &amp; Culture</b>                       | <b>(7,042)</b>   | <b>(1,951)</b>   | <b>-</b>   | <b>(8,993)</b>   |
| Corporate Capital                                  | (3,225)  | (2,971)  | -  | (6,196)  |
| Education Penweddig PFI                            | (923)  | (691)  | -  | (1,614)  |
| Corporate - Joint Arrangements                     | (8)  | -  | -  | (8)  |
| Funding / CTRS Equalisation                        | (700)  | -  | -  | (700)  |
| Corporate Redundancy                               | (1,062)  | -  | -  | (1,062)  |
| Insurance  | (888)  | (216)  | -  | (1,104)  |
| Cost of Living Scheme (Discretionary)              | -  | (487)  | -  | (487)  |
| Finance - General                                  | (250)  | -  | -  | (250)  |
| <b>Finance &amp; Procurement</b>                   | <b>(7,056)</b>   | <b>(4,365)</b>   | <b>-</b>   | <b>(11,421)</b>  |
| Democratic Services                                | (112)  | -  | -  | (112)  |
| County Council Election reserve                    | (200)  | -  | -  | (200)  |
| <b>Democratic Services</b>                         | <b>(312)</b>   | <b>-</b>   | <b>-</b>   | <b>(312)</b>   |
| People & Organisation                              | (58)   | -  | -  | (58)   |
| <b>People &amp; Organisation</b>                   | <b>(58)</b>  | <b>-</b>   | <b>-</b>   | <b>(58)</b>  |
| Porth Cymorth Cynnar                               | (2)  | -  | -  | (2)  |
| Pyrrh Investment                                   | -  | (250)  | -  | (250)  |
| Porth Gofal  | (339)  | (24)   | -  | (363)  |
| <b>Pyrrh Through Age Model</b>                     | <b>(339)</b>   | <b>(24)</b>  | <b>-</b>   | <b>(363)</b>   |
| Policy, Performance & Public Protection            | (102)  | -  | -  | (102)  |
| <b>Policy, Performance &amp; Public Protection</b> | <b>(102)</b>   | <b>-</b>   | <b>-</b>   | <b>(102)</b>   |
| Highways & Environmental Services                  | (1,293)  | (1,005)  | -  | (2,298)  |
| Winter Maintenance/Storm Repairs                   | (277)  | -  | -  | (277)  |
| Environmental & Flood Protection                   | (177)  | -  | -  | (177)  |
| Civil Parking Enforcement                          | (93)   | 7  | -  | (86)   |
| <b>Highways &amp; Environmental Services</b>       | <b>(1,840)</b>   | <b>(998)</b>   | <b>-</b>   | <b>(2,838)</b>   |
| Local Development Plan                             | (248)  | -  | -  | (248)  |
| Economy & Regeneration                             | (177)  | -  | -  | (177)  |
| Food Centre Wales (Horeb)                          | (217)  | -  | -  | (217)  |
| Growth Deal  | (250)  | -  | -  | (250)  |
| Sewage Treatment Works Improvement Programme       | (543)  | 91   | -  | (452)  |
| <b>Economy &amp; Regeneration</b>                  | <b>(1,435)</b>   | <b>91</b>  | <b>-</b>   | <b>(1,344)</b>   |
| ICT & Digital Investment                           | -  | (1,000)  | -  | (1,000)  |
| Customer Contact                                   | (134)  | (75)   | -  | (209)  |
| <b>Customer Contact</b>                            | <b>(134)</b>   | <b>(1,075)</b>   | <b>-</b>   | <b>(1,209)</b>   |
| Legal & Governance                                 | (125)  | -  | -  | (125)  |
| <b>Legal &amp; Governance</b>                      | <b>(125)</b>   | <b>-</b>   | <b>-</b>   | <b>(125)</b>   |
| Contingency (inc COVID19)                          | (4,373)  | (90)   | -  | (4,463)  |
| Cost and Inflationary Pressures                    | -  | (1,435)  | -  | (1,435)  |
| Placements Equalisation                            | -  | (1,000)  | -  | (1,000)  |
| Council Tax Premium                                | (648)  | (472)  | -  | (1,120)  |
| National Eisteddfod 2020                           | (170)  | -  | -  | (170)  |
| Investing in People's Future **                    | (5,438)  | 35   | -  | (5,403)  |
| Boosting the Economy **                            | (4,510)  | (2,374)  | -  | (6,884)  |
| Enabling Individual & Family Resilience **         | (500)  | (1,000)  | -  | (1,500)  |
| Promoting Environmental & Community Resilience **  | (4,450)  | (500)  | -  | (4,950)  |
| <b>Leadership Group</b>                            | <b>(20,089)</b>  | <b>(6,836)</b>   | <b>-</b>   | <b>(26,925)</b>  |
| <b>Total Earmarked Reserves</b>                    | <b>(38,534)</b>  | <b>(15,408)</b>  | <b>-</b>   | <b>(53,942)</b>  |
| <b>GENERAL BALANCES</b>                            |  |  |  |  |
| General Balances                                   | (6,052)  | -  | (668)  | (6,720)  |
| <b>Total General Balances</b>                      | <b>(6,052)</b>   | <b>-</b>   | <b>(668)</b>   | <b>(6,720)</b>   |
| <b>GRAND TOTAL</b>                                 | <b>(44,586)</b>  | <b>(15,408)</b>  | <b>(668)</b>   | <b>(60,662)</b>  |

Notes

\*\* Reserve names will need to be reviewed for the new Corporate Priorities

