

Meeting of:	<b>Homes and Safe Communities Scrutiny Committee</b>
Date of Meeting:	<b>Wednesday, 12 July 2023</b>
Relevant Scrutiny Committee:	Homes and Safe Communities
Report Title:	Closure of Accounts 2022/23
Purpose of Report:	The accounts are complete and this report is to inform Committee of the provisional financial position of the Council for the 2022/23 financial year.
Report Owner:	Director of Environment and Housing
Responsible Officer:	Matt Bowmer Head of Finance/Section 151 Officer
Elected Member and Officer Consultation:	This report does not require Ward Member consultation
Policy Framework:	This is a matter for Executive decision by Cabinet.

**Executive Summary:**

- The Council encountered significant revenue pressures during 2022/23. Particular pressures were in respect of the ongoing impact of the Covid-19 pandemic, inflationary pressures particularly in respect of contracts and pay pressures. The Council also continued to experience significant demand pressures for supporting Children’s services, Homelessness, and pupils with Additional Learning Needs. Steps were taken to address the inability to commission care in Social Services with an additional fee uplift that was awarded in the last quarter of the financial year, the impact of this alongside other initiatives has seen a reduction in the waiting list for care.
- The Council benefitted from a one-off adjustment in how social care income is reflected in the accounts which enabled a transfer to reserves of £2m. The Council also received additional investment income as a result of investing its cash balances in year, due to the increased bank rate and continued to benefit from utilising reserve balances to finance borrowing in the context of current rising interest rates, minimising borrowing costs for the Council.
- The Council continued to deliver a number of schemes during 2022/23, such as the Discretionary Cost of Living scheme, Winter Fuel allowances and the Ukrainian Resettlement scheme.
- The year-end revenue position was a breakeven position after net transfers from reserves of £17.029m, made up of £987k transferred from Council Fund, £953k from the Housing Revenue Account, £11.785m transferred into specific reserves from revenue and £15.554m transferred from specific reserves to provide one off funding for projects and £12.307m drawdown from reserves to

fund the capital programme and for displacement required by capital grants. The Council Fund now stands at £11.523m as at 31st March, 2023.

- A revenue savings target of £500K was set for 2022/23 and an outstanding balance for 2021/22 of £170k was also monitored throughout the year. Whilst some savings have been identified on from underspends in year such as vacant posts services have moved to identify these on a more sustainable basis for 2023/24.

Directorate	Revised Budget 2022/23 £000's	Outturn 2022/23 £000's	Transfer to/(from) reserves £000's	Favourable / (Adverse) Variance £000's
Learning and Skills	122,578	129,175	-6,548	-49
Social Services	80,742	78,091	1,511	1,140
Environment and Housing	31,674	31,376	1,185	-887
Corporate Resources	2,208	5,920	-2,263	-1,449
Place	4,088	4,323	-195	-40
Policy	33,764	28,364	1,638	3,762
Use of Reserves	-996	0	-987	-9
Council Tax Surplus	-1,500	-922	0	-578
Favourable Variance Transferred to Reserves	0	0	1,890	-1,890
Total	272,558	276,327	-3,769	0

- After taking account of Directorate movements to and from reserves the revenue outturn showed a surplus of £1,890k which it is proposed is transferred to reserves to be utilised as follows.
  - £200k transfer to Education Pressures and Improvements Reserve to provide additional support to schools in special measures.
  - £850k to Education Pressures and Improvements Reserve to support ALN in mainstream schools.
  - £20k to Neighbourhood Services Reserve for repairs in single use sports facilities
  - £350k to Neighbourhood Services Reserve for micro asphalt schemes to address the condition of roads within the Council area.
  - £150k to Neighbourhood Services Reserve to support the delivery of health and safety works in leisure centres.
  - £200k to Reshaping Risk and Investment Reserve to provide additional support to Children and Young people.

- £120k to Neighbourhood Services Reserve to support the implementation of A48 Scheme to improve Road Safety.

- The Housing Revenue Account had a smaller than projected draw down on the ringfenced reserve of £953k to reducing the level of its ringfenced reserve to £16.486m.
- The level of Useable Reserves reduced in year although by less that has been projected. The Council undertook a reserve reallocation exercise in year and this is reflected in the outturn position.

As at	Balance 01/04/2022	Capital Funding	Planned Transfer (from) reserves	Planned Transfer to reserves	Reallocation of Reserves	Estimated Balance 31/03/2023
	£'000	£'000	£'000	£'000	£'000	£'000
General Fund	12,510	-	987	-	-	11,523
Insurance	4,529	-	-	348	-	4,877
Service Reserves	30,824	886	4,610	5,052	7,859	22,521
Risk and Smoothing Reserves	21,345	1,594	3,358	4,047	9,362	29,802
Capital	27,426	9,828	77	1,708	1,503	17,726
Schools	13,145	-	6,522	630	-	7,254
Housing Revenue Account	17,439	953	-	-	-	16,486
<b>Total</b>	<b>127,218</b>	<b>-13,260</b>	<b>-15,554</b>	<b>11,785</b>	<b>0</b>	<b>110,189</b>

## **Recommendations**

1. That the report and the financial measures taken and proposed be noted.
2. That the allocation of overall Council surplus be noted.

## **Reasons for Recommendations**

1. To inform Committee of the outturn and the financial measures taken and proposed.
2. To note the allocation of the 2022/23 surplus to support the delivery of schemes supporting key priorities identified by the Council.

## **1. Background**

- 1.1 Following the end of the financial year, Committee is provided with provisional outturn figures for the Council. It is anticipated that the Statement of Accounts will be approved by Council in November 2023, which will follow the external audit by Audit Wales.
- 1.2 This report is now referred to Homes and Safer Communities Scrutiny.

## **2. Key Issues for Consideration**

### **2.1 Council Fund**

- 2.2 Council on 28th February, 2022 agreed the Council's budget requirement for 2022/23. This represented budgeted net expenditure for the Authority of £272.558M. Total expenditure was to be financed by Revenue Support Grant (£138.065M), National Non-Domestic Rates contribution (£47.950M) and Council Taxpayers (£86.543M). The Standard Spending Assessment (SSA) for the year was £278.715M.
- 2.3 The directorate revenue budgets have been amended and approved by Cabinet during the financial year.
- 2.4 At year end there was a £1.890M favourable variance which has been allocated to corporate reserves.
- 2.5 Total transfers from reserves of £17.029M were made up of a £987K budgeted contribution from the Council Fund and £2.782M transferred from specific reserves to support the revenue budget, a £953K drawdown from the Housing Revenue Account Reserve and £12.307M drawdown from reserves to fund the capital programme and displacement arrangements. As part of the preparation

for the 2023/24 a review of reserves has been undertaken and reserves are reported including these adjustments.

- 2.6 The following table compares the amended budget and the actual expenditure, including transfers to and from reserves, for the Council. The final column shows the net transfers to specific reserves for each directorate which has been included within the actual expenditure figures.

**Table 1 – Summary Outturn**

Service Year – 2022/23	Original Revenue Budget	Amended Revenue Budget	Total Provisional Actual	Variance +Favourable ( ) Adverse	Net Transfer to /(From) Reserve
	£000	£000	£000	£000	£000
<b>Learning and Skills</b>					
Schools	104,953	106,453	106,453	0	-5,997
<b>Learning and Skills Excluding Schools</b>	16,079	16,125	16,174	-49	-551
<b>Social Services</b>	80,869	80,742	79,601	1,141	1,511
<b>Environment and Housing Place</b>	31,737	31,674	32,561	-887	1,185
	4,132	4,088	4,128	-40	-195
<b>Corporate Resources</b>	1,675	2,208	3,657	-1,449	-2,263
General Policy	34,109	33,764	30,003	3,761	1,638
Use of Council Fund	-996	-996	-987	-9	-987
<b>Total Net Budget</b>	<b>272,558</b>	<b>274,058</b>	<b>271,590</b>	<b>2,468</b>	<b>-5,659</b>
Council Tax Surplus	0	-1,500	-922	-578	0
Allocation of Surplus to Reserves	0	0	1,890	-1,890	1,890
<b>TOTAL</b>	<b>272,558</b>	<b>272,558</b>	<b>272,558</b>	<b>0</b>	<b>3,769</b>

2.7 The following detail is relevant to the Homes and Safe Communities committee.

## Social Services

**Table 3 – Youth Offending Outturn**

		Total Provisional Actual - Prior to transfers from reserve	Variance +Favourable/ (Adverse)	Net Transfer to /(From) Reserve - Revenue	Variance +Favourable/ (Adverse) - after transfers from reserve
Year - 2022/23	Amended Revenue Budget 22/23				
	£'000	£'000	£'000	£'000	£000
<b>Social Services</b>					
Youth Offending Service	724	556	168	1	167

2.8 Table 3 above provides detail of the outturn for the Social Services Directorate. The outturn was a favourable variance of £1.140M after the transfer into reserves of £1.511M.

### 2.9 Youth Offending Service Favourable Variance £167k

- Favourable Variances have been reported totalling £167K due to a rebate of non domestic rates and a saving on staff costs due to vacant posts in year.

## Environment and Housing

**Table 4 – Environment and Housing Outturn**

Service		Total Provisional Actual - Prior to transfers from reserve	Variance +Favourable/ (Adverse)	Net Transfer to /(From) Reserve - Revenue	Variance +Favourable/ (Adverse) - after transfers from reserve
Year - 2022/23	Amended Revenue Budget 22/23				
	£'000	£'000	£'000	£'000	£000
<b>Environment &amp; Housing</b>					
Regulatory Services	2,102	2,044	58	58	0
Council Fund Housing	1,425	-1,017	2,442	2,442	0
<b>Total</b>	<b>3,527</b>	<b>1,027</b>	<b>2,500</b>	<b>2,500</b>	<b>0</b>

## 2.10 Regulatory Services – breakeven

- Favourable variances £58K on the Regulatory Services base budget, mainly due to the payment to the Council of the 2021/22 SRS underspend for the relevant share of the budget.
- £58K has therefore been transferred into the Neighbourhood Services reserve.

## 2.11 Council Fund Housing – Breakeven

- Adverse variances totalling £51K including £25K on Cadoxton House.
- Favourable variances of £2.493M across the service mainly due to additional income for Supporting People and refugee resettlement schemes, which will be carried forward in a Supporting People reserve and also towards the costs of the Rapid Housing Response programme and Resettlement demands in the medium term.
- Contributions to reserve totalling £2.442M into the Homelessness & Housing Strategy Reserve including £1.492M ringfenced for Refugee resettlement.

### Place

Table 6 – Place Outturn

Service	Amended Revenue Budget 22/23	Total Provisional Actual - Prior to transfers from reserve	Variance +Favourable/ (Adverse)	Net Transfer to /(From) Reserve - Revenue	Variance +Favourable/ (Adverse) - after transfers from reserve
Year - 2022/23	£'000	£'000	£'000	£'000	£000
<b>Place</b>					
Private Housing	222	265	-43	-41	-2
<b>Total</b>	<b>222</b>	<b>265</b>	<b>-43</b>	<b>-41</b>	<b>-2</b>

## 2.12 Private Housing - £2K Adverse Variance

- Total adverse variances of £53K mainly due to an occupational therapist post in the Disabled Facilities grant section.
- Favourable variances totalled £10K due to an underspend on software and transport budgets.
- There was a £41K drawdown from reserves to cover the occupational therapist post mentioned above.

## **Housing Revenue Account**

- 2.13** Council on 7th March, 2022 (minute no.905) agreed the Authority's 2022/23 Housing Revenue Account (HRA) budget.
- 2.14** The 2022/23 Housing Revenue Account (HRA) has a deficit of £954K compared to the amended budget deficit of £16.516M. The HRA reserve balance opened at £17.439M and closed at £16.483M. This level is higher than the figure projected in the current Housing Business Plan, mainly due to a reduction in the required revenue contribution to capital. The level of this balance will therefore be reviewed as part of the production of the next Housing Business Plan. Further detail on this outturn position is set out in Appendix 1 to this report.

## **Efficiency Targets**

- 2.15** As part of the Final Revenue Budget Proposals for 2022/23, an efficiency target of £500K was set for the Council, which, as a result of a positive settlement from WG, was broadly in line with the lower targets set in the past two financial years. No efficiency target was set for schools. A further £170K was outstanding from 2021/22 and so has continued to be monitored during 2022/23. Whilst some savings have been offset by underspends in other areas in 2022/23 steps have been taken by Directorates to identify savings on a sustainable basis from the 2023/24 budget.
- 2.16** Attached at Appendix 2 is a statement detailing savings targets for 2022/23 relevant to this Committee. All savings targets for this Committee were achieved.

## **Reserves**

- 2.17** A reserve is an appropriation from a revenue account and does not constitute a cost of service until the expenditure is eventually incurred. A reserve does not cover a present obligation or liability and is a voluntary means of setting aside monies for future requirements either capital or revenue.
- 2.18** As part of the preparation for the 2023/24 budget a full review of the Council's reserves has been undertaken some consolidation has been undertaken and some reallocation to ensure that the reserves are more appropriately matched the Council's key budgetary risks the table below reflects the reallocation of reserves that has taken place.
- 2.19** Table 11 below sets out the use of reserves for a variety of purposes including planned usage to fund Capital Expenditure, planned revenue usage in accordance with the earmarked purpose of the reserve, unplanned usage to fund emerging overspends during 2022/23 and planned transfers to reserves to set aside fund for specific purposes. The use of reserves to support the Capital programme has reduced to £12.3M and reflects slippage on the delivery of schemes in 2022/23.



Where schemes have been reprofiled into 2023/24 this drawdown from reserves will now take place in 2023/24 to match expenditure.

**2.20** The use of reserves, including the transfer of the 2022/23 corporate surplus of £1.890M, is detailed in the table below.

**Table 11 - Reserves**

As at	Balance 01/04/2022	Capital Funding	Transfer (from) reserves	Transfer to reserves	Reallocation of Reserves	Provisional Balance 31/03/2023
	£000	£000	£000	£000	£000	£000
<b>General Fund</b>	<b>12,510</b>	<b>0</b>	<b>-987</b>	<b>0</b>	<b>0</b>	<b>11,523</b>
<b>Insurance</b>	<b>4,529</b>	<b>0</b>	<b>0</b>	<b>348</b>	<b>0</b>	<b>4,877</b>
<b>Service Reserves</b>						
Learning and Skills	5,082	-68	-1,500	1,580	-963	4,131
Social Services	13,777	0	-786	2,000	-4,979	10,012
Neighbourhood Services	4,407	-741	-1,026	699	-263	3,076
Corporate Resources	1,112	-25	-128	277	-503	733
Place	2,525	-51	-270	105	-209	2,100
Other Service Reserves	2,500	0	-820	341	-392	1,629
Other Corporate	1,421	0	-80	50	-550	841
<b>Risk and Smoothing Reserves</b>						
Homelessness and Housing Reserve	2,065	0	0	2,442	-51	4,456
Cost of Living	1,723	0	-869	0	0	854
Pay Pressures	473	0	0	0	3,695	4,168
Energy Pressures	0	0	0	0	3,885	3,885
Legal	1,870	0	0	0	130	2,000
Project Zero	2,681	-326	-200	170	0	2,325
Investment and Growth Fund	2,353	0	0	0	0	2,353
Reshaping Risk and Investment	1,763	0	-150	200	710	2,523
Corporate Landlord	5,465	-1,267	0	1224	286	5,708
Digital Reshaping	2,952	0	-2,139	11	707	1,531
<b>Capital Reserves</b>		<b>0</b>				<b>0</b>
Capital	27,426	-9,828	-77	1,708	-1,503	17,726
<b>Sub Total</b>	<b>96,634</b>	<b>-12,307</b>	<b>-9,032</b>	<b>11,155</b>	<b>0</b>	<b>86,450</b>
<b>Ring Fenced Reserves</b>						
School Reserves	13,145	0	-6,522	630	0	7,254

Housing Revenue Account	17,439	-953	0	0	0	16,486
<b>Total Reserves</b>	<b>127,218</b>	<b>-13,260</b>	<b>-15,554</b>	<b>11,785</b>	<b>0</b>	<b>110,189</b>

### **3. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?**

- 3.1** The Council's revenue budget and therefore its expenditure is incurred in order to achieve its corporate priorities as set out in the Corporate Plan 2020-2025 through the 4 well-being outcomes.

### **4. Climate Change and Nature Implications**

- 4.1** At 31st March, 2023 the Council holds reserves specifically earmarked to support the Council's response to the Climate and Nature Emergency totalling £2.325M with further reserves earmarked within the Capital reserves shown.

### **5. Resources and Legal Considerations**

#### **Financial**

#### **Revenue (Including Efficiency Targets)**

- 5.1** As part of the Final Revenue Budget Proposals for 2022/23, an efficiency target of £500K was set for the Council, which as a result of a positive settlement from WG, was greatly reduced from targets set in recent years. No efficiency target was set for schools.
- 5.2** Each efficiency target has been given a RAG status. Green indicates that it is anticipated that the target will be achieved in full within the year, amber indicates that it is considered that the saving in the year will be within 20% of the target and red indicates that the saving to be achieved in year will be less than 80% of the target.

#### **Employment**

- 5.3** There are no employment implications contained in this report.

#### **Legal (Including Equalities)**

- 5.4** The provisional outturn figures for the Council have been used in the preparation of the Statements of Accounts. Regulation 10(1) of the Accounts and Audit (Wales) Regulations 2014 (as amended) requires the Responsible Financial Officer to sign and date the Statement of Accounts and certify that they present

a true and fair view of the financial position at the end of the year. This means that for 2022/23 the Statement of Accounts should be certified by the Section 151 Officer by 31st May, 2023.

- 5.5** If it is not possible to meet this deadline the Council has to advertise that this has not happened and the reason why. Due to the continued impact of the pressures of the COVID-19 pandemic and Resource pressures in the team it was not possible to produce the Statement of Accounts by 31st May, 2023 and the appropriate advert was placed. The Statement of Accounts was however signed by the S151 Officer on 30th June, 2023.

## **6. Background Papers**

None.

### **Housing Revenue Account – Budget outturn 22/23**

Council on 7th March 2022 (minute no.905) agreed the Authority's 2022/23 Housing Revenue Account (HRA) budget.

The 2022/23 Housing Revenue Account (HRA) resulted in a deficit of £953k compared to the amended budget deficit of £16.516m. A breakdown is shown in Appendix 2. The HRA reserve balance opened at £17.439m and closed at £16.486m. This level is higher than the figure projected in the current Housing Business Plan, mainly due to a reduction in the required revenue contribution to capital. The level of this balance will therefore be reviewed as part of the production of the next Housing Business Plan.

The net favourable HRA revenue budget variance of £15.563m is identified over the following areas.

#### **Supervision & Management General – Favourable Variance £156k**

There were favourable variances of £322k. £150k relating to vacant staff posts and apprentices, £2k on Central recharges due to a reduced contribution. Supplies & Services had an underspend of £170k mainly due to a no write offs £44k, leaflets & publications £12k, surveys £53k, environmental improvements £12k, tenants' removals £12k, Office Furniture & equipment £6k, Printing £10k, Special Events £9k, hardware £4k and other variance totalling £8k.

There were adverse variances of £168k, of which £59k relating to compensation and legal costs and £69k relating to Software purchases/licences, £25k Rates invoices relating to previous years, £13k Premises and £2k on transport.

#### **Supervision and Management Special Services – Adverse Variance £98k**

This budget is split into three areas, Ty Iolo Homeless Hostel, Vale Temporary Accommodation and Vale Special Services. The term 'Special Services' relates to communal costs for all housing areas throughout the Vale of Glamorgan, including sheltered accommodation, such as grass cutting, rubbish removal, communal lighting, security, warden salaries and environmental improvements.

There were adverse variances on Special Services of £7k relating to staffing, £71k relating to grounds maintenance costs, £7k relating to increased utility costs, £38k relating to disinfestation costs, tenants' removal cost £21k, purchase of white goods £10k and £9k relating to cesspit emptying costs.

There were favourable variances on Special Services of £22k relating to premises cost such as repairs & maintenance and fixtures & fittings.

There was also a favourable variance of £42k on supplies and services due to an underspend on Environmental improvements.

#### **Housing Repairs – Adverse Variance £303k**

There were adverse variances on planned and cyclical maintenance mainly as a consequence catching up on works that were not completed due to COVID-19 and an increase in costs.

### **Capital Financing Costs – Favourable Variance £149k**

Interest charges were lower than originally estimated due to that no borrowing was required during the year to fund the Housing Investment Programme.

### **Rents, Rates, Taxes and Other Charges – Favourable Variance £23k**

This is mainly due to rates and consultant fee's.

### **Increase in the Provision for Bad and Doubtful Debts – Adverse Variance £160k**

This is mainly due to the tenant actual arrears being greater than forecasted.

### **Capital Expenditure from Revenue Account – Favourable Variance £15.092m**

It was not possible to fully spend the initial 2022/23 capital budget, mainly due to delays in procurement and staff turnover on various schemes which led to in year slippage being requested and approved. Contributions from leaseholders, capital receipt and additional capital grants has also reduced the level of revenue contribution required to fund capital expenditure. This has led to an increased balance on the HRA Reserve.

### **Dwellings Rents – Favourable variance £5k**

Dwelling rents collected were slightly higher than budgeted.

### **Non Dwelling Rents – Adverse variance £6k**

Rents collected on garages were slightly lower than budgeted.

### **Interest Received – Favourable variance £442k**

The HRA reserve had a higher closing balance at year end than forecast and the interest rate during the year had increased.

### **Charges for Services and Facilities – Favourable variance £133k**

This is mainly due to additional income of £110k from housing repairs recharges. Other favourable variances were £9k on Wayleaves and Lease income, £6k on lighting, £2k door entry and grounds maintenance £6k.

### **Contribution towards expenditure – Favourable variance £45k**

This favourable variance is largely due to the water commission received being more than budgeted by £17k. Other favourable variances relating to sale of small land, commission on collections, insurances and donations totalling £28k.

### **Other Income – Favourable variance £85k**

This favourable variance is due to additional grants from Welsh Government, DWP Kickstart, Public Health Wales and WLGA.

**APPROVED EFFICIENCY TARGETS - 2022/23****APPENDIX 2**

<b>Service</b>	<b>TARGET 2022/23 £000</b>	<b>PROJECTION 2022/23</b>	<b>RAG STATUS</b>	<b>Comments</b>
<b>ENVIRONMENT AND HOUSING</b>				
General Fund Housing 22/23		6	6 Green	Saving realised in full for 2022/23
<b>TOTAL</b>		<b>6</b>	<b>6</b>	
<b>Place</b>				
Private Housing		1	1 Green	Saving realised in full for 2022/23
<b>Total</b>		<b>1</b>	<b>1</b>	
<b>TOTAL</b>		<b>7</b>	<b>7</b>	