

Budget Monitoring - Month 6 2022/23

Reason for the Scrutiny

1. To update Members on the Council's financial monitoring position as at Month 6 of 2022/23. The position will be considered by Cabinet at its meeting on 17 November 2022.

Structure of the Papers

2. To facilitate the scrutiny the following appendices are attached to this report:

Appendix A – Cabinet report – Budget Monitoring – Month 6 2022/23,

Attached to the Cabinet report are the following appendices

- Appendix 1 – Revenue Monitoring Position
- Appendix 2 – Directorate Commentaries
- Appendix 3 – 2022/23 Budget Savings Position

Background

3. Members will be aware that this Committee's Terms of Reference includes responsibility for monitoring the overall Council budget, both Revenue and Capital budgets, as well as responsibility for monitoring specific service areas. Those services include *Corporate Management*, *Economic Development* (County Estates, Facilities and Operational Management), *People & Communities* (Performance & Partnerships), *Governance & Legal Services*, and *Resources* (Finance, Digital Services, Customer Services, Human Resources, Commissioning & Procurement) budgets.

4. The report to Cabinet attached at **Appendix A** sets out the Revenue Position and the Capital Position. The Committee has requested an in-depth scrutiny of the Council's Capital programme position as part of its work programme 2022/23 and, as such, all questions on information referencing the Capital Programme will be taken in the following agenda item. The Appendices relevant to the Capital Programme therefore form part of the papers for agenda item 5. In this item Members are invited to focus on Revenue and reserve questions on the Capital Programme for item 5.

Revenue Budget

5. Members are reminded that the budget was set by Council in March 2022. Key sources of funding are the Revenue Support Grant from Welsh Government, Council Tax, income sources (plus fees and grants) and earmarked reserves. The Local Authority Hardship Fund has now closed, and any pandemic related pressures must be covered from the Council's own budget.
6. This report to Cabinet states that the Council faces unprecedented challenges to its financial resilience due to a combination of the legacy of the pandemic, energy pricing, pay pressures and the cost-of-living crisis.
7. An important development Members should note since the Month 4 monitoring position is that the NJC pay negotiations have been concluded, and the financial impact of the current pay award offer has been included in this Month 6 monitoring report. Across the UK pay awards in the current financial year are exceeding the Month 4 budgeted level of 3%. Therefore, this monitoring report has been updated to reflect the potential impact on the monitoring position based on the latest information.

- 8 For 2022/23, the National Joint Committee (NJC) collective agreement on pay is an uplift of £1,925 across all pay scales. In percentage terms, this is a 10.5 % increase at the bottom of the Council's pay spine, 4.3% at the top, and between 1.02% and 3.97% for senior officers. Note that the Independent Welsh Pay Review Body (IWRPB) has recommended a teachers' pay award of 5% in September 2022. The additional cost of this compared to the 3% that was budgeted is £1.5 million.

- 9 The month 6 2022/23 budget monitoring report attached at **Appendix A** states that, at this point, a net overspend of **£7.394 million** on the revenue account is projected for the end of the 2022/23 financial year. This is comprised of Directorate projected budget overspends of **£11.438 million** and a projected Capital Financing underspend of **£1.7 million**, a projected underspend in the Summary Revenue Account of **£0.344 million** and the **£2 million** general contingency budget. The impact of the pay award is £4.961 million and the comparable variance for Month 6 (exclusive of the pay award) is **£2.433 million** (at Month 4 the variance was £7.368 million).

- 10 The service areas predicting the most significant overspends at month 6 are Children's Services (£8.302 million), Education & Lifelong Learning (£6.224 million), and Economic Development (£2.618 million).

- 11 Members may wish to note the table at **point 11** of the report to Cabinet that shows each Directorate's position, underspends are reported in brackets. Further detail of the Revenue Monitoring position can be found in **Appendix 1**, and more detailed explanations of each Directorate's position are provided in **Appendix 2**.

- 12 The overspends state the position after the offset of £2 million general contingency and it is important that Directorates ensure tight financial control over the remainder of the year to reduce the projected overspend at year end. Since month 4 all services have reviewed opportunities to deliver further in-year efficiencies and savings totalling £3.323 million, have been taken into account in the overall projected position for Month 6. The report makes clear that work will

continue to deliver further in-year savings over the remaining months of the financial year. Importantly it states, *'there remains a focus on avoiding front line impact and taking efficiencies where opportunities arise but the financial challenge over the long term will not be achieved simply by efficiencies alone.'*

Savings

13 At **Appendix 3** Members can find a progress report on the £5.558 million Directorate Savings Proposals for 2022/23. Savings are identified as being generated from *employees, external/other sources, or income*. At month 6 2022/23 **£1.887 million** savings have already been achieved, and it is forecast that £240,000 of the £5.558 million will be unachieved.

Way Forward

14 Councillor Chris Weaver, Cabinet Member, Finance, Modernisation and Performance, Christopher Lee, Corporate Director Resources, and Ian Allwood, Head of Finance, will be in attendance to answer Members questions on the month 6 Revenue budget position.

Legal Implications

15 The Scrutiny Committee is empowered to enquire, consider, review, and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct legal implications. However, legal implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any legal implications arising from those recommendations. All decisions taken by or on behalf the Council must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers of behalf of the Council; (d) be undertaken in accordance with

the procedural requirements imposed by the Council e.g. Scrutiny Procedure Rules; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances.

Financial Implications

16 The Scrutiny Committee is empowered to enquire, consider, review, and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct financial implications at this stage in relation to any of the work programme. However, financial implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any financial implications arising from those recommendations.

RECOMMENDATION

The Committee is recommended to:

- i. note the revenue position for month 6 2022/23
- ii. consider whether it wishes to make any observations, recommendations or requests to the Cabinet.

DAVINA FIORE

Director, Governance & Legal Services

9 November 2022