

# **CALDERDALE MBC**

**WARDS AFFECTED      ALL**

**CABINET    11<sup>th</sup> JULY 2022**

## **FINAL ACCOUNTS 2021/22 – REVENUE OUTTURN POSITION**

### **REPORT OF THE HEAD OF FINANCE**

#### **1      PURPOSE OF REPORT**

1.1    This report summarises the revenue outturn position and the impact on balances and reserves following the closure of the 2021/22 accounts. There are three main sections covering:-

- An overview of directorate under and overspends and variances on centrally controlled budgets during the year
- The impact of the above on the level of available general fund balances carried forward into future years, and recommendations as to their use
- The net movement in reserves used to support services in the current year, or set aside to manage service costs in future years

#### **2      NEED FOR A DECISION**

2.1    Under the Council's Financial Procedure Rules, a report covering the final outturn position must be presented to Cabinet each year for formal approval. Members are invited to request any further reports on outturn performance in relation to directorate budgets, and to determine any action required considering the overall outturn position and levels of unallocated balances.

#### **3      RECOMMENDATION**

It is recommended that Cabinet:

- 3.1 Notes the summary analysis of the 2021/22 outturn position, the impact on available balances and reserves, and the underlying budget pressures faced by directorates.
- 3.2 Agrees to retaining balances above the minimum level to provide flexibility in response to issues the Council is likely to face (paragraph 5.3).
- 3.3 Requests that this report be presented to the Strategy and Performance Scrutiny Board.

## 4 BACKGROUND AND DETAILS

- 4.1 The Council's management accounts are based on the Council's directorate structure and are used to help plan and control service delivery within the financial resources specifically approved by Council. They reflect the way the Council is organised and the delegations of budget responsibility, with some costs being delegated to directors to manage, and some being met corporately by the Council.
- 4.2 Revenue monitoring reports are presented to Cabinet three times a year. The process of monitoring allows service managers to identify significant variances and ways of managing these, and to estimate the overall effect on the service budget. The report to Cabinet summarises these forecasts and proposes solutions and strategies as to how these variances may best be mitigated, and what the implications might be on future budget requirements.
- 4.3 There are inevitably fluctuations in service forecasts in light of changing circumstances and issues, particularly so in this last year as the pandemic and the Government's response unfolded. Nevertheless, there has been a high degree of consistency in terms of how the projected financial position might best be managed, centred around delivery of savings and securing of funding such that any overspends could be managed within resources previously identified for this purpose.
- 4.4 This outturn report summarises how the Council's financial position has actually "turned out" and how directorates have managed service delivery during the financial year to 31<sup>st</sup> March 2022 within delegated budgets (i.e. whether they have cost more, or less, than planned), the reasons for any variances, and the impact on corporate resources.
- 4.5 As they serve a different purpose, management accounts are prepared on bases which do not reflect all the accounting policies required in the preparation of the financial accounting statements.
- 4.6 The financial accounts will be subject to external audit. There is no agreed date for the final audited accounts to be presented to Audit Committee as this will be determined once a date for the external audit is confirmed. There are significant pressures on audit resources at present as has been acknowledged by central government. Members will be kept updated as appropriate on the progress of the closure of accounts and the corresponding audit. These accounts will include a statement showing how the financial accounts reconcile back to the management accounts.

### 4.7 Summary

- 4.7.1 This report identifies:
- The net extra costs incurred by services and funding received during the year as a result of the pandemic and (after stripping out such items)
  - The resultant underlying service budget position for each directorate

- 4.7.2 In total, the net impact of the pandemic on service finances (over and above that for which service specific grant has been allocated) has been estimated at £4.6m. The net impact has been met from the £12.6m of general support grant funding made available by the Government and brought forward into 2021/22. As agreed by Cabinet and Council in the MTFs, the balance of this general support grant funding not used in 2021/22 is being carried forward to help meet any on-going costs arising or losses of income in the next three years as a result of the pandemic. Cabinet will be aware, for example, that the Council was only part-compensated for loss of income on services such as Parking and Sports until the end of June 2021, but it is expected that income levels in these services will not return to previous budgeted levels until some time after that, if at all.
- 4.7.3 All directorates are either reporting an improved position compared to the 3<sup>rd</sup> revenue monitor or an underspend after addressing the net impact of Covid on service budgets. Directorate underspends will be carried forward in reserves for use by those directorates in 2022/23 in accordance with Council policy.
- 4.7.4 After putting monies into reserves to mitigate future Covid impacts and to manage future capital and revenue budget pressures, centrally and service controlled underspends of £66k have accrued into general balances. This has increased the level of general Council balances to £5.848m at the year end. Council policy is to maintain a minimum level of £5m of balances. This small increase in general balances is welcome but there are still significant financial challenges facing the Council. In particular the impact of the on-going coronavirus pandemic and high inflationary environment the Council finds itself in.
- 4.7.5 Reserves overall have increased by £5.9m.
- School balances and funding reserved for schools have reduced by £0.8m.
  - Directorates put £6.4m in reserves. Much of this was support given to manage on-going issues resulting from the pandemic and for general health/social care related programmes of work such as for hospital discharges and workforce recruitment along with further CCG monies for programmes to be delivered next year.
  - Central reserves reduced by a net £0.2m. Some reserves have been used during the year to cover Covid-related costs, but, due to directorates being able to manage most services within budget, the Head of Finance has been able to move some contingency budgets into reserves to support the budget and Capital Programme in the future.
  - Directorate underspends of £0.5m were also carried forward.
- 4.7.6 The rest of the report is split into three sections, giving more detail on all the above headline figures and issues: -
- **Section 4.8** gives an overview of directorate under and overspends, and variances on centrally controlled budgets;
  - **Section 4.9** explains the impact of the above on general balances;
  - **Section 4.10** explains the movement in reserves.

## 4.8 Overview of Directorate Under and Overspendings and Variances on Centrally Controlled Budgets

Budget variances 2021/22	Service budget overspends (+) underspends (-) (after accounting for Covid-19 costs and income losses)		Covid-19 costs and income losses	
	Outturn	3rd quarter monitor forecast	Outturn	3rd quarter monitor forecast
	£'000	£'000	£'000	£'000
Adult Service and Wellbeing	-162	-196	0	0
Chief Executive's Office	-372	-208	0	0
Children and Young People's Services	819	1,998	0	0
Public Services	180	245	4,167	4,648
Regeneration and Strategy	140	406	478	377
<b>Service managed budgets</b>	<b>605</b>	<b>2,245</b>	<b>4,645</b>	<b>5,025</b>
Centrally Managed Expenditure and Income	-1,205	-1,512		0
<b>Total</b>	<b>-600</b>	<b>733</b>	<b>4,645</b>	<b>5,025</b>
Service underspendings c/f for use in 22/23	534	404		
Covid grant used in 21/22			-4,645	-5,025
Put into balances	66			

### 4.8.1 Service Controlled Over and Underspends

4.8.1.1 The table shows outturn positions compared to the latest monitoring report for both service budgets and the net impact of Covid-19. Compared to the forecast position reported to Cabinet in February, there has been a general improvement in service positions and a reduction in the requirement of general Covid grant funding to meet net Covid costs.

4.8.1.2 All directorates are either reporting small underspends or an improvement in their positions (after being compensated for the net cost of Covid on services).

#### **Adults & Wellbeing**

4.8.1.3 The Adults and Wellbeing Directorate have come in under budget by £162k for 2021/22, although this position has been helped by a combination of one-off funding received during the year and management action detailed below;

- National Hospital Discharge funding,
- non-recurrent Covid 19 monies,
- management action on Direct Payments
- reviews of care packages and charges

4.8.1.4 The All Age Disability Service continues to be an area of significant overspend. The Directorate is investigating through a deep dive review of the costs and budgets. It is also working to manage the annual Demographic Growth budget which is currently £500k per annum. There will be a significant financial challenge

and risk in 2022/23 as the Hospital Discharges funding ends. However, there will be an expectation that patients continue to be discharged from hospital quickly, and although there will be a contribution in Quarter 1 from the CCG, there is no on-going funding beyond this point.

### **Chief Executives**

- 4.8.1.5 The overall underspend of £372k was driven by underspends within Chief Executive's Management, Finance and Human Resources, as a result of reduced expenditure on staffing and training costs. Subject to Cabinet approval, the overall underspend of £372k will be carried forward to the financial year 2022/23 and earmarked to offset the continuing anticipated budget pressures within Democratic and Partnership Services (DPS). Prior year underspends from other service lines have been used like this to offset anticipated in year overspends for a number of years now. As part of the budget setting process next year the service will need to be reviewed and either growth will need to be built into the base budget or a reduction/change in service delivery will be required.
- 4.8.1.6 At the end of the financial year, the DPS Service overspent by £222k, largely due to budget pressures within the Legal Service but also within the area generally. During the year the overall underspend of £169k carried forward from the financial year 2020/21 was earmarked to offset this budget pressure.

### **Children & Young People**

- 4.8.1.7 Children and young people out turned £819k over budget for the year. The long-standing budget pressures on Early Intervention and Safeguarding in the Children and Young People's Directorate continue, as the cost of looked after children remains high. Measures to increase local placements, such as the provision of additional internal homes, should have a beneficial effect but the impact will not be immediate. In 2021/22, these costs have been offset across the directorate through vacancy management, grant maximisation and the successful response to budget challenge meetings. The measures agreed following budget challenge sessions and actions taken in year should help deliver a more sustainable budget position moving forwards, subject to continued stabilisation of looked after children placements. The outturn position for the directorate shows a reduction from the projected overspend at the 3<sup>rd</sup> budget monitor due to use of directorate reserves, maximisation of grants & management action.

### **Public Services**

- 4.8.1.8 Public Services out turned £180k over budget. Public services is steadily emerging from the impact of the pandemic. Income driven services such as Sports, Museums and Victoria Theatre reported increased members and visitors and sell out shows/events (close to pre- covid levels) in the last quarter of the year. Despite the late surge in improved income in some service areas the directorate will require £4.2m Covid compensation. This is due to income losses incurred in the first 6 months of the year when most of the income driven services were partially and/or fully closed.

- 4.8.1.9 The Transport budget is under increasing pressure. Transport was unable to implement the planned savings due to the introduction of WYCA's Fare Deal Scheme that includes school buses. The demand-led pressure on the transport budget also continues to increase. SEND pupil numbers have gone from 368 in 2019 to 451 in 2022 (a 23% increase) caused by more pupils being referred from Education Health & Care (EHC) plans. With special schools in Calderdale full, many of these are going out of district which is more expensive in transport terms. This rising demand coupled with underlying inflationary pressures have affected the cost structure of SEND Transport which had a budget of £2.7m compared to a cost of around £4.1m in 2021/22 to show an overspend of £1.4m.
- 4.8.1.10 Two areas where Covid-19 may have longer term effects are Parking Services and Waste Management. It is expected that parking revenues will be permanently reduced by the drive towards future home working and encouraging people to consider other modes of travel as part of the Council's climate change priorities. The financial impact on Waste Management in the current year is £0.4m and this cost, mainly caused by driver shortages, homeworking increasing domestic waste levels and rising disposal fees (as they are linked to the CPI inflation index), is expected to continue to some degree in future years. The effect of the pandemic on all these budget areas is being closely monitored, and some provision has been made in next year's budget to help manage all these service pressures.

### ***Regeneration & Strategy***

- 4.8.1.11 Regeneration and strategy out turned £140k over budget. The long standing cost pressures within Regeneration and Strategy have been addressed in year. This was achieved by savings across the directorate, in particular utility savings in CAFM, vacancy management and actions agreed as part of the future Council Programme. Some unachievable budget savings (such as commercial property investment income and New Homes Bonus) have also been addressed in the new year MTFs. The Markets review is still to be resolved. The directorate remains heavily dependent on fee income generation from the increasing number of capital schemes, the one-off use of reserves and the vagaries of the weather (Winter Maintenance). This makes it challenging to create a balanced budget position from council resources alone.
- 4.8.1.12 Taking into account both Covid 19 funding and Management Action, the monitoring report to Cabinet in February 2022 forecast that the directorate would overspend by £406k. Covid costs increased slightly by the end of the financial year and actual planning fee income was lower than anticipated in previous forecasts. The overall net overspend of £140k included in this report represents an improvement of £266k though on the position previously reported to Cabinet.
- 4.8.1.13 The improvement during the final quarter of the financial year, was largely due to further savings being achieved by Corporate Asset and Facilities Management and Strategic Infrastructure. These were in relation to building costs attached to the Corporate Estate and energy costs in relation to the Council's Street Lighting stock.

## **4.8.2 Centrally controlled over and underspends**

- 4.8.2.1 Centrally controlled budgets came in £1.205m under budget for the year. Certain types of income and expenditure are categorised as being “centrally controlled”. These include the costs of treasury management; benefits; contingency budgets and central funding. They are corporate costs rather than service specific.
- 4.8.2.2 Centrally controlled under and overspends are taken into overall balances after consideration by the Chief Financial Officer as to why any variances have arisen and whether such monies should be put into reserves or otherwise utilised rather than accrue into general balances.
- 4.8.2.3 Centrally controlled underspends amounted to just over £1.2m in 2021/22. This sum is relatively small compared to the overall size of the budgets and is in keeping with the position reported in the last monitoring report.
- 4.8.2.4 General grant funding has increased mainly due to government compensation for losses in sales, fees and charges for the April-June 2021 period. As previously agreed, this, along with other smaller grants and variances on some of the Council’s budgets (see below) is being used to offset the overall overspend of the Council leaving £66k that will go into general balances. Additionally, the special social care grant received from Government during 2021/22 will be carried forward in reserves to help manage the pressures we are under in this area in 2022/23 and beyond.

	Underspend (-)/ Overspend (+) £k
• Compensation for Lost Income	-1,142
• Other additional grants	-514
• Treasury management	169
• Benefits	160
• Debt Recovery costs and income	-146
• YPO Dividend	217
• Other small variances	<u>51</u>
Net Centrally Controlled Position	<u>-1,205</u>

- 4.8.2.5 The latest monitoring report anticipated a £1.5m underspend in centrally controlled items. The outturn position shows a reduction in this underspend mainly as a result of the final Housing Benefits claim and pressures on the Council’s interest costs and investment income returns.

## **4.9 Movement in General Fund balances**

- 4.9.1 Centrally controlled underspends at the year-end have increased general balances to £5.848m.
- 4.9.2 A minimum level of balances of £5m is maintained to meet unexpected expenditure and other fluctuations during the year. This is just over 1% of gross expenditure.

4.9.3 Balances above the target minimum level of £5m are potentially available to the Council to support unforeseen or additional spending or to “buy time” in delivering required savings programmes. The principles of the Council’s financial strategy are that balances should only be used in a sustainable manner – for example to deal with one-off costs or to provide initial funding for projects pending identification of sustainable longer-term funding. Balances in excess of the minimum requirement which remain unspent are invested and earn interest.

<b>Balances forecast</b>		<b>£'000</b>
<b>Balances at 31/3/21</b>		<b>5,782</b>
Put into balances 21/22		66
<b>Balances at 31/3/22</b>		<b>5,848</b>
Use of balances 22/23		-88
<b>Balances at 31/3/23</b>		<b>5,760</b>
Put into balances 23/24		53
<b>Balances at 31/3/24</b>		<b>5,813</b>
Use of balances 24/25		-368
<b>Balances at 31/3/25</b>		<b>5,445</b>

4.9.4 There remains less than £0.9m in balances above the minimum recommended level, and therefore there is little flexibility going forward. This position will be reviewed as part of the Medium Term Financial Strategy.

#### 4.10 Movement in Reserves

Contributions to (+) and from (-) Reserves	Service reserves	Corporate reserves	School reserves	Total movement in reserves
	£'000	£'000	£'000	£'000
Adult Service and Wellbeing	6,853	0		6,853
Chief Executive's Office	-1,419	-148		-1,567
Children and Young People's Services	296	0	-813	-517
Public Services	-23	-130		-153
Regeneration and Strategy	664	-49		615
<b>Service managed budgets</b>	<b>6,371</b>	<b>-327</b>	<b>-813</b>	<b>5,231</b>
<b>Centrally managed budgets</b>		107		107
<b>Total</b>	<b>6,371</b>	<b>-220</b>	<b>-813</b>	<b>5,338</b>
Year end underspendings c/f		534		534
<b>Total movements explained below</b>	<b>6,371</b>	<b>314</b>	<b>-813</b>	<b>5,872</b>



4.10.1 Reserves, including school balances, are “one-off” sums set aside by services for specific purposes, or centrally in line with Council policies. Directorates can also draw down from corporate reserves held for specific purposes. Total reserves rose by £5.9m from £73.6m at the start of the year to £79.5m at the year end. Of this year-end figure:

- £18.7m of the year end reserves relate to general and Business Rates relief funding as a result of the coronavirus pandemic and will be required to contribute towards additional costs in 2022/23 and beyond
- £14.0m are reserves held specifically for schools.
- £2.8m is held purely for Public Health services.

4.10.2 This leaves £44.0m of general Council reserves, which is a result of the early receipt of grant funding support and the agreed financial strategy of increasing reserves where possible at the year end.

The movement in reserves is made up as follows: -

Classification	Reserves Managed	Purpose	Increase (+) / Decrease (-) £m	Paragraph
1. Service	By Service Directorates under general delegations	To manage specific future projects, costs and budget pressures	£6.371	4.10.3
2. Corporate	Centrally under specific Cabinet approvals	Approved reserves such as the Insurance Reserve, General Covid support grant; Business Rates Support; and the Investment reserves.	-£0.220	4.10.4
3. School	By Schools	School balances and other funding ringfenced to schools.	-£0.813	4.10.5
4. Year end Under-spends	Centrally, and carried forward in line with approved Cabinet policy	Service controlled underspends.	£0.534	4.10.6
<b>Total Movement in Reserves</b>			<b>£5.872</b>	

#### 4.10.3 Movement on Service Reserves (**£6.371m**)

- Adult Services and Wellbeing have drawn down from reserves in support of service delivery during the year but have also reserved grant monies for Better Care and CCG partnership funding (including hospital discharges, workforce recruitment in social care and other NHS programmes). (**net contribution £6.9m**)
- Chief Executives. Use of grant monies previously put into the Public Health Reserve used during the year, for specific programmes of work relating to Covid. (**net reduction £1.4m**).
- Children and Young People has appropriated grant funding relating to schools effectiveness and virtual school head to be carried forward for use in 2022/23. In addition, the PFI reserve has increased by £0.063m relating to the timing of receipt and use of PFI grant from government. (**net contribution £0.3m**).
- Public services has put £0.14m in to reserves from WYCA to be used for specific Community Safety projects in future years. £0.2m was added to reserves in relation to monies bestowed on the Council from a donor, to provide benches throughout the borough. £329k of reserves in relation to ICT infrastructure and software/systems improvements (as previously approved by members) were also used in 2021/22. These have in total resulted in a modest net reduction in the services reserves of £23k.
- Regeneration and Strategy. A small number of Section 38 payments being agreed during the year and the Council receiving BEIS Grant funding towards the Green Homes Phase 2 Scheme which will be delivered in future years drive the majority of the increase in reserves. (**net contribution £0.664m**).

#### 4.10.4 Movement on Central reserves (**net £0.22m**)

Directorates and the Finance Service have worked hard to deliver a balanced budget under extremely difficult circumstances, and, although there has been a relatively small movement overall on corporate reserves, there have been some notable changes during the year.

According to CIPFA's latest Resilience Index, Calderdale comes 31<sup>st</sup> out of 33 Metropolitan Districts when reserves are compared to our net budget, i.e. there are only 2 councils with lower reserves relatively. This is an improvement on the previous index where we were at the bottom in terms of reserves but clearly there is still work to be done. The opportunity has therefore been taken to implement the agreed strategy of increasing reserves as a step towards strengthening the Council's resilience against future shocks in several high risk areas: -

- Due to strong decision making and good financial guidance managing budgets in year, £3.4m previously set aside by Members for budget pressures and the impact of Covid has been carried forward. This is planned to be used to support the budget particularly against the mounting effects of increasing inflation.
- As stated in 4.8.2.4, the special social care grant that had been planned to be used to manage the Council's overspend as part of the revenue monitoring process was eventually not required so £1.137m has been placed in an earmarked reserve.
- Extra grant funding nationally of £670m was provided towards supporting Council Tax income in 2021/22. The Council's share of this funding was £2.236m. Members, in the Standstill/MTFS Update report to Cabinet in January 2021, set

this aside to smooth out potential losses in the Collection Fund. Risk to our Council Tax and Business Rates income has again risen substantially as a severe inflationary recession may put more companies at risk of failure, increase the number of Council Tax reduction scheme claimants and increase the non-payment of Council Tax.

- Finally, there have been delays in various capital schemes and the West Yorkshire Transport Fund did not draw down budgeted monies from the Council to fund associated borrowing. This has meant we have been able to put £1.6m of debt-related budget into a reserve to help mitigate the impact that cost inflation and rising interest rates are having on the Capital Programme.
- Offsetting these increases, £3.6m of government funding brought forward for mandatory rate reliefs and £4.6m of general Covid funding have been used in 2021/22.

#### 4.10.5 Movement on Schools reserves (**-£0.813m**).

- There has been an increase in general retained school balances of £0.557m. A reduction in DSG reserves of £1.064m and associated funds held specifically for schools for staff absences have reduced by £0.306m.

#### 4.10.6 Year-end underspends (**£0.534m**)

- Under Council policy, services can carry forward underspends in one year and use them in the following year. Modest underspends are being carried forward by two directorates (Adults and Chief Executives), totalling £0.534m.

4.10.7 Members will be aware that the Council has previously been highlighted through the CIPFA resilience index as being at financial risk due to the low level of reserves relative to other local authorities. The resilience index ignores Public Health and schools reserves which are earmarked and can only be used for specific purposes and it is unclear how future comparisons will consider the mandatory Business Rates relief (Section 31 grants) and Covid funding. It is assumed however that the position set out above will help the Council withstand on-going Covid pressures, assist with the economic recovery which is vital post pandemic and demonstrate increased flexibility with regards to managing financial risk.

## 5 OPTIONS CONSIDERED

5.1 This report is presented primarily for information. The surplus of balances identified following the closure of accounts is £0.848m above the recommended minimum level of balances. This surplus will be available to assist the strategic financial management of the Council. Although Members have set a balanced budget for 2022/23, there are still potential shortfalls in future budgets towards the end of the MTFS period (and possibly before depending on forthcoming spending and local Government finance reviews).

5.2 The options then remain for Members to: -

- Retain the additional remaining balances of £0.848m which are not yet planned to be used in support of future year budgets for consideration at the first reported revenue monitor/MTFS review, or

- Determine now whether any additional resources should be allocated to identified budget risk or service priority areas on a one-off basis.

5.3 The Government has not announced funding levels beyond 2022/23. Even with the delivery of agreed savings, no significant reduction in Government funding or material changes to the Council's cost structure, the Council has estimated that it will still have a funding gap by 2025/26. In addition, there is continued uncertainty as to the longer-term financial effects of the pandemic. There are also the wider inflationary pressures being felt right across the globe at present putting pressure on budgets. Adding to the uncertainty, are delays to the Local Government Fair Funding Review and Business Rates Retention System. Given all the above risks it is therefore recommended that any surplus balances or reserves are retained and considered as part of the MTFS later this year.

## **6. FINANCIAL IMPLICATIONS**

6.1 These are set out in sections 4 and 5. Section 4 identifies the net spend by services; the effect on available balances and the movements in reserves. Section 5 considers the options members have in relation to the budget. Total balances of £5.848m have been carried forward to 2022/23. The recommendation is that this be retained to provide greater cover against future financial risks and uncertainties, and greater flexibility when determining future levels of Council Tax as part of the MTFS.

## **7 LEGAL IMPLICATIONS**

7.1 None directly arising from this report.

## **8 HUMAN RESOURCES AND ORGANISATION DEVELOPMENT IMPLICATIONS**

8.1 None directly arising from this report.

## **9 CONSULTATION**

9.1 Prompt accounts closure and successful external audit are a result of robust financial management and reporting procedures which enable the closedown process to be managed and delivered with the full co-operation of all directorates.

## **10 ENVIRONMENT, HEALTH AND ECONOMIC IMPLICATIONS**

10.1 None directly arising from this report.

## **11 EQUALITY AND DIVERSITY**

11.1 None directly arising from this report.

## **12 SUMMARY AND RECOMMENDATIONS**

12.1 Directorates overall delivered an improved financial position when compared to the 3<sup>rd</sup> revenue monitor, with two small budget underspends being carried forward by Adults and Chief Executives for future use. This position was achievable in part due to the levels of funding made available by the Government and our service partners as a response to the pandemic. This funding support allied with the action taken by the Council has led to a position where some of the funding can be carried forward to meet the continued risks associated with on-going costs and recovery programmes in the new financial year.

12.2 Two other factors were important in delivering balanced budgets - budget support given to services through the MTFS and Directorates successfully implementing savings proposals following budget challenges. These actions should provide a more sustainable budget position moving forwards subject to on-going risks around the longer-term implications of the pandemic.

12.3 There are still on-going service issues and emerging inflationary pressures which will need to be addressed with additional savings and possibly the use of reserves (at least in the short term). Through prudent financial management and strong financial leadership, the Council has increased its reserves and therefore resilience in several important areas. However, the Council does not have any funding certainty beyond the current year, and there remain some major unknowns about the impact of the Fair Funding Review. Local authorities also await the Chancellor's Spending Review later in the year in the knowledge that the pandemic has had a huge impact upon public sector borrowing which will need to be addressed over future years.

12.4 Council balances rose slightly compared to those envisaged at Budget Council. It needs to be borne in mind though that the Council still has a relatively weak financial position with regards to reserve levels as per the CIPFA index. There are also significant issues and uncertainties still facing us as per above. Members are therefore recommended to retain all balances pending fuller consideration and assessment as part of the MTFS review in the Autumn.

**Chris Forrester**  
**Head of Finance**

Date: 30<sup>th</sup> June 2022

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**DOCUMENTS USED IN THE PREPARATION OF THE REPORT:** Financial ledger. Closedown workbooks.