

## CABINET

<b>Date of Meeting</b>	Tuesday 22nd November, 2022
<b>Report Subject</b>	Revenue Budget Monitoring Report 2022/23 (Month 6)
<b>Cabinet Member</b>	Cabinet Member for Finance, Inclusion, Resilient Communities including Social Value and Procurement
<b>Report Author</b>	Corporate Finance Manager
<b>Type of Report</b>	Operational

### **EXECUTIVE SUMMARY**

This monthly report provides the latest detailed overview of the budget monitoring position in 2022/23 for the Council Fund and Housing Revenue Account for the financial year and presents the position, based on actual income and expenditure as at Month 6.

This report projects how the budget would stand at the close of the financial year, without new actions to reduce cost pressures and/or improve the financial return on efficiency planning and cost control is:

#### **Council Fund**

- An operating deficit of £0.033m (excluding the impact of the pay award which will need to be met by reserves), which is a favourable movement of (£0.647m) from the deficit figure reported at Month 5.
- A projected contingency reserve available balance as at 31 March 2023 of £8.071m (before the impact of final pay awards)

#### **Housing Revenue Account**

- Net in-year revenue expenditure forecast to be £3.324m higher than budget
- A projected closing balance as at 31<sup>st</sup> March, 2023 of £3.150m

Hardship Funding from Welsh Government helped secure £16m of direct financial help last year and we have continued to claim payments in 2022/23 for Self-isolation and Statutory Sick Pay Enhancement, along with Free School Meals direct payments within their eligible periods.

### **RECOMMENDATIONS**

1	To note the report and the estimated financial impact on the 2022/23 budget.
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## **REPORT DETAILS**

<b>1.00</b>	<b>EXPLAINING THE REVENUE BUDGET MONITORING 2022/23</b>
1.01	<p><b>Council Fund Projected Position</b></p> <p>The projected year end position, without mitigation to reduce cost pressures and improve the yield on efficiency planning, is as follows:</p> <ul style="list-style-type: none"> <li>• An operating deficit of £0.033m (excluding the impact of the pay award which will need to be met by reserves), which is a favourable movement of (£0.647m) from the figure reported at Month 5.</li> <li>• A projected contingency reserve available balance as at 31 March 2023 of £8.071m (before the impact of pay awards)</li> </ul> <p>To assist with managing risks and mitigating the overall projected overspend, the review of non-essential spend and a vacancy management process continues.</p>
1.02	<p>Hardship Funding from Welsh Government helped secure over £16m direct financial help last year and we have continued to claim payments in 2022/23 for Self-isolation and Statutory Sick Pay Enhancement, along with Free School Meals direct payments within their eligible periods.</p>

1.03 **Table 1. Projected Position by Portfolio**

The table below shows the projected position by portfolio:

<b>Portfolio/Service Area</b>	<b>Approved Budget</b>	<b>Projected Outturn</b>	<b>In-Year Over / (Under) spend</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Social Services	77.969	78.604	0.635
Out of County Placements	15.101	16.323	1.222
Education & Youth	9.953	9.512	(0.442)
Schools	108.401	108.401	0.000
Streetscene & Transportation	38.466	39.505	1.039
Planning Env & Economy	6.797	6.218	(0.579)
People & Resources	4.324	4.255	(0.069)
Governance	10.772	10.249	(0.523)
Strategic Programmes	6.116	6.109	(0.008)
Assets	0.312	0.293	(0.019)
Housing & Communities	14.662	14.431	(0.231)
Chief Executive	2.256	2.171	(0.085)
Central & Corporate Finance	31.552	30.644	(0.907)
<b>Total</b>	<b>326.682</b>	<b>326.715</b>	<b>0.033</b>

1.04 The reasons for the projected variances are summarised within Appendix 1 and shows the detail of all variances over £0.050m and a summary of minor variances for each portfolio.

**Significant Movements from Month 5**

1.05 **Social Services £0.157m**

The net adverse movement relates to :

**Older People Services :**

- Localities £0.100m – Domiciliary and Direct Payment costs have increased by £0.078m due to demand, Localities staff costs increased by £0.062m due to extended agency contracts, mitigated by a reduction in Residential care (£0.040m)
- Regional Integration Fund (RIF) £0.086m – Step Down RIF grant scheme has fully realised its annual allocation and further costs are expected to continue to the end of the financial year.

	<ul style="list-style-type: none"> <li>Resources and Regulated Services (£0.181m) – Increase in the projected client contribution income of (£0.151m) in addition to reduced staff costs relating to decrease in holiday cover and sickness levels.</li> </ul> <p><b>Adults of Working Age :</b></p> <ul style="list-style-type: none"> <li>Resources and Regulated Services £0.056m – Supported living costs have increased resulting from engaging agency cover for vacant posts to ensure service delivery need are met</li> <li>Children to Adult Transition £0.092m – resulting from an additional high cost placement</li> </ul> <p><b>Children’s Services :</b></p> <ul style="list-style-type: none"> <li>Family Placement (£0.032m) – reduction in costs based on current foster allowance payments and special guardianship allowance payments</li> <li>Residential Placements £0.060m – resulting from an additional placement</li> </ul> <p>Minor variances across the Portfolio account for the remainder of the movement totalling (£0.024m).</p>
1.06	<p><b>Out of County Placements £0.211m</b></p> <ul style="list-style-type: none"> <li>Children’s Services £0.123m – Due to 3 new placements and a change of placement at a higher cost with additional intensive support costs mitigated by 2 ended placements</li> <li>Education &amp; Youth £0.088m – due to 4 new placements</li> </ul> <p>Costs are projected to the end of the financial year.</p>
1.07	<p><b>Education &amp; Youth (£0.097m)</b></p> <ul style="list-style-type: none"> <li>Integrated Youth Provision has a favourable movement due to vacancy savings (£0.028m)</li> <li>Inclusion &amp; Progression have maximised Welsh Government grants for core staff costs together with vacancy savings has resulted in a favourable movement of (£0.024m)</li> </ul> <p>Minor movements across the Portfolio (£0.045m)</p>
1.08	<p><b>Streetscene &amp; Transportation (£0.057m)</b></p> <p>The net positive movement relates to:</p> <ul style="list-style-type: none"> <li>Service Delivery (£0.085m) – additional income due to increased ‘in house’ construction works</li> <li>Transportation £0.055m - increased costs in the provision of additional key service routes</li> </ul> <p>Minor variances across the Portfolio account for the remainder (£0.027m).</p>

1.09	<p><b>Governance (£0.147m)</b></p> <p>Revenues (£0.086m)</p> <ul style="list-style-type: none"> <li>• Further increase (£0.050m) to the projected potential surplus on the Council Tax Collection Fund; vacancy savings (£0.036m)</li> <li>• Vacancy Savings identified in Customer Services (£0.035m)</li> </ul> <p>Minor variances across the Portfolio account for the remainder (£0.026m).</p>
1.10	<p><b>Central &amp; Corporate Finance (£0.700m)</b></p> <p>A detailed review the Central Loans and Investment Account has been undertaken at Month 6 to reflect recent changes to bank interest rates. At this stage of the year no new short or long term borrowing has been required due in part to the level of additional grant funding received from Welsh Government towards the end of the last financial year improving the cash flow position.</p> <p>This has had the effect of significantly reducing projected borrowing costs in addition to an increase in investment income which could potentially increase further during the year should the pattern continue.</p> <p>In addition there has been a reduction in the Councils finance lease liabilities and an underspend on the Minimum Revenue Provision Account.</p>
1.11	<p>There are a number of minor variances across the other Portfolios each below £0.030m that account for the remainder of the overall movement (£0.015m).</p>
1.12	<p><b>Tracking of In-Year Risks and Emerging Issues</b></p> <p>Members were made aware when setting the budget that there were a number of open risks that would need to be kept under close review. An update on these is provided below.</p>
1.13	<p><b>Council Tax Income</b></p> <p>'In-year' council tax collection levels, up to September 2022, are 57.0% compared to 57.2% in the previous year. Collections remain challenging as the rising costs-of-living are impacting on the ability of some households to make payment of council tax on time. The marginal drop in collection levels is also consistent with other Welsh local authorities who are also seeing similar trends.</p>
1.14	<p><b>Pay Award (Teacher and Non-Teacher)</b></p> <p>The offer from the National employers for NJC employees of £1,925 on all spinal column points has now been accepted with back pay anticipated to be made to employees in November. This equates to an increase of 2.54% on the highest scale point to 10.5% on the lowest point.</p>

	<p>However, National negotiations are continuing between Employers and Trade Unions on a current pay offer for teachers of 5%. The Council has provided for an uplift of 3.5% for Teaching and Non-Teaching staff – any increase above this level would require the Council to utilise reserves to fund the difference in the current financial year and would add to the additional budget requirement for 2023/24.</p> <p><b>The impact on 2022/23 is as follows:</b>  Teachers pay - in year impact of an additional £0.674m for the period September to March (full year effect 2023/24 of £1.144m) over and above the budgeted level of 3.5%.</p> <p>NJC pay - in year impact of an additional £4.594m (Schools £1.637m and non-schools £2.957m) over and above the budgeted level of 3.5%.</p> <p><b>Additional amount needing to be met from reserves in 2022/23 based on the above is £5.268m.</b></p> <p>The above will also impact on the MTFS with the full year impact of the teachers' pay award increasing the impact for 2023/24 to £5.738m.</p> <p>However, all the above figures are pending a National Insurance (NI) reduction following the UK Government announcement on reversing the NI increase and this will be updated in the Month 7 report.</p> <p>The Teachers pay offer is still subject to agreement and out for consultation with the Trade Unions.</p>
1.15	<p><b>Other Tracked Risks</b></p> <p>In addition, there are a number of risks being tracked which may be subject to change and these are summarised below.</p>
1.16	<p><b>Medium Term Financial Strategy (MTFS) Impact</b></p> <p>Cabinet considered the latest projection for the MTFS in September which showed an increase in the additional budget requirement to £24.348m.</p> <p>The forecast included the position on pay awards at that time and revisions to forecasts for energy and fuel inflation which remains subject to constant change due to market volatility.</p> <p>All Portfolios consider their financial position, the risks within their service and the impacts on the Medium Term on a monthly basis as part of their Portfolio Management Team meetings.</p> <p>An update on the latest budget position prior to the formal Overview and Scrutiny Process in December is reported elsewhere on this agenda and shows a potential increase in the additional budget requirement for 2023/24 to around £32m.</p>
1.17	<p><b>Out of County Placements</b></p>

	<p>The risks include continued high demand for placements where children and young people cannot be supported within in-house provision, and market supply limitation factors and inflationary pressures leading to higher costs.</p> <p>There is a projected overspend of £1.222m for the current cohort of placements, however, this is likely to increase if demand for new placement remains at the current levels. There have been 48 new placements in the year to date with costs totaling £3.3m within the total projected spend for the year of £16.3m, which amounts to over 20%.</p> <p>The service areas within this pooled budget will continue to do everything possible to manage these risks and additional investment has already been made to further develop in-house provision to help to mitigate against such financial pressures.</p>
1.18	<p><b>Benefits</b></p> <p>Council Tax Reduction Scheme (CTRS) – Based on current demand, costs are currently projected to be £0.610m below budget, although this will be monitored closely throughout the year due to the potential for growth.</p> <p>There is continued high demand across the whole of the Benefits service which is expected to remain the case for the foreseeable future. There is a significant pressure on recovery of overpayments which is a combination of a shortfall of recovery against the level of income target budget which is partly influenced by lower number of overpayments occurring, and also the need to increase the bad debt provision on historic debt.</p> <p>The increased staffing levels are still required, and those costs are now being met in full from the additional funding of £0.300m previously approved to provide the service with the additional flexibility needed to adapt to and meet the sustained increase in customer demand.</p>
1.19	<p><b>Homelessness</b></p> <p>The risk is a consequence of the cessation of funding support from the Welsh Government COVID-19 Hardship Fund at the end of 2021/22.</p> <p>Although, there is continued support via the new Homelessness – No One Left Out grant, this still falls well below the amount of support we received via the Hardship Fund in 2020/21 and 2021/22.</p> <p>Although it has been possible to contain some of the expected pressure through prepaid accommodation to the end of September 2022, which has been funded by the COVID-19 Hardship Fund, the expected continued high demand for temporary accommodation including short term Bed &amp; Breakfast provision will continue to present significant challenges.</p> <p>We continue to strategically use increased allocations of Housing Support Grant working with external partners, but there remains a risk that the costs of statutory provision of support for Homelessness may exceed existing funding provision from base budget and available grant funding.</p>
1.20	<p><b>Achievement of Planned In-Year Efficiencies</b></p>

	<p>The 2022/23 budget contains £1.341m of specific efficiencies which are tracked and monitored throughout the year. The Council aims to achieve a 95% rate in 2022/23 as reflected in the MTFS KPI's and fully achieved all efficiencies in the previous financial year</p> <p>It is projected that all efficiencies will be achieved in 2022/23 and further details can be seen in Appendix 3.</p>
1.21	<p><b>Unearmarked Reserves</b></p> <p>The final level of Council Fund Contingency Reserve brought forward into 2022/23 was £7.098m as detailed in the 2021/22 outturn report (subject to Audit). In addition, the Council has set-aside a further £3.250m to the carried forward £2.066m COVID-19 Emergency Reserve being a total of £5.316m as a safeguard against the continuing impacts of the pandemic (additional costs and lost income).</p> <p>Some claims for March 2022 were disallowed by WG and Internal claims for Quarter 1 and 2 have been made in 2022/23 relating to additional costs in Schools, Streetscene &amp; Transportation and for income losses within AURA. These total £0.928m and the revised balance on the COVID-19 Emergency Reserve is currently £4.388m.</p> <p>At Cabinet on the 28<sup>th</sup> June, an amount of £0.300m was approved to fund a team of agency workers to support our Children's front door service whilst an action plan is developed and implemented to reset and rebuild service resilience due to current shortages of experienced social workers.</p> <p>After taking into account all of the above there is a projected contingency reserve available balance as at 31 March 2023 of £8.071m (before the impact of final pay awards – currently estimated at £5.268m).</p>
1.22	<p><b>Housing Revenue Account</b></p> <p>The 2021/22 Outturn Report to Cabinet on 12 July 2022 showed an un-earmarked closing balance at the end of 2021/22 of £3.616m and a closing balance of earmarked reserves of £1.622m.</p>
1.23	<p>The 2022/23 budget for the HRA is £37.755m which includes a movement of £2.858m to reserves.</p>
1.24	<p>The monitoring for the HRA is projecting in year expenditure to be £3.324m higher than budget and a closing un-earmarked balance as at 31 March 2023 of £3.150m, which at 8.34% of total expenditure satisfies the prudent approach of ensuring a minimum level of 3%. Appendix 4 attached refers.</p>
1.25	<p>Significant movements from month 5 include :</p> <ul style="list-style-type: none"> <li>• Void Properties – increased net pressure of £0.055m</li> <li>• Estate Management – increased net vacancy savings of (£0.037m)</li> </ul> <p>Minor variances account for the remainder (£0.013m)</p>



1.26	The budget contribution towards capital expenditure (CERA) is £10.898m with the actual contribution projected to be £13.755m at outturn.
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<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	As set out within the report.

<b>3.00</b>	<b>IMPACT ASSESSMENT AND RISK MANAGEMENT</b>
3.01	The financial impacts as set out in the report are a combination of actual costs and losses to date and estimates of costs and losses for the future. There is the possibility that the estimates will change over time. The budget will be monitored closely and mitigation actions taken wherever possible.

<b>4.00</b>	<b>CONSULTATIONS REQUIRED/CARRIED OUT</b>
4.01	None specific.

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix 1: Council Fund – Movement in Variances from Month 5 Appendix 2: Council Fund – Budget Variances Appendix 3: Council Fund – Programme of Efficiencies Appendix 4: Council Fund – Movement on Un-earmarked Reserves Appendix 5: Housing Revenue Account Variances

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	Various budget records.

<b>7.00</b>	<b>CONTACT OFFICER DETAILS</b>
7.01	<b>Contact Officer:</b> Dave Ledsham Strategic Finance Manager <b>Telephone:</b> 01352 704503 <b>E-mail:</b> <a href="mailto:dave.ledsham@flintshire.gov.uk">dave.ledsham@flintshire.gov.uk</a>

<b>8.00</b>	<b>GLOSSARY OF TERMS</b>
8.01	<b>Budget:</b> a statement expressing the Council's policies and service levels in financial terms for a particular financial year. In its broadest sense it

includes both the revenue budget and capital programme and any authorised amendments to them.

**Council Fund:** the fund to which all the Council's revenue expenditure is charged.

**Financial Year:** the period of twelve months commencing on 1 April.

**Housing Revenue Account:** the Housing Revenue Account (HRA) is a local authority account showing current income and expenditure on housing services related to its own housing stock. The account is separate from the Council Fund and trading accounts and is funded primarily from rents and government subsidy.

**Intermediate Care Fund:** Funding provided by Welsh Government to encourage integrated working between local authorities, health and housing.

**Projected Outturn:** projection of the expenditure to the end of the financial year, made on the basis of actual expenditure incurred to date.

**Reserves:** these are balances in hand that have accumulated over previous years and are held for defined (earmarked reserves) and general (general reserves) purposes. Councils are required to regularly review the level and purpose of their reserves and to take account of the advice of the Chief Finance Officer.

**Revenue:** a term used to describe the day-to-day costs of running Council services and income deriving from those services. It also includes charges for the repayment of debt, including interest, and may include direct financing of capital expenditure.

**Variance:** difference between latest budget and actual income or expenditure. Can be to date if reflecting the current or most up to date position or projected, for example projected to the end of the month or financial year.

**Virement:** the transfer of budget provision from one budget head to another. Virement decisions apply to both revenue and capital expenditure heads, and between expenditure and income, and may include transfers from contingency provisions. Virements may not however be approved between capital and revenue budget heads.