

## CABINET

<b>Date of Meeting</b>	Tuesday 17th January, 2023
<b>Report Subject</b>	Revenue Budget Monitoring Report 2022/23 (Month 8)
<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 8.

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 £0.352m (excluding the impact of the pay award which has been met by reserves), which is an adverse movement of £0.258m from the deficit figure reported at Month 7.
- A projected contingency reserve available balance as at 31 March 2023 of £3.797m.

#### **Housing Revenue Account**

- Net in-year revenue expenditure forecast to be £3.076m higher than budget
- A projected closing balance as at 31<sup>st</sup> March, 2023 of £3.398m

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 and Winter Fuel Payments within their eligible periods.

### **RECOMMENDATIONS**

1	To note the report and the estimated financial impact on the 2022/23 budget.
2	To support the carry forward request included in paragraph 1.11
3	To increase the Contingency Reserve by £2.4m from the additional Revenue Support allocation it received at the end of the 2022/23 financial year to enhance the level remaining to safeguard the Council against risks and other unforeseen events.

## **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 £0.352m (excluding the impact of the pay award which has been met by reserves), which is an adverse movement of £0.258m from the figure reported at Month 7.</li> <li>• A projected contingency reserve available balance as at 31 March 2023 of £3.797m.</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	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. From the end of September, Winter Fuel Payments were also eligible to be claimed.

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	78.767	0.798
Out of County Placements	15.101	16.089	0.988
Education & Youth	9.953	9.444	(0.510)
Schools	108.401	108.401	0.000
Streetscene & Transportation	38.466	39.596	1.130
Planning Env & Economy	6.797	6.343	(0.454)
People & Resources	4.332	4.292	(0.040)
Governance	10.755	10.110	(0.645)
Strategic Programmes	6.116	6.117	0.001
Assets	0.932	0.862	(0.070)
Housing & Communities	14.662	14.787	0.125
Chief Executive	1.636	1.549	(0.087)
Central & Corporate Finance	31.562	30.677	(0.885)
<b>Total</b>	<b>326.682</b>	<b>327.034</b>	<b>0.352</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 7**

1.05 **Social Services £0.126m**

The net adverse movement relates to:

**Older People Services:**

- Localities £0.049m – Demand for older people’s residential care has increased and resulted in a £0.098m adverse variance. The projected costs for homecare have decreased by (£0.055m). There are also a number of other minor variances which contribute to this movement.
- Regional Integration Fund (RIF) £0.058m – The “Step Down” RIF scheme which enables quicker hospital discharge times by placing people into short term residential care placements before they return home has already fully utilised. At this time, it is unlikely slippage

	<p>from other RIF schemes will be able to offset the additional pressure and any additional costs on this budget will increase unless Welsh Government provide additional funding.</p> <p><b>Adults of Working Age:</b></p> <ul style="list-style-type: none"> <li>Resources and Regulated Services £0.093m – There have been changes to care packages to the clients supported in this service which has resulted in increased costs for Physical Disability and Sensory Impairment of £0.024m and Learning Disabilities £0.027m. Supported Living has also increased by £0.039m as recruitment challenges persist resulting in higher agency usage. There are minor variances of £0.003m.</li> <li>Residential Placements Mental Health Services £0.027m - This is the result of changes to cost of care packages for people requiring support with mental illness.</li> </ul> <p><b>Children’s Services:</b></p> <ul style="list-style-type: none"> <li>Family Placements (£0.027m) – This is a reduction to in-house foster care costs, which include fostering payments and special guardianship orders.</li> <li>Residential Placements (£0.148m) – This is due to additional Welsh Government Grant income which has recently been confirmed.</li> <li>Professional Support £0.194m – Assumed within the outturn of Children’s Services was flexibility in use of government grants which had been provided in the previous two years. To date Welsh Government has not announced this flexibility and therefore, this assumption has been reduced to £0.100m from £0.294m. However, the additional grant included in the residential budget above has allowed for this adjustment to be made with minimal impact on the Children’s Services budget.</li> </ul> <p><b>Safeguarding &amp; Commissioning:</b></p> <ul style="list-style-type: none"> <li>Charging Policy Income (£0.083m) - Increased demand for older people’s residential service should result in an increase in the income received as a contribution to this care.</li> </ul> <p>Minor variances across the Portfolio account for the remainder of the movement totalling (£0.037m).</p>
1.06	<p><b>Out of County Placements (£0.117m)</b></p> <p>Reduction of projected net overspend as follows:</p> <ul style="list-style-type: none"> <li>Children’s Services (£0.123m) – Movement reflects the net impact of 4 ended placements less some other minor changes including expected start dates of future adoptions.</li> <li>Education &amp; Youth £0.006m – Minor movements</li> </ul>
1.07	<p><b>Streetscene &amp; Transport £0.059m</b></p> <p>The adverse movement relates to:</p>

	<ul style="list-style-type: none"> <li>• Service Delivery £0.057m – additional costs relating to the Proclamation Event and Queen’s State Funeral Costs.</li> </ul> <p>Minor variances across the Portfolio account for the remainder £0.002m.</p>
1.08	<p><b>Planning, Environment &amp; Economy £0.102m</b></p> <p>The movement relates to:</p> <ul style="list-style-type: none"> <li>• An increase in the actual costs for Ash Die Back works with further expected to March, 2023 £0.065m</li> <li>• Additional Covid-19 Recovery costs now committed to March 2023 totalling £0.027m which are being absorbed by the portfolio</li> </ul> <p>Minor variances across the Portfolio account for the remainder £0.010m</p>
1.09	<p><b>Housing &amp; Communities £0.124m</b></p> <p>The movement is due to continued high demand for Bed and Breakfast and temporary accommodation for Homeless persons and families.</p>
1.10	<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 (£0.036m).</p>
1.11	<p><b>Carry Forward Request</b></p> <p>People &amp; Resources – Human Resources &amp; Organisational Development</p> <p>To request a carry forward of the £0.022m COVID Test &amp; Trace Project Management fee received to support the transition from Learning Pool to another platform by the extension of a current post-holder by 6 months.</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 November 2022, are 75.34% compared to 75.65% 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 0.31% 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 made to</p>

	<p>employees in November. This equated to an increase of 2.54% on the highest scale point to 10.5% on the lowest point.</p> <p>The Minister for Education has confirmed the pay award for teachers at 5%.</p> <p>The Council has provided for an uplift of 3.5% for Teaching and Non-Teaching staff – the increase above this level requires the Council to utilise reserves to fund the difference in the current financial year.</p> <p><b>The impact on 2022/23 is as follows:</b>  The in-year additional cost of the 2022/23 pay awards that have been met from reserves is £3.955m after taking into account the reversal of the additional 1.25% rate of National Insurance (NI) from November.</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>An update on the latest budget position was reported in November prior to the formal Overview and Scrutiny Process in December which showed a potential increase in the additional budget requirement for 2023/24 to £32.4m.</p> <p>The Welsh Local Government Provisional Settlement was received on 14 December and the details and impacts of this is reported elsewhere on the agenda.</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>
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 £0.988m for the current cohort of placements. However, this is likely to increase if demand for new placements remains at the current levels. There have been 57 new placements in the year to date with costs totaling £3.3m within the total projected spend for the year of £16.1m, 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 the Council 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 and this has increased by £0.123m at Month 8.</p> <p>The service continues 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>School Transport</b></p> <p>Since the start of the Autumn school term from September 2022, there have been a number of transport pressures emerging relating to increased costs in the provision of additional key service routes for Additional Learning Needs (ALN) and Pupil Referral Units (PRU) from re-procurement increases and additional statutory provision that is necessary, as well as increased transport contractor costs due to fuel, insurance, driver costs etc. It is anticipated that these increased costs currently totalling in excess of £0.200m will continue into 2023/24.</p>
1.21	<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>
1.22	<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 and Holywell Leisure Centre. These currently total £1.252m and the balance on the COVID-19 Emergency Reserve is currently £4.064m.</p> <p>After taking into account all of the above there is a projected contingency reserve available balance as at 31 March 2023 of £3.797m.</p> <p>In addition, the Council also has an earmarked reserve of £2.4m from the additional Revenue Support allocation it received at the end of the 2022/23 financial year, and it is recommended that this is transferred to the Contingency Reserve to enhance the level remaining.</p> <p>As always it will be important to maintain an adequate level of reserves to safeguard the Council against risks and other unforeseen events.</p>
1.23	<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>
1.24	<p>The 2022/23 budget for the HRA is £37.755m which includes a movement of £2.858m to reserves.</p>
1.25	<p>The monitoring for the HRA is projecting in year expenditure to be £3.076m higher than budget and a closing un-earmarked balance as at 31 March 2023 of £3.398m, which at 9.06% of total expenditure satisfies the prudent approach of ensuring a minimum level of 3%. Appendix 4 attached refers.</p>
1.26	<p>The monthly movement of (£0.246m) from Month 7 is as follows:</p> <ul style="list-style-type: none"> <li>• Income (£0.032m) – projected underspend in Bad Debt Provision top-up (£0.050m), movement in voids £0.016m and minor movements £0.002m.</li> <li>• Estate Management (£0.063m) – further vacancy savings (£0.030m), reduction in forecast Agency costs (£0.013m), other minor movements (£0.020m).</li> <li>• Landlord Service Costs £0.033m – Increase in utilities forecast of £0.042m, other minor movements (£0.009m).</li> </ul>

	<ul style="list-style-type: none"> <li>Management &amp; Support Services (£0.186m) – further savings relating to central support services recharges (£0.071m), reduction in forecast insurance costs based on the latest information (£0.075m), minor movements (£0.040m).</li> </ul>
1.27	The budget contribution towards capital expenditure (CERA) is £10.898m with the actual contribution projected to be £13.755m at outturn.
<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 7 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>

8.00	GLOSSARY OF TERMS
8.01	<p><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.</p> <p><b>Council Fund:</b> the fund to which all the Council's revenue expenditure is charged.</p> <p><b>Financial Year:</b> the period of twelve months commencing on 1 April.</p> <p><b>Housing Revenue Account:</b> 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.</p> <p><b>Intermediate Care Fund:</b> Funding provided by Welsh Government to encourage integrated working between local authorities, health and housing.</p> <p><b>Projected Outturn:</b> projection of the expenditure to the end of the financial year, made on the basis of actual expenditure incurred to date.</p> <p><b>Reserves:</b> 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.</p> <p><b>Revenue:</b> 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.</p> <p><b>Variance:</b> 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.</p> <p><b>Virement:</b> 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.</p>