

CABINET

Date of Meeting	Tuesday, 25 th April, 2023
Report Subject	2022/23 In-Year Budget Management – Budget Monitoring Report Month 11
Cabinet Member	Cabinet Member for Finance, Inclusion, Resilient Communities including Social Value and Procurement
Report Author	Corporate Finance Manager
Type of Report	Operational

EXECUTIVE SUMMARY

This monthly report provides the latest detailed overview of the budget monitoring position for the Council Fund and Housing Revenue Account for the financial year 2022/23 and presents the position, based on actual income and expenditure as at Month 11.

Council Fund

- An operating surplus of (£2.106m) (excluding the impact of the pay award which has been met by reserves), which is a favourable movement of (£1.413m) from the figure of (£0.693m) reported at Month 10.
- A projected contingency reserve available balance as at 31 March 2023 of £8.364m.

Housing Revenue Account

- Net in-year revenue expenditure forecast to be £2.839m higher than budget
- A projected closing balance as at 31st March, 2023 of £3.635m

We have continued to claim payments totalling £4.8m 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.
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2	To approve the carry forward requests included in Appendix 6
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REPORT DETAILS

1.00	EXPLAINING THE REVENUE BUDGET MONITORING 2022/23
1.01	<p>Council Fund Projected Position</p> <p>The projected year end position as at Month 11 is as follows:</p> <ul style="list-style-type: none"> • An operating surplus of (£2.106m) (excluding the impact of the pay award which has been met by reserves), which is a favourable movement of (£1.413m) from the figure of (£0.693m) reported at Month 10. • A projected contingency reserve available balance as at 31 March 2023 of £8.364m. <p>To assist with managing risks and maximising the financial resources available to the Council, a review of non-essential spend and a vacancy management process has continued throughout the year.</p>
1.02	We have continued to claim payments totalling £5.3m 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.

1.03

Table 1. Projected Position by Portfolio

The table below shows the projected position by portfolio:

Portfolio/Service Area	Approved Budget	Projected Outturn	In-Year Over / (Under) spend
	£m	£m	£m
Social Services	79.985	80.006	0.021
Out of County Placements	15.101	15.772	0.671
Education & Youth (Non Schools)	10.323	9.935	(0.388)
Schools	108.376	108.376	0.000
Streetscene & Transportation	39.931	41.050	1.120
Planning, Environment & Economy	7.222	6.802	(0.419)
People & Resources	4.670	4.610	(0.060)
Governance	11.281	10.841	(0.440)
Strategic Programmes	6.116	6.185	0.069
Assets	1.034	0.780	(0.255)
Housing & Communities	14.964	14.973	0.009
Chief Executive	1.692	1.599	(0.093)
Central & Corporate Finance	25.987	23.646	(2.341)
Total	326.682	324.576	(2.106)

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 10

1.05

Social Services (£0.391m)

The net favourable movement comprises:

Older People:

- Localities £0.055 - Residential care costs have increased by £0.132m due to demand. Domiciliary care costs have reduced by £0.058m and workforce costs have decreased by £0.025m due to vacancies. The remaining balance of £0.006m is due to minor variances.
- Resources & Regulated Services (£0.060m) – Extra Care service costs have reduced by (£0.079m) due to an additional (£0.047m) of Regional Integration Fund (RIF) funding and a reduction in workforce and supplies costs of £0.032m. There were minor adverse variances of £0.012m for day centres and £0.009m for homecare.

	<p>Adults of Working Age:</p> <ul style="list-style-type: none"> Resources & Regulated Services (£0.136m) – This is the net change for Disability Services care package costs. There has been recoupment of surpluses on Direct Payment accounts of £0.080m and additional RIF allocation of £0.067m Professional & Administrative Support (£0.027m) – Vacancy savings have increased due to posts not being filled. Supporting People (£0.043m) – A further allocation from Supporting People funding has been received Residential Placements (£0.066m) – Net reduction on care package costs supporting people with mental ill health. Professional Support (£0.040m) – An additional £0.025m contribution towards a post has been received from Health (BCUHB). <p>Children’s Services:</p> <ul style="list-style-type: none"> Legal and Third Party (£0.034m) - Children and Young People RIF slippage has been allocated against Direct Payments. Residential Placements (£0.041m) –Welsh Government grant slippage has been allocated against a Flintshire Family Project contract. Professional Support (£0.063m) - Projected adoption costs are unlikely to be incurred this financial year due to length of time for these to be completed. In addition, there has been some additional grant funding allocated to previously reported costs. <p>Safeguarding & Commissioning:</p> <ul style="list-style-type: none"> Business Systems & Financial Assessments £0.097m – Additional software costs for the first two payments of a new Social Services finance system plus project management costs. Safeguarding Unit £0.025m – This is the net result of a number of minor variances within this service for example an increase in workforce costs of £0.009m and a £0.005m increase in liberty safeguard assessment fees. Good Health (£0.049m) – This variance is mostly due to receipt of a Welsh Government grant of £0.040m for previously incurred costs. <p>Further minor variances across the Portfolio account for the remainder of the movement totalling (£0.006m).</p>
1.06	<p>Out of County Placements (£0.295m)</p> <p>The movement relates to:</p> <ul style="list-style-type: none"> Children’s Services (£0.230m) – Impact of allocation of (£0.285m) from Regional Integration Fund offset by costs of new placement and other rate changes Education & Youth (£0.065m) - Removal of remaining contingency provision
1.07	<p>Planning Environment & Economy £0.088m</p>

	<p>The movement relates to:</p> <ul style="list-style-type: none"> Additional costs for Ash Die Back works and Rights of Way £0.054m committed to 31st March 2023. <p>Minor variances across the Portfolio account for the remainder £0.034m.</p>
1.08	<p>Governance £0.115m</p> <p>The movement relates to the carry forward requests within the ICT service £0.098m, and Revenues £0.050m (Appendix 6 refers)</p> <p>Minor variances across the Portfolio account for the remainder (£0.033m).</p>
1.09	<p>Assets (£0.183m)</p> <p>The favourable movement relates to the receipt of additional Design Service fee income (£0.153m).</p> <p>Minor variances across the Portfolio account for the remainder (£0.030m).</p>
1.10	<p>Central & Corporate (£0.841m)</p> <p>The positive movement relates to:</p> <ul style="list-style-type: none"> One off windfall income from NDR savings (£0.558m). The Valuation Office Agency (VOA) have recently reduced rateable values on a number of schools, some of which are effective from April 2017 Further reduction in short-term borrowing costs in the Central Loans & Investment Account (CLIA) in addition to increasing income from temporary investments in line with rising bank interest rates (£0.250m). <p>Minor movements account for the remainder (£0.036m).</p>
1.11	<p>There are a number of minor variances across the other Portfolios each below £0.050m that account for the remainder of the overall movement £0.093m.</p>
1.12	<p>Carry Forward Requests</p> <p>Some requests to carry forward funding into the 2023/24 financial have been received and are recommended for approval (See Appendix 6)</p>
1.13	<p>Tracking of In-Year Risks and Emerging Issues</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>
1.14	<p>Council Tax Income</p> <p>'In-year' Council Tax collection levels, up to February 2023, are 96.1% compared to 96.6% in the previous year. Collections remain challenging as</p>

	<p>the rising costs-of-living are impacting on the ability of some households to make payment of council tax on time.</p>
1.15	<p>Pay Award (Teacher and Non-Teacher)</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 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 previously confirmed the pay award for teachers at 5%. However, negotiations on a further supplementary allocation are still ongoing.</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. Additional funding is expected to be available from Welsh Government for the supplementary allocation to Teachers.</p> <p>The impact on 2022/23 is as follows: The in-year additional cost to date 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>
1.16	<p>Other Tracked Risks</p> <p>In addition, there are a number of risks being tracked which may be subject to change and these are summarised below.</p>
1.17	<p>Medium Term Financial Strategy (MTFS) Impact</p> <p>The Council met to approve a balanced budget for 2023/24 on 23 February 2023.</p> <p>The budget report included an updated medium-term position for 2024/25 and 2025/26 and work on this will continue over the coming months.</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>
1.18	<p>Out of County Placements</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>
1.19	<p>Benefits</p> <p>Council Tax Reduction Scheme (CTRS) – Based on current demand, costs are currently projected to be £0.713m below budget.</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>
1.20	<p>Homelessness</p> <p>The service demand currently impacting on 2022/23 outturn will continue into 2023/24 and a pressure of £1.000m has been approved in the 2023/24 budget to reflect this.</p>
1.21	<p>School Transport</p> <p>Increased costs currently impacting on 2022/23 outturn will continue into 2023/24 and a pressure has been included in the 2023/24 budget to reflect this.</p>
1.22	<p>Winter Maintenance</p> <p>Due to some severe weather events over the period December to March, spend is anticipated to exceed the £0.846m annual budget. Therefore, there is likely to be a required drawdown of £0.200m-£0.250m from the Winter Maintenance Reserve in 2022/23.</p> <p>Cabinet approved last month a 'top up' of £0.200m to the Winter Maintenance Reserve to mitigate the risk of increasing costs from more severe winter weather in future years.</p>
1.23	<p>Waste Recycling Infraction Charge</p> <p>Due to the Council not meeting the statutory minimum target for the percentage of municipal waste which must be recycled, prepared for re-use and composted, as specified in Section 3 of the Waste (Wales) Measure 2010 (64%) in 2021/22 - Welsh Government can now take steps to impose a penalty on the Council by way of an infraction fine.</p> <p>A penalty of up to £0.663m has been confirmed so presents a significant financial risk to the Council. Discussions have taken place in March between Welsh Government and the Council as to the reasons for not achieving the target and a decision is still awaited as to whether the penalty will be levied.</p>
1.24	<p>Achievement of Planned In-Year Efficiencies</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>

1.25	<p>Unearmarked Reserves</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.</p> <p>After taking into account the projected outturn and previously approved allocations there is a projected contingency reserve available as at 31 March 2023 of £8.364m.</p> <p>In addition, the Council 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, 2 and 3 have been made in 2022/23 relating to additional costs in Schools, Streetscene & Transportation and for income losses within AURA and Holywell Leisure Centre. These currently total £1.706m and the balance on the COVID-19 Emergency Reserve is currently £3.610m.</p>
1.26	<p>Housing Revenue Account</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>
1.27	<p>The 2022/23 budget for the HRA is £37.755m which includes a movement of £2.858m to reserves.</p>
1.28	<p>The monitoring for the HRA is projecting in year expenditure to be £2.839m higher than budget and a closing un-earmarked balance as at 31 March 2023 of £3.635m, which at 9.77% of total expenditure satisfies the prudent approach of ensuring a minimum level of 3%. Appendix 5 attached refers.</p>
1.29	<p>The monthly movement of (£0.263m) from Month 10 is as follows:</p> <ul style="list-style-type: none"> • Estate Management (£0.037m) – Reduction in Agency costs (£0.020m) and minor movements (£0.017m) • Debt Management (£0.208m) – Reduction in Interest charge forecasted <p>Minor movements account for the remainder (£0.018m).</p>
1.30	<p>The budget contribution towards capital expenditure (CERA) is £10.898m with the actual contribution projected to be £13.755m at outturn.</p>

2.00	RESOURCE IMPLICATIONS
2.01	As set out within the report.

3.00	IMPACT ASSESSMENT AND RISK MANAGEMENT
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.

4.00	CONSULTATIONS REQUIRED/CARRIED OUT
4.01	None specific.

5.00	APPENDICES
5.01	Appendix 1: Council Fund – Movement in Variances from Month 10 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 Appendix 6: Carry Forward Requests

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Various budget records.

7.00	CONTACT OFFICER DETAILS
7.01	Contact Officer: Dave Ledsham Strategic Finance Manager Telephone: 01352 704503 E-mail: dave.ledsham@flintshire.gov.uk

8.00	GLOSSARY OF TERMS
8.01	Budget: 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.