

**CABINET**

<b>Date of Meeting</b>	Tuesday, 22 <sup>nd</sup> September, 2020
<b>Report Subject</b>	Revenue Budget Monitoring Report 2020/21 (Month 4)
<b>Cabinet Member</b>	Cabinet Member for Finance
<b>Report Author</b>	Corporate Finance Manager
<b>Type of Report</b>	Operational

**EXECUTIVE SUMMARY**

An interim budget monitoring report was presented to Cabinet in July which detailed potential risks and cost pressures ranging between £2.8m and £5.4m (excluding the impact of the pay award). This is the first detailed update and takes into account the latest position on Welsh Government Emergency Grant Funding announcements.

The projected year end position, 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 £0.983m (excluding the impact of the pay award which will be met by reserves)
- A projected contingency reserve balance as at 31<sup>st</sup> March, 2021 of £1.418m

**Housing Revenue Account**

- Net in-year revenue expenditure forecast to be £0.295m lower than budget
- A projected closing balance as at 31<sup>st</sup> March, 2021 of £2.468m

To assist in mitigating the overall projected overspend, a review of non-essential spend and a vacancy management process has been introduced and the impacts will be included in future reports.

## RECOMMENDATIONS

1	To note the overall report and the projected Council Fund contingency sum as at 31 <sup>st</sup> March 2021.
2	To note the projected final level of balances on the Housing Revenue Account (HRA).
3	To approve a budget virement of £0.300m between Older People's Purchasing budget (Localities) and the Older People's Provider budget (Resources and Regulated Services) (paragraph 1.09 refers)
4	To approve an allocation of £0.134m from the Contingency Reserve for the resourcing of the Children's Services 'Front Door Pressures' within Social Services (paragraph 1.38 refers).

## REPORT DETAILS

<b>1.00</b>	<b>EXPLAINING THE MONTH 4 POSITION</b>
1.01	<p><b>Council Fund Projected Position</b></p> <p>An interim budget monitoring report was presented to Cabinet in July which detailed potential risks and cost pressures ranging between £2.8m and £5.4m (excluding the impact of the pay award). This is the first detailed update and takes into account the latest position on Welsh Government Emergency Grant Funding announcements.</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 £0.983m (excluding the impact of the pay award which will be met by reserves)</li><li>• A projected contingency reserve available balance as at 31 March 2021 of £1.418m.</li></ul> <p>To assist in mitigating the overall projected overspend a review of non-essential spend and a vacancy management process has been introduced and the impacts will be included in future reports.</p>

1.02

**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	68.228	68.463	0.235
Out of County Placements	11.940	11.789	(0.151)
Education & Youth	8.752	8.299	(0.453)
Schools	98.508	98.508	0.000
Streetscene & Transportation	30.380	31.841	1.461
Planning & Environment	5.723	6.187	0.464
People & Resources	4.456	4.456	0.000
Governance	9.188	9.807	0.619
Strategic Programmes	5.018	4.816	(0.202)
Housing & Assets	16.044	15.700	(0.344)
Chief Executive	2.800	2.543	(0.257)
Central & Corporate Finance	24.950	24.561	(0.389)
<b>Total</b>	<b>285.987</b>	<b>286.970</b>	<b>0.983</b>

1.03

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 Variances to highlight this month**

1.04

**Social Services**Older People Purchasing

The net cost of Residential Care is projected to be £0.654m less than the budget. This includes the cost of residential care placements net of the income received for this service, such as property charges and contributions from health. There is currently a decline in the demand for residential care placements due to the pandemic.

1.05

Older People Provider Services

Residential care is projected to be £0.292m above budget, the majority of which is due to staffing as mandatory levels must remain in place for residential homes to operate safely. There are also projected overspends on repairs and maintenance, catering, general supplies and a shortfall in client contribution income.

1.06	<p>Extra care is projected to be £0.149m less than budget. The facility in Holywell is yet to open and a full complement of staff has not yet been recruited. Care staff already recruited are currently redeployed to alternative in-house care services which has had cost avoidance benefits. It is anticipated that the facility will open in the Autumn and the projected costs reflect this.</p>
1.07	<p><u>Mental Health services</u></p> <p>The Mental Health Residential Placement budget is projected to be £0.597m above budget which is based on the current social care needs of clients supported within the service. Care needs vary over time, sometimes suddenly, and costs are subject to the same changes.</p> <p>There are compensatory savings elsewhere in other service budgets on staffing, travel and supplies and services which partially offset the above overspend.</p>
1.08	<p><u>Children's Services</u></p> <p>Legal &amp; Third Party costs are projected to be £0.325m above budget due to legal costs and direct payments. Legal costs are due to the number of current court cases and some use of external solicitors, although this has reduced from the previous year. The Council is legally obliged to offer direct payments and this service has seen an increase in demand.</p> <p>Professional Support is projected to be £0.320m above budget. To support adequate levels of child protection, the established staffing structure needs to be at a sufficient level to meet mandatory safeguarding standards. Vacancies are therefore minimised and additional temporary posts are sometimes required to be able to meet the challenges and demands of Children's Services.</p>
1.09	<p><u>Budget Virement</u></p> <p>Within the Social Services there are some significant variances both adverse and favourable that underpin the Portfolio's outturn position. To address changes in service delivery it is recommended that an amount of £0.300m is transferred within Adults Services from the Localities budget (within the Older People Service) to Resources and Regulated Services (also within the Older People Service).</p> <p>Both budget headings encompass care delivery services for older people such as residential care and home care. However one budget is for care commissioned from independent care providers whereas the other budget is for care provision delivered directly by the Council.</p> <p>Over time the in-house provision of care has increased in complexity whereas the commissioned care has decreased. The virement is to reflect the change in costs as a result of this.</p>

1.10	<p><b>Education and Youth</b></p> <p><u>Integrated Youth Provision</u>  The main variance of £0.148m relates to Youth Centres which have remained closed throughout the pandemic with resultant savings on building cleaning charges, energy costs and some relief staffing costs. There are also projected savings of £0.074m within the Youth Justice Service which are mainly due to the delay in recruitment to a new manager post and savings on equipment purchase and training costs.</p>
1.11	<p><u>School Improvement Systems</u></p> <p>The projected underspend of £0.136m is due to lower payments in the summer term due to the school closures as a result of the pandemic. Payments were made based on averages for January and February resulting in considerably lower payments than included in the current budget.</p>
1.12	<p><b>Streetscene &amp; Transportation</b></p> <p><u>Additional Security at Household Recycling Centres;</u></p> <p>The service has incurred additional revenue pressures of £0.070m from responding to and resolving previously reported security measures and remedial actions following vandalism at the Household Recycling Centres. The monthly costs are now running at up to £0.006m per month, mainly due to the introduction of a night time presence on the sites.</p>
1.13	<p><u>Waste Strategy</u></p> <p>This service has experienced a downturn in income generated by sales of electricity and it is currently projected to reach a level of some £0.120m during the year. All efforts are being made to identify potential mitigations which may be available. In addition, a shift in the market appetite for recycling of paper and cardboard are giving concern over income generation levels and this will be closely monitored during the year.</p>
1.14	<p><u>Impact of Pandemic</u></p> <p>The pandemic has also impacted across a number of service budgets including:</p> <ul style="list-style-type: none"> <li>- a need for increased agency and overtime (£0.150m)</li> <li>- net car parking income loss of £0.550m (reduced following receipt of the first tranche of Welsh Government Income Loss funding)</li> <li>- additional vehicles and fuel (£0.080m)</li> <li>- additional private contractors and plant hire (£0.075m)</li> </ul> <p>Opportunities for support from the Welsh Government Hardship and Income Loss Funds will continue to be explored throughout the year to meet some of these costs.</p>

1.15	<p><b>Planning &amp; Environment</b></p> <p>Delays in sourcing core materials means that the construction industry is operating at minimal pace resulting in lower Building Control fee income estimated at £0.200m over a full year. The Council aim to recoup the first quarter loss of £0.050m from the WG Income Loss fund.</p>
1.16	<p>There has been a marked negative impact on the Property Market and a reduced need for Land Charge searches. The estimated reduction of 60% on fees and charges results in a shortfall of £0.095m over a full year. The Council aim to recoup the first quarter loss of £0.020m from the WG Income Loss Fund.</p>
1.17	<p>Planning Fee income is forecast to reduce by £0.210m for a full year in comparison to the previous year. We aim to recoup the first quarter losses of £0.105m from the WG Income Loss Fund. However, the loss is further mitigated by Town and Country Planning (Fees for Application, Deemed Applications and Site Visits – Wales) Regulations 2020 which have confirmed planning and related applications will be subject to a general fee increase of approximately 20% with effect from 24 August which could generate up to £0.100m, subject to market volatility.</p>
1.18	<p>Income reductions in Markets and Minerals &amp; Waste are estimated to be £0.240m for the full year. We aim to recoup £0.060m from the WG Income Loss Fund.</p>
1.19	<p><b>Housing &amp; Assets</b></p> <p><u>Benefits Service</u></p> <p>Additional staffing resources have been required to meet extra demand including an increased inflow of changes in respect of Universal Credit. The increased cost of £0.119m can in part be met from the Hardship Fund for the first quarter.</p>
1.20	<p><u>Centralised Costs - Utilities and NDR</u></p> <p>This projected underspend of £0.743m is mainly due to savings in respect of energy costs and NDR at County Hall following the demolition of Phases 3 and 4 together with a reduction in gas and electricity prices. There is a risk that this projected underspend could reduce if we start to see more buildings become void by businesses occupying council buildings.</p>
1.21	<p><u>Council Fund Housing - Carelink Service</u></p> <p>This projected overspend of £0.165m is due to a reduction in the allocation of Housing Support Grant due to inability to meet eligibility criteria. A further key influence is the anticipated commencement of a new service contract for the Carelink service with a new provider.</p>

1.22	<p><b>Governance</b></p> <p>Current Welsh Government lockdown restrictions have resulted in the cessation of all recovery activities for the in-house bailiff team including enforcement duties. Income generated totalled £0.557m in 2019/20 and we will be claiming lost income of £0.165m from the WG Income Loss fund for the first quarter. Income levels will start to increase again once enforcement restrictions are lifted, but additional resource will be required to clear the backlog of cases at a cost of £0.050m.</p> <p>The level of financial risk will be dependent on how long enforcement restrictions are in place.</p>
1.23	<p>Within the Registrar service there is an estimated loss of income for the year of around £0.140m. The Council aim to recoup £0.070m from the WG Income Loss fund for the first quarter.</p>
1.24	<p>Legal Services have incurred additional costs of employing locums to cover absence to ensure continuing client service delivery in the area of child protection £0.132m. This is offset by savings on telecommunications within ICT totalling £0.065m.</p>
1.25	<p><b>Central &amp; Corporate Finance</b></p> <p>In the previous financial year there was a significant underspend in employer pension fund contributions of £1.010m and the budget for 2020/21 was adjusted by £0.800m. Based on the contributions to date and the previous year trend a positive variance of around £0.380m is projected at this stage of the current year.</p>
1.26	<p><b>Strategic Programmes</b></p> <p>The Climate Change Levy (CCL) was in prior years paid as a separate one-off charge. However, from 2019/20 these charges have been included in service specific utility bills within the centralised budgets in Housing &amp; Assets. Based on current consumption levels there is a projected £0.202m underspend within this centrally held budget.</p>
1.27	<p><b>Key Financial Risks – Council Tax Income and Council Tax Reduction Scheme</b></p> <p>In addition to the variances identified in paragraphs 1.04 – 1.26 there are significant impacts on Council Tax income and the Council Tax Reduction Scheme.</p> <p>The potential financial impact of these two areas is being reported separately and are not included in the overall projections. This is due to 1) the difficulties in predicting the impacts of these risks at this early stage and 2) the potential for these areas to be further supported by additional Welsh Government funding.</p>

	<p>However, if these cost pressures are not met by additional funding they will add to the projected overspend of £0.963m. An update on the latest position on each area is detailed below.</p>
1.28	<p><b>Council Tax Income</b></p> <p>As with all Councils the pandemic has significantly impacted on council tax collection. At this stage council tax income is 1.4% below target which equates to £1.4m. Income is expected to recover now that recovery processes have resumed in full and when agreed payment deferrals are settled.</p>
1.29	<p>However, it is unlikely that the full budgeted income will be achieved by the end of the financial year and it is estimated that there may be a shortfall of up to 0.6% which equates to £0.600m. Welsh Government are monitoring the situation but taking a longer term view as to any potential support when the recovery impacts are more certain.</p>
1.30	<p><b>Council Tax Reduction Scheme (CTRS)</b></p> <p>During the pandemic there has been a significant increase in demand with additional costs of £0.233m identified as at the first quarter. Welsh Government have confirmed funding for the first quarter estimated at £0.058m. However, the risk remains for the remaining three quarters of the year for existing clients together with the costs of any further increases in demand which is likely in the current economic climate and as the furlough scheme ceases. The impact of this increase in demand could potentially increase the cost pressure by up to a further £0.500m - £0.750m if there were to be no further Welsh Government funding.</p>
1.31	<p><b>OPEN RISKS</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>
1.32	<p><b>Pay Award</b></p> <p>The 2020/21 budget provides for a 2% pay award for NJC staff across the Council. National negotiations for the 2020/21 pay award have now been concluded with an agreement of a 2.75% pay award which will be effective from 1<sup>st</sup> April 2020. The additional cost of this will need to be met from the Contingency Reserve in the current financial year and built into the budget from 2021/22 on a recurring basis. An initial estimate is that this will be in the region of £0.818m.</p> <p>The Teachers Pay Award which is effective from September 2020 has been recommended at 3.1% and is currently out for consultation. The financial impact of this for 2020/21 is estimated to be £0.535m and it is not yet known whether additional funding will be provided by Welsh Government to meet the difference in full or in part.</p>

1.33	<p><b>Charging for Post 16 Transport</b></p> <p>The budget for 2020/21 provides for expected additional income of £0.449m based on the assumption that charging would be introduced from September 2020. This policy decision was reversed by Cabinet in May.</p> <p>The developing financial solution through effective partnership working with Coleg Cambria will assist with mitigating the financial risk for 2020/21 and the outcome will be included in future reports. An agreement has been reached with the college that a level of the anticipated value of the journeys would be reimbursed to the Portfolio. However, the level of this reimbursement is currently £0.047m less than that included in the budget. Therefore this remains a risk to the containment of any costs associated with the journey provision.</p>
1.34	<p><b>Out of County Placements</b></p> <p>Additional funding of £2.7m was included in the budget for 2020/21 to address the historic significant increase in demand. It is currently projected that this increased provision will be sufficient to meet current and forecast demand for the financial year. At this stage, based on current activity there is an overall net projected underspend of £0.151m (underspend of £0.266m within Education offset by an overspend of £0.115m within Children's Service).</p>
1.35	<p><b>Emergency Funding</b></p> <p>In addition to the Hardship Fund Welsh Government has confirmed further funding of £264 million across Wales to continue to support local government for additional costs and income losses. There are no details as yet on eligibility criteria for this funding, although it has been confirmed that income loss claims can continue to be made on a quarterly basis for the remainder of the financial year.</p> <p>Welsh Government have previously confirmed that additional costs for Social Care and Schools will continue to be a priority when considering the use of this funding which is encouraging to ensure that the Council can continue to meet the impact of these additional costs.</p> <p>The recent announcement on funding for the first quarter of increased demand for the Council Tax Reduction Scheme is also a positive outcome and is currently under consideration for the remainder of the financial year as well as any further increases in demand.</p>
1.36	<p><b>Achievement of Planned In-Year Efficiencies</b></p> <p>The 2020/21 budget contains £5.206m of specific efficiencies which are being tracked and monitored. The Council aims to achieve a 95% rate in 2020/21 as reflected in the MTFS KPI's.</p>

	<p>The current assessment of the efficiencies to be achieved in 2020/21 shows that £4.982m or 96% of the efficiencies will be achieved.</p> <p>The risk remains that any ongoing under-achievement of efficiencies will have a recurring and negative impact on the 2020/21 budget. Further details on the current status on efficiencies can be seen in Appendix 2 with the overall impact in relation to any impact for 2021/22 being reviewed as part of the ongoing work on the MTFS.</p>
1.37	<p><b>Reserves and Balances</b></p> <p><b>Un-earmarked Reserves</b></p> <p>The level of Council Fund Contingency Reserve brought forward into 2020/21 was £2.370m as detailed in the 2019/20 outturn report. This is the amount available for general purposes following the set-aside of £3.0m for Emergency Funding. There is an estimated additional requirement of £0.818m arising from the outcome of the national pay award negotiations as set out in paragraph 1.32.</p>
1.38	<p>It is recommended that an amount of £0.134m is allocated from the Contingency Reserve for Social Services for known pressures in 2020/21. This funding will bring additional capacity to business support arrangements and compliance with safeguarding requirements within Children’s Services.</p> <p>It will enable the work with victims identified through Operation Lenten to be finalised and develop our approach to contextual safeguarding (£0.100m). The funding will also be used to support the review of the joint adoption service with Wrexham Council (£0.022m) and to support the move of the Single Point of Access Team to Ty Dewi Sant (£0.012m).</p>
1.39	<p>Taking into account the above and, the current projected overspend at this stage, and previously agreed allocations, the balance on the Contingency Reserve at 31 March 2021 is projected to be £1.418m as detailed in Appendix 3.</p> <p>This assumes that the projected overspend of £0.983m is met from the amount available in the £3m emergency ring-fenced fund which would leave an amount of £1.903m remaining.</p>
1.40	<p><b>Earmarked Reserves</b></p> <p>A summary of earmarked reserves as at 1 April 2020 and an estimate of projected balances as at the end of the financial year will be included in the month 5 report.</p>

1.41	<b>Housing Revenue Account</b>  The 2019/20 Outturn Report to Cabinet on 16 June 2020 showed an un-earmarked closing balance at the end of 2019/20 of £2.009m and a closing balance of earmarked reserves of £0.437m.
1.42	The 2020/21 budget for the HRA is £36.683m which includes a movement of £0.164m to reserves.
1.43	The monitoring for the HRA is projecting in year expenditure to be £0.295m lower than budget and a closing un-earmarked balance as at 31 March 2021 of £2.304m, which at 6.37% of total expenditure satisfies the prudent approach of ensuring a minimum level of 3%. Appendix 4 attached refers.
1.44	The budget contribution towards capital expenditure (CERA) is £12.928m.

<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 of the emergency 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 – Budget Variances Appendix 2: Council Fund – Programme of Efficiencies Appendix 3: Council Fund – Movement on Un-earmarked Reserves Appendix 4: 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	<p><b>Contact Officer:</b> Dave Ledsham Strategic Finance Manager</p> <p><b>Telephone:</b> 01352 704503</p> <p><b>E-mail:</b> <a href="mailto:dave.ledsham@flintshire.gov.uk">dave.ledsham@flintshire.gov.uk</a></p>

<b>8.00</b>	<b>GLOSSARY OF TERMS</b>
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>

**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.