

CABINET

Date of Meeting	Tuesday, 17th November, 2020
Report Subject	Revenue Budget Monitoring Report 2020/21 (Month 6)
Cabinet Member	Cabinet Member for Finance
Report Author	Corporate Finance Manager
Type of Report	Operational

EXECUTIVE SUMMARY

This monthly report provides the latest detailed revenue budget monitoring position 2020/21 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 if all things remain unchanged; it also 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 £0.569m (excluding the impact of the pay award which will be met by reserves), which is a favourable movement of £0.352m from the deficit figure reported at Month 5.
- A projected contingency reserve balance as at 31st March, 2021 of £1.415m

Housing Revenue Account

- Net in-year revenue expenditure forecast to be £0.478m lower than budget
- A projected closing balance as at 31st March, 2021 of £2.651m

As reported in previous reports and to assist with mitigating the overall projected overspend the following measures were introduced from Month 5:-

- 1) All non-essential spend be reviewed and challenged with a view to ceasing/delaying where able and
- 2) Further Portfolio Management Team challenge of recruitment to vacancies i.e. ceasing/delaying.

RECOMMENDATIONS

1	To note the overall report and the projected Council Fund contingency sum as at 31 st March 2021.
2	To note the projected final level of balances on the Housing Revenue Account (HRA).

REPORT DETAILS

1.00	EXPLAINING THE MONTH 6 POSITION
1.01	<p>Council Fund Projected Position</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">• An operating deficit of £0.569m (excluding the impact of the pay award which will be met by reserves)• A projected contingency reserve available balance as at 31 March 2021 of £1.415m. <p>To assist with mitigating the overall projected overspend the following measures have been introduced:-</p> <ol style="list-style-type: none">1) All non-essential spend is being reviewed and challenged with a view to ceasing/delaying where able and2) Introduction of a vacancy management process to consider new recruitment requests <p>The outcome of this work is shown within the report and will continue as part of the robust challenge of the future monthly monitoring position.</p>

1.02

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	68.458	68.624	0.166
Out of County Placements	11.940	12.079	0.138
Education & Youth	8.775	8.265	(0.510)
Schools	98.508	98.508	0.000
Streetscene & Transportation	30.585	31.831	1.246
Planning & Environment	5.762	6.216	0.454
People & Resources	4.491	4.475	(0.016)
Governance	9.193	9.604	0.411
Strategic Programmes	4.943	4.656	(0.287)
Housing & Assets	16.115	15.727	(0.387)
Chief Executive	2.789	2.533	(0.257)
Central & Corporate Finance	24.427	24.039	(0.388)
Total	285.987	286.556	0.569

1.03

The reasons for the favourable net movement of £0.352m from the previous month are shown in Appendix 1. The reasons for the overall projected variances are summarised within Appendix 2 showing the detail of all variances over £0.050m and a summary of minor variances for each portfolio.

Within the projected overspend position of £0.569m, there are COVID-19 related cost pressures and income shortfalls totalling £1.569m which are shown in a separate column in Appendix 2 (net costs pressures of £0.102m and income shortfalls of £1.467m). We will continue to look at legitimate funding opportunities from the Welsh Government Hardship Fund which if confirmed will have a positive impact on the overall deficit position.

Significant Movement from Month 5

1.04

Social Services (£0.045m)

There is a favourable movement of £0.045m due to reduced care package costs within Disability Services.

Education and Youth (£0.060m)

	<p>The original projection for School Improvement Systems was based on an average number of hours from the previous financial year. A reduction in the number of non-maintained settings payments for the Summer Term, 2020 due to the pandemic has resulted in the forecast being revised. In addition, a vacant position will not be filled.</p> <p>Governance (£0.142m) Enforcement and bailiff duties re-commenced during Month 5, starting with the issue of first reminder notices. As a result, actual income of £0.020m was received during September and future projections have been revised accordingly.</p> <p>Strategic Programmes (£0.072m) The improved position is due to a further reduction in utility costs.</p>
1.05	<p>Key Financial Risks – Council Tax Income and Council Tax Reduction Scheme</p> <p>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 £0.569m. An update on the latest position on each area is detailed below.</p>
1.06	<p>Council Tax Income</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 £1.37m. Income is expected to continue to recover now that recovery processes have resumed in full and when agreed payment deferrals are settled.</p>
1.07	<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>
1.08	<p>Council Tax Reduction Scheme (CTRS)</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</p>

	<p>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>
1.09	<p>OPEN RISKS</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>
1.10	<p>Pay Award</p> <p>The Teachers Pay Award which is effective from September 2020 has now been set at 3.1% and the financial impact of this for 2020/21 is estimated to be £0.535m. Welsh Government recently announced that a grant will be made available that will part fund this increase.</p>
1.11	<p>Charging for Post 16 Transport</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>
1.12	<p>Out of County Placements</p> <p>Additional funding of £2.7m was included in the budget for 2020/21 to address the historic significant increase in demand. At this stage, based on current activity there is an overall net projected overspend of £0.138m (underspend of £0.199m within Education offset by an overspend of £0.337m within Children's Services).</p>
1.13	<p>NEW EMERGING RISKS</p> <p>Free School Meals</p> <p>Schools have a delegated budget for free school meals (FSM) which is based on the number of pupils eligible for FSM. The budget for 2020/21 is £1.256m. Following the closure of schools in March, the Council made direct payments to families and there was a marked increase in the number of claims. Based on current free school meal claims and making projections for a range of take-up percentages in the remainder of the</p>

	<p>year, it is estimated that the budget could overspend by between £0.222m and £0.344m.</p>
1.14	<p>Transportation</p> <p>Under School Transport, there has been a significant financial increase in private hire coach, minibus and taxi quotations, which is due to the operators including the cost of the cleaning of vehicles, driver PPE and the fact the school contract is the only business they are receiving at the moment, i.e. no private hire for weekends, during the day such as swimming lessons, school trips or private tour excursions. There has also been additional financial pressure in relation to the re-procurement of a subsidised local bus contract in which we have seen a significant cost increase due to the operator now building the loss of fare revenue (reduced patronage) into their quotations.</p> <p>The Transport team are currently assessing the overall financial impact of this, and the outcome will be included in the Month 7 monitoring report.</p>
1.15	<p>Emergency Funding</p> <p>In addition to the Hardship Fund, Welsh Government has previously confirmed further funding of £264 million across Wales to continue to support local government for additional costs and income losses. Eligibility criteria for this funding has now been confirmed and income loss claims will 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 previous 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>
1.16	<p>Achievement of Planned In-Year Efficiencies</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>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>
1.17	<p>Reserves and Balances</p>

	<p>Un-earmarked Reserves</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.</p>
1.18	<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 £1.415m as detailed in Appendix 3.</p> <p>This assumes that the projected overspend of £0.569m is met from the £3m emergency ring-fenced fund which would leave an amount of £2.038m remaining after allowing for other known ineligible items.</p>
1.19	<p>A review of the Earmarked Balances and Reserves is on-going, balances challenged and identified as no longer required are to be returned to the Contingency Reserve.</p>
1.20	<p>Housing Revenue Account</p> <p>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.</p>
1.21	<p>The 2020/21 budget for the HRA is £36.672m which includes a movement of £0.164m to reserves.</p>
1.22	<p>The monitoring for the HRA is projecting in year expenditure to be £0.478m lower than budget and a closing un-earmarked balance as at 31 March 2021 of £2.487m, which at 6.91% of total expenditure satisfies the prudent approach of ensuring a minimum level of 3%. Appendix 5 attached refers.</p>
1.23	<p>The budget contribution towards capital expenditure (CERA) is £12.928m.</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 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.

4.00	CONSULTATIONS REQUIRED/CARRIED OUT
4.01	None specific.

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

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Various budget records.

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

8.00	GLOSSARY OF TERMS
8.01	<p>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.</p> <p>Council Fund: the fund to which all the Council's revenue expenditure is charged.</p> <p>Financial Year: the period of twelve months commencing on 1 April.</p> <p>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.</p> <p>Intermediate Care Fund: Funding provided by Welsh Government to encourage integrated working between local authorities, health and housing.</p>

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.