

**CABINET**

<b>Date of Meeting</b>	Tuesday, 16th February 2021
<b>Report Subject</b>	Revenue Budget Monitoring Report 2020/21 (Month 9)
<b>Cabinet Member</b>	Cabinet Member for Finance
<b>Report Author</b>	Corporate Finance Manager
<b>Type of Report</b>	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 9. 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 surplus of £0.372m (excluding the impact of the pay award which will be met by reserves), which is a favourable movement of £0.102m from the surplus figure of £0.270m reported at Month 8.
- A projected contingency reserve balance as at 31<sup>st</sup> March, 2021 of £1.787m

**Housing Revenue Account**

- Net in-year revenue expenditure forecast to be £1.641m lower than budget
- A projected closing balance as at 31<sup>st</sup> March, 2021 of £3.814m

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 <sup>st</sup> March 2021.
2	To note the projected final level of balances on the Housing Revenue Account (HRA).
3	To approve the carry forward requests included in paragraph 1.22

## REPORT DETAILS

<b>1.00</b>	<b>EXPLAINING THE MONTH 9 POSITION</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 surplus of £0.372m (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 £1.787m.</li></ul> <p>To assist with mitigating the overall projected overspend the following measures have been introduced:-</p> <ol style="list-style-type: none"><li>1) All non-essential spend is being reviewed and challenged with a view to ceasing/delaying where able and</li><li>2) Introduction of a vacancy management process to consider new recruitment requests</li></ol> <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:

<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	68.465	68.629	0.164
Out of County Placements	11.940	12.571	0.631
Education & Youth	8.770	8.174	(0.596)
Schools	98.728	98.728	0.000
Streetscene & Transportation	30.650	31.446	0.796
Planning & Environment	5.762	6.071	0.310
People & Resources	4.491	4.350	(0.141)
Governance	9.193	9.112	(0.081)
Strategic Programmes	4.943	4.677	(0.266)
Housing & Assets	16.149	15.426	(0.723)
Chief Executive	2.748	2.429	(0.319)
Central & Corporate Finance	24.147	24.002	(0.145)
<b>Total</b>	<b>285.986</b>	<b>285.615</b>	<b>(0.372)</b>

1.03

The reasons for the favourable net movement of £0.102m 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 underspend position of £0.372m, there are COVID-19 related cost pressures and income shortfalls totalling £1.268m which are shown in a separate column in Appendix 2 (cost savings of £0.175m, cost pressures of £0.343m and income shortfalls of £1.100m). 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 position.

**Significant Movement from Month 8**

1.04

**Social Services £0.200m**

Due to a misinterpretation of the complex Financial Assessment Regulations a number of service users have been incorrectly charged with the estimated value required to be reimbursed being in the region of £0.750m-£0.800m. However, this is partly mitigated by an increase in Direct Payment funds which are due to be drawn back in line with the

Direct Payment Contract (£0.200m). In addition, there is a further positive movement following confirmation of further Welsh Government Hardship funding claimed to support the Council's in-house care provision (£0.360m-£0.400m) leaving a projected month on month movement of up to £0.200m.

Increased care service costs in Mental Health totaling £0.075m are mitigated by the delay in opening of Plas yr Ywen extra care facility (£0.039m) and additional funding contributing to a care package in Disability Services for (£0.035m).

#### **Out of County Placements £0.064m**

The aggregate impact of new placements and changes of placements forecast to the end of the financial year.

#### **Streetscene & Transportation (£0.310m)**

There has been a reduction in costs for January and early February due to school closures as school transport providers have been reimbursed at 75% of contracted price as per Welsh Government guidance.(£0.205m).

There has been a reduction in the projected costs of risks associated with the pandemic following a review of costs and an updated position on the Hardship Claims agreed by Welsh Government (£0.254m).

The above are offset by additional workforce costs in Waste Services and additional security costs at the Council's Household Recycling Centres (£0.108m), together with minor variances across the portfolio of £0.041m.

#### **Governance (£0.126m)**

Part of the positive movement relates to an increase to the projected surplus on the Council Tax Collection Fund (£0.025m).

The Revenues Service have received a number of Administration Grant awards for resourcing and disseminating Welsh Government Emergency Business Grants (£0.045m). There has also been an increase in income from fines, over and above previously anticipated levels (£0.038m).

#### **Education & Youth (£0.072m)**

The positive movement is due to delays in recruitment within Schools Inclusion and Progression Service (£0.027m); further reduction of costs at non maintained settings payments (£0.025m); and other minor variances across the service (£0.021m).

#### **Central & Corporate Finance £0.206m**

Due to the rising level of outstanding debt across the Council due to the impact of the pandemic and the current economic climate on business and service clients of the Council, a prudent approach has been adopted by increasing the overall bad debt provision by £0.250m. This is partly mitigated by other positive movements for the projected outturn on Apprentice Tax levy and Pensions Added Years contributions totaling (£0.044m).

1.05	<p><b>Key Financial Risks – Council Tax Income and Council Tax Reduction Scheme</b></p> <p>There have been 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 due to 1) the difficulties in predicting the impacts of these risks and 2) the potential for these areas to be further supported by additional Welsh Government funding.</p> <p>An update on the latest position on each area is detailed below.</p>
1.06	<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 1.1% below target which equates to £1.1m. Income is expected to continue to recover now that recovery processes have resumed in full and when agreed payment deferrals are settled. Welsh Government have recently announced financial support of £22.6m across Wales as a contribution towards these potential losses.</p>
1.07	<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 £0.294m identified as at the second quarter. Welsh Government previously confirmed funding for the first two quarters totalling £0.147m and have also recently confirmed the final two quarters of the financial year will be supported by grant funding totalling £5.5m across Wales.</p>
1.08	<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>
1.09	<p><b>Pay Award</b></p> <p>The Teachers Pay Award which is effective from September 2020 has been set at 3.1% and the financial impact of this for 2020/21 is estimated to be £0.535m. Welsh Government have previously announced grant funding of £0.200m to part fund this increase. The remainder will need to be met from Schools delegated budgets.</p>
1.10	<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. An agreement has been reached with the college that a level of the anticipated value of the journeys would be reimbursed to the Portfolio and that is now reflected in the projected outturn.</p>
1.11	<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. At this stage, based on current activity there is an overall net projected overspend of £0.631m (underspend of £0.156m within Education together with an overspend of £0.787m within Children's Services). The impact of this increase in demand will need to be considered as part of the budget considerations for 2021/22.</p>
1.12	<p><b>NEW EMERGING RISKS</b></p> <p><b>Free School Meals (FSM)</b></p> <p>Schools have a delegated budget for free school meals which is based on the number of pupils eligible. 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 year, it is estimated that the budget could overspend by between £0.222m and £0.344m.</p>
1.13	<p><b>Severe Weather / Flood Risks</b></p> <p>The recent severe weather in January has impacted a number of services across the Council. As a result, there are likely to be significant costs being incurred, having both Revenue and Capital implications.</p> <p>Welsh Government have confirmed that the Emergency Financial Assistance Scheme (EFAS) threshold will not apply for the costs incurred.</p> <p>Welsh Government have advised with regard to revenue and capital funding which indicates that costs can be claimed for between 85% and 100% of expenditure incurred, subject to further confirmation. Costs at this stage are estimated to be in the region of £0.900m.</p>
1.14	<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 £5.357m or 100% of the efficiencies will be achieved, with an over recovery of £0.151m on Discretionary Transport Review – Post 16 Transport.</p>

	Further details on the current status on efficiencies can be seen in Appendix 3 with the overall impact in relation to any impact for 2021/22 being reviewed as part of the ongoing work on the MTFs.																																								
1.15	<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.</p>																																								
1.16	<p>Taking into account the above and, the current projected underspend at this stage, and previously agreed allocations, the balance on the Contingency Reserve at 31 March 2021 is projected to be £1.787m as detailed in Appendix 4.</p> <p>This assumes that the projected underspend of £0.372m increases the overall Reserve.</p> <p>The £3m emergency ring-fenced fund would have an amount of £2.377m remaining after allowing for currently known ineligible items, However, there are a number of holding items and Income Loss claims still being considered by the Grants Panel. Therefore, it is estimated that the final amount remaining will be in the range £1.5m to £2m.</p>																																								
1.17	A review of the Earmarked Balances and Reserves is on-going, balances are challenged and some identified as no longer required, which can then be returned to the Contingency Reserve.																																								
1.18	<p><b>Earmarked Reserves</b></p> <p>The table below gives a summary of earmarked reserves as at 1 April 2020 and provides an estimate of projected balances as at the end of the current financial year.</p> <p><b>Council Fund Earmarked Reserves 2020/21 Monitoring Summary Month 9</b></p> <table border="1"> <thead> <tr> <th>Reserve Type</th> <th>Balance as at 01/04/20</th> <th>Balance as at Month 9</th> <th>Balance as at 31/03/21</th> </tr> </thead> <tbody> <tr> <td>Service Balances</td> <td>1,614,705</td> <td>1,139,498</td> <td>1,219,850</td> </tr> <tr> <td>Specific Service Balances</td> <td>213,991</td> <td>213,991</td> <td>189,670</td> </tr> <tr> <td>Single Status/Equal Pay</td> <td>1,120,944</td> <td>1,120,944</td> <td>729,615</td> </tr> <tr> <td>Investment in Organisational Change</td> <td>1,693,937</td> <td>1,670,552</td> <td>1,355,815</td> </tr> <tr> <td>Benefits Equalisation</td> <td>132,822</td> <td>132,822</td> <td>132,822</td> </tr> <tr> <td>County Elections</td> <td>211,990</td> <td>211,990</td> <td>211,990</td> </tr> <tr> <td>Local Development Plan (LDP)</td> <td>180,000</td> <td>180,000</td> <td>180,000</td> </tr> <tr> <td>Waste Disposal</td> <td>82,648</td> <td>82,648</td> <td>22,806</td> </tr> <tr> <td>Enterprise Centres</td> <td>6,993</td> <td>6,993</td> <td>0</td> </tr> </tbody> </table>	Reserve Type	Balance as at 01/04/20	Balance as at Month 9	Balance as at 31/03/21	Service Balances	1,614,705	1,139,498	1,219,850	Specific Service Balances	213,991	213,991	189,670	Single Status/Equal Pay	1,120,944	1,120,944	729,615	Investment in Organisational Change	1,693,937	1,670,552	1,355,815	Benefits Equalisation	132,822	132,822	132,822	County Elections	211,990	211,990	211,990	Local Development Plan (LDP)	180,000	180,000	180,000	Waste Disposal	82,648	82,648	22,806	Enterprise Centres	6,993	6,993	0
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Design Fees	200,000	200,000	0
Winter Maintenance	250,000	250,000	250,000
Car Parking	45,403	45,403	45,403
Insurance Reserves	2,203,010	2,203,010	2,503,010
Cash Receipting Review	3,181	3,181	3,181
Flintshire Trainees	524,106	524,106	524,106
Rent Income Shortfall	30,979	30,979	30,979
Customer Service Strategy	22,468	22,468	22,468
Capita One	18,827	18,827	0
Supervision Fees	48,798	48,798	48,798
LMS Curriculum	420,896	431,106	338,531
Organisational Change/ADM	33,500	33,500	0
Carbon Reduction	25,221	25,221	25,221
Employment Claims	107,998	103,613	103,613
Property Claims	36,363	20,763	20,763
Community Benefit Fund NWRWTP	64,727	64,727	64,727
<b>Total B823 Balances</b>	<b>7,678,801</b>	<b>7,645,640</b>	<b>6,803,517</b>
Schools Balances	111,957	111,957	111,957
Grants & Contributions	3,887,337	3,337,553	3,255,187
<b>TOTAL</b>	<b>13,292,799</b>	<b>12,234,648</b>	<b>11,390,511</b>

The projected level of school balances are currently being reviewed in detail as we near the end of the financial year. At this stage however, there is a significant risk that overall balances could fall into an overall net negative position. However, in the past schools have benefitted from the notification of late in-year external grant funding opportunities which would positively impact on year end balances.

1.19

### **Request for Carry Forward of Funding**

#### Education & Schools

Transition of the Plas Derwen Pupil Referral Unit into the new build on the Queensferry site is due to open in September 2021. The service has a projected underspend of £0.020m in 2020/21 and approval is sought to carry forward this funding to support additional TLRs (Teaching and Learning Responsibilities) for staff to lead on curriculum development across the age ranges and to enable the purchase of resources to support the new curriculum.

#### Planning Environment & Economy

One off funding of £0.024m is currently being utilised to fund a short term contract Clerk of Works to assist the team in providing greater resilience to the Empty Homes Scheme and clearing a backlog and administration. The delay in acquiring additional resource due to the Pandemic means that this post will now be required to continue on into the 1<sup>st</sup> quarter of the new financial year. This is an area of work which appears in the Council Plan and is measured by a Public Accountability Measure (PAM). Approval is sought to carry forward this funding.

	<p><b>Streetscene &amp; Transportation</b></p> <p>Due to the amount of late Welsh Government grant funding being made available to the Council, some of the spend that is normally allocated to the capital programme via a revenue contribution on the Highways Asset Management Plan works is now not required because of the need to maximise this grant funding (£0.150m) Approval is sought to carry forward this funding to be utilised in full on Highways schemes during 2021/22.</p>
1.20	<p><b>Housing Revenue Account</b></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 £1.641m lower than budget and a closing un-earmarked balance as at 31 March 2021 of £3.650m, which at 10.48% of total expenditure satisfies the prudent approach of ensuring a minimum level of 3%. Appendix 5 attached refers.</p>
1.23	<p><b>Housing Revenue Account (£0.051m)</b></p> <p>Positive movement is in the main due to a reduction in court costs due to the suspension of action as a result of the pandemic (£0.030m); minor variances across the service (£0.021m).</p>
1.24	<p>The budget contribution towards capital expenditure (CERA) is £12.928m.</p>

<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 – Movement in Variances from Month 8 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	<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</p>

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.