

CABINET

Date of Meeting	Tuesday 13th July, 2021
Report Subject	Revenue Budget Monitoring Report Final Outturn 2020/21
Cabinet Member	Cabinet Member for Finance, Social Value and Procurement
Report Author	Corporate Finance Manager
Type of Report	Operational

EXECUTIVE SUMMARY

This report provides the revenue budget final outturn position for the Council Fund and Housing Revenue Account for the financial year 2020/21. The report takes into account the latest position on claims made to the Welsh Government Hardship Fund.

The formal Statement of Accounts and supporting notes were submitted to Audit Wales on 15 June and will now be subject to audit over the summer with the final audited accounts presented to Audit Committee in September for formal approval. The COVID-19 pandemic has provided unprecedented challenges for the Council; the financial impact in the last 12 months has been significant and has included cost pressures as a result of the response, such as purchasing PPE, payments to social care providers, accommodation for the homeless, and significant reductions in planned income from Council services.

The Welsh Government Emergency Hardship Funding Grant provided financial assistance for dealing with the additional costs arising from the pandemic, together with financial assistance to mitigate loss of income from Council Services. In total the Council is projecting funding of £13.5m for additional expenditure and £4.3m for lost income and this is reflected in the outturn position.

As reported previously measures were introduced to review and challenge non-essential spend and recruitment to vacancies with the aim of reducing in-year expenditure to 'dampen' the projected overspend at that time. This work made a positive impact on the outturn position.

The final year end position is:

Council Fund

- An operating surplus of £2.185m (excluding the impact of the pay award which has been met by reserves), which is a favourable movement of £0.273m from the surplus figure of £1.912m reported at Month 11.
- The operating surplus of £2.185m equates to 0.8% of the Approved Budget, which is marginally above the target MTFS KPI for a variance against budget of 0.5%.
- A contingency reserve balance as at 31st March, 2021 of £5.973m

Housing Revenue Account

- Net in-year revenue expenditure to be £2.866m lower than budget
- A closing un-earmarked balance as at 31st March, 2021 of £5.039m

RECOMMENDATIONS

1	To note the overall report and the Council Fund contingency sum as at 31 st March 2021.
2	To note the final level of balances on the Housing Revenue Account (HRA).
3	To approve the carry forward requests included in paragraph 1.18.

REPORT DETAILS

1.00	EXPLAINING THE REVENUE BUDGET MONITORING POSITION (OUTTURN 2020/21)
1.01	Council Fund Projected Position The final year end position is as follows: <ul style="list-style-type: none">• An operating surplus of £2.185m (excluding the impact of the pay award which has been met by reserves)• A projected contingency reserve available balance as at 31 March 2021 of £5.973m.

1.02

Table 1. Projected Position by Portfolio

The table below shows the final position by portfolio:

Portfolio/ Service Area	Approved Budget	Projected Outturn	In-Year Over / (Under) spend
	£m	£m	£m
Social Services	68.472	68.218	(0.255)
Out of County Placements	11.940	12.649	0.708
Education & Youth	8.790	8.215	(0.575)
Schools	98.701	98.701	0.000
Streetscene & Transportation	30.650	31.154	0.504
Planning & Environment	5.789	5.821	0.032
People & Resources	4.459	4.387	(0.072)
Governance	9.193	8.555	(0.638)
Strategic Programmes	4.943	4.558	(0.385)
Housing & Assets	16.135	15.197	(0.938)
Chief Executive	2.750	2.486	(0.264)
Central & Corporate Finance	24.165	23.861	(0.304)
Total	285.986	283.801	(2.185)

1.03

The reasons for the favourable net movement of £0.273m 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.

It is important to note that the majority of the positive movements give only a one-off benefit and would not have been material to the budget setting process for 2021/22.

Significant Movement from Month 11

1.04

Out of County Placements (£0.088m)

The movement is mainly due to a reduction in the provision for bad debts and a small number of low cost placements that have now ended.

Streetscene & Transportation £0.115m

The movement is due to a number of factors :

- Additional pressures in CCTV hardware upgrades and equipment rental of £0.276m.

- Highways network principal inspections and additional salt usage in winter maintenance due to the number of turn outs totaling £0.184m.
- Further costs on school transport of £0.035m.

These additional costs are mitigated by a positive outturn in domestic rates at Parc Adfer and the updated position on the Welsh Government Hardship Fund claims including reimbursement of increased residual waste tonnages (£0.381m).

Governance (£0.085m)

The positive movement relates to the confirmation of Welsh Government Hardship Funding for Income losses for Registrars service (£0.045m). Minor movements across the portfolio (£0.040m) account for the remainder.

Housing & Assets (£0.161m)

The positive movement relates to the reduced usage of utilities (£0.087m) together with Service Contract costs being lower than anticipated (£0.035m) and further funding identified from the Welsh Government Hardship Fund (£0.038m).

People & Resources £0.066m

Salary sacrifice costs and Criminal Records Bureau disclosure costs were £0.034m higher than previously anticipated within Human Resources & Organisational Design Services. Within Corporate Finance Grant Income generated was £0.031m less than previously anticipated.

Chief Executives £0.054m

The movement is due to an agreed carry forward of funding to contribute to the first year implementation costs for the replacement CAMMS software package following a successful procurement exercise for £0.030m and the carry forward of an underspend on core funding Voluntary Sector budget to further support the third sector applying to the Community Chest in 2021/22 of £0.016m.

Central and Corporate Finance (£0.304m)

The positive movement is due to the following areas:

- Employer Pension Fund contributions higher than previously projected (£0.035m).
- A one-off saving of (£0.034m) on soft loan interest costs within the Central Loans and Investment Account
- Increased contribution from the TTP to the Apprentice Tax Levy (£0.014m).
- Audit Wales costs lower than projected following the reduced requirement to audit specific grants (£0.040m).
- Additional costs for the Coroners Service of £0.038m.
- Inflationary pressure for Fuel no longer required (£0.051m).
- An increase in the one off benefit of Matrix Agency rebates received of (£0.050m).
- Minor movements account for the remainder each less than (£0.025m).

1.05	<p>Key Financial Risks – Council Tax Income and Council Tax Reduction Scheme</p> <p>There have been significant impacts on Council Tax income and the Council Tax Reduction Scheme during the year.</p> <p>The potential financial impact of these two areas have been 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 final 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 during 2020/21. Despite this, an ‘in-year’ collection level of 97.0% was achieved - a reduction of 0.9% in percentage terms compared to the previous financial year outturn of 97.9%. In monetary terms this equates to £900k. Income is recovering now that recovery processes have resumed in full. Welsh Government have provided financial support of £22.6m across Wales as a contribution towards these potential losses. As a result of this, the Council has received an additional £1.051m from the Welsh Government COVID Hardship Fund Council Tax Collection which has been set aside in a provision to safeguard against potential future bad debts arising from the current shortfall.</p>
1.07	<p>Council Tax Reduction Scheme (CTRS)</p> <p>During the early stages of the pandemic there was a significant increase in demand identified. Welsh Government have provided funding to meet the full financial impact of £0.294m.</p>
1.08	<p>Achievement of Planned In-Year Efficiencies</p> <p>The 2020/21 budget contained £5.206m of specific efficiencies which were closely tracked and monitored. The Council aims to achieve a 95% rate in 2020/21 as reflected in the MTFs KPI’s.</p> <p>The final assessment of efficiencies achieved in 2020/21 was that £5.357m or 100% of the efficiencies were achieved. This included an over recovery of £0.151m on Discretionary Transport Review – Post 16 Transport.</p> <p>Further details on the current status on efficiencies can be seen in Appendix 3.</p>
1.09	<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</p>

	Emergency Funding. During 2020/21 a total of £0.609m has been drawn down to fund ineligible COVID-19 expenditure, the balance remaining to available forward into 2021/22 is £2.277m.																																																																																				
1.10	<p>Taking into account the above, the final outturn position, and previously agreed allocations, the balance on the Contingency Reserve at 31 March 2021 is projected to be £5.973m as detailed in Appendix 4.</p> <p>Although the overall level of Contingency Reserve has increased, it still only brings it to similar levels of recent years. The use of this reserve will be subject to further consideration but will need to include potential 'top ups' to existing earmarked reserves (e.g. Investment to Save/Workforce) as well as being a safeguard against the reported risks in the 2021/22 budget (e.g. pay provision/Out of County Placements).</p>																																																																																				
1.11	<p>Council Fund Earmarked Reserves 2020/21</p> <p>Monitoring Summary - Outturn</p> <table border="1"> <thead> <tr> <th>Reserve Type</th> <th>Balance as at 01/04/20</th> <th>Balance as at 31/03/21</th> </tr> </thead> <tbody> <tr> <td>Service Balances</td> <td>1,828,696</td> <td>4,140,168</td> </tr> <tr> <td>Single Status/Equal Pay</td> <td>1,120,944</td> <td>1,042,570</td> </tr> <tr> <td>Investment in Organisational Change</td> <td>1,693,729</td> <td>1,464,329</td> </tr> <tr> <td>Benefits Equalisation</td> <td>132,822</td> <td>0</td> </tr> <tr> <td>Property Claims</td> <td>36,363</td> <td>0</td> </tr> <tr> <td>County Elections</td> <td>211,990</td> <td>235,913</td> </tr> <tr> <td>Local Development Plan (LDP)</td> <td>180,000</td> <td>242,360</td> </tr> <tr> <td>Warm Homes Admin Fee</td> <td>0</td> <td>322,068</td> </tr> <tr> <td>Waste Disposal</td> <td>82,648</td> <td>23,360</td> </tr> <tr> <td>Enterprise Centres</td> <td>6,993</td> <td>0</td> </tr> <tr> <td>Design Fees</td> <td>200,000</td> <td>170,000</td> </tr> <tr> <td>Winter Maintenance</td> <td>250,000</td> <td>250,000</td> </tr> <tr> <td>Car Parking</td> <td>45,403</td> <td>45,403</td> </tr> <tr> <td>Insurance Reserves</td> <td>2,203,010</td> <td>2,224,462</td> </tr> <tr> <td>Cash Receipting Review</td> <td>3,181</td> <td>3,595</td> </tr> <tr> <td>Flintshire Trainees</td> <td>524,106</td> <td>612,843</td> </tr> <tr> <td>Rent Income Shortfall</td> <td>30,979</td> <td>30,979</td> </tr> <tr> <td>Customer Service Strategy</td> <td>22,468</td> <td>22,468</td> </tr> <tr> <td>Capita One</td> <td>18,827</td> <td>18,827</td> </tr> <tr> <td>NWEAB</td> <td>0</td> <td>92,319</td> </tr> <tr> <td>Supervision Fees</td> <td>48,798</td> <td>48,798</td> </tr> <tr> <td>LMS Curriculum</td> <td>420,896</td> <td>427,268</td> </tr> <tr> <td>Organisational Change/ADM</td> <td>33,500</td> <td>33,500</td> </tr> <tr> <td>Carbon Reduction</td> <td>25,221</td> <td>0</td> </tr> <tr> <td>Employment Claims</td> <td>107,998</td> <td>124,846</td> </tr> <tr> <td>Community Benefit Fund NWRWTP</td> <td>64,727</td> <td>229,792</td> </tr> <tr> <td>Sub-Total Earmarked Balances</td> <td>7,464,602</td> <td>7,665,699</td> </tr> </tbody> </table>	Reserve Type	Balance as at 01/04/20	Balance as at 31/03/21	Service Balances	1,828,696	4,140,168	Single Status/Equal Pay	1,120,944	1,042,570	Investment in Organisational Change	1,693,729	1,464,329	Benefits Equalisation	132,822	0	Property Claims	36,363	0	County Elections	211,990	235,913	Local Development Plan (LDP)	180,000	242,360	Warm Homes Admin Fee	0	322,068	Waste Disposal	82,648	23,360	Enterprise Centres	6,993	0	Design Fees	200,000	170,000	Winter Maintenance	250,000	250,000	Car Parking	45,403	45,403	Insurance Reserves	2,203,010	2,224,462	Cash Receipting Review	3,181	3,595	Flintshire Trainees	524,106	612,843	Rent Income Shortfall	30,979	30,979	Customer Service Strategy	22,468	22,468	Capita One	18,827	18,827	NWEAB	0	92,319	Supervision Fees	48,798	48,798	LMS Curriculum	420,896	427,268	Organisational Change/ADM	33,500	33,500	Carbon Reduction	25,221	0	Employment Claims	107,998	124,846	Community Benefit Fund NWRWTP	64,727	229,792	Sub-Total Earmarked Balances	7,464,602	7,665,699
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	Schools Balances	111,957	6,902,451
	Grants & Contributions	3,887,337	5,730,074
	TOTAL	13,292,592	24,438,392
	A more detailed analysis of the Reserves and the reason for movement in 2020/21 is shown in Appendix 7.		
1.12	Request for Carry Forward of Funding A number of requests to carry forward funding are included in Appendix 6 and are recommended for approval.		
1.13	Housing Revenue Account 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.		
1.14	The 2020/21 budget for the HRA is £36.672m which includes a movement of £0.164m to reserves.		
1.15	The monitoring for the HRA is projecting in year expenditure to be £2.866m lower than budget and a closing un-earmarked balance as at 31 March 2021 of £4.875m (£5.039m less earmarked reserve of £0.164m), which at 14.47% of total expenditure satisfies the prudent approach of ensuring a minimum level of 3%. Appendix 5 attached refers.		
1.16	Housing Revenue Account £1.675m There has been an increased contribution to reserves due to the improvement in the projected outturn. This is due to the rephasing of the SHARP and capital scheme expenditure into 2021/22 due to COVID-19 restrictions and the resulting reduction of in year Prudential Borrowing costs. The increased contribution to reserves in 2020/21 will fund the rephased capital works now anticipated in 2021/22 and will offset future borrowing associated with these works.		
1.17	The budget contribution towards capital expenditure (CERA) is £11.955m.		

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.
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4.00	CONSULTATIONS REQUIRED/CARRIED OUT
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4.01	None specific.
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5.00	APPENDICES
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5.01	<p>Appendix 1: Council Fund – Movement in Variances from Month 11</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> <p>Appendix 6: Request for Carry Forward Funding</p> <p>Appendix 7: Council Fund Earmarked Reserves</p>
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6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
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6.01	Various budget records.
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7.00	CONTACT OFFICER DETAILS
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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>
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8.00	GLOSSARY OF TERMS
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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>
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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.