

CABINET

Date of Meeting	Tuesday, 21 September 2021
Report Subject	Revenue Budget Monitoring 2021/22 (Month 4)
Cabinet Member	Cabinet Member for Finance, Social Value and Procurement
Report Author	Corporate Finance Manager
Type of Report	Operational

EXECUTIVE SUMMARY

An interim budget monitoring report was presented to Cabinet in July. Based on high level assumptions the potential variations to budget identified by Portfolios equated to a minimum net additional expenditure requirement of £1m.

This is the first detailed update and takes into account grant funding being claimed through the Welsh Government Hardship Fund.

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 £0.739m (excluding the impact of the pay award which will be met by reserves)
- A projected contingency reserve balance as at 31st March, 2022 of £5.057m

Housing Revenue Account

- Net in-year revenue expenditure forecast to be £0.495m higher than budget
- A projected closing balance as at 31st March, 2022 of £3.978m

To assist with managing risks and mitigating the overall projected overspend, the review of non-essential spend and a vacancy management process continues.

RECOMMENDATIONS

1	To note the report and the estimated financial impact on the 2021/22 budget.
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REPORT DETAILS

1.00	EXPLAINING THE REVENUE BUDGET MONITORING 2021/22																																								
1.01	<p>Council Fund Projected Position</p> <p>An interim budget monitoring report was presented to Cabinet in July. Based on high level assumptions the potential variations to budget identified by Portfolios equated to a minimum net additional expenditure requirement of £1m. This is the first detailed update and takes into account grant funding being claimed through the Welsh Government Hardship Fund.</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 £0.739m (excluding the impact of the pay award which will be met by reserves) • A projected contingency reserve available balance as at 31 March 2022 of £5.057m. <p>To assist with managing risks and mitigating the overall projected overspend, the review of non-essential spend and a vacancy management process continues.</p> <p>Our ability to mitigate financial risks arising from the pandemic largely depends on the continuation of funds for hardship and income loss by Welsh Government which is now confirmed to March, 2022.</p>																																								
1.02	<p>Table 1. Projected Position by Portfolio</p> <p>The table below shows the projected position by Portfolio:</p> <table border="1" data-bbox="320 1406 1334 2107"> <thead> <tr> <th data-bbox="320 1406 772 1599">Portfolio/Service Area</th> <th data-bbox="772 1406 967 1599">Approved Budget £m</th> <th data-bbox="967 1406 1161 1599">Projected Outturn £m</th> <th data-bbox="1161 1406 1334 1599">In-Year Over / (Under) spend £m</th> </tr> </thead> <tbody> <tr> <td data-bbox="320 1599 772 1659">Social Services</td> <td data-bbox="772 1599 967 1659">70.587</td> <td data-bbox="967 1599 1161 1659">71.375</td> <td data-bbox="1161 1599 1334 1659">0.788</td> </tr> <tr> <td data-bbox="320 1659 772 1720">Out of County Placements</td> <td data-bbox="772 1659 967 1720">12.921</td> <td data-bbox="967 1659 1161 1720">13.818</td> <td data-bbox="1161 1659 1334 1720">0.897</td> </tr> <tr> <td data-bbox="320 1720 772 1780">Education & Youth</td> <td data-bbox="772 1720 967 1780">9.030</td> <td data-bbox="967 1720 1161 1780">8.692</td> <td data-bbox="1161 1720 1334 1780">(0.338)</td> </tr> <tr> <td data-bbox="320 1780 772 1841">Schools</td> <td data-bbox="772 1780 967 1841">101.937</td> <td data-bbox="967 1780 1161 1841">101.937</td> <td data-bbox="1161 1780 1334 1841">0.000</td> </tr> <tr> <td data-bbox="320 1841 772 1901">Streetscene & Transportation</td> <td data-bbox="772 1841 967 1901">31.466</td> <td data-bbox="967 1841 1161 1901">32.022</td> <td data-bbox="1161 1841 1334 1901">0.556</td> </tr> <tr> <td data-bbox="320 1901 772 1962">Planning Env & Economy</td> <td data-bbox="772 1901 967 1962">6.160</td> <td data-bbox="967 1901 1161 1962">6.106</td> <td data-bbox="1161 1901 1334 1962">(0.054)</td> </tr> <tr> <td data-bbox="320 1962 772 2022">People & Resources</td> <td data-bbox="772 1962 967 2022">4.631</td> <td data-bbox="967 1962 1161 2022">4.537</td> <td data-bbox="1161 1962 1334 2022">(0.094)</td> </tr> <tr> <td data-bbox="320 2022 772 2083">Governance</td> <td data-bbox="772 2022 967 2083">10.196</td> <td data-bbox="967 2022 1161 2083">9.659</td> <td data-bbox="1161 2022 1334 2083">(0.537)</td> </tr> <tr> <td data-bbox="320 2083 772 2107">Strategic Programmes</td> <td data-bbox="772 2083 967 2107">4.648</td> <td data-bbox="967 2083 1161 2107">4.658</td> <td data-bbox="1161 2083 1334 2107">0.010</td> </tr> </tbody> </table>	Portfolio/Service Area	Approved Budget £m	Projected Outturn £m	In-Year Over / (Under) spend £m	Social Services	70.587	71.375	0.788	Out of County Placements	12.921	13.818	0.897	Education & Youth	9.030	8.692	(0.338)	Schools	101.937	101.937	0.000	Streetscene & Transportation	31.466	32.022	0.556	Planning Env & Economy	6.160	6.106	(0.054)	People & Resources	4.631	4.537	(0.094)	Governance	10.196	9.659	(0.537)	Strategic Programmes	4.648	4.658	0.010
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	Housing & Assets	17.172	17.001	(0.171)
	Chief Executive	2.417	2.287	(0.130)
	Central & Corporate Finance	26.292	26.104	(0.188)
	Total	297.457	298.196	0.739
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	<p>Social Services £0.788m</p> <p>The net projected overspend is as a result of a number of factors :</p> <ul style="list-style-type: none"> <p><u>Adult Social Care - Older People (£0.231m)</u> In house care provision is projected to underspend by £0.312m, day centres currently remain closed with service provision projected to resume January, 2022, Integrated Care Fund (ICF) slippage and Winter Pressures funding are anticipated to occur this year and are projected to fund a proportion of Residential Care. Extra Care is underspent due to reduced levels of demand</p> <p><u>Adult Social Care - Adults of Working Age £0.292m</u> A projected overspend on the cost of social care for people within the Mental Health Service including nursing, residential, domiciliary care and direct payments. This is mitigated by reduced care package costs for young people transferring into Adult Social Services and a saving in staffing costs resulting from a number of staff have been seconded to other Services</p> <p><u>Children's Services £1.008m</u> Legal costs are anticipated to overspend due to the number of cases on-going and the requirement to engage external legal professionals. Foster placements are increasing in demand and payments to foster carers, foster agencies and special guardianship payments have all contributed to an overspend position. The overspend is further acerbated by an increase in staffing costs ensuring that adequate levels of child protection are maintained. This is mitigated by the flexible use of grant funding from Welsh Government resulting in some saving in the base budget allocation, together with a projected in-year underspend within Residential Placements associated with the opening of a registered Children's Home within the County.</p> <p><u>Safeguarding and Commissioning £0.023m</u> There has been a requirement to appoint an additional Independent Reviewing Officer on a temporary fixed term basis to mitigate current service risks and pressures</p> 			

	<p>The Portfolio overspend as a whole is mitigated due to the Welsh Government Hardship Fund supporting in-house residential, supported living, homecare and extra care services. The majority of this funding relates to staff costs (£0.300m) which are reported within their respective service areas.</p>
1.05	<p>Education and Youth (£0.338m)</p> <p><u>Inclusion and Progression</u></p> <ul style="list-style-type: none"> In-year efficiencies have been identified in the Minority Ethnic Achievement Grant (MEAG) and Educational Psychology Services. The MEAG service has received in excess of (£0.200m) grant funding for 2021/22 which is being utilised to recruit temporary fixed term posts resulting in an underspend within the core budget allocation. The Educational Psychology Service have recruited to 3 posts for part year costs only of (£0.072m). <p><u>Integrated Youth Provision</u></p> <ul style="list-style-type: none"> Savings on building cleaning expenditure at Youth Centres closed due to the pandemic contribute a further (£0.058m) of savings. <p><u>School Improvement Systems</u></p> <ul style="list-style-type: none"> An underspend in Early Entitlement following the maximisation of grant funding and the release of core budget also contributes (£0.149m) for the Portfolio.
1.06	<p>Streetscene & Transportation £0.556m</p> <p><u>Highways Network</u></p> <ul style="list-style-type: none"> Flooding and additional drainage costs totalling £0.050m within Highways Network. <p><u>Transportation</u></p> <ul style="list-style-type: none"> Additional bus re-procurement and park and ride costs of £0.200m, two additional school days costing £0.049m, offset by (£0.144m) in underspends on local bus services due to not all services returning fully due to the pandemic. <p><u>Regulatory Services</u></p> <ul style="list-style-type: none"> Car Parking income shortfalls of £0.100m through non-charging up to 30th September and based on WG Income Loss funding criteria. <p><u>Impact of COVID-19</u></p> <ul style="list-style-type: none"> Additional costs as a result of COVID-19 total £0.320m and these do not currently meet the criteria of Hardship Funding. Additional cleaning/maintenance costs at Alltami Depot £0.050m, additional Waste receptacles £0.090m, hired plant maintenance and repairs £0.090m plus contractors and traffic management costs of £0.090m. The eligibility of these costs will continue to be discussed and challenged with WG.
1.08	<p>Housing & Assets (£0.171m)</p>

	<p><u>Industrial Units</u></p> <ul style="list-style-type: none"> This relates to unbudgeted additional income received as result of a new power generation lease (£0.230m) <p><u>Caretaking & Security</u></p> <ul style="list-style-type: none"> Salary savings from vacant posts totalling (£0.063m). <p><u>Benefits</u></p> <ul style="list-style-type: none"> Increase in the bad debt provision in respect of overpayments within Benefits totalling £0.099m. <p>Minor variances across the Portfolio account for the remainder of £0.023m.</p>
1.09	<p>Governance (£0.537m)</p> <p><u>Revenues</u></p> <ul style="list-style-type: none"> Potential projected surplus on the Council Tax Collection Fund (£0.193m) together with the balance brought forward from Welsh Government COVID Admin Grants (£0.080m) <p><u>Customer Services</u></p> <ul style="list-style-type: none"> Higher than anticipated fee income levels resulting from the resumption of Ceremonies following the relaxation of the majority of COVID restrictions (£0.065m) <p><u>Democratic Services</u></p> <ul style="list-style-type: none"> Reduced take up of Members Allowances and efficiencies on travelling expenses due to remote meetings (£0.097m) <p><u>ICT</u></p> <ul style="list-style-type: none"> Reduced expenditure on Records Management costs and minor variances across the service (£0.050m) <p>The remaining underspend is as a result of minor variances and commitment challenge across the Portfolio (£0.059m)</p>
1.10	<p>Central & Corporate Finance (£0.188m)</p> <p>There was a significant underspend on the pension contribution account in 2020/21 with (£0.300m) contributing towards the 2021/22 budget. Based on the contributions to date a positive variance of around (£0.290m) is projected at this stage of the current year. This is mitigated by the shortfall in historic workforce efficiencies together with the forfeiture of staff car parking permit income.</p>
1.11	<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>
1.12	<p>Council Tax Income</p>

	<p>Council Tax collection figures in quarter 1 for 2021/22 are 29.39%, this is compared to 28.50% for the same period in 2020/21 - an increase of 0.89% or £0.900m in cash terms.</p> <p>This current position is showing significant signs of improvement, and the quarter 1 outturn in 2021/22 is only 0.2% off pre-pandemic collection rates in 2019/20. All recovery processes have now been resumed to maximise income whilst still providing support to residents in need. This performance data will continue to be closely monitored and tracked on a monthly basis to ensure collections continue to improve.</p>
1.13	<p>Pay Award (Teacher and Non Teacher)</p> <p>Based on the UK Government position on public sector pay no general provision was included in the 2021/22 budget other than funding to reflect the intention to provide for those staff earning less than £0.024m.</p> <p><u>NJC (Green Book)</u> National negotiations are ongoing and the initial offer by Employers of a 1.5% uplift would add a minimum further £0.160m to the pay bill for schools and £0.799m for non-schools. In the absence of any further funding being made available this will need to be met from the Contingency Reserve and built into the base budget from 2022/23. This offer has recently been increased to 1.75% which will further increase the impact on reserves.</p> <p><u>Teachers</u> National negotiations are ongoing although based on a 1.75% uplift this would add a minimum further £0.736m to the pay bill for schools in 2021/22, with the full year impact in 2022/23 being £1.282m. Representations will continue to be made for further funding to meet these additional costs, although if unsuccessful it is likely that the Council and schools will need to cost share the burden.</p>
1.14	<p>Council Tax Reduction Scheme</p> <p>Council Tax Reduction Scheme (CTRS) – Based on current demand, costs are currently projected to be within budget although there is potential for a surge in demand from October when the UK Government furlough scheme ends.</p> <p>No additional funding is currently anticipated from Welsh Government in 2021/22 although this is expected to be subject to review in the event of significant pressures emerging across Wales in the second half of the year.</p>
1.15	<p>Social Care Recovery Funding</p> <p>Further details are awaited from Welsh Government on potential funding that may become available under the Social Care Recovery Fund. The purpose of the grant will be to support appropriate recovery of social care services in local authority areas across Wales. It is anticipated that this funding can be assigned to existing cost pressures within the Portfolio</p>

	<p>which will have a positive impact on the outturn – updates will be provided in future reports.</p>
1.16	<p>Other Tracked Risks</p> <p>In addition, there are a number of risks being tracked that may be subject to change and these are summarised below:</p>
1.17	<p>MTFS Impact</p> <p>Cabinet considered the latest projection for the MTFS in July which showed a budget gap of £16.750m, with individual scrutiny meetings scheduled to take place during September and October. Further work is ongoing with close alignment to the revenue budget monitoring throughout the year to consider any emerging issues.</p> <p>Any efficiencies not achievable during 2021/22 will need to be included as a further pressure together with the impact on any grant funding that does not continue into 2022/23.</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>There continues to be significant pressure on this volatile budget arising from the full year impacts of new placements made during 2020/21, including several new high cost placements which were agreed in March after the budget for 2021/22 had been set. At present, the projected overspend for the current cohort of placements is £0.897m. With 8 months of the year remaining and the high potential for further new placements to emerge, it is anticipated that the final overspend may be significantly in excess of £1m.</p>
1.19	<p>Homelessness</p> <p>There is a risk that demands on the service will continue to increase with the impacts of removal of restrictions on landlords to seek repossessions. In addition, the economic impacts on residents in the rented sector and owner occupiers following the end of the furlough scheme at the end of September continue to cause concern.</p> <p>There is additional support in place with strategic use of the increased Housing Support Grant funding, but this may still not be sufficient.</p>
1.20	<p>Achievement of Planned In-Year Efficiencies</p> <p>The 2021/22 budget contains £2.363m of specific efficiencies which are tracked and monitored throughout the year. In 2020/21 the level of efficiency achievement was 100% which was an improvement on the 90% achieved during the previous year. The Council aims to achieve a 95% rate in 2021/22 as reflected in the MTFS KPIs.</p>

	<p>The current assessment of the efficiencies to be achieved in 2021/22 shows that all of the efficiencies will be achieved. The risk remains that any under-achievement of efficiencies will have a negative impact on the 2021/22 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>
1.21	<p>Unearmarked Reserves</p> <p>The final level of Council Fund Contingency Reserve brought forward into 2021/22 was £5.973m as detailed in the 2020/21 outturn report. However, this increased to £6.444m when taking account of the budgeted contribution to Reserves in the 2021/22 budget. This is the amount available for general purposes following the set-aside of £3.0m for a COVID-19 Emergency Funding. There will be a requirement to meet any unfunded impacts of the pay awards from the Contingency Reserve as detailed in para 1.13 following the outcome of the national pay award negotiations.</p> <p>Taking into account the projected in-year position and previously agreed allocations the amount remaining within the Contingency Reserve is £5.057m. (Appendix 3)</p>
1.22	<p>Earmarked Reserves</p> <p>A summary of earmarked reserves as at 1 April 2021 and an estimate of projected balances as at the end of the financial year will be included in the month 5 report.</p>
1.23	<p>Housing Revenue Account</p> <p>The 2020/21 Outturn Report to Cabinet on 13 July 2021 showed an un-earmarked closing balance at the end of 2020/21 of £5.039m and a closing balance of earmarked reserves of £1.869m.</p>
1.24	<p>The 2021/22 budget for the HRA is £37.825m which includes a movement of £0.566m to reserves.</p>
1.25	<p>The monitoring for the HRA is projecting in year expenditure to be £0.495m higher than budget and a closing un-earmarked balance as at 31 March 2022 of £3.978m, which at 10.5% of total expenditure satisfies the prudent approach of ensuring a minimum level of 3%. Appendix 4 attached refers.</p>
1.26	<p>The budget contribution towards capital expenditure (CERA) is £13.442m.</p>

2.00	RESOURCE IMPLICATIONS
2.01	As set out within the report.

3.00	IMPACT ASSESSMENT AND RISK MANAGEMENT
3.01	The Revenue Budget Monitoring Report reflects the three categories of risks covered in the main section of the report. These are in-year risks and emerging issues, achievement of planned in-year efficiencies and other tracked risks. These risks are included from paragraph 1.04 to 1.17.

4.00	CONSULTATIONS REQUIRED/CARRIED OUT
4.01	None specific.

5.00	APPENDICES
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

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	<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>

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.