

CABINET

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| Date of Meeting | Tuesday, 15 th February, 2022 |
| Report Subject | Revenue Budget Monitoring 2021/22 (Month 9) |
| Cabinet Member | Cabinet Member for Finance, Social Value and Procurement |
| Report Author | Corporate Finance Manager |
| Type of Report | Operational |

EXECUTIVE SUMMARY

This monthly report provides the latest detailed revenue budget monitoring position in 2021/22 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 without new actions to reduce cost pressures and/or improve the financial return on efficiency planning, and is as follows:

Council Fund

- An operating surplus of (£1.537m) (excluding the impact of the NJC pay award which will be met by reserves), which is a favourable movement of (£0.821m) from the surplus figure of (£0.716m) reported at Month 8.
- A projected contingency reserve balance as at 31st March, 2022 of £7.407m

Housing Revenue Account

- Net in-year revenue expenditure forecast to be £0.437m higher than budget
- A projected closing balance as at 31st March, 2022 of £4.035m

To assist with managing risks and maximising available resources, the review of non-essential spend and a vacancy management process continues.

RECOMMENDATIONS

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| 1 | To consider the report and the estimated financial impact on the 2021/22 budget. |
| 2 | To approve the carry forward requests included in paragraph 1.24. |

REPORT DETAILS

| 1.00 | EXPLAINING THE REVENUE BUDGET MONITORING 2021/22 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|------------------------------|--|-------------------------|------------------------------------|-------------------------|------------------------------------|-----------------|--------|--------|-------|--------------------------|--------|--------|-------|-------------------|-------|-------|---------|---------|---------|---------|-------|------------------------------|--------|--------|-------|------------------------|-------|-------|---------|
| 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 surplus of (£1.537m) (excluding the impact of the NJC pay award which will be met by reserves) • A projected contingency reserve available balance as at 31 March 2022 of £7.407m. <p>To assist with managing risks and maximising available resources, 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 has previously been confirmed to March 2022, although does include some changes to eligibility criteria.</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"> <thead> <tr> <th>Portfolio/Service Area</th> <th>Approved Budget £m</th> <th>Projected Outturn £m</th> <th>In-Year Over / (Under) spend £m</th> </tr> </thead> <tbody> <tr> <td>Social Services</td> <td>70.640</td> <td>70.746</td> <td>0.107</td> </tr> <tr> <td>Out of County Placements</td> <td>12.921</td> <td>13.781</td> <td>0.860</td> </tr> <tr> <td>Education & Youth</td> <td>9.045</td> <td>8.575</td> <td>(0.469)</td> </tr> <tr> <td>Schools</td> <td>101.937</td> <td>101.937</td> <td>0.000</td> </tr> <tr> <td>Streetscene & Transportation</td> <td>31.517</td> <td>32.268</td> <td>0.751</td> </tr> <tr> <td>Planning Env & Economy</td> <td>6.160</td> <td>5.735</td> <td>(0.426)</td> </tr> </tbody> </table> | Portfolio/Service Area | Approved Budget £m | Projected Outturn £m | In-Year Over / (Under) spend £m | Social Services | 70.640 | 70.746 | 0.107 | Out of County Placements | 12.921 | 13.781 | 0.860 | Education & Youth | 9.045 | 8.575 | (0.469) | Schools | 101.937 | 101.937 | 0.000 | Streetscene & Transportation | 31.517 | 32.268 | 0.751 | Planning Env & Economy | 6.160 | 5.735 | (0.426) |
| Portfolio/Service Area | Approved Budget £m | Projected Outturn £m | In-Year Over / (Under) spend £m | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Social Services | 70.640 | 70.746 | 0.107 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Out of County Placements | 12.921 | 13.781 | 0.860 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Education & Youth | 9.045 | 8.575 | (0.469) | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Schools | 101.937 | 101.937 | 0.000 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Streetscene & Transportation | 31.517 | 32.268 | 0.751 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Planning Env & Economy | 6.160 | 5.735 | (0.426) | | | | | | | | | | | | | | | | | | | | | | | | | | |

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| People & Resources | 4.571 | 4.347 | (0.224) |
| Governance | 10.223 | 9.530 | (0.693) |
| Strategic Programmes | 4.648 | 4.607 | (0.041) |
| Housing & Assets | 14.410 | 13.793 | (0.617) |
| Chief Executive | 2.353 | 2.189 | (0.164) |
| Central & Corporate Finance | 29.033 | 28.413 | (0.620) |
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| Total | 297.457 | 295.920 | (1.537) |

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| 1.03 | The reasons for the favourable net movement of (£0.821m) 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. |
| | Significant Movements from Month 8 |
| 1.04 | <p>Social Services (£0.083m)</p> <p>The favourable movement in the projected overspend relates to :</p> <ul style="list-style-type: none"> • Reduced current demand for services in Older People Services (£0.048m) • Grant funding used to offset expenditure within Children’s Services (£0.073m) • Lower than anticipated reductions in travel costs £0.033m. <p>Minor variances across the Portfolio account for the remainder (£0.005m).</p> |
| 1.05 | <p>Out of County Placements (£0.053m)</p> <p>The favourable movement in the projected overspend relates to:</p> <p>Children’s Services (£0.033m); Education & Youth (£0.020m) – net impact of rate changes and alterations to placement start and end dates.</p> |
| 1.06 | <p>Streetscene & Transportation (£0.053m)</p> <p>The favourable movement relates to Welsh Government approval to fund 50% of cost for waste receptacles following increased levels of recycling (£0.045m), for which no projected funding was previously anticipated.</p> <p>Minor variances across the Portfolio account for the remainder (£0.008m)</p> |

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| 1.07 | <p>Housing & Assets (£0.401m)</p> <p>The significant favourable movement follows the reduction of projected annual costs of Council Tax Reduction Scheme (£0.327m) para 1.13 refers, together with an increase in Housing Support Grant internal allocations (£0.066m).</p> <p>Minor variances across the Portfolio account for the remaining (£0.008m).</p> |
| 1.08 | <p>Planning Economy & Environment (£0.128m)</p> <p>The favourable movement follows higher than anticipated Planning fees received at Month 9 and projected forward to financial year end (£0.080m), together with further staff savings from a vacant post (£0.029m).</p> <p>Minor variances across the Portfolio account for the remainder (£0.019m).</p> |
| 1.09 | <p>Central & Corporate Finance (£0.069m)</p> <p>The favourable movement relates to one-off income from Matrix rebates (£0.033m), and a further projected utilities usage reduction (£0.036m).</p> |
| 1.10 | <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> |
| 1.11 | <p>Council Tax Income</p> <p>84.61% of Council Tax has been collected up to Month 9, these collections show an improvement of 0.59% compared to 2020/21 but are still 0.54% below pre-pandemic 2019/20 levels.</p> <p>It is expected that in-year collection rate outturn for 2021/22 will be around 79.6% by 31st March 2022.</p> |
| 1.12 | <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 current offer by Employers of a 1.75% uplift would add a minimum further £0.261m to the pay bill for schools and £0.990m 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.</p> <p><u>Teachers</u> The September 2021 national pay award for Teachers has previously been confirmed at 1.75% which adds a further £0.737m to the pay bill for schools in 2021/22, with the full year impact in 2022/23 being</p> |

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| | <p>£1.282m. The Minister for Education in announcing the pay award, also confirmed additional funding of £6.4m across Wales to support the cost of the pay award in schools. The Council's share of the allocation was £0.304m for schools and £0.019m for Post 16. This additional funding will fund the pay award in part and as in previous years the Council will share the shortfall in costs in 2021/22 of £0.414m equally with schools. In addition, centrally funded Teachers Pay totals £0.018m and the overall Council Fund commitment is now reflected in Appendix 4.</p> |
| 1.13 | <p>Council Tax Reduction Scheme</p> <p>Based on current demand, costs are currently projected to be significantly below budget although the position continues to be monitored closely following recent changes to Universal Credit and the UK Government furlough scheme ending. The expected increase in caseload/uptake of the schemes hasn't materialised up to the end of December, resulting in the positive movement of (£0.327m) at Month 9. However, it remains under close scrutiny in the event of possible future rapid growth.</p> |
| 1.14 | <p>Social Care Grant Funding</p> <p>In November, Welsh Government announced additional funding for Social Care and Health totalling £42.72m across Wales. The grant will support Children's Services, Integrated Health and Social Care, unpaid carer direct payments, early intervention and prevention, along with improved advertising and recruitment for social care. This has subsequently increased the Social Care Recovery Fund 2021-22 allocation for the Council from £1.733m to £2.772m.</p> <p>Furthermore, Welsh Government have recently confirmed that £50m across Wales has been approved for Social Care winter pressures, although the actual allocation for the Council is not yet known. The impact of this additional grant will be included in future monitoring reports but is expected to have a significant positive effect.</p> |
| 1.15 | <p>Storm Christoph residual costs</p> <p>Delays have been encountered from seeking necessary site access permissions from Network Rail and Natural Resources Wales, to carry out essential drainage works as a result of Storm Christoph totalling in the region of £0.200m. The majority of the initial response costs relating to Storm Christoph were covered by WG Hardship Funding which have been claimed. However, the eligible period for that has now ended. Following subsequent discussion with WG, we have been advised to add these costs to the December 2021 Additional Costs Hardship Claim, which is now awaiting review by the Grants Panel. If the claim is not approved for these additional costs, they will be required to be met from the drainage works budget.</p> |

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| 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>Medium Term Financial Strategy (MTFS) Impact</p> <p>Stage 1 of the Budget Process 2022/23 was concluded in July and an additional budget requirement of £16.750m was reported to Cabinet and Corporate Resources Overview and Scrutiny Committee.</p> <p>Stage 2 of the budget process was undertaken through September and October with feedback from all Overview and Scrutiny Committees reported to Cabinet and this Committee in October. The additional budget requirement had risen to £18m at this time partly due to the announcement of increases to National Insurance employer contributions.</p> <p>Cabinet received a further update in December that the additional budget requirement had risen to £20.696m due to increased pressures mainly on pay, social care and the North Wales Fire and Rescue levy.</p> <p>The Provisional Local Government Settlement was received on 21 December 2021 and a separate report on this agenda recommends a balanced budget position for 2022/23 together with an initial forecast for 2023/24 and 2024/25.</p> <p>All Portfolios will continue to consider their financial position, the risks within their service and the impacts over 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.</p> <p>A total contribution of £0.650m has now been made from the Social Care Recovery Fund which leaves a projected overspend of £0.860m for the remainder of the year. However, this is likely to increase with another 3 months of the year remaining.</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.</p> <p>In addition, the economic impacts on residents in the rented sector and owner occupiers following the end of the furlough scheme 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> |

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| 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 KPI's.</p> <p>The current assessment of the efficiencies to be achieved in 2021/22 shows that 100% 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 of efficiencies can be seen in Appendix 3.</p> |
| 1.21 | <p>Emergency Funding</p> <p>The Local Government Hardship fund was initially allocated £206.6m to support local government for the first six months of 2021-22 in the Welsh Government Final Budget 2021-22. In addition £23.3m was allocated to support free school meals during the school holidays.</p> <p>A further £97.5m has subsequently been allocated until the end of the financial year based on spend patterns to date, any changes to policy approaches (for example tapering of social care uplifts and void payments) and the current alert level. In addition three new allocations to the fund have recently been confirmed - £38m for winter fuel support, £0.600m for Community hubs and £2m for homelessness support (Homelessness Prevention Fund). The £2m has been added to specifically provide a top up to the discretionary homelessness prevention funds currently utilised by the Council.</p> <p>The Principles and Guidance for the Hardship Fund were revised by WG from 1st October with changes impacting on eligibility for various service areas including schools costs and additional waste tonnages (reduced to 50%). Costs for additional cover where staff are off sick due to COVID or self-isolating and vehicle costs due to social distancing are all now eligible until the end of 2021/22. Any potential significant impacts of the changes will be reflected in future reports, although where able mitigating actions will be put in place.</p> <p>During 2021/22 to date, additional cost claims for April to December have totalled £8.182m and Quarters 1 to 3 Income Loss claims were £2.071m (which include claims for Aura, Newydd and Cambrian Aquatics).</p> |

1.22

Unearmarked Reserves

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.

However, there will be a requirement to meet the unfunded impacts of the pay awards from the Contingency Reserve as detailed in para 1.12 following the outcome of the national pay award negotiations.

Taking into account the projected in-year position and previously agreed allocations the amount remaining within the Contingency Reserve is £7.407m (prior to the impact of NJC pay award) (Appendix 4).

The £3m emergency ring-fenced fund would have an amount of £1.840m remaining after allowing for currently known ineligible items. However, there are still a number of holding items and income loss claims still being considered by the Grants Panel.

1.23

Council Fund Earmarked Reserves

The table below gives a summary of earmarked reserves as at 1 April 2021 and an estimate of projected balances as at the end of the current financial year.

| Reserve Type | Balance as at 01/04/21 | Balance as at Month 9 | Estimated Balance as at 31/03/22 |
|-------------------------------------|------------------------|-----------------------|----------------------------------|
| Service Balances | 3,698,164 | 2,573,627 | 1,436,872 |
| Specific Theatr Clwyd Balances | 426,972 | 0 | 0 |
| Single Status/Equal Pay | 1,042,570 | 1,042,570 | 989,350 |
| Investment in Organisational Change | 1,464,329 | 1,785,816 | 1,048,072 |
| County Elections | 235,913 | 235,913 | 235,913 |
| Local Development Plan (LDP) | 242,360 | 242,360 | 242,360 |
| Minerals and Waste | 15,032 | 15,032 | 0 |
| Warm Homes Admin Fee | 322,068 | 322,068 | 202,068 |
| Waste Disposal | 23,360 | 23,360 | 0 |
| Design Fees | 170,000 | 170,000 | 0 |
| Winter Maintenance | 250,000 | 250,000 | 250,000 |
| Severe Weather | 0 | 229,550 | 119,550 |
| Car Parking | 45,403 | 45,403 | 0 |
| Insurance Reserves | 2,224,462 | 2,224,462 | 2,350,000 |
| Cash Receipting Review | 3,595 | 3,595 | 0 |
| Flintshire Trainees | 612,843 | 612,843 | 612,843 |
| Rent Income Shortfall | 30,979 | 30,979 | 0 |
| Customer Service Strategy | 22,468 | 22,468 | 0 |
| Capita One | 18,827 | 18,827 | 0 |

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| Supervision Fees | 48,798 | 48,798 | 48,798 |
| LMS Curriculum | 427,268 | 318,721 | 231,540 |
| Organisational Change/ADM | 33,500 | 33,500 | 0 |
| Utilities | 0 | 0 | 250,000 |
| NWEAB | 92,319 | 92,319 | 0 |
| Employment Claims | 124,846 | 124,846 | 124,846 |
| Community Benefit Fund NWRWTP | 229,792 | 229,792 | 229,792 |
| Total B823 Balances | 8,107,703 | 8,123,222 | 6,685,132 |
| Schools Balances | 6,902,451 | 6,902,451 | 6,400,004 |
| Grants & Contributions | 5,730,074 | 3,544,309 | 2,047,318 |
| TOTAL | 24,438,392 | 21,143,608 | 16,569,326 |

1.24

Request for Carry Forward of Funding

Governance

Records Management Service – carry forward of an in year underspend of £0.058m to meet specific contract exit costs resulting from the Deepstore Records Management contract due to cease in 2022/23.

Customer Services – carry forward of an in year underspend of £0.020m to assist in financing the following from April, 2022:

- Council Plan (Digital Poverty) and Digital Strategy – devices in all Connects Centres to support customers to get online;
- Council Plan (Digital Poverty) and Digital Strategy – introduction of Chat Bot to support people to use digital services;
- Annual Governance Statement and Code of Corporate Governance – using consultations and engagement – purchase of IT system. There is no internal capacity to develop an online portal for consultation and engagement including outcomes and stakeholders. This system will benefit all services of the Council.
- Alterations and maintenance at Connects Centres and the Register Office.

Internal Audit & Performance – carry forward of an underspend of £0.050m to resource :

- £0.035m shortfall for the Annual Contract Fee and additional Consultancy Fees for InPhase software replacement for CAMMS
- £0.015m the additional cost of an external IT Audit.

Democratic Services – carry forward of an in year underspend of £0.015m to be utilised to deliver the induction training for new Councillors post the elections in May. Whilst the Service retains a modest internal budget and much of the training will be delivered in house, some will need to be externally delivered, the cost of which outweighs the existing budget.

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| 1.25 | <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> |
| 1.26 | The 2021/22 budget for the HRA is £37.825m which includes a movement of £0.566m to reserves. |
| 1.27 | The monitoring for the HRA is projecting in year expenditure to be £0.437m higher than budget and a closing un-earmarked balance as at 31 March 2022 of £4.035m, which at 10.57% of total expenditure satisfies the prudent approach of ensuring a minimum level of 3%. Appendix 5 provides further detail. |
| 1.28 | <p>The favourable movement (£0.111m) at Month 9 is as a result of :</p> <ul style="list-style-type: none"> • Reduction in losses in respect of void properties (£0.052m) • Adjustment to the Bad Debt Provision (£0.025m) • Vacancy savings due to recruitment delays (£0.042m) <p>Minor movements of £0.008m account for the remainder.</p> |
| 1.29 | The budget contribution towards capital expenditure (CERA) is £13.442m. |

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| 2.00 | RESOURCE IMPLICATIONS |
| 2.01 | As set out within the report. |

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| 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. |

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| 4.00 | CONSULTATIONS REQUIRED/CARRIED OUT |
| 4.01 | None specific. |

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| 5.00 | APPENDICES |
| 5.01 | <p>Appendix 1: Council Fund – Movement in Variances from Month 8</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> |

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| 6.00 | LIST OF ACCESSIBLE BACKGROUND DOCUMENTS |
| 6.01 | Various budget records. |

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

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| 8.00 | GLOSSARY OF TERMS |
| | <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> <p>Projected Outturn: projection of the expenditure to the end of the financial year, made on the basis of actual expenditure incurred to date.</p> <p>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.</p> <p>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.</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.