

## CABINET

<b>Date of Meeting</b>	Tuesday 13 <sup>th</sup> July, 2021
<b>Report Subject</b>	Interim Revenue Budget Monitoring Report 2021/22
<b>Cabinet Member</b>	Cabinet Member for Finance, Social Value and Procurement
<b>Report Author</b>	Corporate Finance Manager
<b>Type of Report</b>	Operational

### EXECUTIVE SUMMARY

The report provides the first overview of the budget monitoring position for the 2021/22 financial year. Here we report by exception on significant variances which may impact on the financial position in 2021/22.

At this early stage and based on the high level assumptions included in the report the potential variations to budget identified by Portfolios equate to a minimum net additional expenditure requirement of £1m.

Our ability to mitigate financial risks arising from the pandemic in the first half of the year will largely depend on the continuation of funds for hardship and income loss by Welsh Government.

At this stage it is uncertain whether the Hardship Fund will be extended beyond September should current restrictions around the pandemic continue. There is no account taken of the financial risks arising should no additional funding be made available during a prolonged pandemic situation.

A full detailed monitoring report will be provided in September which will update on the overall financial position.

### RECOMMENDATIONS

1	To note the report and the estimated financial impact on the 2021/22 budget.
2	To approve a £0.175m budget virement between Localities Services to Resources and Regulated Services within Older People's Purchasing

	budget and a £0.300m budget virement between Localities Services to Mental Health Residential Budget (paragraph 1.04 refers)
3	To approve the ring-fencing of allocations from the Contingency Reserve for Investment in Change (£0.400m) and Severe Weather (£0.250m)

## REPORT DETAILS

<b>1.00</b>	<b>EXPLAINING THE REVENUE BUDGET MONITORING 2021/22</b>
1.01	The report provides the first overview of the budget monitoring position for the 2021/22 financial year and one which reports by exception on variances and financial risks only. The first full monthly in-year budget monitoring report will be reported in September, up to Month 4.
1.02	<p><b>Emergency Grant Funding – Additional Costs Only</b></p> <p>The Local Government Hardship fund has been allocated £206.6m in the Welsh Government Final Budget 2021-22 to support local government for the first six months of 2021-22. The budget will continue to be monitored on a monthly basis with any additional funding allocations being based on the path of the pandemic and any additional funding from the UK Government.</p> <p>Claims will continue to be submitted on a monthly basis retrospectively for additional costs incurred up to the end of September, 2021. Claims of £1.436m have been submitted for additional costs incurred in April and May and the first quarterly income loss claim is due for submission by 15 July.</p>
1.03	<p><b>OVERVIEW OF THE IN-YEAR BUDGET POSITION</b></p> <p>The following paragraphs set out the significant variances and financial risks identified at this early stage by portfolio.</p>
1.04	<p><b>Social Services Up to £0.230m over budget</b></p> <p><b>Localities (£0.485m) under budget;</b> The commissioned Older People’s Residential Care budget is projected to underspend by (£0.338m) due to the costs of care being offset by income such as Free Nursing Care, ICF funding and property income. There are also projected underspends of (£0.050m) on the Minor Adaptations budget and (£0.058m) on the Localities staffing budget.</p> <p><b>Disability Services £0.123m over budget;</b> mostly due to the in-house supported living service based on the number of hours to deliver the required care within each supported living home.</p> <p><b>Mental Health Services £0.719m over budget;</b> - based on the net costs of current commissioned care packages within the Mental Health service.</p>

**Children's Services – Fostering £0.223m over budget;** - due to the current demands on the service from the number of fostering placements although it is important to note that these placements are less expensive than alternative Out of County placements.

**Children's Services - Legal & Third Party £0.406m over budget-** due to the number of legal cases going through the courts and the use of external legal professionals. Direct payments also continue to increase in demand.

**Children's Services - Professional Support £0.341m over budget;** to support adequate levels of child protection; the established staffing structure needs to be at a sufficient level to meet mandatory safeguarding standards. Vacancies are therefore minimised and additional temporary posts are sometimes required to be able to meet the challenges and demands of Children's Services.

**Hardship Funding for in-house care provision (£0.300m) under budget;** Last year Welsh Government provided for Council Provided Care Services through the Social Services allocation within the Hardship Fund. The fund has been extended to the first part of the year but no announcement has been made regarding funding for quarters 3 and 4, although it is anticipated that there will be some funding available.

**Additional Continuing Health Care Funding (CHC) (£0.300m) under budget:** A post is to be filled to assist the Authority in securing additional CHC funding from the health service. This is a complicated and complex process and this post will bring expertise to support social work and other staff to ensure we are compliant with the framework and its requirements in relation to Local Authority (LA) responsibilities and thus generate additional contributions.

**Integrated Care Fund (ICF) Slippage and Winter Pressures funding (£0.250m) under budget;** In past years there has been slippage on some ICF projects which was eligible to be transferred to Local Authority provided services. There has also been additional funding provided by Welsh Government to offset Winter Pressure costs within Social Services. Based on this historic trend, it is assumed that one or both of these situations will occur again this financial year.

**Flexible use of Children's Services Grants (£0.250m) under budget;** Last financial year the pandemic restricted grant funded activities within Children's Services and due to this Welsh Government allowed a more flexible approach with some grants which were able to be used to fund some service costs normally funded from the Council's revenue budget. As not all services have returned to normal, it is highly likely that some flexibility will be allowed again this year.

#### Budget Virement

It is recommended that an amount of £0.175m is transferred from the Localities Services budget to Resources and Regulated Services within Older People.

	<p>Marleyfield Older People's Residential Care Home has been expanded to increase bed capacity, and this has meant an increase in the required annual running costs estimated to be £0.879m.</p> <p>Within the budget for 2020/21 and 2021/22 there was additional budget provided totalling £0.529m to meet this pressure in addition to an expected contribution from BCUHB of £0.150m.</p> <p>In addition efficiencies of £0.200m were identified as contributing towards the increased costs; £0.025m from within the Resources and Regulated Services Budget and £0.175m from the Localities Service budget. This virement request is being made to formally approve the transfer of £0.175m from the Localities Services budget to the Resources and Regulated Services budget within the Older People's Service.</p> <p>It is recommended that an amount of £0.300m is transferred from the Localities Services budget to Mental Health Residential budget.</p> <p>The Mental Health Residential Care budget is coming under increasing financial pressure and continued net increases to the number of service users supported has meant there is now insufficient budget to meet the current projected costs.</p> <p>The Localities Budget in recent years has been underspending due to an increase in contributions from Welsh Government, BCUHB and property income. Approval is requested for the transfer of £0.300m from the Localities Services budget to the Mental Health Residential Budget to assist in reducing some of this financial pressure.</p>
1.05	<p><b>Education and Youth (Up to £0.143m) under budget</b></p> <p>The Early Entitlement service is projecting a surplus balance of £0.143m but relies heavily on funding from Welsh Government in relation to top-up payments to non-maintained settings. This funding is projected at £0.158m but it is still unclear this early in the financial year whether this funding will be confirmed.</p>
1.06	<p><b>Streetscene &amp; Transportation Up to £0.100m over budget</b></p> <p>This potential overspend within the Transportation Service is based on the number of additional school days due to Easter school holidays not being until April 2022 and re-procurement of one of the local bus services.</p>
1.07	<p><b>Planning &amp; Environment Up to £0.360m over budget</b></p> <p><u>Fee Income Shortfalls</u>  Building Control fee income is projected to be £0.205m less than budget over a full year. Delayed income loss will be evaluated after the second quarter and we aim to recoup the loss from the WG Hardship Fund.  Planning Fee income is projected to meet current income targets based on actual income received to date. However, based on historic full year income totals, there is a projected income loss in the range of £0.035m to £0.085m for a full year. Delayed income loss will be evaluated after the second quarter and we aim to recoup the loss from the WG Hardship Fund.</p>

	<p>Markets fees were reinstated at 100% from June, 2021 and initial projections indicate a potential shortfall of £0.030m dependant on whether any further restrictions are placed due to potential increase in infection rates.</p> <p>Licensing Fee Income is projecting a shortfall of £0.083m as a consequence of the pandemic, falling numbers in taxi and alcohol licensing.</p>
1.08	<p><b>Housing &amp; Assets (Up to £0.150m) under budget</b></p> <p>Claims will continue to be made from the Hardship Fund for additional staffing costs within the Benefits Service in 2021/22 and to date a total of £0.055m has been claimed for the months of April and May. Subject to continuity of full funding for the amounts we have claimed will there may be a potential underspend on the staffing budget which was increased in 2021/22 to assist with resourcing demand levels.</p>
1.09	<p><b>Corporate Services (Up to £0.105m) under budget</b></p> <p>A saving of £0.075m - £0.105m is forecast based on projected vacancy savings.</p>
1.10	<p><b>Governance (Up to £0.200m) under budget</b></p> <p>Based on current income levels there is a potential surplus on the budgeted Council Tax Collection Fund in the region of (£0.200m).</p>
1.11	<p><b>Central &amp; Corporate Finance (Up to £0.100m) under budget</b></p> <p>In the previous financial year there was a significant underspend in employer pension fund contributions of £0.495m and the budget for 2021/22 was adjusted by £0.300m. Based on the contributions to date and the previous year trend a positive variance between £0.080m and £0.100m is projected.</p>
1.12	<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>
1.13	<p><b>Council Tax Income</b></p> <p>In 2020/21 the Council achieved an 'in-year' collection level of 97%, a reduction of 0.9% from the previous year, a shortfall of £0.900m in cash terms.</p> <p>Recovery processes have re-commenced in full which has had a positive response and indicates that the collection fund will recover over the coming months. Welsh Government have provided financial support of £22.6m across Wales in 2020/21 as a contribution towards these potential losses. As a result of this, the Council received an additional £1.051m which has been set aside in a provision to safeguard against potential future bad</p>

	debts. The position will be closely monitored but at this stage no shortfall is projected to the year end.
1.14	<p><b>Pay Award (Teacher and Non Teacher)</b></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 £24k.</p> <p><u>NJC (Green Book)</u> National negotiations are ongoing although based on the latest offer by Employers of a 1.5% uplift this 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.</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>
1.15	<p><b>Out of County Placements</b></p> <p>There is a 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 £0.890m. With over 9 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>
1.16	<p><b>Benefits</b></p> <p>Council Tax Reduction Scheme (CTRS) – Based on current demand costs are currently within budget although a surge in demand is expected from October when the UK Government furlough scheme ends. At this stage it is unclear how WG funding support for CTRS will operate in 2021/22. There is however £0.105m within reserves which could accommodate some partial mitigation should it be required</p>
1.17	<p><b>Homelessness</b></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>

1.18	<p><b>Summary of Overall Financial Impact</b></p> <p>At this early stage, and based on the high level assumptions included in the report the potential variations to budget identified by Portfolios equate to a minimum net additional expenditure requirement of £1m.</p> <p>Our ability to mitigate financial risks arising from the pandemic in the first half of the year will largely depend on the continuation of funds for hardship and income loss by Welsh Government.</p> <p>At this stage it is uncertain whether the Hardship Fund will be extended beyond September should current restrictions around the pandemic continue. There is no account taken of the financial risks arising from the pandemic should no additional funding be made available during a prolonged situation.</p> <p>A full detailed monitoring report will be provided in September which will update on the overall financial position.</p>
1.19	<p><b>Unearmarked Reserves</b></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 increases 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 is likely to be a requirement to meet any unfunded impacts of the pay awards from the Contingency Reserve as detailed in para 1.14 following the the outcome of the national pay award negotiations.</p>
1.20	<p>It is recommended that the following amounts are ringfenced from the Contingency Reserve to help manage future risks:</p> <ul style="list-style-type: none"> <li>- Investment in Change (£0.400m)</li> <li>- Severe Weather (£0.250m)</li> </ul>

<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	<p>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.</p>

<b>4.00</b>	<b>CONSULTATIONS REQUIRED/CARRIED OUT</b>
4.01	None specific.

<b>5.00</b>	<b>APPENDICES</b>
5.01	None.

<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.