

CABINET

Date of Meeting	Tuesday, 19 th October 2021
Report Subject	Revenue Budget Monitoring 2021/22 (Month 5)
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 5.

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 cost control is:

Council Fund

- An operating surplus of (£0.182m) (excluding the impact of the pay award which will be met by reserves), which is a favourable movement of £0.921m from the deficit figure of £0.739m reported at Month 4.
- A projected contingency reserve balance as at 31st March, 2022 of £5.875m

Housing Revenue Account

- Net in-year revenue expenditure forecast to be £0.633m higher than budget
- A projected closing balance as at 31st March, 2022 of £3.839m

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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2	To approve the change of use for a Planning Environment & Economy service balance (para 1.20 refers).
3	To recommend the release of £0.585m of unused balances and reserves back to the general reserve (para 1.21 refers)

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 £0.182m (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 £5.875m. <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, but with 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</th> <th>Projected Outturn</th> <th>In-Year Over / (Under) spend</th> </tr> <tr> <th></th> <th>£m</th> <th>£m</th> <th>£m</th> </tr> </thead> <tbody> <tr> <td>Social Services</td> <td>70.627</td> <td>70.825</td> <td>0.197</td> </tr> <tr> <td>Out of County Placements</td> <td>12.921</td> <td>13.601</td> <td>0.680</td> </tr> <tr> <td>Education & Youth</td> <td>9.030</td> <td>8.701</td> <td>(0.328)</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>31.466</td> <td>32.105</td> <td>0.639</td> </tr> <tr> <td>Planning Env & Economy</td> <td>6.160</td> <td>6.119</td> <td>(0.041)</td> </tr> <tr> <td>People & Resources</td> <td>4.631</td> <td>4.415</td> <td>(0.216)</td> </tr> </tbody> </table>	Portfolio/Service Area	Approved Budget	Projected Outturn	In-Year Over / (Under) spend		£m	£m	£m	Social Services	70.627	70.825	0.197	Out of County Placements	12.921	13.601	0.680	Education & Youth	9.030	8.701	(0.328)	Schools	101.937	101.937	0.000	Streetscene & Transportation	31.466	32.105	0.639	Planning Env & Economy	6.160	6.119	(0.041)	People & Resources	4.631	4.415	(0.216)
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	Governance	10.196	9.655	(0.541)
	Strategic Programmes	4.648	4.642	(0.006)
	Housing & Assets	17.172	16.886	(0.287)
	Chief Executive	2.377	2.290	(0.087)
	Central & Corporate Finance	26.292	26.100	(0.192)
	Total	297.457	297.275	(0.182)
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 Movements from Month 4			
1.04	<p>Social Services (£0.591m)</p> <p>The favourable movement in the projected overspend is as a result of a number of factors :</p> <ul style="list-style-type: none"> • <u>Adult Social Care - Older People (£0.260m)</u> The Social Care Recovery Fund grant has been allocated to fund both the cost of commissioned Home Care and In-House provided Home Care, net of any increase in Home Care demand. • <u>Adult Social Care - Adults of Working Age (£0.250m)</u> The Social Care Recovery Fund grant has been allocated to support the increased staffing capacity required due to an increase in case-loads and to mitigate adoption costs placed outside of the North Wales Adoption Service due to current shortages of locally available adoptees. • <u>Safeguarding and Commissioning (£0.029m)</u> Additional in year Grants received. • Minor movements across the Portfolio account for the remainder (£0.052m) 			
1.05	<p>Out of County Placements (£0.217m)</p> <p><u>Children's Services (£0.225m)</u></p> <ul style="list-style-type: none"> • Social Care Recovery Fund grant of £0.500m has offset the increased costs of new placements and known changes to existing ones £0.275m <p><u>Education & Youth £0.008m</u></p> <ul style="list-style-type: none"> • Minor increase in placements costs. 			
1.06	Streetscene & Transportation £0.083m			

	<p><u>Service Delivery £0.055m</u></p> <ul style="list-style-type: none"> Adverse movement resulting from Plant hire and repairs incurring an additional £0.050m due to deterioration of ageing plant and equipment. Minor movements £0.005m <p>Minor favourable movements across the Portfolio account for the remaining movement of £0.028m.</p>
1.07	<p>Housing & Assets (£0.117m)</p> <p><u>Centralised Costs (£0.125m)</u></p> <ul style="list-style-type: none"> Due to a continuation of reduced consumption for Gas and Electricity. <p>Minor favourable variances across the Portfolio account for the remainder of £0.008m.</p>
1.08	<p>People & Resources (£0.122m)</p> <p>The favourable movement is due to the agreed income recharge from the Track and Trace Project (TTP) for hosting the service on behalf of the region for the period April to September, and forecast to March, 2022 (£0.116m).</p> <p>Minor movements across the service account for the remainder (£0.006m).</p>
1.09	<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>
1.10	<p>Council Tax Income</p> <p>The projected Council Tax collection figures at quarter 2 are 57.10%. When compared to the same period last year of 56.39% this equates to an increase in collections of 0.71% or £0.710m in cash terms.</p> <p>Recovery processes continue for residents who fail to maintain their payments and do not engage with the Council.</p> <p>Whilst collection rates are steadily improving, they currently remain 0.66% lower than pre-pandemic levels. Collection levels, along with write off levels, will continue to be tracked on a monthly basis to assess the longer term financial impacts and risks.</p>
1.11	<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></p>

	<p>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 been increased to 1.75% which will further increase the impact on reserves.</p> <p><u>Teachers</u> The September 2021 national pay award for Teachers has now been confirmed at 1.75% which adds a further £0.736m to the pay bill for schools in 2021/22, with the full year impact in 2022/23 being £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 has not been notified of its share of the additional funding as yet. The additional funding announced will only fund the pay award in part and as in previous years the Council will share the shortfall in costs in 2021/22 equally with schools.</p> <p>.</p>
1.12	<p>Council Tax Reduction Scheme</p> <p>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>
1.13	<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>
1.14	<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. This is expected to rise significantly due to the recent announcement of increases to National Insurance employer contributions.</p> <p>Stage 2 of the budget process was undertaken through September and October and feedback from all Overview and Scrutiny Committees is also included on this agenda.</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>
1.15	<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 contribution of £0.500m has been made from the Social Care Recovery Fund which leaves a projected overspend of £0.680m for the remainder of the year. However, this is likely to increase with another 7 months of the year remaining.</p>
1.16	<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 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>
1.17	<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 on efficiencies can be seen in Appendix 2.</p>
1.18	<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.</p> <p>The Principles and Guidance for the Hardship Fund have just been revised by WG from 1st October with changes impacting on eligibility for various service areas including schools costs, additional waste tonnages (reduced to 50%) and vehicle costs due to social distancing being removed from eligibility altogether. Costs for additional cover where staff are off sick due to COVID or self-isolating are eligible until October, pending further review.</p>

The potential significant impacts of this will be reflected in future reports although where able mitigating actions will be put in place.

During 2021/22 to date, additional cost claims for April to August have totalled £4.220m and Quarter 1 Income Loss claims were £0.465m.

1.19 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 £5.875m (prior to the impact of pay awards) (Appendix 4).

The £3m emergency ring-fenced fund would have an amount of £2.143m 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. In addition, the impacts of the grant eligibility criteria changing from the 1st October will need to be factored in.

1.20 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.

Council Fund Earmarked Reserves 2021/22

Monitoring Summary Month 5

Reserve Type	Balance as at 01/04/21	Balance as at Month 5	Estimated Balance as at 31/03/22
Service Balances	3,698,164	2,618,926	826,882
Specific Service Balances	442,004	15,032	5,032
Single Status/Equal Pay	1,042,570	1,042,570	989,350
Investment in Organisational Change	1,464,329	1,411,654	673,910
County Elections	235,913	235,913	235,913
Local Development Plan (LDP)	242,360	242,360	242,360
Warm Homes Admin Fee	322,068	322,068	242,068
Waste Disposal	23,360	23,360	0
Design Fees	170,000	170,000	0
Winter Maintenance	250,000	250,000	250,000

Car Parking	45,403	45,403	0
Insurance Reserves	2,224,462	2,224,462	2,354,231
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
Supervision Fees	48,798	48,798	48,798
LMS Curriculum	427,268	418,518	300,000
Organisational Change/ADM	33,500	33,500	0
NWEAB	92,319	92,319	0
Employment Claims	124,846	124,846	0
Community Benefit Fund NWRWTP	229,792	229,792	229,792
Total B823 Balances	8,107,703	7,619,306	6,184,296
Schools Balances	6,902,451	6,902,451	3,000,000
Grants & Contributions	5,730,074	3,787,631	1,861,013
TOTAL	24,438,392	20,928,314	11,872,191

It is recommended that the previously held balance of £0.037m to support Trading Standards and Community Safety Teams with potential Legal fees, is now utilised to procure additional fixed term temporary capacity due to the unforeseen long term absence of a team member. This will enable the Team to continue supporting the Council's Covid response work as and when required until the end of March 2022.

1.21 **Review of Reserves and Balances**

An update on the budget for 2022/23 was considered by Cabinet and Corporate Resources Overview and Scrutiny Committee (CROSC) in July where a request was made by CROSC for all service reserves and balances be reviewed to ensure that they were still required for their original purpose, and to see if any pressures could be met or eased from the release of any to the general reserve.

Throughout the summer further challenge has been made to reserves and service balances as well as a detailed review of historic grant balances and in total £0.585m has been identified as recommended to be moved from the earmarked reserves into the general (contingency) reserve (See Appendix 6)

There are still some areas under review which are more complex due to the conditions and timeframes (e.g. Section 106 balances) and work will continue on these with any further release reported in future updates.

It should be noted that as reserves are one off in nature, any use of them to assist the budget position should only be used for one-off and time limited cost pressures.

The overall position on reserves and the 2022/23 budget will be considered as part of stage 3 of the budget process.

1.22	<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>
1.23	The 2021/22 budget for the HRA is £37.825m which includes a movement of £0.566m to reserves.
1.24	The adverse movement this month of £0.139m is as a result of increased insurance premium costs £0.144m, mitigated by other minor variances (£0.005m).
1.25	The monitoring for the HRA is projecting in year expenditure to be £0.633m higher than budget and a closing un-earmarked balance as at 31 March 2022 of £3.839m, which at 10.7% of total expenditure satisfies the prudent approach of ensuring a minimum level of 3%. Appendix 5 provides further detail.
1.26	The budget contribution towards capital expenditure (CERA) is £13.442m.

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	<p>Appendix 1: Council Fund – Movement in Variances from Month 4</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: Challenge on Reserves and Service Balances</p>

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Various budget records.

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>

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> <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.</p>

<p>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.</p>
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