

CABINET

Date of Meeting	Monday, 26th September, 2022
Report Subject	Revenue Budget Monitoring Report 2022/23 (Month 4)
Cabinet Member	Cabinet Member for Finance, Inclusion, Resilient Communities including 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 at that time the potential variations to budget identified by Portfolios equated to a minimum net additional expenditure requirement of around £0.300m.

This report provides the first detailed overview of the budget monitoring position for the 2022/23 financial year.

The projected year end position is as follows:

Council Fund

- An operating deficit of £0.285m (excluding the impact of the pay award which will need to be met by reserves)
- A projected contingency reserve available balance as at 31 March 2023 of £6.911m (before the impact of final pay awards)

Housing Revenue Account

- Net in-year revenue expenditure forecast to be £0.188m higher than budget
- A projected closing balance as at 31st March, 2023 of £6.287m

Hardship Funding from Welsh Government helped secure £16m of direct financial help last year, and we continue to claim payments in 2022/23 for Self-isolation and Statutory Sick Pay Enhancement, along with Free School Meals direct payments.

A brought forward amount of £2.066m remains available from the original £3m emergency ring-fenced fund. The 2022/23 budget approved in February included a further top up of £3.250m to this Reserve to provide a prudent safeguard against any ongoing impacts of the pandemic. Early indications are that whilst the risks due to COVID-19 has diminished considerably, the inflationary risk has increased.

The position will be monitored closely over the coming months and any impacts reflected in future reports.

RECOMMENDATIONS

1	To note the report and the estimated financial impact on the 2022/23 budget.
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REPORT DETAILS

1.00	EXPLAINING THE REVENUE BUDGET MONITORING 2022/23																																		
1.01	<p>An interim budget monitoring report was presented to Cabinet in July. Based on high level assumptions at that time the potential variations to budget identified by Portfolios equated to a minimum net additional expenditure requirement of £0.300m. The report provides the first detailed overview of the budget monitoring position for the 2022/23 financial year.</p> <p>The projected year end position is as follows:</p> <ul style="list-style-type: none"> An operating deficit of £0.285m (excluding the impact of the pay award which will need to be met by reserves) A projected contingency reserve available balance as at 31 March 2023 of £6.911m (before the impact of pay awards) 																																		
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1.03	<p>Table 1. Projected Position by Portfolio</p> <p>The table below shows the projected position by portfolio:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Portfolio/Service Area</th> <th style="text-align: center;">Approved Budget</th> <th style="text-align: center;">Projected Outturn</th> <th style="text-align: center;">In-Year Over / (Under) spend</th> </tr> <tr> <th></th> <th style="text-align: center;">£m</th> <th style="text-align: center;">£m</th> <th style="text-align: center;">£m</th> </tr> </thead> <tbody> <tr> <td>Social Services</td> <td style="text-align: right;">77.969</td> <td style="text-align: right;">78.292</td> <td style="text-align: right;">0.323</td> </tr> <tr> <td>Out of County Placements</td> <td style="text-align: right;">15.101</td> <td style="text-align: right;">15.926</td> <td style="text-align: right;">0.825</td> </tr> <tr> <td>Education & Youth</td> <td style="text-align: right;">9.935</td> <td style="text-align: right;">9.644</td> <td style="text-align: right;">(0.290)</td> </tr> <tr> <td>Schools</td> <td style="text-align: right;">108.420</td> <td style="text-align: right;">108.420</td> <td style="text-align: right;">0.000</td> </tr> <tr> <td>Streetscene & Transportation</td> <td style="text-align: right;">38.466</td> <td style="text-align: right;">39.531</td> <td style="text-align: right;">1.064</td> </tr> <tr> <td>Planning Env & Economy</td> <td style="text-align: right;">6.797</td> <td style="text-align: right;">6.561</td> <td style="text-align: right;">(0.236)</td> </tr> </tbody> </table>			Portfolio/Service Area	Approved Budget	Projected Outturn	In-Year Over / (Under) spend		£m	£m	£m	Social Services	77.969	78.292	0.323	Out of County Placements	15.101	15.926	0.825	Education & Youth	9.935	9.644	(0.290)	Schools	108.420	108.420	0.000	Streetscene & Transportation	38.466	39.531	1.064	Planning Env & Economy	6.797	6.561	(0.236)
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People & Resources	4.324	4.164	(0.160)
Governance	10.772	10.442	(0.330)
Strategic Programmes	6.116	6.096	(0.020)
Assets	0.312	0.266	(0.046)
Housing & Communities	14.662	14.145	(0.518)
Chief Executive	2.256	2.186	(0.071)
Central & Corporate Finance	31.552	31.295	(0.256)
Total	326.682	326.967	0.285

1.04 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

1.05 Social Services £0.323m

Localities (£0.612m)

Based on current activity (including Direct Payments) the commissioned Older People's domiciliary service is projected to underspend by (£0.747m).

The Residential Care budget is projected to overspend by £0.286m due to the current cost of placements net of income such as Free Nursing Care, Regional Integration Fund (RIF) funding and property income.

There is a projected underspend of (£0.020m) on the Minor Adaptations budget due to a reduction of in-year activity. The Localities staffing budget is projected to underspend by (£0.056m) taking into account current grades and anticipated recharges.

Day Care is expected to underspend by (£0.033m) and the Sensory SLA (Service Level Agreement) will be (£0.042m) underspent.

Resources & Regulated Services £0.249m

In-House residential care is projected to overspend by £0.286m due to staff and running costs. In-house homecare is estimated to underspend by (£0.003m), Extra Care by (£0.005m) and Day Care by (£0.029m). Built into projections is an assumption that we will receive £0.185m Winter Pressures funding from Welsh Government.

Mental Health Services £0.353m

The projection is based on the net costs of current commissioned care packages within the Mental Health service.

Children's Services Family Support £0.139m

Due to the current levels of activity there is a potential overspend of £0.139m within this service area.

	<p><u>Children's Services Legal & Third Party £0.516m</u></p> <p>There is a projected overspend on legal costs of £0.281m due to the number of cases going through the courts and the use of external legal professionals. Continuing high demand for Direct Payments is resulting in a £0.235m overspend.</p> <p><u>Children's Services Residential (£0.406m)</u></p> <p>The in-year opening of Children's Residential care facilities will result in some budget slippage in the first year of opening. In addition, some non-recurring grant funding has been made available to offset start-up costs.</p> <p><u>Children's Services Professional Support £0.178m</u></p> <p>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 minimised and additional temporary posts are sometimes required to be able to meet the challenges and demands of Children's Services. There is an assumption within the projected outturn that Welsh Government will allow for flexible use of Children's Services grants of £0.615m which will allow for most cost pressures to be offset.</p> <p><u>Liberty Protection Safeguards (LPS) (£0.210m)</u></p> <p>Welsh Government are continuing to consult with Local Government and partner organisations around the implementation of the updated Liberty Protection Safeguards. This has resulted in anticipated costs being delayed and there is therefore likely to be an in-year underspend position.</p>
1.06	<p>Out of County Placements £0.825m</p> <ul style="list-style-type: none"> • Children's Services £1.189m • Education & Youth (£0.364m) <p>Continued high demand for support for children and young people that cannot be met from in house provision. There have been 40 new placements in the first four months, some of which are high cost residential placements for young people with high levels of need.</p>
1.07	<p>Education & Youth (£0.290m)</p> <p>The Early Entitlement service is projecting a surplus balance of (£0.132m) but this is still subject to change due to the confirmation of Education Improvement and Pupil Deprivation grants. The Council has, however, received notification of top-up funding so this uncertainty is mitigated.</p> <p>Pupil numbers are a primary factor within the service area, so is volatile in terms of outturn increasing/decreasing throughout the year.</p> <p>Cumulative minor variances across the Portfolio in Inclusion & Progression, Youth Justice, Business Change & Support, School Planning & Provision and Archives of under (£0.050m) for each account for the remainder of (£0.158m).</p>

1.08	<p>Streetscene & Transportation £1.064m</p> <ul style="list-style-type: none"> • Service Delivery £0.247m – 1) a recurring pressure of £0.100m for security costs due to vandalism at Household Recycling Centres (HRCs) 2) a shortfall of £0.070m in Street-lighting income from Town/Community Council's and 3) high sickness levels £0.080m • Highways Network £0.487m – rising fuel costs in Fleet of over £0.400m and £0.050m pressure for increased weed spraying. • Transportation £0.164m - increased costs and rising fuel prices incorporated in the provision of key service routes e.g. Bus Service 5, following the re-procurement exercise in 2021 which is in part mitigated by the utilisation of Bus Emergency Scheme (BES) Funding. • Impact of COVID-19 £0.190m – COVID-19 sickness levels have increased workforce costs and additional contractors providing traffic management and training to the workforce. These costs are subject to an internal claim against the COVID-19 Emergency Reserve. <p>Minor variances across the Portfolio account for the remainder (£0.024m).</p>
1.09	<p>Planning, Environment & Economy (£0.236m)</p> <p>The favourable variance in the main results from projected Planning Fee income levels following receipt of a 'one off' large planning application fee (£0.300m) in the first Quarter of the financial year within Development Management.</p> <p>The remainder of the variance results from:</p> <ul style="list-style-type: none"> • savings from Vacant Posts across the Land Drainage Service (£0.080m) • fee income shortfalls in Licensing, Pest Control and Building Control £0.093m. <p>Cumulative minor variances account for the remainder of £0.051m.</p>
1.10	<p>Governance (£0.330m)</p> <ul style="list-style-type: none"> • Democratic Services (£0.089m) – new rate of Allowance not implemented until May with lower than anticipated uptake of allowances • Customer Services (£0.116m) – savings from vacant posts and higher than anticipated level of fee income • Revenues (£0.113m) – potential surplus on the Council Tax Collection Fund <p>Minor variances across the Portfolio account for the remainder (£0.012m).</p>
1.11	<p>Assets (£0.046m)</p> <p>Variance results from projected underspend on caretaking and security salaries due to vacancy savings (£0.082m).</p>

	<p>Minor variances across the Service account for the remainder of £0.036m.</p>
1.12	<p>Housing & Communities (£0.518m)</p> <p><u>Benefits (£0.350m)</u> Projected underspend on the Council Tax Reduction Scheme (CTRS) of £0.640m offset by pressures relating to recovery of overpayments and subsequent increase to the Bad Debt Provision together with a shortfall against the income target, which has previously been compensated by the WG COVID-19 Hardship Fund.</p> <p><u>Housing Solutions (£0.163m)</u> Savings on salaries due to vacancies and ongoing recruitment challenges</p> <p>Minor variances across the Service account for the remainder of (£0.005m).</p>
1.13	<p>Corporate Services</p> <p><u>Chief Executive's (£0.071m)</u> A saving of £0.071m is forecast based mainly on projected vacancy savings.</p> <p><u>People & Resources (£0.160m)</u></p> <ul style="list-style-type: none"> • Human Resources & Organisational Design (£0.133m) - staff vacancies based within the Occupational Health Service (£0.148m). Minor variances across the Service account for the remainder of £0.015m. • Corporate Finance (£0.027m) – savings from vacant posts.
1.14	<p>Central & Corporate Finance (£0.256m)</p> <p>Underspend of employer pension contributions based on the current level of contributions received during the year (£0.335m) mitigated by current shortfall in the Windfall Income Target of £0.098m.</p> <p>Minor variances account for the remainder of (£0.019m).</p>
1.15	<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>
1.16	<p>Council Tax Income</p> <p>In 2021/22 the Council achieved an 'in-year' collection level of 97.73% - the second highest collection rate in Wales.</p> <p>For 2022/23 up to July, the 'in-year' collection level is 38.42%, compared to 38.58% in the previous year. The marginal fall in collection levels is mainly due to resources being diverted to administering the Cost of Living Support Scheme as well as the impact on households more generally of rising costs-of-living.</p>

1.17	<p>Pay Award (Teacher and Non-Teacher)</p> <p>National negotiations have commenced between Employers and Trade Unions. The Council has provided for an uplift of 3.5% for Teaching and Non-Teaching staff – any increase above this level would require the Council to utilise reserves to fund the difference in the current financial year and would add to the additional budget requirement for 2023/24.</p> <p>The current pay offer for teachers is 5% and there is an offer from the National employers for NJC employees of £1,925 on all spinal column points. This equates to an increase of 2.54% on the highest scale point to 10.5% on the lowest point.</p> <p>The impact on 2022/23 is as follows: Teachers pay - in year impact of an additional £0.674m for the period September to March (full year effect 2023/24 of £1.144m) over and above the budgeted level of 3.5%.</p> <p>NJC pay - in year impact of an additional £4.594m (Schools £1.637m and non-schools £2.957m) over and above the budgeted level of 3.5%.</p> <p>Additional amount needing to be met from reserves in 2022/23 based on the above is £5.268m.</p> <p>The above will also impact on the MTFs with the full year impact of the teachers' pay award increasing the impact for 2023/24 to £5.738m.</p> <p>The above pay offers are subject to agreement and out for consultation with the Trade Unions.</p>
1.18	<p>Other Tracked Risks</p> <p>In addition, there are a number of risks being tracked which may be subject to change and these are summarised below.</p>
1.19	<p>Medium Term Financial Strategy (MTFS) Impact</p> <p>Cabinet considered the latest projection for the MTFs in July which showed an additional budget requirement of £16.503m. Further work is ongoing to consider emerging issues from increasing service pressures, the latest position on pay awards and revisions to reflect the impact on energy and fuel inflation which remains subject to constant change due to market volatility.</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> <p>An update on the budget forecast for 2023/24 is also included on this agenda.</p>

1.20	<p>Out of County Placements</p> <p>The risks include continued high demand for placements where children and young people cannot be supported within in-house provision, and market supply limitation factors and inflationary pressures leading to higher placement costs.</p> <p>There is a projected overspend for the current cohort of placements of circa £0.825m, although with 8 months of the year remaining this is likely to increase and a contingency of £0.300m is currently built into the outturn position for this with £0.250m in for Children’s Services and £0.050m for Education placements.</p> <p>The service areas within this pooled budget will continue to do everything possible to manage these risks and additional investment has already been made to further develop in-house provision to help to mitigate against such financial pressures.</p>
1.21	<p>Benefits</p> <p>Council Tax Reduction Scheme (CTRS) – Based on current demand, costs are currently projected to be £0.640m below budget, although this will be monitored closely throughout the year due to the potential for growth.</p> <p>There is continued high demand across the whole of the Benefits service which is expected to remain the case for the foreseeable future. Although some WG Hardship Fund support continues up to the end of September in respect of Self-Isolation payments, other funding support received in the past two years for additional staffing costs has now ceased.</p> <p>The increased staffing levels are still required and those costs are now being met in full from the additional funding of £0.300m previously approved to provide the service with the additional flexibility needed to adapt to and meet the sustained increase in customer demand.</p>
1.22	<p>Homelessness</p> <p>The risk is a consequence of the cessation of funding support from the Welsh Government COVID-19 Hardship Fund at the end of 2021/22.</p> <p>Although, there is continued support via the new Homelessness – No One Left Out grant this still falls well below the amount of support we received via the Hardship Fund in 2020/21 and 2021/22.</p> <p>Although it has been possible to contain some of the expected pressure through prepaid accommodation to the end of September 2022, which has been funded by the COVID-19 Hardship Fund, the expected continued high demand for temporary accommodation including short term Bed & Breakfast provision will continue to present significant challenges.</p> <p>We continue to strategically use increased allocations of Housing Support Grant working with external partners, but there remains a risk that the costs of statutory provision of support for Homelessness may exceed existing funding provision from base budget and available grant funding.</p>

1.23	<p>Achievement of Planned In-Year Efficiencies</p> <p>The 2022/23 budget contains £1.341m of specific efficiencies which are tracked and monitored throughout the year. The Council aims to achieve a 95% rate in 2022/23 as reflected in the MTFs KPI's and fully achieved all efficiencies in the previous financial year</p> <p>It is projected that all efficiencies will be achieved in 2022/23 and further details can be seen in Appendix 2.</p>
1.24	<p>Unearmarked Reserves</p> <p>The final level of Council Fund Contingency Reserve brought forward into 2022/23 was £7.098m as detailed in the 2021/22 outturn report (subject to Audit). In addition, the Council has set-aside a further £3.250m to the carried forward £2.066m COVID-19 Emergency Reserve as a safeguard against the continuing impacts of the pandemic (additional costs and lost income).</p> <p>Internal claims for Quarter 1 have been made in 2022/23 and awaiting authorisation relating to additional costs in Schools and Streetscene & Transportation and for income losses within AURA.</p> <p>A projected contingency reserve available balance as at 31 March 2023 is anticipated of £6.911m (before the impact of final pay awards).</p>
1.25	<p>Earmarked Reserves</p> <p>A summary of earmarked reserves as at 1 April 2022 and an estimate of projected balances as at the end of the financial year will be included in the month 5 report.</p>
1.26	<p>Housing Revenue Account</p> <p>The 2021/22 Outturn Report to Cabinet on 12 July 2022 showed an un-earmarked closing balance at the end of 2021/22 of £3.616m and a closing balance of earmarked reserves of £1.622m.</p>
1.27	<p>The 2022/23 budget for the HRA is £38.119m which includes a movement of £2.858m to reserves.</p>
1.28	<p>The monitoring for the HRA is projecting in year expenditure to be £0.188m higher than budget and a closing un-earmarked balance as at 31 March 2023 of £6.287m, which at 17.9% of total expenditure satisfies the prudent approach of ensuring a minimum level of 3%. Appendix 4 attached refers.</p>
1.29	<p>The budget contribution towards capital expenditure (CERA) is £10.898m.</p>

2.00	RESOURCE IMPLICATIONS
2.01	As set out within the report.

3.00	IMPACT ASSESSMENT AND RISK MANAGEMENT
3.01	The financial impacts 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.

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	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. Council Fund: the fund to which all the Council’s revenue expenditure is charged. Financial Year: the period of twelve months commencing on 1 April. 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.

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.