

CABINET

Date of Meeting	Tuesday 18 th October, 2022
Report Subject	Revenue Budget Monitoring Report 2022/23 (Month 5)
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

This monthly report provides the latest detailed overview of the budget monitoring position in 2022/23 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 deficit of £0.680m (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 £7.724m (before the impact of final pay awards)

Housing Revenue Account

- Net in-year revenue expenditure forecast to be £3.308m higher than budget
- A projected closing balance as at 31st March, 2023 of £3.166m

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

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>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 deficit of £0.680m (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 £7.724m (before the impact of pay awards) <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>
1.02	Hardship Funding from Welsh Government helped secure over £16m direct financial help last year and we have continued to claim payments in 2022/23 for Self-isolation and Statutory Sick Pay Enhancement, along with Free School Meals direct payments within their eligible periods.

1.03 **Table 1. Projected Position by Portfolio**

The table below shows the projected position by portfolio:

Portfolio/Service Area	Approved Budget	Projected Outturn	In-Year Over / (Under) spend
	£m	£m	£m
Social Services	77.969	78.447	0.478
Out of County Placements	15.101	16.112	1.011
Education & Youth	9.935	9.590	(0.344)
Schools	108.420	108.420	0.000
Streetscene & Transportation	38.466	39.562	1.096
Planning Env & Economy	6.797	6.188	(0.610)
People & Resources	4.324	4.270	(0.055)
Governance	10.772	10.396	(0.376)
Strategic Programmes	6.116	6.108	(0.009)
Assets	0.312	0.293	(0.019)
Community Housing & Poverty	14.662	14.448	(0.215)
Chief Executive	2.256	2.187	(0.069)
Central & Corporate Finance	31.552	31.343	(0.209)
Total	326.682	327.362	0.680

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 Movements from Month 4

1.05 **Social Services £0.155m**

Resources & Regulated Services £0.077m

In-House residential care costs Older People Services have reduced by (£0.031m) whereas in Adult of Working Age there is an adverse movement of £0.104m resulting from changes to Care Packages and increased staff costs.

Children's Services Professional Support £0.072m

Additional staff costs to support adequate levels of child protection service pressures.

	Minor variances across the Portfolio account for the remainder of the movement totalling £0.006m.
1.06	<p>Out of County Placements £0.186m</p> <ul style="list-style-type: none"> • Children’s Services £0.211m • Education & Youth (£0.025m) <p>The movement is in the main due to one new high cost residential placement in Children’s Services mitigated by an increase in income recharges from placements to Flintshire schools in Education and Youth.</p>
1.07	<p>Education & Youth (£0.054m)</p> <p>Minor movements across the Portfolio</p>
1.08	<p>Streetscene & Transportation £0.032m</p> <p>The adverse movement relates to :</p> <ul style="list-style-type: none"> • Transportation £0.198m - increased costs in the provision of additional key service routes equating to £270 per day from re-procurement and additional statutory provision. • Impact of COVID-19 (£0.190m) – COVID-19 costs agreed to be funded from the COVID-19 Emergency Reserve. <p>Minor variances across the Portfolio account for the remainder £0.024m.</p>
1.09	<p>Planning, Environment & Economy (£0.374m)</p> <p>The favourable movement follows :</p> <ul style="list-style-type: none"> • An increase to projected Planning Fee income outturn following receipt of a further ‘one off’ large planning application fee (£0.300m) in the second quarter of the financial year within Development Management. • Vacant post within the Business Service (£0.035m) and receipt of Rent Smart Grant (£0.010m) not previously projected. <p>Cumulative minor variances account for the remainder of (£0.029m).</p>
1.10	<p>Governance (£0.046m)</p> <ul style="list-style-type: none"> • Revenues (£0.025m) – increase to potential surplus on the Council Tax Collection Fund <p>Minor variances across the Portfolio account for the remainder (£0.021m).</p>
1.11	<p>Housing & Communities £0.303m</p> <p><u>Benefits £0.130m</u> Reduction in the projected underspend on the Council Tax Reduction Scheme (CTRS) of £0.039m, increased expenditure on Discretionary</p>

	<p>Housing Payments (DHPs) and an increase to the pressure relating to recovery of overpayments £0.024m.</p> <p><u>Housing Solutions £0.163m</u> Increased demand for temporary accommodation for Homelessness.</p> <p>Minor variances across the Service account for the remainder of £0.010m.</p>
1.12	<p>Corporate Services</p> <p><u>People & Resources £0.106m</u></p> <ul style="list-style-type: none"> • £0.055m – initial charge incurred as a result of entering into a new contract with MHR Global for payroll services. • Successful recruitment to Occupational Health Nurse £0.041m <p>Minor variances across the Service account for the remainder of £0.010m.</p>
1.13	<p>Central & Corporate Finance £0.048m</p> <p>Movement relates to IFRS 9 accounting adjustments for soft loan mitigation of £0.053m.</p> <p>Minor variances account for the remainder of (£0.005m).</p>
1.14	<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>
1.15	<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 August, the ‘in-year’ collection level is 47.60%, compared to 47.75% 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>
1.16	<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:</p> <p>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>
1.17	<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>
1.18	<p>Medium Term Financial Strategy (MTFS) Impact</p> <p>Cabinet considered the latest projection for the MTFs in September which showed an increase in the additional budget requirement to £24.348m. The forecast includes the latest position on pay awards, which are still subject to agreement and revisions to forecasts for 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>
1.19	<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 £1.011m, although with 7 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>

1.20	<p>Benefits</p> <p>Council Tax Reduction Scheme (CTRS) – Based on current demand, costs are currently projected to be £0.609m 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. There is a significant pressure on recovery of overpayments which is a combination of a shortfall of recovery against the level of income target budget which is partly influenced by lower number of overpayments occurring, and also the need to increase the bad debt provision on historic debt. There is also a small pressure on Discretionary Housing Payments for which the Council receives an allocation from the DWP.</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>
1.21	<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>
1.22	<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 3.</p>
1.23	<p>Earmarked Reserves</p> <p>A detailed review of earmarked reserves has been undertaken over the summer and an amount of £1.208m has been identified for release to the</p>

Contingency Reserve which will provide an additional safeguard against some of the financial risks across the Council.

The table below provides a summary of earmarked reserves as at 1 April 2022 and an estimate of projected balances as at the end of the current financial year.

Council Fund Earmarked Reserves 2022/23

Monitoring Summary Month 5

Reserve Type	Balance as at 01/04/22	Balance as at Month 5	Estimated Balance as at 31/03/23	Release to General Reserve
Service Balances	4,697,596	3,474,711	1,402,499	226,000
Workforce Costs	877,786	877,786	854,567	0
Investment in Organisational Change	1,617,975	1,617,975	1,102,846	0
County Elections	291,851	291,851	235,913	0
Local Development Plan (LDP)	242,360	242,360	242,360	0
Warm Homes Admin Fee	297,925	297,925	202,068	0
Waste Disposal	48,771	48,771	40,638	0
Design Fees	250,000	250,000	125,000	0
Winter Maintenance	250,000	250,000	250,000	0
Severe Weather	250,000	250,000	119,550	0
Car Parking	45,403	45,403	0	0
Insurance Reserves	2,135,817	2,135,817	2,350,000	0
Cheque Book Schools	3,814	3,814	0	3,814
School HWB ICT Replacement	263,223	263,223	263,223	0
Free School Meals	115,522	115,522	0	0
Flintshire Trainees	696,631	696,631	612,843	0
Rent Income Shortfall	12,779	12,779	0	0
Plas Derwen Wave 4	1,780	1,780	1,780	0
Customer Service Strategy	22,468	22,468	0	0
Supervision Fees	48,798	48,798	48,798	0
ICT Servers Reserve	85,000	85,000	0	0
IT Infrastructure HWB	327,442	312,442	0	0
Schools Intervention Reserve	491,133	491,133	231,540	0
Organisational Change/ADM	274,154	274,154	240,654	0
NWEAB	210,644	210,644	210,644	0
Employment Claims	109,846	109,846	109,846	0
Community Benefit Fund	450,653	450,653	229,792	0
NWRWTP				
Total B823 Balances	9,421,775	9,406,775	7,472,062	3,814
Schools Balances	12,291,688	12,291,688	5,100,000	0
Inflation/Budget Risk (additional RSG)	2,432,022	2,432,022	2,432,022	

Social Care (additional RSG)	400,000	400,000	400,000	
Grants & Contributions	7,944,134	6,417,730	3,722,245	977,758
TOTAL	37,187,216	34,422,927	20,528,828	1,207,572

The release to reserves as shown above increases the Contingency Reserve by £1.208m to £7.724m.

1.24 **Unearmarked Reserves**

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).

Internal claims for Quarter 1 have been made in 2022/23 relating to additional costs in Schools, Streetscene & Transportation and for income losses within AURA.

After taking into account the transfer from earmarked reserves of £1.208m a projected contingency reserve available balance as at 31 March 2023 is anticipated of £7.724m (before the impact of final pay awards – currently estimated at £5.268m).

1.25 **Housing Revenue Account**

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.

1.26 The 2022/23 budget for the HRA is £38.119m which includes a movement of £2.858m to reserves.

1.27 The monitoring for the HRA is projecting in year expenditure to be £3.308m higher than budget and a closing un-earmarked balance as at 31 March 2023 of £3.166m, which at 8.29% of total expenditure satisfies the prudent approach of ensuring a minimum level of 3%. Appendix 4 attached refers.

1.28 Significant movement of £3.121m at month 5 results from :

- Contribution to meet the additional Capital Works that are due to be undertaken in year £2.857m
- Increase in salaries cost across Services £0.118m
- Increase in projected cost of insurance claims £0.163m
- Mitigated by savings in respect in reduced projection in court costs (£0.027m)

Minor variances account for the remainder £0.010m

1.29 The budget contribution towards capital expenditure (CERA) is £10.898m with the actual contribution projected to be £13.755m at outturn.

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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 – Movement in Variances from Month 4 Appendix 2: Council Fund – Budget Variances Appendix 3: Council Fund – Programme of Efficiencies Appendix 4: Council Fund – Movement on Un-earmarked Reserves Appendix 5: 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.