

CABINET

Date of Meeting	Tuesday, 16th March 2021
Report Subject	Revenue Budget Monitoring Report 2020/21 (Month 10)
Cabinet Member	Cabinet Member for Finance
Report Author	Corporate Finance Manager
Type of Report	Operational

EXECUTIVE SUMMARY

This monthly report provides the latest detailed revenue budget monitoring position 2020/21 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 10. This report projects how the budget would stand at the close of the financial year if all things remain unchanged; it also takes into account the latest position on Welsh Government Emergency Grant Funding announcements.

The projected year end position, 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 £0.924m (excluding the impact of the pay award which will be met by reserves), which is a favourable movement of £0.552m from the surplus figure of £0.372m reported at Month 9.
- The operating surplus of £0.924m equates to 0.3% of the Approved Budget, which is within the target MTFS KPI for a variance against budget of 0.5%.
- A projected contingency reserve balance as at 31st March, 2021 of £2.339m

The improved position has predominantly arisen from a detailed review of the risks included within the Streetscene and Transportation portfolio as a consequence of the pandemic in conjunction with confirmation of further funding from the Welsh Government Hardship Fund.

Housing Revenue Account

- Net in-year revenue expenditure forecast to be £1.642m lower than budget
- A projected closing balance as at 31st March, 2021 of £3.815m

As reported in previous reports and to assist with mitigating the overall projected overspend the following measures were introduced from Month 5:-

- 1) All non-essential spend be reviewed and challenged with a view to ceasing/delaying where able and
- 2) Further Portfolio Management Team challenge of recruitment to vacancies i.e. ceasing/delaying.

RECOMMENDATIONS

1	To note the overall report and the projected Council Fund contingency sum as at 31 st March 2021.
2	To note the projected final level of balances on the Housing Revenue Account (HRA).
3	To approve the carry forward requests included in paragraph 1.18.

REPORT DETAILS

1.00	EXPLAINING THE MONTH 10 POSITION
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 £0.924m (excluding the impact of the pay award which will be met by reserves) • A projected contingency reserve available balance as at 31 March 2021 of £2.339m. <p>To assist with mitigating a previously reported projected overspend the following measures have been introduced:-</p> <ol style="list-style-type: none"> 1) All non-essential spend is being reviewed and challenged with a view to ceasing/delaying where able and 2) Introduction of a vacancy management process to consider new recruitment requests <p>The outcome of this work is shown within the report and will continue as part of the robust challenge of the future monthly monitoring position.</p>

1.02

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	68.463	68.468	0.005
Out of County Placements	11.940	12.568	0.627
Education & Youth	8.766	8.142	(0.624)
Schools	98.732	98.732	0.000
Streetscene & Transportation	30.650	31.045	0.395
Planning & Environment	5.762	6.088	0.326
People & Resources	4.491	4.328	(0.163)
Governance	9.193	9.034	(0.159)
Strategic Programmes	4.943	4.676	(0.266)
Housing & Assets	16.149	15.431	(0.718)
Chief Executive	2.750	2.427	(0.322)
Central & Corporate Finance	24.147	24.123	(0.024)
Total	285.986	285.062	(0.924)

1.03

The reasons for the favourable net movement of £0.552m 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.

Within the projected underspend position of £0.924m, there are net COVID-19 related pressures totalling £0.353m which are shown in a separate column in Appendix 2 (cost savings of £0.525m, cost pressures of £0.228m and income shortfalls of £0.650m). We will continue to look at legitimate funding opportunities from the Welsh Government Hardship Fund which if confirmed will have a positive impact on the overall position.

Significant Movement from Month 9

1.04

Social Services (£0.158m)

The expected contribution from Betsi Cadwaladr Health Board towards joint funded care packages is less than originally anticipated. Negotiations are still on-going but it is expected that the contribution received will be £0.133m less than previously forecast.

This is mitigated by a number of factors :

- Reduction in Homecare and Extra Care Staffing costs (£0.048m)
- Decrease in care package costs across Disability Services and Mental Health Services (£0.115m)
- Reduced expenditure within some Children's Services Grants allowing eligible costs to be moved from base budget funding to grant funding (£0.131m)

Streetscene & Transportation (£0.401m)

There has been a reduction in Covid-19 commitments following a review of outstanding costs and risks, together with an updated position on the outstanding Hardship claims with Welsh Government, including car park income, contractor payments and additional vehicle costs (£0.415m).

Governance (£0.078m)

Part of the positive movement relates to a recharge of staff costs within Legal Services (£0.022m).

The remaining positive movement is across the Portfolio and relates to minor movements each below £0.015m.

Central and Corporate Finance £0.120m

The adverse movement follows a follow-up review of the Corporate Bad Debt Provision by increasing the contribution by a further £0.150m to meet outstanding debt risk, which is partly mitigated by a one off benefit of Matrix Agency rebates received totaling £0.030m.

1.05

Emergency Funding Announcements

As part of the Welsh Government third supplementary budget on 16 February, the following additional funding streams were agreed for the Hardship Fund:

Free School Meals (£7.5m)

To cover the period between half term and Easter as majority of pupils will still be out of school.

Unachieved Savings (£25m)

As a contribution to the pressure of planned savings not being achieved. This funding will be distributed on the RSG formula as all authorities are in different places in terms of which year savings have been planned and what has been achieved.

Digital transformation (£25m)

As a contribution to the pressure that digital transformation has put on authorities, especially as many plans have had to be brought forward. Again this funding will be distributed on the RSG formula as all authorities were at different stages.

Further details are awaited and the impact will be reported in future budget monitoring reports. Wherever possible, these additional funds will be aligned to expenditure to enable the build-up of reserves.

1.06	<p>Key Financial Risks – Council Tax Income and Council Tax Reduction Scheme</p> <p>There have been significant impacts on Council Tax income and the Council Tax Reduction Scheme.</p> <p>The potential financial impact of these two areas is being reported separately due to 1) the difficulties in predicting the impacts of these risks and 2) the potential for these areas to be further supported by additional Welsh Government funding.</p> <p>An update on the latest position on each area is detailed below.</p>
1.07	<p>Council Tax Income</p> <p>As with all Councils the pandemic has significantly impacted on council tax collection. At this stage council tax income is 1.1% below target which equates to £1.1m. Income is recovering slower than anticipated, but is expected to recover over time now that recovery processes have resumed in full and when agreed payment deferrals are settled. Welsh Government have recently announced financial support of £22.6m across Wales as a contribution towards these potential losses. As a result of this, the Council has received an additional £1.051m from the Welsh Government COVID Hardship Fund Council Tax Collection which has been set aside in a provision to safeguard against potential future bad debts arising from the current shortfall.</p>
1.08	<p>Council Tax Reduction Scheme (CTRS)</p> <p>During the early stages of the pandemic there was a significant increase in demand with additional costs of £0.294m identified. Welsh Government have recently confirmed funding is available to meet the additional costs in full which closes the risk for the current financial year.</p>
1.09	<p>OPEN RISKS</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>Pay Award</p> <p>The Teachers Pay Award which is effective from September 2020 has been set at 3.1% and the financial impact of this for 2020/21 is estimated to be £0.535m. Welsh Government have previously announced grant funding of £0.200m to part fund this increase. The remainder will need to be met from Schools delegated budgets.</p>
1.11	<p>Charging for Post 16 Transport</p>

	<p>The budget for 2020/21 provides for expected additional income of £0.449m based on the assumption that charging would be introduced from September 2020. This policy decision was reversed by Cabinet in May.</p> <p>The developing financial solution through effective partnership working with Coleg Cambria will assist with mitigating the financial risk for 2020/21. An agreement has been reached with the college that a level of the anticipated value of the journeys would be reimbursed to the Portfolio and that is now reflected in the projected outturn.</p>
1.12	<p>Out of County Placements</p> <p>Additional funding of £2.7m was included in the budget for 2020/21 to address the historic significant increase in demand. At this stage, based on current activity there is an overall net projected overspend of £0.627m (underspend of £0.151m within Education together with an overspend of £0.778m within Children's Services). The impact of this increase in demand has been considered as part of the budget considerations for 2021/22 and additional provision of £0.750m provided.</p>
1.13	<p>ADDITIONAL RISKS</p> <p>Free School Meals (FSM)</p> <p>Schools have a delegated budget for free school meals which is based on the number of pupils eligible. The budget for 2020/21 is £1.256m. Following the closure of schools in March 2020, the Council made direct payments to families and there was a marked increase in the number of claims. However, based on updated free school meal claims and making projections for a range of take-up percentages in the remainder of the year, this is now estimated to be within budget, but will be closely monitored for February and March.</p>
1.14	<p>Severe Weather / Flood Risks</p> <p>The recent severe weather in January has impacted a number of services across the Council. As a result, there are likely to be significant costs being incurred, having both Revenue and Capital implications.</p> <p>Welsh Government have confirmed that the Emergency Financial Assistance Scheme (EFAS) threshold will not apply for the costs incurred.</p> <p>Revenue costs are being claimed through the Welsh Government Hardship Fund with the Council required to meet the first £0.030m. Discussions on some of the capital impacts are still ongoing and the outcome will be reported in future Capital reports.</p>
1.15	<p>Achievement of Planned In-Year Efficiencies</p> <p>The 2020/21 budget contains £5.206m of specific efficiencies which are being tracked and monitored. The Council aims to achieve a 95% rate in 2020/21 as reflected in the MTFs KPI's.</p>

	<p>The current assessment of the efficiencies to be achieved in 2020/21 reports that £5.357m or 100% of the efficiencies will be achieved. This includes an over recovery of £0.151m on Discretionary Transport Review – Post 16 Transport. As we are entitled to the funding even if we achieve the 100% internal efficiency target, the benefit of the increase is reflected within the Streetscene and Transportation monitoring position.</p> <p>Further details on the current status on efficiencies can be seen in Appendix 3, with the overall impact in relation to any impact for 2021/22 being reviewed as part of the ongoing work on the MTFs.</p>
1.16	<p>Reserves and Balances</p> <p>Un-earmarked Reserves</p> <p>The level of Council Fund Contingency Reserve brought forward into 2020/21 was £2.370m as detailed in the 2019/20 outturn report. This is the amount available for general purposes following the set-aside of £3.0m for Emergency Funding.</p>
1.17	<p>Taking into account the above and, the current projected underspend at this stage, and previously agreed allocations, the balance on the Contingency Reserve at 31 March 2021 is projected to be £2.339m as detailed in Appendix 4.</p> <p>This assumes that the projected underspend of £0.924m increases the overall Reserve.</p> <p>The £3m emergency ring-fenced fund would have an amount of £2.375m remaining after allowing for currently known ineligible items, However, there are a number of holding items and some Income Loss claims still being considered by the Grants Panel. Therefore, it is estimated that the final amount remaining will be in the range £1.5m to £2m.</p>
1.18	<p>Request for Carry Forward of Funding</p> <p><u>Governance – Revenues</u></p> <p>During various points in 2020/21 we have received a number of WG administration grants to support the Business Grants work. Resources have been diverted over the past eleven months from several areas in the Revenues service to support this emergency response work, much to the cost of other work in the service, including planned tax base reviews of discounts, exemptions and other vital debt recovery work.</p> <p>While a proportion of the administration grants has been used to fund additional overtime costs to support the Business Grant work, there remains a significant amount of ‘catch up’ work to undertake in 2021/22, especially as resources are diverted back to mainstream Revenues work in Quarter 1 of 2021/22 to improve income streams and collection levels. The request for a carry forward balance of £0.173m promotes the Finance recovery objective of recovering income/debt over time.</p>

	<p><u>Governance – Internal Audit</u></p> <p>Due to the pandemic some key resources have been re-directed to supporting work on other priorities such as the introduction of a temporary hospital and Test, Track and Protect. This has resulted in the re-tender of Audit Software being delayed.</p> <p>The re-tender process has now started and the new system will be implemented during 2021/22. It is requested that £0.046m be carried forward into the 2021/22 financial year.</p>
1.19	<p>Housing Revenue Account</p> <p>The 2019/20 Outturn Report to Cabinet on 16 June 2020 showed an un-earmarked closing balance at the end of 2019/20 of £2.009m and a closing balance of earmarked reserves of £0.437m.</p>
1.20	<p>The 2020/21 budget for the HRA is £36.672m which includes a movement of £0.164m to reserves.</p>
1.21	<p>The monitoring for the HRA is projecting in year expenditure to be £1.642m lower than budget and a closing un-earmarked balance as at 31 March 2021 of £3.651m, which at 10.49% of total expenditure satisfies the prudent approach of ensuring a minimum level of 3%. Appendix 5 attached refers.</p>
1.22	<p>The budget contribution towards capital expenditure (CERA) is £12.928m.</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 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.

4.00	CONSULTATIONS REQUIRED/CARRIED OUT
4.01	None specific.

5.00	APPENDICES
5.01	Appendix 1: Council Fund – Movement in Variances from Month 9 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	<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</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.