

CABINET

Date of Meeting	Tuesday, 20th April, 2021
Report Subject	Revenue Budget Monitoring Report 2020/21 (Month 11)
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 11. 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 is:

Council Fund

- An operating surplus of £1.912m (excluding the impact of the pay award which has been met by reserves), which is a favourable movement of £0.988m from the surplus figure of £0.924m reported at Month 10.
- The operating surplus of £1.912m equates to 0.67% of the Approved Budget, which is marginally above the target MTFS KPI for a variance against budget of 0.5%.
- A projected contingency reserve balance as at 31st March, 2021 of £5.689m

The improved position has predominantly arisen from the confirmation of further funding from the Welsh Government Hardship Fund for Income Losses incurred during the financial year (£0.665m). In addition, Welsh Government have also adjusted the eligibility criteria for grants within Social Services (Adults and Children's services) which has had a further positive movement on the outturn (£0.258m)

Previous forecasts included potential losses of income totalling £0.665m within the Planning and Environment and Governance Portfolios. This was due to the fact that Welsh Government had only confirmed funding for up to 50% of these losses at that stage. As funding for the full amount has now been confirmed the positive impact on the projected outturn has now been reflected.

Housing Revenue Account

- Net in-year revenue expenditure forecast to be £1.675m lower than budget
- A projected closing un-earmarked balance as at 31st March, 2021 of £3.684m

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 11 POSITION
1.01	<p>Council Fund Projected Position</p> <p>The projected year end position is as follows:</p> <ul style="list-style-type: none">• An operating surplus of £1.912m (excluding the impact of the pay award which has been met by reserves)• A projected contingency reserve available balance as at 31 March 2021 of £5.689m. <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 and2) Introduction of a vacancy management process to consider new recruitment requests <p>The outcome of this work is included in the projected figures within the report.</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	68.167	(0.296)
Out of County Placements	11.940	12.737	0.797
Education & Youth	8.790	8.152	(0.638)
Schools	98.709	98.709	0.000
Streetscene & Transportation	30.650	31.039	0.389
Planning & Environment	5.789	5.860	0.071
People & Resources	4.459	4.322	(0.137)
Governance	9.193	8.640	(0.553)
Strategic Programmes	4.943	4.596	(0.347)
Housing & Assets	16.154	15.376	(0.778)
Chief Executive	2.750	2.432	(0.318)
Central & Corporate Finance	24.147	24.044	(0.102)
Total	285.986	284.074	(1.912)

1.03

The reasons for the favourable net movement of £0.988m from the previous month are shown in Appendix 1.

Previous forecasts included potential losses of income totalling £0.665m within the Planning and Environment and Governance Portfolios. This was due to the fact that Welsh Government had only confirmed funding for up to 50% of these losses at that stage. As funding for the full amount has now been confirmed the positive impact on the projected outturn has now been reflected.

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 £1.912m, there are net COVID-19 related pressures totalling £0.109m which are shown in a separate column in Appendix 2 (cost savings of £0.516m and cost pressures of £0.407m). We 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 10

1.04	<p>Social Services (£0.301m)</p> <p>The majority of the positive movement is due to a change in Welsh Government eligibility criteria for grant funded expenditure and the transfer of Council funded expenditure, mostly staff costs to grant funded services such as Flying Start and Integrated Care Fund (ICF) Grants (£0.258m).</p> <p>A reduction of care package costs within the Residential Care and Disability Services budgets together with an additional Property Income received (£0.082m).</p> <p>This is mitigated by a carry forward request for training costs to fund an increased number of staff to undertake the Social Worker qualifications over the next three years £0.079m.</p> <p>Minor movements across the portfolio each less than £0.025m (£0.040m)</p> <p>Out of County Placements £0.169m</p> <p>The movement is mainly due to a reduction in recoupment costs from other Local Authorities and the impact of new and existing placement changes.</p> <p>Planning, Environment & Economy (£0.255m)</p> <p>The positive movement mainly relates to the confirmation of Welsh Government Hardship Funding for Income losses which have now been agreed and backdated to April 2020 for Planning Fees, Building Control Fees and Land Charges Fees. Minor movements across the portfolio (£0.019m) account for the remainder.</p> <p>Governance (£0.394m)</p> <p>The positive movement relates to the confirmation of Welsh Government Hardship Funding for Income losses for Court Costs and Enforcement fines and Registrars Ceremonies Income.</p> <p>Housing & Assets (£0.060m)</p> <p>The positive movement relates to the reduced usage of utilities (£0.068m) together with the removal of the provision for Bed and Breakfast accommodation for Homelessness (£0.096m), offset by an increase in costs for the Carelink project of £0.035m and shortfall of fee income recovered by the Design Services of £0.070m.</p> <p>Central and Corporate Finance (£0.078m)</p> <p>The positive movement follows a revised projection on Employer Pension Fund contributions, updated information on Support Service Recharges and a minor increase in the one off benefit of Matrix Agency rebates received.</p>
1.05	<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>
1.06	<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 1.0% below target which equates to £1.0m. 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 provided 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>
1.07	<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>
1.08	<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>
1.09	<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>
1.10	<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</p>

	value of the journeys would be reimbursed to the Portfolio and that is now reflected in the projected outturn.
1.11	<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 £0.797m (underspend of £0.064m within Education together with an overspend of £0.861m 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>
1.12	<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 eligible pupils. 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 for the remainder of the year, this is now estimated to be within budget.</p>
1.13	<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>
1.14	<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.</p> <p>Further details on the current status on efficiencies can be seen in Appendix 3.</p>
1.15	Reserves and Balances

	<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>
1.16	<p>The Council has now received funding from Welsh Government for the two unhypothecated grants included in the previous report - Digital Transformation (£1.181m) and Unrealised Efficiencies (£1.181m)</p> <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 £5.689m as detailed in Appendix 4.</p> <p>This assumes that the projected underspend of £1.912m increases the overall Reserve.</p> <p>Although the overall level of Contingency Reserve has increased, it still only brings it to similar levels of recent years. The use of this reserve will be subject to further consideration but will need to include potential ‘top ups’ to existing earmarked reserves (e.g. Investment to Save/Workforce) as well as being a safeguard against the reported risks in the 2021/22 budget (e.g. pay provision/Out of County Placements)</p> <p>The £3m emergency ring-fenced fund would have an amount of £2.316m remaining after allowing for currently known ineligible items, However, there are a number of holding items still being considered by the Grants Panel. Therefore, it is estimated that the final amount remaining will be in the range £1.5m to £2.2m.</p>
1.17	<p>Request for Carry Forward of Funding</p> <p>Further requests to carry forward revenue funding into 2020/21 are included in Appendix 6 and are recommended for approval.</p>
1.18	<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>
1.19	<p>The 2020/21 budget for the HRA is £36.672m which includes a movement of £0.164m to reserves.</p>
1.20	<p>The monitoring for the HRA is projecting in year expenditure to be £1.675m lower than budget and a closing un-earmarked balance as at 31 March 2021 of £3.684m (£3.848m less earmarked reserve of £0.164m), which at 10.58% of total expenditure satisfies the prudent approach of ensuring a minimum level of 3%. Appendix 5 attached refers.</p>
1.21	<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 10 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 Appendix 6: Carry Forward Requests

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:

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.