

CABINET

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| Date of Meeting | Tuesday, 16 th November 2021 |
| Report Subject | Revenue Budget Monitoring 2021/22 (Month 6) |
| 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 6.

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 (£0.227m) (excluding the impact of the pay award which will be met by reserves), which is a favourable movement of (£0.045m) from the surplus figure of (£0.182m) reported at Month 5.
- A projected contingency reserve balance as at 31st March, 2022 of £6.322m

Housing Revenue Account

- Net in-year revenue expenditure forecast to be £0.755m higher than budget
- A projected closing balance as at 31st March, 2022 of £3.717m

To assist with managing risks and mitigating the overall projected overspend, the review of non-essential spend and a vacancy management process continues.

RECOMMENDATIONS

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| 1 | To note the report and the estimated financial impact on the 2021/22 budget. |
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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 (£0.227m) (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 £6.322m. <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, which includes 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" data-bbox="320 1182 1331 2069"> <thead> <tr> <th data-bbox="320 1182 772 1375">Portfolio/Service Area</th> <th data-bbox="772 1182 967 1375">Approved Budget £m</th> <th data-bbox="967 1182 1161 1375">Projected Outturn £m</th> <th data-bbox="1161 1182 1331 1375">In-Year Over / (Under) spend £m</th> </tr> </thead> <tbody> <tr> <td data-bbox="320 1375 772 1435">Social Services</td> <td data-bbox="772 1375 967 1435">70.627</td> <td data-bbox="967 1375 1161 1435">70.922</td> <td data-bbox="1161 1375 1331 1435">0.295</td> </tr> <tr> <td data-bbox="320 1435 772 1496">Out of County Placements</td> <td data-bbox="772 1435 967 1496">12.921</td> <td data-bbox="967 1435 1161 1496">13.772</td> <td data-bbox="1161 1435 1331 1496">0.851</td> </tr> <tr> <td data-bbox="320 1496 772 1556">Education & Youth</td> <td data-bbox="772 1496 967 1556">9.030</td> <td data-bbox="967 1496 1161 1556">8.649</td> <td data-bbox="1161 1496 1331 1556">(0.381)</td> </tr> <tr> <td data-bbox="320 1556 772 1617">Schools</td> <td data-bbox="772 1556 967 1617">101.937</td> <td data-bbox="967 1556 1161 1617">101.937</td> <td data-bbox="1161 1556 1331 1617">0.000</td> </tr> <tr> <td data-bbox="320 1617 772 1677">Streetscene & Transportation</td> <td data-bbox="772 1617 967 1677">31.466</td> <td data-bbox="967 1617 1161 1677">32.078</td> <td data-bbox="1161 1617 1331 1677">0.612</td> </tr> <tr> <td data-bbox="320 1677 772 1738">Planning Env & Economy</td> <td data-bbox="772 1677 967 1738">6.160</td> <td data-bbox="967 1677 1161 1738">6.100</td> <td data-bbox="1161 1677 1331 1738">(0.061)</td> </tr> <tr> <td data-bbox="320 1738 772 1798">People & Resources</td> <td data-bbox="772 1738 967 1798">4.631</td> <td data-bbox="967 1738 1161 1798">4.395</td> <td data-bbox="1161 1738 1331 1798">(0.236)</td> </tr> <tr> <td data-bbox="320 1798 772 1859">Governance</td> <td data-bbox="772 1798 967 1859">10.223</td> <td data-bbox="967 1798 1161 1859">9.586</td> <td data-bbox="1161 1798 1331 1859">(0.637)</td> </tr> <tr> <td data-bbox="320 1859 772 1919">Strategic Programmes</td> <td data-bbox="772 1859 967 1919">4.648</td> <td data-bbox="967 1859 1161 1919">4.641</td> <td data-bbox="1161 1859 1331 1919">(0.007)</td> </tr> <tr> <td data-bbox="320 1919 772 1980">Housing & Assets</td> <td data-bbox="772 1919 967 1980">17.172</td> <td data-bbox="967 1919 1161 1980">16.790</td> <td data-bbox="1161 1919 1331 1980">(0.382)</td> </tr> <tr> <td data-bbox="320 1980 772 2040">Chief Executive</td> <td data-bbox="772 1980 967 2040">2.350</td> <td data-bbox="967 1980 1161 2040">2.257</td> <td data-bbox="1161 1980 1331 2040">(0.093)</td> </tr> <tr> <td data-bbox="320 2040 772 2101">Central & Corporate Finance</td> <td data-bbox="772 2040 967 2101">26.292</td> <td data-bbox="967 2040 1161 2101">26.103</td> <td data-bbox="1161 2040 1331 2101">(0.189)</td> </tr> </tbody> </table> | Portfolio/Service Area | Approved Budget £m | Projected Outturn £m | In-Year Over / (Under) spend £m | Social Services | 70.627 | 70.922 | 0.295 | Out of County Placements | 12.921 | 13.772 | 0.851 | Education & Youth | 9.030 | 8.649 | (0.381) | Schools | 101.937 | 101.937 | 0.000 | Streetscene & Transportation | 31.466 | 32.078 | 0.612 | Planning Env & Economy | 6.160 | 6.100 | (0.061) | People & Resources | 4.631 | 4.395 | (0.236) | Governance | 10.223 | 9.586 | (0.637) | Strategic Programmes | 4.648 | 4.641 | (0.007) | Housing & Assets | 17.172 | 16.790 | (0.382) | Chief Executive | 2.350 | 2.257 | (0.093) | Central & Corporate Finance | 26.292 | 26.103 | (0.189) |
| Portfolio/Service Area | Approved Budget £m | Projected Outturn £m | In-Year Over / (Under) spend £m | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Social Services | 70.627 | 70.922 | 0.295 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Out of County Placements | 12.921 | 13.772 | 0.851 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Education & Youth | 9.030 | 8.649 | (0.381) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Schools | 101.937 | 101.937 | 0.000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Streetscene & Transportation | 31.466 | 32.078 | 0.612 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Planning Env & Economy | 6.160 | 6.100 | (0.061) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| People & Resources | 4.631 | 4.395 | (0.236) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Governance | 10.223 | 9.586 | (0.637) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Strategic Programmes | 4.648 | 4.641 | (0.007) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Housing & Assets | 17.172 | 16.790 | (0.382) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Chief Executive | 2.350 | 2.257 | (0.093) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Central & Corporate Finance | 26.292 | 26.103 | (0.189) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

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| | Total | 297.457 | 297.230 | (0.227) |
| 1.03 | The reasons for the favourable net movement of (£0.045m) 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. | | | |
| | Significant Movements from Month 5 | | | |
| 1.04 | Social Services £0.098m | | | |
| | The adverse movement in the projected overspend is as a result of a number of factors : | | | |
| | <ul style="list-style-type: none"> • <u>Adult Social Care - Older People £0.059m</u> The movement represents an increased demand for Council provided Homecare. • <u>Adult Social Care - Adults of Working Age £0.078m</u> The movement represents an increase in the cost of care packages. • Minor movements across the Portfolio account for the remainder (£0.039m) | | | |
| 1.05 | Out of County Placements £0.171m | | | |
| | <u>Children's Services £0.172m</u> | | | |
| | <ul style="list-style-type: none"> • Increased costs of 2 new placements (£0.124m) with the remainder mainly due to rate changes and some offsetting reductions due to an existing placement change | | | |
| | <u>Education & Youth (£0.001m)</u> | | | |
| | <ul style="list-style-type: none"> • Minor reduction in placements costs. | | | |
| 1.06 | Education & Youth (£0.053m) | | | |
| | <u>Integrated Youth Provision (£0.033m)</u> | | | |
| | <ul style="list-style-type: none"> • Vacancy savings due to delayed recruitment | | | |
| | Minor movements across the Portfolio account for the remainder (£0.020m) | | | |
| 1.07 | Housing & Assets (£0.095m) | | | |
| | <u>Centralised Costs (£0.072m)</u> | | | |
| | <ul style="list-style-type: none"> • A positive movement follows the reduced consumption on Gas, Electric and Water. The expenditure will be closely monitored over the winter months. | | | |
| | <u>Benefits (£0.046m)</u> | | | |

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| | <ul style="list-style-type: none"> A positive movement is the reflection of continuing funding support from the Welsh Government COVID-19 Hardship Fund for additional staffing costs for the period October to March, 2022. <p>Minor adverse variances across the Portfolio account for the remainder of £0.023m.</p> |
| 1.08 | <p>Governance (£0.096m)</p> <p><u>Revenues (£0.071m)</u></p> <ul style="list-style-type: none"> The favourable movement is due to an increase in the projected potential surplus on the Council Tax Collection Fund at the half year stage (£0.025m) Higher than anticipated fee income from Council Tax Fines (£0.033m) Vacancy savings (£0.013m) <p>Minor movements across the Portfolio account for the remainder (£0.025m).</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>57.23% of Council Tax has been collected up to month 6 and latest projections indicate this as being 0.1% ahead of monthly targets to eventually achieve an outturn collection rate of at least 97.6% by 31st March 2022. Collection rates are steadily improving and are on track to achieve targets for 2021/22, although they still remain 0.53% lower than pre-pandemic levels. Collection levels, along with write off levels, continue to be tracked on a monthly basis.</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></p> |

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| | <p>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's share of the allocation is £0.304m for schools and £0.019m for Post 16. This additional funding will 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> |
| 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>Social Care Grant Funding</p> <p>Further details are awaited from Welsh Government following an additional funding announcement for Social Care and Health totalling £42.72m across Wales. The grant will support Children's Services, Integrated Health and Social Care, unpaid carer direct payments, early intervention and prevention, along with improved advertising and recruitment for social care. It is anticipated that some of this funding can be assigned to existing cost pressures within the Portfolio which will have a positive impact on the outturn – updates will be provided in future reports.</p> |
| 1.14 | <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> |
| 1.15 | <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 with feedback from all Overview and Scrutiny Committees reported to Cabinet and this Committee in October.</p> <p>Stage 3 will be undertaken following receipt of the Welsh Government Provisional Settlement which is due to be received on 21st December.</p> |

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| | <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> |
| 1.16 | <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 £0.851m for the remainder of the year. However, this is likely to increase with another 6 months of the year remaining.</p> |
| 1.17 | <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> |
| 1.18 | <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 3.</p> |
| 1.19 | <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> |

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| | <p>The Principles and Guidance for the Hardship Fund have 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 December, pending further review. The potential significant impacts of this will be reflected in future reports, although where able mitigating actions will be put in place.</p> <p>During 2021/22 to date, additional cost claims for April to September have totalled £5.009m and Quarter 1 and 2 Income Loss claims were £1.096m (which include claims for Aura, Newydd and Cambrian Aquatics).</p> |
| 1.20 | <p>Unearmarked Reserves</p> <p>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.</p> <p>However, there will be a requirement to meet the unfunded impacts of the pay awards from the Contingency Reserve as detailed in para 1.11 following the outcome of the national pay award negotiations.</p> <p>Taking into account the projected in-year position and previously agreed allocations the amount remaining within the Contingency Reserve is £6.322m (prior to the impact of pay awards) (Appendix 4).</p> <p>The £3m emergency ring-fenced fund would have an amount of £2.009m 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 also need to be factored in.</p> |
| 1.21 | <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> |
| 1.22 | <p>The 2021/22 budget for the HRA is £37.825m which includes a movement of £0.566m to reserves.</p> |
| 1.23 | <p>The adverse movement this month of £0.122m is as a result of :</p> <ul style="list-style-type: none"> • increase in void losses £0.031m • increased insurance premium costs £0.054m • early recruitment of new posts £0.035m <p>Minor movements account for the remainder £0.002m</p> |

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| 1.24 | The monitoring for the HRA is projecting in year expenditure to be £0.755m higher than budget and a closing un-earmarked balance as at 31 March 2022 of £3.717m, which at 9.73% of total expenditure satisfies the prudent approach of ensuring a minimum level of 3%. Appendix 5 provides further detail. |
| 1.25 | The budget contribution towards capital expenditure (CERA) is £13.442m. |

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| 2.00 | RESOURCE IMPLICATIONS |
| 2.01 | As set out within the report. |

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| 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. |

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| 4.00 | CONSULTATIONS REQUIRED/CARRIED OUT |
| 4.01 | None specific. |

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| 5.00 | APPENDICES |
| 5.01 | Appendix 1: Council Fund – Movement in Variances from Month 5 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 |

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| 6.00 | LIST OF ACCESSIBLE BACKGROUND DOCUMENTS |
| 6.01 | Various budget records. |

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| 7.00 | CONTACT OFFICER DETAILS |
| 7.01 | Contact Officer: Dave Ledsham Strategic Finance Manager Telephone: 01352 704503 E-mail: dave.ledsham@flintshire.gov.uk |

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| 8.00 | GLOSSARY OF TERMS |
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| | <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> |