

CABINET

Date of Meeting	Tuesday, 15 th March, 2022
Report Subject	Revenue Budget Monitoring 2021/22 (Month 10)
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 financial year 2021/22 for the Council Fund and Housing Revenue Account and presents the position, based on actual income and expenditure, as at Month 10.

This latest position reflects additional grant funding received from Welsh Government (WG) which has contributed to a significant increase in the operating surplus. This includes additional Social Care funding for winter pressures of £2.167m together with additional grant funding for Children's services from WG grants of £0.292m.

This report projects how the budget would stand at the close of the financial year without any further actions to reduce cost pressures and/or increase efficiencies and income received, and is as follows:

Council Fund

- An operating surplus of (£4.604m), which is a favourable movement of (£3.067m) from the surplus figure of (£1.537m) reported at Month 9.
- A projected contingency reserve balance available as at 31st March, 2022 of £5.973m (after taking account of the 2021/22 NJC pay award and the increased contribution to the Emergency Reserve agreed as part of the 2022/23 Budget)

Housing Revenue Account

- Net in-year revenue expenditure forecast to be £0.382m higher than budget
- A projected closing balance as at 31st March, 2022 of £4.035m

To assist with managing risks and maximising available resources, the review of non-essential spend and a vacancy management process continues.

RECOMMENDATIONS

1	To consider the report and the estimated financial impact on the 2021/22 budget.
2	To approve the carry forward requests included in paragraph 1.23.

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 (£4.604m) • A projected contingency reserve available balance as at 31 March 2022 of £5.973m (after taking account of the impact of the 2021/22 NJC pay award and the increased contribution to the Emergency Reserve agreed as part of the 2022/23 Budget). <p>The significant movement at Month 10 is in the main, as a result of additional Social Care funding for Winter pressures being confirmed late in the financial year by Welsh Government (WG) of £2.167m, together with additional grant funding criteria being updated by WG within Children's Services of £0.292m.</p> <p>To assist with managing risks and maximising available resources, 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 has previously been confirmed to March 2022, although does include 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"> <thead> <tr> <th>Portfolio/Service Area</th> <th>Approved Budget £m</th> <th>Projected Outturn £m</th> <th>In-Year Over / (Under) spend £m</th> </tr> </thead> <tbody> <tr> <td>Social Services</td> <td>70.640</td> <td>67.788</td> <td>(2.851)</td> </tr> <tr> <td>Out of County Placements</td> <td>12.921</td> <td>13.809</td> <td>0.888</td> </tr> </tbody> </table>	Portfolio/Service Area	Approved Budget £m	Projected Outturn £m	In-Year Over / (Under) spend £m	Social Services	70.640	67.788	(2.851)	Out of County Placements	12.921	13.809	0.888
Portfolio/Service Area	Approved Budget £m	Projected Outturn £m	In-Year Over / (Under) spend £m										
Social Services	70.640	67.788	(2.851)										
Out of County Placements	12.921	13.809	0.888										

Education & Youth	9.058	8.527	(0.531)
Schools	101.923	101.923	0.000
Streetscene & Transportation	31.517	32.247	0.729
Planning Env & Economy	6.160	5.650	(0.510)
People & Resources	4.571	4.339	(0.231)
Governance	10.223	9.685	(0.538)
Strategic Programmes	4.648	4.609	(0.039)
Housing & Assets	14.410	13.678	(0.731)
Chief Executive	2.353	2.210	(0.142)
Central & Corporate Finance	29.033	28.387	(0.646)
Total	297.457	292.853	(4.604)

1.03	<p>The reasons for the favourable net movement of (£3.067m) 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.</p>
	<p>Significant Movements from Month 9</p>
1.04	<p>Social Services (£2.958m)</p> <p>The favourable movement in the projected overspend relates to :</p> <ul style="list-style-type: none"> • Reduced current demand for services in Older People Services (£0.0159m) • Net impact of changes to care packages within Adults of Working Age Services (£0.052m) • Grant funding used to offset expenditure within Children's Services (£0.292m) • Revised provision set aside in 2020/21 for the refund of historic over charges within Charging Policy income resulting in a favourable movement (£0.253m) • Receipt of a Welsh Government Grant for Winter Pressures and Social Services overspending of (£2.167m) <p>Minor variances across the Portfolio account for the remainder (£0.035m).</p> <p>The Social Services portfolio underspend of £2.851m is being significantly supported by one off in-year grant funding from Welsh Government.</p> <p>In particular there have been two substantial Welsh Government Grants which are offsetting costs which would usually be funded from the revenue budget. This includes £1.495m from the Covid Recovery Grant and an award of £2.167m funding in relation to Local Authority social care</p>

	pressures. Without this funding Social Services would be reporting an overspend position of £0.811m.
1.05	<p>Education & Youth (£0.062m)</p> <p>The favourable movement is due to the payments to maintained and non-maintained settings in January being lower than previously anticipated. Future projections to March, 2022 have been adjusted accordingly (£0.032m).</p> <p>Minor variances across the Portfolio account for the remainder (£0.029m).</p>
1.06	<p>Governance £0.155m</p> <p>The movement follows the approval of the carry forward requests that were incorporated in the Month 9 report for Democratic Services, Customer Services and Internal Audit, and includes a further carry forward request in Month 10 for the Revenues Service (para 1.24 refers).</p>
1.07	<p>Housing & Assets (£0.115m)</p> <p>The movement follows a further increase in Housing Support Grant internal allocations (£0.030m) together with a revised phasing of costs associated with the development of the Queensferry Travellers site (£0.031m).</p> <p>Minor variances across the Portfolio account for the remaining (£0.053m).</p>
1.08	<p>Planning Economy & Environment (£0.084m)</p> <p>The favourable movement follows higher than anticipated Planning fees received at Month 9 and projected forward to financial year end (£0.031m), together with commitment challenge across the Portfolio (£0.033m).</p> <p>Minor variances across the Portfolio account for the remainder (£0.020m).</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>93.72% of Council Tax has been collected up to Month 10, being an increase of 0.64% compared to 2020/21, although this is still 0.72% below pre-pandemic 2019/20 levels.</p> <p>It is expected that in-year collection rate outturn for 2021/22 will be around 97.6% by 31st March 2022.</p>
1.11	Pay Award (Teacher and Non Teacher)

	<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> National negotiations are now concluded and the offer by Employers of a 1.75% uplift has been accepted. This adds a further £0.261m to the pay bill for schools and £0.990m for non-schools. In the absence of any further funding being made available this will need to be met from the Contingency Reserve and has already been built into the base budget from 2022/23.</p> <p><u>Teachers</u> The September 2021 national pay award for Teachers has previously been confirmed at 1.75% which adds a further £0.737m 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 was £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 of £0.414m equally with schools. In addition, centrally funded Teachers Pay totals £0.018m and the overall Council Fund commitment is now reflected in Appendix 4.</p>
1.12	<p>Council Tax Reduction Scheme</p> <p>Based on current demand, costs are currently projected to be significantly below budget although the position continues to be monitored closely following recent changes to Universal Credit and the UK Government furlough scheme ending. The expected increase in caseload/uptake of the schemes hasn't materialised up to the end of January, resulting in a projected underspend of (£0.293m) within the overall Benefits service at Month 10. However, it remains under close scrutiny in the event of possible future rapid growth.</p>
1.13	<p>Social Care Grant Funding</p> <p>In November, Welsh Government announced additional funding 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. This has subsequently increased the Social Care Recovery Fund 2021-22 allocation for the Council from £1.733m to £2.772m.</p> <p>Furthermore, Welsh Government have recently confirmed that £50m across Wales has been approved for Social Care winter pressures, which will result in an allocation of £2.167m for the Council and this is now reflected within the Month 10 outturn figures for Social Services.</p>

1.14	<p>Increase in the Local Government Settlement 2021/22</p> <p>Welsh Government have recently announced an additional £50m for Local Government across Wales in 2021/22. The increase is intended to displace expenditure met through the Council's own resources during the year (i.e. council tax or fees and charges) to enable more flexibility in managing pressures, this year or in the future. The impact of this will be reported in future monitoring reports once further details are received.</p>
1.15	<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>
1.16	<p>Medium Term Financial Strategy (MTFS) Impact</p> <p>A balanced budget for 2022/23 was approved by Council on 15 February 2022. The focus will now need to turn to the financial year 2023/24 and beyond, particularly in view of the indicative settlements provided by Welsh Government.</p> <p>A high level estimate of initial cost pressures of £15m was advised to members within the 2022/23 budget report. This will now be refined and reported back to members alongside a strategy for addressing the additional budget requirement.</p> <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>
1.17	<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 total contribution of £0.650m has now been made from the Social Care Recovery Fund which leaves a projected overspend of £0.888m for the remainder of the year. However, this is likely to increase with another 2 months of the year remaining.</p>
1.18	<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 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>

1.19	<p>Storm Damage</p> <p>Costs associated with damage and subsequent clear up from the recent storms of Dudley, Eunice and Franklin will be assessed and reported in future monitoring reports.</p>
1.20	<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 future budgets. Further details on the current status of efficiencies can be seen in Appendix 3.</p>
1.21	<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. In addition three new allocations to the fund have recently been confirmed - £38m for winter fuel support, £0.600m for Community hubs and £2m for homelessness support (Homelessness Prevention Fund). The £2m has been added to specifically provide a top up to the discretionary homelessness prevention funds currently utilised by the Council.</p> <p>The Principles and Guidance for the Hardship Fund were revised by WG from 1st October with changes impacting on eligibility for various service areas including schools costs and additional waste tonnages (reduced to 50%). Costs for additional cover where staff are off sick due to COVID or self-isolating and vehicle costs due to social distancing are all now eligible until the end of 2021/22. Any potential significant impacts of the changes 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 January have totalled £9.376m and Quarters 1 to 3 Income Loss claims were £2.071m (which include claims for Aura, Newydd and Cambrian Aquatics).</p>

1.22	<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>The £3m emergency ring-fenced fund would have an amount of £1.826m 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. The 2022/23 budget approved in February included a top up of £3.250m to this Reserve to safeguard against the cessation of the Welsh Government Hardship Fund.</p> <p>Taking into account the projected in-year position and previously agreed allocations the amount remaining within the Contingency Reserve is £5.973m (after taking account of the impact of the 2021/22 NJC pay award and the Emergency Reserve top-up) (See Appendix 4).</p>
1.23	<p>Request for Carry Forward of Funding</p> <p><u>Governance</u></p> <p>Revenues Service – carry forward of £0.334m which is comprised of an in-year underspend together with a recent receipt of £0.157m of additional grant for the administration of the latest round of grants during Quarter 4.</p> <p>The Service is still in the process of working through COVID recovery whilst seeking to increase collection rates and recover unpaid debts across all areas. In addition to this, the service continues to deliver COVID emergency business grants in partnership with Welsh Government.</p> <p>The service continues to see unprecedented demand, especially at a time when the economic outlook is uncertain with the significant rise in energy costs, household bills and the removal of the Universal Credit uplift as well as expected rises in National Insurance contributions from April. These factors will undoubtedly impact on collection rates over the next 2-3 years. Resource levels have been increased during 2021/22 and are likely to increase even further in 2022/23, to meet the demand in dealing with normal operations that have been deferred in 2021/22 with the focus on the successful delivery of Business Grants.</p> <p>To provide future financial resilience in 2022/23 and to further mitigate future uncertainties around falling bailiff fee income, the request for approval of the carry forward of £0.334m is necessitated.</p>

	<p><u>Housing & Assets</u></p> <p>The Carelink service is currently expected to achieve an underspend of circa £0.100m. This is due mainly to the amount of Housing Support Grant (HSG) being allocated internally from within an overall increase in the WG grant allocation. There is an imminent requirement for the service to switchover to digital technology which will need phased investment over the next 2 years. It is requested that the estimated underspend of £0.100m in 2021/22 be carried forward to facilitate funding of some of the costs of this necessary technological service development. The switchover to digital technology will need phased investment in 2023/24 and 2024/25 to ensure all alarms have been upgraded before the end of 2025.</p>
1.24	<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>
1.25	<p>The 2021/22 budget for the HRA is £37.825m which includes a movement of £0.566m to reserves.</p>
1.26	<p>The monitoring for the HRA is projecting in year expenditure to be £0.382m higher than budget and a closing un-earmarked balance as at 31 March 2022 of £4.035m, which at 10.57% of total expenditure satisfies the prudent approach of ensuring a minimum level of 3%. Appendix 5 provides further detail.</p>
1.27	<p>The favourable movement (£0.056m) at Month 10 is as a result of :</p> <ul style="list-style-type: none"> • Estate Management - Movement in projected salary costs £0.015m. Allocation of grant funding of (£0.035m). Other minor variances of (£0.025m) • Repairs and Maintenance - A positive movement of (£0.041m) from previous month. (£0.011m) in relation to salary savings, (£0.037m) positive variance relating to material offsetting the unachieved income of £0.008m. Other minor variances of (£0.001m). <p>Minor variances of £0.010m account for the remainder.</p>
1.28	<p>The budget contribution towards capital expenditure (CERA) is £13.442m.</p>

2.00	RESOURCE IMPLICATIONS
2.01	As set out within the report.

3.00	IMPACT ASSESSMENT AND RISK MANAGEMENT
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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 1.19.
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4.00	CONSULTATIONS REQUIRED/CARRIED OUT
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4.01	None specific.
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5.00	APPENDICES
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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
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6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
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6.01	Various budget records.
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7.00	CONTACT OFFICER DETAILS
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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>
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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.