

## CABINET

<b>Date of Meeting</b>	Tuesday, 12 <sup>th</sup> July 2022
<b>Report Subject</b>	Revenue Budget Monitoring 2021/22 - Final Outturn
<b>Cabinet Member</b>	Cabinet Member for Finance, Inclusion, Resilient Communities including Social Value and Procurement
<b>Report Author</b>	Corporate Finance Manager
<b>Type of Report</b>	Operational

### EXECUTIVE SUMMARY

This report provides the revenue budget final outturn position for the financial year 2021/22 for the Council Fund and Housing Revenue Account.

The Accounts for 2021/22 are now effectively closed and we are on schedule to submit the formal Statement of Accounts and supporting notes to Audit Wales within the framework set by Welsh Government.

The COVID-19 pandemic has continued to provide challenges for the Council; the financial impact over the last 12 months has again been significant and has included cost pressures as a result of the response, such as purchasing PPE, payments to social care providers, accommodation for the homeless, and significant reductions in planned income from Council services.

The final position reflects additional grant funding received from Welsh Government (WG) which has significantly contributed to the level of 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 of £0.292m.

As reported previously measures were introduced to review and challenge non-essential spend and recruitment to vacancies with the aim of reducing in-year expenditure to 'dampen' the projected overspend at that time. This work also made a positive impact on the outturn position.

The final year end position is:

### **Council Fund**

- An operating surplus of (£5.711m) which is a favourable movement of (£1.107m) from the surplus figure of (£4.604m) reported at Month 10.
- The operating surplus of (£5.711m) equates to 1.9% of the Approved Budget, which is above the target MTFS KPI for a variance against budget of 0.5%.
- A projected contingency reserve balance as at 31<sup>st</sup> March, 2022 of £7.098m

### **Housing Revenue Account**

- Net revenue expenditure £1.404m higher than budget
- A closing balance as at 31<sup>st</sup> March, 2022 of £3.616m

## **RECOMMENDATIONS**

1	To note the overall report and the Council Fund contingency sum as at 31 <sup>st</sup> March, 2022
2	To note the final level of balances on the Housing Revenue Account (HRA)
3	To approve the carry forward requests included in Appendix 6

## **REPORT DETAILS**

<b>1.00</b>	<b>EXPLAINING THE REVENUE BUDGET MONITORING (OUTTURN 2021/22)</b>
1.01	<p><b>Council Fund Projected Position</b></p> <p>The final year end position is as follows:</p> <ul style="list-style-type: none"><li>• An operating surplus of (£5.711m)</li><li>• A projected contingency reserve available balance as at 31 March 2022 of £7.098m.</li></ul> <p>Our ability to mitigate financial risks arising from the pandemic largely depended on the continuation of the Welsh Government Hardship Fund to meet the impacts of additional costs and income losses. This Fund ceased on 31<sup>st</sup> March 2022.</p>
1.02	<p><b>Table 1. Projected Position by Portfolio</b></p> <p>The table below shows the projected position by portfolio:</p>

Portfolio/Service Area	Approved Budget £m	Projected Outturn £m	In-Year Over / (Under) spend £m
Social Services	71.130	67.758	(3.371)
Out of County Placements	12.921	13.748	0.827
Education & Youth	9.190	8.722	(0.468)
Schools	102.181	102.181	0.000
Streetscene & Transportation	31.803	32.513	0.710
Planning Env & Economy	6.288	5.614	(0.674)
People & Resources	4.625	4.466	(0.160)
Governance	10.350	9.820	(0.529)
Strategic Programmes	4.648	4.611	(0.037)
Housing & Assets	14.493	13.601	(0.892)
Chief Executive	2.386	2.243	(0.143)
Central & Corporate Finance	27.442	26.468	(0.973)
<b>Total</b>	<b>297.457</b>	<b>291.746</b>	<b>(5.711)</b>

1.03	The reasons for the favourable net monthly movement of (£1.107m) 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. It is important to note that the majority of the positive movements provide only a one-off benefit and would not have been material to the budget setting process for 2022/23.
	<b>Significant Movements from Month 10</b>
1.04	<p><b>Social Services (£0.520m)</b></p> <p>The favourable movement relates to :</p> <ul style="list-style-type: none"> <li>• Additional Social Care Recovery Fund grant to offset Direct Payment costs (£0.278m).</li> <li>• Reduction in demand for Domiciliary and Direct Payment costs £0.160m.</li> <li>• Maternity leave, long term sickness absences and new vacancies have meant staff costs reduced by £0.065m. This was mitigated by the additional cost within the residential budget to purchase a block bed contract to minimise hospital bed usage. (£0.279m)</li> <li>• Net impact of changes to care packages within Adults of Working Age Services (£0.154m)</li> </ul>

	<ul style="list-style-type: none"> <li>• Additional training costs together with increased Advocacy costs and changes to care package costs mitigated by the allocation of Grant funding used to offset Staffing Costs within Children's Services £0.059m</li> <li>• Finalisation of COVID Hardship Claims due to the number of void beds in Residential Care Homes previously supported by the Grant (£0.065)</li> </ul> <p>Minor variances across the Portfolio account for the remainder (£0.081m).</p>
1.05	<p><b>Out of County (£0.061m)</b></p> <p>The favourable movement is a net result of changes to placements, ended placements, a number of rate changes and an increase in the amount of recoupment income received from other local authorities in respect of their pupils being placed in Flintshire schools.</p>
1.06	<p><b>Education &amp; Youth £0.063m</b></p> <p>The adverse movement is due to the net impact of:</p> <ul style="list-style-type: none"> <li>• A net favourable movement of (£0.089m) due to late notification of the Local Authority Education Grant (LAEG). These grants have been used to offset costs incurred within services, reducing spend against core budgets. This has been partly offset by an agreed budget carry forward from the Minority Ethnic Achievement Grant (MEAG).</li> <li>• Integrated Youth Provision approved Carry forward of underspends £0.101m</li> <li>• Tree Survey Work £0.045m</li> </ul> <p>Minor variances across the Portfolio account for the remaining £0.006m.</p>
1.07	<p><b>Planning Environment &amp; Economy (£0.164m)</b></p> <p>The favourable movement is due to the net impact of:</p> <ul style="list-style-type: none"> <li>• Higher than anticipated Fee Income in Planning and Land Charges (£0.106m).</li> <li>• Delayed recruitment into April, 2022 for the Private Water Supplies initiative (£0.117m).</li> <li>• Additional expenditure of £0.120m relating to Ash Die Back and other Countryside Projects.</li> </ul> <p>Minor variances across the Portfolio account for the remaining (£0.061m).</p>
1.08	<p><b>People &amp; Resources £0.072m</b></p> <p>The adverse movement is due to the net impact of:</p> <ul style="list-style-type: none"> <li>• Actual expenditure on Disclosure and Barring Service higher than previously anticipated and lower income for the Employer Incentive Scheme, delayed into 2022/23 £0.026m</li> <li>• Final Grant Maximisation target shortfall £0.045m</li> </ul> <p>Minor variances across the Portfolio account for the remainder £0.001m.</p>

1.09	<p><b>Housing &amp; Assets (£0.161m)</b></p> <p>The favourable movement is due to the net impact of:</p> <ul style="list-style-type: none"> <li>• Data Centre Recharge no longer applied (£0.066m)</li> <li>• Additional Fee Income in Corporate Property Management and Design Services and Consultancy (£0.244m)</li> <li>• Savings on Repair and Maintenance Costs (£0.033m)</li> <li>• Prepayment of Costs supported by the Hardship Fund (£0.263m)</li> </ul> <p>Mitigated by :</p> <ul style="list-style-type: none"> <li>• Agreed Carry Forward of underspends to provide further future financial resilience against expected pressures in 2022/23 £0.250m</li> <li>• Reduced underspend on Council Tax Reduction scheme and agreed Carry Forward of underspends £0.161m</li> <li>• Additional costs for site investigation works at the Queensferry Riverside Traveller Site £0.038m</li> </ul> <p>Minor variances across the Portfolio account for the remaining (£0.004m).</p>
1.10	<p><b>Central &amp; Corporate (£0.327m)</b></p> <p>The favourable movement is due to the net impact of:</p> <ul style="list-style-type: none"> <li>• Central Loans and Investment Account (£0.070m)</li> <li>• Over recovery of Pension Contributions (£0.098m)</li> <li>• Reduced consumption levels on utilities (£0.023m)</li> <li>• Final position on Soft Loan mitigation (£0.087m)</li> </ul> <p>Minor variances account for the remainder (£0.049m)</p>
1.11	<p><b>Tracking of In-Year Risks and Emerging Issues</b></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>
1.12	<p><b>Council Tax Income</b></p> <p>The collection rate outturn for 2021/22 was 97.73% - this was 0.15% higher than target. Collection levels for 2021/22 were also 0.72% higher compared to 2020/21 and only 0.15% below the pre-pandemic levels of 2019/20.</p>
1.13	<p><b>Council Tax Reduction Scheme</b></p> <p>The final outturn reflects an underspend of (£0.192m), with a late increase in demand during March slightly reducing the level of underspend which had been projected in previous budget monitoring reports.</p>

1.14	<p><b>Social Care Grant Funding</b></p> <p>In November, Welsh Government announced additional funding for Social Care and Health totaling £42.72m across Wales. The grant supports 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. The Social Care Recovery Fund 2021-22 allocation was increased for the Council from £1.733m to £2.772m.</p> <p>Furthermore, Welsh Government confirmed that £50m across Wales was approved for Social Care winter pressures, which resulted in an allocation of £2.167m for the Council and is reflected in the final outturn figures for Social Services.</p>
1.15	<p><b>Out of County Placements</b></p> <p>There continued 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 was made from the Social Care Recovery Fund which left an actual overspend of £0.827m for the year.</p>
1.16	<p><b>Achievement of Planned In-Year Efficiencies</b></p> <p>The 2021/22 budget contained £2.363m of specific efficiencies which were 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 aimed to achieve a 95% rate in 2021/22 as reflected in the MTFS KPI's.</p> <p>The actual level of efficiencies achieved in 2021/22 was 100%. Further details on efficiencies are shown in Appendix 3.</p>
1.17	<p><b>Emergency Funding</b></p> <p>The Local Government Hardship fund 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 was subsequently allocated to the end of the financial year based on spend patterns to date, changes to policy approaches (for example tapering of social care uplifts and void payments) and the current alert level. In addition three further allocations to the fund were confirmed - £38m for winter fuel support, £0.600m for Community hubs and £2m for homelessness support (Homelessness Prevention Fund). The £2m was added to specifically provide a top up to the discretionary homelessness prevention funds utilised by the Council.</p> <p>The Principles and Guidance for the Hardship Fund were revised by WG on 1<sup>st</sup> October with changes impacting on eligibility for various service areas including school costs and additional waste tonnages (reduced to 50%).</p>

	<p>Costs for additional cover when staff were off sick due to COVID or self-isolating and additional vehicle costs due to social distancing requirements were all deemed eligible until the end of 2021/22.</p> <p>During 2021/22 additional cost claims totaled £13.730m and Income Loss claims were £2.401m (which include claims for Aura, Newydd Catering and Cleaning and Cambrian Aquatics).</p>
1.18	<p><b>Increase in the Local Government Settlement 2021/22</b></p> <p>Welsh Government announced an additional £60m for Local Government across Wales in 2021/22. The increase was 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. £10m of this allocation is specific to support the Council's ambitions to increase domiciliary support service capacity through funding driving lessons and to purchase and provide access to electric vehicles for domiciliary care workers. An allocation of £0.400m has been set aside for social care and an amount of £2.432m has been set aside as a specific reserve to safeguard the council against budget/inflation risks.</p>
1.19	<p><b>Unearmarked Reserves</b></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 was a requirement to meet the unfunded impacts of the pay awards from the Contingency Reserve following the outcome of the national pay award negotiations.</p> <p>The £3m emergency ring-fenced fund had an amount of £2.066m remaining at the end of the financial year after allocating known ineligible items. However, there are still a number of holding items being considered by the Grants Panel in relation to 2021/22 claims. 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, providing a fund total of £5.316m.</p> <p>Taking into account the final outturn position and previously agreed allocations, the amount remaining within the Contingency Reserve is £7.098m (See Appendix 4).</p>

1.20	<b>Council Fund Earmarked Reserves 2021/22</b>		
	<b>Reserve Type</b>	<b>Balance as at 01/04/21</b>	<b>Balance as at 31/03/22</b>
	Service Balances	3,698,164	4,697,595
	Specific Service Balances	426,972	0
	Workforce Costs	1,042,570	877,786
	Investment in Change	1,464,329	1,617,975
	County Elections	235,913	291,851
	Local Development Plan (LDP)	242,360	242,360
	Minerals and Waste	15,032	0
	Warm Homes Admin Fee	322,068	297,925
	Waste Disposal	23,360	48,771
	Design Fees	170,000	250,000
	Winter Maintenance	250,000	250,000
	Severe Weather	0	250,000
	Car Parking	45,403	45,403
	Insurance Reserves	2,224,462	2,135,817
	Cheque Book Schools	3,595	3,814
	School HWB ICT Replacement	0	263,223
	Free School Meals	0	115,522
	Flintshire Trainees	612,843	696,631
	Rent Income Shortfall	30,979	12,779
	Plas Derwen Wave 4	0	1,780
	Customer Service Strategy	22,468	22,468
	Capita One	18,827	0
	Supervision Fees	48,798	48,798
	ICT Servers	0	85,000
	IT Infrastructure HWB	0	327,442
	Schools Intervention	427,268	491,133
	Organisational Change/ADM	33,500	274,154
	NWEAB	92,319	210,644
	Employment Claims	124,846	109,846
	Community Benefit Fund NWRWTP	229,792	450,653
	<b>Total</b>	<b>8,107,703</b>	<b>9,421,775</b>
	Schools Balances	6,902,451	12,291,688
	Inflation/Budget Risk (additional RSG)	0	2,432,022
	Social Care (additional RSG)	0	400,000
	Grants & Contributions	5,730,074	7,944,134
	<b>TOTAL</b>	<b>24,438,392</b>	<b>37,187,214</b>
1.21	<p><b>Request for Carry Forward of Funding</b></p> <p>There are a number of carry forward requests recommended for approval which are detailed in Appendix 6.</p>		

1.22	<p><b>Operating Surplus and Contingency Reserve position</b></p> <p>The operating surplus and Contingency Reserves position over the last 5 financial years is as follows:-</p> <table border="1" data-bbox="312 309 1385 824"> <thead> <tr> <th colspan="6">Final Outturn and Contingency Reserve</th> </tr> <tr> <th></th> <th>2021/22</th> <th>2020/21</th> <th>2019/20</th> <th>2018/19</th> <th>2017/18</th> </tr> <tr> <th></th> <th>£m</th> <th>£m</th> <th>£m</th> <th>£m</th> <th>£m</th> </tr> </thead> <tbody> <tr> <td>Revenue Outturn Surplus</td> <td>5.711</td> <td>2.185</td> <td>0.439</td> <td>0.608</td> <td>2.107</td> </tr> <tr> <td>Contingency Reserve</td> <td>7.098</td> <td>5.973</td> <td>2.370</td> <td>6.031*</td> <td>5.523*</td> </tr> </tbody> </table> <p>* 2018/19 Contingency Reserve is after earmarking agreed contributions to 2019/20 budget (£2.221m)  * 2017/18 Contingency Reserve is after earmarking agreed contributions to 2018/19 budget (£2.405m)</p>	Final Outturn and Contingency Reserve							2021/22	2020/21	2019/20	2018/19	2017/18		£m	£m	£m	£m	£m	Revenue Outturn Surplus	5.711	2.185	0.439	0.608	2.107	Contingency Reserve	7.098	5.973	2.370	6.031*	5.523*
Final Outturn and Contingency Reserve																															
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1.23	<p><b>Housing Revenue Account</b></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>																														
1.24	<p>The 2021/22 budget for the HRA was £37.825m which included a movement of £0.566m to reserves.</p>																														
1.25	<p>The final outturn for the HRA shows in year expenditure to be £1.404m higher than budget and a closing un-earmarked balance as at 31 March 2022 of £3.616m, which at 9.18% of total expenditure satisfies the prudent approach of ensuring a minimum level of 3%. Appendix 5 provides further detail.</p>																														
1.26	<p>The favourable movement (£0.382m) is as a result of :</p> <ul style="list-style-type: none"> <li>• Further reduction in Bad Debt Provision top up (£0.173m)</li> <li>• Saving on Interest Charges following the introduction of the Annuity Method for recharging purposes (£1.537m)</li> <li>• Saving on Sub Contractor expenditure (£0.050m)</li> <li>• Net CERA requirements at year end £1.484m</li> <li>• Additional Income to offset expenditure (£0.089m)</li> </ul> <p>Minor variances of (£0.017m) account for the remainder.</p>																														
1.27	<p>The budget contribution towards capital expenditure (CERA) is £16.620m. The budgeted figure in the 2021/22 HRA Business Plan was £13.442m and the additional contribution of £3.178m has been taken from in year underspends (£0.878m) and unearmarked reserves (£2.300m). This has been utilised towards additional capital works.</p>																														

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	As set out within the report.

<b>3.00</b>	<b>IMPACT ASSESSMENT AND RISK MANAGEMENT</b>
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.

<b>4.00</b>	<b>CONSULTATIONS REQUIRED/CARRIED OUT</b>
4.01	None specific.

<b>5.00</b>	<b>APPENDICES</b>
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

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	Various budget records.

<b>7.00</b>	<b>CONTACT OFFICER DETAILS</b>
7.01	<b>Contact Officer:</b> Dave Ledsham Strategic Finance Manager <b>Telephone:</b> 01352 704503 <b>E-mail:</b> <a href="mailto:dave.ledsham@flintshire.gov.uk">dave.ledsham@flintshire.gov.uk</a>

<b>8.00</b>	<b>GLOSSARY OF TERMS</b>
	<p><b>Budget:</b> 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><b>Council Fund:</b> the fund to which all the Council’s revenue expenditure is charged.</p> <p><b>Financial Year:</b> the period of twelve months commencing on 1 April.</p> <p><b>Housing Revenue Account:</b> the Housing Revenue Account (HRA) is a local authority account showing current income and expenditure on housing</p>

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.