

CABINET

Date of Meeting	Tuesday 12 th July, 2022
Report Subject	Interim Revenue Budget Monitoring Report 2022/23
Cabinet Member	Cabinet Member for Finance, Inclusion, Resilient Communities including Social Value and Procurement
Report Author	Corporate Finance Manager
Type of Report	Operational

EXECUTIVE SUMMARY

The report provides the first overview of the budget monitoring position for the 2022/23 financial year. Here we report by exception on significant variances which may impact on the financial position in 2022/23.

At this early stage and based on the high level assumptions included in the report, the potential variations to budget identified by Portfolios equate to a minimum net additional expenditure requirement of around £0.300m.

Our ability to mitigate financial risks in the recovery phase from the pandemic in the first half of the year, following the loss of the hardship and income loss Grant from Welsh Government, will centre on review and challenge of delayed and deferred spend, maximising income streams following a return to normal operations.

An amount of £2.066m remains available from the £3m emergency ring-fenced fund. The 2022/23 budget approved in February included a top up of £3.250m to this Reserve to provide a prudent safeguard against any ongoing impacts of the pandemic.

A full detailed monitoring report will be provided in September which will update on the overall financial position.

RECOMMENDATIONS

1	To note the report and the estimated financial impact on the 2022/23 budget.
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REPORT DETAILS

1.00	EXPLAINING THE REVENUE BUDGET MONITORING 2022/23
1.01	The report provides the first overview of the budget monitoring position for the 2022/23 financial year and one which reports by exception on potential variances and financial risks only. The first full monthly in-year budget monitoring report will be reported in September, up to Month 4.
1.02	Work has already been undertaken to review the progress and risks within this report to identify any emerging pressures or unachieved efficiencies which may impact on the latest MTFS forecast for 2023/24 and this will continue throughout the year. Budget planning, monitoring and management is tightly controlled by accountable Service Managers and Finance Managers from the outset. Cabinet members are also fully involved in their respective portfolio areas.
1.03	<p>OVERVIEW OF THE IN-YEAR BUDGET POSITION</p> <p>Areas that are considered as a high risk of financial volatility will be reviewed as part of the monthly monitoring process and the implications considered as part of the Councils forecasting over the medium term. The following paragraphs set out the significant variances and financial risks identified at this early stage by Portfolios.</p>
1.04	<p>Social Services Up to £0.250m over budget</p> <p><u>Localities (£0.680m)</u></p> <p>Based on recent activity (including Direct Payments) the commissioned Older People's domiciliary service is projected to underspend by £0.760m.</p> <p>The Residential Care budget is projected to overspend by £0.250m due to the current cost of placements net of income such as Free Nursing Care, Regional Integration Fund (RIF) funding and property income.</p> <p>There is a projected underspend of £0.035m on the Minor Adaptations budget due to a reduction of in-year activity. The Localities staffing budget is projected to underspend by £0.115m taking into account current grades and anticipated recharges.</p> <p>Day Care is expected to underspend by £0.020m.</p> <p><u>Resources & Regulated Services £0.275m</u></p> <p>In-House residential care is projected to overspend by £0.233m due to current staffing levels and running costs. In-house homecare is projected to overspend by £0.150m and Extra Care by £0.005m with Day Care</p>

underspending by £0.150m. Built into projections is an assumption that we will receive £0.300m Winter Pressures funding.

Children to Adult Transformation Services £0.100m

The current estimate is that there will be an overspend of £0.100m due to the new care packages transferring over to Adult Social Services.

Mental Health Services £0.130m

Based on the net costs of current commissioned care packages within the Mental Health service, expenditure is projected to exceed budget by £0.130m.

Children's Services Family Support £0.131m

Due to the current levels of activity there is a potential overspend of £0.131m within this service area.

Children's Services Legal & Third Party £0.805m

There is a projected overspend on legal costs due to the number of cases going through the courts and the use of external legal professionals. Direct payments also continue to increase in demand. The projection also includes costs for a residential placement of £0.436m.

Children's Services Residential (£0.403m)

The in-year opening of some Children's Residential care facilities will result in some budget slippage in the first year of opening. In addition, some non-recurring grant funding has been made available to offset start-up costs.

Children's Services Professional Support £0.142m

To support adequate levels of child protection, the established staffing structure needs to be at a sufficient level to meet mandatory safeguarding standards. Vacancies are minimised and additional temporary posts are sometimes required to be able to meet the challenges and demands of Children's Services. There is an assumption that Welsh Government will allow for flexible use of Children's Services grants which will allow for most cost pressures to be offset.

Liberty Protection Safeguards (LPS) (£0.250m)

Welsh Government are continuing to consult with Local Government and partner organisations around the implementation of the updated Liberty Protection Safeguards. This has resulted in anticipated costs being delayed and there is therefore likely to be an in-year underspend position.

1.05 Education and Youth (Up to £0.162m) under budget

The Early Entitlement service is projecting a surplus balance of £0.162m but this is still subject to change due to the confirmation of Education Improvement and Pupil Deprivation grants. The Council has, however, received notification of top-up funding so this uncertainty is mitigated.

	Pupil numbers are a primary factor within the service area, so is volatile in terms of outturn increasing/decreasing throughout the year.
1.06	<p>Streetscene & Transportation Up to £0.725m over budget</p> <p><u>Transport £0.125m</u> There is a potential overspend due to increased costs and rising fuel prices incorporated in the provision of key service routes e.g. Bus Service 5, following the re-procurement exercise in 2021 which is in part mitigated by the utilisation of Bus Emergency Scheme (BES) Funding.</p> <p><u>Waste £0.100m Parc Adfer Gate Fee</u> The NWRWTP's contract with Parc Adfer specifies that the base gate fee price for each tonnage banding will be indexed annually using the latest Retail Price Index which is currently at a rate higher than anticipated during the 2022/23 budget setting process.</p> <p><u>Fleet £0.500m</u> There is a significant emerging corporate pressure arising from the impact of rising fuel price increases.</p>
1.07	<p>Planning & Environment Up to (£0.105m) under budget</p> <p><u>Fee Income Shortfalls</u> At this early stage Building Control fee income is projected to be £0.120m less than budget.</p> <p><u>Land Drainage</u> A saving of (£0.225m) is forecast based on projected vacancy savings.</p>
1.08	<p>Corporate Services Up to (£0.100m) under budget</p> <p><u>Chief Executive's</u> A saving of £0.100m is forecast based on projected vacancy savings and reduction in travelling and supplies and services costs.</p>
1.09	<p>Central & Corporate Finance Up to (£0.300m) under budget</p> <p>Based on the contributions to date and the previous year trend a positive variance between £0.200m and £0.300m is projected on employer pension fund contributions.</p>
1.10	<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>
1.11	<p>Council Tax Income</p> <p>In 2021/22 the Council achieved an 'in-year' collection level of 97.73% which was 0.15% higher than target. This also represented 0.72% higher in comparison to 2020/21.</p>

	<p>Welsh Government provided financial support of £22.6m across Wales in 2020/21 as a contribution towards these potential losses. As a result of this, the Council received an additional £1.051m which has been set aside in a provision to safeguard against potential future bad debts. The position will be closely monitored but at this stage no shortfall is projected to the year end.</p>
1.12	<p>Pay Award (Teacher and Non Teacher)</p> <p>National negotiations have commenced between Employers and Trade Unions and an update provided in future reports. The Council has provided for an uplift of 3.5% for Teaching and Non-Teaching staff – any increase above this level would require the Council to utilise reserves to fund the difference.</p>
1.13	<p>Out of County Placements</p> <p>There is potential for the emergence of a significant pressure on this volatile budget despite the budget being increased by £2.2m from 2021/22 to 2022/23 in recognition of existing pressures and the range of risks associated with this service. These risks include continued high demand for placements where children and young people can't be supported within in-house provision, and market supply limitation factors and inflationary pressures lead to higher placement costs. At present, there is a projected underspend for the current cohort of placements of circa £0.500m. However, with over 9 months of the year remaining and the high potential for significant numbers of further new placements to emerge, it is recognised as a risk that this may become a significant overspend as the year progresses. The service areas within this pooled budget will do everything possible to manage these risks and additional investment has already been made to further develop in-house provision to help to mitigate against such financial pressures.</p>
1.14	<p>Benefits</p> <p>Council Tax Reduction Scheme (CTRS) – Based on current demand, costs are currently projected to be £0.500m below budget, although this will be monitored closely throughout the year due to the potential for growth. There is continued high demand across the whole of the Benefits service which is expected to remain the case for the foreseeable future. Although some WG Hardship Fund support is continuing up to the end of June in respect of Self-Isolation payments, other funding support received in the past two years for additional staffing costs has now ceased. The increased staffing levels are still needed and those costs are now being met in full from the additional £0.300m budget which was approved early in the COVID-19 pandemic to provide the service with the additional flexibility needed to adapt to and meet the sustained increase in customer demand. Other pressures within the services in respect of meeting income targets for recovery of overpayments and related bad debt provision increases are also expected to remain.</p>
1.15	<p>Homelessness</p>

	<p>There is a risk of pressure on this service as a consequence of cessation of funding support from the Welsh Government COVID-19 Hardship Fund at the end of 2021/22. Although, there is continued support via the new Homelessness – No One Left Out grant for which the Council was initially allocated £0.263m in 2022/23 and subsequently a further amount of discretionary homelessness prevention funding of £0.195m, this still falls well below the amount of support we received via the Hardship Fund in 2020/21 and 2021/22. Although it has been possible to contain some of the expected pressure through prepaid accommodation to the end of September 2022, which has been funded by the COVID-19 Hardship Fund, the expected continued high demand for temporary accommodation including short term Bed & Breakfast provision will continue to present significant challenges. We continue to strategically use increased allocations of Housing Support Grant working with external partners, but there remains a risk that the costs of statutory provision of support for Homelessness may exceed existing funding provision from base budget and available grant funding. The Council was also recently allocated an amount of £0.060m per annum for three years from 2022/23 to fund the costs of a new strategic co-ordinator post to help with the strategic planning for delivery of the Welsh Government’s transformation agenda.</p>
1.16	<p>Summary of Overall Financial Impact</p> <p>At this early stage, and based on the high level assumptions included in the report the potential variations to budget identified by Portfolios equate to a minimum net additional expenditure requirement of around £0.300m.</p>
1.17	<p>Unearmarked Reserves</p> <p>The final level of Council Fund Contingency Reserve brought forward into 2022/23 was £7.098m as detailed in the 2021/22 outturn report (subject to Audit). In addition, the Council has set-aside a further £3.250m to the carried forward £2.066m COVID-19 Emergency Reserve as a safeguard against the continuing impacts of the pandemic (additional costs and lost income).</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
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4.01	None specific.

5.00	APPENDICES
5.01	None.

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Various budget records.

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

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.