



CABINET – 23RD FEBRUARY 2022

**SUBJECT: WHOLE-AUTHORITY REVEUNUE BUDGET MONITORING REPORT
(MONTH 9)**

**REPORT BY: CORPORATE DIRECTOR FOR EDUCATION AND CORPORATE
SERVICES**

- 1.1 The attached report is due to be considered by the Policy & Resources Scrutiny Committee at its meeting on the 22nd February 2022.
- 1.2 Subject to consideration of the views of the Scrutiny Committee, Cabinet is asked: -
 - 1.2.1 To note the content of the report.
 - 1.2.2 To agree the proposed ring-fencing of underspends totalling £2.535m as detailed in Appendix 2 of the report.

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Appendix Report to Policy & Resources Scrutiny Committee 22nd February 2022.



POLICY & RESOURCES SCRUTINY COMMITTEE - 22ND FEBRUARY 2022

**SUBJECT: WHOLE-AUTHORITY REVENUE BUDGET MONITORING REPORT
(MONTH 9)**

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1. PURPOSE OF REPORT

- 1.1 To provide details of projected whole-authority revenue budget expenditure for the 2021/22 financial year.
- 1.2 To seek endorsement of proposals for the ringfencing of underspends for a range of specific purposes prior to consideration by Cabinet.

2. SUMMARY

- 2.1 The report provides details of the 2021/22 projected revenue budget outturn position based on information available as at month 9 of the current financial year. Commentary is also provided throughout the report on the more significant variations against budget.
- 2.2 The report also includes proposals for the ring-fencing of underspends for a range of specific purposes and the Scrutiny Committee is asked to consider these prior to the proposals being presented to Cabinet at its meeting on the 23rd February 2022.

3. RECOMMENDATIONS

- 3.1 It is recommended that the Scrutiny Committee: -
 - 3.1.1 Notes the content of the report.
 - 3.1.2 Endorses the proposed ring-fencing of underspends totalling £2.535m as detailed in Appendix 2 of the report.

4. REASONS FOR THE RECOMMENDATIONS

- 4.1 To ensure that the Scrutiny Committee is aware of the projected revenue budget outturn position for the 2021/22 financial year and also has the opportunity to consider the proposed ring-fencing of underspends prior to Cabinet consideration.

5. THE REPORT

5.1 Projected Revenue Budget Outturn for 2021/22 (Month 9)

5.1.1 Members will be aware that the Authority continues to incur significant additional costs due to the Covid-19 pandemic and is also losing income in several key areas. The Welsh Government (WG) is continuing to provide financial support to Local Authorities through the Covid-19 Hardship Fund in the current financial year to mitigate additional costs and income losses, and as at month 9 total funding of £13.7m has been received by Caerphilly CBC. WG has confirmed that the Covid-19 Hardship Fund will end on the 31st March 2022.

5.1.2 Members will be aware that detailed budget monitoring reports are prepared for Scrutiny Committees throughout the financial year. This report is intended to provide a high-level summary position highlighting some of the key variations against budget. Based on information available as at month 9 the projected 2021/22 net year-end revenue budget underspend is £10.463m. A summary is provided by Directorate in the table below with further details provided in Appendix 1.

	Revised Estimate 2021/22 £000's	Projected Outturn 2021/22 £000's	Projected (Overspend)/ Underspend £000's
Education & Lifelong Learning	149,861	148,523	1,338
Social Services	98,496	91,981	6,515
Economy & Environment	44,078	43,889	189
Corporate Services	23,981	22,667	1,314
Miscellaneous Finance	51,811	50,703	1,108
Totals: -	368,228	357,764	10,463

5.1.3 The following paragraphs summarise some of the key issues in the month 9 budget monitoring reports.

Education & Lifelong Learning (Projected Underspend of £1.338m)

5.1.4 An underspend of £1.338m is currently forecast for Education & Lifelong Learning. The most significant variances are the following: -

Service Area	Projected (Overspend)/ Underspend £000's
Home to School/College Transport	316
Pension Costs of School Based Staff	173
Psychology Service	83
Advisory Support	76
14 – 19 Initiative (Transport)	48
Early Years Central Team	210
Youth Service	220
Adult Education	76

5.1.5 The projected underspend of £316k for Home to School/College Transport includes a number of assumptions in relation to contracts, additional demand, and grant support from WG in relation to additional costs for contractor cleaning and personal protective equipment (PPE) linked to Covid-19. The current position is consistent with previous projections throughout the year.

- 5.1.6 The projected underspend of £173k for Pension Costs of School Based Staff reflects a positive budget position for schools in the 2020/21 academic year.
- 5.1.7 The projected underspends of £83k in the Psychology Service and £76k in Advisory Support are primarily due to delays in recruitment which have created in-year savings.
- 5.1.8 The projected underspend of £48k in the 14-19 Initiative (Transport) budget is in part due to circumstances linked to restrictions arising from Covid-19.
- 5.1.9 The projected underspend of £210k for the Early Years Central Team is largely due to the success of accessing grant funding to support the cost of a number of posts in the Team in the current financial year.
- 5.1.10 The projected £220k underspend for the Youth Service is due to a range of variances in relation to staffing, premises and resources costs, plus some additional rental income. The most significant one-off variance relates to the finalisation of an insurance claim relating to Cross Keys Youth Centre (following the significant damage and loss of equipment and resources caused by the flooding in February 2020). The final settlement figure was £82k higher than originally estimated. However, there are a couple of areas that are being closely monitored that may have budgetary implications: -
- Vacating Crumlin Institute – The position with the Trustees is not fully resolved as yet. A sum is earmarked in a reserve towards associated costs of vacating the building but the financial position remains unclear.
 - Aberbargoed Youth Centre (The Hanger) – Issues with the roof, which are currently under review.
- 5.1.11 The projected underspend of £76k for Adult Education is largely due to in-year savings, in part linked to Covid-19. Grant funding has also been used to support provision in a number of areas.
- 5.1.12 Members will recall that school balances increased significantly during the 2020/21 financial year to £11.3m (increase of £10m in-year), largely due to significant additional grant funding from WG late in the financial year. It is anticipated that the school balances position will increase further by the end of March 2022, again due to recently notified additional grant funding but also because schools have been unable to action some aspects of planned spend due to circumstances beyond their control. This is particularly the case with regards to any building related works.

Social Services (Projected Underspend of £6.515m)

- 5.1.13 The initial month 9 projected outturn position for Social Services was an underspend of £3.541m. This consisted of a projected overspend of £231k in respect of Children's Services, an underspend of £2.573m for Adult Services, an underspend of £1.042m for Service Strategy & Business Support, and a projected underspend of £157k relating to transport costs.
- 5.1.14 However, on the 11th February 2022 confirmation was received from WG of additional one-off grant funding to address social care cost pressures and winter pressures in the 2021/22 financial year. With less than 7 weeks of the financial year remaining, it is unlikely that any additional services can be commissioned without creating an unaffordable financial commitment for future years. As a result, it is expected that the additional grant funding will increase the anticipated underspend by as much as £2.974m i.e. a total projected underspend of £6.515m. However, the Directorate Senior Management Team will continue to explore ways to optimise this additional funding.
- 5.1.15 The position for Children's services includes potential overspends on placement costs and aftercare support of £2.1m and £245k respectively. However, these overspends have largely

been offset by one-off social care recovery grant funding of £1.6m and other non-recurring underspends such as staffing vacancies.

- 5.1.16 The position for Adult Services includes potential overspends on external residential placements, supported living placements and services for children with disabilities of £235k, £912k and £555k respectively. These overspends have been more than offset by one-off social care recovery grant funding of £548k and other non-recurring underspends resulting from the Covid-19 pandemic such as service restrictions and staff shortages.
- 5.1.17 The potential underspend of £1.042m for Service Strategy & Business Support is largely attributable to the funding made available by WG through the Adult Social Care element of the Covid-19 Hardship Fund to support in-house service provision.
- 5.1.18 The potential underspends described above are largely of a non-recurring nature but the overspends reflect the increasing demand for, and complexity of social care provision. This increased demand and complexity, coupled with the inflationary pressures faced across the social care sector underlines the need for additional investment by the Council in 2022/23 despite the significant underspend anticipated in 2021/22.

Economy & Environment (Projected Underspend of £189k)

- 5.1.19 The projected outturn position for the Economy and Environment Directorate is an underspend of £189k.
- 5.1.20 The Regeneration & Planning Division is projecting a net underspend of £654k. The main elements of this are salary savings due to delays in filling vacant posts, and the maximisation of grants in a number of service areas. There are also underspends across services due to lower than budgeted costs in mileage, postage, and printing. Tourism Venues are projecting a £155k underspend, the majority of which is linked to the successful reopening of the Cwmcarn Scenic Drive.
- 5.1.21 A net small underspend of £1.4k is projected for the Infrastructure Division after adjusting for ring-fenced underspends in relation to Home to School/College Transport and Social Services Transport. There are salary savings in the Division due to delays in filling vacancies that are offset by reduced income levels and increased contractor costs.
- 5.1.22 A net overspend of £525k is projected for the Community & Leisure Services Division after allowing for the ring-fencing of a projected underspend on the Cemeteries budget. Waste Management and Cleansing Services are projecting an overspend of £155k, which is due in the main to increased waste treatment costs. This is after adjusting for the redirected use of staff from Cleansing to assist the waste collection rounds. Leisure Centres are currently forecasting a £100k overspend due to reduced income levels although it is hoped that income levels will increase as Covid-19 restrictions lift. Vehicle Maintenance & Fleet Management is projecting a £290k overspend due to a combination of reduced income levels and increased costs associated with the outsourcing of some repair work due to a lack of staff capacity. An underspend of £112k is projected for Parks, Countryside, and Outdoor Facilities, primarily due to a £126k underspend in Cemeteries which is ringfenced for capital purposes. Building Cleaning is projecting a £53k underspend due to increased income levels.
- 5.1.23 The Public Protection Division is projecting a net underspend of £109k. The main areas of underspend are £41k in Environmental Health, £27k in Licensing, £21k for CCTV and £13k for Trading Standards.

Corporate Services (Projected Underspend of £1.314m)

- 5.1.24 The Directorate of Corporate Services is currently projecting a net underspend of £1.314m. Details of the more significant areas of underspend are provided in the following paragraphs.

5.1.25 There is an anticipated net underspend of £449k in Corporate Finance, which relates in the main to in-year vacancies (some of which are in the process of being filled) and additional one-off grant income. The level of grant income is much higher than usual due to funding being provided by WG for administering a range of grants on an agency basis. These include the Covid-19 business grants, self-isolation payments and the emergency winter fuel payments scheme.

5.1.26 There is a projected net underspend of £207k in Digital Services, consisting of the following: -

- A projected overspend of £221k for IT Services which is due in the main to increased costs for IT contracts, additional leased telephone lines, external consultants, agency staff, and a reduction in income. These overspends have been partially offset by delays in filling vacant posts.
- A projected net underspend of £209k in Procurement which relates in the main to delays in filling vacant posts.
- An underspend of £220k for Customer First, due in the main to vacant posts still to be filled and secondments to the Track and Trace Programme.

5.1.27 There is a projected net underspend of £164k for People Services, the main elements of which are the following: -

- A net underspend of £89k for Human Resources due in the main to staff being on maternity leave and some temporary reductions in working hours, partially offset by reduced income levels.
- An underspend of £174k in Health & Safety due in the main to salary savings arising from delays in recruitment. The underspend is partially offset by reduced internal training income due to Covid-19 and there are also small forecast savings on vehicle hire.
- The Communications Unit is projecting a net overspend of £70k due in the main to reduced levels of internal income arising from Covid-19.

5.1.28 There is an anticipated £189k net underspend in Business Improvement Services. This includes the following: -

- A projected underspend of £109k in management costs.
- An anticipated underspend of £37k in the Policy Team mainly due to a delay in filling a vacant post.
- A projected underspend of £32k in the Equalities and Welsh Language Team due in the main to some staff not reaching the top of pay scales in the current year.

5.1.29 There is a projected underspend of £256k on Housing Services, consisting of an underspend of £200k in General Fund Housing and £56k in Private Housing.

Miscellaneous Finance (Projected Underspend of £1.108m)

5.1.30 There is an overall projected underspend of £1.108m for Miscellaneous Finance.

5.1.31 There is a projected net underspend of £478k on Capital Financing budgets which is due to the following: -

- £827k underspend on Debt Charges due to delays in the need to borrow.
- Investment income being £349k less than the budgeted level, albeit that this is an improvement on the 2020/21 financial year. Investment returns are expected to improve further moving forward due to some funds now being placed in longer-term investments.

5.1.32 Other areas of significant projected underspends in Miscellaneous Finance are: -

- £247k on the Carbon Energy Tax budget.

- £306k on City Deal debt charges due to delays in the need to borrow.
- £272k due to delays in recruitment to Head of Service posts.

5.2 Proposed Ring-Fencing of Underspends

- 5.2.1 The projected underspend provides an opportunity to ring-fence funds for a range of specific purposes. Finance staff have worked with Directors and Heads of Service to identify a range of priorities for investment totalling £2.535m, the details of which are provided in Appendix 2.
- 5.2.2 Many of the ring-fencing proposals seek to provide fixed-term additional staffing capacity across a number of areas where staffing reductions have previously occurred to support revenue budget savings requirements. This additional capacity will be essential during the recovery phase from the pandemic and will allow staff to focus on core activities following the significant time that has been dedicated to the Covid-19 response. Some of the proposals will also provide the additional capacity required to deliver some of our key strategic priorities at pace.
- 5.2.3 If the ring-fencing proposals are approved, then the revised projected outturn position will be an underspend of £7.929m as summarised below: -

	Month 9 Projected Underspend £000's	Month 9 Ring-Fencing Proposals £000's	Net Projected Underspend £000's
Education & Lifelong Learning	1,338	(950)	388
Social Services	6,515	(225)	6,290
Economy & Environment	189	(139)	50
Corporate Services	1,314	(1,221)	93
Miscellaneous Finance	1,108	0	1,108
Totals: -	10,463	(2,535)	7,929

- 5.2.4 The final 2021/22 revenue budget outturn position will be reported to Cabinet/Council in June 2022. Further proposals for use of the remaining underspend will be considered at that time, aligned to the Council's priorities and requirement to maintain financial resilience moving forward.

5.3 Conclusion

- 5.3.1 Despite the ongoing challenges faced by the Council the financial position is being well managed during the current financial year with a projected revenue budget underspend of £10.463m based on information available at month 9. This is much higher than would normally be the case but reflects the ongoing impact of Covid-19 and the significant financial support provided by WG.
- 5.3.2 The funding from the WG Covid-19 Hardship Fund is of course very welcome but this will end on the 31st March 2022, with Local Authorities being required to meet ongoing financial pressures linked to the pandemic from the funding provided in the Financial Settlement. This presents a significant financial risk and the position will be closely monitored as we move into the new financial year. The 2022/23 Draft Budget Proposals Report presented to Cabinet on the 19th January 2022 includes a recommendation to top-up the Council's Covid-19 Earmarked Reserve to £5m to help mitigate any ongoing financial pressures linked to the pandemic.
- 5.3.3 It is currently anticipated that savings of circa £9.7m will be required for the two-year period 2023/24 to 2024/25. Detailed work will be undertaken in the coming months to further refine the Council's Medium-Term Financial Plan and the Transformation Programme and associated Corporate Reviews will be key components in addressing the projected financial gap. A report

will be presented to Cabinet in early autumn providing a further updated MTFP alongside detailed proposals in terms of addressing the savings requirement moving forward.

6. ASSUMPTIONS

6.1 A wide range of assumptions are made in the preparation of budget monitoring reports based on information available for the relevant reporting period.

7. SUMMARY OF INTEGRATED IMPACT ASSESSMENT

7.1 Effective financial planning and the management of expenditure within approved budgets are key elements in ensuring that the Well-being Goals within the Well-being of Future Generations Act (Wales) 2015 are met.

7.2 A number of the proposals for the ring-fencing of underspends in this report support the delivery of approved key strategies and initiatives that have previously been the subject of detailed reports that would have considered equalities implications, links to well-being objectives etc. These include the following: -

- Education Other Than At School (EOTAS) Strategy.
- 21st Century Schools Programme.
- Reduce, Produce, Offset, Buy (Decarbonisation Strategy for Caerphilly CBC)
- ICT Strategy.
- Well-Being & Place Shaping Framework.

7.3 Many of the other proposals for the ring-fencing of underspends are of an operational nature and do not require integrated impact assessments to be completed.

7.4 There are no direct equalities implications to this report in terms of the financial information presented.

8. FINANCIAL IMPLICATIONS

8.1 As detailed throughout the report.

9. PERSONNEL IMPLICATIONS

9.1 There are no direct personnel implications arising from this report.

10. CONSULTATIONS

10.1 There are no consultation responses that have not been reflected in this report.

11. STATUTORY POWER

11.1 Local Government Act 1972.

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Appendices:

Appendix 1 – 2021/22 Whole-Authority Revenue Budget Monitoring Report (Month 9) - Summary by Directorate/Service Division.

Appendix 2 – Proposed Ring-Fencing of Underspends.