

# EXECUTIVE BOARD

24<sup>th</sup> May, 2021

## Council's Revenue Budget Monitoring Report

### Recommendations / key decisions required:

That the Executive Board receives the Budget Monitoring report and considers the budgetary position and appropriate corrective action.

In respect of departments forecasting significant overspends, Chief Officers and Heads of Service to critically review options available to them to limit the forecasted overspend of budgets, whilst recognising the impact which COVID19 has had on the Authority's overall budget.

### Reasons:

To provide the Executive Board with an update on the latest budgetary position as at 28<sup>th</sup> February 2021, in respect of 2020/21. This budget position recognises the substantial additional pressures that have been placed on the Authority in responding to the COVID19 pandemic as well as the addition funding support provided by Welsh Government.

Relevant scrutiny committee to be consulted: NA

Exec Board Decision Required	YES
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Council Decision Required	NO
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### EXECUTIVE BOARD MEMBER PORTFOLIO HOLDER:

Cllr. David Jenkins

Directorate: Corporate Services	Designations:	Tel No. 01267 224886 E Mail Addresses:
Name of Director: Chris Moore	Director of Corporate Services	CMoore@carmarthenshire.gov.uk
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## EXECUTIVE SUMMARY

### 24<sup>th</sup> May, 2021

The revenue budget monitoring reports as at 28<sup>th</sup> February 2021 are attached and indicate that:

#### **COUNCIL FUND REVENUE ACCOUNT (Appendix A)**

Overall, the monitoring report forecasts an end of year underspend of £1,980k on the Authority's net revenue budget with an underspend at departmental level of £1,872k.

At a high level this is due to a combination of:

- substantial additional grant funding expected to be received from Welsh Government before year end, which also includes funding for schools of approximately £5m;
- additional COVID19 related costs and lost income being largely refunded under the Welsh Government hardship scheme;
- services paused or reduced due to lockdown measures and social distancing; and
- staffing vacancies, some of which it has not been appropriate to recruit during the year.

In ordinary circumstances, revenue budget underspends would be seen as favourable, however the details outlined in this report illustrate that this continues to impact front line service delivery as well as the unavoidable reduction/suspension of some preventative services. This, along with any continued delays to the delivery of savings presents a significant risk to future years budgets.

The full year forecast reflects the impact which includes known financial positions up to the point of writing. As such the forecast remains sensitive to any changes in final outturn positions and end of year grant allocations which are not yet finalised. In respect of COVID19 the current picture is:

Expenditure – the Authority has submitted a monthly hardship claim for additional costs. Some January and February items remain pending, and the March claim will not be submitted until mid-May. The vast majority of items have been funded, though a small proportion are deemed ineligible – principally where it is deemed that the cost has arisen from a local discretion/decision rather than national policy or unavoidable cost.

Income – We have now submitted Quarter 4 (January-March) claim based on forecasts and will submit a final Quarter 4 (January – March) claim in mid-May. To date, lost income is being paid in full except where there is a clear local decision. There is still a residual impact from elements such as officer costs not chargeable to grants or capital schemes and school fundraising events cancelled.

At the time of writing, vaccinations have now been offered to all nine priority groups, and the start of the summer term will see all pupils return to school. However, other lockdown measures remain in place with a cautious and stepped easing planned.

Members should note that Council Tax collection remains a risk area. Carmarthenshire experienced a marked reduction in payments during the first quarter, which it is unlikely to fully recover during the year. Whilst WG have provided financial support, allocated on an RSG formula basis, it is anticipated there will still be a shortfall overall. The increase in bad debt provision is therefore now reflected within this forecast (within Corporate Services dept).

### Chief Executive's Department

The Chief Executive Department is anticipating an underspend of £376k for the year. This is made up of overspends due to a reduction in anticipated income from Commercial property, livestock markets and provision markets, offset by a net underspend on Industrial Premises, underspends on Member expenses, staffing savings from vacant posts across the department along with savings on utilities costs associated with our administrative buildings.

### **Operational budgets**

The Chief Executive's section is anticipating an underspend of £156k, primarily due to vacant posts and an underspend on supplies and services.

There is an anticipated £617k net overspend in the People Management section. This is primarily driven by the provision of £700k towards renewal of the ResourceLink system, offset by an underspend of £83k on recurrent budgets. An underspend of £38k relates to a reduction in supplies and services costs along with a £44k underspend due to fewer DBS checks being undertaken. A shortfall in external income within Employee Wellbeing has been offset by vacant posts and a reduction in supplies & services in the section during the year (£44k). This is offset by a £31k overspend on various salary related costs and other small overspends.

The ICT & Corporate Policy section are anticipating a £185k underspend largely due to part year vacant posts within the division, pending a team review.

Admin and Law are anticipating an underspend of £226k. Members expenses are underspent by £104k, there is additional income from Joint Committees and HRA of £58k along with a £64k saving on supplies and services.

The Marketing and Media section are anticipating a £121k net underspend, made up of an overspend of £149k within Marketing and Media on salary costs, pending a staffing review within the whole division (2019/20 saving proposal), and also a loss of income streams from external partners such as ERW. Potential alternative income streams are currently being sought. This is offset by an underspend on staffing costs in the Customer Services Centres, Translation Unit and Yr Hwb. These will all form part of the divisional staffing review.

Statutory Services are anticipating an underspend of £188k. Registrars are currently anticipating an underspend of £21k after having the income shortfall due to COVID19 reimbursed by WG. Coroners are anticipating a £111k underspend due to a reduction in referrals leading to a reduction in direct and indirect costs. There is also a £49k underspend in Electoral services due to staff vacancies during the year.

The Regeneration division is anticipating a £117k underspend for the year. This is made up of an overspend of £356k due to a loss of income on Livestock markets, provision markets and Commercial Properties, largely due to an overall reduction in occupancy levels. The renewable energy feed in tariff income is also reduced by £25k in the current year due to the inability to read meters under the current restrictions.

This is offset by savings in utilities costs due to staff working from home of £230k, along with additional high levels of income due to continued high occupancy rates within industrial units, despite the pandemic, of £153k. There is also an additional saving of £50k on staffing costs due to a vacant post, maternity leave and officers not at the top of the grade during the year. Net Zero carbon plan is anticipating a £60k underspend due to a vacant post earlier in the year resulting in a delay in project expenditure.

### Department for Communities

The Department for Communities is projecting a £413k overspend for the year. Physical Disabilities, Learning Disabilities and Mental Health budgets account for the majority of the overspend, with an underspend forecast within Older People. Social care teams have prioritised the safe delivery of key services, meaning that the department has been unable to progress many of the planned savings proposals. However, the budget position is highly uncertain with eligibility for grant funding changes as well as the resumption of some services over recent weeks and months. The department has been affected in financial terms by the impact of the second wave.

Older People's budgets are forecasting an underspend of £591k. There are significant underspends forecast for the year due to the initial reduction of home care delivered at the start of the pandemic in line with service user and families' wishes, reduced reablement activity and the closure of day services at the start of the pandemic. The cost of both commissioned and local authority Residential Beds has decreased over the winter months as COVID19 outbreaks has sadly led to residents passing away and consequent impact on occupancy rates.

Physical Disabilities services are forecasting a £507k overspend. The budget position is volatile with considerable uncertainty regarding grants eligibility and future demand. The demand for Direct Payments has continued from last year. This allows the service user to request this as an alternative to regulated provision.

In Learning Disability services, there is an overspend of £317k. At the start of the pandemic, day services were closed, and community services reduced significantly, reducing expenditure in this area. Whilst alternative support measures were put in place, the costs are incurred in residential care home placements and direct payments.

The overspend in Mental Health of £403k is due to increased demand with the main budget pressure in Residential Beds.

Leisure & Culture Services are predicting a nil variance. Whilst there is an ongoing material reduction in income over the year, the recovery of lost income is being funded by Welsh Government.

Council Funded Housing and Public Protection Services are predicting an £217k underspend. Core funded spend has been claimed via other funding (Transitional Homelessness Grant and TTP funding) resulting in underspend due to vacant posts, and overachievement of Housing Benefit and rental income on Temporary Accommodation.

### Corporate Services

The Corporate Services Department is projecting a £294k underspend for the year.

The outturn builds in a forecast position of a £750k shortfall in Council tax collection, which is net of additional WG support that is expected to be received. Rent Allowances overpayment recovery has been postponed by DWP, leading to a reduction in overpayment recovery of £148k.

This is offset by reductions in pre LGR pension costs, training, additional one off grants from DWP for additional administration, reduced bank charges, along with staff vacancies across

the department. There is also £60k of net additional income from services provided to M&WWFA and WPP.

#### Department for Education and Children

The Department for Education and Children is forecasting a net underspend of £1,296k at year end.

The main favourable budget variations are from staff vacancies, utilisation of additional grants and reduced travel costs across the department. There are also fewer children taking up places in early years non-maintained settings £63k; part year moratorium on redundancy processes due to COVID19 £129k; reduced number of out of county placements within Children's Services £219k.

The school meals service is forecasting a net overspend of £62k due to minimal income from voluntary contributions to the care element of the breakfast clubs' as limited opening throughout the year (£98k), which is partially offset by reduced costs during closure periods (£36k). Special Educational Needs provision in year additional funding to schools is £122k in excess of budget.

Adoption services are forecasting a net £96k overspend which includes a specific one off family placement of £125k.

School Modernisation property decommissioning costs and maintenance of closed school buildings are £67k overspent.

#### Schools Delegated Budgets

Schools working budgets are predicting a net underspend in year of £5,585k, largely driven by one off WG grants received in the current financial year. This is based on the recent budget monitoring submissions from schools and a number of revised budgets following review and challenge by Department and Corporate Services officers. These remain subject to change between now and the end of the financial year as circumstances change across the 112 schools. Some of the forecasted surplus staffing costs due to redundancies not progressing have been reduced by schools utilising the Accelerated Learning Programme grant for these teachers. The value of additional WG grants recently awarded to schools circa £5m, which are included in the February projected outturn and will be set aside within school balances.

The additional funding is directed towards meeting learning recovery costs. As such it is one-off and temporary in nature and will not resolve pre-existing issues which need to be addressed either in individual schools or whole system rationalisation.

Members should note that budgets do not include any significant additional COVID19 safety measures incurred for the safe reopening of schools – such costs have been retained centrally within departmental budgets.

The current forecast will have a significant positive impact on the balances brought forward position from as at March 2020 of a net deficit on school reserves of £2m.

#### Environment

The Environment department is anticipating an underspend of £320k for the financial year, largely due to general underspends as a result of COVID19 restrictions, for example schools

transport, and additional non-COVID19 related grant funding received from WG thereby displacing core budgets.

The Waste and Environmental Services division is projecting a nil variance. The underachievement of income against budget on the Sustainable Drainage Approval service has resulted in a £75k overspend, and Cleansing is estimating a £93k deficit due to additional requirements. There is also an overspend of £120k due to reactive works at Trebeddrod Reservoir (capital scheme approved for 21-22). This is offset by a further review of waste receptacle spend and tonnages less than expected and a small number of late grants received from WG.

Highways and Transportation are anticipating a £190k underspend for the year. This is made up of a loss of income in parking services due to COVID19 restrictions which has only been partially recoverable from WG (£606k), offset by additional income generated within the division consisting of £81k for section 38 agreements & Streetworks and £72k for Traffic regulation orders. Additional project management costs charged to grants amounted to £62k. There is also a short-term saving on school transport costs of £431k due to reduced operating days (75% payment during non-operational days), and a £47k underspend on public rights of way due to COVID19 restrictions. Other areas reporting small underspends due to COVID19 restrictions are traffic management, Road safety, and Technical Surveys (£96k)

Planning Division is anticipating a £78k overspend for the year, largely accounted for by a reduction in income. It remains unclear the extent to which applications are reduced versus merely delayed. This income is partially offset by savings due to part time vacancies and maternity leave.

The Property Division is anticipating a £133k underspend. Increased income from Property Maintenance reflecting additional work undertaken during the year in particular on empty properties is offset by a reduction in work in other areas due to COVID19 restrictions. This service operates on a cost recovery model, therefore the budget is highly sensitive to the effects of sickness absence, shielding and productivity changes.

The Business Support division is anticipating an underspend of £73k largely due to temporarily vacant posts during the year.

## **HOUSING REVENUE ACCOUNT (Appendix B)**

The HRA is predicting to be underspent by £2,912k for 2020/21. Repairs and Maintenance is forecast to be underspent by £2,352k. Budget managers are predicting underspends on Minor Works (£2,436k), Drains, Sewers & Grounds (£35k), servicing (£125k) voids (£183k) and an overspend on Responsive (£427k). This is a result of a general reduction in demand due to COVID19, with only emergency and legislative servicing being undertaken for significant periods.

Supervision & Management is projecting an underspend of £517k mainly due to staff vacancies (£628k), premises cost (£64k) due to work restrictions and reduced decants, transport costs (£52k) due to reduced visits, offset by spend on supplies and services (£26k) by recharge income (£201k) officers costs not capitalised on projects including Ty Isha. Provision for bad debts will overspend by £7k. Capital financing charges will be £849k less than budgeted due to a reduction in previously forecast interest rates and an underspend on the capital programme.

Income (inclusive of rents) will be under target by approximately £791k. This is made up predominantly of less than budgeted rental/service charge income of £818k primarily due to void loss, investment returns on cash balances £109k and underachievement of commission on sales relating to the collection of water rates £27k. We will receive more grant than anticipated of £163k primarily Affordable Housing Grant from Welsh Government.

Lists of the main variances are attached to this report.

**DETAILED REPORT ATTACHED?**

**YES**

## IMPLICATIONS

I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report:

Signed: Chris Moore

Director of Corporate Services

Policy, Crime & Disorder and Equalities <b>NONE</b>	Legal <b>NONE</b>	Finance <b>YES</b>	ICT <b>NONE</b>	Risk Management Issues <b>NONE</b>	Staffing Implications <b>NONE</b>	Physical Assets <b>NONE</b>
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### 3. Finance

Council Fund

Overall, the Authority is forecasting an underspend of £1,980k at this point in time. The final out-turn position will be influenced by COVID19 related expenditure, income loss and respective claims from WG which have not been submitted at this point.

#### HRA

The HRA is predicting to be underspent by £2,912k for 2020/21.

## CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below

Signed: Chris Moore

Director of Corporate Services

1. Scrutiny Committee – Not applicable
2. Local Member(s) – Not applicable
3. Community / Town Council – Not applicable
4. Relevant Partners – Not applicable
5. Staff Side Representatives and other Organisations – Not applicable

**EXECUTIVE BOARD PORTFOLIO HOLDER(S) AWARE/CONSULTED**  
NO

Include any observations here

### Section 100D Local Government Act, 1972 – Access to Information

List of Background Papers used in the preparation of this report:

**THESE ARE DETAILED BELOW**

Title of Document	File Ref No.	Locations that the papers are available for public inspection
2020/21 Budget		Corporate Services Department, County Hall, Carmarthen