

CABINET
30TH SEPTEMBER 2024

COUNCIL'S REVENUE BUDGET MONITORING REPORT

Recommendations / key decisions required:

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

The forecast overspend is substantial and requires Chief Officers and Heads of Service to critically review options available to them to take urgent and significant action to address the ongoing impact across both departments and schools.

Reasons:

To provide the Cabinet with an update on the latest budgetary position as at 30th June 2024, in respect of 2024/25.

Cabinet Decision Required YES

Council Decision Required NO

CABINET MEMBER PORTFOLIO HOLDER:

Cllr. Alun Lenny

Directorate: Corporate
Services

Name of Director:
Chris Moore

Report Author:
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Designations:

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EXECUTIVE SUMMARY

The revenue budget monitoring reports as at 30th June 2024 are attached and indicate that:

COUNCIL FUND REVENUE ACCOUNT (Appendix A)

Overall, the monitoring report forecasts an overspend for the year at departmental level of £17.9m including school budgets, with a forecast overspend on the Authority's net revenue budget of £9.6m.

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

- Individual schools setting in-year budgets at levels significantly above funding levels, leading to a forecast aggregated deficit balance of £5.6m based on current forecasts (Appendix C). This position is clearly unsustainable and will require urgent action at an individual school level to reduce resourcing levels to bring expenditure in line with available budgets, as well as accelerating progress in rationalising the schools' footprint, to achieve a more sustainable system overall.
- A further significant overspend currently forecast at £3.2m in Children's Services, in excess of the additional pressures funding agreed by County Council. This is primarily driven by continued growth in the number of children in very high cost residential placements (both inhouse and commissioned), as well as continued need to employ agency staff as we have recruited to a new staffing structures
- Persistent overspends in service areas where budget reductions have been implemented, but challenges in delivery have made it impossible to keep pace with the level of savings required. Monitoring indicates £3.3m of reductions undelivered for 2024/25 (of which £2.5m schools) and a further £3.4m carried forward from the previous year (of which £2m schools).

The capital financing underspend forecast at £1.5m is primarily due to increased interest earned on positive cash balances.

At this point in the year, no variance is forecast for either NJC or Teachers pay awards, however both of these could represent significant risks of further overspends. The position nationally is as follows:

- the NJC award has been rejected by two out of three Trade Unions, who are expected to ballot for strike action (GMB has accepted the offer). The Employers Offer of £1,290 has been calculated nationally at a cost of 4.03% vs the 4% increase budgeted.
- no announcement has been made by Welsh Government regarding Teachers pay, however the new UK Government has announced an increase of 5.5% for Teachers in England, compared to our budget allowance of 4%. Every 1% on teachers pay is worth c. £1m in Carmarthenshire.

Additionally, it should be noted that whilst it is still expected to be grant funded, no formal confirmation of funding for Teachers and Firefighters pensions has yet been received. This is budgeted at £4.1m.

In line with our existing policies, forecast departmental overspends are met out of departmental reserves, where available.

Chief Executive's Department

The Chief Executive Department is anticipating an underspend of £751k for the year. There are overspends on Land Charges income and some efficiencies within People Management that have yet to be achieved. These are offset by net underspends on Member pay and travelling along with a number of staffing savings from vacant posts across the department.

Operational budgets

The Chief Executive's section has an anticipated underspend of £147k, primarily due to staff savings as a result of 3 vacant posts in the section along with savings on supplies and services costs.

There is a £151k underspend expected in the People, Digital and Policy section. This consists of a £71k overspend in People Services HR and a £76k overspend on Payroll both primarily due to previous years' salary efficiencies not yet being met. The transformation team is overspent by £65k due to an income efficiency not yet being met and an additional temporary staffing resource within the section. Business and projects support is estimating an overspend of £28k as a result of an efficiency proposal not yet being in place. This is partially mitigated by a vacant post and a staff member working reduced hours. There is an overspend of £17k in Organisational Development due to a prior year efficiency not currently being met. This is offset by an underspend on Employee Wellbeing of £70k, Welsh Language of £24k, IT of £205k and Policy of £68k all due to vacant posts, along with an underspend on DBS checks of £40k due to fewer checks being undertaken than budgeted for.

The Law, Governance & Civil Services section is estimating an underspend of £149k. Members pay, and travelling are underspent by £72k, and there is an additional £18k of income for work undertaken on behalf of the HRA along with smaller underspends on supplies and services. Democratic Services support is also expecting to be underspent by £25k because of a saving on supplies and services, some additional income and staff vacancies. Legal is underspent by £108k as a result of staff vacancies that will be filled later in the financial year. There is also an underspend on electoral services of £52k due to a vacant post that will not be filled this year along with other smaller underspends in the division. These are offset by an overspend on Land Charges of £108k due to a reduction in income following a fall in demand for the service and a £30k overspend on Coroners as a result of a significant increase in the number of cases being referred to the coroner along with a large increase in charges for toxicology and histology reports, postmortems, undertakers' fees and mortuary costs.

The Marketing and Media section are anticipating a £305k underspend due to staff vacancies during the year. This is offset by a reduction in income achieved from renting out office space at Llanelli Hwb due to a fall in demand of £17k.

Communities

The Communities Department is projecting an overspend of £2,501k for the year.

The forecast assumes that vacant posts will remain vacant in line with the current recruitment freeze.

There are significant variances as the department continues to recover and respond to the post-pandemic phase.

Leisure and Culture are currently forecasting an overspend of £143k due in the main to the income shortfall resulting from the part year closure of the residential accommodation at Pendine Outdoor Education Centre for essential maintenance.

The forecast out-turn for Social Care services is an overspend of £2,301k. Underspends are largely due to difficulty in the recruitment of staff. Several initiatives have been launched to address this albeit success in recruitment to meet assessed need is likely to worsen the financial position. Overspends are due to increased demand for services e.g. LA/Private Homes and in areas where budget savings proposals remain difficult to deliver as Social Work teams have prioritised the safe delivery of key services, meaning that the department has been unable to progress some of the planned savings' proposals.

Older People's budgets are forecasting an overspend of £1,349k. Overspends are due to the utilisation of alternative methods of meeting increased demands and dependencies in LA/Private Homes (e.g. use of agency staff) (£723k); increased volume of care packages due to increased demand and numbers on Home Care waiting lists reducing (£702k) and pressures relating to the increased demand for Direct Payments (£185k). These are offset by on-going staff vacancies (-£186k) and reduced demand for Day Services (-£138k).

Physical Disabilities services are forecasting an underspend of £161k. Demand for residential placements (-£22k) remains lower than pre-pandemic levels. These are offset by financial pressures relating to an increased demand for Direct Payments in previous years as an alternative to other service provision (£236k).

In Learning Disability services, there is an overspend of £422k. Budgetary pressure remains on Residential (£191k), Group Homes / Supported Living (£579k) and Direct Payments (£92k). These pressures have been partially offset with savings due to the reduction of Day Services and Community Support (-£500k).

The overspend in Mental Health of £403k. Budgetary pressure remains on Residential (£282k) and Group Homes / Supported Living (£168k). These are partly offset with savings due to the reduction of Community Support (-£56k) and on-going staff recruitment difficulties (-£44k).

Support Services is forecasting an underspend of £34k.

Council Funded Housing and Public Protection Services are reporting a £57k overspend.

Underachievement of income due reduction in licensable properties and ability to amend fees due to statutory guidance £299k offset by savings on vacant posts/supplies -£235k. There is continued pressure on homeless/temporary accommodation services which may be mitigated by additional targeted grant income and savings on expenditure for supplies.

Corporate Services

The Corporate Services Department is anticipating a £833k underspend for the year.

There is a £272k underspend on pre LGR pension costs along with a £157k underspend on Council Tax Reduction Scheme, and a £78k underspend on Rates Relief due to lower than budgeted take up of both schemes.

There are also underspends on salaries due to vacancies across the department.

This is offset by an overspend in Revenues, primarily due to an increase in bank charges as a result of a rise in card payments, and also an overspend in Local Taxation due to an increase in postage costs in recent years.

Education and Children

The Department for Education and Children is forecasting a net overspend of £3,845k at year end (Excluding schools).

The Education Services division is reporting a net overspend of £610k. Additional Learning Needs and Education Other Than at School (EOTAS) are estimated to be £182k and £72k over respectively, this is due to additional Commissioned placements due to complexity of needs and various pupil referral units with complex needs impacting transport, resources and additional support costs. School Improvement is estimated to be £130k over due to less income being received from various grants and additional costs being incurred that were previously picked up by Partneriaeth. The School Music service is currently estimated to be overspent by £70k, this is due to SLA agreement income and concert revenues not fully covering staffing and transport costs. School Modernisation is estimated to be £82k overspent by year end due to the ongoing costs of closed school premises following school reorganisations.

Children & Families division forecast a net overspend of £3,249k with pressures across a number of areas. This overspend takes account of £1.174m growth budget still to be allocated to existing pressures within the division once worked through. Commissioning and Social Work £702k overspend is a mix of increased agency cover costs £837k, legal costs £291k with additional external provision due to increased complexity of cases and increased demand for assistance for clients £300k, partially offset by grant income & part year staff vacancies.

The Commissioned Residential placements budget is sufficient to cover the expected level of provision but there are currently a number of highly complex placements forecasting an overspend of £2,974k.

Fostering & other looked after services are forecasting an overspend of £383k, which mainly relates to an increased number of immediate foster placements and additional payments in excess of the existing budget.

Adoption Services £240k overspend is due to increased staffing costs £52k and costs in relation to Inter Agency Adoption fees, Adoption Allowances and Therapy / Counselling costs in line with ongoing service demands.

Respite Settings £306k overspend is mainly as a result of temporarily utilising Llys Caradog for residential placements due to no capacity in Garreglwyd and therefore requiring the use of additional agency staff.

There is also an overspend of £512k forecast in relation to an ongoing increase & high number of Unaccompanied Asylum Seeker Children as part of the UK sponsor scheme resulting in more expensive placement costs in excess of fixed income received.

These pressures are partially offset by forecast underspends of £706k in relation to maximisation of grant income and part year vacant posts in other service areas.

Schools Delegated Budgets

Schools working budgets are forecasting a net overspend in year of £10.8m, with a mix of supporting their formula funding to enable appropriate provision, increasing ALN support required and some schools utilising their balances for additional maintenance or initiatives that they would not otherwise have had resources to fund.

This level of utilisation of school reserves would, if not addressed, reduce the brought forward balances of £5.2m net surplus to a £5.6m net deficit by the year end.

Place, Infrastructure & Economic Development

The Place, Infrastructure & Economic Development department is forecasting an overspend of £2,363k for the financial year.

The Service Improvement and Transformation division is forecasting an overspend of £60k which is due to increased pay and agency costs in Building Cleaning together with the unachievable vacancy factor for the service and increased Danfo management costs for cleaning and maintaining public conveniences.

The Environmental Infrastructure division is forecasting an overspend of £1,705k which is mainly due to a forecasted £1,253k pressure on School and public transport and a £352k estimated overspend on waste collection. The estimated overspend in school transport is a combination of an increase in the number of operational days for school contracts in this financial year from 188 to 199 - estimated cost of £858k, and continuous significant increases in contract prices. The pressure on waste collection budgets is as a result of additional resources required to cover sickness, leave & plant downtime, there is also an unachievable £84k vacancy factor.

The Place and Sustainability Division is forecasting a £4k overspend, with a decrease in forecasted income in Building control being netted-off against underspends on staff vacancies and supplies & services.

The Economic Development and Property Division is anticipating an overspend of £594k. There is an underspend of £44k on Markets, Employment Sites and Markets due to a vacant post estimated to be filled later in the year. Property is underspent by £18k despite an £88k income shortfall due to a vacant posts within the section not estimated to be filled this year and two staff members reducing their hours. Admin buildings is anticipating an underspend of £20k due to savings on various property related expenditure and Commercial Properties is showing a small underspend of £18k due to relatively healthy occupancy rates. These underspends are offset by an overspend of £41k on Regen Management due to the cessation of staff time being charged to grants. There is also an expected £133k overspend on Industrial premises as a result of reduced occupancy including one large site, essential redecoration needed and rental rates unable to keep up with validation increases due to market conditions. The Beacon is forecasting a £40k overspend due to various premises related running costs.

The School Meals service are reporting an overspend of £336k in relation to primary and secondary schools lunch provision and £147k primary free breakfast provisions. Workforce pressures, pay award impact, increased food costs & UPFSM rollout across primary schools contribute to the challenges of providing the service within the meal price across all schools, ranging from providing between 15 - 600 meals per site.

HOUSING REVENUE ACCOUNT (Appendix B)

The HRA is predicting to be overspent by £1.742m for 2024/25. This will be reviewed as the significant issues identified become clearer from a financial perspective.

Variances in Repairs and Maintenance (R&M) costs £1.961m reflect the managers current position that there is increased demand on allocated resources and similar activity to 2023/24 levels. There will continue to be upwards pressure if demand continues at current levels. This also reflects an assumption of the communities operational account contributing to reduce the R&M overspend.

Supervision & Management budgets are projected, at the current time, to be on target. This is the result of an underspend on the employee budget being offset against additional expenditure on the premises, transport and supplies budget lines which will be re-aligning to reflect changes to service delivery areas for 2024/25.

Rental/service charge income will be -£249k better off due to additional income from temporary accommodation properties.

Lists of the main variances are attached to this report.

DETAILED REPORT ATTACHED?	YES
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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	Legal	Finance	ICT	Risk Management Issues	Staffing Implications	Physical Assets	Biodiversity & Climate Change
NONE	NONE	YES	NONE	NONE	NONE	NONE	NONE

3. Finance

Council Fund

Overall, the Authority is forecasting an overspend of £9.6m at this point in time.

HRA

The HRA is predicting to be overspent by £1.7m for 2024/25.

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 request for pre-determination

Not applicable

If yes include the following information: -

Scrutiny Committee

Date the report was considered:

Scrutiny Committee Outcome/Recommendations:

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

**CABINET MEMBER 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
2024/25 Budget		Corporate Services Department, County Hall, Carmarthen