

CABINET
27ain MAWRTH 2023

Adroddiad Monitro Cyllideb Refeniw y Cyngor

Yr Argymhellion / Penderfyniadau Allweddol Sydd Eu Hangen:

Sicrhau bod y Cabinet yn derbyn yr adroddiad Monitro Cyllideb ac yn ystyried y sefyllfa cyllidebol a'r camau cywirol priodol.

O ran adrannau yn rhagweld gorwariant sylweddol ar feysydd cyllidebol penodol, dylai'r Prif Swyddogion a Phenaethiaid y Gwasanaethau adolygu'n feirniadol yr opsiynau sydd ar gael iddynt i fynd i'r afael â'r effaith barhaus.

Y Rhesymau:

I ddarparu'r newyddion i'r Cabinet ynglyn a sefyllfa diweddaraf cyllideb 2022/23, ar 31^{ain} Rhagfyr 2022.

Angen i'r Cabinet wneud penderfyniad OES
Angen i'r Cyngor wneud penderfyniad NAC OES

YR AELOD O'R CABINET SY'N GYFRIFOL AM Y PORTFFOLIO:-
Cyng. Alun Lenny (Adnoddau)

Y Gyfarwyddiaeth:
Gwasanaethau Corfforaethol

Enw Cyfarwyddwr y
Gwasanaeth:
Chris Moore

Awdur yr Adroddiad:
Randal Hemingway

Swyddi:

Cyfarwyddwr y
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Pennaeth y Gwasanaethau
Ariannol

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EXECUTIVE SUMMARY

The revenue budget monitoring reports as at 31st December 2022 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 £6,259k, with a forecast overspend on the Authority's net revenue budget of £270k.

Across the whole authority, the largest driver remains the effect of nationally negotiated pay offers at much higher levels than budgeted, for which additional governmental funding has not been provided. Since the last report, the effect of the pay award has been built into departmental budgets, leading to some service areas such as the School Meals Service and Older Peoples budgets showing a significantly worse overspend position. The updated monitoring position indicates that individual grants have been able to accommodate the increase without drawing on core budgets to fund overspends. The unfunded cost has been partially mitigated by increased staffing vacancies due to ongoing recruitment challenges. It should be noted that the current forecast includes now allowance for an increased teachers pay offer.

In addition, there remain:

- overspends in service areas driven by increased demand combined with reduced grant funding versus previous years, particularly Learning Disabilities and Children's Service
- a sustained reduction in commercial income, covering car parks, leisure centres and school meals
- capital financing underspends due to scheme delays and reduced need to borrow. The inherent underspend is £3m, against which £750k direct has been committed to cover the tendered price increase required to proceed with the Oriel Mryddin project, which attracts c. £1m national lottery match funding.

As part of the 2022/23 budget setting process the Authority agreed a £3m in year contingency budget which is currently held centrally which provides a partial offset to the general pressures above. £200k has been used to offset the increase in fuel prices impacting on School Transport.

The full year forecast reflects the impact which includes known financial positions at the point of preparation. As such the forecast does not contain the full impact of any additional in year grant adjustments which may yet be received. 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 £683k for the year. There are net underspends on Member pay and travelling, Registrars and staffing savings from vacant posts across the department, offset by overspends within People Management due to employing additional staff, mainly to deal with a recruitment backlog, along with prior year efficiencies that have yet to be achieved. There is also a shortfall in income on Land Charges, Provision Markets and County Farms.

Operational budgets

The Chief Executive's section has an anticipated underspend of £131k, primarily due to staff being seconded to other sections.

There is an expected £223k overspend in the People Management section. This consists of a £60k overspend in People Services HR on agency staff costs, to deal with the backlog in recruitment along with unachieved prior year efficiencies, and an overspend of £66k in payroll, due to past year efficiencies not yet being met. There is an anticipated overspend of £66k on Agile working due to an unfunded post. There is an overspend of £74k in Organisational Development due to an unfunded post, a one off cost for Investors in People Assessment, and a training efficiency target not currently being met. This is offset by an underspend on DBS (£26k), due to fewer checks being undertaken than budgeted for, along with an underspend of (£22k) in the Transformation team due to vacant posts, along with other smaller variances.

The ICT & Corporate Policy section are reporting a £51k underspend, largely due to part year vacant posts within the division. These have now been filled or are due to be filled imminently. Admin and Law are showing an underspend of £277k. Members pay and travelling are underspent by £163k, and there is an additional £26k of income for work undertaken on behalf of the HRA. There is also additional income for DSU from external work of £30k along with a £15k saving on supplies and services. Legal services are expecting to be underspent by £64k due to vacancies that are being filled imminently. Central Mailing is also underspent by £23k due to a saving on franking machine leasing costs. There are also other small underspends on supplies and services within the division. This is offset by an overspend on Land Charges of £48k due to a reduction in income, following a fall in demand for the service.

The Marketing and Media section are anticipating a £265k net underspend, made up of an overspend of £158k 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. This is offset by an underspend on staffing costs in the Customer Services Centres, Translation Unit, Marketing & Tourism Development and Yr Hwb. These will all form part of the divisional staffing review.

Statutory Services are reporting an underspend of £93k. This is made up of a saving on vacant posts of £29k following a team review along with a £55k underspend on Registrars largely due to income generated above the budgeted figure. There is also a small saving of £9k within coroners.

The Regeneration division is anticipating a £89k underspend for the year. This is made up of an overspend of £50k due to a loss of income on farms as no scope to increase tenancy agreements currently, a £33k overspend in Provision Markets due to a shortfall in income along with some essential maintenance work being undertaken, and an overspend of £33k due to cessation of staff time being recharged to projects.

This is offset by an underspend on Industrial Premises (£62k) and Commercial Properties (£13k) due to high occupancy and a saving of premises related costs within admin buildings and depots of (£34k) along with savings from vacant posts during the year.

Communities

The Communities Department is projecting an overspend of £3,301k for the year.

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

Membership and use of our leisure centres declined to near nil in the pandemic and it was anticipated that income targets (attendances and memberships) could not recover fully this year. However, they are on track to return to pre-pandemic levels by the end of the financial year. As a result, there is a projected in year overspend in Leisure and Culture of £907k. Despite the encouraging trends, lost income to the service is likely to be £1,267k for this year. The service is mitigating the overspend by reducing costs on casual staff (£399k). Minor offsetting expenditure / income variances account for the £39k balance.

Social Care services are projecting an overspend of £2,390k. Underspends are largely due to capacity issues in Residential Beds where it remains difficult to recruit 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. Direct Payments 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. In year inflationary pressures, particularly the higher than anticipated pay award, on the sector make the financial position additionally challenging.

Older People's budgets are forecasting an overspend of £309k. The pay award for 2022-23 was significantly higher than budgeted for and has added a substantial challenge. This is especially true for those areas with a large number of staff on lower grades such as Local Authority Residential Homes (£460k) and Local Authority Home Care (£350k). Increased demand for Direct Payments (£166k) additional costs in the Home Care Framework in order to support rural provision (£270) has resulted in an additional overspend. This is offset by significant underspends in other areas as a result of reduced provision of day services due to COVID19 restrictions (£-299k) and on-going staff vacancies due to staff recruitment issues, particularly in Commissioning (£-129k) and Enablement (£-392k).

Physical Disabilities services are underspent by £376k. Demand for residential placements (£-250k) and supported living placements (£-448k) remains lower than pre-pandemic levels. An increased demand for Direct Payments as an alternative to other service provisions (£507k) partially offsets the underspend in this area.

In Learning Disability services, there is an overspend of £2,171k. Budgetary pressure remains on Residential (£1,133k) and Group Homes / Supported Living (£1,894k) as the savings target are difficult to deliver due to COVID19 restrictions and an under-developed market for care in West Wales. Families of adults with learning disabilities are finding it increasingly challenging to cope resulting in more demand for formal care (£118k). Also, an increased demand for Direct Payments and a lack of availability of alternative provision due to COVID restrictions has added further pressure (£459k). These pressures have been partially offset with savings due to the reduction of Day Services and Community Support (£-1,352k).

The overspend in Mental Health of £242k is due to increased demand with the main budget pressure in Residential Beds (£576k) and Group Homes / Supported Living (£192k) as the savings target are difficult to deliver due to COVID19 restrictions, partly offset by on-going staff recruitment difficulties (£-328k) and reduced Community Support Provision when compared to pre-pandemic levels (£-167k).

Support Services is forecasting an overspend of £51k.

Council Funded Housing and Public Protection Services are reporting a £5k overspend. However there are concerns around income receivable through the court system relating to the work of our financial investigation team and increased pressure on temporary accommodation services which is being supported by additional grant income from WG.

Corporate Services

The Corporate Services Department is anticipating a £1,022k underspend for the year.

There is a £331k underspend on pre LGR pension costs along with a £349k underspend on Council Tax Reduction and an £84k 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, and staff not yet at the top of their scale, along with a reduction in audit fees and some additional income for work undertaken for external organisations.

These underspends are offset by an overspend of £134k on Rent Allowances. This service is demand led and is subject to fluctuation year on year. There is also an overspend in revenues, primarily due to an increase in bank charges as a result of a rise in card payments. This service is demand led and is subject to fluctuation year on year.

Department for Education and Children

The Department for Education and Children is forecasting a net overspend of £4,487k at year end.

The Education Services division is forecasting a net overspend of £38k. A forecast overspend due to increased demand for Additional Learning Needs provision £385k includes a mix of additional support in mainstream and the creation of additional classes in attached units. Education other than at school, mainly the PRU settings, also forecast an overspend of £96k as they incur increased staffing costs for the increased demand and more complex nature of behaviour issues since Covid. Due to few in year school redundancies, there is an underspend of £179k for the EVR budget and a further underspend against early years provision of £294k with WG grant received which funds what would have otherwise utilised core budget.

Access to Education division are forecasting a net overspend of £1,105k mainly due to the Schools Meals service of £863k for lunch provision and £192k primary breakfast provisions. Workforce pressures, pay award impact for the lower graded staff and increased food costs contribute to the challenges of providing the service within the meal price across all schools, ranging from providing 15 to 600 meals per site

Strategy and Learner Support division forecast a net underspend of £361k which will contribute to funding pressures across other areas of the department. This contains part year staffing vacancies and additional grant funding allowing core budget to be released.

Children's Services division forecasts a net overspend of £3,931k with pressures across a number of areas. Commissioning and Social Work £885k forecast overspend is a mix of increased agency cover costs £450k and legal related costs (combination of number of cases and support for families in complex cases) of £430k. The Out of County budget is sufficient to cover the expected level of provision but there are currently three highly complex placements creating an overspend of £1,142k. £406k of the fostering & other looked after services forecast

of £726k relates to specialist support packages for 2 children with the remaining £320k absorbed by fostering allowances and related payments in excess of the existing budget. Residential units £839k overspend is due to ongoing challenges around LHB contribution, staffing pressures generating significant agency expenditure and the new setting not having resolved staffing and funding whilst providing essential complex care. Short breaks and direct payments have all seen an increase in demand generating a forecast overspend of £501k. These pressures are partially offset by 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 £7.5m, with a mix of supporting their formula funding to enable appropriate provision, Covid recovery/catch up 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 will reduce the brought forward balance of £15.2m net surplus to £7.7m by year end.

Place & Infrastructure

The Place & Infrastructure Department is forecasting an overspend of £177k for the financial year.

The Service Development & Improvement division is estimating a £220k overspend for the year, mainly due to a £170k additional pressure on Cleaning wages as a result of the pay award being more than budget, there is also a £22k overspend in the service due to a high level of agency as a result of sickness.

The Waste and Environmental Services division is forecasting a £247k overspend of which £199k is as a result of sickness absence related agency cover and driver support services in Refuse, £180k additional pressure on wages due to actual pay award being more than budget and a £69k underachievement of income against budget on the Sustainable Drainage Approval service. These pressures are off-set by staff vacancies of £118k and a £106k surplus on Green Waste collections due to an increased customer base.

Highways and Transportation are forecasting a £204k overspend for the year. The two main variances are the loss of income on Parking Services of £231k and a £251k overspend on School Transport. The total estimated additional cost of fuel prices and tender prices is £376k, £200k of which has been funded corporately, £75k is estimated additional staff costs, £51k of which is the difference between the actual pay award and the budget for Passenger Assistants. These pressures are partly offset by a £82k net increase in Traffic Regulation orders income and a net £247k underspend on pay costs due to vacancies, staff reducing hours or not on top of their grades plus time recharged to grants.

The Property Division is forecasting a £124k underspend for the year due to the £140k underspend on the vacant Property division Head of Service post and a £190k estimated underspend on Property maintenance. This estimated outturn is based on the current works programme and may vary as the year progresses. These are offset by a £51k overspend on the Schools Handyvan Service due to more work being identified within schools which require to be undertaken, £44k additional costs due to further testing at Llandovery pumping station and a £100k overspend due to the purchasing of equipment to facilitate hybrid working and increased non chargeable time on the Property Design Business unit.

The Place and Sustainability Division is forecasting a £369k underspend, largely due to vacant posts within the team.

HOUSING REVENUE ACCOUNT (Appendix B)

The HRA is predicting to be underspent by £651k for 2022/23. This will be reviewed as the significant issues identified become clearer from a financial perspective.

Variances in Repairs and Maintenance (R&M) costs (+£551k) reflect the managers' current position. However, given current inflation and the impact on construction industry capacity post-Covid and post-Brexit including significantly increasing pay, energy, fuel, and construction materials costs, there will continue to be upwards pressure on contractor rates and reduced availability as we progress through 2022/23. Future budget monitoring will show this developing scenario linked to industry capacity, which is currently affecting year end predictions.

Nationally negotiated pay offers at much higher levels than budgeted, falls directly on the HRA to fund. This will result in £256k overspend. Also, there are other overspends on Supervision and Management taking the total for S&M to £448k. This is offset by additional recharge income of £155k.

The provision for bad debt will not be utilised in 2022/23 resulting in £517k underspend.

While interest rates on capital financing costs in the HRA are forecast higher than budget, the capital financing requirement is significantly reduced due to additional grant funding received in 2021/22 and 2022/23. There is also forecast underspend on the current year capital programme reducing the forecast capital financing costs by £666k. Increased interest rates also benefit the HRA due to the level of reserves held. This equates to approximately £367k.

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
NONE	NONE	YES	NONE	NONE	NONE	NONE

3. Finance

Council Fund

Overall, the Authority is forecasting an overspend of £270k at this point in time. The final out-turn position could be further influenced by any changes to the level of pay awards, and the extent of any additional funding forthcoming.

HRA

The HRA is predicting to be underspent by £651k for 2022/23.

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
2022/23 Budget		Corporate Services Department, County Hall, Carmarthen