

CABINET
22^{ain} MAY 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 28^{ain} Chwefror 2023.

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
Gwasanaethau Corfforaethol

Pennaeth y Gwasanaethau
Ariannol

Rhif ffôn: 01267 224886
Cyfeiriadau E-bost:

CMoore@sirgar.gov.uk

Rhemingway@sirgar.gov.uk

EXECUTIVE SUMMARY

Cabinet

22ND May 2023

The revenue budget monitoring reports as at 28th February 2023 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 £6.159m, with a forecast underspend on the Authority's net revenue budget of £470k.

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. The effect of the pay award is reflected in departmental budgets, contributing to the significant overspend position. The remaining corporate contingency budget has been held to provide a partial mitigation against this in the current year budget, whilst the full effect of the award has been built into the 2023/24 budget which was approved by County Council in March 2023. The overspend showing for schools incorporates the additional £1.5m which Cabinet agreed to provide to schools at its meeting of 27 March 2023 in respect of unfunded 2022/23 NJC and Teacher pay awards affecting school budgets.

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 £3.5m, 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.

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 £758k for the year. There are net underspends on Member pay and travelling, Registrars income and staffing savings from vacant posts across the department. This is 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. Coroners are overspent as a result of a one-off inquest and a high number of post-mortems and mortuary costs. There is also a shortfall in income on Land Charges and County Farms.

Operational budgets

The Chief Executive's section has an anticipated underspend of £139k, primarily due to staff being seconded to other sections.

There is an expected £190k overspend in the People Management section. This consists of a £62k 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 £56k 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 £81k 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 (£29k), due to fewer checks being undertaken than budgeted for, a £24k underspend on Social Care Workforce Development due to courses not being able to be undertaken before the end of the financial year, along with an underspend of (£28k) in the Transformation team due to vacant posts, along with other smaller variances.

The ICT & Corporate Policy section are reporting a £75k 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 £231k. Members pay and travelling are underspent by £162k, and there is an additional £25k of income for work undertaken on behalf of the HRA. There is also a £34k underspend in Democratic Services Support due to a vacant post and additional income generated for work undertaken for the Police and Crime Commissioner. Legal Services are expecting to be underspent by £45k due to vacancies during the year that are due to be filled imminently. Central Mailing is also underspent by £21k 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 £60k due to a reduction in income, following a fall in demand for the service.

The Marketing and Media section are anticipating a £254k net underspend, made up of an overspend of £138k 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 £56k. This is made up of a saving on vacant posts of £31k along with a £79k underspend on Registrars largely due to income generated above the budgeted figure. This is offset by an overspend on Coroners of £68k due to one off costs associated with an inquest (£36k) along with an increase in the number of post-mortems and undertaker fees in recent month (£39k). This is offset by smaller underspends within supplies and services across the division.

The Regeneration division is anticipating a £193k underspend for the year. This is made up of an overspend of £66k due to a loss of income on farms as there is no scope to increase tenancy agreements currently, along with essential maintenance costs. There is a £13k overspend in Provision Markets due to a shortfall in income, and an overspend of £33k due to cessation of staff time being recharged to projects.

This is offset by an underspend on Industrial Premises (£78k) and Commercial Properties (£86k) due to high occupancy, a saving of premises related costs within depots of (£14k), (£17k) underspend on livestock markets due to additional income being generated, along with savings from vacant posts during the year of £104k.

Communities

The Communities Department is projecting an overspend of £3,798k 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 £896k. Despite the encouraging trends, lost income to the service is likely to be £1,007k for this year. The service is mitigating the overspend by reducing costs on casual staff (£143k). Minor offsetting expenditure / income variances account for the £32k balance.

Social Care services are projecting an overspend of £2,908k. 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 (£664k) and Local Authority Home Care (£350k). Increased demand for Direct Payments (£172k) additional costs in the Home Care Framework in order to support rural provision (£227) 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 (£-317k) and on-going staff vacancies due to staff recruitment issues, particularly in Commissioning (£-110k) and Enablement (£-412k).

Physical Disabilities services are underspent by £394k. Demand for residential placements (£-301k) and supported living placements (£-438k) remains lower than pre-pandemic levels. An increased demand for Direct Payments as an alternative to other service provisions (£486k) partially offsets the underspend in this area.

In Learning Disability services, there is an overspend of £2,212k. Budgetary pressure remains on Residential (£1,132k) and Group Homes / Supported Living (£1,894k) as the savings target have been 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 (£103k). Also, an increased demand for Direct Payments and a lack of availability of alternative provision due to COVID restrictions has added further pressure (£465k). These pressures have been partially offset with savings due to the reduction of Day Services and Community Support (£-1,365k).

The overspend in Mental Health of £257k is due to increased demand with the main budget pressure in Residential Beds (£573k) 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 (£-301k) and reduced Community Support Provision when compared to pre-pandemic levels (£-179k).

Support Services is forecasting an overspend of £76k.

Council Funded Housing and Public Protection Services are reporting a £6k underspend. 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 £1,104k underspend for the year.

There is a £335k underspend on pre LGR pension costs along with a £376k underspend on Council Tax Reduction Scheme 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.

Department for Education and Children

The Department for Education and Children is forecasting a net overspend of £3,858k at year end.

The Education Services division is forecasting a net underspend of £182k. A forecast overspend due to increased demand for Additional Learning Needs provision £296k 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 £87k due to additional 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 £223k for the EVR budget. Early years provision for 3 year olds in non-maintained settings is also underspending by £357k as a WG grant funds what would have otherwise utilised core budget.

The Access to Education division is forecasting a net overspend of £741k mainly within the Schools Meals service of £493k for lunch provision and £190k primary breakfast provisions. Workforce pressures, pay award impact 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 £407k 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 £3,934k with pressures across a number of areas. Commissioning and Social Work £1,013k forecast overspend is a mix of increased agency cover costs £589k and legal related costs (combination of number of cases and support for families in complex cases) of £505k. 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 £1,105k. £368k of the fostering & other looked after services forecast of £702k relates to specialist support packages for 2 children with the remaining £334k absorbed by increased fostering allowances and related payments in excess of the existing budget. Residential units £954k 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 £538k.

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 £6.3m, 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 forecast includes the recently agreed additional funding to meet in-year pay awards in excess of the original budgets.

This level of utilisation of school reserves is forecast to reduce the brought forward balance of £15.2m net surplus to £8.9m by year end.

Place & Infrastructure

The Place & Infrastructure Department is forecasting an overspend of £366k for the financial year.

The Service Improvement & Transformation division is estimating a £228k overspend for the year, mainly due to a £170k additional pressure on Cleaning wages as a result of the actual pay award being more than budget. There is also an increased level of agency expenditure as a result of sickness and also a reduction in income due to closed properties.

The Waste and Environmental Services division is forecasting a £667k overspend. £196k is as a result of sickness absence related agency cover and driver support services in Refuse and there's £180k additional pressure on wages due to actual pay award being more than budget. The planned draw-down from reserves for waste services is not estimated to be required in 22/23 as other divisions within the department are showing underspends. There is also a £58k underachievement of income against budget on the Sustainable Drainage Approval service. These pressures are off-set by staff vacancies and a £47k surplus on Green Waste collections due to an increased customer base.

Highways and Transportation are forecasting a £125k overspend for the year. The two main variances are the loss of income on Parking Services of £239k and a £134k overspend on School Transport. The total estimated additional cost of fuel prices and tender prices is £252k, £170k of which has been funded corporately, £51k is estimated additional staff costs which is the difference between the actual pay award and the budget for Passenger Assistants. There is

also a £30k pressure on winter maintenance. These pressures are partly offset by a £36k net increase in Traffic Regulation orders income and a net £274k 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 £200k underspend for the year due to the £140k underspend on the vacant Property division Head of Service post and a £240k estimated underspend on Property maintenance. This estimated outturn is based on the current works programme and may vary as the year progresses. These savings are offset by £36k of additional costs due to further testing at Llandovery pumping station, £55k from slippage on Retrofit 2.1 scheme and a £87k 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 £455k underspend, largely due to vacant posts within the team.

HOUSING REVENUE ACCOUNT (Appendix B)

The HRA is predicting to be underspent by £850k 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 (+£518k) 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 however with in-year vacancies to offset this will result in £30k overspend. Also, there are other overspends on Supervision and Management taking the total for S&M to £419k. This is offset by additional recharge income of £281k.

The provision for bad debt will not be fully utilised in 2022/23 resulting in £495k 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 £746k. Increased interest rates also benefit the HRA due to the level of reserves held. This equates to approximately £363k.

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 underspend of £470k at this point in time.

HRA

The HRA is predicting to be underspent by £850k 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