

Meeting of:	<b>Cabinet</b>
Date of Meeting:	<b>Thursday, 19 January 2023</b>
Relevant Scrutiny Committee:	Corporate Performance and Resources
Report Title:	Revenue Monitoring for the Period 1st April to 30th November, 2022
Purpose of Report:	To advise Cabinet of the progress relating to revenue expenditure for the period 1st April to 30th November, 2022
Report Owner:	Report of the Executive Leader and Cabinet Member for Performance and Resources
Responsible Officer:	Matt Bowmer Head of Finance/ Section 151 Officer
Elected Member and Officer Consultation:	Each Scrutiny Committee will receive a monitoring report on their respective areas. This report does not require Ward Member consultation
Policy Framework:	This report is for Executive decision by the Cabinet
<p>Executive Summary:</p> <ul style="list-style-type: none"> <li>• The revenue position for 2022/23 will continue to be challenging for the Council both operationally and financially due to the ongoing implications of the COVID-19 pandemic and Cost of Living Crisis.</li> <li>• Emerging pressures during 2022/23 relate to energy standing charges, the recent pay award settlement, general inflation particularly in areas such as school transport and cost of living and staffing pressures. Inflationary and demand pressures are being experienced across services and will need to be carefully monitored during the financial year.</li> <li>• Currently, there is a balanced overall position with additional pay pressures being met from an underspend in the Policy Budget and some drawdown of service reserves, however the pressure in respect of school transport will need to be mitigated as year end is approached.</li> <li>• An efficiency target of £500k has been set for the year and services are currently working towards achieving their targets. There are some issues remaining relating to unachieved savings targets from previous years.</li> <li>• Adverse variances are being projected for some services this year and the use of reserves will be required to resolve these issues in the short term.</li> </ul>	

## **Recommendations**

1. That the position with regard to the Authority's 2022/23 Revenue Budget be noted.
2. That Members note the arrangements to offset the projected overspends in 2022/23 as set out in the Report.
3. That Members approve the Amended Revenue budget for 2022/23 as set out in Appendix 1.

## **Reasons for Recommendations**

1. To inform Cabinet of the projected revenue outturn for 2022/23.
2. To respond to emerging pay and price inflationary pressures in 2022/23.
3. To adjust the Amended Revenue Budget for 2022/23 for movements between directorates.

## **1. Background**

- 1.1 Council on 7<sup>th</sup> March, 2022 approved the revenue budget for 2022/23 (minute no c903) and the Housing Revenue Account budget for 2022/23 (minute number c905). There is an approved drawdown from the Council Fund of £996k during 2022/23.

## **2. Key Issues for Consideration**

### **Emerging Corporate Pressures**

- 2.1 The revenue position for 2022/23 will continue to be challenging for the Council both operationally and financially due to the ongoing and lasting implications of the COVID-19 pandemic. The Council continues to see additional pressures as a result of COVID-19 particularly across Education, Leisure and Social Services.
- 2.2 Continuing into 2022/23, Welsh Government (WG) has provided financial support to cover additional expenditure incurred via the Local Authority Emergency Hardship Grant for some limited payments such as Free School Meals, Self Isolation Payments and a statutory sick pay scheme for Social Care workers although the majority of these payments are now drawing to an end
- 2.3 As outlined in the Final 2022/23 Revenue Proposals a sum of £1.249M has been set aside to fund emerging costs associated with Covid. In addition a number of reserves have been created due to the displacement of funding as a result of late grant allocations in 2021/22 and these reserves will begin to be utilised during 2022/23. In addition to the above the Council is operating a number of Welsh and UK initiatives across its services some of which were outlined in the recent Cost of Living report which was taken to 15<sup>th</sup> December Cabinet meeting.

- 2.4 The Council has also processed Social Care Worker payments, unpaid carer payments, Ukrainian Welcome and Thank You payments and Winter fuel payments during 2022/23..
- 2.5 The impact of the COVID-19 pandemic and other emerging pressures will be discussed in further detail throughout this report.

### Revenue Financial Position

- 2.6 The table below details the budget and shows the position by service area based on current projections., this is further detailed in Appendix 1. The unplanned use of reserves will be necessary to address emerging inflationary pressures across services which include the additional costs of the 2022/23 pay award, costs associated with shortages such as HGV drivers and School Transport. These areas of overspend have been mitigated by savings from vacant posts across the Council, savings on borrowing costs in year and an adjustment for income in social services as well as additional investment income generated in year.

**Table 1.**

Directorate/Service	2022/23 Original Budget £'000	2022/23 Revised Budget £'000	2022/23 Projected Outturn £'000	Variance (+)Favourable (-) Adverse £'000
<b>Learning and Skills</b>				
Schools	104,953	104,953	104,953	0
Strategy, Culture, Community Learning & Resources	8,956	9,002	10,168	-1,166
Directors Office	242	242	246	-4
Additional Learning Needs & Wellbeing	3,334	3,334	3,883	-549
Standards and Provision	3,547	3,547	3,747	-200
Planned Use of Reserves	0	0	-1,089	1,089
Additional Funding required to mitigate School Transport Inflationary Pressure	0	0	-601	601
<b>Total Learning and Skills (incl. Schools)</b>	<b>121,032</b>	<b>121,078</b>	<b>121,307</b>	<b>-229</b>
<b>Social Services</b>				
Children and Young People	18,581	18,536	18,761	-225
Adult Services	53,816	53,754	51,929	1,825
Resource Management & Safeguarding	7,742	7,728	8,128	-400
Unplanned transfer to reserves	0	0	1,300	-1,300
Youth Offending Service	730	724	624	100
<b>Total Social Services</b>	<b>80,869</b>	<b>80,742</b>	<b>80,742</b>	<b>0</b>
<b>Environment and Housing</b>				

Neighbourhood Services & Transport	28,190	28,147	29,447	-1,300
Building/Cleaning Services	0	0	150	-150
Regulatory Services	2,103	2,102	2,102	0
Council Fund Housing	1,444	1,425	1,425	0
Public Sector Housing (HRA)	11,077	16,516	16,516	0
Unplanned use of reserves	0	0	-950	950
<b>Total Environment and Housing</b>	<b>42,814</b>	<b>48,190</b>	<b>48,690</b>	<b>-500</b>
<b>Corporate Resources</b>				
Resources	983	1,516	1,574	-58
Cost of Living	0	0	825	-825
Oracle Upgrade	0	0	2,466	-2,466
Housing Benefit	692	692	722	-30
Unplanned use of reserves	0	0	-2,919	2,919
<b>Total Corporate Resources</b>	<b>1675</b>	<b>2,208</b>	<b>2,668</b>	<b>-460</b>
<b>Place</b>				
Regeneration	2,419	1,660	1,692	-32
Development Management	1,300	2,206	2,248	-42
Private Housing	413	222	222	0
<b>Total Place</b>	<b>4,132</b>	<b>4,088</b>	<b>4,162</b>	<b>-74</b>
<b>Policy</b>				
General Policy	34,109	33,764	31,014	2,750
Use of Reserves	-996	-996	-996	0
<b>Total</b>	<b>283,635</b>	<b>289,074</b>	<b>287,587</b>	<b>1,487</b>

## Learning and Skills

- 2.7 Current projections indicate that the Learning and Skills Directorate will outturn with an adverse variance of £229k after transferring £1,090k in from reserves for planned additional expenditure. The £229k relates to the 2022/23 pay award and will be offset by an underspend in the Central Policy budget. An additional £601k relates to School Transport and if this cannot be mitigated by the service will be met by the projected Policy underspend.
- 2.8 Also included in the overspend is £768k against the education transport service. Although the budget for Education transport is held within the Environment and Housing Directorate, the Learning and Skills Directorate is responsible for meeting the cost of any adverse variance. As well as additional routes being required, school transport costs are increasing at a rapid pace due to increased fuel costs and driver wages as well as general inflationary pressures. A contribution of £87k will be made from the Education Pressures reserve towards this overspend.
- 2.9 Schools - It is anticipated that the schools will outturn in line with the revenue budget as any variances will either be met or carried forward through school reserves. It should be noted that the cost of the 2022/23 pay awards will have a

significant impact on school balances as these costs are likely to be much higher than allowed for in the budget setting process. In addition to this pay award pressure, schools are anticipating a rise in energy costs for the current financial year based on the rise in standing charges.

2.10 Strategy, Culture, Community Learning & Resources - It is currently projected that the Strategy, Community Learning and Resources budget will outturn with an adverse variance of £747k after a transfer of £419k from reserves.

2.11 The table below provides a summary of the main variances against this budget and also the transfers from reserves.

Table 2.

	<b>£000</b>
<b>Adverse Variances</b>	
Demountable Classroom at Ysgol Y Deri	114
ICT and data budget	32
Schools Long Term Supply Scheme Overspend	33
Safeguarding & Salary Protection in Schools	39
Libraries - Makerspace project at Barry Library, upgrade and replacement of self-serve kiosks, public access Wi-Fi at Penarth Library	267
School Transport Projected Overspend	768
Additional Pay Award Costs	121
<b>Favourable Variances</b>	
Payments to private nurseries	(80)
Historic Pension Payments	(12)
Other Favourable Variances	(28)
Schools Decarbonisation	(25)
Welsh Immersion Funding (Offset by Grant in 2022/23)	(40)
Adult Community Learning	(23)
<b>Total Net Adverse Variance</b>	<b>1,166</b>
	Transfer To/(from) reserves
<b>Contribution from Reserves</b>	<b>£000</b>
Demountable at Ysgol Y Deri	(114)
Safeguarding & Salary Protection	(39)
Schools Long Term Supply	(33)
Library improvements	(211)
Contribution to School Transport overspend	(87)
Schools Decarbonisation funding	25
Welsh Immersion Funding	40
<b>Total Transfer from reserves</b>	<b>(419)</b>
<b>Net Variance after transfer from reserves</b>	<b>747</b>

- 2.12 Additional Learning Needs & Wellbeing - This service continues to face significant pressures due to the increasing needs of pupils within the Vale. At the present time it is projected that the budget will outturn with an adverse variance of £139k. One of the significant adverse variances in this area is relating to a shortfall in recoupment income due to the increase in Vale of Glamorgan pupils requiring specialist placements at Ysgol Y Deri, there are no new places left to sell to other Local Authorities (LAs). The total adverse variance of £294k will be partially offset by income charged to other LAs in respect of OOC pupils in Vale Resource bases and receiving other additional support, the remaining overspend of £175k will be transferred from the ALN reserve.
- 2.13 Additional costs of £185k are being incurred in relation to Whitmore ASD Unit and the costs related to the new Satellite ALN Units at Pencoedtre and Ysgol Bro Morgannwg will be funded from the ALN Reserve. Costs are being finalised and it may be possible to fund some of the resource/equipment costs from grant funding which would reduce the amount transferred from reserves.
- 2.14 The Early Years Provision is currently projecting an underspend of £175k. This is because all costs identified to date will be funded from grants as a one off (Accelerated Learning funding carried forward from 21/22 and Foundation Phase funding). A specialist teacher and a transition worker have been employed to progress early years requirements of the ALN Act. These savings will help to offset overspends elsewhere in the budget this financial year.
- 2.15 The table below highlights the main variances and transfers from reserve.  
Table 3.

	<b>£000</b>
<b>Adverse Variances</b>	
Complex Needs & Children's Placements	94
Overspend against Joint Pooled placements budget Children Looked After	47
Shortfall in Recoupment Income	175
Non Delegated Resource Units – Whitmore and Satellite Units	148
Sensory Team	28
Safeguarding & Wellbeing Budget	20
Inclusion Services	61
Post 16 budget	18
Pupil Support Service Training Events	12
Additional ALN Temporary Posts	50
Additional 2022/23 Pay Award Costs	71
<b>Favourable Variances</b>	
Early Years Provision	(175)
<b>Total Net Adverse Variance</b>	<b>549</b>
<b>Contribution from Reserves</b>	Transfer To/(from) reserves

	£000
Recoupment Income	(175)
ALN Resource Units	(185)
Temporary ALN Posts	(50)
<b>Total Transfer from reserves</b>	<b>(410)</b>
<b>Net Variance after transfer from reserves</b>	<b>139</b>

2.16 Standards and Provision - It is projected that this budget area will outturn with a favourable variance of £60k of which £37k 2022/23 pay costs will be offset by an underspend in the Policy budget. The service will transfer £260k in from the Wellbeing and Family Engagement Reserve to support the delivery of services during 2022/23.

2.17 The Education Other than at School (EOTAS) budget is projected to outturn on target subject to a transfer in of £109k from reserves. This will be used to fund new and additional provision as well as increased transport costs.

2.18 The table below highlights the main variances and transfers from reserves.

Table 4

	£000
<b>Adverse Variances</b>	
Education Other Than at School (EOTAS)	109
Liaison & Engagement Officer Temporary Posts	151
Inclusion & Wellbeing	7
Additional Pay Costs	37
<b>Favourable Variances</b>	
Out of School Tuition	(2)
Youth Engagement & Progression staff vacancies	(84)
School Improvement	(18)
<b>Total Net Adverse Variance</b>	<b>200</b>
<b>Contribution from Reserves</b>	Transfer To/(from) reserves
	£000
Liaison & Engagement Officer Temporary Posts	(151)
Education Other Than at School (EOTAS)	(109)
<b>Total Transfer from reserves</b>	<b>(260)</b>
<b>Net Favourable Variance after transfer from reserves</b>	<b>60</b>

## Social Services

2.19 The Final Revenue Proposals set out a budget programme for Social Services that utilised an additional £1.437m of Social Services reserves to help meet Social Services cost pressures and build capacity in the service to address increased need and help to develop the staffing resources required by the service. It is

proposed that the budgets are realigned to reflect the planned draw down from the Social Services reserve as part of the plan.

- 2.20 It is currently anticipated that Social Services will out-turn with a favourable variance of £1.3m in 2022/23. The previous revenue budget monitoring report projected an overspend of £1.35m, however, since the last report the projected income for the year for payments received for residential care has increased by £2.4m. £2m of this is a one off sum which is recognised due to a change in the treatment of the income. Previously deferred payments which were often subject to a legal charge on a property were accrued but assumed at a 100% bad debt provision. For 2022/23 the bad debt provision will be assumed to be 18.44% based on recent performance.
- 2.21 Children and Young People Services - It is anticipated that the outturn at year end could be an adverse variance of around £225k which will be offset by an underspend in Adult Services. Adverse variances include legal costs are being incurred as a result of complex Court cases that require Counsel's involvement, financial support for Special Guardianship and Residence Orders and overspends against the External Placement budget.
- 2.22 There are potentially favourable variances across the Division, most particularly in the current foster payments budget, that could total around £200k. It should be noted however that the foster payments budget remains subject to change as more foster carers are recruited and the favourable variance may not continue as the year progresses. Any overspend at the year end will be funded from Social Services reserves.

Table 5.

	<b>£000</b>
<b>Adverse Variances</b>	
Legal Costs Complex Cases	100
Financial support for Special Guardianship and Residence Orders	135
External Placements	35
Other	30
Additional Pay Costs	125
<b>Favourable Variances</b>	
Foster Payments	(200)
<b>Total Net Adverse Variance</b>	<b>225</b>

- 2.23 Adult Services – It is currently projected that there will be an underspend of £1.825m against the adult services budget. The main reason for this is the one-off projected increase in income for residential care as discussed above. There are pressures on the budget within Adult Services for the increased pay award and also on the Community Care budget. A review is also currently underway to assess the hourly rate that is paid to Domiciliary Care Providers due to the difficulty that providers have in recruiting and retaining members of staff, which



could put further pressure on the budget. There are numerous vacant posts within the service which is partly offsetting the pressure within the community care budget as well as the additional income mentioned above.

- 2.24 Resource Management & Safeguarding – It is projected that the RMS budget will have an adverse variance of around £400k at year end. Approximately £300k of this is due to the increased pay offer for 2022/23. There is also pressure on the budget for running the Council’s Residential care homes due to the increasing costs of running these facilities. However, there are vacant posts within other areas of RMS which is partly offsetting this overspend. It is anticipated that the remaining projected overspend will be offset by the anticipated underspend with Adults Services.
- 2.25 YOS – there is a projected underspend of 100k within the YOS budget. This is made up of a variety of vacancies, which are all now either filled or due to be, plus some additional income from the Youth Justice Board.

### **Environment and Housing**

- 2.26 Neighbourhood Services & Transport is currently projected to have an adverse variance of £1.3m against the 2022/23 budget. Approximately £500k of this projection is due to the additional cost of the pay award agreement over and above the amount included within the base budget. This will be funded via an underspend against the policy budget. Around £300k is due to the market forces pay uplift awarded to all waste drivers which was implemented due to the current shortage of drivers within the labour market and approximately £500k is due to additional payments that are still being made to the Council’s leisure centre partner while they recover from the impact of Covid 19. This support is due to cease from 31<sup>st</sup> Dec 2022. It is expected that £800k will be drawn down from the Neighbourhood Services & Transport Reserve to offset these pressures. Funding for budget pressures of £2.990m was provided as part of the 2022/23 budget setting process, however, there remains considerable pressure on the budget. Efficiency savings of £100k were also set as part of the 2022/23 budget which the service is currently working towards however due to the current budget position the savings are proving difficult to identify.
- 2.27 Waste Management – The Waste Management budget has been under severe pressure for several years, however increased budget funding of £1.4m has been provided for 2022/23. There may be pressure on the budget later this financial year and early in the new financial year as the service transitions over to source separated collections for Penarth and Dinas Powys. Other issues such as increasing fuel costs and the shortage of drivers as mentioned above, are putting pressure on the budget, therefore the service will be closely monitored.
- 2.28 Leisure - The cost of providing Leisure services has increased since the start of Covid due to the support provided to Parkwood Leisure through periods of lockdown and reduced customer numbers. Over the last 2 financial years this

increased cost has been funded via the hardship fund from Welsh Government however this cost will have to be funded via the Council in 2022/23. It is estimated that the Leisure budget could have an adverse variance in the region of £500k which will be funded from the Neighbourhood Services & Transport reserve. This support ended on 31<sup>st</sup> December, 2022.

- 2.29 Building Services - This service is currently projected to outturn with a deficit of around £150k due to the impact of the improved pay offer for 2022/23. The service could also be further impacted by other inflationary pressures such as increased cost of materials and fuel. A large percentage of the annual charges for Building Cleaning & Security and Building Maintenance are agreed prior to the start of the financial year therefore they are very sensitive to unexpected increases in cost. The recent pay award which was greater than the 3% that was estimated when setting the budget, has had a large impact on the cost recovery for these service areas. The account will therefore be monitored closely to ensure any further adverse variance is highlighted as soon as possible. It is proposed that the projected deficit of £150k is funded from the Building Services Improvement fund.
- 2.30 Regulatory Services - The budget allocation of £2.1m represents the Vale of Glamorgan's budget for its share of the Shared Regulatory Service (SRS). A separate set of accounts is maintained for the SRS and periodically reported to the Shared Regulatory Service Joint Committee. It is currently projected that the SRS will outturn on target.
- 2.31 Council Fund Housing – There is now only one occupying partner in Cadoxton House, therefore there is pressure on the budget as rental income is now greatly reduced. Running costs at the site have been reduced as far as possible without adversely affecting the remaining occupier at the site. It is highly likely that, unless these costs can be covered elsewhere within other Community Safety budgets, a drawdown from reserves will be needed at year-end. Work is also continuing within the Housing Solutions service to reduce the reliance upon hotel accommodation for our homeless clients, which has been needed for the last 2 years during the Covid pandemic. Though some Welsh Government funding has been provided to cover these costs this year, it is far less than in previous years, so numbers still need to be reduced in order to ensure that any costs unfunded by Welsh Government are at an absolute minimum. Potential un-budgeted pay award of around £43k will be offset by an expected underspend within Council Fund Housing budgets.
- 2.32 Public Sector Housing (HRA) - The HRA is expected to outturn on target and any under/overspends in year will be offset by changes to the contributions to capital expenditure thus changing the reliance on Unsupported Borrowing.

## Corporate Resources

- 2.33 Resources – The Resources Directorate is projected to outturn with an adverse variance of £58k after accounting for planned transfers from reserves. Of this sum £40k will be funded by a transfer in from Human Resources reserves and £18k from the Legal reserve. The projected additional cost of the current pay agreement is £287k for the service and this will be off by favourable variances within the service.
- 2.34 As part of the revised budget for 2022/23 a virement of £160k is requested from the Policy budget to the Corporate Resources budget this reflects the £100k cost pressure that was awarded to support the roll out of project zero, a further £50k allocated from the former carbon allowances budget towards programme management and £10k to support the recurring revenue costs of a scheme to improve water meterage across the Council’s properties.
- 2.35 There are underlying issues and budget pressures in relation to unachieved savings targets across the Corporate Resources Directorate. The total unrealised historical savings target prior to 2022/23 is £426k and services have put forward proposals for meeting this target from vacant posts and other budgetary reductions across the directorate in year and on a recurring basis for 2023/24 and beyond.

Table 6.

<b>Adverse Variances</b>	<b>£000</b>
Legal & Democratic - cessation of outsourced social services work from Cardiff County Council, cost of agency fees and litigation costs	103
Legal & Democratic Pay Award	69
Coroners Shared Service	28
Policy & Business Transformation – includes planned use of reserves to fund posts in the service.	318
Policy & Business Transformation Pay Award	91
ICT- shortfall on historic savings offset by vacant posts in the service	72
ICT Pay Award	63
Human Resources – shortfall on historic savings target and income generation.	86
Human Resources Pay Award	64
<b>Favourable variances</b>	<b>£000</b>
Finance – Administration and Vacant Posts	(100)
Property/Facilities – Utility Costs, Court Road Depot and underspend on repairs and maintenance	(350)

Total Net Adverse Variance	444
<b>Contribution from reserves</b>	<b>Transfer to/(from) reserves</b>
	<b>£000</b>
Legal & Democratic	(52)
Policy & Business Transformation Reserve	(49)
Reshaping Reserve	(155)
Graduate Trainee Reserve	(80)
Cost of Living /Welfare reform reserve	(50)
<b>Total transfer from reserves</b>	<b>(386)</b>
<b>Net variance after transfer from reserves</b>	<b>58</b>

- 2.36 It should be noted that the whilst the Council has incurred additional costs in respect of standing charges in year the additional cost has in part been offset by reduced usage of energy as a result of reduced office occupancy and savings on the vacant Court Road Depot site which is now being utilised by Education for construction of the Centre for Learning and Wellbeing.
- 2.37 The outturn for Resources includes £825k incurred in respect of the Discretionary Cost of Living Scheme that will be drawn down from the ringfenced reserve given the value of this adjustment it has been shown on a separate line in table 1.
- 2.38 The implementation of Oracle Cloud is currently on-going with a go-live date expected during Spring 2023. Costs associated with the project are financed from the Council's ICT Fund £2.006m and a contribution from the Policy Underspend. Included in this sum are some additional costs associated with the delayed Go Live date for the Oracle Fusion implementation and additional technical resource required to support the Council, as detailed in the 29<sup>th</sup> September 2022 Oracle Update Cabinet report. As the Go Live date as now been further delayed additional costs will be incurred by the Council and work is being undertaken to clarify the sum, it is expected that this additional cost can be met from the Policy underspend in 2022/23.
- 2.39 Housing Benefit is currently projected to overspend by £30k in 2022/23 which is associated with the migration of housing benefit cases to Universal Credit impacting on the level of our overpayments and the associated subsidy cases to Universal Credit impacting on the level of our overpayments and the associated subsidy. The overspend of £30k is subject to a drawdown from the Cost of Living previously the Welfare Reform Reserve.

#### Place

- 2.40 Following the reorganisation in the Place Directorate, and the appointment of a Head of Sustainable Development, several budget virements are required. A new division, 'Sustainable Development', will now be responsible for Development Management and Countryside functions and Regeneration will now be

responsible for Home Loans and Empty Properties. The budget virements required to put this restructure in place are as follows:

- Sustainable Development - increase the base budget by £906k to £2.206M
- Regeneration - reduce the budget by £759k to £1.660M
- Private Housing - reduce the budget by £191k to £222k

- 2.41 Development Management is feeling the effects of the likely recession and planning application fee income is still down against profile for the period. The numbers of major applications received to date are low. The additional unbudgeted pay award of around £42k is putting further pressure on this budget and will be offset by an underspend against Policy. If fee income does not improve by year-end, reserves may be required to balance this budget.
- 2.42 Regeneration - due to the need for extensive repairs which are unlikely to be recoverable, a decision has been taken to close phase 3 of the Vale Enterprise Centre (VEC) and all tenants have now vacated. This will have an impact upon rental income achievable this year but may also have an effect on budgets until the long-term future of the VEC is resolved. As some posts have been vacant due to issues with recruiting it is hoped that this will offset the increased cost of the additional un-budgeted pay awards for the division which are £64k but unlikely to match it entirely £32k will be offset by an underspend in Policy. There is a possibility that reserves maybe needed to be drawn down at year-end to cover any budget issues.
- 2.43 Private Housing - Disabled Facility Grants fee income is still behind its budgeted profile due to staffing issues, but is showing signs of improvement. However, the pace of improvement is still unlikely to be fast enough for the budget to be fully achieved by year-end. With this, plus the increased pay award for the division, there is a possibility that reserves will need to be drawn down in order for this budget to breakeven this year.

## **Policy**

- 2.44 Policy - As in previous years the Council continues to utilise an approach of maximising internal borrowing in accordance with advice from the Council's Treasury Management Adviser. This is due to the differential between borrowing costs and investment returns and in the context of the Council's current level of reserves. As this approach reduces the external borrowing costs that are met by the Authority it is currently projected that a surplus will be reported of approximately £2M against this budget in 2022/23. In addition the Council Tax Reduction Scheme is currently projecting a surplus of £250k in year due to a lower than budgeted take up of the scheme. This sum will need to be monitored carefully throughout the remainder of the financial year in the context of the current economic crisis and the significant risk that the UK will enter recession.
- 2.45 Due to the improved performance on the Council's Treasury Management Investment during 2022/23 as a result of the base rate rises throughout the period the surplus on investment income is projected to be at least £500k.

- 2.46 The Policy underspend of £2.75m will be utilised for a contribution of £460k towards the Oracle implementation project and additional costs associated with the delayed go live which are currently being determined. The remaining sum will be utilised to offset emerging inflationary pressures such as the additional costs associated with the sum required corporately to meet the 2022/23 pay award of £803k and the residual School Transport overspend which is set out in Table 1 of this report.

### **Efficiency Targets**

- 2.47 As part of the Final Revenue Budget Proposals for 2022/23, an efficiency target of £500k was set for the Council, which as a result of a positive settlement from WG, was broadly in line with the lower targets set in the past two financial years. No efficiency target was set for schools.
- 2.48 Attached at Appendix 2 is a statement detailing all savings targets for 2022/23 and the projection as to whether this saving can be made within the financial year. The appendix shows a RAG status for the savings to show the potential for being made in 2022/23.

### **Use of Reserves**

- 2.49 Reserves are a way of setting aside funds from budgets in order to provide security against future levels of expenditure and to manage the burden across financial years. The Council has always taken a prudent approach with regard to Specific Reserves and uses them to mitigate known risks (financial and service) and contingent items, e.g. Insurance Fund. Other reserves have been established to fund Council priorities and in particular the Capital Programme. The Housing Revenue Account Reserve is ring-fenced to Housing and the majority will be used to fund improvements to the Council's housing stock.
- 2.50 In response to the significant emerging pressures in 2022/23 and as set out in the Medium Term Financial Plan Refresh in October 2022 and Budget Proposals for Consultation on this agenda the Council have undertaken a full review of reserves to streamline the number of reserves and align the available reserves to support the Budget Strategy.
- 2.51 Table 7 sets out the use of reserves for a variety of purposes including planned usage to fund Capital Expenditure, planned revenue usage in accordance with the earmarked purpose of the reserve, unplanned usage to fund emerging overspends during 2022/23 and planned transfers to reserves to set aside fund for specific purposes.
- 2.52 Unplanned use of reserves includes an allocation of £2.006m to fund the projected Oracle overspend, £800k from the Neighbourhood Services reserve, £28k Legal reserve and £50k from the Human Resources reserve as set out in Table 1.

Table 7.

	Balance	Capital Funding	Planned Transfer (from) reserves	Unplanned Transfer to/(from) reserves	Planned Transfer to reserves	Balance
	01/04/2022					31/03/2023
	£000	£000	£000	£000	£000	£000
<b>Council Fund</b>	<b>12,510</b>	<b>0</b>	<b>-996</b>	<b>0</b>	<b>0</b>	<b>11,514</b>
<b>Directorate Specific Reserves</b>						
Learning and Skills	5,084	-107	-1,056	0	124	4,045
Social Services	13,778	0	-1,062	1,300	0	14,016
Neighbourhood Services	4,407	-740	0	-800	0	2,868
General Fund Housing	2,066	0	-30	0	0	2,036
Corporate Resources	1,127	-25	-113	-58	161	1,101
Place	2,509	-149	-1,124	0	0	1,236
<b>Corporate Reserves</b>						
Project Zero	2,680	-476	0	0	85	2,289
Pay Pressures	473	0	0	0	0	473
Legal	1,870	0	0	0	0	1,870
Covid	1,249	0	0	0	0	1,249
Trainee	601	0	-80	0	0	521
Investment and Growth Fund	2,353	0	0	0	0	2,354
ICT	2,732	-689	0	-2,006	11	48
Reshaping	733	-4	-155	0	0	574
Other Corporate	822	0	-81	0	0	741
<b>Ringfenced Reserves</b>						
Insurance	4,530	0	0	0	0	4,530
Cost Of Living	1,724	0	-905	0	0	819
Building Services	702	0	0	-150	0	552
Grant Funds	197	0	0	0	0	197
Elections	493	0	-265	0	42	270
Other Ringfenced	1,100	0	-50	0	-161	889
<b>Capital</b>	<b>32,893</b>	<b>-16,862</b>	<b>-82</b>	<b>0</b>	<b>1,324</b>	<b>17,273</b>
<b>Schools</b>	<b>13,145</b>	<b>0</b>	<b>-39</b>	<b>0</b>	<b>0</b>	<b>13,106</b>
<b>Total</b>	<b>109,778</b>	<b>-19,052</b>	<b>-6,038</b>	<b>-1,714</b>	<b>1,586</b>	<b>84,571</b>
<b>HRA</b>	<b>17,439</b>	<b>-5,818</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11,621</b>
<b>Total</b>	<b>127,217</b>	<b>-24,870</b>	<b>-6,038</b>	<b>-1,714</b>	<b>1,586</b>	<b>96,192</b>

## Treasury Management Monitoring

2.53 Under updated Treasury Management guidance the Council is now required to report progress against the Treasury Management Strategy as part of their regular monitoring. The progress against the Investment Strategy and Borrowing strategy are set out below for the period 1st April 2022 to 30th November, 2022.

### 2.54 Borrowing Strategy

The following table sets out the monies externally borrowed/repaid during the period. New loans were borrowed at average rate of 3.07% and maturing debt was repaid at an average rate of 4.91%.

Table 8.

Loan Type	Opening Balance	Received	Repaid	Closing Balance
	01/04/2022			30/11/2022
	£m	£m	£m	£m
PWLB	146.502	3.000	(4.217)	145.285
LOBO	4.000	0	0	4.000
Salix Loans	1.695	0	(0.169)	1.526
Temporary Loans	0.100	0	0	0.100
WG Loans	1.050	0	0	1.050
<b>Total</b>	<b>153.347</b>	<b>3.000</b>	<b>(4.386)</b>	<b>151.961</b>

### 2.55 Investment Strategy

The Authority has made the following investments for the period 1<sup>st</sup> April, 2022 to 30<sup>th</sup> November, 2022 as set out below.

Table 9.

Investment Counterparty	Opening Balance	Invested	Returned	Closing Balance
	01/04/2022			31/11/2022
	£m	£m	£m	£m
UK Local Authorities	55.500	38.500	(47.500)	46.500
Debt Management Office	26.650	364.585	(384.235)	7.000
Treasury Bills	6.500	46.900	(40.400)	13.000
Santander Corporate Notice	0.750	0	(0.250)	0.500
Lloyds Deposit Accounts	0.020	0.500	(0.500)	0.020
Money Market Funds (MMF)	4.200	84.040	(73.265)	14.975
<b>Total</b>	<b>93.620</b>	<b>534.525</b>	<b>(546.150)</b>	<b>81.995</b>



- 2.56 The Council has invested in Treasury Bills, Local Authorities, and the Debt Management Office during the period under review as these investments have offered the most favourable returns and are very low risk. Funding received from Welsh Government for the "Cost of Living Grants," "Winter Fuel Grants" and the "Additional Social Care Workers Payments" have continued to be deposited in Money Markets Funds so that funds are highly liquid and can be drawn down immediately when required.
- 2.57 The average monthly yields on these investments are set out below. The increases in the Bank of England base rates from 0.50% in April 2022 to 3.00% in November 2022 are reflected in the returns from the Council's investments.

Table 10.

Summary				
Average Monthly Interest	Local Authorities	Debt Management Office	Treasury Bills	Money Market Funds
April 2022	0.47%	0.62%	1.02%	0.64%
May 2022	0.52%	0.65%	1.02%	0.78%
June 2022	0.56%	0.64%	1.04%	0.96%
July 2022	0.64%	0.75%	1.12%	1.20%
August 2022	0.83%	1.31%	1.36%	1.58%
September 2022	0.94%	1.79%	1.49%	1.80%
October 2022	1.65%	2.01%	1.62%	2.09%
November 2022	2.12%	2.64%	1.97%	2.69%

### 3. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?

- 3.1 The revenue budget has been set in order to support services in the delivery of the Council's Well-being objectives. It is therefore important for expenditure to be monitored to ensure that these objectives are being delivered.
- 3.2 The revenue budget has been set and is monitored to reflect the 5 ways of working.
- 3.3 **Looking to the long term** - The setting of the revenue budget requires planning for the future and takes a strategic approach to ensure services are sustainable and that future need and demand for services is understood.
- 3.4 **Taking an integrated approach** - The revenue budgets include services which work with partners to deliver services e.g. Health via ICF.
- 3.5 **Involving the population in decisions** – As part of the revenue budget setting process there has been engagement with residents, customers and partners.
- 3.6 **Working in a collaborative way** – The revenue budgets include services which operate on a collaborative basis e.g. Shared Regulatory Service, Vale Valleys and Cardiff Adoption Service.

- 3.7 **Understanding the root cause of issues and preventing them** – Monitoring the revenue budget is a proactive way of understanding the financial position of services in order to tackle issue at the source as soon as they arise.

#### **4. Climate Change and Nature Implications**

- 4.1 The Council has identified dedicated funding in the 2022/23 revenue budget to support the delivery of Project Zero. Additional funding is ringfenced in the Council's reserves to support one off project schemes.
- 4.2 All savings and cost pressures will be reviewed for Climate Change and Nature Implications prior to implementation.

#### **5. Resources and Legal Considerations**

##### **Financial**

- 5.1 As detailed in the body of the Report.

##### **Employment**

- 5.2 As detailed in the body of the Report.

##### **Legal (Including Equalities)**

- 5.3 There are no legal implications.

#### **6. Background Papers**

None

Appendix 1

Directorate/Service	2022/23			2022/23	
	Original Budget	Recharges/ Transfers	Budget Adjustments	Revised Budget	
	£'000	£'000	£'000	£'000	£'000
<b>Learning and Skills</b>					
Schools	104,953	-	-	-	104,953
Strategy, Culture, Community Learning & Resources	8,956	46	-	-	9,002
Directors Office	242	-	-	-	242
Additional Learning Needs & Wellbeing	3,334	-	-	-	3,334
Standards and Provision	3,547	-	-	-	3,547
<b>Total Learning and Skills (incl. Schools)</b>	<b>121,032</b>	<b>46</b>	<b>-</b>	<b>-</b>	<b>121,078</b>
<b>Social Services</b>					
Children and Young People	18,581	-	45	-	18,536
Adult Services	53,816	-	62	-	53,754
Resource Management & Safeguarding	7,742	-	14	-	7,728
Youth Offending Service	730	-	6	-	724
<b>Total Social Services</b>	<b>80,869</b>	<b>-</b>	<b>127</b>	<b>-</b>	<b>80,742</b>
<b>Environment and Housing</b>					
Neighbourhood Services & Transport	28,190	-	43	-	28,147
Building/Cleaning Services	-	-	-	-	-
Regulatory Services	2,103	-	1	-	2,102
Council Fund Housing	1,444	-	19	-	1,425
Unplanned use of reserves	-	-	-	-	-
<b>Total Environment and Housing</b>	<b>31,737</b>	<b>-</b>	<b>63</b>	<b>-</b>	<b>31,674</b>
<b>Corporate Resources</b>					
Resources	983	-	373	160	1,516
Housing Benefit	692	-	-	-	692
<b>Total Corporate Resources</b>	<b>1,675</b>	<b>-</b>	<b>373</b>	<b>160</b>	<b>2,208</b>
<b>Place</b>					
Regeneration	2,419	-	39	720	1,660
Sustainable Development	1,300	-	9	915	2,206
Private Housing	413	-	4	195	222
<b>Total Place</b>	<b>4,132</b>	<b>-</b>	<b>44</b>	<b>-</b>	<b>4,088</b>
<b>Policy</b>					
General Policy	34,109	-	185	160	33,764
Use of Reserves	-	996	-	-	996
<b>Total</b>	<b>272,558</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>272,558</b>

**APPROVED EFFICIENCY TARGETS - 2022/23**

Service	APPENDIX 2		RAG STATUS	Comments
	TARGET 2022/23 £000	PROJECTION 2022/23		
<b>LEARNING AND SKILLS</b>				
Strategy, Culture, Community Learning and Resources 22/23	32	32	Green	Saving to be Identified from Historic Pensions Budget Work ongoing to identify savings in this service area. One off savings have been found to cover this amount in 22/23. Work ongoing to identify savings in this service area. One off savings have been found to cover this amount in 22/23.
Additional Learning Needs and Wellbeing 22/23	17	17	Green	
Standards and Provision 22/23	19	19	Green	
<b>TOTAL LEARNING AND SKILLS</b>	<b>68</b>	<b>68</b>		
<b>SOCIAL SERVICES</b>				
Children and Young People Services 22/23	27	27	Green	Children and Young People Services – Use of lower tariff placements Review of complex cases in Adult Services
Adult Services 22/23	79	79	Green	
<b>TOTAL SOCIAL SERVICES</b>	<b>106</b>	<b>106</b>		
<b>ENVIRONMENT AND HOUSING</b>				
Neighbourhood Services and Transport 22/23	100	100	Green	Current contracts within the service area are being reviewed to achieve savings in 2022/23. Any shortfall has been met from additional income received during 2022/23 Current contracts within the service area are being reviewed to achieve savings in 2022/23. Any shortfall has been met from additional income received during 2022/23 Current contracts within the service area are being reviewed to achieve savings in 2022/23. Any shortfall has been met from additional income received during 2022/23 Current contracts within the service area are being reviewed to achieve savings in 2022/23. Any shortfall has been met from additional income received during 2022/23 Saving to be realised in full for 2022/23
Corporate Recovery and Efficiency Savings 21/22	68	68	Green	
Traffic Surveys	5	5	Green	
Leisure Services	20	20	Green	
General Fund Housing 22/23	6	6	Green	
<b>TOTAL ENVIRONMENT AND HOUSING</b>	<b>199</b>	<b>199</b>		
<b>Corporate Resources</b>				
Coporate Resources 22/23	100	100	Green	This will be covered via vacant posts within the service for 2022/23 It is expected that this will be recoverable in year This will be covered in 2022/23 via vacant posts within the service
Fraud and Income Recovery	50	50	Green	
	27	27		
Corporate Recovery and Efficiency Savings 21/22			Green	
<b>Total Resources</b>	<b>177</b>	<b>177</b>		
<b>Place</b>				
Regeneration	9	9	Green	Saving to be realised in full for 2022/23 Saving to be realised in full for 2022/23 Saving to be realised in full for 2022/23
Development Management	4	4	Green	
Private Housing	1	1	Green	
<b>Total Place</b>	<b>14</b>	<b>14</b>		
<b>Policy</b>				
Policy 22/23	94	94	Green	To be found from additional investment income in year Saving to be Identified from Historic Pensions Budget
Pensions Adjustment	12	12	Green	
<b>TOTAL Policy</b>	<b>106</b>	<b>106</b>		

**APPROVED EFFICIENCY TARGETS - 2022/23**

**APPENDIX 2**

<b>Service</b>	<b>TARGET 2022/23</b>	<b>PROJECTION 2022/23</b>	<b>RAG STATUS</b>	<b>Comments</b>
<b>TOTAL</b>	<b>670</b>	<b>670</b>		
Savings Allocation 2022/23	500	500		
Savings Shortfall 2021/22	170	170		