



POLICY AND RESOURCES SCRUTINY COMMITTEE - 21ST FEBRUARY 2023

**SUBJECT: WHOLE-AUTHORITY REVENUE BUDGET MONITORING REPORT
(MONTH 9)**

**REPORT BY: CORPORATE DIRECTOR FOR EDUCATION AND CORPORATE
SERVICES**

--

1. PURPOSE OF REPORT

1.1 To provide details of projected whole-authority revenue budget expenditure for the 2022/23 financial year.

2. SUMMARY

2.1 The report provides details of the 2022/23 projected revenue budget outturn position based on information available as at month 9 of the current financial year. Commentary is also provided throughout the report on the more significant variations against budget.

3. RECOMMENDATIONS

3.1 It is recommended that the Scrutiny Committee notes the content of the report.

4. REASONS FOR THE RECOMMENDATIONS

4.1 To ensure that the Scrutiny Committee is aware of the projected revenue budget outturn position for the 2022/23 financial year.

5. THE REPORT

5.1 Projected Revenue Budget Outturn for 2022/23 (Month 9)

5.1.1 Members will be aware that detailed budget monitoring reports are prepared for Scrutiny Committees throughout the financial year. This report is intended to provide a high-level summary position highlighting some of the key variations against budget.

5.1.2 Based on information available as at month 9 the projected 2022/23 net year-end revenue budget underspend is £1.810m. A summary is provided by Directorate in the following table with further details provided in Appendix 1.

	Revised Estimate 2022/23 £m	Projected Outturn 2022/23 £m	Projected (Overspend/ Underspend £m
Education & Lifelong Learning	160.976	159.916	1.059
Social Services	112.712	113.948	(1.236)
Economy & Environment	50.980	51.778	(0.798)
Corporate Services	27.908	27.354	0.554
Miscellaneous Finance	49.364	47.133	2.231
Totals: -	401.938	400.129	1.810

5.1.3 The projected underspend is much lower than in recent financial years and it should be noted that the position is net of the one-off use of reserves totalling £4.788m in respect of the 2022/23 pay award being higher than the budgeted level. Furthermore, we are yet to feel the full financial impact of the unprecedented levels of inflation experienced during the last 12 months, particularly in relation to energy costs where forward purchasing arrangements have largely protected the Council from the impact of energy price increases in the current year.

5.1.4 The following paragraphs summarise some of the key issues in the month 9 budget monitoring reports.

5.2 Education & Lifelong Learning (Projected Underspend of £1.059m)

5.2.1 An underspend of £1.059m is currently forecast for Education & Lifelong Learning. The overall position is summarised in the table below: -

Service Area	Projected (Overspend/ Underspend £000's
Schools' Covid-19 Related Expenditure	(286)
Pension Costs of School Based Staff	333
Psychology Service	105
Language Support	119
Vulnerable Learners	305
Early Years Central Team	235
Other	248
TOTAL: -	1,059

5.2.2 During the 2020/21 and 2021/22 financial years schools were able to submit claims to the Welsh Government for financial support from the Covid-19 Hardship Fund in respect of additional costs linked to the pandemic. This funding ceased from 1 April 2023 but there are two areas of ongoing additional costs that are being incurred. The first of these relates to additional mid-day cleans in the schools (instigated during the pandemic), with the second area relating to supply cover costs for teaching staff who are 26+ weeks into pregnancy (these staff members worked from home during the pandemic in accordance with recommendations following a blanket risk assessment).

5.2.3 Following discussions with Headteachers and at a senior level within the Authority, schools were advised that the Authority would continue to support and fund the additional mid-day cleans to the end of the summer 2022 term. Schools were also advised that if they wished to continue with this arrangement from September 2022 that this would need to be funded through the schools' delegated budgets and/or reserves. In July 2022, Headteachers were advised that the guidance relating to the workplace and pregnancy had changed, with regards to the rule of

automatically working from home after 26 weeks. Schools have been issued with appropriate guidance with employers required to adopt an individualised approach to support pregnant workers through the risk assessment process. Consequently, schools were advised that the Authority would support supply cover costs for pregnant staff to the end of the autumn term with each claim needing to be supported by a risk assessment.

- 5.2.4 There is a projected underspend of £333k in relation to the Authority's on-going liability for pension costs for school-based staff. This projection is a little higher than the £255k underspend position in the 2021/22 financial year.
- 5.2.5 The projected underspends of £105k for the Psychological Service and £119k for Language Support are due to vacant posts within these service areas.
- 5.2.6 The projected underspend of £305k relating to support for our vulnerable learners is largely due to a delay in the expansion of 2 classrooms at Glan Y Nant (Pupil Referral Unit).
- 5.2.7 The projected underspend in £235k in the Early Years Central Team is directly linked to core staff supporting the areas of Flying Start, Early Years Expansion and the Childcare Offer, which are currently being funded through grants.

5.3 Social Services (Projected Overspend of £1.236m)

- 5.3.1 There is currently a projected overspend of £1.236m for Social Services (inclusive of transport costs).
- 5.3.2 Despite the significant level of staffing vacancies within the Children's Services Division that are expected to deliver an underspend of circa £900k in 2022/23, the overall position for the Division is an anticipated overspend of £4.039m. This is largely attributable to the increasingly complex needs of the individuals presenting to the service, resulting in the need for high cost residential care placements.
- 5.3.3 £2.224m of the projected underspend within the Adult Services Division can be attributed to staff recruitment difficulties across the domiciliary care market, which in turn has caused a build-up of around 950 hours per week of unmet care needs. A further underspend of £1.745m is anticipated in respect of Day Care Services and following an independent review Officers will now be looking to embed the model identified by consultants.
- 5.3.4 The underspends in the Adult Services Division have been partially offset by an increase in residential care placements following the easing of Covid-19 related restrictions, and an increase in demand for respite care to support carers during a shortage of alternative domiciliary care provision. As a result of these issues, the overall position for the Division is an anticipated underspend of £2.458m.
- 5.3.5 The projected underspend of £52k for Service Strategy and Business Support is largely due to staff turnover within the Financial Services Team, and the temporary reduction in Day Services referred to above has led to a potential underspend of £293k in respect of transport costs.
- 5.3.6 The Social Services general reserve balance is currently £2.278m. Therefore, the projected in-year overspend of £1.236m does not pose a significant financial risk for the current financial year. However, the reducing level of this reserve, ongoing financial pressures within Children's Services and across the social care market, and service provision within Adult Services set to return to pre-pandemic levels will result in significant financial pressures for 2023/24 and beyond.

5.4 Economy & Environment (Projected Overspend of £798k)

- 5.4.1 The projected outturn position for the Economy and Environment Directorate is an overspend of £798k.

Regeneration & Planning

5.4.2. The Regeneration & Planning Division is projecting a net underspend of £308k. The most significant areas of underspend are £217k in Tourism Venues due to a combination of vacant posts and increased income levels, £61k in Town Centre Management due to a delay in filling a vacant post, £122k in Community Regeneration again due to vacant posts and £87k in Building Control largely due to improving income levels. These underspends have been partially offset by a projected overspend of £209k in relation to industrial properties, which is primarily due to a shortfall in property rents. The service is proactively seeking to ensure that vacant units are let as quickly as possible by identifying businesses interested in taking up a rental.

Infrastructure

5.4.3 A net overspend of £28k is projected for the Infrastructure Division. Highway Services is reporting a net overspend of £110k, largely due to additional costs of reactive maintenance on carriageways, additional contractor costs, and agency staff. These overspends are partially offset by a number of underspends across other budgets in the Division arising from delays in filling vacant posts, reduced computer equipment costs, reduced vehicle hire costs, and one-off additional grant income. At present winter maintenance costs are difficult to predict but it is assumed that the full budget of £1.16m will be utilised.

Community & Leisure Services

5.4.4 The Community & Leisure Services Division is projecting a net overspend of £1.207m. Of this, £835k is attributable to Waste Management with the main areas of overspend being the following: -

- Residual Waste is projecting an overspend of £142k due in the main to additional costs of vehicle repairs and fuel, and increased tonnage costs. These overspends are partially offset by a reduction in vehicle hire costs.
- Projected overspend of £140k for Organics Recycling due to increased contractor, treatment, and fuel costs. These overspends are partly offset by vacant posts and reduced vehicle costs.
- There is a projected overspend of £161k for Civic Amenity Sites due in the main to additional wood treatment costs, partially offset by reduced transport costs, telephone charges, and vacant posts.
- The Waste Transfer Station is projecting a £55k overspend due to increased costs for vehicle repairs and maintenance, licences, and site maintenance.
- Dry Recycling is forecasting a £721k overspend due to increased tonnage costs and increases in costs for vehicle hire and repairs.

5.4.5 The overspends in Waste Management are partially offset by a number of projected underspends: -

- Bulky Waste is projecting a £16k underspend due to lower tonnages being sent to the contractor.
- Commercial Waste is projecting a £36k underspend due to additional income.
- Trehir is projecting a £87k underspend due to reduced maintenance costs and a reduction in sewage charges.
- HQ staff projected to underspend by £160k due to vacant posts and underspends on a number of non-salary budgets

5.4.6 A net underspend of £359k is projected for Cleansing which is mainly due to vacant posts and reduced vehicle costs. The underspend is partially offset by overspends arising from additional agency costs, disposal costs, and fuel costs.

5.4.7 A net overspend of £277k is projected for Grounds Maintenance and Parks. The most significant element of this is an overspend of £265k for Parks and Playing Fields due to increased costs in

relation to vehicle purchases, vehicle hire, fuel, and equipment maintenance. An overspend of £112k is also projected for Outdoor Facilities due in the main to utility costs. These overspends are partially offset by an underspend of £150k in Countryside budgets due to increased fee income levels and vacant posts.

- 5.4.8 An overspend of £475k is projected for Leisure Centres consisting of increased utility costs, reduced income levels and the loss of income from Pontllanfraith Leisure Centre being used as a mass vaccination centre.
- 5.4.9 Caerphilly Adventures is projected to overspend by £101k due to budgeted income levels not being achieved.
- 5.4.10 An underspend of £80k is projected for Vehicle Maintenance and Fleet Management which is primarily due to staff vacancies within the workshop.

Public Protection

- 5.4.11 A net underspend of £129k is projected for the Public Protection Division.
- 5.4.12 There is a projected underspend of £216k for Environmental Health. This is due in the main to an underspend of £79k for Community Safety Wardens arising from vacant posts, an underspend of £31k for Enforcement due to reduced travel, vehicle, and external agency costs and an underspend of £49k for Emergency Planning due to a delay in filling a vacant post.
- 5.4.13 An underspend of £32k is projected for Trading Standards due to delays in filling vacant posts and there is a projected overspend of £46k for Catering Services due to reduced income levels partially offset by vacant posts.
- 5.4.14 A one-off revenue contribution to capital outlay of £75k has been approved under delegated powers for works at Ty Llwyd quarry.

5.5 Corporate Services (Projected Underspend of £554k)

- 5.5.1 The Directorate of Corporate Services is currently projecting a net underspend of £554k. Details of the more significant variations against budgets are provided in the following paragraphs.
- 5.5.2 The anticipated net underspend of £390k in Corporate Finance relates in the main to in-year vacancies (some of which are in the process of being filled), and additional one-off grant income largely due to administering a range of cost-of-living grant schemes on behalf of the Welsh Government.
- 5.5.3 There is an anticipated net underspend of £663k in Digital Services which consists of the following: -
 - A projected underspend of £307k for IT Services which is due in the main to delays in filling vacant posts offset by reduced income levels and the use of consultants to fund project work.
 - A projected net underspend of £247k for Procurement and Information Governance largely due to delays in filling vacant posts.
 - An underspend of £110k for Customer First which is due to reduced income levels and delays in filling vacant posts.
- 5.5.4 A net underspend of £198k is projected for Legal & Governance Support due to a one-off increase in income levels, some staff not reaching the top of their pay scales, some temporary reduced hours, delays in filling vacant posts and savings associated with working from home.
- 5.5.5 There is a projected net underspend of £499k for People Services consisting of: -

- Human Resources projected net underspend of £162k due in the main to delays in filling vacant posts and some temporary reductions in working hours.
- Health & Safety underspend of £237k due in the main to salary savings arising from delays in recruitment. This underspend is partially offset by reduced internal training income as courses are restarting after Covid-19.
- The Communications Unit is projecting a net underspend of £100k, due in the main to delays in filling vacant posts and increased levels of internal income.

5.5.6 There is an anticipated £436k net underspend in Business Improvement Services which is mainly due to delays in recruiting to vacant posts.

5.5.7 There is a projected overspend of £1.4m for General Fund Housing which is mainly due to the ongoing significant cost of Bed & Breakfast placements. This service area includes a statutory duty for Temporary Accommodation which is demand led and difficult to predict. The demand for Bed & Breakfast placements as a result of Covid-19 has been significant with on average 70 cases per month, together with accompanying security costs for the relevant establishments. During the pandemic, the Welsh Government funded these additional costs (net of any housing benefits) from the Covid-19 Hardship Fund, but this funding ceased in March 2022. A replacement grant totalling £796k has been introduced by the Welsh Government called 'The No-one Left Out Grant', but this is much lower than the funding received for the previous two financial years.

5.5.8 It is likely that Bed & Breakfast placements will increase further as more people are expected to find themselves homeless as a consequence of the cost-of-living crisis especially since the introduction of the new Renting Homes Wales Act in December 2022. Furthermore, there could be an increase and delay with placements as a result of the current Ukraine situation. It is important to note that for every temporary accommodation placement, the council has to fund on average 80% of the cost. The Department for Work and Pensions (DWP) only funds on average 20% of the cost via housing benefits, which is why the overspend is increasing.

5.5.9 Welsh Government has set out an ambitious Programme for Government with the aim of making our community a better place to live and work, which will be achieved in part, by reforming homelessness services to focus on prevention and rapid rehousing, which should in theory eradicate the need for Bed & Breakfast placements. However, this a long-term strategy likely to take 5-10 years. Emergency Accommodation will still be required but on a smaller scale and officers are currently undertaking a review to establish what this provision will look like for Caerphilly CBC in the longer-term. In the meantime, the Council is maximising its Caerphilly Keys Private Rented Sector project and recently launched its own website whilst running a heightened media campaign in an attempt to attract more landlords to the project, so that the Housing Solutions Team can maximise move on within that sector.

5.5.10 An overspend of £270k is projected for Private Housing which is mainly due to reductions in income and an increase in construction costs and material costs.

5.6 Miscellaneous Finance (Projected Underspend of £2.231m)

5.6.1 There is an overall projected underspend of £2.231m in Miscellaneous Finance.

5.6.2 There is a net projected underspend of £1.213m on Capital Financing budgets which is due to the following: -

- £389k underspend in Debt Charges due to delays in borrowing requirements.
- Investment income being £824k more than the budgeted level due to some medium to long-term investments and additional returns arising from increases in interest rates.

5.6.3 Other areas of underspend in Miscellaneous Finance include the following: -

- Carbon Energy Tax - £247k (scheme has ended).

- £284k due to delays in recruitment to Head of Service posts.
- £322k on Free School Meal Grants – This was transferred into the Financial Settlement in previous years but there are currently no commitments against the budget.
- £367k in respect of delayed borrowing requirements for the Cardiff Capital Region (CCR) City Deal.

5.7 Conclusion

- 5.7.1 The 2022/23 projected underspend of £1.810m is much lower than in recent financial years and it should be noted that this position is net of the one-off use of reserves totalling £4.788m in respect of the 2022/23 pay award being higher than the budgeted level. Furthermore, we are yet to feel the full financial impact of the unprecedented levels of inflation experienced during the last 12 months.
- 5.7.2 The 2023/24 Draft Budget Proposals Report presented to Cabinet on 18 January 2023 show total cost pressures of £55.771m for the forthcoming financial year. £22.152m of these pressures can be funded through the 6.9% increase in the 2023/24 Provisional Local Government Financial Settlement but this still leaves a shortfall of £33.619m.
- 5.7.3 The proposals in the 2023/24 Draft Budget Report provide some recurring solutions to addressing the budget gap but there are also temporary measures totalling £21.913m which will assist in balancing the budget for 2023/24 only and provide some much needed time to develop, approve and implement permanent savings solutions moving forward. It is currently anticipated that the total savings requirement for the three-year period 2023/24 to 2025/26 is circa £48m.

6. ASSUMPTIONS

- 6.1 A wide range of assumptions are made in the preparation of budget monitoring reports based on information available for the relevant reporting period.

7. SUMMARY OF INTEGRATED IMPACT ASSESSMENT

- 7.1 Effective financial planning and the management of expenditure within approved budgets are key elements in ensuring that the Well-being Goals within the Well-being of Future Generations Act (Wales) 2015 are met.
- 7.2 As this report is for information only an Integrated Impact Assessment is not required.

8. FINANCIAL IMPLICATIONS

- 8.1 As detailed throughout the report.

9. PERSONNEL IMPLICATIONS

- 9.1 There are no direct personnel implications arising from this report.

10. CONSULTATIONS

- 10.1 There are no consultation responses that have not been reflected in this report.

11. STATUTORY POWER

11.1 Local Government Act 1972.

Author: Stephen Harris, Head of Financial Services and S151 Officer
Tel: 01443 863066 E-mail: harrisr@caerphilly.gov.uk

Consultees: Corporate Directors and Heads of Service
Cllr Eluned Stenner, Cabinet Member for Finance and Performance
(Email: stenne@caerphilly.gov.uk)
Dave Roberts, Interim Finance Manager, Corporate Services and Economy and Environment
(Email: roberda@caerphilly.gov.uk)
Jane Southcombe, Finance Manager, Education and Lifelong Learning
(Email: southj@caerphilly.gov.uk)
Mike Jones, Financial Services Manager, Social Services
(Email: jonesmj@caerphilly.gov.uk)
Lesley Allen, Principal Group Accountant, Housing
(Email: allenl@caerphilly.gov.uk)

Appendices:

Appendix 1 – 2022/23 Whole-Authority Revenue Budget Monitoring Report (Month 9) - Summary by Directorate/Service Division.