

## Isle of Anglesey County Council

Report to:	<b>EXECUTIVE</b>
Date:	<b>27 SEPTEMBER 2022</b>
Subject:	<b>REVENUE BUDGET MONITORING, QUARTER 1 2022/23</b>
Portfolio Holder(s):	<b>COUNCILLOR ROBIN WYN WILLIAMS – PORTFFOLIO HOLDER (RESOURCES)</b>
Head of Service / Director:	<b>MARC JONES – DIRECTOR OF FUNCTION (RESOURCES)</b>
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Local Members:	<b>N/A</b>

### **A –Recommendation/s and reason/s**

1. On 10 March 2022, the Council set a net budget for 2022/23 with net service expenditure of £158.365m, to be funded from Council Tax income, NDR and general grants. This includes a total for general and other contingencies amounting to £3.109m. The budget for the Council Tax Premium was increased by £0.436m, to £1.950m. A balanced budget was set with the agreed Council Tax rise of 2.00%.
2. As for the previous year, the budget for 2022/23 does not include any requirements on the services to make savings. The increase of 9.2% in funding from Welsh Government was a welcome increase, but did require the Council to commit to budget increases in a number of areas, including social care and homelessness. In addition, the support from Welsh Government in respect of Covid related expenditure ended and any such costs are funded from the Council's core budgets.

This report sets out the financial performance of the Council's services at the end of quarter 1, 30 June 2022. The projected position for the year as a whole is also summarised. It should be noted that predicting the final year-end position at the end of quarter 1 is difficult, and the position can change considerably as we move through the remainder of the financial year. For 2022/23, predicting the final year end position is even more difficult because of increasing inflation, the fact that the staff pay awards for 2022/23 have yet to be agreed, the potential for Covid related costs as we move into the winter months and the impact the cost of living crisis will have on the demand for Council services. The estimated position at the end of the financial year does not take into account the proposed pay awards for teachers (from September 2022) and other staff (backdated to April 2022). Once these costs become known, they will be factored into future projections. An earmarked reserve of £2.2m has been created to provide additional funding to meet these inflationary pressures, but it may not be sufficient to fund all of the additional costs that the Council will be required to pay over the coming months.

3. In addition, these figures do not take into consideration winter pressures. Historically, winter pressures can be seen within the Highways and Adult services and it can be hard to quantify the full extent of extra costs which could be incurred this early in the financial year. The full extent of the forecasts and costs will be noted in the quarter 3 and quarter 4 reports respectively.
4. The overall projected financial position for 2022/23, including Corporate Finance and the Council Tax fund, is a projected underspend of £0.544m. This is 0.34% of the Council's net budget for 2022/23.
5. It is recommended that:-
  - (i) To note the position set out in Appendices A and B in respect of the Authority's financial performance to date and expected outturn for 2022/23;
  - (ii) To note the summary of Contingency budgets for 2022/23, detailed in Appendix C;
  - (iii) To note the monitoring of agency and consultancy costs for 2022/23 in Appendices CH and D.

<b>B – What other options did you consider and why did you reject them and/or opt for this option?</b>		
Not applicable		
<b>C – Why is this a decision for the Executive?</b>		
This matter is delegated to the Executive.		
<b>Ch – Is this decision consistent with policy approved by the full Council?</b>		
Yes		
<b>D – Is this decision within the budget approved by the Council?</b>		
Yes		
<b>Dd – Assessing the potential impact (if relevant):</b>		
1	How does this decision impact on our long term needs as an Island?	The report is for monitoring purposes only and is used along with other reports to set the medium term financial strategy and annual budget. In setting the annual budget, the impact on the long term needs of the Island will be assessed.
2	Is this a decision which it is envisaged will prevent future costs / dependencies on the Authority? If so, how?	Not applicable
3	Have we been working collaboratively with other organisations to come to this decision? If so, please advise whom.	Not applicable
4	Have Anglesey citizens played a part in drafting this way forward, including those directly affected by the decision? Please explain how.	The citizens of Anglesey were consulted as part of the 2022/23 budget setting process and will be consulted on future budgets,
5	Note any potential impact that this decision would have on the groups protected under the Equality Act 2010.	Not applicable
6	If this is a strategic decision, note any potential impact that the decision would have on those experiencing socio-economic disadvantage.	Not applicable
7	Note any potential impact that this decision would have on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language.	Not applicable
<b>E – Who did you consult?</b>		<b>What did they say?</b>
1	Chief Executive / Senior Leadership Team (SLT) (mandatory)	The report has been considered by the Senior Leadership Team at its meeting on 5 September 2022 and the comments made incorporated into the report.
2	Finance / Section 151 (mandatory)	N/A – this is the Section 151 Officer's report.
3	Legal / Monitoring Officer (mandatory)	The Monitoring Officer is a member of the Senior Leadership Team
4	Human Resources (HR)	N/A
5	Property	N/A
6	Information Communication Technology (ICT)	N/A
7	Procurement	N/A
8	Scrutiny	The financial position at the end of quarter 1 was reviewed by the Finance Scrutiny Panel at its meeting on 8 September 2022.
9	Local Members	N/A

**F - Appendices:**

- Appendix A – Provisional Revenue Outturn Report for 2022/23
- Appendix B - Table of Provisional Outturn 2022/23
- Appendix C - Summary of Contingency Budgets position for 2022/23
- Appendix CH - Information regarding monitoring of Agency Staff 2022/23
- Appendix D - Information regarding monitoring of Consultants 2022/23

**Ff - Background papers (please contact the author of the Report for any further information):**

2022/23 Revenue Budget (as recommended by this Committee on 1 March 2022 and adopted by the County Council on 10 March 2022).

## REVENUE BUDGET MONITORING – QUARTER 1

## 1. General Balance

The Council Fund held £23.181m of earmarked reserves and school reserves amounting to £7.827m at the start of the financial year. The draft outturn for 2021/22 resulted in a general balance at the start of the current financial year of £12.050m. This was an improvement on the opening balance for the previous year, 2020/21, where the general balance stood at £11.437m. The draft underspend of £4.798m contributed to this and movements in reserves, such as the return of earmarked reserves no longer needed. This may, however, be subject to change with any post-audit adjustments.

The position of general balances at the end of the quarter is as follows:-

Executive Meeting	Amount £m	Purpose
Draft opening balance	(12.050)	Draft audited general reserve at 31 March 2022
Additional Funding for Highway Maintenance	0.500	As per Executive decision 3 March 2022
Transfer of funding to specific Service Reserves	0.261	As per Service Reserves policy approved in 2019/20
<b>Revised Council Fund General Balance</b>	<b>(11.289)</b>	<b>As mentioned above, this may change following any post-audit adjustments.</b>

The current predicted outturn for 2022/23 is an estimated underspend of £0.544m. If this forecast is accurate, the Council General Balance would increase to £11.833m by the year-end, this compares to the minimum level of £7.9m, which equates to 5% of the 2022/23 net revenue budget.

The 2022/23 budget was set prior to the significant increase in the level of general inflation and the subsequent pressure to increase pay higher than the sum that was allowed for in the budget. An earmarked reserve of £2.25m was created to provide additional funding to meet rising costs, but this reserve may now be insufficient to meet the rising cost pressures, in particular pay.

The original budget allowed for approximately £2.3m to cover the pay awards for teaching and non teaching staff. The current pay offer for non teaching staff of £1,925 to each employee, results in an average pay increase of 7.5% and this will increase the pay budget by £3.6m. The pay offer to teachers of 5% from September 2022 will increase the teaching pay bill by approximately £650k. As a result, an additional £2m will be required to fund the pay awards should the current offer become the final offer. This will utilise all of the earmarked reserve, leaving no additional funding to meet the expected increases in other costs, notably energy and fuel costs.

If the reserve is insufficient, it is likely to result in the Council overspending its net revenue budget in 2022/23, and any overspend will have to be funded from the Council's general balances.

## 2. Financial Performance by Service

2.1 The details of the financial performance by service for the period and the projected outturn position for each is set out in Appendix B. An overspend of £0.750m on services is predicted as at 31 March 2023. An underspend of £0.307m is estimated on Corporate Finance. In addition, an over achievement of income of £0.573m is forecast on the standard Council Tax debit, with a further over achievement of income of £0.414m on the Council Tax premium. The current total revenue forecast for 2022/23 is an underspend of £0.544m, which equates to 0.03% of the Council's total net revenue budget.

2.2 Table 1 below summarises the significant variances (circa £100k or higher):-

**Table 1**

	<b>(Under) / Overspend £'000</b>	<b>%</b>
Learning	68	+ 1.0
Adults	753	+ 2.5
Children's Service	755	+6.4
Waste	(795)	(8.7)
Transformation	(297)	(4.7)
Resources	(144)	(4.2)
Corporate and Democratic Costs	215	+7.1
Corporate Finance	(307)	(1.2)
Unbudgeted uncontrollable costs - insurance, capital pension costs and bad debt	200	No Bud
Funding	(987)	(0.6)
Other (total of variances less than £100k)	(5)	0.0
<b>Total Variance over / (under)spend</b>	<b>(544)</b>	<b>(0.1)</b>

### 3. Explanation of Significant Variances

#### 3.1 Lifelong Learning

##### 3.1.1 Delegated Schools Budget

Once the Council sets the budget for schools, responsibility for the budget is delegated to the schools and annual under or overspends are held in individual school reserves. The balances of the schools reserves now stands at £7.827m, compared to £3.974k at 31<sup>st</sup> March 2021. However, grants were received by schools in March from the Welsh Government which covered expenses already incurred, which means that their core budget was not spent. Over this financial year, schools will be recovering from the impact of the pandemic and it is anticipated that school balances will fall significantly by the end of the 2022/23 financial year as additional resources are directed to help pupils catch up following the periods of school closures.

##### Central Education

**3.1.2** This service was overspent by £25k (4.64%) at the end of quarter 1. The forecast for the year-end is an overspend of £81k (1.51%). Many of these budgets are demand led.

**3.1.3** There are a number of over and underspends across the Service. The most significant of which are listed below:-

- School Transport (Taxis and Buses) – forecast overspend of £118k. This is demand led and, due to ever increasing demand for taxis, an overspend persists. An additional budget has been allocated to this financial year, but an overspend remains. Additionally, Taxi and Bus companies have been given additional support due to the increased cost in fuel, which has also contributed to the overspend. It needs to be noted that all school bus contracts are to be retendered in October, and all school taxi contracts are to be retendered in January 2023, therefore, this overspend could significantly change by the end of the year.
- The out-of-county placements budget had reduced demand in 2021/22 and, therefore, the budget for 2022/23 is less than that of 2021/22. An underspend of £93k is forecast for out-of-county placements. As the financial year progresses, the number of children requiring out-of-county placements may begin to rise, which will impact the forecasted underspend, but an earmarked reserve of £500k is held to meet any additional costs incurred as a result of increased demand.

- The income target for Clwb Gofal plant is forecasted to underachieve by £68k. This budget is, again, demand led and the numbers attending the clubs have not returned to pre pandemic levels.
- The Central Education budget is forecast to underspend by £103k, this, in part, is due to a vacant post which has been vacant since April 2022. The post has now been recruited to following a successful recruitment exercise. There are also other minor underspends across many budget headings.

### **3.1.4 Culture**

- 3.1.4.1** This service was £42k (9.24%) overspent during the period, and the forecast outturn for the year is an underspend of £13k (1.02%). The only minor area of concern is a projected overspend of £24k for Oriol Ynys Môn. It is anticipated that the successful re-tender of the Oriol Café contract will result in increased visitor numbers and increased income during the second half of the financial year, which may reduce this overspend.

## **3.2 Adults Social Care**

- 3.2.1** This service was £473k (7.82%) overspent for the period, and is forecast to overspend by £753k (2.52%) at year end.

- 3.2.2** The elements within the outturn variance are as follows:-

- Services for the Elderly: Forecast an underspend of £106k, however, it should be noted that this is after applying £332k from the Social Care Workforce grant and £450k from the Social Care Pressures reserve. The main reason for this forecast of underspend is the direct result of vacant posts and staff being transferred to be funded from the Regional Integrated Fund. An overspend is expected on agency at year end, to the sum of £40k. There are various other over and compensating underspends within the Service.
- Physical Disabilities (PD): The provision is forecasting to overspend £288k for the year after applying £332k from the Social Care Workforce grant. The largest forecasted overspend is in Home Support £121k, which is as a result of an increasing number of clients, although the increased use of direct payments has reduced the average cost per client. Residential Care is forecasting an overspend of £88k for the year, this service relates to 10 high cost / low volume residential placements. The client numbers have been relatively consistent over recent years and it can be argued that this service area has been underfunded for several years as we have been reporting overspends on this heading for each of the last 5 years.
- Learning Disabilities (LD): Is overspent by £321k for the period and is forecasted to overspend by £712k by year end, this is after applying the sum of £332k from the Social Care Workforce grant and £585k from the Social Care Pressures reserve. Homecare is projected to overspend by £19k, the Service is working on increasing the number of clients arranging their care via the direct payments funding mechanism, rather than care being commissioned by the Council directly. The Home Support budget is forecasted to overspend by £345k as a result of an increase in client numbers where care costs per client are high. Supported and other accommodation provision is forecasting an overspend of £449k, even after allocating £332k from the Social Care Workforce Grant and £210k from the Social Care Pressures reserve. This provision of this service was due to go to tender in 2020/21, with the aim of generating significant savings, however, due to the Covid Pandemic, the tendering process was put on hold.
- Mental Health (MH): The service was overspent by £3k for the period, however, the current forecast for the year end is an overspend of £20k – Residential Care is expected to overspend by £61k, following receipt of the Social Care Workforce grant. This is a demand led service which, again, is predominantly high cost / low volume placements. Supported Living is forecasted to overspend by £59k at year end, which mainly relates to the cost for adult placements.

- Provider Unit and Management and Support: This area is forecasting an underspend of £257k at year end. The forecasted underspend in this area is, in large part, the result of various vacant posts.

### **3.3 Children's Services**

**3.3.1** The service is overspent by £62k (1.73%) for the period, however, it is forecasted to be overspent by £755k (6.41%) at year end.

**3.3.2** The Looked After Children's budget is overspent by £267k up to period 3, however, the forecast presently is at year end there will be an overspend of £755k. The £755k is made up of £948k Out of County placements, although 3 out of County placements have recently come to an end, the Service have had to seek 5 new placements, 4 of which commenced late in the 2021/22 financial year, and it is anticipated that these placements will last the whole of 2022/23. The Service currently has 11 out of County Placements, with an average weekly cost of £5.97k per week (£310k per annum) net of third party income from Health and Education. This compares to 10 FTE in 2021/22, with an average weekly cost of £4.78k (£249k per annum). £350k has been transferred from the reserves created to support the increasing pressures faced by the department.

It has become increasingly difficult to procure new residential placements and, as a result, placement costs have increased significantly in recent months. It must also be noted that we received (£513k) in one off grants in 2021/22 and we also received (£360k) of contributions from education in 2021/22, compared to a forecast of (£210k) in the current financial year. It is expected that 2 expensive placements will be transferred to the new Small Group Home at some point during the current financial year, but the timing is dependent on the progress of the capital works on the newly purchased property and our ability to recruit staff in a timely manner. At present, it is expected that the placements will remain in Out of County accommodation until the end of the current financial year, however, the situation will be monitored closely over the coming months and the financial forecasts updated accordingly. This is a demand led service which can be extremely volatile. Non-standard Placements is expected to underspend by £53k, Foster Care placements an overspend of £174k as well as Special guardianship by £42k. Also, Small Group Homes are forecasted to overspend by £48k at year end, this is based on 3 placements.

Integrated Family support is forecasted to underspend to the sum of £119k, mainly due to vacant posts. Youth services is also forecasting an underspend of £72k, which, again, is related to staffing.

### **3.4 Housing (Council Fund)**

**3.4.1** This service was overspent by £36k (6.40%) at the end of quarter 1 and is forecast to be overspent by £85k (4.44%) at outturn. Homelessness and homeless prevention is the biggest area of concern with an unprecedented demand on the services. Given that this budget is demand led it is difficult to give an accurate forecast of the position at the end of the financial year. There are compensating underspends within the department in the staffing budgets which brings the forecast overspend down to £85k.

### **3.5 Regulation and Economic Development**

#### **3.5.1 Economic and Community (includes Destination and Leisure)**

**3.5.1.1** The service, overall, was overspent by £626k (95.65%) for the period but the majority is as a result of accrued grant income which is yet to be received. Adjusting for these items reduces the overspending against the profiled income down to £102k of which £97k relates to Leisure Services. Income is expected to improve over the summer months, with the Destination Service income expected to exceed the target. As a result the Service is forecasted to be overspent by £27k (1.22%) at year end.

- 3.5.1.2** The Economic Development element of the service is expected to be overspent by £17k at year end. This is in part to the income target for staffing to projects such as Wylfa Newydd and National Grid. Without these avenues of funding the budgeted income expectation will not be met. This expectation is £72k. The senior management restructure and other vacant posts have resulted in an underspend of £86k. The other pressure points within the section are the centre facilities, graphic design and subscription budgets which combine are likely for be overspent to the sum of £21k.
- 3.5.1.3** The Destination section is forecasted to be £40k underspent by year end. Visitor numbers are expected to be lower than 2021 and this will reduce income but not to a level which creates any significant financial concerns.
- 3.5.1.4** The Leisure section is currently forecasting an overspend at year end of £50k. Income from direct debits has returned to pre-pandemic levels but overall the income generated is not expected to achieve the budget target.

### **3.5.2 Planning and Public Protection**

- 3.5.2.1** This service is £78k underspent (15.97%) for the period and is forecasted to be underspent by £77k (3.20%) at outturn.
- 3.5.2.2** There are no significant areas of concern within the Public protection service with variances on staffing budgets and income which results in a forecasted underspend of £55k.
- 3.5.2.3** The Planning Service is expected to be within its budget at the end of the financial year, with no areas of financial concern. Although it should be noted that there is a requirement to fund the Planning Policy Unit, when it transfers fully back under the control of the Council and there is insufficient surplus budget to enable the additional costs to be funded by the Service.

## **3.6 Highways, Waste and Property**

### **3.6.1 Highways**

- 3.6.1.1** This service was £115k (7.55%) overspent for the period. The forecasted position at year end is £54k underspent (0.79%). The majority of the sections within Highways are predicted to be underspent at year end. The most notable are Street Works £100k, which will have arisen from excess income. Public Transport is expected to have an underspend to the sum of £50k due to vacant posts. Môn Community Transport is also forecasting an underspend in the region of £50k due to lower staffing levels. However, the works budget is expected to overspend to the sum of £105k by year end, part of this is the direct result of the economy where prices are increasing and suppliers passing those prices onto the Authority. This forecast excludes winter maintenance costs as it is too early in the year to predict the outturn on these costs. Any significant winter costs could worsen the outturn estimated this quarter, although an earmarked reserve is held to mitigate the risk if the costs rise significantly during the winter. The fleet budget is under pressure due to less usage of the vehicles and increased fuel prices which has given rise to a forecast of £100k overspend at outturn.

### **3.6.2 Waste**

- 3.6.2.1** The Waste service was £318k (20.63%) underspent for the period and the service is predicted to have an outturn position of a £795k underspend (8.77%).
- 3.6.2.2** The forecast for the year end includes overspends and compensating underspends within different sections of the department. The most notable of the variances include a £290k underspend on the Waste Collection, where income on green waste and the purchase of black bins and bulky waste are overachieved. The Recycling section is also expected to be underspent at year end, the amount forecasted is £400k, this is due to its achieving more than its target income and the prices per tonne for recycled waste continue to be high.



### **3.6.3 Property**

**3.6.3.1** The service's position for the period is a £192k (38.48%) underspend, with a forecast for the year end position being overspent by £48k (3.18%).

**3.6.3.2** The position for a number of budget headings varies, with some showing an overspent position, whilst others are underspending. However, Capitalised salaries are likely to be underachieved in 2022/23 due to staff working on a non-fee project at Canolfan Addysg y Bont. An overspend of £48k is anticipated for the full year.

### **3.7 Transformation**

**3.7.1** The Transformation function overspent by £183k at the end of the period, however, is forecasting to be £297k underspent at outturn.

**3.7.1.1** The HR function was underspent by £41k (9.86%) for the period, and projected to be £62k (4.13%) underspent at year end. The projected underspend is derived from the central training budgets as well as vacant post during the year and an underspend on occupational health referrals.

**3.7.1.2** The ICT section was overspent by £263k (14.54%) for the period, however, the forecast for outturn is an underspend of £176k. All software and hardware budgets across the Council, excluding schools, have been centralised and are now managed within the ICT section. The projected year end position for the centralised software budget currently is an overspend of £196k. The staffing and software licences give a net projected underspend of £372k. The majority of this projected underspend is derived from a number of vacant posts.

**3.7.1.3** The Corporate Transformation Section was underspent by £39k (17.13%) for the period, and expected to be underspent at the year end by £59k (5.75%). This is the result of savings in salary expenses within Cyswllt Môn £32k, alongside an underspend of £23k for the Ynys Môn Gwynedd Partnership.

### **3.8 Resources (excluding Benefits Granted)**

**3.8.1** The Resources function budget is £56k (6.09%) underspent for the period, with the projection for the outturn being an underspend of £144k (4.20%).

**3.8.2** Staffing issues and the need to use agency staff to deal with a backlog of work within the Audit team has reduced the forecasted underspend to £16k. For Revenues and Benefits, the forecast is an underspend of £26k due to vacant posts. A small underspend of £19k is forecast for the Accountancy team. The Procurement Section is expected to be £77k underspent due to initiatives in purchasing, i.e. centralised purchasing budgets and procurement card rebates and lower demand for certain expenditure which are covered by the central procurement budgets as a result of increased home working (paper, photocopiers, stationery, furniture).

### **3.9 Council Business**

**3.9.1** The function was £22k (3.87%) underspent for the period, with the forecast for the year end position being a £33k (1.68%) underspend.

**3.9.2** Legal Services are expected to be overspent by £14k at year end, in large part due to legal agency staff employed to cover staff vacancies / absences and no budget for the trade union post. Democratic Services are forecasted to underspend by £47k, this is in large part due to vacant posts within the section.

### **3.10 Corporate and Democratic Costs**

**3.10.1** The function was breakeven for the period and the forecast year end position is an overspend of £215k (7.10%).

**3.10.2** Members Support & Expenses are forecasting a balanced budget.

**3.10.3** The corporate budgets, overall, are showing a forecast overspend of £215k. The Pensions contributions to the pension fund is expected to be £45k less than budgeted, there is an expectation that Staff Counselling will overspend by £25k based upon current figures. This is a demand led budget, therefore, the figure will fluctuate based upon need. It was identified during the year that it would be possible to make savings across the Authority due to Hybrid working, the balance is placed within the corporate budget, however, the savings are included in the corresponding budget within the departments. This will be vired during the financial year.

### **3.11 Corporate Management**

**3.11.1** The function was £3k (1.40%) underspent for the period and it is forecasted to underspend by £1k (0.14%) at outturn. This relates to small underspends on transport and general office supplies.

## **4. Corporate Finance (including Benefits Granted)**

**4.1** Corporate Finance, including Benefits Granted, is expected to underspend by £307k at year end.

**4.2** The budget for 2022/23 included some items retained centrally as contingency budgets, these amounted to £3,110k. The majority of these budgets will be transferred into Service budgets during the year. Appendix C provides a summary of the contingencies budget, this shows that £159k has already been vired to approved budgets.

**4.3** The capital financing budget is made up of 3 elements: the sum set aside to meet future repayments (Minimum Revenue Provision - MRP), interest payable on outstanding loans and interest received on cash balances held in the Council's bank accounts and other investments. Delays in capital projects, in particular the 21<sup>st</sup> Century Schools programme, lowered the Council's borrowing requirement which, in turn, has led to lower MRP and interest costs. As a result, the Capital Financing budget is forecasted to underspend to the sum of £45k.

## **5. Collection of Council Tax**

**5.1** The Council Tax Fund budget is determined using the estimated collectable debt for the current year only, based on the tax base figure set in November 2021. It does not provide for arrears collected from previous years, adjustments to liabilities arising from previous years (exemptions, single person discounts, transfers to business rates etc.), changes to the current year's tax-base or the provision for bad and doubtful debts. These changes cannot be estimated and, invariably, lead to a difference between the final balance on the Council Tax Collection Fund and the original budget. Covid-19 was also impacting on the collection of Council Tax and an increase in the bad debt provision has been made to reflect this impact. Going forward, with the impending recession and costs of living increasing, these budget will need to be monitored closely. The current core Council Tax income is forecasted to be £573k above the budget, but this can change significantly during the year.

**5.2** The Council Tax premium is designed to encourage owners of empty properties and second homes to return the property to general use and, as such, there is a risk that the number of properties paying the premium can reduce significantly during the year. In order to mitigate this risk, the tax base for premium properties is set at 80% and, if the numbers of properties paying the premium does not fall significantly, then the budget will generate a surplus. Again, the transfer of properties from the domestic to the Business Rates register has reduced the premium payable on second homes but, despite the transfer of properties, overall the numbers of second home properties remained fairly constant and, as a result, the Council Tax premium budget is forecasting a surplus of £414k at the end of the financial year.

## **6. Budget Savings 2022/23**

**6.1** No Budget Savings were required by the services for the financial year 2022/23.

## 7. Agency and Consultancy Costs

- 7.1 During the year to date, £208k was spent on Agency staff. These were, in the main, part-funded from staffing budgets as they related to staff vacancies, while £123k related to staff cover for vacant posts. The Waste Service spent £67k for site agents at the recycling centres. The full details can be seen at Appendix CH.
- 7.2 A total of £98k was spent on Consultancy during the period April to June 2022, with £33k funded through grant or external sources. A full summary of expenditure per service, and additional details of the expenditure, can be seen at Appendix D.

## 8. Welsh Government Covid-19 Grant Funding to date

- 8.1 The Welsh Government has provided significant financial support to the Welsh local authorities on Coronavirus related additional costs, although this has now ended. The Council is still making payments to individuals and recovering the costs from the Welsh Government through the Hardship Fund mechanism. Table 2 below shows that the Council claimed £0.291m for additional costs arising from the pandemic for this financial year:-

**Table 2 Covid-19 related expenditure April to June 2022 funded by Welsh Government**

	Free School Meals £	Self Isolation £	SSP Enhancement £	Total £
<b>SUMMARY Claimed</b>	<b>158,755</b>	<b>79,380</b>	<b>53,154</b>	<b>291,289</b>
<b>Disallowed</b>	-	-	-	-
<b>Balance Due</b>	<b>158,755</b>	<b>79,380</b>	<b>53,154</b>	<b>291,289</b>
<b>Paid</b>	<b>158,755</b>	<b>79,380</b>	<b>53,154</b>	<b>291,289</b>
<b>Balance Outstanding</b>	-	-	-	-

## 9. Conclusion

- 9.1 The initial projection at the end of the first quarter is that the budget will be underspent by £0.544m for the year ending 31 March 2023. However, there are a number of areas of concern which may not be apparent from this headline figure which weakens the Council's financial position going forward.
- 9.2 The main areas of concern relate to:-
- The fact that the pay offer is significantly higher than allowed for in the budget and are not reflected in the current projection. Although an earmarked reserve is in place which will offset a large part of the additional cost, it may still not be sufficient to meet the overall additional cost. The increased cost also has to be allowed for in the base budget for 2023/24, in addition to the pay award for 2023/24.
  - The position in respect of Social Care is of particular concern, with a forecast overspend of £1.508m for Adults and Children's Services. However, the true position is masked by the fact that additional grants and reserves are being used to reduce the overspend. The true position is that the services will overspend by around £3.5m to £4m. This is based on the current level of demand. Any increase in the demand for services will only worsen the position.
  - The cost of living crisis will ultimately result in an increase in the demand for Council services (Homelessness, Debt Advice, Mental Health Support, Children's Service) and may lead to a reduction in income in services such as leisure, culture, planning, parking fees, as people reduce their spending on non-essential items. These potential changes in demand for services may have a negative impact on the Council's financial position.

As we move through the remainder of the financial year, the impacts of the above will be factored into future monitoring reports as things become clearer.

- 9.3** The financial position in 2022/23 will also influence the Council's financial strategy for 2023/24 and beyond, as it will highlight the need to realign budgets to reflect the increases in costs seen in 2022/23 and to reflect the changing demand for services. Any significant overspending will also result in an erosion of the Council's earmarked reserves and general balances and this will reduce the ability to use reserves and balances to help to balance the revenue budget in 2023/24. A separate report on the Council's Medium Term Financial Plan is on the agenda of this Committee.

**Projected Revenue Outturn for the Financial Year ending 31 March 2023- Quarter 1**

Gwasanaeth/Swyddogaeth Service/Function	2022/23 Cyllideb Blynnyddol Annual Budget	2022/23 Ch1 Cyllideb hyd yma Q1 Budget Year to Date	2022/23 Ch1 Gwir Wariant ac Ymrwymadau Q1 Actual & Committed spend	2022/23 Ch1 Amrywiad Q1 Variance	2022/23 Ch1 Gwir Wariant ac Ymrwymadau Q1 Actual & Committed Spend	Ch1 : Q1 Amcangyfrif Gwariant i 31 Mawrth 2023 Estimated Expenditure to 31 March 2023	Ch1 : Q1 Amcangyfrif o Alldro 31 Mawrth 2023 gor / (tan) wariant Estimated Outturn 31 March 2023 over/(under)	2022/23 Gor / (tan) wariant a ragwelir fel % o'r Gyllideb Gyfan Projected Over / (Under) spend as a % of Total Budget	2021/22 Gor / (Tan) Wariant Drafft Draft Over / (under) spend
	£'000	£'000	£'000	£'000	%	£'000	£'000	%	£'000
<b><u>Dysgu Gydol Oes</u></b> <b><u>Lifelong Learning</u></b>									
Cyllideb Datganoledig Ysgolion <i>Delegated Schools Budget</i>	50,761	5,977	5,977	0	0.00%	50,761	0	0.00%	0
Addysg Canolog <i>Central Education</i>	5,373	540	565	25	4.64%	5,454	81	1.51%	(150)
Diwylliant <i>Culture</i>	1,277	454	496	42	9.24%	1,264	(13)	-1.02%	(105)
<b><u>Gwasanaethau Oedolion</u></b> <b><u>Adult Services</u></b>	29,909	6,053	6,526	473	7.82%	30,662	753	2.52%	(283)
<b><u>Gwasanaethau Plant</u></b> <b><u>Children's Services</u></b>	11,776	3,561	3,623	62	1.73%	12,531	755	6.41%	(370)
<b><u>Tai</u></b> <b><u>Housing</u></b>	1,914	569	606	36	6.40%	1,999	85	4.44%	(128)
<b><u>Priffyrdd, Gwastraff ac Eiddo</u></b> <b><u>Highways, Waste &amp; Property</u></b>									
Priffyrdd <i>Highways</i>	6,808	1,526	1,411	(115)	-7.55%	6,754	(54)	-0.79%	(55)
Eiddo <i>Property</i>	1,508	(498)	(690)	(192)	38.48%	1,556	48	3.18%	(17)
Gwastraff <i>Waste</i>	9,061	1,543	1,225	(318)	-20.63%	8,266	(795)	-8.77%	(1,206)

Gwasanaeth/Swyddogaeth Service/Function	2022/23 Cyllideb Blynnyddol Annual Budget	2022/23 Ch1 Cyllideb hyd yma Q1 Budget Year to Date	2022/23 Ch1 Gwir Wariant ac Ymrwymiadau Q1 Actual & Committed spend	2022/23 Ch1 Amrywiad Q1 Variance	2022/23 Ch1 Gwir Wariant ac Ymrwymiadau Q1 Actual & Committed Spend	Ch1 : Q1 Amcangyfrif Gwariant i 31 Mawrth 2023 Estimated Expenditure to 31 March 2022	Ch1 : Q1 Amcangyfrif o Alldro 31 Mawrth 2023 gor / (tan) wariant Estimated Outturn 31 March 2022 over / (under)	2022/23 Gor / (tan) wariant fel % o'r Gyllideb Gyfan Projected Over / (Under) spend as a % of Total Budget	2021/22 Gor / (Tan) Wariant Drafft Draft Over / (underspend)
	£'000	£'000	£'000	£'000	%	£'000	£'000	%	£'000
<b><u>Rheoleiddio a Datblygu Economaidd</u></b> <b><u>Regulation &amp; Economic Development</u></b>									
Datblygu Economaidd <i>Economic Development</i>	2,214	654	1,280	626	95.65%	2,241	27	1.22%	(157)
Cynllunio a Gwarchod y Cyhoedd <i>Planning and Public Protection</i>	2,406	487	409	(78)	-15.97%	2,329	(77)	-3.20%	(545)
<b><u>Trawsnewid</u></b> <b><u>Transformation</u></b>									
Adnoddau Dynol <i>Human Resources</i>	1,503	415	374	(41)	-9.86%	1,441	(62)	-4.13%	(54)
TGCh <i>ICT</i>	3,777	1,808	2,071	263	14.54%	3,601	(176)	-4.66%	(149)
Trawsnewid Corfforaethol <i>Corporate Transformation</i>	1,027	229	190	(39)	-17.13%	968	(59)	-5.75%	(185)
<b><u>Adnoddau</u></b> <b><u>Resources</u></b>									
<b><u>Busnes y Cyngor</u></b> <b><u>Council Business</u></b>									
Costau Corfforaethol a Democraidd <b><u>Corporate &amp; Democratic costs</u></b>	3,030	1,054	1,054	0	0.03%	3,245	215	7.10%	(327)
<b><u>Rheolaeth Corfforaethol</u></b> <b><u>Corporate Management</u></b>									
Costau heb gyllideb, na ellir eu rheoli: yswiriant, costau pensiwn a dileu drwg ddyledion / lwfansau amhariad ar incwm gwasanaethau <i>Unbudgeted, uncontrollable costs: insurances, pension costs and bad debt write offs / impairment allowances on services' income</i>	735	183	180	(3)	-1.40%	734	(1)	-0.14%	(10)
						200	200	0.00%	(54)

Gwasanaeth / Swyddogaeth Service / Function	2022/23 Cyllideb Flynyddol Annual Budget	2022/23 Ch1 Cyllideb hyd yma Q1 Budget Year to Date	2022/23 Ch1 Gwir Wariant ac Ymrwymiadau Q1 Actual & Committed spend	2022/23 Ch1 Amrywiad Q1 Variance	2022/23 Ch1 Gwir Wariant ac Ymrwymiadau Q1 Actual & Committed Spend	Ch1 : Q1 Amcangyfrif Gwariant i 31 Mawrth 2023 Estimated Expenditure to 31 March 2023	Ch1 : Q1 Amcangyfrif o Alldro 31 Mawrth 2023 gor / (tan) wariant Estimated Outturn 31 March 2023 over / (under)	2022/23 Gor / (tan) wariant fel % o'r Gyllideb Gyfan Projected Over / (Under) spend as a % of Total Budget	2021/22 Gor / (Tan) Wariant Drafft Draft Over / (underspend)
	£'000	£'000	£'000	£'000	%	£'000	£'000	%	£'000
<b>Cyfanswm Cyllidebau Gwasanaethau Total Service Budgets</b>	138,470	26,055	26,718	663	2.54%	139,220	750	0.54%	(2,671)
Ardollau Levies	3,957	3,919	3,919	0	0.00%	3,957	0	0.00%	(2)
Rhyddhad Trethi Dewisol Discretionary Rate Relief	72	0	0	0	0.00%	71	(1)	-1.38%	0
Cyllido Cyfalaf Capital Financing	7,304	1,037	859	(178)	0.00%	7,259	(45)	-0.61%	(390)
Arian wrth Gefn Cyffredinol ac Eraill General & Other Contingencies	2,951	2,951	2,385	(566)	-19.17%	2,901	(50)	-1.69%	(567)
Arian wrth Gefn Cyffredinol Y Cyngor Council's General Reserves	0	0	0	0	0.00%	0	0	0.00%	300
Cyfraniad CRT y Gwasanaethau Cefnogol Support Services contribution HRA	(800)	0	0	0	0.00%	(800)	0	0.00%	(97)
Budd-daliadau a Roddwyd Benefits Granted	6,413	0	0	0	0.00%	6,202	(211)	-3.29%	178
Na ellir ei reoli Uncontrollable									
<b>Cyfanswm Cyllid Corfforaethol Total Corporate Finance</b>	19,898	7,907	7,164	(744)	-9.41%	19,591	(307)	-1.29%	(578)
<b>Cyfanswm 2022/23 Total 2022/23</b>	<b>158,367</b>	<b>33,962</b>	<b>33,882</b>	<b>(81)</b>	<b>-0.24%</b>	<b>158,811</b>	<b>444</b>	<b>0.51%</b>	<b>(3,249)</b>
<b>Cyllido Funding</b>									
Trethi Annomestig NDR	(25,493)	(7,844)	(7,844)	0	0.00%	(25,493)	0	0.00%	0

Gwasanaeth /Swyddogaeth Service / Function	2022/23 Cyllideb Flynyddol Annual Budget	2022/23 Ch1 Cyllideb hyd yma Q1 Budget Year to Date	2022/23 Ch1 Gwir Wariant ac Ymrwymiadau Q1 Actual & Committed spend	2022/23 Ch1 Amrywiad Q1 Variance	2022/23 Ch1 Gwir Wariant ac Ymrwymiadau Q1 Actual & Committed Spend	Ch1 : Q1 Amcangyfrif Gwariant i 31 Mawrth 2023 Estimated Expenditure to 31 March 2023	Ch1 : Q1 Amcangyfrif o Alldro 31 Mawrth 2023 gor / (tan) wariant Estimated Outturn 31 March 2023 over / (under)	2022/23 Gor / (tan) wariant fel % o'r Gyllideb Gyfan Projected Over / (Under) spend as a % of Total Budget	2021/22 Gor / (Tan) Wariant Drafft Draft Over / (underspend)
	£'000	£'000	£'000	£'000	%	£'000	£'000	%	£'000
Y Dreth Gyngor Council Tax	(41,866)	0	0	0	0.00%	(41,843)	(573)	-0.05%	172
Premiwm y Dreth Gyngor Council Tax Premium	(1,950)	0	0	0	0.00%	(2,365)	(414)	55.12%	(332)
Grant Cynnal Refeniw Revenue Support Grant	(89,058)	(27,403)	(27,403)	0	0.00%	(89,058)	0	0.00%	(1,389)
<b>Cyfanswm Cyllid 2022/23 Total Funding 2021/22</b>	<b>(158,367)</b>	<b>(35,247)</b>	<b>(35,246)</b>	<b>0</b>	<b>0</b>	<b>(159,355)</b>	<b>(987)</b>	<b>0.66%</b>	<b>(1,549)</b>
<b>Cyfanswm yr alldro, yn cynnwys effaith y cyllido Total outturn, including impact of funding</b>	<b>0</b>	<b>(1,284)</b>	<b>(1,364)</b>	<b>(80)</b>	<b>6.25%</b>	<b>(544)</b>	<b>(544)</b>	<b>-0.15%</b>	<b>(4,798)</b>



## APPENDIX C

Summary of the Outturn Position on Contingency Budgets 2022/23

	Budget	Virements	Amended Budget YTD	Committed YTD	Currently Uncommitted Budgets	Budget Forecast
	£	£	£	£	£	£
General Contingency	405,734	-	405,734	-	405,734	-
Salary and Grading	100,000	-	100,000	-	100,000	-
County Elections	200,000	140,095	59,905	-	59,905	-50,000
Earmarked Contingency	916,830	-	916,830	916,830	-	-
Pay Inflation	1,000,000	-	1,000,000	1,000,000	-	-
Regional Growth	97,000	-	97,000	97,000	-	-
Trainee Scheme	340,000	-18,880	321,120	321,120	-	-
Climate Change	50,000	-	50,000	50,000	-	-
<b>Total General and other Contingencies</b>	<b>3,109,564</b>	<b>-158,975</b>	<b>2,950,589</b>	<b>2,384,950</b>	<b>565,639</b>	<b>-50,000</b>

**Agency costs April to June 2022**

Service	Amount £	Source of Funding (Specific Core Budget / Un- utilised staffing budget / Grant / External Contribution)	Permanent / Temporary	Reason for Cover
Economic & Regeneration	12,860	Grant	Temporary	To back fill officers dealing with COVID
	4,271	Grant	Temporary	To back fill officers dealing with export health certificates
	<b>17,077</b>			
Schools	4,530	Core	Temporary	Supply teachers in specialist field
	<b>4,530</b>			
Waste	67,798	Specific Core Budget	Temporary	Additional tasks required short team /Adjustments in costs due to change in rate
	<b>67,798</b>			
Children's Services	71,925	Core Budget/ Agency staff Reserve	Temporary	To cover vacant posts
	<b>71,925</b>			
Adult Services	17,653	Core Budget	Temporary	To cover vacant posts
	8,492	Grant Funded		Cover additional work re Covid and vacant posts
	<b>26,145</b>			
Resources	4,973	Self Isolation Grant	Temporary	Additional work from WG grants
	7,685	Covid Hardship Grant	Temporary	Additional work from WG grants
	7,752	Un-utilised staffing budget	Temporary	To cover vacant posts
	<b>20,409</b>			
<b>Total</b>	<b>207,884</b>			

## APPENDIX D

**Summary Consultancy Expenditure Q1 2022/23**

<b>Service</b>	<b>Qtr 1 £</b>	<b>Total 2022/23 £</b>
Central Education	834	<b>834</b>
Culture	4,925	<b>4,925</b>
Economic & Regeneration	39,147	<b>39,147</b>
Property	0	<b>0</b>
Highways	11,376	<b>11,376</b>
Schools	0	<b>0</b>
Waste	4,431	<b>4,431</b>
HRA	0	<b>0</b>
Housing	0	<b>0</b>
Corporate & Democratic	0	<b>0</b>
Adult Services	0	<b>0</b>
Children's Services	200	<b>200</b>
Corporate	0	<b>0</b>
Transformation	9,157	<b>9,157</b>
Council Business	7,279	<b>7,279</b>
Resources	20,278	<b>20,278</b>
<b>Total</b>	<b>97,627</b>	<b>97,627</b>
Funded by:		
Core Budget	63,016	<b>63,016</b>
Grant	33,321	<b>33,321</b>
External Contribution	0	<b>0</b>
Reserves	1,290	<b>1,290</b>
<b>Total</b>	<b>97,627</b>	<b>97,627</b>