

Isle of Anglesey County Council

Report to:	EXECUTIVE
Date:	2 MARCH 2023
Subject:	REVENUE BUDGET MONITORING, QUARTER 3 2022/23
Portfolio Holder(s):	COUNCILLOR ROBIN WYN WILLIAMS – PORTFOLIO HOLDER – FINANCE, CORPORATE BUSINESS & CUSTOMER EXPERIENCE
Head of Service / Director:	MARC JONES – DIRECTOR OF FUNCTION (RESOURCES) / SECTION 151 OFFICER
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Local Members:	N/A

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 £3.110m. 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 3, 31 December 2022, along with the forecasted outturn to the end of the financial year.
3. The report takes into account the cost of the final pay settlements for NJC staff and teachers and also the increase in the Council's energy price contracts, effective from 1 October 2023. As this report summarises the position to the end of the third quarter, the majority of the costs become actual costs rather than forecasted and the final reported position can be made with a higher degree of certainty, compared to previous quarters. In addition, the winter period can cause unexpected increases in costs due to sickness of clients placing more demand on services, sickness of staff increasing pay costs and weather related incidents increasing costs for the Highways service. As the majority of the winter has passed, it adds to the increase in the certainty of the forecasted year end position, however, that is not to say that unexpected events will not happen that can still change the final position.
4. The overall projected financial position for 2022/23, including Corporate Finance and the Council Tax fund, is a projected underspend of £1,970m. This is 1.24% of the Council's net budget for 2022/23. Both Adult and Children's Social Care budgets remain under pressure, but this is offset by underspending in other services, notably Waste Collection and Disposal. More information is provided in the detailed report attached.
5. The forecasted underspend is in the main down to three factors:-
 - i. Increased returns on cash investments due to significant rises in interest rates;
 - ii. No call on contingency budgets;
 - iii. Better than anticipated levels of Council Tax income, mainly due to the premium on second and empty homes being higher than the budget;

6. It is recommended:-

- (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, D and DD;
- (iv) To recommend to the Isle of Anglesey County Council that full Council approve funding of £1.074m from the Council Fund general balances to the delegated schools budget, to cover the additional pay costs above those originally allowed for in the 2022/23 revenue budget;
- (v) To approve the transfer of the net underspend on homelessness and homelessness prevention, estimated at £260k, to an earmarked reserve for homelessness and homelessness prevention in future years. This has occurred due to Welsh Government announcing a significant uplift of £273k to the No One Left Out grant.

B – What other options did you consider and why did you reject them and/or opt for this option?

Not applicable

C – Why is this a decision for the Executive?

This matter is delegated to the Executive.

Ch – Is this decision consistent with policy approved by the full Council?

Yes

D – Is this decision within the budget approved by the Council?

Yes

Dd – Assessing the potential impact (if relevant):

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

E – Who did you consult?		What did they say?
1	Chief Executive / Leadership Team (LT) (mandatory)	The report has been considered by the Leadership Team 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 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 3 was reviewed by the Finance Scrutiny Panel at its meeting on 15 February 2023.
9	Local Members	N/A
F – Appendices:		
<ul style="list-style-type: none"> • 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 3 March 2022 and adopted by the County Council on 10 March 2022).		

REVENUE BUDGET MONITORING – QUARTER 3

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. The audit of the 2021/22 accounts has been completed and one adjustment was identified which affected outturn and the Council general balance. Audit recommended that £228k of the long-term provision for Penhesgyn landfill site should be returned to revenue so that the provision matched the figure recommended in the consultant's report, which outlined the outcome of tests at the site and advised on the level the provision should be at 31 March 2022. This resulted in a final Council Fund general balance of £12.278m.

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

Table 1

	Amount £'m	Purpose
Final Opening Balance	(12.278)	Final 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.
50% funding of £69,732 to establish and operate a new planning policy team for Anglesey	0.035	As per Executive report 27 September 2022.
Additional funding to cover additional Teachers' pay award 2022/23	1.074	See recommendation paragraph 2 below.
Revised Council Fund General Balance at 31.12.2022	(10,408)	

The current predicted outturn for 2022/23 is an estimated underspend of £1,970m, which would result in the Council General Balance increasing to £12.378m by the year-end unless there are additional items funded from the general reserve during the final quarter. The Executive set the minimum level of general balances at £7.9m, for 2022/23, which equates to 5% of the 2022/23 net revenue budget. The level of general balances above this figure provides a higher level of financial resilience should the financial position worsen during the final quarter of the year and allows for the use of £1.78m of reserves to help with the budget position in 2023/24.

2. Additional Budget Pressures During the Remainder of the Financial Year

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 is insufficient to meet the rising cost pressures.

The original budget allowed for approximately £2.3m to cover the pay awards for teaching and non-teaching staff. The final pay award for non-teaching staff of £1,925 to each employee (agreed November 2022), results in an average pay increase of 7.5% and this increases the non teaching pay costs by £3.8m. The local government officers non-schools pay award has been funded by use of £1.144m from the Inflation earmarked reserve and £1m from contingency budgets.

The pay award to teachers of 5% from September 2022 will increase the teaching pay bill by £926k, which is £473k higher than was allowed for in the budget, although it should be noted that teaching unions are taking industrial action as they seek an increase in the pay award. The funding position for delegated schools budgets are summarised in Table 3 below, and requires an additional £1.074m to fund the increased costs.

The UK Government has announced a reversal of the increase in national insurance contributions, which came into effect in April 2022. This will result in £260k of reduced national insurance costs which has been factored into the figures shown in Table 2 and Table 3 below.

Table 2 – Funding the 2022/23 Pay Awards

	Non Teaching £	Teachers £	Total £
Total Cost of the Pay Award for Schools	3,853,230	925,930	4,779,160
Inflation allowed for in the 2022/23 Budget	(1,946,986)	(354,860)	(2,301,846)
Reduction in Employer NI Contributions	(162,670)	(97,380)	(260,050)
Shortfall in Budget	1,743,574	473,690	2,217,264

At the end of the 2022/23 financial year, school balances had risen to £7.83m and although schools have used £1.65m to balance their budgets and have used or plan to use an additional estimated £2.88m of reserves during 2023/24, this will leave a forecasted balance at the end of the financial year of £3.3m. Schools are now planning for the 2023/24 financial year and a significant number of schools will be using reserves to balance their budget, which will further reduce the overall level of school balances. This will leave a minority of schools with little or no balances and the remainder with significantly lower balances than has been seen over the past two financial years. It would, therefore be difficult for some schools to fund the additional pay costs from their own reserves without a further budget allocation.

The funding shortfall in school budgets for pay is shown in Table 3 below:-

Table 3 – Pay Funding Shortfall in 2022/23 School Delegated Budgets

	Non Teaching £	Teachers £	Total £
Total Cost of the Pay Award for Schools	707,575	921,690	1,629,265
Inflation allowed for in the 2022/23 Budget	(86,700)	(354,860)	(441,560)
Reduction in Employer NI Contributions	(16,690)	(97,380)	(114,070)
Shortfall in Budget	604,185	469,450	1,073,635

Given the extent of the shortfall in the budget and the reducing level of school balances, the Executive is asked to recommend that full Council fund £1.074m from the Council general reserve.

The Council's energy prices changed in October 2022, with gas tariffs rising between 238% and 271% and electricity tariffs rising between 75% and 108%. The daily standing charge also increased by 110% for gas and 165% for electricity. Although the increases are significant, there is sufficient underspending in other budget areas to allow the increased costs to be absorbed by Services without the need to release additional funding from the Council's general reserves.

3. Financial Performance by Service

3.1 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 £0.087m on services is predicted as at 31 March 2023. An underspend of £1.668m is estimated on Corporate Finance. In addition, an over achievement of income of £0.122m is forecast on the standard Council Tax debit, with a further over achievement of income of £0.266m on the Council Tax premium. The current total revenue forecast for 2022/23 is an underspend of £1.970m, which equates to 1.24% of the Council's total net revenue budget.

3.2 Table 4 below summarises the significant variances (**£100k or higher**): -

Table 4

Service	Over / Underspend £'000	Outturn as % of budget £'000
Adults	613	2.01%
Children's Services	996	8.09%
Highways	(239)	3.49%
Property	(222)	12.70%
Waste	(1,030)	11.30%
Transformation	(247)	3.79%
Other (total variances less than £100k)	(184)	<0.01%
Unbudgeted Uncontrollable - (bad debt provision / impairment loss allowance, capital pension costs, insurance, premium on historic refinancing)	400	100%
Total Service Budgets	87	0.06%
Corporate Finance	(1,668)	14.07%
Funding	(389)	0.25%
Total	(1,970)	1.24%

3.3 The forecasted overspend for Services is £87k, but the underlying position is masked by a number of one off items and additional funding that has contributing to a significant reduction. These items are shown in Table 5 below:-

Table 5

	£'000	£'000
Forecasted Overspend on Service Budgets		87
One Off Items and Additional Funding		
Vacant Posts	2,592	
Additional Non Recurring Income	700	
Additional Non Recurring Grant Funding	864	
Use of Reserves	1,010	5,166
Underlying Overspend on Service Budgets		5,253

- 3.4** Without these items the true financial position of the Council's services would have significantly worse and would have weakened the Council's financial resilience considerably. The figure of £5.25m highlights the financial pressure which services are currently facing. In the 2023/24 budget proposal, the Executive have attempted to address these underlying financial pressures and the proposed increase of £14.2m in the 2023/24 net revenue budget is in part due to the underlying financial position of the Council's services.

4. Explanation of Significant Variances

4.1 Education, Skills and Young People

4.1.1 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 position in respect of the delegated schools budget is discussed in paragraph 2 above.

Central Education

4.1.2 This service was underspent by £87k (11.43%) at the end of quarter 3, and is predicted to underspend by £64k (1.15%) at year-end. This is a small improvement on the estimated underspend of £78k for 2022/23 reported at quarter 2.

4.1.3 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 an overspend of £536k. This is an increase of £36k from the overspend reported during quarter 2. 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. Following on from a new contract tender process for school buses that was undertaken over the summer, new bus contracts became operational from the 3rd of October at a significantly higher cost than the previous contracts.
- An underspend of £195k, is forecast for out-of-county placements, compared to a forecasted underspend of £118k at the end of quarter 2. This is due to two pupils no longer receiving out-of-county education and the service paying a reduced contribution in respect of another pupil's placement. There is still the possibility that the placements may increase before year-end, which will impact the forecasted underspend. However, 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 £63k. This budget is, again, demand led and the numbers attending the clubs have not returned to pre pandemic levels.
- The estimated outturn for school meals is an overspend of £41k, which is an increase from the forecast underspend of £3k at the end of the 2nd quarter. This is as a result of a price increase by the catering contractor which will become effective after the February half term holidays.
- The Central Education budget is forecast to underspend by £510k, an increase from the underspend of £486k projected during quarter 2. This is mainly due to an underspend on the appointment of School Business Managers (allocated budget of £300k), with uncertainty if this will go ahead in this financial year. There is also a £51k underspend for a post which has been vacant since April, which has now been filled, and a forecast underspend on consultants (£14k).
- There are also other minor underspends across a number of budget headings.

4.1.4 Culture

4.1.4.1 This service was £183k (16.82%) underspent during the period, however, the service is predicted to underspend by £15k (1.12%) at the year-end. This is an improvement of £30k from a predicted overspend of £15k during quarter 2.

4.1.4.2 The overspend forecast for Museums and Galleries is expected to increase from £65k in quarter 2 to £105k. This is due to a shortfall on fees and charges income of approximately £67k. The cost of utilities, repairs and maintenance could potentially add another £65k to the overspend, which is the main reason for the increased overspend. There are underspends on staffing which are mitigating the overspend within Museums and Galleries.

4.1.4.3 An underspend of £95k is forecast on Libraries, mainly due to a number of vacant posts, including on the staffing of the mobile library service. This is an increase from the underspend of £55k in quarter 2.

4.2 Adults Social Care

4.2.1 This service was £1,025k (4.83%) overspent at the end of the 3rd quarter, compared to the profiled budget, but this is expected to reduce to an overspend of £613k (2.01%) for the year 2022/23. This is nearly double the forecasted overspend of £313k reported at the end of quarter 2. This is due to increased costs in services for people physical disabilities, learning disabilities and mental health, discussed below.

4.2.2 The elements within the outturn variance are as follows: -

- Services for the Elderly: The service is expected to underspend by £65k after applying £200k from grant and £225k from the social care pressures reserve. There are underlying cost pressures which are being masked by this additional funding for the year. The Assessment and Care Management team is expected to underspend by £52k due to vacant posts, though £46k of agency staff costs reduces the underspend. An underspend of £168k is now expected on the residential care for older people, after a virement of £125k from the social care pressures reserve. Nursing care for older people has underlying budgetary pressures which are reduced to an overspend of £3k after allocating £100k from the social care pressures reserve and £200k from a social care grant. Home care budget pressures have increased, with an overspend of £148k. This is due to a significant increase in demand for this service.
- Physical Disabilities (PD): This service is forecast to overspend by £232k for the year, which is an increase of £97k on the overspend reported at quarter 2. This is due to a new residential care service user. This forecast is after allocating £332k from grant. However, the underlying overspend is much higher at £564k. Residential care costs are the main cause of the underlying overspend due to high-cost placements to meet specialist care needs. Home Support is expected to overspend by £176k due to increased demand.
- Learning Disabilities (LD): An overspend of £526k is predicted for the year. An increase from the overspend of £353k projected at quarter 2. However, there is a significant underlying overspend of £1,643k, which is reduced this year by applying eligible grant funding and funding from the social care pressures reserve. Residential care is forecast to overspend by £227k, after allocating £75k from the social care pressures reserve. The day care service is forecast to overspend by £117k for the year due to increased demand, an increase from the overspend of £86k reported previously. Home care is expected to breakeven by yearend, compared to a forecast overspend of £32k at quarter 2. This is after allocating £300k from the social care pressures reserve. It is the service's strategy to increase the number of clients receiving direct payments rather than commissioned home care, to empower service users and give them choice and control over their home care needs. Supported and other accommodation is forecast to overspend by £204k, after allocating £332k of grant funding and £410k from the social care pressures reserve. The underlying overspend is, therefore, £946k on supported and other accommodation.

- **Mental Health (MH):** This service is projected to overspend by £597k by 31 March 2023. This is a significant increase from the overspend of £153k reported for quarter 2. However, £200k of grant has been moved from this area to other areas within the Adults Service. The significant pressure for Mental Health services is residential care, which is projected to overspend by £568k. Two new service users have increased the costs for these services. It's a demand led service and is predominantly high cost, low volume placements. Community support is forecast to underspend by £149k for 2022/23, due to vacant posts. Supported living is projecting an overspend of £171k by year-end. £114k relates to a new client receiving 24 hour care at a supported living placement. The remainder of the overspend mainly relates to the cost for adult placements and echoes the service's aim for clients to be supported within their own homes in the community.
- **Provider Unit and Management and Support:** This area is forecasting an underspend of £491k at year-end. The forecast underspend in this area is, in large part, the result of various vacant posts, particularly in homecare area units (£421k). However, there are some cost pressures within the internal provider unit, with residential homes forecast to overspend by £126k by year-end, due to agency staff costs and under achieved income, and hostels are expected to overspend by £40k at year-end.

4.3 Children's Services

- 4.3.1** The service is overspent by £751k (6.71%) for the period and is forecast to be overspent by £996k, which is less than the overspend of £1,048k reported during quarter 2. This improvement is mainly the result of reduced expenditure on Children with Disabilities due to staffing vacancies. The more significant under and overspends are highlighted below. It appears that most budget headings within Children's Services have inherent overspends which might result in budget pressures beyond 2022/23.
- 4.3.2** The Looked After Children's (LAC) budget is overspent by £899k up to quarter 3 and the forecast presently for year-end is an overspend of £1,235k, which is mainly due to out-of-county placements (£813k). All other areas are also overspending, with the exception of non-standard placements (£88k underspend). Small group homes are forecast to overspend by £206k on staffing and agency costs. Foster care placements are also expected to overspend by £220k.
- 4.3.3** Commissioning and social work is forecast to underspend by £182k for the year due to reduced staffing costs arising from vacant posts and grant income. Family Support is expected to be overspent by £142k at year-end. This is mainly due to an overspend in the 'When I'm Ready' service, which is likely to increase further due to the school contract for taxis price increases. Integrated family support, however, is expected to underspend by £177k for the year, mainly due to staffing underspends. Reviewing and complaints are expected to overspend by £56k due to pressures in the out-of-hours team.

4.4 Housing (Council Fund)

- 4.4.1** This service was underspent by £37k (1.78%) at the end of quarter 3, but is forecast to be overspent by £10k (0.51%) at outturn. This is a reduction of £20k on the overspend of £30k forecast during quarter 2.
- 4.4.2** Homelessness is the biggest area of concern as an underlying budget pressure, however, the service has been successful at recovering housing benefit repayments for service users placed in emergency accommodation. In addition, Welsh Government has recently increased the Homelessness Grant, which results in an increase in the underspend of £300k. However, the service is forecasting a balanced budget on homelessness as approximately £260k of the additional grant is requested to be transferred to an earmarked reserve to use in future years, when the grant is expected to reduce.

- 4.4.3** Homelessness prevention is forecast to achieve a balanced budget by year-end, compared to an overspend of £60k reported during quarter 2 due to the extra funding. While the underlying overspend is cause for concern, these costs have helped service users to avoid being made homeless, which is a better outcome for them and reduces expenditure on emergency accommodation.

4.5 Regulation and Economic Development

4.5.1 Economic and Community (includes Destination and Leisure)

- 4.5.1.1** The service was overspent by £112k (6.51%) at the end of the third quarter, and is forecast to overspend by £94k (3.91%) at 31 March 2023. This is a small increase of £8k from that reported for quarter 2.
- 4.5.1.2** The Economic Development element of the service is expected to be overspent by £32k at year end, compared with £46k at quarter 2. There is a historic shortfall due to income targets being no longer achievable for projects such as Wylfa Newydd and National Grid. Other budget pressures include centre facilities (£20k), graphic design income shortfall (£10k) and subscriptions (£20k). An underspend of £85k is forecast on a management restructure and other vacant posts.
- 4.5.1.3** The Destination section is forecasted to be underspent by £90k by year-end, compared with £48k reported for quarter 2. Visitor numbers to the Island appear to have dropped from the exceptional highs of last year. This has resulted in recruiting less seasonal staff than first expected, and there are delays in the recruitment of posts within the maritime service. Therefore, an underspend of £60k is expected on staffing budgets. There are other small over and underspends.
- 4.5.1.4** The Leisure service is forecast to overspend by £152k for the year, this is an increase of £54k from quarter 2. This is due to increased staffing costs and significantly higher electricity costs. Leisure centre direct debit income has recovered to pre-pandemic levels, and it is likely that income targets will be achieved, though the cost of living crisis might start to impact on leisure memberships.

4.5.2 Planning and Public Protection

- 4.5.2.1** This service is £249k underspent (12.83%) for the period, but is forecasted to be underspent by £175k (6.93%) at outturn. This is an increase of £90k on the forecasted underspend of £85k reported at quarter 2. This is due to reduced staffing costs for various reasons in Public Protection and vacancies and increased income in Planning.
- 4.5.2.2** Public Protection is forecast to underspend by £100k for the year, compared with an underspend of £40k predicted for quarter 2 for 2022/23, mainly as a result of reduced staffing costs. There are no significant areas of concern within the Public Protection service with both small levels of under and overspending across the various elements of the Service.
- 4.5.2.3** The Planning Service is expected to be underspent by £75k at year-end, compared with an expected underspend of £45k at quarter 2. Similar to Public Protection, there are underspends on staffing which are masking overspends on non-pay expenditure, particularly in IT and software and consultancy.

4.6 Highways, Waste and Property

4.6.1 Highways

- 4.6.1.1** This service was £839k (12.17%) underspent for the period. However, the forecasted position at year end is an underspend of £239k (3.49%). This is a similar underspend to the underspend at quarter 2. Pressure continues on the Fleet budget, with an overspend of £200k forecast for the year, due to less usage and increased fuel prices, and the works budget is under pressure as suppliers pass on increased prices. There are notable underspends on Departmental Control, Car Parks, Development Control and Street Works, as income is higher than estimated in quarter 2. They are expected to exceed their annual targets, but at a decreasing rate by the end of the financial year. Expenditure on the works budget is underspent by £323k at quarter 3, but this expected to correct itself by the end of the financial year, when an overspend of £260k is expected. Street works is underspent by £210k, and is expected to underspend by £240k by year-end. There are several other smaller under and overspends which seem to offset each other.

4.6.2 Waste

- 4.6.2.1** The Waste service was £868k (13.37%) underspent for the period, and the service is predicted to have an outturn position of £1,030k underspend by year-end (11.3%). This is an increase of £65k higher than the underspend of £965k reported in quarter 2. The main cause of this improvement is due to waste disposal reduced costs, resulting in an estimated underspend of £125k, compared with an expected underspend of £40k during quarter 2.
- 4.6.2.2** 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 £300k underspend on the Waste Collection service, where subscription income from the green garden waste service, the sale of black bins and the bulky waste collection service are all exceeding the target budget. 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 as the price for recycled waste continues to be high.

4.6.3 Property

- 4.6.3.1** The service's position for the period is a £395k (39.34%) underspend, with a forecast for the year end position being underspent by £222k (12.70%). This is an improvement on the overspend of £8k forecast for quarter 2, which is the result of a reorganisation of the cleaning service which is estimated to be £100k underspent at yearend. There is also £120k underspend predicted on employees, including part-year vacant posts and including Ash Die Back staff and consultancy.
- 4.6.3.2** 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 by £48k in 2022/23 due to staff working on a non-fee project at Canolfan Addysg y Bont.

4.7 Transformation

- 4.7.1** The Transformation function underspent by £90k (1.8%) at the end of the period, however, it is forecasting to be £247k (3.79%) underspent at outturn. This is an increased underspend on the £232k reported for quarter 2.
- 4.7.1.1** The HR function was underspent by £12k (0.89%) for the period, and is projected to be £75k (4.77%) underspent at year-end. The projected underspend is derived from the central training budgets, which is predicted to underspend by £50k, which was also forecast during quarter 2. Demand for training is still low and expenditure is still lower than at the same point last year. The remainder of the underspend relates to staff vacancies.

4.7.1.2 The ICT section was overspent by £32k (1.06%) for the period, however, the forecast for outturn is an underspend of £55k (1.46%), similar to the underspend reported during quarter 2. There is a significant underspend on staffing, which is projected to underspend by £455k at year-end. There is also an underspend of £17k on telephones contract income. Software licensing is overspent by £85k, and centralised software is significantly overspending by £332k. This is an increase of £103k since quarter 2. This is due to substantial one-time costs of moving to new systems.

4.7.1.3 The Corporate Transformation Section was underspent by £110k (13.52%) for the period, and is expected to be underspent at the year-end by £117k (9.86%). This is slightly higher than the underspend in quarter 2. Corporate Transformation is predicting an underspend of £79k, which is an underspend of £71k on staffing and £8k on supplies and services. Cyswilt Môn is expected to underspend by £32k, though a small decrease on that reported at quarter 2. This is due to underspends on the staffing budget.

4.8 Resources (excluding Benefits Granted)

4.8.1 The Resources function budget is £20k (0.68%) overspent for the period, but the projection for the outturn is an underspend of £70k (1.94%). This is a reduction in the estimated underspend which was £98k for quarter 2. This reduction is due to increased costs in the revenues and benefits team.

4.8.2 There are under and overspends in the various elements of the service, mainly due to staff vacancies in some areas and the additional use of agency staff within Revenues and Benefits, as the service continues to deal with processing grants relating to the cost of living crisis.

4.9 Council Business

4.9.1 The function was £33k (2.21%) underspent for the period, with the forecast for the year-end position being a £56k (2.75%) underspend. This is an increased underspend of £12k from the underspend of £44k forecast for quarter 2. There is an expected underspend of £88k on staffing, particularly in Committee Services Team, due to ongoing vacancies and other staff charges, though these are partially offset by increased expenditure on agency staff to cover vacancies.

4.9.2 Legal Services are expected to be overspent by £26k at year end. The overspend has increased from £4k in quarter 2. This is due to legal agency staff employed to cover staff vacancies / absences, and no budget for the trade union post.

4.10 Corporate and Democratic Costs

4.10.1 The function was overspent by £199k (11.97%) for the period though the forecast year-end position is an overspend of £92k (4.91%). This is an improvement on the overspend of £200k reported at quarter 2. This improvement is on corporate other costs though this area is forecast to overspend by £69k compared with an overspend of £189k forecast during quarter 2. This is due to an accrual for 2017/18 and 2018/19 audit fees which are no longer expected to be paid. There is a £50k increase on the overspend for the secondary pension contribution linked to the Local Government officers' pay award for 2022/23, with the total overspend of £81k on these costs. Members Support & Expenses and civic expenditure are forecasting a balanced budget.

4.10.2 Budget pressures remain in these areas, with Coroners' fees causing an overspend of £20k and the apprenticeship levy is expected to be overspent by £16k.

4.11 Corporate Management

4.11.1 The function was £4k (0.62%) underspent for the period, and it is forecast to achieve a balanced budget at outturn.

5. Corporate Finance (including Benefits Granted)

- 5.1** Corporate Finance, including Benefits Granted, is expected to underspend by £3,733k at year-end (9.05%), compared to an underspend of £750k reported during quarter 2. This change is due an increase in interest receivable on treasury management investments (£627k) due to investing in higher interest fixed term deposits. These are at higher interest rates than instant access deposits, as well as the interest rates on these increasing with each base rate increase. When the fixed term investments have expired, these are then reinvested on the higher interest rates.
- 5.2** The budget for 2022/23 included some items retained centrally as contingency budgets, these amounted to £3,110k. During the year, funding is transferred in and out of these budgets to / from service budgets. During 2022/23, a net transfer of £347k into the contingency budgets has occurred, raising the level of contingency budgets to £3.457m. It is forecast that £172k will need to be utilised during the final quarter and £2.577m will be transferred into earmarked reserves at the end of the financial year to fund known costs in 2023/24. The remaining £708k will not be required and contributes to the overall forecasted underspend.
- 5.3** The budget to meet the Council's contribution to Benefit payments is forecast to underspend by £209k at year-end. This is similar to the projected underspend during quarters 1 and 2.

6. Collection of Council Tax

- 6.1** 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. The cost of living crisis is starting to impact on the collection of Council Tax and an increase in the bad debt provision has been made to reflect this impact, and it may result in higher collection losses in future years. The current core Council Tax income is forecasted to be £122k above the budget, but this is a reduction from the predicted underspend of £372k during quarter 2.
- 6.2** 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 £266k at the end of the financial year. The total surplus income on Council Tax including the Council Tax Premium, is therefore, estimated to be £388k which is a significant reduction on the underspend of £763k reported in quarter 2, but follows the pattern seen in previous years and is, therefore, not unexpected.

7. Budget Savings 2022/23

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

8. Agency and Consultancy Costs

- 8.1** During the quarter, £1,014k was spent on Agency staff. These were, in the main, part-funded from staffing budgets as they related to staff vacancies, while £579k related to staff cover for vacant posts. Children's Services spent £280k on agency staff to the end of quarter 3, with the Adults Services incurring £241k on agency staff. The Waste Service spent £254k for site agents at the recycling centres. The full details can be seen at Appendix CH.

- 8.2** A total of £711k was spent on Consultancy during the period April to December 2022, with £145k funded through grant or external sources. Most services spend modest amounts on consultancy. Economic and Regeneration incurred £75k during quarter 3 on consultancy, though much of this was funded by external sources of income. Highways spent £54k on consultancy, with £38k of these on the Holyhead Hydrogen Hub which is funded by grant. A summary of expenditure per service is shown in Appendix D, and additional details of the expenditure can be seen at Appendix DD.

9. Welsh Government Covid-19 Grant Funding to date

- 9.1** The Welsh Government has provided significant financial support to the Welsh local authorities on Coronavirus related additional costs, although this has now ended. However, the Council is still making payments to individuals and recovering the costs from the Welsh Government through the Hardship Fund mechanism. Table 5 below shows that the Council claimed £1.352m for additional costs arising from the pandemic for this financial year:-

Table 6 Covid-19 related expenditure April to December 2022 funded by Welsh Government

	Free School Meals £	Self Isolation £	Winter Fuel £	SSP Enhancement £	Total £
SUMMARY					
Claimed	598,831	181,210	486,092	121,589	1,387,722
Disallowed	35,478	-	-	-	35,478
Balance Due	563,353	181,210	486,092	121,589	1,352,244
Paid	472,015	181,210	207	121,590	775,022
Balance Outstanding	91,338	-	485,885	- 1	577,222

10. Conclusion

- 10.1** The projection at the end of the third quarter is that the budget will be underspent by £1.970m for the year ending 31 March 2023.

- 10.2** The main areas of concern relate to:-

- i. There are significant underlying overspends which are of concern and difficult to manage, as they are demand led statutory services. Adult Services is expected to overspend by £613k, but this masks significant underlying overspends which are currently funded by grant and the social care pressures reserve for 2022/23. Without these sources of funding, the service would be overspent by more than £3m. Children's services is expected to overspend by £996k, mainly due to out-of-County placements and other services for Looked after Children. Both social care services have had significant budget increases in more recent years, but the demand continues to increase.
- ii 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.

- 10.3** Although the overall position for services is a forecasted small overspend, the underlying position is masked by the use of reserves and the receipt of one off grants and by temporary factors such as vacant posts and income exceeding targets, and these factors may not appear in 2023/24. Without these items, it is likely that service budgets would be significantly overspent in 2022/23. The current forecasted position has been taken into account when setting the 2023/24 budget and, where possible, additional funding has been put into the budget to cover rising demand for services. However, as is detailed in the 2023/24 revenue budget report, there are a number of financial risks facing the Council in 2023/24 which would require the further use of the Council's general balances to fund. The fact that the Council has a healthy level of general balances helps to mitigate those risks significantly.

Gwasanaeth/Swyddogaeth Service/Function	2022/23 Cyllideb Blynnyddol Annual Budget	2022/23 Ch3 Cyllideb hyd yma Q3 Budget Year to Date	2022/23 Ch3 Gwir Wariant ac Ymrwymadau Q3 Actual & Committed spend	2022/23 Ch3 Amrywiad Q3 Variance	2022/23 Ch3 Gwir Wariant ac Ymrwymadau Q3 Actual & Committed Spend	Ch3 : Q3 Amcangyfrif Gwariant i 31 Mawrth 2023 Estimated Expenditure to 31 March 2023	Ch3 : Q3 Amcangyfrif o Alldro 31 Mawrth 2023 gor/(tan) wariant Estimated Outturn 31 March 2023 over/(under)	2022/23 Gor/(tan) variant fel % o'r Gyllideb Gyfan Projected Over /(Under) spend as a % of Total Budget	Ch2 : Q2 Amcangyfrif o Alldro 31 Mawrth 2023 gor/(tan) wariant Estimated Outturn 31 March 2023 over/(under)	Ch1 : Q1 Amcangyfrif o Alldro 31 Mawrth 2023 gor/(tan) wariant Estimated Outturn 31 March 2022 over/(under)	2021/22 Gor/(Tan) Wariant Drafft Draft Over/ (underspend)
	£'000	£'000	£'000	£'000	%	£'000	£'000	%	£'000	£'000	£'000
Datblygu Economaidd <i>Economic Development</i>	2,407	1,714	1,825	112	6.51%	2,501	94	3.91%	86	27	(157)
Cynllunio a Gwarchod y Cyhoedd <i>Planning and Public Protection</i>	2,527	1,943	1,693	(249)	-12.83%	2,352	(175)	-6.93%	(85)	(77)	(545)
<u>Trawsnewid Transformation</u>											
Adnoddau Dynol <i>Human Resources</i>	1,572	1,303	1,292	(12)	-0.89%	1,497	(75)	-4.77%	(70)	(62)	(54)
TGCh <i>ICT</i>	3,766	2,996	3,027	32	1.06%	3,711	(55)	-1.46%	(53)	(176)	(149)
Trawsnewid Corfforaethol <i>Corporate Transformation</i>	1,187	811	701	(110)	-13.52%	1,070	(117)	-9.86%	(109)	(59)	(185)
<u>Adnoddau Resources</u>	3,602	2,922	2,942	20	0.68%	3,532	(70)	-1.94%	(98)	(144)	(252)
<u>Busnes y Cyngor Council Business</u>	2,035	1,494	1,461	(33)	-2.21%	1,979	(56)	-2.75%	(44)	(33)	(64)
<u>Costau Corfforaethol a Democrataidd Corporate & Democratic costs</u>	1,873	1,667	1,867	199	11.97%	1,965	92	4.91%	200	215	(327)
<u>Rheolaeth Corfforaethol Corporate Management</u>	756	569	572	4	0.62%	756	0	0.00%	0	(1)	(10)
-											
Costau heb gyllideb, ac 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>						400	400	0.00%	400	200	1,386

Cyfanswm Cyllideb Gwasanaethau Total Service Budgets	139,929	100,580	99,910	(670)	-0.67%	140,016	87	0.06%	385	750	(2,671)
Ardollau <i>Levies</i>	3,957	3,919	3,919	0	0.00%	3,957	0	0.00%	0	0	(2)
Rhyddhad Trethi Dewisol <i>Discretionary Rate Relief</i>	72	0	0	0	0.00%	72	0	0.00%	0	(1)	0
Cyllido Cyfalaf <i>Capital Financing</i>	5,338	3,112	2,732	(380)	0.00%	4,587	(751)	-38.04%	(501)	(45)	(390)
Arian wrth Gefn Cyffredinol ac Eraill <i>General & Other Contingencies</i>	3,457	3,457	2,992	(464)	-13.43%	2,749	(708)	-50.85%	(48)	(50)	(567)
Arian wrth Gefn Cyffredinol Y Cyngor Council's General Reserves	0	0	0	0	0.00%	0	0	0.00%	0	0	300
Cyfraniad CRT y Gwasanaethau Cefnogol <i>Support Services contribution HRA</i>	(800)	0	0	0	0.00%	(800)	0	0.00%	0	0	(97)
Budd-daliadau a Roddwyd <i>Benefits Granted</i>	6,413	22	22	(0)	-0.01%	6,204	(209)	-3.27%	(201)	(211)	178
Na ellir ei reoli <i>Uncontrollable</i>											
Cyfanswm Cyllid Corfforaethol Total Corporate Finance	18,438	10,510	9,666	(844)	-8.03%	16,770	(1,668)	-9.05%	(750)	(307)	(578)
Cyfanswm 2022/23 Total 2022/23	158,367	111,089	109,575	(1,514)	-1.36%	156,786	(1,581)	-1.00%	(365)	443	(3,249)
<u>Cyllido Funding</u>											
Trethi Annomestig <i>NDR</i>	(25,493)	(19,610)	(19,610)	(0)	0.00%	(25,493)	0	0.00%	0	0	0
Y Dreth Gyngor <i>Council Tax</i>	(41,866)	0	0	0	0.00%	(41,988)	(122)	0.29%	(372)	(573)	172
Premiwm y Dreth Gyngor <i>Council Tax Premium</i>	(1,950)	0	0	0	0.00%	(2,217)	(266)	13.66%	(391)	(414)	(332)
Grant Cynnal Refeniw <i>Revenue Support Grant</i>	(89,058)	(68,506)	(68,506)	0	0.00%	(89,058)	0	0.00%	0	0	(1,389)
Cyfanswm Cyllid 2022/23 Total Funding 2022/23	(158,367)	(88,116)	(88,116)	(0)	0	(158,756)	(388)	0.25%	(763)	(987)	(1,549)
Cyfanswm yr alldro yn cynnwys effaith y cyllido Total outturn including impact of funding	0	22,973	21,459	(1,514)	-6.59%	(1,970)	(1,970)	-1.24%	(1,128)	(544)	(4,798)

APPENDIX C

Summary of the Outturn Position on Contingency Budgets 2022/23

	Original Budget	Virements (to) / from	Amended Budget YTD	Forecasted Year End	Transfer to Earmarked Reserves	Forecasted Year End Variance
	£	£	£	£	£	£
General Contingency	405,734	27,690	433,424	43,048	0	(390,376)
Salary and Grading	100,000	(1,040)	98,960	114,336	0	15,376
County Elections	200,000	(152,265)	47,735	0	0	(47,735)
Children's Services Additional Demands	316,830	(316,830)	0	0	0	0
Schools IT Hardware	300,000	0	300,000	0	300,000	0
Covid Costs	300,000	0	300,000	15,000	0	(285,000)
Pay Inflation	1,000,000	1,065,000	2,065,000	0	2,065,000	0
North Wales Economic Ambition Board – Growth Bid	97,000	(97,000)	0	0	0	0
Trainee Scheme	340,000	(178,420)	161,580	0	161,580	0
Climate Change	50,000	0	50,000	0	50,000	0
Total General and Other Contingencies	3,109,564	347,135	3,456,699	172,384	2,576,580	(707,735)

Agency costs October to December 2022

Service	Amount £	Source of Funding (Specific Core Budget / Un-utilised staffing budget / Grant / External Contribution)	Permanent / Temporary	Reason for Cover
Economic & Regeneration	21,985	Grant	Temporary	To back fill officers dealing with Covid
	13,859	Grant	Temporary	To back fill officers dealing with export health certificates
	35,845			
Schools	31,451	Core	Temporary	Supply staff to cover specialised subjects
	31,451			
Waste	253,539	Specific Core Budget	Temporary	Additional tasks required short term
	253,539			
Children Services	280,417	Core Budget/ Agency staff Reserve	Temporary	To cover vacant posts
	280,417			
Adult Services	204,277	Core Budget	Temporary	To cover vacant posts
	36,524	Grant funded	Temporary	Cover additional work re Covid and vacant posts
	240,801			
Resources	40,906	Grant	Temporary	Housing Benefit Subsidy Work
	35,978	Grant	Temporary	Additional work from administering WG Cost of Living Grants
	94,625	Un-utilised staffing budget	Temporary	To cover vacant posts
	171,509			
Total	1,013,562			

Summary Consultancy Expenditure Q3 2022/23

Summary Consultancy Expenditure per Service				
Service	Quarter 1 £	Quarter 2 £	Quarter 3 £	Total 2022/23 £
Central Education	834	12,469	0	13,302
Culture	4,925	1,500	13,150	19,575
Economic & Regeneration	39,147	204,352	74,577	318,076
Property	0	4,832	0	4,832
Highways	11,376	72,418	54,344	138,138
Schools	0	0	0	0
Waste	4,431	13,347	7,856	25,634
HRA	0	0	0	0
Housing	0	0	0	0
Corporate & Democratic	0	0	0	0
Adult Services	0	0	0	0
Children Services	200	6,093	10,000	16,293
Corporate	0	0	0	0
Transformation	9,157	20,026	11,698	40,880
Council Business	7,279	37,968	23,827	69,074
Resources	20,278	24,770	19,803	64,850
Total	97,627	397,774	215,254	710,655
Funded by:				
Core Budget	63,016	160,418	70,226	293,660
Grant	33,321	199,734	145,028	378,083
External Contribution	0	34,972	0	34,972
Reserves	1,290	2,650	0	3,940
Total	97,627	397,774	215,254	710,655

Detailed Analysis of Consultancy Costs Q3, 2022/23

	Amount £	Category - Reason Appointed			Source of Funding (Specific Core Budget / Unutilised staffing budget / Grant / External Contribution)	Description of work undertaken
		Ongoing to cover specific skill set that doesn't require Permanent Post	Volume of Work	Specific Work / One Off Project		
Total Q1 April - June	97,627					
Total Q2 July - September	397,774					
Culture	6,050			✓	Specific Core Budget	Consultation- support for the tendering of the Oriel Môn café concession
	1,700			✓	Grant	Creative writing and publishing taster courses - marketing promotion and social media campaign
	300			✓	Grant	2 day Dry Stone Walling course
	200			✓	Grant	Foraging event
	900			✓	Grant	2 day Stock Fencing course
	4,000			✓	Grant	Session in the field of art and design - intended to present possible careers in the creative field
Total Culture	13,150					
Economic & Regeneration	184	✓			Specific Core Budget	SharePoint Online (Plan 1) CSP Annual Renewal
	1,052	✓			Specific Core Budget	Annual Coretime Support and Licences Premium Support
	33,891			✓	Grant	UK CRF Project Evaluation Support Work
	10,000			✓	Grant	Adfywio Môn UKCRF - Monitoring and Evaluation
	22,436			✓	Grant	IoACC Heritage Landscape Project
	5,544			✓	Grant	Engage three community councils on Ynys Cybi
	720			✓	Specific Core Budget	Agricultural appraisal for Rural Workers Dwelling
	750	✓	✓	✓	Specific Core Budget	Portal Consultancy for Holyhead Border Control Point
Total Economic & Regeneration	74,577					

	Amount £	Category - Reason Appointed			Source of Funding (Specific Core Budget / Unutilised staffing budget / Grant / External Contribution)	Description of work undertaken
		Ongoing to cover specific skill set that doesn't require Permanent Post	Volume of Work	Specific Work / One Off Project		
Highways	38,091			✓	Grant funded	Holyhead Hydrogen Hub
	259			✓	Specific Core Budget	PCN Charges
	2,622			✓	Specific Core Budget	Levy contribution FAO Parking Services
	296			✓	Grant funded	Annual compliance monitoring fee for high risk reservoirs
	1,156			✓	Specific Core Budget	Research in Public Record Office relating to Trewan Sands railway crossing
	8,560			✓	Specific Core Budget	Produce a feasibility report to assess improvements for pedestrian
	3,360			✓	Grant funded	Llangefni Hydraulic Modelling
Total Highways	54,344					
Waste	2,141	✓		Specific Work	Specific Core Budget	Penhesgyn Landfill Gas Technical Support
	850	✓		Specific Work	Specific Core Budget	Penhesgyn Culvert - Fee Proposal for Engineering Consultancy Services
	1,605	✓		Specific Work	Specific Core Budget	Penhesgyn Gors Landfill Environmental Survey
	975	✓		Specific Work	Specific Core Budget	Site Audit & Risk Assessment
	2,285	✓		Specific Work	Specific Core Budget	Penhesgyn IVC Composting Facility
Total Waste	7,856					
Children Services	10,000			✓	Grant	External evaluation of Môn Ymlaen for CRF
Total Children Services	10,000					
Transformation	4,878			✓	Specific Core Budget	Project management charges - ResourceLink migration to the hybrid cloud
	4,750			✓	Specific Core Budget	iShare support consultancy
	2,070	✓			Grant	Assessor - Trainee Social Workers
Total Transformation	11,698					

	Amount £	Category - Reason Appointed			Source of Funding (Specific Core Budget / Unutilised staffing budget / Grant / External Contribution)	Description of work undertaken
		Ongoing to cover specific skill set that doesn't require Permanent Post	Volume of Work	Specific Work / One Off Project		
Council Business	23,827			✓	Unutilised staffing budget	Locum
Total Council Business	23,827					
Resources	7,563	✓			Specific Core Budget	Treasury Services Retainer Contracts
	12,240			✓	Grant	Eligibility assessments for WG cost of living grants
Total Resources	19,803					
Total Q3 October - December	215,254					
Cumulative Total April - December	710,655					