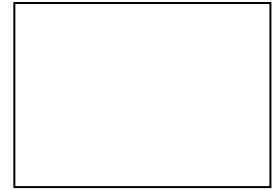


CALDERDALE MBC

WARDS AFFECTED: ALL

CABINET

14th February 2022



REVENUE MONITORING 2021/22 - OVERALL POSITION

Report of the Head of Finance

1. Purpose of Report

To report:

- the final overall revenue monitoring position for 2021/22;
- the forecast service and centrally controlled variances;
- the estimated impact of the Covid-19 pandemic.

2. Need for a Decision

- 2.1 This report is presented primarily for information and for Members to note the forecast budget position including the impact of Covid-19 and the proposed approach to balancing the budget in the current year.

3. Recommendations

It is recommended that Members note the current budget position and proposed funding approach and agree that: -

- 3.1. Directorates continue taking action to manage budgets in year.
- 3.2 That the report be referred to the Strategy and Performance Board for their consideration.

4. **Executive Summary of the Monitor**

4.1 This report identifies:

- The net extra costs and funding during the year as a result of the pandemic and (after stripping out such items),
- The underlying budget position for the current year and the future budget pressures for each directorate.

4.2 Income losses and increased expenditure as a result of the pandemic are estimated in the current year to be £5m. It is likely that these costs will persist in the short term on a reducing basis until pre pandemic levels of expenditure and income are established. The MTFS makes allowance for this over the next 3 years. Funding made available by the Government last year in response to Covid-19 has been brought forward in reserves and is forecast at this stage to be sufficient to meet all these additional costs.

4.3 In addition, we anticipate receiving £1.5m of Covid income compensation grant in the current year. It is suggested that this one off money could be used to help meet any service overspends arising in the current year. The table below includes £1.112m of this grant for this purpose.

4.4 After using reserves and any proposed management action, Directorates are reporting the following forecast positions on their service-controlled budgets: -

- Adults and Wellbeing Services – £196k service underspend. This is an improvement of £795k from the second monitor.
- Chief Executive's Office – £208k service underspend, an improvement of £172k from the second monitor.
- Children and Young People's Services - £1,998k service overspend. This projected overspend has increased by £1m since the second monitor.
- Public Services – £4.893m overspend with £4.648m of this being due to Covid-19. A forecast service overspend of £245k. This is an improvement of £355k from the second monitor.
- Regeneration and Strategy – £783k overspend with £377k due to Covid-19. A forecast service overspend of £406K representing an improvement of £94k from the second monitor.

4.5 The table below shows net service controlled overspends of £8.689m. Of this, £5.025m is estimated to be the effect of Covid-19, leaving a net service pressure of £3.664m. Directors are pursuing additional measures they can take to reduce this figure to £2.245m by the year end. However, two Directorates (Adults and Wellbeing, and Chief Executive's) are projecting in year underspends of £404k and will be allowed to carry forward their underspends to help address budget pressures next year. This means that the service overspend to be addressed in year rises to £2.649m. This is the total projected overspending by Children and Young People's Services, Public Services and Regeneration and Strategy. Underspends on centrally controlled budgets and extra central grant funding are forecast to reduce this by £1.5m to £1.137m. This is the level of overspending which, if it cannot be contained in the remainder of the current year, will be met from the £1.1m contingency budget for social care in line with the financial strategy approved by Cabinet in November.

Overall summary	Net Budget £000	Forecast Spend for the Year £000	Variance Over(+) Under(-) £000	Management Action £000	Reported Overspend (+) Underspend (-) £000	Effect on variance of Covid-19 £000	Net Service position £000
Adults and Wellbeing	57,564	57,368	-196	0	-196	0	-196
Chief Executive's	13,285	13,246	-39	-169	-208	0	-208
Children and Young People's Services	25,931	28,629	2,698	-700	1,998	0	1,998
Public Services	25,647	30,790	5,143	-250	4,893	4,648	245
Regeneration and Strategy	16,071	17,208	1,083	-300	783	377	406
Service Controlled budgets	138,498	147,241	8,689	-1,419	7,270	5,025	2,245
Carry forward service underspendings					404	0	404
Service controlled overpends					7,674	5,025	2,649
Centrally Controlled budgets	34,459	34,059	-400	0	-400	0	-400
Total	172,957	181,300	8,289	-1,419	7,274	5,025	2,249
Funding for the current year	-172,957	-174,069	-1,112	0	-1,112	0	-1,112
Planned Contribution to Balances	0	0	0	0	0	0	0
Total Over (+) / (-) Underspend	0	7,231	7,177	-1,419	6,162	5,025	1,137

- 4.6 In the above table, some of the Covid related costs have already been met through specific grants (such as infection control and additional surge funding) and some have been met by contributions from the Clinical Commissioning Group (CCG). These contributions have been netted off the Covid-19 costs shown. The resulting total of £5.025m will be met by general Covid support grant brought forward into the current financial year.

5. **Background and Details**

5.1 **Background**

- 5.1.1 This report sets out the projected year end position for the Council's revenue budget for 2021/22 following the final monitor. The monitor brings together both service and centrally controlled budgets and takes account of the use of reserves and any other action in arriving at that position.

- 5.1.2 This report will be presented to the Strategy and Performance Board. The year-end outturn report detailing final service budget performance for the financial year is expected to be presented to Cabinet in July.

5.2 **Latest Forecasts of Spend**

- 5.2.1 The key financial issues and pressures arising from the monitor which directorates are required to manage within the overall budget resources allocated to them are summarised below.

5.3 Adult Services and Wellbeing

Adult Services and Wellbeing	Net Budget £000	Forecast Spend for the Year £000	Variance Over(+) Under(-) £000	Forecast Previous Monitor £000	Effect on variance of Covid-19 £000	Covid-19 effect Previous Monitor £000
All Age Disability Service and Adult Mental Health Service	25,227	26,798	1,571	1,275	0	0
Integrated Commissioning	10,916	10,919	3	35	0	0
Personalised Long Term Support	19,485	17,862	-1,623	-513	0	0
Prevention and Early Help	1,669	1,520	-149	-80	0	0
Strategic Management	909	911	2	2	0	0
Sub Total	58,206	58,010	-196	719	0	0
Planned Contributions From(-) / (+)To Earmarked Reserves	-642	-642	0	0	0	
Service Controlled before management action	57,564	57,368	-196	719	0	0
Management Action (incl. new use of reserves)			0	-120	0	
Reported Position	57,564	57,368	-196	599	0	0

5.3.1 All Age Disability costs remain as the chief underlying cost pressure, susceptible to volatility in service demand. An increase in client numbers has again led to an increase in the forecast overspend. Attention continues to be focussed on this area to reduce this overspending.

5.3.2 There has been a significant improvement in the forecast position in Personalised Long Term Support. This is largely due to one off funding through Public Health to help meet costs associated with additional demand as a result of the pandemic, and ensuring that financial support given is appropriate for the services delivered. The increase in the maximum care charge and CCG financial support for early hospital discharges continue to support this budget. However, much of this support is for the current year only and in the face of increasing care costs, there will continue to be significant pressure next year.

5.3.3 Despite significant previous budget savings, targets around modernisation, income maximisation, charging and improving the digital offer continue to be challenging. The review of day care services has begun with savings likely to be available from April 2022.

5.4 Chief Executive's Office (including Public Health)

Chief Executive's	Net Budget £000	Forecast Spend for the Year £000	Variance Over(+) Under(-) £000	Forecast Previous Monitor £000	Effect on variance of Covid-19 £000	Covid-19 effect Previous Monitor £000
Chief Executive Management	931	952	21	7	0	0
Corporate	1,006	1,018	12	3	0	0
Democratic & Partnership Services	2,340	2,531	191	311	0	86
Finance	7,922	7,822	-100	-96	0	0
HR & Transformation	2,259	2,096	-163	-6	0	0
Public Health	3,206	3,206	0	0	0	0
Sub Total	17,664	17,625	-39	219	0	86
Planned Contributions From(-) / (+)To Earmarked Reserves	-4,379	-4,379	0	0	0	
Service Controlled before management action	13,285	13,246	-39	219	0	86
Management Action (incl. new use of reserves)		-169	-169	-169	0	
Reported Position	13,285	13,077	-208	50	0	86

5.4.1 The directorate is forecasting a small underspending from in year operations which, along with £169k of underspends brought forward from last year, will leave £208k to be carried forward to meet budget pressures within the directorate in 2022/23.

- 5.4.2 The forecast overspending in DPS relates to unachieved savings targets, fee income shortfalls, and the continuing difficulties in recruiting and retaining staff in Legal Services, requiring the short term appointment of more expensive agency staff to deliver the various key workstreams. The previously projected overspending relating to the Council and West Yorkshire Mayoral elections has now been met by grant funding.
- 5.4.3 Vacancy management in Finance Services has led to a forecast underspend of £100k. Reduced expenditure on training and development has led to a forecast underspend of £163k in HR and Transformation. These underspendings help to balance the directorate budget as a whole.
- 5.4.4 The anticipated contribution from reserves of £4.379m relates mainly to Covid outbreak management grant received in 2020/21 and carried forward to meet on going costs in the current year.
- 5.4.5 Whilst it forms part of the CEO, the Public Health Service is almost entirely funded by separate “ring fenced” funding from Central Government, which can only be used to support the delivery of public health outcomes.

5.5 Children and Young People's Services

Children and Young People's Services	Net Budget £000	Forecast Spend for the Year £000	Variance Over(+) Under(-) £000	Forecast Previous Monitor £000	Effect on variance of Covid-19 £000	Covid-19 effect Previous Monitor £000
Children's Early Intervention & Safeguarding	26,590	29,175	2,585	1,772	0	0
Education & Inclusion	-256	-150	106	-70	0	0
Schools and School Related	407	407	0	0	0	0
Strategic Management (CYP)	501	508	7	-6	0	0
Sub Total	27,242	29,940	2,698	1,696	0	0
Planned Contributions From(-) / (+) To Earmarked Reserves	-1,311	-1,311	0	0	0	
Service Controlled before management action	25,931	28,629	2,698	1,696	0	0
Management Action (incl. new use of reserves)			-700	-700	0	
Reported Position	25,931	28,629	1,998	996	0	0

- 5.5.1 An increased caseload of external placements for looked after children has led to a sizeable increase in the forecast overspending in Children's Early Intervention and Safeguarding. For the purposes of this monitor it has been assumed that numbers will persist at this level. Efforts continue to be made to reduce this number in the longer term by looking at bringing more placements back in house through the acquisition of new properties to use as residential children's homes. However, the unpredictability in service demand remains a concern and a significant overspending remains. The increased cost of external placements since the last monitor has been partly offset by an improved financial forecast in other care arrangements.
- 5.5.2 The forecast for Education and Inclusion has worsened slightly due to increased Dcatch caseloads; traded income shortfalls; and management recruitment being reliant on interim agency staff.
- 5.5.3 In total, the directorate forecast overspend is £2.7m. A contingency budget of £1.1m is held centrally for social care costs (see section 7.2) and members have already agreed that this should be used in the current year to help manage social care pressures. This would reduce the directorate overspending to £1.6m.

5.5.4 The directorate holds £1.35m of reserves for which there are no firm plans. Their intended use is contingent on future events which may or may not happen (e.g. reductions in future funding; potential increased workloads). The directorate is proposing to use £0.7m of these to help reduce this year's projected overspend, with the balance being carried forward to help address service budget pressures next year.

5.6 Public Services

Public Services	Net Budget £000	Forecast Spend for the Year £000	Variance Over(+) Under(-) £000	Forecast Previous Monitor £000	Effect on variance of Covid-19 £000	Covid-19 effect Previous Monitor £000
Customer Services	3,982	5,961	1,979	2,435	2,335	2,480
Digital & IT	3,590	3,590	0	0		0
Group Director	172	168	-4	-2		0
Neighbourhoods	18,483	21,651	3,168	3,244	2,313	2,347
Sub Total	26,227	31,370	5,143	5,677	4,648	4,827
Planned Contributions From(-) / (+) To Earmarked Reserves	-580	-580	0	0	0	
Service Controlled before management action	25,647	30,790	5,143	5,677	4,648	4,827
Management Action (incl. new use of reserves)		-250	-250	-250	0	
Reported Position	25,647	30,540	4,893	5,427	4,648	4,827

5.6.1 Public Services are reporting an overspend of £4.893m, of which £4.648m is due to Covid-19 leaving an underlying service overspend of £245k.

5.6.2 Customer services are forecasting an underspending of £356k after allowing for the net effect of Covid-19. This position has improved by £0.3m since the last monitor due to the receipt of extra grant funding, and vacancy management pending recruitment to posts. The estimated effect on service revenues of the pandemic in the current year is over £2.3m. Monies have been set aside within the MTFS to help manage these losses in the short term until revenues stabilise when it is hoped that pre pandemic levels of income will be restored.

5.6.3 In Neighbourhoods, the main issue continues to be the cost of SEN transport services with increasing demand for this service eliminating the savings that Transport have achieved in other areas. There is an estimated overspend on transport services of £1.2m, of which £1.0m relates directly to the cost of SEN transport. Two further areas where Covid-19 may have a longer term effect are Parking Services and Waste Management. It is expected that parking revenues will be permanently impacted by the drive towards future home working, and encouraging people to consider other modes of travel as part of the Council's climate change priorities. The impact of this on the current year forecast (£1.2m) is shown as a Covid cost. The forecast impact on Waste Management in the current year is £0.4m and this cost is expected to continue to some degree in future years. The effect of the pandemic on all these budget areas is being closely monitored, and some provision has been made in next year's budget to help manage all these service pressures.

5.6.4 Management action to identify and secure funding of £0.25m has been proposed as a means of addressing some of the projected directorate overspending.

5.7 Regeneration and Strategy

Regeneration and Strategy	Net Budget £000	Forecast Spend for the Year £000	Variance Over(+) Under(-) £000	Forecast Previous Monitor £000	Effect on variance of Covid-19 £000	Covid-19 effect Previous Monitor £000
CAFM	8,293	8,093	-200	0		0
Major Projects	-449	-449	0	0		0
Business, Skills & Investment	1,883	1,928	45	71	71	71
Housing & Green Economy	1,318	1,558	240	200	180	200
Markets	-464	-206	258	240	46	40
Planning Services	-221	573	740	680	80	80
Strategic Infrastructure	5,759	5,759	0	0		0
Sub Total	16,119	17,256	1,083	1,191	377	391
Planned Contributions From(-) / (+)To Earmarked Reserves	-48	-48	0	0	0	
Service Controlled before management action	16,071	17,208	1,083	1,191	377	391
Management Action (incl. new use of reserves)			-300	-300	0	
Reported Position	16,071	17,208	783	891	377	391

- 5.7.1 After allowing for the impact of Covid-19 on costs and income, three business areas are reporting forecast overspendings.
- 5.7.2 The Markets Service is still impacted by the continued reduction in income from indoor markets. Although actions agreed from a review of the service are currently being implemented, any significant savings are likely to be achieved in the next financial year. An overspending of £258k is forecast in the current year.
- 5.7.3 There has been an increase in staffing costs within the Planning Service due to the appointment of interim agency staff pending permanent recruitment, but the main issues continue to be the unbudgeted costs of adopting the Local Plan (£250k) and reductions in fee income from local land charges, building control and planning fees (£150k). Until the Local Plan and the Community Infrastructure Levy are adopted, the Budget Council saving of £150k will not be achieved.
- 5.7.4 The main pressure in the Housing & Green Economy Service is the cost of bed and breakfast accommodation to meet the rising numbers of the homeless as a result of the pandemic. The estimated additional cost in the current year is £180k more than the funding which has been successfully applied for from the Government to support those at risk of rough sleeping and also to reduce homelessness. Additional costs are expected in the current year in relation to the maintenance of garage sites, land and legal costs attached to a potential compulsory purchase.
- 5.7.5 The CAFM budget is now forecasting a £200k underspend due to a mixture of one off savings from business rates refunds, disposal of properties, improvement in collection of sums due in relation to investment and other properties, and vacancy management.
- 5.7.6 Balanced budgets within Major Projects and Strategic Infrastructure depend upon significant levels of income being generated from capital fees, and the cost of the Winter Service being broadly in line with the approved budget of £1.4m. If the relatively mild weather continues in the final quarter of the year it is expected that the Winter Service costs will be contained within the approved budget.
- 5.7.7 Management action to utilise available funding and manage budgets across the directorate is expected at this stage to reduce the forecast overspending by £300k. For the remainder of the financial year, the Departmental Management Team will

continue to receive regular monitor updates and consider the necessary action required to deliver the key programmes of work within available budgets.

5.8 Centrally Controlled Items and Funding

- 5.8.1 There are a small number of budget areas which are managed centrally with variances being taken into balances. These items include treasury management costs; benefits; levies; apprentice levy; unfunded pensions; insurance. An underspending of £400k is forecast on these budgets.
- 5.8.2 Funding consists of some Central Government grants, retained Business Rates and Council Tax. At this stage, we are anticipating £1.5m additional lost income compensation grant funding. It has been assumed that £1.112m of this will be required to help meet service overspends in the current year. Any grant above the required figure will be carried forward in the general covid support reserve to help meet the associated budgeted costs and losses in future years.

6. Options Considered

- 6.1 This report is primarily for information.

7. Financial Implications

- 7.1 The forecast level of service overspending is £8.689m. Of this, the estimated impact of Covid-19 is £5.025m, leaving remaining underlying service pressures for this financial year of £3.664m. Future management action and the one off use of reserves is forecast to reduce this to an estimated service overspend of £2.245m. The Council's financial procedures permit directorates to carry forward service underspendings. These are not used to offset overspendings by other directorates. Within the net forecast service position overspend of £2.245m are service underspendings (by Adults and Wellbeing and Chief Executive's) of £0.404m which will be carried forward by those directorates. This leaves service overspendings of £2.649m (by Children and Young People's Services, Public Services and Regeneration and Strategy) to be addressed. Centrally controlled underspends of £0.4m and additional grant funding of £1.112m have been identified in this monitor (section 5.8) leaving a projected overspending of £1.137m to be funded if it is not addressed.
- 7.2 The financial strategy previously agreed by Cabinet was to encourage directorates to take whatever steps are necessary to contain overspendings. If, despite these best endeavours, there remains an overspending across the Council at the year end, the agreed strategy was to use a contingency budget of £1.137m towards social care pressures, with any balance coming from reserves. The suggested approach for a balanced budget requires only the use of the £1.137m budget for social care. However, whilst this approach enables the Council to manage the overspendings this year, it does not provide a permanent solution. The £1.137m is not included in future year budgets and so provides cover for this year only. Likewise, the extra grant funding is one off for this year and not expected to be replicated in future years.

- 7.3 Funding provided by Central Government in previous years is currently expected at this stage to cover all Covid-19 related service costs and losses of income. However, cases of infection are high and the effect on local services is still uncertain. Nor do we know whether new variants will emerge requiring future lockdowns or restrictions. Covid grant will continue to be used to compensate for the immediate additional costs and losses of income identified whilst the pandemic persists, with any additional general Covid grant being held to mitigate the potential longer term effects of cost pressures in social care and income losses from customer services. Once this funding is used, and in the absence of any further financial support, any ongoing costs and losses of income will have to be addressed by identifying further savings in future years.
- 7.4 In addition to all the detailed forecasting which takes place, there are still some significant unknowns. Key amongst these is the proposed pay award. Depending on the outcome, this could cost in the region of £1.5 to £2m. Budgets as previously reported have been identified to cover this amount in the current year. Other key variables are the costs of winter maintenance, looked after children, transport for children with special educational needs and all age disability. These are driven primarily by meteorological and socio-demographic factors outside the direct control of the Council. However, these costs still need managing as best can be done through appropriate planning and cost effective responses. For the purposes of this monitor, it has been assumed that winter maintenance costs will be within budget (predicated on a relatively normal winter). Currently £600k of this £1.4m budget has been spent. It is also assumed that there will be no further changes in the numbers of looked after children and all age disability cases.

8. Legal Implications

- 8.1 The Council has a statutory requirement to set a balanced budget each year. This report sets out the forecast position against those budgets during 2021/22 and the actions required to remain within budget.

9. HR and Organisation Development implications

There are no HR or OD implications.

10. Consultation

- 10.1 These financial forecasts were compiled in consultation with Directors and Heads of Service.

11. Environmental, Health and Economic Implications

- 11.1 The environmental, health and economic implications of the individual budget proposals were considered as part of the budget process and during the consultation.

12. Equality and Diversity

- 12.1 Equality Impact Assessments were undertaken and made available for all of the new budget proposals agreed for 2021/22.

13. Summary and Recommendations

- 13.1 At this final revenue monitor, an approach to balancing the budget has been identified with the use of one off centrally controlled underspendings, additional grant funding and budget contingencies for social care. This is after allowing for the estimated in year impact of Covid-19 (£5.025m) being met from the Government funding brought forward in reserves from last year. It is recommended that:

- Directorates continue to implement as early as possible agreed savings, and identify ways in which costs can be reduced, income increased, and services managed within available resources.
- Members note the forecast position and proposed approach to balancing the budget in the current financial year.
- This report be referred to the Strategy and Performance Board for their consideration.

Reference: ACC/AG
Report No: 2122revmonreport3
Date: 18th January 2022

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DOCUMENTS ARE AVAILABLE FOR INSPECTION AT:

Online