

Meeting of:	Cabinet
Date of Meeting:	Thursday, 16 March 2023
Relevant Scrutiny Committee:	Corporate Performance and Resources
Report Title:	Revenue Monitoring for the Period 1st April to 31st January, 2023
Purpose of Report:	To advise Cabinet of the progress relating to revenue expenditure for the period 1st April to 31st January, 2023
Report Owner:	Executive Leader and Cabinet Member for Performance and Resources
Responsible Officer:	Matt Bowmer Head of Finance/Section 151 officer
Elected Member and Officer Consultation:	Each Scrutiny Committee will receive a monitoring report on their respective areas. This report does not require Ward Member consultation
Policy Framework:	This report is for Executive decision by the Cabinet
<p>Executive Summary:</p> <ul style="list-style-type: none"> • The revenue position for 2022/23 has been challenging for the Council both operationally and financially due to the ongoing implications of the Cost of Living Crisis, inflationary pressures and the ongoing impact of COVID-19. • Emerging pressures during 2022/23 related to the additional pay award settlement, general inflation particularly in areas such as school transport and cost of living and staffing pressures. Inflationary and demand pressures are being experienced across services and will need to be carefully monitored during the financial year. • An additional budget allocation of £1.5M has been made to Schools in 2022/23 as a contribution to the additional costs of the 2022/23 pay award this has been funded from additional Council Tax Income projected to be received in 2022/23 and therefore the Base Budget has been increased to reflect this projected income. • The table below sets out the projected outturn position by Directorate. 	

Directorate	Revised Budget 2022/23 £000's	Projected Outturn 2022/23 £000's	Transfer to/(from) reserves £000's	Favourable / Adverse Variance £000's
Learning and Skills	122,578	129,623	(7,045)	0
Social Services	80,742	80,079	663	0
Environment and Housing	48,190	50,535	(1,445)	900
Corporate Resources	2,208	5,935	(3,267)	460
Place	4,088	5,278	(1,116)	74
Policy	33,764	32,330	0	(1,434)
Use of Reserves	(996)	(996)	0	0
Total	290,574	302,784	(12,210)	0

- Currently, there is a balanced overall position after a projected drawdown of £12.210m from reserves. Additional pay pressures within some directorates are being met from an underspend in the Policy Budget and some drawdown of service reserves, however the pressure in respect of school transport will need to be mitigated as year end is approached.
- An efficiency target of £500k was set for the year and services are continuing to work towards achieving their targets. There are some issues remaining relating to unachieved savings targets from previous years, however most service areas are mitigating through vacant posts in 2022/23 and have addressed for the 2023/24 budget.
- Adverse variances are being projected for some services this year and the use of reserves will be required to resolve these issues in the short term.

Recommendations

1. That the position with regard to the Authority's 2022/23 Revenue Budget be noted.
2. That Cabinet note the arrangements to offset the projected overspends in 2022/23 as set out in the report.
3. That Cabinet approve the revised 2022/23 Revenue Budget of £290.574m reflecting an increase of £1.5m for the Delegated Schools Budget to be funded from additional Council Tax Income.

Reasons for Recommendations

1. To inform Cabinet of the projected revenue outturn for 2022/23.
2. To respond to emerging pay and price inflationary pressures in 2022/23.
3. To ensure a contribution is made to the additional cost of the 2022/23 pay award in Schools.

1. Background

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

2. Key Issues for Consideration

Emerging Corporate Pressures

- 2.1 The revenue position for 2022/23 continues to be challenging for the Council both operationally and financially due to the ongoing implications of the Cost of Living Crisis, support for Ukrainian refugee, inflationary pressures and the continuing impact of the COVID-19 pandemic. The Council has continued to see additional pressures as a result of these factors particularly across Education, Leisure, Housing and Social Services.
- 2.2 Continuing into 2022/23, Welsh Government (WG) has provided financial support to cover additional expenditure incurred via the Local Authority Emergency Hardship Grant for some limited payments such as Free School Meals, Self Isolation Payments and a statutory sick pay scheme for Social Care workers although the majority of these payments are now drawing to an end.
- 2.3 In addition to the above the Council is operating a number of Welsh and UK initiatives across its services some of which were outlined in the recent Cost of Living report which was taken to 15th December, 2022 Cabinet meeting.

2.4 The Council has also processed Social Care Worker payments, unpaid carer payments, Ukrainian Welcome and Thank You payments and Winter fuel payments during 2022/23.

Revenue Financial Position

2.5 The table below details the revised budget including the additional £1.5m allocated to schools and shows the position by service area based on current projections which will change as the year progresses. The unplanned use of reserves will be necessary to address emerging inflationary pressures across the service however these have been mitigated by savings from vacant posts and an adjustment for income in Social Services as well as additional investment income generated in year.

Table 1.

Directorate/Service	Revised Budget	2022/23 Projected	Variance (+)Favourable (-) Adverse	Planned transfer to/(from) Reserves	Unplanned to/(from) Reserves	Net Variance after transfer to/from reserves (+)Favourable (-) Adverse
	£000	£000	£000	£000	£000	£000
Learning and Skills						
Schools	106,453	112,453	(6,000)	(6,000)	0	0
Strategy, Culture, Community Learning & Resources	9,002	9,959	(957)	(392)	0	(565)
Directors Office	242	246	(4)	0	0	(4)
Additional Learning Needs & Wellbeing	3,334	3,849	(515)	(410)	0	(105)
Standards and Provision	3,547	3,581	(34)	(243)	0	209
Additional Funding required to mitigate School Transport Inflationary Pressure	0	(465)	465	0	0	465
Total Learning and Skills (incl. Schools)	122,578	129,623	(7,045)	(7,045)	0	0
Social Services						
Children and Young People	18,536	19,398	(862)	(662)	0	(200)
Adult Services	53,754	51,929	1,825	0	1,225	600
Resource Management & Safeguarding	7,728	8,128	(400)	0	0	(400)
Youth Offending Service	724	624	100	0	100	0
Total Social Services	80,742	80,079	663	(662)	1,325	0
Environment and Housing						

Neighbourhood Services & Transport	28,147	30,322	(2,175)	0	(1,275)	(900)
Building/Cleaning Services	0	150	(150)	0	(150)	0
Regulatory Services	2,102	2,122	(20)	0	(20)	0
Council Fund Housing	1,425	1,425	0	0	0	0
Public Sector Housing (HRA)	16,516	16,516	0	0	0	0
Total Environment and Housing	48,190	50,535	(2,345)	0	(1,445)	(900)
Corporate Resources						
Resources	1,516	1,922	(406)	(372)	(34)	0
Cost of Living	0	825	(825)	(825)	0	0
Oracle Upgrade	0	2,466	(2,466)	(2,006)	0	(460)
Housing Benefit	692	722	(30)	(30)	0	0
Total Corporate Resources	2,208	5,935	(3,727)	(3,233)	(34)	(460)
Place						
Regeneration	1,660	2,439	(779)	(747)	0	(32)
Development Management	2,206	2,555	(349)	(307)	0	(42)
Private Housing	222	284	(62)	(62)	0	0
Total Place	4,088	5,278	(1,190)	(1,116)	0	(74)
Policy						
General Policy	33,764	30,764	3,000	0	0	3,000
Contribution School Transport and Oracle	0	1,566	(1,566)	0	0	(1,566)
Total Policy	33,764	32,330	1,434	0	0	1,434
Use of Reserves	(996)	(996)	0	0		0
Grand Total	290,574	302,784	(12,210)	(12,056)	(154)	0

Learning and Skills

- 2.6 Current projections indicate that the Learning and Skills Directorate will outturn with an adverse variance of £465k after transferring £7,045k in from reserves.
- 2.7 Also included in the overspend is £771k against the education transport service. Although the budget for Education transport is held within the Environment and Housing Directorate, the Learning and Skills Directorate is responsible for meeting the cost of any adverse variance. As well as additional routes being required, school transport costs are increasing at a rapid pace due to increased fuel costs and driver wages as well as general inflationary pressures. A contribution of £87k will be made from the Education Pressures reserve towards this overspend.
- 2.8 It is anticipated that the schools will outturn in line with the revenue budget as any variances will either be met or carried forward through school reserves. It should be noted that the cost of the 2022/23 pay awards will have an impact on school balances as these costs are higher than allowed

for in the budget setting process despite the injection of £1.5m in year. In addition to this pay award pressure, schools are anticipating a rise in energy costs for the current financial year based on the rise in standing charges. The amount that schools will need to draw down from reserves is difficult to predict, however it is currently anticipated to be in the region of £6m.

- 2.9 The actual cost of the schools pay awards in excess of the amount funded in the budget is £2.6m based on the approved non teaching pay award and the teachers' pay increase awarded of 5%. The Council has recently provided an additional budget of £1.5m in 2022/23 to schools to partly meet this cost, funding 57% of the pressure. Schools' budgets have been increased overall by the £1.5m to take account of this. The negotiation over teachers' pay is still ongoing, however, there are indications that any further increase to teachers pay in excess of the 5% already awarded will be met by Welsh Government.
- 2.10 Strategy, Culture, Community Learning & Resources - It is currently projected that the Strategy, Community Learning and Resources budget will outturn with an adverse variance of £565k after a transfer of £457k from reserves.
- 2.11 The table below provides a summary of the main variances against this budget and also the transfers from reserves.

Table 2.

	£000
Adverse Variances	
Demountable Classroom at Ysgol Y Deri	114
ICT and data budget	10
Schools Long Term Supply Scheme Overspend	55
Safeguarding & Salary Protection in Schools	57
Libraries - Makerspace project at Barry Library, upgrade and replacement of self-serve kiosks, public access Wi-Fi at Penarth Library	195
School Transport Projected Overspend	771
Non Delegated Budgets	38
Favourable Variances	
Payments to private nurseries	(80)
Historic Pension Payments	(18)
Staff Costs and Other Favourable Variances	(87)
Schools Decarbonisation	(25)
Welsh Immersion Funding (Offset by Grant in 2022/23)	(40)
Adult Community Learning	(33)
Total Net Adverse Variance	957

	Transfer To/(from) reserves
Contribution from Reserves	£000
Demountable at Ysgol Y Deri	(114)
Safeguarding & Salary Protection	(57)
Schools Long Term Supply	(53)
Library improvements	(146)
Contribution to School Transport overspend	(87)
Schools Decarbonisation funding	25
Welsh Immersion Funding	40
Total Transfer from reserves	(392)
Net Variance after transfer from reserves	565

- 2.12 Director's Office - It is anticipated that this area will outturn with an adverse variance of £4k due to the additional costs of the pay award.
- 2.13 Additional Learning Needs (ALN) & Wellbeing - This service continues to face significant pressures due to the increasing needs of pupils within the Vale. At the present time it is projected that the budget will outturn with an adverse variance of £105k after drawing down £410k from reserves.
- 2.14 One of the significant adverse variances in this area is relating to a shortfall in recoupment income due to the increase in Vale of Glamorgan pupils requiring specialist placements at Ysgol Y Deri, there are no new places left to sell to other Local Authorities (LAs). The total adverse variance of £294k will be partially offset by income charged to other LAs in respect of Out Of County pupils in Vale Resource bases and receiving other additional support, the remaining overspend of £175k will be transferred from the ALN reserve.
- 2.15 The Children's Placements budget is currently projecting an adverse variance of £115k after transferring in £235k from the ALN reserve. There has been a significant increase in placements and the budget is currently projecting an overspend of £350k.
- 2.16 Additional costs of £177k are being incurred in relation to Whitmore Autism Spectrum Disorder (ASD) Unit and the costs related to the new Satellite ALN Units at Pencoedtre and Ysgol Bro Morgannwg will be funded from the ALN Implementation Grant.
- 2.17 The Early Years Provision is currently projecting an underspend of £169k. This is because all costs identified to date will be funded from grants as a one off (Accelerated Learning funding carried forward from 2021/22 and Foundation Phase funding). A specialist teacher and a transition worker have been employed to progress early years requirements of the ALN Act.

These savings will help to offset overspends elsewhere in the budget this financial year.

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

Table 3.

	£000
Adverse Variances	
Complex Needs	18
Children's Placements	350
Overspend against Joint Pooled placements budget Children Looked After	49
Shortfall in Recoupment Income	175
Sensory Team	32
Safeguarding & Wellbeing Budget	16
Inclusion Services	46
Post 16 budget	20
Pupil Support Service Training Events	12
Favourable Variances	
Early Years Provision	(169)
Non Delegated Resource Units	(34)
Total Net Adverse Variance	515
Contribution from Reserves	Transfer To/(from) reserves
	£000
Recoupment Income	(175)
Children's Placement	(235)
Total Transfer from reserves	(410)
Net Variance after transfer from reserves	105

2.19 Standards and Provision - It is projected that this budget area will outturn with a favourable variance of £209k after transferring in £243k from the Wellbeing and Family Engagement Reserve to support the delivery of services during 2022/23.

2.20 The Education Other than at School (EOTAS) budget is projected to outturn on target subject to a transfer in of £99k from reserves. This will be used to fund new and additional provision as well as increased transport costs.

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

Table 4

	£000
Adverse Variances	
Education Other Than at School (EOTAS)	98
Liaison & Engagement Officer Temporary Posts	144
Ukrainian Grant Shortfall	14
Favourable Variances	
Out of School Tuition	(30)
Youth Engagement & Progression staff vacancies	(101)
Inclusion & Wellbeing	(11)
School Improvement	(81)
Total Net Adverse Variance	33
Contribution from Reserves	Transfer To/(from) reserves
	£000
Liaison & Engagement Officer Temporary Posts	(144)
Education Other Than at School (EOTAS)	(99)
Total Transfer from reserves	(243)
Net Favourable Variance after transfer from reserves	(210)

Social Services

- 2.22 The Final Revenue Proposals set out a budget programme for Social Services that utilised an additional £1.437m of Social Services reserves to help meet Social Services cost pressures and build capacity in the service to address increased need and help to develop the staffing resources required by the service. It is proposed that the budgets are realigned to reflect the planned draw down from the Social Services reserve as part of the plan.
- 2.23 It is currently anticipated that Social Services will outturn with a breakeven position after an unplanned transfer of £1.325m into reserves and a planned transfer of £662k from reserves. The previous revenue budget monitoring report highlighted that in 2022/23 Adult Services will recognise £2m of income as a one off sum due to a change in the treatment of the income. Previously deferred payments which were often subject to a legal charge on a property were accrued but assumed at a 100% bad debt provision. For 2022/23 the bad debt provision will be assumed to be 18.44% based on recent performance.
- 2.24 Children and Young People Services - It is anticipated that the outturn at year end could be an adverse variance of around £200k after transferring £662k in from reserves. This will be offset by an underspend in Adult Services. Adverse variances include legal costs being incurred as a result of complex Court cases that require Counsel's involvement, financial support

for Special Guardianship and Residence Orders and overspends against the External Placement budget.

- 2.25 There are potentially favourable variances across the Division, most particularly in the current foster payments budget, that could total around £93k. It should be noted however that the foster payments budget remains subject to change as more foster carers are recruited and the favourable variance may not continue as the year progresses. In addition to this there has also been a favourable variance of £638k against grant income due to in year funding being received from the Regional Integration Fund towards External Placements.

Table 5.

	£'000
Adverse Variances	
Legal Costs Complex Cases	300
Financial support for Special Guardianship and Residence Orders	126
External Placements	450
Additional Posts and Market Forces to be funded from Reserves	502
Other	90
Additional Pay Costs	125
Favourable Variances	
RIF Slippage (One off Income 2022/23)	-638
Foster Payments	-93
Total Net Adverse Variance	862
Contribution from Reserves	Transfer To/(from) reserves
	£'000
Legal Costs	-160
External Placements	0
Additional Posts and Market Forces to be funded from Reserves	-502
Total Transfer from reserves	-662
Net Variance after transfer from reserves	200

- 2.26 Adult Services – It is currently projected that there will be an underspend of £1.825m against the adult services budget. The main reason for this is the one-off projected increase of £2m in income for 2022/23 for residential care deferred payments as discussed above. There are pressures on the budget within Adult Services for the increased pay award and also on the Community Care budget. The community care budget is currently projected

to overspend by around £900k. The overspend within Community Care would be higher if the Council was able to commission care to fully meet demand. The supply of care is not currently available in the market to meet demand. A review is also currently underway to assess the hourly rate that is paid to Domiciliary Care Providers due to the difficulty that providers have in recruiting and retaining members of staff, which will hopefully address some of the supply issue however as mentioned above this will put further pressure on the budget. There have been some vacant posts within the service throughout the course of the year, however the service area have worked hard to ensure these are filled as quickly as possible. This along with the additional income mentioned above is offsetting the pressure within the community care budget.

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

Environment and Housing

- 2.29 Neighbourhood Services & Transport is currently projected to have an adverse variance of £2.175m against the 2022/23 budget.
- 2.30 Funding for budget pressures of £2.990m was provided as part of the 2022/23 budget setting process, however, there remains considerable pressure on the budget. Efficiency savings of £100k were also set as part of the 2022/23 budget which the service is currently working towards however due to the current budget position the savings are proving difficult to identify.
- 2.31 Approximately £500k of the projected overspend is due to the additional cost of the pay award agreement over and above the amount included within the base budget. A further £300k of the overspend is due to the market forces pay uplift awarded to all waste drivers implemented due to the current shortage within the labour market. These amounts will be funded via an underspend against the policy budget.

- 2.32 Approximately £650k of the overspend is due to additional payments that have been made in 2022/23 to the Council's leisure centre partner while they recover from the impact of COVID-19. Over the last 2 financial years this increased cost through periods of lockdown and reduced customer numbers has been funded via the hardship fund from Welsh Government however this cost will have to be funded via the Council in 2022/23. This support has ceased from 31st December, 2022. It is expected that £650k will be drawn down from the Neighbourhood Services & Transport Reserve to offset these pressures.
- 2.33 The budget for treatment of co-mingled recycling is also projected to overspend by around £200k. This is due to the delay in the phase 3 rollout of source separated recycling caused by the additional construction being undertaken for Phase 2 of the new Resource Recovery Facility at Atlantic Trading Estate. It is proposed to utilise £200k of the reserve that is held to offset the increase in budget for costs of treating recycling. Due to the long periods of inclement weather over the winter period and the resulting condition of the Highway it is anticipated that the budget for Potholes and patching will be overspent by around £575k. It is estimated that a contribution from the Civil Parking Enforcement reserve of around £125k can be drawn down with a further £50k surplus within Enforcement for 22/23 which can also contribute to this overspend. Therefore this leaves £400k which will be funded via a £300k contribution from the Neighbourhood Services and Transport Reserve and a £100k underspend in the Policy Budget.

Table 6.

Neighbourhood Services & Transport	£'000
Adverse Variances	
Support to Leisure Centre Provider	650
Additional Pay award Costs	500
Additional Market Forces Pay Uplift for Waste Drivers	300
Recycling Treatment Costs	200
Highway Pothole budget	575
Favourable Variances	
Enforcement Income	-50
Total Net Adverse Variance	2175
Contribution from Reserves	Transfer To/(from) reserves
	£'000
Support to Leisure Provider - from Neighbourhood Reserve	-650
Recycling Treatment Costs - From Waste Contingency reserve	-200

Highway Pothole Costs - from Civil Parking Enforcement reserve	-125
Highway Pothole Costs - from Neighbourhood Reserve	-300
Total Transfer from reserves	-1,275
Net Variance after transfer from reserves	900

- 2.34 Building Services - This service is currently projected to outturn with a deficit of around £150k due to the impact of the improved pay offer for 2022/23. The service could also be further impacted by other inflationary pressures such as increased cost of materials and fuel. A large percentage of the annual charges for Building Cleaning & Security and Building Maintenance are agreed prior to the start of the financial year therefore they are very sensitive to unexpected increases in cost. The recent pay award which was greater than the 3% that was estimated when setting the budget, has had a large impact on the cost recovery for these service areas. The account will therefore be monitored closely to ensure any further adverse variance is highlighted as soon as possible. It is proposed that the projected deficit of £150k is funded from the Building Services Improvement fund.
- 2.35 Regulatory Services - The budget allocation of £2.1m represents the Vale of Glamorgan's budget for its share of the Shared Regulatory Service (SRS). A separate set of accounts is maintained for the SRS and periodically reported to the Shared Regulatory Service Joint Committee. There are additional in year costs from the pay award in 2022/23 therefore there is a projected overspend for the Vale proportion of the budget of around £20k, however it is proposed that this will be offset in the first instance by the Shared Regulatory Services Reserve held by the Vale of Glamorgan and therefore it is currently projected that the SRS will outturn on target.
- 2.36 Council Fund Housing – There is now only one occupying partner in Cadoxton House, therefore there is pressure on the budget as rental income is now greatly reduced. Running costs at the site have been reduced as far as possible without adversely affecting the remaining occupier at the site. Work is also continuing within the Housing Solutions service to reduce the reliance upon hotel accommodation for homeless clients, which has been needed for the last 2 years during the COVID pandemic. Though some Welsh Government funding has been provided to cover these costs this year, it is far less than in previous years, so numbers still need to be reduced in order to ensure that any costs unfunded by Welsh Government are at an absolute minimum. Potential un-budgeted pay award of around £43k will be offset by an expected underspend within Council Fund Housing budgets.
- 2.37 Public Sector Housing (HRA) - The HRA is expected to outturn on target and any under/overspends in year will be offset by changes to the contributions to capital expenditure thus changing the drawdown from the Housing Revenue Account reserve.

Corporate Resources

- 2.38 Resources – The Resources Directorate is projected to outturn on target after accounting for planned transfers from reserves.
- 2.39 There are underlying issues and budget pressures in relation to unachieved savings targets across the Corporate Resources Directorate. The total unrealised historical savings target prior to 2022/23 is £426k and services have put forward proposals for meeting this target from vacant posts and other budgetary reductions across the directorate in year and on a recurring basis for 2023/24 and beyond.
- 2.40 Some of the main variances across the service area are highlighted in the table below:

Table 7.

Adverse Variances	£000
Legal & Democratic - cessation of outsourced social services work from Cardiff County Council, cost of agency fees and litigation costs. Includes shortfall on Land Charges receipts.	121
Coroners Shared Service	83
Policy & Business Transformation – includes planned use of reserves to fund posts in the service.	312
ICT- shortfall on historic savings offset by vacant posts in the service	57
Human Resources – shortfall on historic savings target and income generation includes cost of Flu vaccinations and additional fire risk assessment costs.	116
Additional Pay Award (Human Resources/Legal & Democratic, Policy & Business Transformation and ICT)	287
Favourable variances	£000
Finance – Administration Grant Income and Vacant Posts	(100)
Property/Facilities – Utility Costs, Court Road Depot and underspend on repairs and maintenance	(470)
Total Net Adverse Variance	406
Contribution from reserves	Transfer from reserves
	£000
Legal Reserve	(50)
Corporate Resources Reserves/Performance and Business Transformation	(76)

Risk, Reshaping and Investment Reserve	(150)
Graduate Trainee Reserve	(80)
Cost of Living Reserve	(50)
Total transfer from reserves	(406)
Net variance after transfer from reserves	0

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

Place

- 2.45 It is currently projected that the budgets within the Place directorate will outturn with an adverse variance of £74k after a £1.116m transfers from reserves.
- 2.46 Development Management – there is an adverse variance projected of £42k after a projected drawdown from reserves of £307k to fund additional costs on the Local Development Plan, a shortfall in Planning fee income and a projected deficit on the Building Control Trading Account. Planning fee

income has picked up in recent weeks and the forecast shortfall in income is now not as high as has been expected. Staff vacancies, with delays in appointments, at higher levels in particular, have also helped the situation. The un-budgeted pay award in 2022/23 has caused additional pressure on the budget and it is estimated that the projected overspend of £42k will be covered via an underspend within the Policy budget.

- 2.47 Regeneration – there is an adverse variance projected of £32k after a projected drawdown from reserves of £747k to fund various regeneration projects as well as improvements within the Country Parks and 50% of the salary costs of an employee at the Heritage Coast Car Park. As previously advised due to the need for extensive repairs which are unlikely to be recoverable, a decision was taken to close phase 3 of the Vale Enterprise Centre (VEC) and all tenants have now vacated. This will have an impact upon rental income achievable this year but may also have an effect on budgets until the long-term future of the VEC is resolved. As some posts within the division have been vacant due to issues with recruiting it is hoped that this will offset the increased cost of the additional un-budgeted pay awards for the division which are £64k but unlikely to match it therefore the £32k projected overspend will be offset by an underspend within the Policy budget.
- 2.48 Private Housing – The Disabled Facility Grants section is projecting a breakeven budget position after the drawdown of £62k from reserves to fund an Occupational Therapist post and an anticipated shortfall in fee income. Income is still behind its budgeted profile due to the remaining contractors leaving the framework and staff turnover during the year. However, a new contractor has been engaged and is now in a position to fast-track the backlog of works. The pace of improvement is still unlikely to be fast enough for the budget to be fully achieved by year-end. There is also pressure on the budget with the increased pay award for 2022/23.

Policy

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

- 2.50 Due to the improved performance on the Council's Treasury Management Investment during 2022/23 as a result of the base rate rises throughout the period the surplus on investment income is projected to be at least £750k.
- 2.51 The Policy underspend of £3m will be utilised for a contribution of £460k towards the Oracle implementation project and additional costs associated with the delayed go live which are currently being determined. The remaining sum will be utilised to offset emerging inflationary pressures such as the additional costs associated with the amount required corporately to meet the 2022/23 pay award and additional costs for HGV drivers of £874k and a further contribution towards the Potholes overspend of £100k. The remainder of the underspend will offset the further costs associated with the delayed Go Live of the Oracle Implementation which are still being quantified and the residual School Transport overspend which is set out in Table 1 of this report.

Efficiency Targets

- 2.52 As part of the Final Revenue Budget Proposals for 2022/23, an efficiency target of £500k was set for the Council, which as a result of a positive settlement from WG, was broadly in line with the lower targets set in the past two financial years. No efficiency target was set for schools.
- 2.53 Attached at Appendix 1 is a statement detailing all savings targets for 2022/23 and the projection as to whether this saving can be made within the financial year. The Appendix shows a RAG status for the savings to show the potential for being made in 2022/23.

Use of Reserves

- 2.54 Reserves are a way of setting aside funds from budgets in order to provide security against future levels of expenditure and to manage the burden across financial years. The Council has always taken a prudent approach with regard to Specific Reserves and uses them to mitigate known risks (financial and service) and contingent items, e.g., Insurance Fund. Other reserves have been established to fund Council priorities and in particular the Capital Programme. The Housing Revenue Account Reserve is ring-fenced to Housing and the majority will be used to fund improvements to the Council's housing stock.
- 2.55 In response to the significant emerging pressures in 2022/23 and as set out in the Medium Term Financial Plan Refresh in October 2022 and Budget Proposals for Consultation on this agenda the Council have undertaken a full review of reserves to streamline the number of reserves and align the available reserves to support the Budget Strategy. Table 8 also details the reallocation and reduction in the number of reserves to develop Corporate Risk specific reserves as detailed in the 2023/24 budget proposals.

2.56 Table 8 below sets out the use of reserves for a variety of purposes including planned usage to fund Capital Expenditure, planned revenue usage in accordance with the earmarked purpose of the reserve, unplanned usage to fund emerging overspends during 2022/23 and planned transfers to reserves to set aside fund for specific purposes. The use of reserves to support the Capital programme has reduced to £16m and reflects slippage on the delivery of schemes in 2022/23. Where schemes have been reprofiled into 2023/24 this drawdown from reserves will now take place in 2023/24 to match expenditure.

2.57 Use of reserves includes an allocation of £2.006m to fund the projected Oracle project cost, £950k from the Neighbourhood Services reserve, £200k from the Waste Contingency Reserves and £125k from Civil Parking Enforcement. The use of reserves to support the revenue position is set out in Table 1 and detailed in the table below.

Table 8.

As at	Balance 01/04/2022	Capital Funding	Planned Transfer (from) reserves	Un Planned Transfer to/(from) reserves	Planned Transfer to reserves	Reallocation of Reserves	Estimated Balance 31/03/2023
	£000	£000	£000	£000	£000	£000	£000
General Fund	12,510	0	-996	0	0	0	11,514
Insurance	4,530	0	0	0	0	0	4,530
Service Reserves							
Learning and Skills	5,084	-147	-991	0	124	-842	3,228
Social Services	13,778	0	-662	1,325	0	-5,229	9,212
Neighbourhood Services	4,407	-730	0	-1,150	0	-263	2,264
Corporate Resources	1,127	-25	-111	-34	161	-603	515
Place	2,509	-129	-1,066	0	0	-160	1,154
Other Service Reserves	2,492	0	-315	-295	-119	-156	1,607
Other Corporate	1,423	0	-161	0	0	-736	526
Risk and Smoothing Reserves							
Homelessness and Housing Reserve	2,066	0	0	0	1,864	-51	3,879
Cost of Living	1,724	0	-905	0	0	0	819

Pay Pressures	473	0	0	0	0	3,573	4,046
Energy Pressures	0	0	0	0	0	4,134	4,134
Legal	1,870	0	0	0	0	130	2,000
Project Zero	2,680	-476	-75	0	85	0	2,214
Investment and Growth Fund	2,353	0	0	0	0	0	2,353
Reshaping Risk and Investment	1,982	-4	-150	0	0	2,144	3,972
Corporate Landlord	5,465	-1,336	0	0	0	260	4,390
Digital Reshaping	2,732	-111	-2,006	0	111	-726	0
Capital Reserves							
Capital	27,428	-10,798	-277	0	823	-1,475	15,701
Sub Total	96,633	-13,756	-7,715	-154	3,049	0	78,058
Ring Fenced Reserves							
School Reserves	13,145	0	-6,059	0	0	0	7,086
Housing Revenue Account	17,439	-2,546	0	0	0	0	14,893
Total Reserves	127,217	-16,302	-13,774	-154	3,049	0	100,037

Treasury Management Monitoring

2.58 Under updated Treasury Management guidance the Council is now required to report progress against the Treasury Management Strategy as part of its regular monitoring. The progress against the Investment Strategy and Borrowing strategy are set out below for the period 1st April 2022 to 31st January, 2023.

2.59 Borrowing Strategy

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

Table 9.

Loan Type	Opening Balance	Received	Repaid	Closing Balance
	01/04/2022			31/01/2023
	£m	£m	£m	£m
PWLB	146.502	3.000	7.692	141.810

LOBO	4.000	0	0	4.000
Salix Loans	1.695	0	0.169	1.526
Temporary Loans	0.100	0	0	0.100
WG Loans	1.050	0	0	1.050
Total	153.347	3.000	7.861	148.486

2.61 Investment Strategy

2.62 The Authority has made the following investments for the period 1st April 2022 to 31st January, 2023 as set out below.

Table 10.

Investment Counterparty	Opening Balance	Invested	Returned	Closing Balance
	01/04/2022			31/01/2023
	£m	£m	£m	£m
UK Local Authorities	55.500	50.500	(61.500)	44.500
Debt Management Office	26.650	438.325	(459.975)	5.000
Treasury Bills	6.500	54.1500	(51.900)	8.750
Santander Corporate Notice	0.750	0	(0.750)	0.000
Lloyds Deposit Accounts	0.020	0.500	(0.500)	0.020
Money Market Funds (MMF)	4.200	103.990	(90.090)	18.100
Total	93.620	647.465	(664.715)	76.370

2.63 The Council has invested in Treasury Bills, Local Authorities, and the Debt Management Office during the period under review as these investments have offered the most favourable returns and are very low risk. Funding received from Welsh Government for the "Cost of Living Grants," "Winter Fuel Grants" and the "Additional Social Care Workers Payments" have continued to be deposited in Money Markets Funds so that funds are highly liquid and can be drawn down immediately when required.

2.64 The average monthly yields on these investments are set out below. The increases in the Bank of England base rates from 0.50% in April 2022 to 4.00% in January 2023 are reflected in the returns from the Council's investments.

Table 11.

Summary				
Average Monthly Interest	Local Authorities	Debt Management Office	Treasury Bills	Money Market Funds
April 2022	0.47%	0.62%	1.02%	0.64%
May 2022	0.52%	0.65%	1.02%	0.78%
June 2022	0.56%	0.64%	1.04%	0.96%
July 2022	0.64%	0.75%	1.12%	1.20%
August 2022	0.83%	1.31%	1.36%	1.58%
September 2022	0.94%	1.79%	1.49%	1.80%
October 2022	1.65%	2.01%	1.62%	2.09%
November 2022	2.12%	2.64%	1.97%	2.69%
December 2022	2.56%	2.85%	2.65%	3.06%
January 2023	2.81%	3.05%	3.24%	3.43%

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

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

4. Climate Change and Nature Implications

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

5. Resources and Legal Considerations

Financial

- 5.1 As detailed in the body of the report.

Employment

- 5.2 As detailed in the body of the report.

Legal (Including Equalities)

- 5.3 There are no legal implications.

6. Background Papers

None.

APPROVED EFFICIENCY TARGETS - 2022/23

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

APPROVED EFFICIENCY TARGETS - 2022/23

APPENDIX 1

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