

CALDERDALE MBC

WARDS AFFECTED: ALL

CABINET

8th November 2021



REVENUE MONITORING 2021/22 - OVERALL POSITION

Report of the Head of Finance

1. Purpose of Report

To report:

- the second overall revenue monitoring position for 2021/22;
- the forecast service and centrally controlled variances;
- the estimated impact of the Covid-19 pandemic;
- a financial strategy to manage these pressures.

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
 - agree the proposed approach for containing any overspendings at the year end.

3. Recommendations

It is recommended that Members note the current budget position and future pressures and agree that: -

- 3.1. Directorates continue taking action to manage budgets in year.
- 3.2 The proposed approach for containing any overspendings at the year end be adopted (section 7.5).
- 3.3 Any budget pressures along with any funding shortfalls in the current year together with the on-going impact of Covid-19 be considered as part of the Medium Term Financial Strategy for 2022/23 to 2024/25.
- 3.4 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 Based on this monitor, it is likely that funding made available by the Government in response to Covid-19 will meet the anticipated extra costs due to the pandemic incurred in the current year. What is less certain, is the extent to which cost pressures (particularly in social care) and income losses (from customer services) will continue following the lifting of restrictions, and these issues will require careful consideration as part of the MTFS.

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

- Adults and Wellbeing Services – £599k service overspend. This is an improvement of £435k from the first monitor.
- Chief Executive’s Office – £50k overspend with £86k of this being due to Covid-19. A forecast £36k service underspend. This is an improvement of £36k from the first monitor.
- Children and Young People’s Services - £996k service overspend. This projected overspend has increased by £393k from the first monitor.
- Public Services – £5.427m overspend with £4.827m of this being due to Covid-19. A forecast service overspend of £600k. This is an improvement of £183k from the first monitor.
- Regeneration and Strategy – £891k overspend with £391k due to Covid-19. A forecast service overspend of £500K. This represents a slight increase of £30k in the projected overspend from the first monitor.

4.4 The table below shows that Directorates are currently forecasting overspends of £9.502m. Of this, £5.304m is estimated to be the effect of Covid-19 and there are underlying service pressures of £4.198m. Directors are pursuing additional measures they can take to reduce this figure to £2.659m by the year end. Centrally controlled underspends have been identified which will reduce this by £0.5m to £2.159m. This is the level of overspending which, if it cannot be contained in the remainder of the current year, will need to be met from contingencies and reserves. A funding proposal for this is included in section 7.5.

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	57,489	58,208	719	-120	599	0	599
Chief Executive's	13,289	13,508	219	-169	50	86	-36
Children and Young People's Services	25,625	27,321	1,696	-700	996	0	996
Public Services	25,039	30,716	5,677	-250	5,427	4,827	600
Regeneration and Strategy	15,620	16,811	1,191	-300	891	391	500
Service Controlled budgets	137,062	146,564	9,502	-1,539	7,963	5,304	2,659
Centrally Controlled budgets	35,878	35,678	-200	0	-200	0	-200
Total	172,940	182,242	9,302	-1,539	7,763	5,304	
Funding for the current year	-172,940	-173,240	-300	0	-300	0	-300
Planned Contribution to Balances	0	0	0	0	0	0	0
Total Over (+) / (-) Underspend	0	9,002	9,002	-1,539	7,463	5,304	2,159

4.5 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 £5.304m will be met by general Covid support grant brought forward into the new 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 this second 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. There will be one further monitor for 2021/22, due to be reported to Cabinet in February 2022.

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	25,079	26,354	1,275	1,127	0	0
Integrated Commissioning	10,891	10,926	35	9	0	0
Personalised Long Term Support	19,529	19,016	-513	-47	0	0
Prevention and Early Help	1,668	1,588	-80	-59	0	0
Strategic Management	840	842	2	4	0	0
Sub Total	58,007	58,726	719	1,034	0	0
Planned Contributions From(-) / (+)To Earmarked Reserves	-518	-518	0	0	0	
Service Controlled before management action	57,489	58,208	719	1,034	0	0
Management Action (incl. new use of reserves)		-120	-120	0	0	
Reported Position	57,489	58,088	599	1,034	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 led to an increase in the forecast overspend. Attention continues to be focussed on this area to reduce this overspending and the additional social care grant (across both adults' and children's social care) of £1.1m awarded to the Council for this year only will help manage this pressure in the current year until a more permanent solution can be found.

5.3.2 There is an improved forecast position in Personalised Long Term Support underpinned by the increase in the maximum care charge and a continuation of CCG financial support for early hospital discharges which is now expected to continue until the end of the financial year (it was previously expected to end in September).

5.3.3 Despite the significant budget savings made last year, 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	938	7	0	0	0
Corporate	1,005	1,008	3	0	0	0
Democratic & Partnership Services	2,338	2,649	311	150	86	0
Finance	7,930	7,834	-96	0	0	0
HR & Transformation	2,259	2,253	-6	0	0	0
Public Health	3,186	3,186	0	0	0	0
Sub Total	17,649	17,868	219	150	86	0
Planned Contributions From(-) / (+)To Earmarked Reserves	-4,360	-4,360	0	0	0	
Service Controlled before management action	13,289	13,508	219	150	86	0
Management Action (incl. new use of reserves)		-169	-169	-150	0	
Reported Position	13,289	13,339	50	0	86	0

5.4.1 At this stage it is anticipated that, subject to Covid 19 related additional costs being met, there will be a small overall underspend across the directorate.

- 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. There is also an overspending relating to the Council and West Yorkshire Mayoral elections which, along with the rest of the directorate overspendings, is being met in the current year by a mixture of savings elsewhere in the directorate, and directorate underspendings brought forward from the last financial year.
- 5.4.3 All other areas of the budget are broadly in balance apart from Finance Services where the management of vacant posts has led to a forecast underspending of £96k. This sum is being used to help balance the directorate budget as a whole.
- 5.4.4 The anticipated contribution from reserves of £4.360m 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
Childrens Early Intervention & Safeguarding	26,496	28,268	1,772	1,118	0	0
Education & Inclusion	-284	-354	-70	-15	0	0
Schools and School Related	407	407	0	0	0	0
Strategic Management (CYP)	293	287	-6	0	0	0
Sub Total	26,912	28,608	1,696	1,103	0	0
Planned Contributions From(-) / (+)To Earmarked Reserves	-1,287	-1,287	0	0	0	0
Service Controlled before management action	25,625	27,321	1,696	1,103	0	0
Management Action (incl. new use of reserves)		-700	-700	-500	0	0
Reported Position	25,625	26,621	996	603	0	0

- 5.5.1 An increased caseload of external placements and fostering for looked after children has led to a sizeable increase in the forecast overspending for this business area. For the purposes of this monitor it has been assumed that numbers will persist at this level, although efforts continue to be made to reduce this number by looking at bringing more placements back in house and also acquiring two new properties to use as residential children’s homes. However, the unpredictability in service demand remains a concern and a significant overspending remains. This has been met in part in the current year by utilising grant funding and by underspendings forecast in Youth Services.
- 5.5.2 Apart from this, the other business areas are forecast to be broadly in line with budget.
- 5.5.3 It is anticipated that management action (including the use of reserves) will reduce the forecast overspending by £700k. In the longer term, the extended provision of in-house residential accommodation should help in balancing this budget.

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	3,653	6,088	2,435	2,708	2,480	2,458
Digital & IT	3,586	3,586	0	0	0	0
Group Director	169	167	-2	1	0	0
Neighbourhoods	18,211	21,455	3,244	3,667	2,347	2,635
Sub Total	25,619	31,296	5,677	6,376	4,827	5,093
Planned Contributions From(-) / (+)To Earmarked Reserves	-580	-580	0	0	0	
Service Controlled before management action	25,039	30,716	5,677	6,376	4,827	5,093
Management Action (incl. new use of reserves)		-250	-250	-500	0	
Reported Position	25,039	30,466	5,427	5,876	4,827	5,093

- 5.6.1 Public Services are reporting an overspend of £5.4m, of which £4.8m is due to Covid-19 leaving an underlying service overspend of £600k.
- 5.6.2 Having funded the overspending identified in the previous monitor due to the closure of facilities within Customer Services (Halifax Pool, Mixenden Activity Centre, and some halls pending possible community asset transfer), this business area is forecast to be slightly underspent net of the effect of Covid-19.
- 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. Options are currently being examined to look at potential sources of funding and to ensure that the current eligibility policy is adhered to, but without permanent additional funding, the significant overspendings are likely to persist, and this is an area which needs consideration as part of the MTFS. A change to the concessionary fares policy was agreed by Cabinet under the Future Council programme which would deliver savings against this budget (estimated to be around £343k). Discussions are continuing with WYCA to determine if this saving can still be achieved.
- 5.6.4 Three areas where Covid-19 may have longer term effects are Parking Services, Waste Management, and Sport and Leisure. In the longer term it is unlikely that staff will return to work on a daily basis and the impact on off street parking in particular may be both significant and long term. The impact of this on the current year forecast (£1.5m) is shown as a Covid cost. The forecast impact on both Waste Management and the Sports Service (£0.4m and £2.2m respectively in the current year) may also be significant in the longer term and the effect of the pandemic on all these budget areas is being closely monitored.
- 5.6.5 The Council's contractor for waste and recycling (Suez) is experiencing some operational difficulties relating to the labour market post Brexit, and to the recycling market both during and as we emerge from the pandemic. Discussions around compensation are ongoing with the Council, but for the purpose of this monitor, the issue has been assumed to be cost neutral.
- 5.6.6 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	8,105	8,105	0	0		0
Major Projects	-449	-449	0	0		0
Business, Skills & Investment	1,878	1,949	71	0	71	30
Housing & Green Economy	1,309	1,509	200	150	200	150
Markets	-488	-248	240	200	40	0
Planning Services	-224	456	680	500	80	0
Strategic Infrastructure	5,537	5,537	0	0		0
Sub Total	15,668	16,859	1,191	850	391	180
Planned Contributions From(-) / (+)To Earmarked Reserves	-48	-48	0	0	0	
Service Controlled before management action	15,620	16,811	1,191	850	391	180
Management Action (incl. new use of reserves)		-300	-300	-200	0	
Reported Position	15,620	16,511	891	650	391	180

- 5.7.1 After allowing for the impact of Covid-19 on costs and income, two 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. At this stage, a budget pressure of £240k is forecast.
- 5.7.3 The main pressures within the Planning Service 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 (£100k). 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 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 additional cost in the current year of £200k is over and above funding which has been successfully applied for from the Government to support those at risk of rough sleeping and also to reduce homelessness.
- 5.7.5 Balanced budgets within CAFM, Major Projects and Strategic Infrastructure depend upon commercial rent yields and significant levels of income being generated from capital fees. It is also assumed that the cost of the Winter Service will be broadly in line with the approved budget of £1.4m.
- 5.7.6 In addition to the above, the current Highways Revenue Maintenance contract is due to cease in October 2021 and options are currently being considered to continue service delivery, including a further contract award. Although the cost cannot be determined at this stage with any degree of certainty, it is almost certain to exceed the cost attached to the current contract. For the purposes of this monitor, it has been assumed that any increase can be contained within existing budgets.
- 5.7.7 Management action to utilise available funding and deliver savings across the directorate is expected at this stage to reduce the forecast overspending by £300k, largely due to maximising the use of external funding and section 106 monies. 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 £200k is forecast on these budgets at this time.
- 5.8.2 Funding consists of some Central Government grants, retained Business Rates and Council Tax. At this stage, we have identified £300k of additional funding. This is due to the claim for lost income compensation for December 2020 to March 2021 being higher than estimated at the time the accounts were closed. A grant claim will be made in October for income losses from April 2021 to the end of June and this will be incorporated into the third revenue monitor once the figure is known.

6. Options Considered

- 6.1 This report is primarily for information. The options for managing any year end overspendings are detailed in the following section.

7. Financial Implications

- 7.1 The forecast level of service overspending is £9.502m. Of this, the estimated impact of Covid-19 is £5.304m, leaving remaining underlying service pressures for this financial year of £4.198m. Future management action and the one off use of reserves is forecast to reduce this to an estimated service overspend of £2.659m. Centrally controlled underspends of £500k have been identified in this monitor (section 5.8) leaving a projected overspending of £2.159m to be funded if it is not addressed.
- 7.2 At this stage it would be prudent to devise a financial strategy which can, in the short term, accommodate an overspending of this magnitude, although it is expected that directorates will continue to seek ways to manage costs and service expectations within budget, and that the resultant year end figure will reduce as a result. The potential sources of funding are contingency budgets, reserves and balances. Balances are only just above the minimum recommended level and with little flexibility here, it is not suggested that they should be used. This leaves contingency budgets and reserves.
- 7.3 Each year the Council makes provision within its revenue budget for events which are likely to happen but where the amount or timing are uncertain. This includes inflation (for pay and prices), funding agreements with third parties and budget pressures. A specific sum of £1.1m is included in this to manage social care pressures. This funding is not included in future year budgets and so provides cover for this year only (although at this stage this is being reviewed for inclusion in the MTFs). More sustainable savings will be required in future years if these existing budget pressures are not addressed on a more permanent basis.

- 7.4 Reserves are sums of money set aside in previous years to meet expected costs arising in future years as opposed to balances which are maintained at a level of at least £5m to be able to respond to any temporary unforeseen changes in expenditure and income. The remainder of any funding required to meet budget overspendings in the current year over and above the £1.1m for social care in contingencies specifically referred to above, will have to come from reserves. Reserves have been created to help manage budget pressures including some of the financial consequences of the pandemic. If these reserves are used this year, there is obviously a reduced flexibility to manage these pressures in future year budgets. Members have previously been advised that reserves should not be used to support the budget on an ongoing basis and that the Council's financial resilience relies upon an appropriate level of reserves to deal with the increased risk and uncertainty that continues in local government. It is inevitable however that the level of the Council's earmarked reserves will reduce during 2021/22 as we spend the reserves specifically created for business rate losses and for ongoing Covid costs.
- 7.5 In the first instance, directorates must 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 proposed strategy is that this will be met in the first instance by the £1.1m for social care in contingencies, with any additional requirement coming from reserves. From this pool of available funding, any funding not required to cover overspendings in the current year will be carried forward in reserves to meet budget pressures in future years.
- 7.6 It must be emphasised however, that this only provides a temporary in year solution. The £1.1m for social care is only available in the current year, and the use of reserves (as we are seeing from previous years) simply defers the funding problem to a later year. For this reason, it is imperative that directorates continue their good work of finding more permanent solutions to deliver services within budget, particularly in view of the indicative level of savings required in future years within the Council's budget
- 7.7 Funding provided by Central Government in previous years is currently expected at this stage to cover all in year Covid-19 related service costs and losses of income. However, cases of infection are still high and we do not know what impact the autumn and winter months will have. In particular, we do not know whether there will be a need to re-introduce restrictions and if so, what the effect will be. The monitor makes no such assumptions. 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.
- 7.8 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 for two expected costs (an increase in the employer's superannuation rate and a deficit on the collection fund) were included in contingency budgets as part of the budget setting process. Events have transpired to free up this funding in the current year and so the expected costs of a pay award could be covered in the current year from contingency budgets, but would still have to be addressed through the MTFs for future years.

7.9 Other key variables are the costs of winter maintenance, looked after children 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), and that looked after children and all age disability numbers will not increase any further.

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 at this stage.

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 second revenue monitor, there is a forecast budget overspending of £2.159m after making allowance for the estimated effects of Covid-19 and planned action by directors. Budget challenge sessions continue to be held with directors to ensure that the actions and savings previously agreed during 2020 are being delivered as quickly as possible, and to identify where any necessary alternative action is required. In year Covid budget pressures of £5.3m can be met from the Government funding brought forward from last year, but the ongoing impact of these will need to be addressed in the Medium Term Financial Strategy in November, resulting in additional savings being required. 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;
- The approach identified in section 7.5 of this report for managing any service overspendings at the year end be adopted, and
- Unachievable savings and long term funding shortfalls be considered as part of the MTFS report in November.

Reference: ACC/AG
Report No: 2122revmonreport2
Date: 1st October 2021

A Goodwin
Finance Manager
Calderdale MBC

FOR FURTHER INFORMATION ON THIS REPORT CONTACT:

A Goodwin

Telephone: Hx 393506 Ext 3506

Documents are available for inspection online