



Cyngor Castell-nedd Port Talbot
Neath Port Talbot Council

CABINET

19th October 2022

Report of the Chief Finance Officer

Wards affected – All

Matter for Decision

Revenue Budget Monitoring Report 2022/23 – As at end of September 2022

Purpose of Report

To provide Members with information in relation to the Council's projected revenue budget position.

Background

This report sets out the Council's projected budget position based on information available as at 30th September 2022. The forecast is based on a number of assumptions around activity levels over the remaining nine months of the financial year.

Budget Management Responsibility

Under the Council's Constitution and Financial Procedure Rules Corporate Directors are responsible for managing their Budgets within the overall cash limit approved by Council.

A Corporate Director may exercise virements on budgets under his or her control for any amount on any one budget head during the year, following notification to the Chief Finance Officer provided that:

- a) overall expenditure and income is contained within the cash limit

- (b) except where virement would involve a significant variation in the level or nature of the delivery of the service approved by Council in the Revenue Budget.

Summary

At present it is forecast that the Council's budget will overspend this year by £2.646m after reserve transfers as detailed in the table below.

Summary 2022/23	Original			Revised	Projected	Variance	September	Variance
	Budget	Qtr 1 Virements	Qtr 2 Virements	Budget	Outturn		Reserves	after virements/ reserves
	2022/23	2022/23	2022/23	2022/23	2022/23	2022/23	2022/23	2022/23
	£	£	£	£	£	£	£	£
Education, Leisure and Lifelong Learning - Schools	96,074	0	0	96,074	99,703	3,629	0	3,629
Education, Leisure and Lifelong Learning - Other	29,005	-78	-3	28,924	31,075	2,151	-550	1,601
Social Services Health & Housing	93,640	-195	0	93,445	99,063	5,618	-3,476	2,142
Environment	43,808	-141	-18	43,649	45,100	1,451	327	1,778
Chief Executives	20,403	414	3	20,820	21,833	1,013	-330	683
Directly Controlled Expenditure	282,930	0	-18	282,912	296,774	13,862	-4,029	9,833
Fire Authority	8,503			8,503	8,503	0		0
Capital financing	20,496		18	20,514	20,514	0		0
Central Services	6,470			6,470	603	-5,867		-5,867
Council Tax Reduction Scheme	19,621			19,621	18,301	-1,320		-1,320
Net Budget	338,020	0	0	338,020	344,695	6,675	-4,029	2,646

Schools delegated budget

The delegated schools budget for 2022/23 is £96.074m. Any under or overspends in relation to this budget are funded via contributions to/from the delegated school reserves.

At present the delegated schools budget is showing a projected overspend of £3.629m; all overspends in relation to delegated schools are met from the ring-fenced delegated schools reserves.

Education Leisure and Lifelong Learning

The Education, Leisure and Lifelong budget for 2022/23 is £28.927m. Presently the directorate is projected to overspend by £1.601m.

This overspend includes an estimated £900k for the additional pay award over and above what was funded in the original budget for 2022/23.

The remaining overspend is due to a pressure within the home to school transport budget where currently costs are expected to exceed the budget by £1.075m. This pressure has arisen due to a number of reasons including a lack of operators, rising fuel costs and rising wages which has resulted in an increase in retendered contracts.

Presently there is a £124k underspend in the out of county placements budget which is being used to offset the current overspend position. This is due to two out of county placements remaining vacant to date.

Free school meal rollout in primary schools has started to take place from September 2022 for all reception children in primary schools. Funding of £855k has been allocated to Neath Port Talbot, with monthly claims being submitted to WG in arrears for meals provided. Welsh Government are currently reviewing the rate received per meal to ensure the funding is sufficient.

Regular meetings with Celtic leisure are taking place in readiness for the transfer of services into the Council from April 2023. Presently, it is estimated that the council will need to make a circa £600k contribution to fund the Celtic leisure operating deficit for this financial year. This pressure will be funded from corporate reserves.

As in previous years it is anticipated that the Local Authority will need to make a contribution towards the legal and suspension costs of an ongoing investigation at a Neath Port Talbot school. It is estimated that this will be approximately £405k

Social Services, Health and Housing

The Social Services budget for 2022/23 is £93.445m. Presently the Directorate is projected to net overspend by £2.142m. This overspend includes an estimated £2.241m for the additional pay award over and above what was funded in the original budget for 2022/23.

The main service area experiencing budget pressures is the children's residential care budget where there is a £584k overspend. Step down provision is being explored for a number of placements which would ease the pressure, however there is no assumption in the forecast that step down will occur and there is no provision for additional placements. The current over spend is after taking in to account additional health income (£443k) which has been received following the development of a regional protocol on children with complex care.

It is becoming increasingly difficult to place children with more complex needs, this has been considered as part of the recruitment strategy and the amended foster plus scheme. By increasing the foster allowance, it should attract foster carers who are able to provide placements for young people whose needs are more complex. Out of the young people placed in residential care, three young people could step down into a foster care provision, however to date despite extensive searches both internally and externally no suitable matches have been identified.

There is also a projected overspend within the mental health external placements budget of £547k. This projection only includes any placements where costs have been agreed. It does not include placements agreed in principle and out to brokerage (currently 12), on the assumption that the additional cost will be offset by placement discharges. The projection only includes health funding that has been agreed.

During 2021/22 the Council received £848k from the Welsh Government's hardship fund to offset the increased costs of temporary accommodation for homeless people. The service is presently predicting an over spend of £876k with the level of demand for services is the highest it's ever been. Welsh Government have provided a grant of £285k which has been taken into account in this projected overspend position.

The learning disabilities external placement budget currently has a £570k overspend based on placements agreed. The projected costs are offset by the assumption that 25% (£544k) health funding will be agreed for 14 clients, this follows the work on the Joint Working Protocol for Adults with Complex Needs, in collaboration with Swansea Council and Swansea Bay University Health Board. Elderly direct payments is overspent by £146k due to an additional 7 users over and above the budget receiving direct payments.

A number of service budgets are underspent at the moment, which is helping the overall Social Services, Health and Housing budget to help offset areas experiencing pressures. Domiciliary Care is currently £1.36m underspent due to the reduction in placements in the external domiciliary care market. Community care is currently predicting a £302k underspend due to vacant posts in the first quarter. The service anticipates that these posts will be filled throughout the year. The elderly residential care budget is projected to underspend by £171k due to lower number of spot purchased placements. Foster placements are underspent by £124k mainly due to a lower number than anticipated of in house foster placements.

The following risk areas are currently being managed within the above directorate position but are listed here for information.

Within the domiciliary care service the increased cost of fuel and relatively low pay for demanding work is leading to difficulties recruiting and retaining staff. This is resulting in an inability to allocate care packages with approximately 150 people waiting for care at any one time and demand is likely to increase over winter. Neath Port Talbot are giving support to providers to enable them to pay 45p per mile but given the increase in fuel costs this is unlikely to be sufficient.

Residential care providers are also facing increased costs, particularly in energy and food which is placing them in financial difficulty, this potentially could lead to home closures. Low pay for demanding work leading to difficulties recruiting and retaining staff. A number of care homes have empty beds but cannot accept new residents as they do not have enough staff. Other Local Authorities have increased the fees in year and backdated to April 22 to offset these pressures, it is likely that NPT will have to follow suit.

Increased demand for people with complex dementia and care homes cannot accept the admission as they cannot meet the person's needs within the fees we pay. Care homes need to employ higher numbers of staff to keep people safe.

It's been eight years since the authority undertook a whole scale review of residential care home fees. There is now a need to carry out an open book exercise however this has the potential to significantly increase fees paid to homes.

Within the supported living budget, NPT have a high number of historically low fees that need to be reviewed our average hourly rate is around £17 but some fees as low as £15.80 and the average in other local authorities is about £19. Providers are struggling to recruit and retain staff

Environment

The Environment budget for 2022/23 is £43.667m. Presently the Directorate is projected to net overspend by £1.778m. This overspend includes an estimated £2m for the additional pay award over and above what was funded in the original budget for 2022/23.

Car Parking is anticipating a £285K overspend to the end of the financial year. This is due to a reduction of footfall in town centres resulting in reduced use of car parks and a reduction in civil enforcement tickets issued.

Increases in the cost of fuel has placed a pressure of circa £277k within the Environment budget as whole, with £224k of this pressure relating to the refuse and recycling service.

Alongside this an increase in the cost of gas and electricity, especially within the Quays building due to a new supplier, has led to a pressure of £207k within the civic buildings budget.

A potential increase in material prices has been identified which will impact upon the building maintenance and highway maintenance budgets in particular. The value of this increase is hard to quantify and will affect numerous budgets, it is being closely monitored.

Chief Executives

The Chief Executives budget for 2022/23 is £20.403m. Presently the Directorate is projected to overspend by £638k. This overspend includes an estimated £982k for the additional pay award over and above what was funded in the original budget for 2022/23.

Central budgets

There are a number of budget areas which are not managed by Corporate Directors and these are known as 'Central Budgets'. They

consist of the following areas and are overseen by the Chief Finance Officer:

	£'000
Levies and contributions	
Fire Authority	8,503
Other levies and contributions	270
Other Expenditure	
Capital Financing	20,496
Council Tax Support	19,616
Budget equalisation	2,200
Contingency	1,500
Covid hardship fund cessation	2,500

At present it is anticipated that these budgets will underspend by £7.187m, it is proposed below that some of this is used to offset the cost of the proposed 2022/23 pay awards.

This includes a projected underspend of £1.320m in relation to the Council Tax Support (CTRS) budget; due to the fact that the number of claimants has fallen from over 17,500 at the height of the pandemic to the current number of c16,000.

Pay award 2022/23

The current pay offer is 5% for teaching staff and a flat increase of £1,925 (pro rata) to all green book staff and Chief Officers. To date neither have been officially accepted. It has been calculated that the pay award over and above what was provided in the base budget for 2022/23 will be an additional £9.691m.

The WG settlement allowed for a notional 4% pay award, it is therefore proposed that funding be allocated to Schools and Service Directorates to the value equivalent of c4%. This will mean additional funding as detailed below:

Service Area	Funding to be provided £m
Delegated Schools	1.530
Education, Leisure and Lifelong Learning	0.645
Environment	0.926
Social Services, Health and Housing	1.135
Chief Executives Department	0.568
Total	4.804

In order to fund the above it is proposed that the following budgets are re-purposed:

Pay Contingency - £1m

Covid Hardship Relief - £2.5m

Medium Term Financial Plan equalisation - £1.3m

National Insurance / Social Care Levy

At the mini budget announcement on Friday 23rd September, the Chancellor confirmed the national insurance rise introduced earlier this year will be cancelled from 6th November. This has equated to an approximate £550k saving in year to the council which is included within the projections shown in this report.

Virements

Please see below proposed virements which will need to be agreed as cross directorate budget transfers.

Virements across directorates for information			
Directorate	Service Area	Value	Reason
To Chief Executives from Education, leisure & Lifelong Learning	Public Services Board	£ 3,233	Transfer of service
To Corporate budgets from Environment	Treasury management	£ 17,500	Repayment of waste recycling equipment
		£ 20,733	

Council Reserves

Under the Council's constitution the use of existing reserves by Corporate Directors requires prior consultation with the Chief Finance Officer. The current position in relation to reserve balances as at 1st April 2022 and commitments agreed to date is detailed in Appendix 1 of this report

Medium Term Financial Plan (MTFP) - Financial outlook

A separate report in relation to the MTFP financial outlook is included on the agenda of today's Cabinet meeting. Members should be aware that the Council has also started the process of lobbying local and regional politicians to emphasise the case for additional funding for local government.

A copy of a letter sent to local and regional MS' and MP's is appended to this report

Integrated Impact Assessment

There is no requirement to undertake an integrated impact assessment as this report summarises the Council's financial position

Valleys Communities Impacts

No Impact

Workforce Impacts

No Impact

Legal Impact

No Impact

Risk Management Impact

No Impact

Consultation

This item is not subject to external consultation

Recommendations

It is recommended that Cabinet:

- **Note** the contents of this report in relation to the current projected budget outturn and reserves position
- **Approve** the proposal to provide additional funding to schools and services equivalent to a c4% pay award; and approve the virements set out in the main body of this report.

Reason for Proposed decision

To update the Council's budget for virements and reserve movements, in accordance with the Council's constitution.

Implementation of Decision

The decision is proposed for implementation after the three day call in period.

Appendices

Appendix 1 – Reserve Schedule

Appendix 2 – Copy of lobbying letter

Background Papers

Budget Working Papers

Officer Contact

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Appendix 1 – Reserve Schedule

Description	Reserve Balance at 1st April 2022 £	Original budget reserves 2022/23	Additional movements to September 2022 £	Committed	Uncommitted reserves
Education, Leisure and Lifelong Learning					
<u>Delegated Schools Reserves</u>					
ERVR Primary	Cr8,161	0	0		Cr8,161
Primary Schools	Cr6,888,981	4,989,213	0		Cr1,899,768
Secondary Schools	Cr3,525,205	1,687,049	0		Cr1,838,156
Special Schools	Cr734,244	152,222	0		Cr582,022
Middle School	Cr1,471,681	962,076	0		Cr509,605
Repair & Maintenance	Cr161,160	0	0	0	Cr161,160
	Cr12,789,433	7,790,560	0	0	Cr4,998,873
<u>Education, Leisure and Lifelong Learning Other</u>					
Additional learning needs reserve	Cr1,051,000	0	0		Cr1,051,000
Equalisation Account-Education	Cr2,409,500	25,000	150,000	462,462	Cr1,772,038
Home to School Transport	Cr290,570	38,000	252,570		0
	Cr3,751,070	63,000	402,570	462,462	Cr2,823,038
Total Education Leisure & Lifelong Learning	Cr16,540,503	7,853,560	402,570	462,462	Cr7,821,911
<u>Social Services, Health and Housing</u>					
Homecare ECM Equipment reserve	Cr96,756	0	0		Cr96,756
Community Care Transformation Reserve	Cr4,206,561	66,000	2,640,900		Cr1,499,661
Children's Residential Placements	Cr276,000	0	276,000		0
SSHH IT Renewals Fund	Cr1,900,000	0	0		Cr1,900,000
Social Services Equalisation	Cr5,700,114	2,330,000	0		Cr3,370,114
Community Resilience Fund	Cr1,750,000	0	0		Cr1,750,000

Description	Reserve Balance at 1st April 2022 £	Original budget reserves 2022/23	Additional movements to September 2022 £	Committed	Uncommitted reserves
Housing Warranties Reserve	Cr220,000	0	0		Cr220,000
Hillside General Reserve	Cr581,098	0	150,000		Cr431,098
Ring fenced homecare funding	Cr450,000	0	216,000		Cr234,000
Youth Offending Team Reserve	Cr167,897	0	0		Cr167,897
Adoption Service	Cr500,000	0	0		Cr500,000
Total Social Services, Health and Housing	Cr15,848,426	2,396,000	3,282,900	0	Cr10,169,526
<u>Environment</u>					
Transport Reserve	Cr281,541	60,000	0		Cr221,541
Asset Recovery Incentive Scheme	Cr125,894	81,301	0		Cr44,593
Swansea Bay City Deal	Cr333,786	112,786	0		Cr221,000
Local Development Plan	Cr365,014	31,890	0		Cr333,124
Parking improvement	Cr190,000	0	47,000	80,000	Cr63,000
DARE Reserve	Cr2,000,000	0	0		Cr2,000,000
Waste Reserve	Cr898,152	0	Cr90,000		Cr988,152
Winter Maintenance Reserve	Cr604,429	0	0		Cr604,429
Neath Market	Cr253,107	0	0		Cr253,107
Baglan Bay Innovation centre - dilapidation reserve	Cr177,517	100,000	0		Cr77,517
Renewable Energy Reserve	Cr17,959	0	0		Cr17,959
Environmental Health - Housing Equalisation	Cr130,000	35,000	0		Cr95,000
LAWDC Contingency Reserve	Cr815,177	0	0		Cr815,177
Workways - NPT	Cr290,435	0	0		Cr290,435
Environment Equalization Reserve	Cr1,065,291	287,278	221,500		Cr556,513
Metal box Reserve	Cr930,327	776,418	Cr626,000		Cr779,909

Description	Reserve Balance at 1st April 2022 £	Original budget reserves 2022/23	Additional movements to September 2022 £	Committed	Uncommitted reserves
Pantteg Landslip Reserve	Cr500,000	0	0		Cr500,000
					0
<u>Trading Account</u>					0
Operating Account -Equalisation	Cr36,043	0	0		Cr36,043
Vehicle Tracking	Cr92,186	0	0		Cr92,186
Vehicle Renewals	Cr2,330,047	Cr1,196,081	Cr177,600		Cr3,703,728
Total Environment	Cr11,436,905	288,592	Cr625,100	80,000	Cr11,693,413
<u>Chief Executives</u>					
Elections Equalisation Fund	Cr350,139	Cr15,000	0		Cr365,139
Health & Safety/Occupational Health	Cr40,501	0	0		Cr40,501
Digital Transformation Reserve	Cr1,170,000	0	0		Cr1,170,000
Schools IT Equalisation (HWB)	Cr600,000	0	330,000		Cr270,000
Development Fund for Modernisation	Cr76,032	0	0		Cr76,032
IT Renewals Fund	Cr1,233,394	400,000	0		Cr833,394
Chief Executives Equalisation Reserve	Cr164,236	50,500	0	80,000	Cr33,736
Organisational development reserve	Cr5,020,936	0	0	1,500,000	Cr3,520,936
Building Capacity	Cr155,295	138,000	Cr10,000		Cr27,295
Voluntary Organisation Reserve	Cr86,430	0	0		Cr86,430
Total Corporate Services	Cr8,896,963	573,500	320,000	1,580,000	Cr6,423,463
<u>Corporate Other</u>					
Insurance Reserve	Cr4,725,382	280,000	0		Cr4,445,382
Covid recovery	Cr2,800,000	0	0	2,317,000	Cr483,000
Income Generation Reserve	Cr1,713,230	0	0		Cr1,713,230

Description	Reserve Balance at 1st April 2022 £	Original budget reserves 2022/23	Additional movements to September 2022 £	Committed	Uncommitted reserves
Members Community Fund Reserve	Cr513,633	0		513,633	0
Capital support reserve	Cr683,447	0	0		Cr683,447
Hardship relief scheme	Cr2,000,000	0	0	2,000,000	0
Service resilience	Cr2,000,000	1,435,722	Cr148,294	564,278	Cr148,294
Discretionary fund	Cr1,401,836	0	0	1,401,836	0
Corporate Contingency	Cr4,567,000	702,000	201,685	746,887	Cr2,916,428
Treasury Management Equalisation Reserve	Cr8,594,046	325,000	500,000	Cr325,000	Cr8,094,046
Accommodation Strategy	Cr2,273,580	0	0		Cr2,273,580
Total Corporate Other	Cr31,272,154	2,742,722	553,391	7,218,634	Cr20,757,407
<u>Joint Committee</u>					
Margam Discovery Centre - Building	Cr59,774	Cr57,333	0		Cr117,107
- Maintenance Reserve					
Workways - Regional Reserve	Cr167,991	0	0		Cr167,991
Environment Legacy Reserve (SWTRA)	Cr59,728	0	0		Cr59,728
Substance Misuse Area Planning Board	Cr34,847	0	0		Cr34,847
WB Safeguarding Board Reserve	Cr113,265	0	0		Cr113,265
Intermediate Care pooled fund	Cr192,925	0	192,926		1
Total Joint Committee	Cr628,530	Cr57,333	192,926	0	Cr492,937
Total All Earmarked Reserves	Cr84,623,481	13,797,041	4,126,687	9,341,096	Cr57,358,657
General Reserve	Cr20,150,693	0	0	400,000	Cr19,750,693
TOTAL ALL REVENUE RESERVES	Cr104,774,174	13,797,041	4,126,687	9,741,096	Cr77,109,350

Appendix 2 – Copy of lobbying letter

Letter sent to Regional and Local MSs & MPs

Dear

Cost of Living Crisis and the consequential impact on the sustainability of local government services

I am writing to make you aware that the sustainability of the local government services delivered across Neath Port Talbot will be significantly challenged if additional Government funding is not provided.

Cllr Andrew Morgan, Leader of the Welsh Local Government Association, has recently described the economic outlook for local government as 'austerity on steroids'. That is a sentiment with which I wholly concur.

The continued impact of the Covid-19 pandemic and the escalating impact of the war in Ukraine have created unprecedented demands on our services and functions – impacts that derive directly from government policy responses to these global events. For example, presentations to our Housing Options service are some 400% higher than pre-pandemic; contacts to Children's Social Services are some 300% higher than pre-pandemic and we see a similar picture of increased and more complex demands across adult social care and education services.

We are experiencing an unfunded pressure of £5 million in the current financial year and estimate unfunded and unavoidable pressures in 2023/24 to be at least £20 million. The years beyond 23/24 look equally challenging based on current assumptions. These pressures are not 'one off', they are annual recurring costs which need a permanent funding solution. Whilst we are in a position to manage some annual fluctuations using our reserve balances, the Chartered Institute of Public Finance and Accountancy (CIPFA) recognise that using reserves to fund recurring revenue costs is not a prudent or sustainable strategy.

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The Settlement provided by Welsh Government for 2022/23 and the indicative budgets published for the two subsequent financial years were warmly welcomed at the time they were announced. However, you can see that the funding made available for the current financial year and the funding proposed for the two subsequent financial years are significantly short of what is needed. At a time when many of our citizens are experiencing a cost of living crisis, significant increases in Council Tax to bridge the funding gap would intensify the hardship being experienced across our communities and must be avoided. Similarly, local businesses and community organisations are also distressed.

Without additional government funding, the only alternative for the Council is to cut jobs and services. After over a decade of austerity measures, there are no soft options left. The education of our children and young people, care and support for children and vulnerable people (including those who are homeless, refugees or asylum seekers), maintenance of the public realm and wider Council services will be degraded. Our capacity to realise the high level of developer interest in the area to boost the local economy will be placed at risk and our ability to help deliver the Welsh Government's policy objectives and related Co-operation Agreement will be similarly impaired.

As the MS/MP for Neath Port Talbot, it is important that you are fully briefed on the position so that you can work with us to press the Welsh and UK governments for sufficient additional resources to enable the Council to continue to support the NPT communities through the current crises, maintain the essential services that people rely upon and to bring about long term improvements in the environmental, cultural, social and economic wellbeing of the NPT area. Local Government demonstrated time and time again during the pandemic that it is uniquely placed to respond to the needs of local communities and local businesses whilst also playing a vital role in supporting the NHS. Once again, our residents, local businesses and partners are turning to us for local leadership and support and it is critical that we are enabled to fulfil this role.

I therefore invite you to make formal representation to the Local Government and Finance Minister and the incoming UK Government for additional budget allocations to be made available to the local government sector in this financial year and in subsequent years.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'S. K. Hunt'. The signature is written in a cursive, slightly slanted style.

Leader of the Council

