



Cyngor Castell-nedd Port Talbot
Neath Port Talbot Council

CABINET

22nd February 2023

Report of the Chief Finance Officer

Wards affected – All

Matter for Decision

Revenue Budget Monitoring Report 2022/23 – As at end of December 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 31st December 2022. The forecast is based on a number of assumptions around activity levels over the remaining three 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

When the Council set its budget for 2022/23 it appeared that the immediate future looked more settled. An increase in funding through the Local Government Settlement of 8.8% for 2022/23 followed by indicative allocations of 3.5% for 2023/24 and 2.4% for 2024/25 meant that for the first time in a long time the Council had an idea of the resources available to it for a three year period and could plan with a greater degree of certainty.

However, within weeks of agreeing the 2022/23 budget, Russia invaded Ukraine and what has unfolded since has materially changed our operating environment. This has included escalating energy prices and other inflationary pressures. The 2022/23 pay award added £12m to the Council's costs and if it wasn't for the availability of some central budgets would have led to a potential £10m overspend, as detailed in the September budget monitoring report.

The most recent budget monitoring report to Cabinet (19th October 2022), which was the position as at 30th September 2022, detailed a projected overspend of £2.9m. This represented a structural overspend of £4.3m arising from the impact of the unfunded pay award which reduced to £2.9m due to a number of one off savings.

At that point in time budget holders were reminded to maintain a tight discipline in terms of minimising expenditure and increasing income to the maximum extent possible. It is pleasing to note that the latest projection is that that the Council's overspend (excluding schools) has reduced to £86k after reserve movements as detailed in the table below.

Summary 2022/23	Original	Revised	Projected		December	Variance
	Budget	Budget	Outturn	Variance	Reserves	after virements/ reserves
	2022/23	2022/23	2022/23	2022/23	2022/23	2022/23
	£	£	£	£	£	£
Education, Leisure and Lifelong Learning - Schools	96,074	96,074	96,074	0	0	0
Education, Leisure and Lifelong Learning - Other	29,005	29,562	29,784	222	-66	156
Social Services Health & Housing	93,640	94,438	94,897	459	750	1,209
Environment	43,808	44,525	46,755	2,230	-1,298	932
Chief Executives	20,403	21,587	21,221	-366	232	-134
Directly Controlled Expenditure	282,930	286,186	288,731	2,545	-382	2,163
Fire Authority	8,503	8,503	8,513	10		10
Capital financing	20,496	20,514	20,514	0		0
Central Services	6,470	3,196	3,881	685	-1,439	-754
Council Tax Reduction Scheme	19,621	19,621	18,288	-1,333		-1,333
Net Budget	338,020	338,020	339,927	1,907	-1,821	86
Overspend / (underspend)						86

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.

Education Leisure and Lifelong Learning

The Education, Leisure and Lifelong budget for 2022/23 is £29.562m Presently the directorate is projected to overspend by £156k.

There is a pressure within the home to school transport budget where currently costs are expected to exceed the budget by £935k. 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 of between 16% and 25%.

Presently there is a £220k 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.

The management of change base budget includes core funding of £200k to cover the costs of school staff leaving under the early retirement scheme. There are no costs committed at present and this has resulted in an underspend of £200k.

Additional funding had been invested to expand the school based counselling service in response to increased demand for support within our schools. Due to external factors the majority of the new posts were not recruited until September 2022. The service is still looking fill the final two posts in what is a challenging and competitive labour market.

This has resulted in a £124k in year underspend. A number of core funded posts have been offset against grants which has led to an underspend of £180k in the education support strategy budget.

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 2024. Presently, it is estimated that the council will need to make a circa £1.2m contribution to fund the Celtic leisure operating deficit for the financial year 2022/23. 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 £430k

Social Services, Health and Housing

The Social Services budget for 2022/23 is £94.438m. Presently the Directorate is projected to net overspend by £1.209m. This overspend includes an estimated £1.2m for the additional pay award over and above what was funded for 2022/23.

The main service area experiencing budget pressures is the children's residential care budget where there is a £1.063m 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 overspend is after taking in to account additional health income (£275k) 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.

Children's social work budget is overspent by £328k due to an increase in direct payments, funding for family support Wales to support children with disabilities and an increase in discretionary/section 17 spend used to prevent children entering the care system.

There is also a projected overspend within the mental health external placements budget of £577k. 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.

The housing advice/supported tenancies service is presently predicting an over spend of £656k. At the start of the pandemic WG changed the policy relating to homelessness to ensure no-one was sleeping rough. The policy change resulted in a much higher than average demand for temporary accommodation and meant that a significant amount of additional accommodation needed to be sourced urgently.

That specific change in policy has now been integrated into the Housing Wales Act via a secondary legislation change, therefore the majority of households presenting are now eligible for temporary accommodation so demand is likely to remain at current levels for some time.

Prior to the pandemic, average number in temporary accommodation at any one time was 50 households. In October, 179 people were in temporary accommodation.

Work is ongoing to implement the Rapid Rehousing Plan which will ultimately reduce the use of temporary accommodation in the longer term and increase the stock of social housing across the borough, however this will develop over a period of between 5 – 10 years. Welsh Government have awarded NPT an additional 3371k towards the cost of temporary accommodation.

The learning disabilities external placement budget currently has a £400k 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.

The elderly residential care budget is projected to overspend by £760k due to the additional investment £667,000 for older people care home providers. An additional fee of £30 per person is being paid to care providers who deliver residential and/or nursing care services on behalf of the council. The increase is to cover the anticipated rise in inflation caused by the cost of living crisis and to enable providers to pay their staff the Real Living Wage. Elderly direct payments is overspent by £173k due to an additional seven users over and above the budget receiving direct payments.

Hillside is overspent by £180k due to the cost of the current education provision and reduced income for 6 months of the year.

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 £1.34m underspent due to the reduction in placements in the external domiciliary care market.

Community independence is currently predicting a £188k underspend due to vacant posts in the first quarter and additional grant funding. The service anticipates that these posts will be filled throughout the year.

Community Care Management is £182k underspend based on the number of deprivation of liberty assessments (DOLS) carried out to date. Child & Family Management is £136k underspend due to a reduction in external legal fees.

The adoption service is £502k underspent based on the number of adoptions made to date and the expected placements to the end of the year.

Physical & Sensory Disabilities - External Placements is £136k underspent due to a reduction in number of placements compared with budget.

Community Care Social Work is £451k underspend due to vacancies at the beginning of the year which have now been filled (£347k) and

additional grant income to fund deprivation of liberty (DOLS) assessments.

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. In November, NPT increased its fees paid to providers by £30 per week-it is too soon to assess the impact this will have on homes and staff recruitment/retention.

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 £44.525m. Presently the Directorate is projected to net overspend by £932k.

Car Parking is anticipating a £211K 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, a reduction in civil enforcement tickets issued and increased running costs of the car parks.

A number of services are experiencing overspends due to the pay award over and above the 4% funded, including neighbour services £239k, parks and open spaces £182k, refuse collection £210k and building cleaning £104k. These service areas will be fully funded in next year's budget.

The refuse service is also experiencing an over spend of £378k due to increased fuel and agency costs.

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 £211k within the civic buildings budget.

Building maintenance is £99k over budget due to increased sub-contractor costs due to inflation.

Planning policy is £128k underspent and support services £128k underspent due to core posts being offset against the Earth project. Waste disposal is also underspent by £260k due to a fluctuation in income which is being closely monitored.

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 £21.587m. Presently the Directorate is projected to underspend by £134k.

Financial services are currently overspent by £107k due to the unfunded element of the pay award and an increase in Welsh Audit Office fees.

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:

	Original Budget £'000	Revised Budget £'000
Levies and contributions		
Fire Authority	8,503	8,503
Other levies and contributions	270	270
Other Expenditure		
Capital Financing	20,496	20,496
Council Tax Support	19,621	19,621
MTFP equalisation	2,200	896
Contingency	1,500	500
Covid hardship fund cessation	2,500	1,530

The central budgets are currently estimating to underspend by £2.077m. The majority of this relates to an underspend of £1.3m in relation to funding allocated for the Council tax support scheme (CTRS). This is due to a reduction in the number of claimant from 17,500 at the height of the Covid pandemic to the current number of 15,800.

Pay award 2022/23

Pay awards for green book staff and teachers has now been agreed. Teachers pay award is 5% from September 2022 and green book staff have all received a set £1,925 per scp from April 2022. This back pay was paid out in November and is included in all the current projections.

The WG settlement allowed for a 4% pay award and this is what has been allocated to individual service directorates. In the base budget for 2023/24, the full pay award has been included.

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	Mobile Phones	£ 25,000	Centralisation of digital services
To Chief Executives from Social Services & Housing	Mobile Phones	£ 142,000	Centralisation of digital services
To Chief Executives from Environment	Mobile Phones	£ 50,000	Centralisation of digital services
To Education, Leisure & Lifelong Learning from Chief Executives	Photocopying/Telphones	£ 25,000	Correction of previous virement
		£ 242,000	

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

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

Due to the cost of living crisis, rising energy prices, inflation and post covid recovery, there is risk within the current budget projections which could result in significant variances.

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 virements set out in the main body of this report.

Reason for Proposed decision

To comply with the Council's constitution in relation to budget for virements.

Implementation of Decision

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

Appendices

Appendix 1 – Reserve Schedule

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 June 2022 £	Additional movements to September 2022 £	Additional movements to December 2022 £	Committed	Total Committed £	Uncommitted reserves
Education, Leisure and Lifelong Learning								
<u>Delegated Schools Reserves</u>								
ERVR Primary	Cr8,161	0	0				0	Cr8,161
Primary Schools	Cr6,888,981	4,989,213	0				4,989,213	Cr1,899,768
Secondary Schools	Cr3,525,205	1,687,049	0				1,687,049	Cr1,838,156
Special Schools	Cr734,244	152,222	0				152,222	Cr582,022
Middle School	Cr1,471,681	962,076	0				962,076	Cr509,605
Repair & Maintenance	Cr161,160	0	0			0	0	Cr161,160
	Cr12,789,433	7,790,560	0	0	0	0	7,790,560	Cr4,998,873
<u>Education, Leisure and Lifelong Learning Other</u>								
Additional learning needs reserve	Cr1,051,000	0	0		Cr400,000		Cr400,000	Cr1,451,000
Equalisation Account-Education	Cr2,409,500	25,000	100,000	50,000	Cr120,000	462,462	517,462	Cr1,892,038
Home to School Transport	Cr290,570	38,000	252,570				290,570	0
	Cr3,751,070	63,000	352,570	50,000	Cr520,000	462,462	408,032	Cr3,343,038
Total Education Leisure & Lifelong Learning	Cr16,540,503	7,853,560	352,570	50,000	Cr520,000	462,462	8,198,592	Cr8,341,911
<u>Social Services, Health and Housing</u>								
Homecare ECM Equipment reserve	Cr96,756	0	0				0	Cr96,756
Community Care Transformation Reserve	Cr4,206,561	66,000	0	2,640,900	Cr750,000		1,956,900	Cr2,249,661
Children's Residential Placements	Cr276,000	0	0	276,000			276,000	0
SSHH IT Renewals Fund	Cr1,900,000	0	0				0	Cr1,900,000
Social Services Equalisation	Cr5,700,114	2,330,000	0				2,330,000	Cr3,370,114

Description	Reserve Balance at 1st April 2022 £	Original budget reserves 2022/23	Additional movements to June 2022 £	Additional movements to September 2022 £	Additional movements to December 2022 £	Committed	Total Committed £	Uncommitted reserves
Community Resilience Fund	Cr1,750,000	0	0				0	Cr1,750,000
Housing Warranties Reserve	Cr220,000	0	0				0	Cr220,000
Hillside General Reserve	Cr581,098	0	0	150,000			150,000	Cr431,098
Ring fenced homecare funding	Cr450,000	0	0	216,000			216,000	Cr234,000
Youth Offending Team Reserve	Cr167,897	0	0				0	Cr167,897
Adoption Service	Cr500,000	0	0				0	Cr500,000
Total Social Services, Health and Housing	Cr15,848,426	2,396,000	0	3,282,900	Cr750,000	0	4,928,900	Cr10,919,526
<u>Environment</u>								
Transport Reserve	Cr281,541	60,000	0		Cr52,612		7,388	Cr274,153
Asset Recovery Incentive Scheme	Cr125,894	81,301	0				81,301	Cr44,593
Swansea Bay City Deal	Cr333,786	112,786	0				112,786	Cr221,000
Local Development Plan	Cr365,014	31,890	0		Cr30,000		1,890	Cr363,124
Parking improvement	Cr190,000	0	0	47,000	80,000	0	127,000	Cr63,000
DARE Reserve	Cr2,000,000	0	0				0	Cr2,000,000
Waste Reserve	Cr898,152	0	Cr90,000				Cr90,000	Cr988,152
Winter Maintenance Reserve	Cr604,429	0	0				0	Cr604,429
Neath Market	Cr253,107	0	0				0	Cr253,107
Baglan Bay Innovation centre - dilapidation reserve	Cr177,517	100,000	0				100,000	Cr77,517
Renewable Energy Reserve	Cr17,959	0	0				0	Cr17,959
Environmental Health - Housing Equalisation	Cr130,000	35,000	0				35,000	Cr95,000
LAWDC Contingency Reserve	Cr815,177	0	0				0	Cr815,177

Description	Reserve Balance at 1st April 2022 £	Original budget reserves 2022/23	Additional movements to June 2022 £	Additional movements to September 2022 £	Additional movements to December 2022 £	Committed	Total Committed £	Uncommitted reserves
Workways - NPT	Cr290,435	0	0				0	Cr290,435
Environment Equalization Reserve	Cr1,065,291	287,278	221,500		Cr140,000		368,778	Cr696,513
Metal box Reserve	Cr930,327	776,418	Cr150,000	Cr476,000			150,418	Cr779,909
Pantteg Landslip Reserve	Cr500,000	0	0				0	Cr500,000
							0	0
<u>Trading Account</u>							0	0
Operating Account -Equalisation	Cr36,043	0	0				0	Cr36,043
Vehicle Tracking	Cr92,186	0	0				0	Cr92,186
Vehicle Renewals	Cr2,330,047	Cr1,196,081	Cr177,600		622,244		Cr751,437	Cr3,081,484
Total Environment	Cr11,436,905	288,592	Cr196,100	Cr429,000	479,632	0	143,124	Cr11,293,781
<u>Chief Executives</u>								
Elections Equalisation Fund	Cr350,139	Cr15,000	0				Cr15,000	Cr365,139
Health & Safety/Occupational Health	Cr40,501	0	0				0	Cr40,501
Digital Transformation Reserve	Cr1,170,000	0	0		0		0	Cr1,170,000
Schools IT Equalisation (HWB)	Cr600,000	0	0	330,000			330,000	Cr270,000
Development Fund for Modernisation	Cr76,032	0	0				0	Cr76,032
Digital renewal reserve	Cr1,233,394	400,000	0		Cr430,000		Cr30,000	Cr1,263,394
Chief Executives Equalisation Reserve	Cr164,236	50,500	0		Cr67,000	0	Cr16,500	Cr180,736
Organisational development reserve	Cr5,020,936	0	0		278,000	1,222,000	1,500,000	Cr3,520,936
Building Capacity	Cr155,295	138,000	Cr10,000		Cr32,000		96,000	Cr59,295
Voluntary Organisation Reserve	Cr86,430	0	0				0	Cr86,430
Total Corporate Services	Cr8,896,963	573,500	Cr10,000	330,000	Cr251,000	1,222,000	1,864,500	Cr7,032,463

Description	Reserve Balance at 1st April 2022 £	Original budget reserves 2022/23	Additional movements to June 2022 £	Additional movements to September 2022 £	Additional movements to December 2022 £	Committed	Total Committed £	Uncommitted reserves
<u>Corporate Other</u>								
Insurance Reserve	Cr4,725,382	280,000	0	0			280,000	Cr4,445,382
Covid recovery	Cr2,800,000	0	0	0	1,679,000	638,000	2,317,000	Cr483,000
Income Generation Reserve	Cr1,713,230	0	0	0			0	Cr1,713,230
Members Community Fund Reserve	Cr513,633	0		0		513,633	513,633	0
Capital support reserve	Cr683,447	0	0	0			0	Cr683,447
Hardship relief scheme	Cr2,000,000	0	0	0		2,000,000	2,000,000	0
Service resilience	Cr2,000,000	1,435,722	0	Cr148,294	Cr187,500	1,500,000	2,000,000	0
Discretionary fund	Cr1,401,836	0	0	0	1,401,836	0	1,401,836	0
Corporate Contingency	Cr4,567,000	702,000	Cr48,000	249,685	Cr32,150	1,391,000	2,862,4635	Cr1,704,537
Treasury Management Equalisation Reserve	Cr8,594,046	325,000	0	500,000		0	825,000	Cr7,769,046
Accommodation Strategy	Cr2,273,580	0	0	0			0	Cr2,273,580
Total Corporate Other	Cr31,272,154	2,742,722	Cr48,000	601,391	2,861,186	6,042,633	12,199,932	Cr19,072,222
<u>Joint Committee</u>								
Margam Discovery Centre - Building Maintenance Reserve	Cr59,774	Cr57,333	0				Cr57,333	Cr117,107
Workways - Regional Reserve	Cr167,991	0	0				0	Cr167,991
Environment Legacy Reserve (SWTRA)	Cr59,728	0	0				0	Cr59,728
Substance Misuse Area Planning Board	Cr34,847	0	0				0	Cr34,847
WB Safeguarding Board Reserve	Cr113,265	0	0				0	Cr113,265
Intermediate Care pooled fund	Cr192,925	0	0	192,925			192,925	0
Total Joint Committee	Cr628,530	Cr57,333	0	192,925	0	0	135,592	Cr492,938

Description	Reserve Balance at 1st April 2022 £	Original budget reserves 2022/23	Additional movements to June 2022 £	Additional movements to September 2022 £	Additional movements to December 2022 £	Committed	Total Committed £	Uncommitted reserves
Total All Earmarked Reserves	Cr84,623,481	13,797,041	98,470	4,028,216	1,819,818	7,727,095	27,470,640	Cr57,152,841
General Reserve	Cr20,150,693	0	0			400,000	400,000	Cr19,750,693
TOTAL ALL REVENUE RESERVES	Cr104,774,174	13,797,041	98,470	4,028,216	1,819,818	8,127,095	27,870,640	Cr76,903,534

