

Civic Centre, Castle Street,
Merthyr Tydfil CF47 8AN

Main Tel: 01685 725000

www.merthyr.gov.uk



CABINET REPORT

Date Written	11 th November 2020
Report Author	Steve Jones / Ian Kent / Adam Price
Service Area	Finance
Committee Division	Strategic
Exempt/Non Exempt	Non Exempt
Committee Date	25 th November 2020

To: *Chair, Ladies and Gentlemen*

Revenue Budget Monitoring 2020/21 – Quarter 2

1.0 SUMMARY OF THE REPORT

- 1.1 The report details the projected revenue outturn for 2020/21 as at 30th September 2020, that is the 2nd Quarter, and was considered at Budget Board on 11^h November 2020.
- 1.2 The report advises Cabinet of the projected outturn position for the 2020/21 financial year whilst focusing on projected major budget variances.
- 1.3 A net revenue deficit of £504,000 is projected for the financial year with budget deficits of £433,000 projected for Corporate Services, £469,000 for the Finance Department and £430,000 projected for Corporate Authority. These deficits have been offset by projected Covid-19 Loss of Income funding of £1.2 million.

2.0 RECOMMENDATION(S) that

- 2.1 The Revenue Budget Monitoring report for the 2020/21 financial year based on 2nd Quarter projections be accepted.
- 2.2 Budget Virements outlined in Appendix 2 be approved.
- 2.3 Managers to urgently address projected budget deficits within their respective service areas, identifying all possible remedial measures to offset projected deficits, be approved.

- 2.4 Managers to continue to monitor **all** revenue budgets and immediately notify the Chief Finance Officer of potential financial difficulties, be approved.

3.0 INTRODUCTION AND BACKGROUND

- 3.1 Regular planned budget monitoring is crucial in ensuring effective financial stewardship and accountability and is governed by the Chartered Institute of Public Finance and Accountancy's recommended best working practices.
- 3.2 It is considered critical that Budget Monitoring arrangements are continually reviewed and enhanced to ensure continued effectiveness with robust challenge provided by both the Budget Board and the Change and Wellbeing Programme Board.
- 3.3 This report details the net revenue expenditure position for the period 1st April 2020 to 30th September 2020 (2nd Quarter) and revenue outturn projections for the 2020/21 financial year, and was considered at Budget Board of 11^h November 2020.

4.0 FINANCIAL PROJECTIONS 2019/20

- 4.1 Detailed in Appendix 1 is the summary Revenue Budget Monitoring statement as at 30th September 2020, with a net revenue deficit of £504,000 projected for the 2020/21 financial year.
- 4.2 Detailed in Appendix 2 are requested Budget virements resulting from budget re-alignment, required investment and departmental re-configuration.

5.0 MAJOR VARIANCES

Social Services

- 5.1 The Social Services Department is projected to underspend by £65,000. However there is a significant overspend of £1.120 million projected for CLA Residential placements due to 3 new placements and additional costs to avoid secure placements.
- 5.2 A surplus of £354,000 is projected for CLA Independent Fostering Agencies and a deficit of £218,000 is projected for CLA fostering In house Fostering. 5 placements have transitioned from IFA's into in house fostering.
- 5.3 A deficit of £131,000 is projected for the Homes for the Elderly mainly due to high levels of staff sickness not due to Covid19 within the southern Home.

- 5.4 A surplus of £144,000 is projected for Llysfaen Fach due to an underspend on Agency and overtime payments.
- 5.5 A surplus of £202,000 is projected for Independent Domiciliary Care due to a significant reduction of weekly hours currently 2513 weekly hours compared to 3000 budgeted. This has been a trend through 20/21 and may be an ongoing trend as services evolve through Covid19 impacts.
- 5.6 A surplus of £478,000 is projected for Independent Residential Establishments, there have been a net reduction due to deaths/discharges since the start of the year. The current pandemic is impacting on care home admissions so numbers are lower than the anticipated levels within the MTFP.
- 5.7 The projections within Social Services take into account all known Covid19 related financial issues. However there is an acknowledgement there are probably unknown pressures specifically within Children Services that will emerge as we move out of lockdown.

Places & Transformation

- 5.8 A deficit of £87,000 is projected against the Orbit Centre. The Centre is still receiving income from tenants but there is no conference income, an assumption has been made that conferences will not be held for the remaining financial year. This has improved by £48,000 since month 5 due to a customer hiring room space for a 4 month period.
- 5.9 A deficit of £476,000 is projected against Revenues, the projection is based on no bailiff fees or court costs recovered for the remaining year, this situation may improve.
- 5.10 A deficit of £340,000 is projected against Parking Services due to a loss of significant income. The Multi-Storey Car Park is now open but with significant people still working from home the projection is based on the current income levels remaining for the financial year.

Corporate

- 5.11 A deficit of £430,000 is projected for the Corporate Authority budget. The most significant issue is a projected overspend of £419,000 against the Council Tax Benefit Payments budget resulting from greater demand. The number of cases has increased by 225 since March 2020, an increase of 3.6%. There is indication from WG that £256,000 will be funded, to date we have received £64,000. There is significant risk there will be further pressures against this budget as the Job Retention Scheme comes to an end.

COVID-19

- 5.12 The Authority has had to incur additional expenditure in dealing with the pandemic. The major additional costs which have been incurred are:-
- Free School meals - Initially making food parcels available to families entitled to free school meals, later moving to a cash payment or voucher of £3.90 per FSM child. This scheme was extended throughout school holidays until end of August 2020 at a cost of £1.117 million. This has been 100% funded from the Hardship fund.
 - A new responsibility to provide temporary accommodation to everyone who presents as homeless, until suitable housing can be found. It is estimated that this could cost £770,000 for the year. These costs will be claimed from the Hardship fund.
 - Provide additional payments to private residential and nursing homes to mitigate the additional costs faced by these homes in dealing with the pandemic. Payments have also been made to homes to fund vacant beds.
 - ICT costs to allow office based staff to work from home, WG have funded 50% of these costs from the Hardship fund up to June. To date £205,000 ICT costs will need to be funded by the Authority. These costs have been made as an investment to allow homeworking and they could be funded from the Authority's Investment Fund.

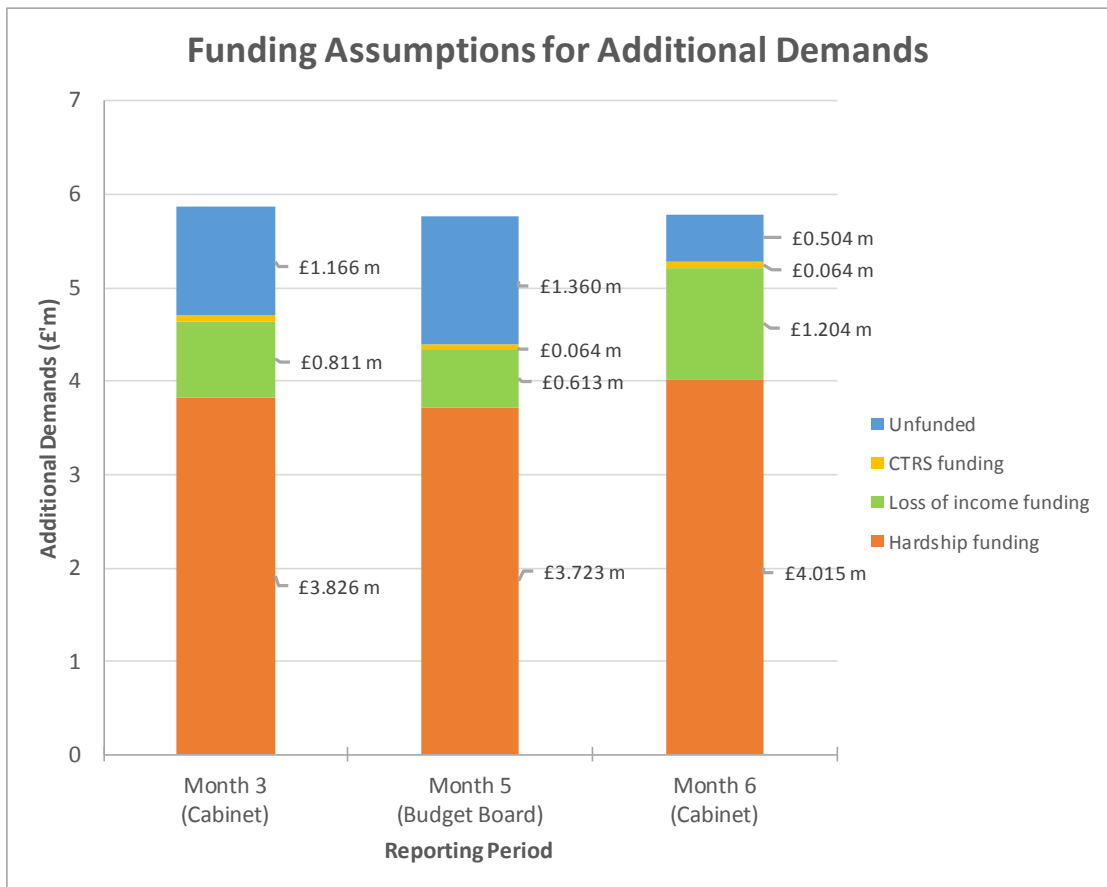
To date, the Council has claimed £2.775m for costs incurred for March-September from the Hardship Fund.

- 5.13 Welsh Government have made £78m available across Wales to fund loss of income in Quarter 1 April- June. The Authority was paid £668k for Q1.
- 5.14 Council Tax forms part of the overall funding available to the Authority. A reduced collection rate, current down by 1.8% will impact the Council's cash flow and the Collection fund surplus budget of £850,000 could be affected. It is difficult to quantify at this point in time and will depend on the economic recovery, as lockdown is eased and the Job Retention Scheme ends people's ability to pay their Council Tax may change significantly. An estimate of £815,000 has been made at month 6 based on the correct information available, but the situation will be monitored closely throughout the year, if the collection rate remains low the probability of higher levels of bad debt write-off will increase.

6.0 FINANCIAL IMPLICATIONS

- 6.1 A net deficit budget outturn of £504,000 is projected for 2020/21 based on the financial position as at 30th September 2020.
- 6.2 The Authority is still awaiting confirmation from Welsh Government regarding funding to support the Council Tax Reduction Scheme for Quarters 2-4, and has sought further clarity from the Welsh Government panel on whether the loss of bailiff and court costs income can be funded.

6.3 The chart below shows the projected value of additional demands in 2020/21 as reported to date, and our assumptions of how this will be funded.



7.0 INTEGRATED IMPACT ASSESSMENT

	Positive Impacts	Negative Impacts	Not Applicable
1. Merthyr Tydfil Well-being Objectives	4 of 4	0 of 4	0 of 4
2. Sustainable Development Principles - How have you considered the five ways of working: <ul style="list-style-type: none"> • Long term • Prevention • Integration • Collaboration • Involvement 	5 of 5	0 of 5	0 of 5
3. Protected Characteristics <i>(including Welsh Language)</i>	0 of 10	0 of 10	10 of 10
4. Biodiversity	0 of 1	0 of 1	1 of 1
<p>Summary:</p> <p>The main positive impacts are that the report contributes to the financial sustainability of the Council and therefore enables the continued delivery of essential Council services.</p>			

ELLIS COOPER
CHIEF EXECUTIVE

COUNCILLOR ANDREW BARRY
CABINET MEMBER FOR GOVERNANCE
AND CORPORATE SERVICES

BACKGROUND PAPERS		
Title of Document(s)	Document(s) Date	Document Location
Revenue Budget Monitoring Working Papers	April 2020 to September 2020	Accountancy Department
Does the report contain any issue that may impact the Council's Constitution?		No

Consultation has been undertaken with the Corporate Management Team in respect of each proposal(s) and recommendation(s) set out in this report.

Corporate Summary

Summary	30-Jun-20 Budget 2020/21	Vacant Post Virements	Pay award	Other Virements	30-Sep-20 Budget 2020/21	Outturn Month 6	Year End Projection	Variance	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	%
People and Performance									
Social Services, Chief Officer Social Services	34,253	-118	106	0	34,241	13,854	34,176	-65	-0.19
Learning, Chief Officer Education	49,243	3	65	0	49,311	46,787	49,486	175	0.35
Covid-19 Loss of Income Funding	0	0	0	0	0	-131	-237	-237	0.00
Total	83,496	-115	171	0	83,552	60,510	83,425	-127	-0.15
Place and Transformation									
Deputy Chief Executive Services	2,017	-3	0	-2,014	0	0	0	0	0.00
Community Regeneration	3,937	-4	19	2,615	6,567	3,867	6,565	-2	-0.03
Neighbourhood Services	11,362	-2	53	-2	11,411	5,750	11,673	262	2.30
Corporate Services	4,164	-37	16	-2,538	1,605	999	2,058	453	28.22
Finance	1,345	-9	24	1,844	3,204	1,974	3,691	487	15.20
Legal	1,414	0	5	-71	1,348	675	1,365	17	1.26
Human Resources & Organisational Development	706	0	6	0	712	261	706	-6	-0.84
Corporate Communications	0	0	2	184	186	115	197	11	5.91
Covid-19 Loss of Income Funding	0	0	0	0	0	-537	-967	-967	0.00
Total	24,945	-55	125	18	25,033	13,104	25,288	255	1.02
Corporate Costs									
Corporate Management - Executive	1,426	-45	11	-20	1,372	644	1,342	-30	-2.19
Corporate Authority	18,061	0	0	0	18,061	5,943	18,491	430	2.38
Covid-19 Support for CTRS	0	0	0	0	0	-64	-64	-64	0.00
Total	19,487	-45	11	-20	19,433	6,523	19,769	336	1.73
Contributions / Recharges									
Non General Fund Allocations	-835	0	0	0	-835	0	-835	0	0.00
Discretionary Non Domestic Rate Relief	94	0	0	0	94	0	94	0	0.00
Collection Fund Surplus	-850	0	0	0	-850	0	-815	35	-4.12
Corporate Vacancy Factor	-233	215	0	0	-18	0	-218	-200	1,111.11
Redundancy & EPP /slippage	706	0	0	0	706	0	706	0	0.00
Contribution to Budget Reserve	300	0	0	0	300	0	300	0	0.00
Provision for Further Commitments	423	0	-307	2	118	0	118	0	0.00
Total	-395	215	-307	2	-485	0	-650	-165	34.02
COVID19 CODES									
Education	0	0	0	0	0	1335	1335	1,335	100.00
Social Services	0	0	0	0	0	750	1356	1,356	100.00
Neighbourhood Services	0	0	0	0	0	111	111	111	100.00
Housing	0	0	0	0	0	290	770	770	100.00
Corporate	0	0	0	0	0	382	440	440	100.00
Covid 19 - Registrars	0	0	0	0	0	1	1	1	100.00
Covid 19 - Public Protection & Health	0	0	0	0	0	2	2	2	100.00
Covid-19 Hardship Funding	0	0	0	0	0	-2775	-4015	-4,015	100.00
IT Homeworking Equipment	0	0	0	0	0	46	205	205	101.00
Total	0	0	0	0	0	142	205	205	100.00
Net Expenditure	127,533	0	0	0	127,533	80,279	128,037	504	0.39

General Fund Revenue Budget Monitoring 2020/21 (As at 30 September 2020)

Proposed Budget Virements

Appendix 2

Virement From		Virement To		Reason for Virement
Budget	Amount £'000	Budget	Amount £'000	
EOTAS (PRU) Ty Dysgu	-15	Individual Schools Budget (ISB)	15	Correction of previous virement which was over inflated.
New Teacher 1 - Elected Home Education	-35	Elected Home Education	35	To reflect the current structure.
ICT Computers (Deputy Chief Executive Services)	-1392	ICT Computers (Finance)	1392	To reflect the current structure.
Schools ICT Team (Deputy Chief Executive Services)	0	Schools ICT Team (Finance)	0	To reflect the current structure.
ICT Printing (Deputy Chief Executive Services)	-138	ICT Printing (Finance)	138	To reflect the current structure.
Business Change & Risk Management (Deputy Chief Executive Services)	-285	Business Change & Risk Management (Community Regeneration)	285	To reflect the current structure.
Corporate Communication Team inc Contact (Deputy Chief Executive Services)	-112	Corporate Communication Team inc Contact (Corporate Communications)	112	To reflect the current structure.
News Merthyr/Contact Supplement (Deputy Chief Executive Services)	-1	News Merthyr/Contact Supplement (Corporate Communications)	1	To reflect the current structure.
Emergency Planning (Deputy Chief Executive Services)	-86	Emergency Planning (Community Regeneration)	86	To reflect the current structure.
Street Cleansing	-1	ICT Computers	2	Budgets moved for the GIS system.
Waste Strategy	-1			
Development Planning	-9	Building Control	9	Underspend on vacant Heritage & Conservation Officer post vired to cover cost of Apprentice Building Control Officer post
Revenues (Corporate Services)	83	Revenues (Finance)	-83	Revenue department now reports directly to Chief Finance Officer.
Benefits (Corporate Services)	-395	Benefits (Finance)	395	Benefits department now reports directly to Chief Finance Officer.
Leisure Trust (Corporate Services)	-2,423	Leisure Trust (Community Regeneration)	2,423	To reflect the current structure.
Retained Leisure (Corporate Services)	-88	Retained Leisure (Community Regeneration)	88	To reflect the current structure.
Sports Development (Corporate Services)	0	Sports Development (Community Regeneration)	0	To reflect the current structure.
Mayor Expenses (Legal)	-71	Mayor Expenses (Corporate Communications)	71	To reflect the current structure.
Corporate Management	-20	Economic Development	20	Vire part of vacant Chief Officer salary to cover temporary increase in grade for Head of Housing & Regeneration.

General Fund Revenue Budget Monitoring 2020/21 (As at 30 September 2020)

Appendix 3

Major Variances

Ref.	Budget Head	Variance £'000	Variance %	Explanation	Action Taken to address
1	MTCBC Homes For the Elderly	131	7.47	Southern Home (projecting an overspend of £118k) - delays in filling vacancies resulting in agency costs and salary costs as a result of covering. Most vacancies have now been filled, however, staff cover still required going forward owing to staff sickness and isolation and owing to covid 19. Occupancy levels have also fallen by 7 resulting in a loss of projected income. Northern Home projecting overspend of £3k mainly owing to salaries and agency costs because of staff covering sickness/shielding due to the covid 19. Recent outbreak at both homes. This includes projected income from the hardship fund and the national fee uplift up to 31st March which equates to £62k for the Northern Home and £130k for the Southern Home.	Continue to monitor
2	MTCBC Group Home (Llysaen Fach)	-144	-15.17	Delays in filling posts because of covid 19. Projecting an underspend against agency and overtime based on current spend.	Continue to monitor.
3	Transport	-27	-10.07	Reduced attendance at day centres resulting in reduction in transport and therefore payments.	Continue to monitor.
4	Supported Placements	-180	-5.10	(£94k) - Current "known" Demands (25 within MTFP currently 27 in year and 26 ongoing) - includes all inflationary uplift costs (£83k) - New Service Demand (2 within MTFP (1 High and 1 Lower Cost) - currently 4 in year and 4 ongoing all Lower Cost) (£20k) - ICF Complex Transition Cases Grant £23k - Income (Joint funding) (6 within MTFP currently 5 in year and 5 ongoing) £2k - Supported Living Placements (£4k) - Transition Adult Services (£4k) - LD Packages Partnership Fund	No action needed
5	Shared Lives	39	10.71	£70k - Current "known" Demands (13 within MTFP currently 15 in year and 15 ongoing) (£22k) - New Service Demand (2 within MTFP currently 3 in year and 3 ongoing) (£22k) - Sessional Usage - currently lower than anticipated £13k - Annual recharge increase as demand on service increases	No action needed
6	Independent Domiciliary Care	-202	-8.93	Current service demand for service from Framework providers significantly reduced from MTFP budget setting estimates. Weekly hours 2513 rather than 3000 anticipated. Non-Framework providers picking up service that Framework providers cannot 597hrs@Sept. This has been a trend through 20/21 and may be an ongoing trend as services evolve through Covid19 impacts. Income is also impacted as services are cancelled or transferred to other service types	No action needed
7	Independent Residential Establishments (IRE's)	-478	-8.31	Projection is based on current IRE population (163 commissioned beds). There have been a net reduction due to deaths/discharges since the start of the year. Current Pandemic is impacting on Care Home admissions so numbers are considerably lower than the anticipated levels within the MTFP and may be an ongoing trend as services evolve through Covid19 impact.	No action needed

General Fund Revenue Budget Monitoring 2020/21 (As at 30 September 2020)

Appendix 3

Major Variances

Ref.	Budget Head	Variance £'000	Variance %	Explanation	Action Taken to address
8	Children with Disabilities	-128	-17.46	(£66k) - Current "known" Demands (60 within MTFP currently 55 in year and 47 ongoing) (£24k) - New Service Demand (4 within MTFP currently and 1 ongoing) (£8k) - Recovery of Balances (over contingency levels) (£14k) - FF MIA new in year grant allocation (£16k) - Reduced demand on Leisure Link services and their related transport related expenditure. This has been a trend through 20/21 and may be an ongoing trend as services evolve through Covid19 impacts	No action needed
9	CLA Residential Placement Services	1120	52.56	£745k - Current "known" Demands (11 within MTFP currently 13 in year and 11 ongoing) £375k - New Service Demand (2 within MTFP currently 3 in year and 3 ongoing)	Continue to monitor
10	CLA Fostering - Independent Fostering Agencies (IFA's)	-354	-17.24	(£324k) - Current "known" Demands (49 within MTFP currently 44 in year and 38 ongoing) £25k - New Service Demand (3 within MTFP currently 4 'actual' in year and 5 ongoing) (£55k) - 4c's Commissioning Unit (Levy Income balances 18/19 and 19/20 received)	Continue to monitor
11	CLA Fostering - In House, Kinship & Emergency/Respite Fostering Services	218	14.33	£82k - In House Fostering Current "known" Demands (45 within MTFP currently 48 in year and 41 ongoing) £6k - In House Fostering New Service Demand (10 within MTFP currently 12 in year and 8 ongoing) (£69k) - In House One-Off Allowances & Scale Payments (65 within MTFP currently 60 in year and 49 ongoing) and (£2k) - Other Supporting Services £32k - Kinship Current "known" Demands (36 within MTFP currently 51 in year and 40 ongoing) £104k - Kinship New Service Demand (4 within MTFP currently 22 in year and 17 ongoing) £6k - Kinship One-Off Allowances (40 within MTFP currently 73 in year and 57 ongoing) £6k - CLA Overarching; Respite and emergency Service £53k - Therapeutic/Psychological & Counselling Services	Continue to monitor
12	Multi Agency Safeguarding Hub (MASH)	22	7.41	Business case approved for additional grade 9 post which has recently been appointed to. Costs projected from November.	Continue to monitor .
13	Adoption Services	-24	-17.65	(£11k) - Current "known" Demands (14 within MTFP currently 12 in year and 11 ongoing) (£13k) - New Service Demand (4 within MTFP currently 2 'actual' in year and 4 ongoing)	No action needed
14	School Meals	88	419.05	Loss of income from school meals which is partly being offset by food costs. Includes amounts that cannot be claimed for providing FSM for the period 01-11/09/2020 and for providing FSM since that time to pupils who are shielding.	
15	Special Tuition	50	28.57	Projection for room hire and transport costs higher than budgeted. The projected overspend is based on an increase of 50% pupils (23 pupils) from September - March 2021. This is based on historic trends and may outturn higher or lower depending on the actual number of pupils utilising Special tuition.	Continue to monitor
16	Integrated Children Centre	26	50.00	Loss of income from room hire due to covid 19.	Continue to monitor

General Fund Revenue Budget Monitoring 2020/21 (As at 30 September 2020)

Appendix 3

Major Variances

Ref.	Budget Head	Variance £'000	Variance %	Explanation	Action Taken to address
17	Corporate Communications	26	23.01	Loss of income due to member of staff being on long term sick and additional hours required for another member of staff	Continue to monitor.
18	Orbit Business Centre	87	-108.75	Loss of conference income due to pandemic.	Continue to monitor.
19	Transport	-141	-7.96	Less term time days than budgeted for (MTFP based on average 190 days mainstream and 179 college), plus we were paying 75% of transport contract costs whilst schools were closed. Contract savings were projected to be £164k but contract amendments due to additional requirements has reduced this to £131k. Additionally we have received confirmation that we will continue to receive the concessionary fares administration grant as per 2019/20 until Welsh Government undertake discussions of future funding arrangements. Since 3 months notice is required we have budgeted for 2/3rds of the admin fee received in 19/20 (£36k) since the 3 month notice period would mean any changes could only take effect at the end of December at the earliest, As a result of termination of bus station leases, rental income is down by £8k and departure charge income is estimated to be down by £24k.	We will continue to monitor the situation. Staggered opening times for 2 schools has resulted in four additional buses at a cost of £480 per day. It is assumed that these costs will be eligible for reimbursement from the Hardship Fund and will be included in the October 2020 claim.
20	Grounds Maintenance	58	4.54	Combination of overtime and security being over budget (ash dieback works required) plus amendments to projection on recharges (less grass cuts) and fees and charges. The additional expenditure and loss of income has been partly offset by amendments to expenditure projections.	Some of the lost income can be attributable to covid e.g. pitch fees and will be included on the loss of income claim to Welsh Government. We will continue to monitor
21	Corporate Property & Estates Division	78	14.03	Additional costs incurred for 24hr security at Taff and Crescent Street in Merthyr Vale (April to July).	No further action required. The site has now been demolished.
22	Planning - Development Control	70	41.92	Reduction in Planning fee income due to pandemic.	Continue to monitor.
23	Building Control	30	46.15	Reduction in Building control fee income due to pandemic.	Continue to monitor.
24	CCTV	56	70.89	Decision to reduce staffing has been reversed, so there are unbudgeted staff costs of £77k but these are offset by a projected reduction in the repair and maintenance budget of £30k and £11k reduction in broadband and telephone budget. Replacement cabling required so £19.6k contribution to capital needed.	Salary costs will be added back into the MTFP. Continue to monitor
25	Parking Services	340	-92.39	Reduction in Car Parking income due to pandemic and Working from home policy	Continue to monitor and update MTFP accordingly
26	Civil Parking Enforcement	38	140.74	Reduction in Civil Parking enforcement notices issued and paid due to pandemic	Continue to monitor.
27	Revenues	479	544.32	Loss of all Bailiff & Court Cost recoveries income assumed	Continue to monitor.
28	Council Tax Benefit Payments	419	6.66	Additional claims due to Covid 19	Continue to monitor.
29	IT Homeworking Equipment	205	101.00	Additional costs IT costs to enable homeworking. Includes hardware costs not eligible for the Welsh Government Hardship funding, and software (i.e. Microsoft Office 365) costs.	Hardware costs are considered to be a one off investment, however, an annual budget will be required for the software costs. The hardware costs could be funded from the Authority's investment fund.