

Report

Cabinet

Part 1

Date: 11 November 2020

Subject **September Revenue Budget Monitor**

Purpose To highlight the current forecast position on the Council's revenue budget and the risks and opportunities that present themselves within the September position.

Author Head of Finance (HoF)

Ward All

Summary

The September 2020 revenue position forecasts an underspend of £1,679k. This is an improvement on the July forecast (£683k overspend), and reflects the confirmation of funding made available from Welsh Government (WG) in relation to Covid related lost income and increased expenditure for the full financial year. The bottom line underspend is inclusive of the £1.4m revenue budget contingency which is currently not required. It therefore makes up the vast majority of the underspend with a small c£200k underspend from service and non –service budgets. If service/non-service budget positions worsen in the coming months, the contingency may be required to offset those and therefore, from a financial position, the Council is in a good position entering the second half of this most challenging financial year.

As well as an improved position coming from reimbursement of Covid related expenditure/lost income, other non-Covid related service area forecasts have improved significantly since the July update and it is pleasing to note that around £400k of the improvement is in respect of the delivery of MTFP savings. Not only does this give rise to an in year improvement in the financial position but also removes the additional pressure of having to deliver these savings when new budget savings are likely to be required for full delivery from 1st April 2021. There is still a significant budget variance resulting from non-delivery of MTFP budget savings and represents the largest individual budget variance / issue at this time.

Whilst confirmation of WG support for Covid related expenditure / lost income has allowed officers to 'firm up' on a number of projections, there does remain a level of unavoidable uncertainty on the forecasts. The future of the pandemic and the likely financial consequence of further local and national lockdowns is unknown at this time.

Although overall an underspend is forecast there remain key budget issues in a number of areas. The key areas of overspending include:

(i)	Undelivered 2020/21 and prior year budget savings	£1,159k
(ii)	Increased demand for independent fostering agencies	£450k
(iii)	Impact of on-going school budget overspending	£186k

These overspends have been offset by savings against other service / non-service area underspends totalling £2,001k resulting in a small underspend of c£200k which to this is then added the currently unused general contingency budget £1,473k.

Another area of significant concern is the level of forecast overspending across schools though the HoF is currently asking schools to review their current projections in light of the cost savings they have and continue to make resulting from closures back in the Spring/Summer Terms and support given to them with Covid related expenditure. Schools are currently forecasting an overspend of £1,299k and given the rate at which the schools reserves have reduced over the last 2-3 years these reserves are now insufficient to cover this level of forecast overspend in full. Whilst an improvement on the July update this continues to cause problems for the Council in that a net £186k overspend and a forecast negative reserve at the end of the financial year will need to be funded by other Council budgets or from other Council reserves. This will have on-going negative consequences as set out within the report.

Appendix 1 Overall budget dashboard – September 2020
Appendix 2 Revenue summary monitor – September 2020
Appendix 3 Schools funding and balances
Appendix 4 Planned movement in reserves

Proposal

Cabinet is asked to:

- Note the overall budget forecast position and the significant overspending areas which is predominately resulting from undelivered MTFP savings impacted by the on-going pandemic, the risks associated with this and recommend that HoS continue to focus on implementation of agreed savings as soon as is possible;
- Note the planning assumptions within the forecast position and in particular, the uncertainty around (i) the ongoing impact that Covid will have upon service areas and (ii) funding support available from Welsh Government (WG) for the remainder of the financial year;
- Note the forecast movements in reserves;
- Note the significant financial challenges facing schools and the serious impact it will likely have on the Councils other revenue budgets and reserves and that further work is in progress to review forecasts..

Action by

Cabinet Members / Head of Finance/ Senior Leadership Team / Corporate Management Team to:

- HoS complete their review of key demand areas which are forecasting an overspending position to take action/ mitigate where possible financial pressures in future years;
- HoS deliver agreed 2020/21 budget savings as soon as practically possible under the current situation but by end of the financial year at latest;
- Promote and ensure robust forecasting throughout all service areas.

Timetable

On going
This report was prepared after consultation with:

Chief Executive
Heads of Service
Budget Holders
Accountancy Staff

Signed

1 Background

- 1.1 Since the confirmation from Welsh Government (WG) of Covid-19 financial support for specific areas and greater certainty of this funding continuing to end of the financial year that has allowed the release of the general contingency budget; the September forecast shows a much-improved position of £1.7m underspend (£683k overspend in July).
- 1.2 At this stage of the year, this is a very positive position, but there is a need to be mindful that as we move into the second wave of the pandemic, there may be currently unknown costs that arise in the coming months, which will affect the current forecast.
- 1.3 The positive position reflects that the significant additional costs and loss of income in relation to Covid-19 have been funded by the WG hardship fund, and the Council has been able to manage its other expenditure within its overall budgets including staff savings and specific savings resulting from new ways of working over this period e.g. less travel, across the Council.
- 1.4 The key changes to forecasts since the July update relate to the following:

July forecast	£683k
Reduction in service area forecast overspend	(£864k)
Reduction in schools forecast overspend	(£119k)
Non service (inc. C Tax collection and CTRS)	<u>£94k</u>
Sub Total – service/non-service budgets	(£206k)
General contingency budget	(£1,473k)
Overall September forecast	(£1,679k)

- 1.5 Whilst it is evident that the Covid-19 virus and associated lockdown measures have had significant financial implications for the Council, in terms of both additional costs and loss of income the financial support in the form of the hardship fund has meant that the financial consequence to the council has been kept to a minimum. That said, these issues are in addition to the 'usual' challenges placed upon the Council budget and, in addition, the reality is that the council could be facing the consequence of the pandemic and the impact of the economic downturn for many months and years to come. The key areas likely to be affected include:
- (i) Demand led service areas and delivering agreed savings, which have been directly or indirectly affected by the current situation;
 - (ii) Impact of on-going school budget overspending;
 - (iii) Demand for council tax reduction scheme and the downturn in council tax collection rates, especially as furlough scheme ends and the ongoing economic impact of the pandemic.
- 1.6 The following section highlights the key areas contributing to the position as well as the risks embedded within these forecasts.

2 Key areas contributing to position

- 2.1 The following highlights the key areas that contribute to the overall Council position, with the report providing further details below:

(i) Loss of income resulting from Covid-19 (para 2.4)	£2,933k
(ii) Offset by WG funding	(£2,933k)
(iii) Increased demand across key social care areas (para 2.6)	£496k
(iv) Undelivered budget savings (para 2.14)	£1,159k

(v)	Council tax reduction scheme	(£900k)
(vi)	Collection of council tax	£500k
(vii)	Other mitigating savings (inc staff savings)	(£1,505k)
(viii)	Impact of on-going school budget overspending (section 4)	£186k
(ix)	General contingency budget	(£1,473k)

2.2 The key 'downsides' to this forecast, which have the potential to worsen the position, are

- Within children's services, additional pressure/challenges in families resulting from Covid could increase demand in the future;
- Specific costs of 'service recovery actions' are not reflected in detail in these forecasts as services continue to work these through and in current circumstances, are paused / affected by the worsening Covid-19 situation. Where not eligible for reimbursement, they will worsen forecasts and services are therefore recommended to minimise these wherever possible;
- There is an assumption that there will be full reimbursement of Covid related costs and loss of income to end of the financial year. As funding is currently fixed and demand on it grows and might grow further/faster with the worsening situation, there may not be sufficient funding to offset these costs. Therefore, there is a potential that these will negatively affect the forecast.

2.3 The forecast is unavoidably subject to some potentially significant changes as we progress through the financial year much of which will be dependent upon the longevity of the hardship funding from WG and furthermore the impact of the 'fire-break lockdown' recently announced. In the meantime, the Council continues to:

- Ensure that all costs that are being claimed are eligible as per the latest terms and conditions and ensure we know and understand the 'terms' / 'eligibility' for the hardship fund to help ensure this. The HoF distributes and discusses this with services on a regular basis and finance staff supporting services to assist with this.
- Review current levels of staff overtime and agency costs required to cover for staff who are shielding or cannot work in the current situation; ensuring they are unavoidable and therefore claimable. The situation where these are claimable are now more restricted than previously.

Key assumptions & budget variances include:

Assumption - WG Financial Support on Expenditure:

- The following areas of eligible spend will be reimbursed for the remainder of the financial year:
 - o Homelessness and continued support for adult social care providers;
 - o Staffing additional hours and overtime as a direct result of Covid. It is expected that these costs will reduce significantly in the second part of the year as service areas move to recovery phase;
 - o Any expenditure in relation to social distancing measures and enhanced infection control;
 - o Quarter two expenditure in relation to additional free schools meals will be reimbursed in full;
 - o Children's services – there is no further support in respect of placements costs post June even though Covid continues to have an impact;
 - o City Services - Home to school transport payment rate 100% will resume from September.

Assumption - WG financial Support on Loss of income due to Covid-19 - £2,933k

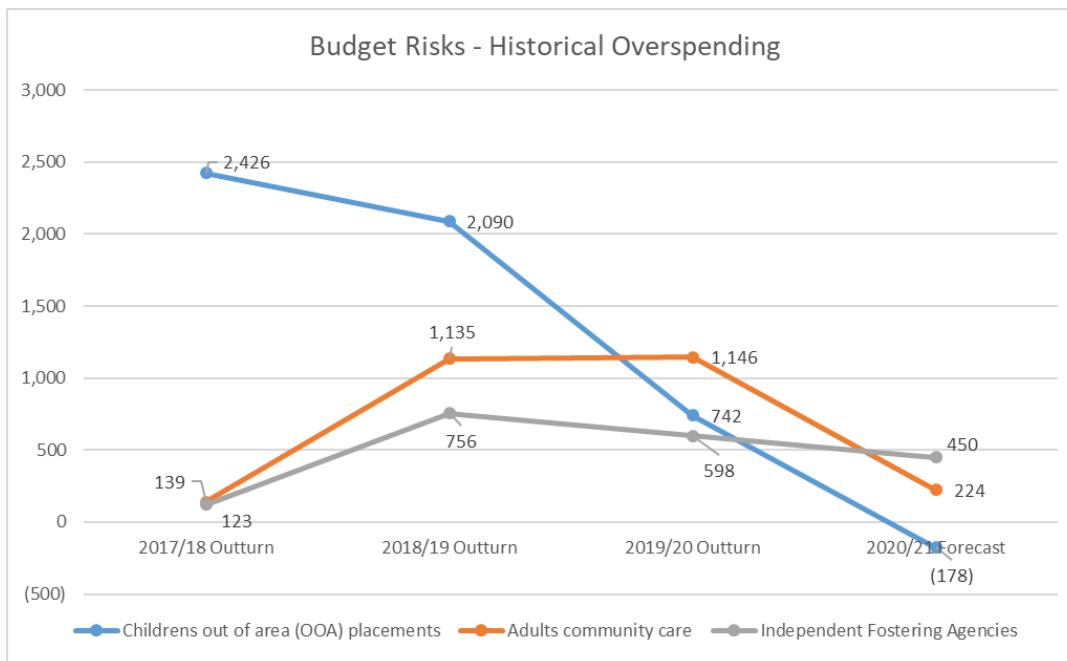
- 2.4 In addition to the increased costs, the Council is also impacted by reduced external income from activities such as car parking and adult social care. Given that some of the income will not recover immediately the forecasts have been updated to reflect the anticipated impact over the remainder of the year.
- 2.5 Although WG announced funding to compensate for lost income for the remainder of the year there is a risk that this may not be sufficient to subsidise all Welsh authorities especially given recent further national lockdown. It is currently assumed that all relevant lost income will be claimed in full from WG.

Key assumptions in this area include:

- All relevant lost income (net of reduced costs) for 2020/21 financial year will be reimbursed by WG. The councils claim for lost income in quarter 1 was in the region of £2m and quarter 2 claim has been requested from WG and is due to be submitted early November.
- The forecast includes reimbursement of some types of income that WG are withholding payment on currently i.e. planning fees. This will be reviewed by WG at the back end of the financial year and therefore there is a risk that full reimbursement may not be achieved.

Variance - Demand led budgets - £496k overspend

- 2.6 The three areas of continued risk in terms of significant overspending against budget have been well documented throughout the year:
- Children's out of area placements
 - Independent fostering agencies
 - Adult community care
- 2.7 These are recurring issues and demand in most of these areas have been increasing over the last 2-3 years. Although these areas have received significant investment year on year, previously the demand continued to accelerate beyond the budget available. The 2019/20 outturn report identified that whilst the demand continued to increase in children's social care the level of investment in 2020/21 was deemed adequate as that accommodated the range that the Head of Service targeted in terms of placement numbers for the year.
- 2.8 The following chart represents the forecasts over the last 3 years in these areas. Whilst the level of overspending in these areas has reduced due to significant investment in 2020/21, independent fostering agencies continue to forecast an overspend of £450k.



- 2.9 **Children's out of area placements** – After investment of £182k, over and above inflation, in the 2020/21 budget, this budget can support 20 out of area placements. In September, the number of out of area placements are at 19, forecasted to increase to 20 at the end of the year resulting in a forecasted underspend of £178k for the year.
- 2.10 **Children's independent fostering** – Investment of £382k, over and above inflation, in 2020/21 enables the budget to support 60 placements which is reasonable given the level of increasing demand that was experienced in 2019/20. This year demand has continued to increase with placements peaking at 73 as at the end of July. A number of these placements, however, have been adopted therefore reducing the number of placements to 67 by the end of September. The expectation is that numbers will be maintained at this level until the end of the year resulting in an overall forecast overspend of £450k for the year.
- 2.11 **Adults community care** - £1.4m has been invested into the adult's community care budget for 2020/21, over and above inflation. Whilst the numbers of residential / nursing users have been reducing since the start of the year, these numbers are starting to increase. Despite the number of service users being slightly lower than at this time last year (2019/20 – 1,621 and 2020/21 – 1,544) the increase in package costs due to individual needs increasing has resulted in a forecast overspend of £224k. This also assumes that income in respect of non-residential placement income lost due to Covid will be reimbursed in full (£400k).
- 2.12 Given the inherent nature of this budget risk, numbers in this area could change throughout the year as has been the case over the last 2-3 years and this therefore represents a risk. These areas will continue to be closely monitored.
- 2.13 The emergency placements budget within children's services is also under significant pressure due to current circumstances and is forecasting an overspend of £354k. This is an area, which will continue to be closely monitored and will feature within future updates as a risk area once placement information has been received and analysed further.

Variance - Delivery of agreed budget savings - £1,159k overspend

- 2.13 The position on delivery of savings is shown in appendix 1. Although the performance on forecast delivery of savings has been significantly impacted by the Covid-19 situation, there has been an improvement since the last update to Cabinet. The levels of projected savings are 84% of target. In addition to the £876k shortfall this represents, there remains £283k of undelivered

savings from 2019/20, which need to be addressed by children's and adult social services. Whilst the current delay is unavoidable, services will need to deliver these savings at least by the end of current financial year so that they do not carry forward as an issue into next year, alongside potentially further new savings requiring delivery. Cabinet are asked to note and approve this, which will require on-going focus by HoS and their teams.

Summary by Portfolio	People	Place	Corporate	Non Service	Total
2020/21 MTRP Target (£) Total	2,211	1,282	794	1,130	5,417
Total Savings Realised by Year End 2020/21	1,902	1,034	676	930	4,541
Variation to MTRP Target	-309	-248	-119	-200	-876
Variation % to MTRP Target	-14%	-19%	-15%	-18%	-16%
Undelivered Savings from Previous Years	-283	0	0	0	-283
Total Undelivered Savings	-592	-248	-119	-200	-1,159

2.14 Whilst these areas are considered as part of our future financial planning and budget process, overall they contribute £1.2m of overspending against the current year's budget and the current overall overspending of the Council's budget.

2.15 Some of the key areas and projects experiencing delays in 2020/21 due to Covid are set out below:

Adult Services (£309k)

- Reduction in Projected Cost of Accommodation Based Care and Support Services for People with Learning Disabilities - £209k
- Telecare service - £100k

Regeneration, Investment and Housing (£167k)

- Implementation of neighbourhood hubs - £137k
- Increased Revenue from Newport Norse profit share - £30k

City Services (£81k)

- Increase in fees – £24k
- Increased Recycling - Bag Sorting at Household Waste Recycling Centre - £57k

People & Business Change (£119k)

- Innovation and Transformation Offering - reduction in programme management capacity - £71k
- Digital Savings - Public Building Wi-Fi - "Community Cloud" - £48k

Non-service (£200k)

- Challenge the Council's Risk Appetite for Investments, and Undertake Larger Long-Term Investments (£10m) in Riskier Instruments - £200k

3 Council Tax and Council Tax Reduction Scheme (CTRS)

3.1 In previous monitoring reports, the risk to the collection of council tax income and the potential increased cost of the CTRS has been highlighted. Following six months of collection data, there is now a bit more certainty to be able to provide an initial projection on these.

- 3.2 In terms of council tax income, collection at end of September income is c£2m down on comparative period in 2019/20, with in-year collection being down over 1.8%. This will ultimately lead to an increased arrears balance at year-end and while collection of this debt can take place over a number of years, there will be a required increased bad debt provision at year-end. The calculation of the increase in provision has led to a forecast overspend on council tax income of £500k, this will be closely monitored to assess whether there will be further impact on collection as national and local lockdowns impact on the ability of households to pay and how arrears collection processes might impact on this over the second half of the year.
- 3.3 At the end of September CTRS has seen an increase in the claims compared to the same time last year, however this has not been as significant as may be expected. However, there may be a lag between the claim and the value coming through and there may be an increase in coming months. There is also a risk that as the furlough scheme ends and lockdowns are put in place, this will cause job losses or significant reductions in income and an increase in CTRS claims will follow. The increase in CTRS has been mitigated somewhat with WG agreeing that increases in costs for quarter 1 and quarter 2 over and above 'baseline caseloads' as of February 2020 will be funded, and therefore it could realistically be assumed that increases to the end of the year will be covered. In Newport, as in previous years, we have set a prudent budget for CTRS and this has given rise to underspends for a number of years, and this is estimated to be the case in 2020/21 with a forecast underspend of £900k, after taking into account increase in demand and associated reimbursement from a baseline of February 2020 demand levels. As with council tax income, this will be monitored closely for the rest of the year.

4 Schools

- 4.1 Appendix 3 highlights that overall schools are currently forecasting an overspend of £1,299k. This is based on budgets that have been approved by Governing Bodies where school reserves are positive or the current budget position in those schools who have temporary licensed deficits as they continue to work on their financial recovery plans. As with other service areas schools have assumed that eligible Covid expenditure and lost income will be reimbursed.
- 4.2 Over half of the overspend originates from the secondary sector with the primary sector following closely accounting for 35% of the overspend. A summary table is shown below:

	Reserves balance 31/03/20	In year Under/(overspend)	Reserves Balance 31/03/21
	£'000	£'000	£'000
Nursery	(36)	(89)	(125)
Primary	3,332	(452)	2,880
Secondary	(2,178)	(711)	(2,889)
Special	(5)	(47)	(52)
Total	1,113	(1,299)	(186)
Assumed grant and other compensation		-	.
Total	1,113	(1,299)	(186)

- 4.3 Schools reserves have been depleted significantly over the last two years resulting in a closing balance as at 31st March 2020 of £1,113k. Therefore, the forecast level of overspending across schools far outweighs the reserves that are available to offset. This causes a significant concern for the Council:

- The forecast negative reserve at 31/3/2021 year-end will need to be funded by other Council budgets or from other Council reserves. This will have on-going negative consequences;
 - The current level of in-year overspending is unlikely to be resolved after this financial year by current 'deficit recovery plans' given the size of that or deal with the large, historical deficits which have been built up. It has the real potential to negatively impact on other Council budgets and reserves for more than this one year.
- 4.4 Ten schools are anticipating a negative balance position at the end of the current financial year, one from the nursery sector, two from the primary sector, six from the secondary sector and one from the special sector. The cumulative forecast deficit for these schools is over £3.4m.
- 4.5 Even though the current projections from schools highlights a challenging position, schools are delivering through unprecedented and uncertain times, therefore this may be reflected in their forecast position. There is potential that this position will improve as the year progresses as WG have confirmed that increased cost in relation to Covid for cleaning and staffing cover will be reimbursed from the hardship fund, and schools would have benefited financially from reduced utility costs and agency costs while they were closed. The HoF is asking schools to review these forecasts given this.
- 4.6 There is also a review being undertaken within central education on SEN/ ALN funding and whether this can be directed to schools where there is a specific need. This has the potential to improve the overall schools balances position to a positive balance.
- 4.7 The Cabinet approved additional funding in the 2020/21 budget to resource some analytical and senior leadership capacity to this challenge and the current situation has delayed recruitment to date, which is unhelpful given the position, but unavoidable. Currently officers, including the Chief Education Officer and AHoF / HoF are engaged on this alongside colleagues.

5 Use of reserves

- 5.1 Appendix 4 illustrates the planned movements in reserves throughout the year. Cabinet should note the opening balance as at 31st March 2020, forecasted planned transfers in/ (out) of reserves in 2020/21 and the forecast balance as at 31st March 2021. Current projections suggest that 10% of the Council reserves will be utilised by the end of the financial year, which is in line with planned and expected use. The general fund reserve is at the minimum level required (£6.5m) representing 2% of the overall net budget.
- 5.2 The above position on reserves is based on planned use of reserves. It does not include the impact of un-planned use resulting from 'making good' school reserves. As the general reserve is at the minimum level and other reserves are earmarked, any un-planned use will require the Cabinet to approve use of current earmarked reserves for these, which could affect future finances of the Council.
- 5.3 The Council has a good level of reserves but these are virtually all earmarked and committed but they do ultimately provide, in the last resort, some mitigation for overspending. If this was to happen, then future projects, which were funded from these reserves, may not be able to progress or in using other reserves, budgetary provision would need to be made to 'repay' these, creating further pressure on the Council's MTFP. There are no easy, impact free solutions through reserves but they do ultimately provide some cover in the last resort and in the short term.

Timetable

Ongoing

Risks

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
Risk of overspending	H	M	Regular forecasting and strong financial management Revenue budget contingency	
Poor forecasting	M	M	Better forecasting in non-service areas where large variances occurred in 1920 Review and refinement in service areas of risk based modelling CX/HoF setting out clear expectations	Asst. HoF SFBP's and budget managers CX / HoF

* Taking account of proposed mitigation measures

Links to Council Policies and Priorities

Despite the uncertainty that the current pandemic presents, strong financial management continues to underpin services and medium term financial planning.

Options Available and considered

In terms of the overall forecast, position and financial management there are no options – the Council needs to operate within its overall budget. Although a forecast underspend is anticipated there remains a risk that with the second wave of the pandemic there may be currently unknown costs that arise in the coming months, which will affect the current forecast. Furthermore, with the WG hardship fund likely to become under further strain to support local authorities there is a need to carefully manage key demand areas/ areas of significant overspending and identifying mitigation for these wherever possible. Schools must also take action to ensure they manage within available funding as the current forecast overspends takes the schools into negative reserve, though more work is required to refine these and ensure the cost savings within schools in the current year are fully reflected in figures.

Preferred Option and Why

CMT take a targeted approach to reducing spend across service areas whilst ensuring management of key budgets and risks.

Comments of Chief Financial Officer

Since receiving confirmation from WG that financial support would continue to the end of the year the 2020/21 revenue budget forecast position has improved. This has allowed the release of the general contingency budget and that represents the vast majority of the 'bottom line' underspend. The Council is well placed going into the second half of this most challenging financial year.

Whilst the overall position is positive, there remain issues requiring on-going review and focus to improve, in particular

- the delivery of agreed savings, which although it has improved this month, continues to be relatively significant. Particular focus is required to improve this further and provide the best 'platform' to go into the 2021/23 financial year as any new savings required for that year would be in addition to any non-delivered one's and increase our challenges
- further work is needed to refine school budget monitoring and ALN/SEN funding

In addition, Council Tax collection is an on-going potential problem and could be significant if the collection of this income does not improve. Although the first six months data has been used to reflect collection rates this will continue to be carefully monitored to assess whether there is a further impact on collection as national and local lockdowns impact on the ability of households to pay.

Comments of Monitoring Officer

There are no legal issues arising from the report.

Comments of Head of People and Business Change

The report notes the forecast financial position of the Council. Welsh Government will continue to reimburse the Council for the remainder of the financial year for additional staff hours and overtime incurred as a direct result of Covid-19. Service areas continue to review current levels of staff overtime and agency costs required to cover for staff who are shielding or cannot work in the current situation; ensuring they are unavoidable and therefore claimable. The situations where these are claimable are now more restricted than previously.

The Well-being of Future Generations Act requires public bodies to apply the five ways of working to any financial planning, which will address short-term priorities with the need to safeguard the ability to meet long-term needs. This report gives an early indication of the revenue forecast position and the issues affecting financial management during 2020/21 and notes that any future reductions in funding will need to reflect and be consistent with the five ways of working. Sound financial planning and monitoring by the Council support the well-being goal of a Prosperous Wales.

Comments of Cabinet Member

Local issues

N/A

Scrutiny Committees

N/A

Equalities Impact Assessment and the Equalities Act 2010

N/A

Children and Families (Wales) Measure

N/A

Wellbeing of Future Generations (Wales) Act 2015

This update is against a backdrop of prolonged pressure on public services as a combination of reduced income, rising demands on services, increased expectations, compliance with new legislation and the

increasing costs of running services, which has seen the delivery of significant budget savings over the last five years. Any future reductions in funding will need to reflect and be consistent with the five principles underpinning the Wellbeing of Future Generation (Wales) Act 2015.

Wellbeing of Future Generations (Wales) Act 2015 forms an integral part of the financial management of the Council and the MTFP process of which the outturn of the Council is an essential part. Analysis and review of reserves are an important aspect on the future generations and the Head of Finance reviews and assesses the robustness and adequacy of these reserves as part of this report.

Consultation

N/A

Background Papers

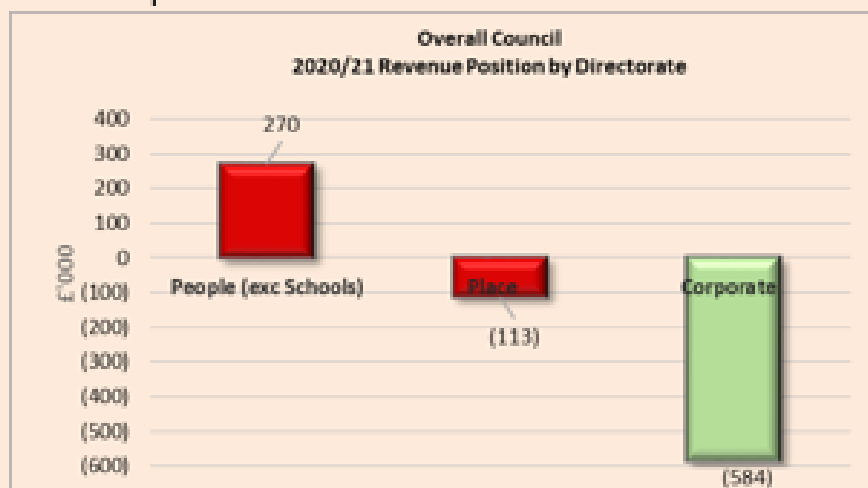
Dated:

Appendix 1

Budget Monitoring Position – September 2020

Position by Directorate	Current Budget £'000	Forecast £'000	Variance £'000
People (exc Schools)	90,434	90,704	270
Place	34,516	34,403	(113)
Corporate	19,105	18,521	(584)
Service Area Budget	144,055	143,628	(427)
Schools	106,527	107,827	1,299
Service Area Budget (inc Schools)	250,583	251,455	872
Schools - transfer from reserve	0	(1,113)	(1,113)
Non Service	48,215	48,250	35
Total Budget (excluding contingency)	298,797	298,592	(205)
General Contingency	1,473	0	(1,473)
Total Budget (including contingency)	300,270	298,592	(1,679)

Detailed explanations can be found within service area dashboards



Undelivered Savings:

- 2020/21 - £876k
- Previous years - £283k
- Overall, undelivered savings are resulting in forecast overspend against budget of £1.2m. This is predominantly due to delays in implementation due to Covid.

Position Summary

- Revenue outturn reports an underspend of £1,679k which includes an underspend against the general contingency of £1.4m.
- In addition to the general contingency, service area forecasts have improved, £400k of which is due to the delivery of MTFP savings anticipated by the end of the year.
- The forecast has also benefitted from some one off budget savings this year:
 - Vacancy savings are significant due to delays in recruitment in the current situation
 - A number of staffing costs e.g. overtime claimed under the hardship fund which may have ordinarily been incurred
 - Loss of income assumed to be reimbursed although some areas may have seen a downturn in income levels despite Covid
 - Far less miscellaneous expenditure being incurred that would have been ordinary.
- Although the overall position is positive there are key budget issues in a number of areas which need to be addressed:
 - Undelivered 20/21 and prior year savings (£1,159k)
 - Increased demand for independent fostering agencies (£450k)
 - Impact of school budget overspending (£186k)
- It is important to note that the future of the pandemic and the likely financial consequence of further local and national lockdowns is unknown at this time and has the potential to affect forecasts should the WG hardship fund be insufficient to cover.

Budget Monitoring Position – September 2020

Key Assumptions and Risks - Covid

WG Financial support

- Forecasts assume that all eligible Covid related spend incurred for the remainder of the financial year will be reimbursed by the WG hardship fund; Significant areas which will be claiming from this fund include continued homelessness costs, continued support of Adult Social Care; cover cost of overtime and agency for shielding and covid related sickness; and additional cost of cleaning in schools and social distancing measures.
- Whilst it is assumed that lost income will also be reimbursed by WG the value of this is yet to be confirmed as the forecast includes reimbursement of some types of income that WG are withholding on currently, i.e. planning fees. This will continue to be reviewed as there is a risk that full reimbursement will not be achieved.
- Key areas of lost income include:
 - Adult Social Care – Charges for externally provided residential care (£234k)
 - RIH – Planning income; Commercial & Industrial property income; & Norse profit share (£118k)
 - City Services – Bus shelter advertising; Bus station departures; car parking (£587k)
 - Corporate (registrars) – drop in ceremony income (£137k)
- Additional cleaning costs in schools from September expected to have nil impact on the overall Education position.

Other Key Assumptions and Risks

- Vast majority of schools have spent more than their funding in 20/21;
- The forecast overspending in schools still outweighs the level of reserves available to fund which now sees schools with a negative reserve. Schools are currently forecasting on overspend of £1.3m against an available reserve of £1.1m resulting in a net overspend impact on the council of £0.2m – this is a serious concern for the Council and something that requires immediate attention.

In summary the forecast position is made up of the following:

MTFP undelivered savings 2020/21	£1,159k
Key demand led areas across social care	£496k
Schools overspend	£186k
Staffing and other service area variances	(£1,647k)
Council tax collection and CTRS	(£400k)
General contingency	(£1,473k)
Forecast position	(£1,679k)

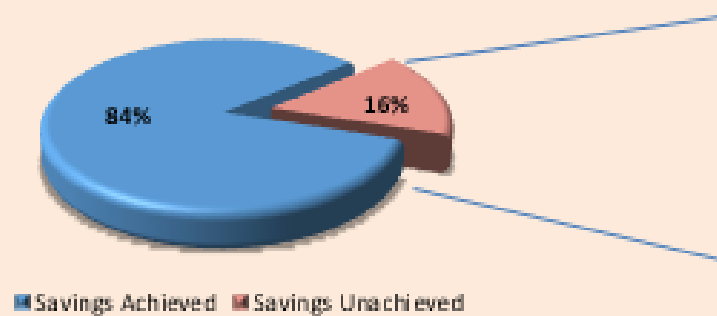
Budget Monitoring Position – September 2020

Staff Forecasts

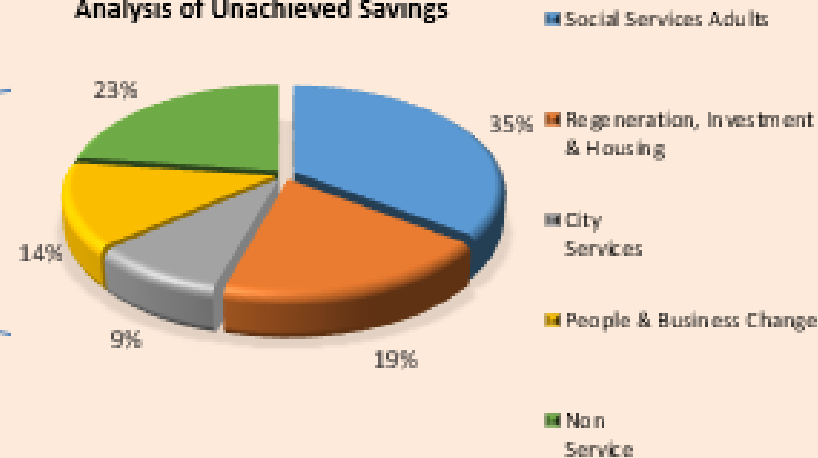
Overall Staffing	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Budget (£'000)	0	59,926	60,116	60,201	59,425	59,431	59,431	59,431	59,431	59,431	59,431	59,431
Forecast (£'000)	0	59,958	59,157	58,838	57,875	57,026	57,026	57,026	57,026	57,026	57,026	57,026
Variance (£'000)	0	32	(959)	(1,362)	(1,550)	(1,405)	(1,405)	(1,405)	(1,405)	(1,405)	(1,405)	(1,405)

- Whilst there are a number of vacancies across the council and recruitment into these non essential posts has been somewhat delayed these savings are being offset in part by an increased requirement for additional staff time and agency staff.

2020/21 Delivery of Savings (Forecast)



Analysis of Unachieved Savings



- The first chart shows that 84% of the total savings are forecast for full delivery in 2020/21;
- The second chart illustrates the areas where savings are forecast not to be delivered (16% of overall target);
- The delivery of savings in 2020/21 has been significantly affected by the ongoing pandemic and the resulting overspends against budget have been reflected within the forecast;
- In addition to the £876k undelivered savings in 20/21 there remains £283k of undelivered savings from previous years within social care.

Overall Summary by Directorate	People	Place	Corporate	Non Service	Total
2020/21 MTRP Target (£) Total	2,211	1,282	794	1,130	5,417
Total Savings Realised by Year End 2020/21	1,902	1,034	676	930	4,541
Variation to MTRP Target	-309	-248	-119	-200	-876
Variation % to MTRP Target	-14%	-19%	-15%	-18%	-16%

Budget Monitoring Position – September 2020

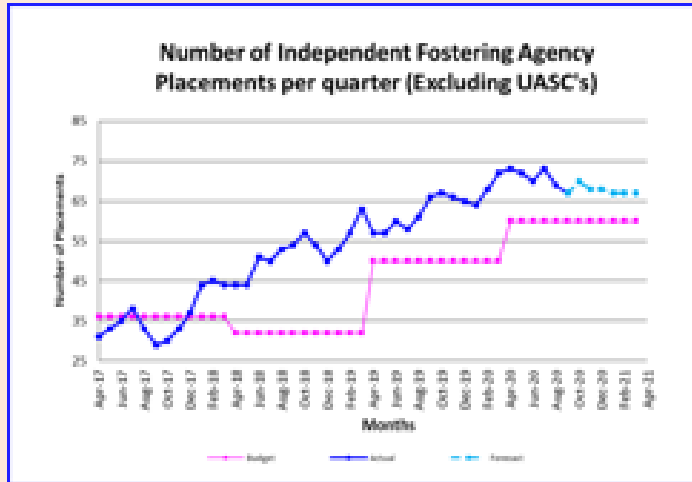
	Annual Budget £'000	Forecast £'000	Variance £'000	Graph Reference
Risk Based Areas				
Children & Young People				
Independent Fostering Agencies	2,382	2,832	450	i
Out of Area Residential	3,009	2,831	(178)	ii
In House Fostering	3,479	3,319	(160)	
Leaving Care	672	935	263	
Legal fees	950	950	0	
In House Residential	2,190	2,433	243	
Emergency Placements	0	354	354	
Adult & Community Services				
Community Care - Residential	21,300	21,116	(184)	
Community Care - Supported Living	10,499	11,035	536	iii
Community Care - Non Residential	11,317	11,317	0	iv
Community Care Income - Residential & Non Residential	(8,096)	(8,139)	(43)	
Education				
SEN Out of County - Local Authority	2,425	933	(1,492)	v
SEN Out of County - Independents	2,092	2,824	732	v
SEN Local Provision Development	621	1,453	832	
SEN Transport	1,674	1,674	0	
Special Home to School Transport	815	815	0	
Bridge Achievement Centre	1,190	1,190	0	
Regeneration, Investment & Housing				
Homelessness - B&B Costs	746	1,175	429	
Commercial & Industrial Properties Income	(1,460)	(1,260)	200	
City Services				
Commercial/ Asbestos Income	(1,245)	(1,214)	31	
Home to School Transport - Primary	989	825	(164)	
Home to School Transport - Secondary	1,171	1,078	(93)	
Home to School Transport - College	117	116	(1)	
OPE - Fines Income	(691)	(532)	159	
Burial fees	(561)	(580)	(19)	
Car parking income	(892)	(873)	19	
Law & Regulation				
Licensing - Hackney carriages / private hire	(361)	(457)	(96)	
Total Net Budget	54,331	56,149	1,818	

- In 2020/21, there were over 25 budget areas identified as having the potential to be high risk or highly volatile. This list was reviewed on an on-going basis
- Although some of these areas have come in underspent against budget, they have continued to be monitored given the potential to have a significant impact
- There are six budget 'hotspot' areas within the risk based monitoring which demonstrate the significant financial impact and risk that only a small number of areas pose to the financial position of the Authority (graph ref i – v)
- The figures here do not reflect the Covid related loss of income being claimed from WG to highlight the risk in these areas.

Budget Monitoring Position – September 2020

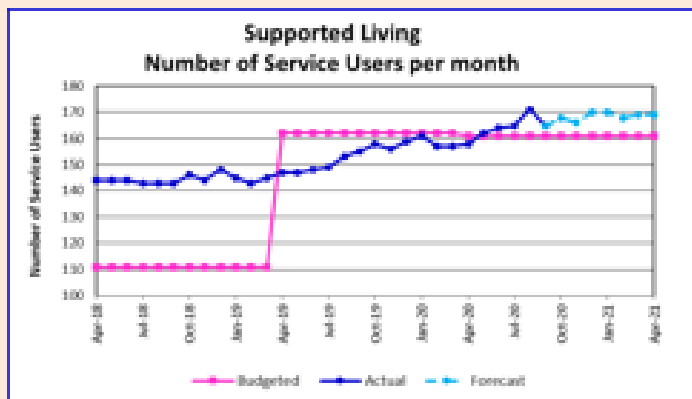
Risk Based Monitoring graphs

(i) Independent Fostering Agencies



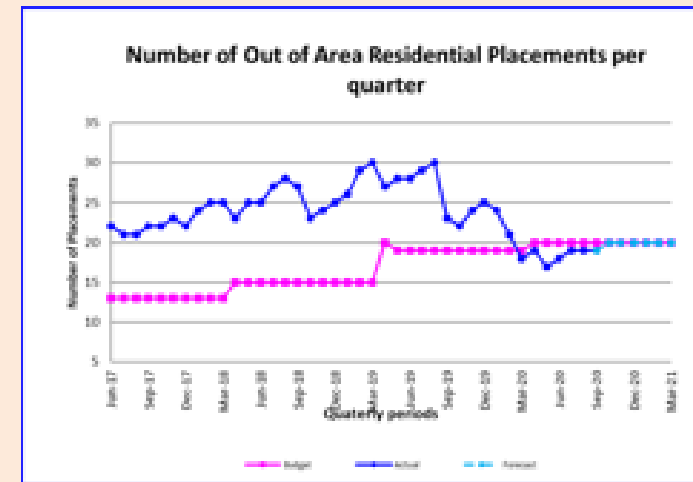
- The 2020/21 budget can afford 60 placements at an average cost. The number of placements reduced to 67 by the end of September and are forecast remain consistent to the end of the year, giving an overall overspend in this area of £450k.

(iii) Community Care – Supported Living



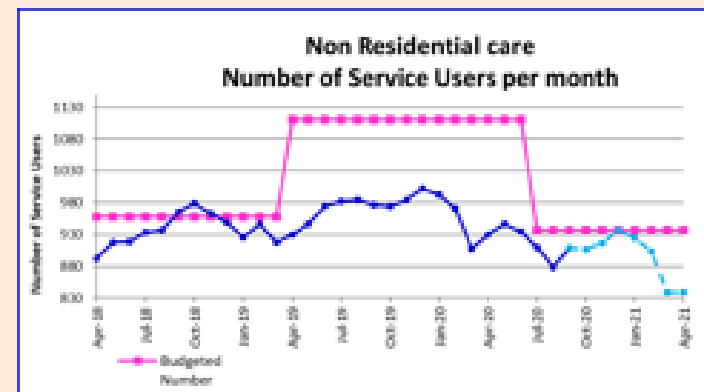
- Budget can afford 161 placements at an average cost. Currently numbers are at 165 with almost a third of costs being higher than the average resulting in an overspend of £536k.

(ii) Out of Area (OOA) Residential Placements



- Budget can afford 20 placements at an average cost. The service anticipates the number of placements being 20 at the end of the financial year resulting in an underspend of £178k.

(iv) Community Care – Non Residential

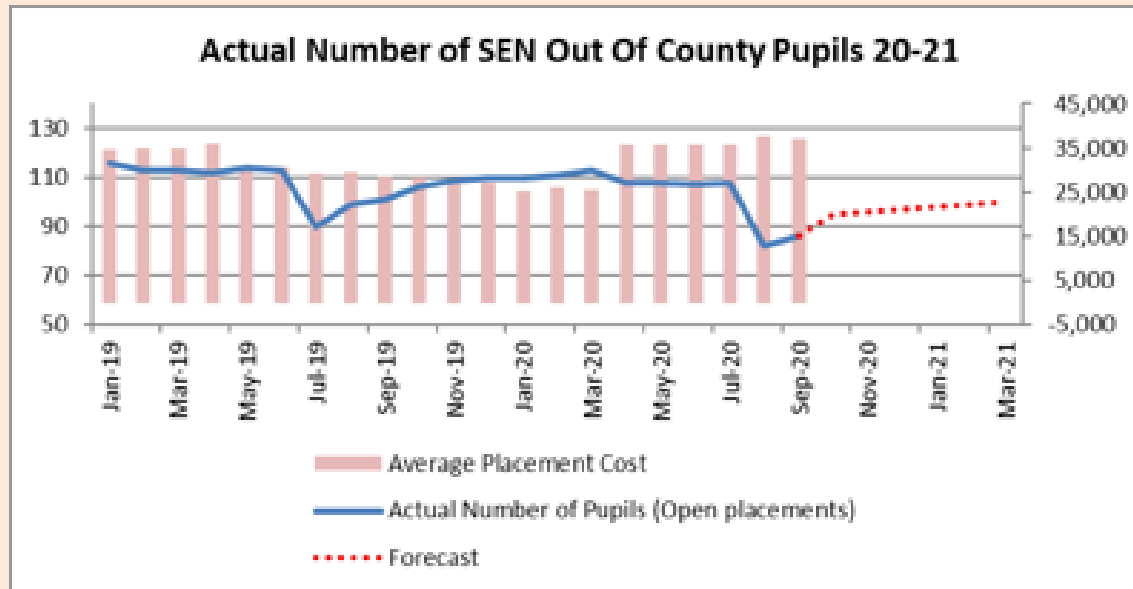


- Budget can afford 937 users per month at an average cost. Although over a quarter of users exceed this cost per week the numbers of users are lower. The net underspend assumes lost income of £400k being reimbursed by WG.

Budget Monitoring Position – September 2020

Risk Based Monitoring graphs

(v) SEN Out of County Placements – Local Authority and Independent



- SEN OOC budget can accommodate 125 placements at an average cost of £36k. In September there are 86 open, 1 confirmed placement due to start plus 8 potential new placements which have been included within the forecast. The forecast highlights an anticipated underspend against budget for local authority of £1.5m and an overspend of £700k for independent. Therefore no budgetary pressure currently exists within current forecasts.
- Placements ranging between £20k and £30k account for 28% of the total number of placements

Budget Monitoring Position – September 2020

Schools

Overall, schools are anticipating an overspend of £1,299k with no assumed grant or other compensation being received throughout the year. Over half of this overspend originates from the secondary sector with primary's accounting for 35%. This pattern is consistent with previous years, flagged as unsustainable and has now resulted in schools balances becoming negative.

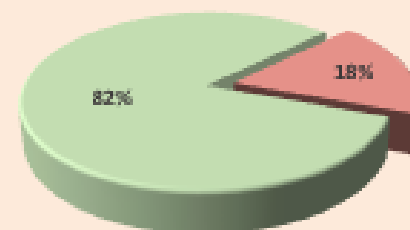
Schools reserves are no longer available to cover the full extent of the forecast overspend. The forecast by sector is shown below;

- Nursery £89k overspend (2 out of 2 nurseries reporting an in-year overspend position)
- Primary £452k overspend (22 out of 43 schools reporting an in-year overspend position)
- Secondary £711k overspend (4 out of 9 schools reporting an in-year overspend position)
- Special £47k overspend (1 out of 2 special schools reporting an in-year overspend position)

Schools forecasting deficit reserves at YE	August
Kimberley Nursery	(129)
High Cross Primary	(55)
St Woolos Primary	(34)
Newport High	(133)
Caerleon Comprehensive	(1,053)
Llisswenny High	(733)
Llanwern High	(681)
St Julians	(500)
Malpas CIW Primary	(16)
Maes Ebbw	(103)
Total Net Budget	(3,437)

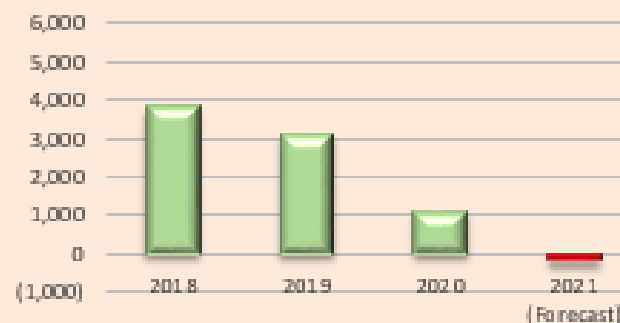
Schools are forecasting an in year overspend of £1,299k therefore reducing school balances to a negative balance as there remains only £1,113k in school reserves as at the end of March 2020. This is therefore forecast to cause a pressure of £186k for the Council. This is a significant issue which requires continued action.

Proportion of Schools Forecasting Deficit as at 31st March 2021



■ Schools in surplus as at 31st March 2021
 ■ Schools in deficit as at 31st March 2021

Balances held by Schools as at 31st March



APPENDIX 2 Revenue Summary Monitor – September 2020

Summary Revenue Budget 2020/21	April 20	Current	Projection	(Under) /
	Approved	Budget		Over
	£'000	£'000	£'000	£'000
People				
Children and Young People	25,904	25,855	26,727	872
Adult and Community Services	49,261	49,215	48,895	(320)
Education	15,365	15,364	15,082	(282)
Schools	106,527	106,527	107,827	1,299
	197,057	196,962	198,531	1,569
Place				
Regeneration, Investment and Housing	9,910	9,892	10,093	201
City Services	24,673	24,624	24,310	(314)
	34,583	34,516	34,403	(113)
Chief Executive				
Directorate	516	515	291	(225)
Finance	3,434	3,432	3,431	(1)
People and Business Change	8,005	7,998	7,735	(263)
Law and Regulation	7,183	7,159	7,064	(95)
	19,138	19,105	18,521	(584)
Capital Financing Costs and Interest				
Capital Financing Costs and Interest (Non-PFI)	14,462	14,462	14,462	-
Public Finance Initiative (PFI)	8,854	8,854	8,854	0
	23,316	23,316	23,316	0
Sub Total - Service/Capital Financing	274,094	273,899	274,771	872
Contingency Provisions				
General Contingency	1,473	1,473	-	(1,473)
Centralised Insurance Fund	581	581	581	0
Non Departmental Costs	-	-	-	-
Other Income and Expenditure	683	879	1,532	653
	2,737	2,932	2,113	(820)
Levies / Other				
Discontinued Operations - pensions	1,567	1,567	1,361	(206)
Discontinued Operations - Ex Gratia Payments	2	2	2	0
Levies - Drainage Board, Fire service etc	8,704	8,704	8,692	(12)
CTAX Benefit Rebates	13,465	13,465	12,565	(900)
Extraordinary Items	-	-	-	-
	23,738	23,738	22,620	(1,118)
Transfers To/From Reserves				
Base budget - Planned Transfers to/(from) Reserves	(299)	(299)	(299)	(0)
Earmarked reserves: Transfer to/(from) Capital	-	-	-	-
Earmarked reserves: Transfer to/(from) Schools	-	-	(1,113)	(1,113)
Earmarked reserves: Transfer to/(from) Schools Redundancy	-	-	-	-
Invest to Save Reserve	-	-	1,679	1,679
Invest to Save Reserve (from)	-	-	(1,679)	(1,679)
	(299)	(299)	(1,412)	(1,113)
Total	300,270	300,270	298,091	(2,179)
Funded By				
WG funding (RSG and NNDR)	(228,077)	(228,077)	(228,077)	-
Council Tax	(72,193)	(72,193)	(72,193)	-
Council Tax Surplus	-	-	500	500
Total	-	0	(1,679)	(1,679)

APPENDIX 3 – Schools Funding and Balances

School Name	Opening Reserve 20/21	ISB Allocation (inc Post 16)	In Year U/(O) Spend September 20	Projected Closing Reserve 31/03/21
	£	£	£	£
Bassaleg School	218,531	7,818,716	(192,858)	25,673
Newport High	(233,397)	5,347,446	100,059	(133,338)
Caerleon Comprehensive	(1,064,561)	6,912,566	11,262	(1,053,299)
The John Frost School	76,130	6,660,840	(42,468)	33,662
Llanwern High	(290,421)	4,641,017	(390,366)	(680,787)
Lliswerry High	(754,031)	4,729,788	21,377	(732,654)
St Josephs R.C. High	90,450	6,240,112	61,548	151,998
St Julians School	(180,821)	7,460,513	(319,351)	(500,172)
Ysgol Gyfun Gwent Is Coed	(39,385)	2,072,009	39,517	132
Sub Total	(2,177,504)	51,883,007	(711,280)	(2,888,784)
Alway Primary	60,116	1,610,630	(26,416)	33,700
Caerleon Lodge Hill	96,832	1,201,596	13,603	110,435
Charles Williams CIW	224,970	1,818,335	(50,963)	174,007
Clytha Primary	16,709	795,869	4,854	21,563
Crindau Primary	147,659	1,378,398	(40,574)	107,085
Eveswell Primary	242,539	1,501,889	(55,956)	186,583
Gaer Primary	81,402	1,694,154	41,597	122,999
Glan Usk Primary	36,470	2,136,355	39,966	76,436
Glan Llyn Primary	53,135	943,720	14,649	67,784
Glasllwch Primary	73,001	781,116	(62,160)	10,841
High Cross Primary	(42,257)	910,950	(12,925)	(55,182)
Jubilee Park	(8,018)	1,209,463	18,496	10,478
Langstone Primary	104,577	1,113,506	(66,153)	38,424
Llanmartin Primary	21,641	761,269	3,745	25,386
Lliswerry Primary	117,548	2,090,994	7,934	125,482
Maesglas Primary	(18,822)	1,021,309	29,988	11,166
Maindee Primary	66,774	1,787,176	24,422	91,196
Malpas CIW Primary	63,613	1,154,702	(79,666)	(16,053)
Malpas Court Primary	46,823	1,200,996	(37,978)	8,845
Malpas Park Primary	41,131	856,916	48,395	89,526
Marshfield Primary	65,929	1,384,485	(41,718)	24,211
Millbrook Primary	82,741	1,064,677	(25,683)	57,058
Milton Primary	24,777	1,615,390	(18,172)	6,605
Monnow Primary	161,652	1,517,654	(78,476)	83,176
Mount Pleasant	34,117	875,251	(10,794)	23,323
Pentrepoeth Primary	51,847	1,536,928	(16,893)	34,954
Pillgwenlly Primary	121,114	2,107,157	(16,859)	104,255
Ringland Primary	49,111	1,071,328	(46,253)	2,858
Rogerstone Primary	(32,929)	1,926,637	63,230	30,301
Somerton Primary	144,338	662,946	(74,239)	70,099
St Andrews Primary	52,774	2,354,850	40,637	93,411
St Davids RC Primary	67,457	775,183	2,082	69,539
St Gabriels RC Primary	34,230	694,208	22,045	56,275
St Josephs RC Primary	33,472	705,062	3,873	37,345
St Julians Primary	309,759	2,163,980	(90,503)	219,256
St Marys Rc Primary	58,503	1,335,681	21,474	79,977
St Michaels RC Primary	27,137	761,344	(5,624)	21,513
St Patricks RC Primary	48,321	725,678	45	48,366
St Woolos Primary	(47,163)	1,132,978	13,015	(34,148)
Tredegar Park Primary	203,343	1,527,984	42,282	245,625
Ysgol Gym Bro Teyrnnon	167,308	748,924	(22,021)	145,287
Ysgol Gym Casnewydd	148,725	1,256,012	12,157	160,882
Ysgol Gym Ifor Hael	99,385	688,626	(40,422)	58,963
Sub Total	3,331,795	54,602,306	(451,959)	2,879,836
Fairoak Nursery	29,788	164,168	(26,151)	3,637
Kimberley Nursery	(66,244)	240,738	(62,654)	(128,898)
Sub Total	(36,456)	404,906	(88,805)	(125,261)
Maes Ebbw	(117,594)	3,432,192	15,096	(102,498)
Bryn Derw	112,917	1,574,763	(62,332)	50,585
Sub Total	(4,677)	5,006,955	(47,236)	(51,913)
Grand Total	1,113,157	111,897,174	(1,299,280)	(186,123)

APPENDIX 4 – Planned Movement in Reserves

Reserve	Balance at 31-Mar-20	Planned Movements in Year											Balance at 31-Mar-21	
		Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb		Mar
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Council Fund:	(6,500)													(6,500)
Balances held by schools for future use	(1,113)												1,299	186
Earmarked Reserves:														
Music Service	(127)													(127)
Pay Reserve	(1,418)													(1,418)
Insurance Reserve	(664)													(664)
MMI Insurance Reserve	(602)													(602)
Health & Safety	(16)													(16)
Education Achievement Service	(92)													(92)
Schools Redundancies	(725)													(725)
General Investment Risk Reserve	(658)													(658)
European Funding I2A & CFW	(394)													(394)
Metro Bus	(9)												9	-
GEMS Redundancies	(78)													(78)
SUB TOTAL - RISK RESERVES	(4,783)	-	-	-	-	-	-	-	-	-	-	-	9	(4,774)
Capital Expenditure	(5,344)												35	(5,309)
Invest to Save	(9,938)												1,979	(7,959)
Super Connected Cities	(426)												128	(298)
Landfill (fines reserve)	(332)													(332)
School Reserve Other	(182)													(182)
School Works	(452)													(452)
Investment Reserve	(342)												342	-
Usable Capital Receipts	(8,259)												3,098	(5,161)
Streetscene Manager Support	(117)												117	-
SUB TOTAL - ENABLING RESERVES	(25,391)	-	-	-	-	-	-	-	-	-	-	-	5,699	(19,692)
Municipal Elections	(130)												(36)	(166)
Local Development Plan	(625)												(29)	(654)
Strategic Development Plan **NEW	-												(55)	(55)
Glan Usk PFI	(1,607)												4	(1,603)
Southern Distributor Road PFI	(40,691)												299	(40,392)
Loan modification technical reserve (IFRS 9)	(1,085)												175	(910)
Building Control	(104)												10	(94)
SUB TOTAL - SMOOTHING RESERVES	(44,242)	-	-	-	-	-	-	-	-	-	-	-	368	(43,874)

		Planned Movements in Year												
Reserve	Balance at 31-Mar-20	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Balance at 31-Mar-21
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Works of art	(21)													(21)
Theatre & Arts Centre	(232)													(232)
Cymorth Income	(25)													(25)
Blaen Y Pant	(18)												8	(10)
Homelessness Prevention	(38)													(38)
Environmental Health - Improve Air Quality	(49)												49	-
Refurbishment of a Children / Older People Homes	(41)												41	-
Apprenticeship Scheme	(29)													(29)
City Economic Development Reserve	(90)													(90)
Welsh Language Standards	(169)													(169)
Port Health	(16)													(16)
CRM	(244)												244	-
Financial System Upgrade	(400)												400	-
Events	(216)													(216)
MTFP Reserve	(2,037)													(2,037)
Voluntary Sector Grants	(49)												12	(37)
Bus Wifi	(17)												17	-
Bus Subsidy	(15)												4	(11)
Feasibility Reserve	(117)													(117)
IT Development	(53)												53	-
Leisure Delivery Plan	(103)												-	(103)
Chartist Tower	(256)												256	-
Joint Committee City Deal Reserve	(626)													(626)
NEW - Civil Parking Enforcement	(175)												175	-
SUB TOTAL - OTHER RESERVES	(5,036)	-	-	-	-	-	-	-	-	-	-	-	1,259	(3,777)
Forecast Overspend - July 2020														-
RESERVES TOTAL	(87,065)	-	-	-	-	-	-	-	-	-	-	-	8,634	(78,431)