

Report

Cabinet

Part 1

Date: 8 January 2021

Subject **November 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 November position.

Author Head of Finance (HoF)

Ward All

Summary The November 2020 revenue position forecasts an underspend of £2,736k. This is an improvement on the September position (£1,679k underspend), and reflects the improved forecast position within schools and also lower than anticipated demand currently being experienced with adult social care as a consequence of the ongoing Covid-19 pandemic. The bottom line underspend is inclusive of the £1.4m revenue budget contingency which is currently not required and accounts for just under half of the overall underspend. Other in year underspends are linked to some one-off budget savings this year due to significant delays in recruitment and far less miscellaneous expenditure being incurred than would have been ordinarily.

Undelivered MTFP savings have a significant impact on the overall service area position and represents the largest individual budget issue at this time. The performance on forecast delivery of savings has been significantly impacted by the Covid-19 situation and whilst this position has improved since that reported in September, there remains over £1 million of undelivered savings. It is very important that as much of this outstanding amount is delivered by 1 April 2021 to help both service area budgets in the current year but more importantly, next year 2021/22, especially given that new budget savings are likely to be required for full delivery from 1 April 2021.

Despite forecasting an overall underspend 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	£1,033k
(ii)	Increased demand in social care	£725k

These overspends have been offset by savings against other service / non-service areas totalling £3,021k resulting in an overall underspend of £1,263k which to this is then added the currently unused general contingency budget of £1,473k.

Whilst the level of forecast overspending across schools has been an area of significant concern throughout the year, a forecast underspend is now anticipated. Forecasts have been reviewed in light of the impact of the pandemic and the reimbursement that the schools will receive from the Welsh Government hardship fund and one off funding received. Although it is pleasing to note that school forecasts have improved, they do remain an area of concern given that £2.7m has been transferred from schools reserves

over the last 2 years to fund schools overspending. Many schools are still projecting an overspend in the current year and the projected overall school reserves as at the end of this financial year is £1,655k, representing around only 1.6% of schools budgets and so the ongoing sustainability of schools budgets is a key issue.

- Appendix 1 Overall budget dashboard – November 2020
- Appendix 2 Revenue summary monitor – November 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 that is predominately resulting from undelivered MTFP savings impacted by the on-going pandemic; the risks associated with this and recommend that Heads of Service (HoS) continue to focus on implementation of agreed savings;
- 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 that have the potential to face schools in future should schools not manage within approved budget 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;
- Note that work is in progress to identify the impact of unspent budgets and grant funded areas to determine what needs to be carried forward to next year.

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 Following the confirmation from Welsh Government (WG) of Covid-19 financial support for specific areas continuing to the end of the financial year, the general contingency was released and reported in the September update. Since this time the forecast continues to predict a much-improved position of £2,736k underspend, (£1,679k underspend in September).
- 1.2 At this stage of the year, this is a very positive position. However, with record numbers of people with Covid-19 in Wales and as we enter alert level 4; seeing tighter restrictions to control the spread of the virus, there may be currently unknown costs that arise in the coming months, which could affect the forecast.
- 1.3 The positive position reflects that the significant additional costs and loss of income in relation to Covid-19, which will be funded by the WG hardship, fund. The Council has been able to manage its other expenditure within its overall budget, which include 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 September update relate to the following:

September forecast	(£1,679k)
Reduction in service area forecast overspend	(£938k)
Reduction in schools forecast overspend	(£186k)
Non service (inc. C Tax collection and CTRS)	<u>£67k</u>
Overall November forecast	(£2,736k)

- 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) 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)	Actual loss of income resulting from Covid-19 (para 2.4)	£2,686k
(ii)	Offset by WG funding	(£2,686k)
(iii)	Increased demand across key social care areas (para 2.6)	£725k
(iv)	Undelivered budget savings (para 2.13)	£1,033k
(v)	Council tax reduction scheme	(£1,200k)
(vi)	Collection of council tax	£800k
(vii)	Other mitigating savings (inc staff savings)	(£2,621k)
(viii)	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. This is regularly reviewed by WG officials and Welsh Treasurers. 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 recent tiered system announced by the First Minister, which has seen Wales enter level 4 lockdown at the end of December. In the meantime, the Council continues to:

- (i) 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 Head of Finance (HoF) distributes and discusses this with services on a regular basis and finance staff supporting services to assist with this.
- (ii) 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 key areas of Expenditure:

- The following areas of eligible spend will be reimbursed for the remainder of the financial year:
 - Homelessness and continued support for adult social care providers;
 - Staffing additional hours and overtime as a direct result of Covid. It was expected that these costs would reduce significantly in the second part of the year as service areas move to recovery phase but the on-going and worsening situation means these costs are rising again as Councils own staff are affected and demands for support continues/increases;
 - Any expenditure in relation to social distancing measures and enhanced infection control;
 - Future claims in relation to additional free schools meals will be reimbursed in full.

Assumption - WG financial Support on Loss of income due to Covid-19 - £2,686k:

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 The forecast assumes that the Hardship Fund will be sufficient to cover all lost income claims to the year –end and this is reviewed regularly by WG officials and Welsh Treasurers.

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 and 2 was in the region of £2.7m and the quarter 3 claim is due to be submitted in January.
- The forecast includes reimbursement of some types of income that WG are withholding payment on currently i.e. planning and registrars 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.

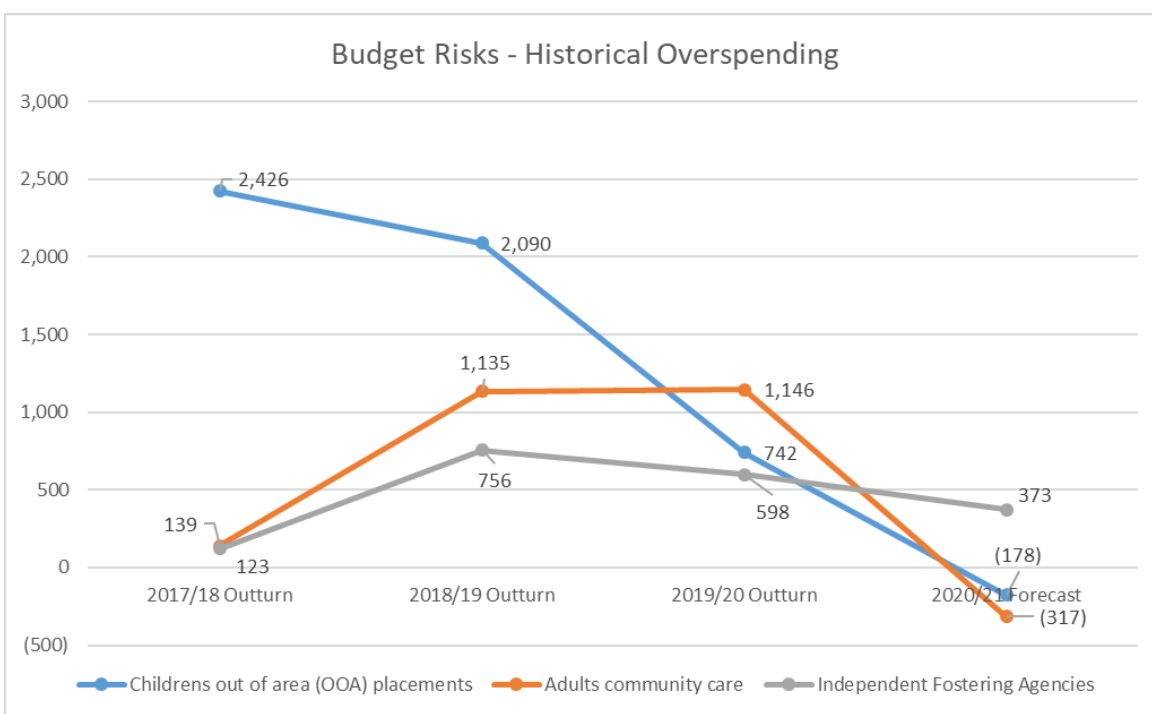
Variance - Demand led budgets - £725k overspend

2.6 There are three areas of continued risk in terms of significant overspending against budget, which 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. However, the outbreak of the pandemic has seen demand in community care reduce significantly due, in part, to service users being cared for by family members temporarily which has led to a reduction in forecast.

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 £373k.



- 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 November, the number of out of area placements are at 19 forecast to the end of the year resulting in a forecast 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. Covid-19 has delayed alternative suitable placements and adoptions resulting in the number of placements in this sector reducing to 64 at the end of November. The expectation is that numbers will be maintained at this level until the end of the year resulting in an overall forecast overspend of £373k 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 started to increase earlier in the year there has recently seen a reduction of over 100 service users – the majority of this change has been because of the ongoing pandemic. The ongoing situation regarding the virus and the onset of the winter period, which in previous years has resulted in a number of placements ending, adds an element of increased uncertainty to the forecast position. Based on the current trajectory of users an underspend of £317k is forecast. This also assumes that income in respect of non-residential placement income lost due to Covid will be reimbursed in full (£400k).
- 2.12 In addition to the three areas set out above careful consideration should also be given to another two budget areas within social care:
- (i) the emergency placements budget within children's services is under significant pressure due to current circumstances and is forecasting an overspend of £493k. 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, and
 - (ii) within leaving care, there are new properties that have been taken on and in addition, payments are being made which are not eligible under the hardship fund. An overspend of £354k is forecast.

Variance - Delivery of agreed budget savings - £1,033k 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 in the last few months. The levels of projected savings are 83% of target. In addition to the £900k shortfall this represents, there remains £133k of undelivered savings from 2019/20, which need to be addressed by children's social services. Whilst the current delay is unavoidable, services will need to deliver these savings as best they can, 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 Heads of Service (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	1,878	1,034	676	930	4,517
Variation to MTRP Target	-333	-248	-119	-200	-900
Variation % to MTRP Target	-15%	-19%	-15%	-18%	-17%
Undelivered Savings from Previous Years	-133	0	0	0	-133
Total Undelivered Savings	-466	-248	-119	-200	-1,033

2.14 Whilst these areas are considered as part of our future financial planning and budget process, overall they contribute over £1m 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 (£333k)

- Reduction in Projected Cost of Accommodation Based Care and Support Services for People with Learning Disabilities - £233k
- 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

2.16 A review of unspent budgets and in year grant funding is currently being co-ordinated to understand the ongoing impact and to identify which elements need to be carried forward. The outcome of this work has the potential to have a minor impact on the forecast underspend.

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, representing a shortfall for in-year collection of 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.

- 3.3 Crucially here, whilst in year collection of the current years Council Tax due has stabilised at about the above percentage in terms of shortfall against normal years, the collection of previous years Council Tax debts brought forward into the year for collection is still worsening compared to what we'd normally expect to recover. In essence, collection of older year Council Tax debts is much worse than normal and we will be adding much more to that older year's debt compared to a normal year, as more of the current year tax due remains unpaid at 31 March. The Head of Finance will be requesting that some additional one-off grant funding received this current year for the revenues function but which can't be spent; is carried forward and used to bring in some fixed term resources for c18 months to help catch up with recovery and other areas of general administration of Council Tax. The grants were received for additional work in administering 'business rates grant schemes' but the focus of doing those has meant a lesser time/focus on arrears and recovery work.
- 3.4 The calculation of the increase in provision has led to a forecast overspend on Council Tax income of £800k, 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. This has increased from the previous month forecast to reflect that the collection of council tax continues to be low and there is uncertainty that this will be easily recovered in future years. The provision set aside for this can then be reviewed during 2021/22 to assess the adequacy of the provision. In this monitoring this has been offset by an adjustment to the CTRS budget as discussed below.
- 3.5 At the end of November 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. The UK furlough scheme has also been extended and will have had a positive impact here. However, it is an area of uncertainty and on balance, the risks of cost pressures here are significant – there are normally significant lag between the claim and the value coming through, ending of the furlough scheme and further lockdowns may cause job losses or significant reductions in income and an increase in CTRS claims could 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 £1,200k, after taking into account increase in demand and associated reimbursement from a baseline of February 2020 demand levels. The availability of the benefit is widely communicated and made aware to all taxpayers who are experiencing paying Council Tax.

4 Schools

- 4.1 Appendix 3 highlights that overall schools are currently forecasting an underspend of £542k. This is a significant improvement from the last monitoring position and is due to:
- schools own forecasts improving by c£560k given reduced costs from school closures earlier in the year
 - One –off grant funding from WG of c£320k for teachers pay
 - distribution on some ISB contingency not needed this year for supply teachers costs, back to schools, at c£200k
 - contribution from Educations department budget for specific ALN provision costs at c£440k

Whilst the projected schools balances have improved this month they still highlight that 26 out of 56 schools have an in year overspend and will have minimal balances remaining at the end of the financial year. As with other service areas schools have assumed that eligible Covid expenditure and lost income will be reimbursed.

- 4.2 With the exception of primary, all school sectors are currently forecasting an in year overspend against approved budget. The main sectors forecasting in year overspending are nursery and secondary sectors, which combined, contribute 88% to the in year overspending position. A summary table is shown below:

	Reserves balance 31/03/20	In year Under/(overspend)	Reserves Balance 31/03/21
	£	£	£
Nursery	(36,456)	(86,463)	(122,919)
Primary	3,331,795	82,787	3,414,581
Secondary	(2,177,504)	(83,005)	(2,260,510)
Special	(4,677)	(21,175)	(25,851)
Total	1,113,157	(107,856)	1,005,301
Assumed grant and other compensation		649,955	649,955
Total	1,113,157	542,099	1,655,256

- 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. The forecast level of underspending across schools will see balances increase to £1,655k at the end of the year. Given that £2.7m has been transferred from school reserves over the last 2 years and that 26 out of 56 schools are anticipating in year overspends there must continue to be close monitoring of this area.
- 4.4 For those areas forecasting an in year overspend it 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.
- 4.5 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 £3.1m.
- 4.6 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, forecast planned transfers in/ (out) of reserves in 2020/21 and the forecast balance as at 31st March 2021. Current projections suggest that 7% 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. 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. Head of Finance (HoF) Senior Finance Business Partners (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 previous spells of overspending in schools has highlighted the significant impact that and net overspend could have on the overall council position.

Preferred Option and Why

CMT take a targeted approach to reducing spend across service areas whilst ensuring management of key budgets and risks, specifically the delivery of previously agreed MTFP savings.

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. Since the last monitor, the schools position has improved both from their own updating of forecasts which better reflects the financial support they are getting and also from some one-off funding. The underlying position is however, still challenging for schools.

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, 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

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. The use of grant funding received this year as highlighted in the report for some fixed term resources to 'catch up' on general administration back-logs and enable more recovery work will hopefully help.

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 report notes delays in the delivery of agreed budget savings, including £119k for the People and Business Change service area. We remain focused on delivering these savings.

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

The Chair of Cabinet, as Cabinet Member for resources has approved the report for consideration and approval by Cabinet.

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:

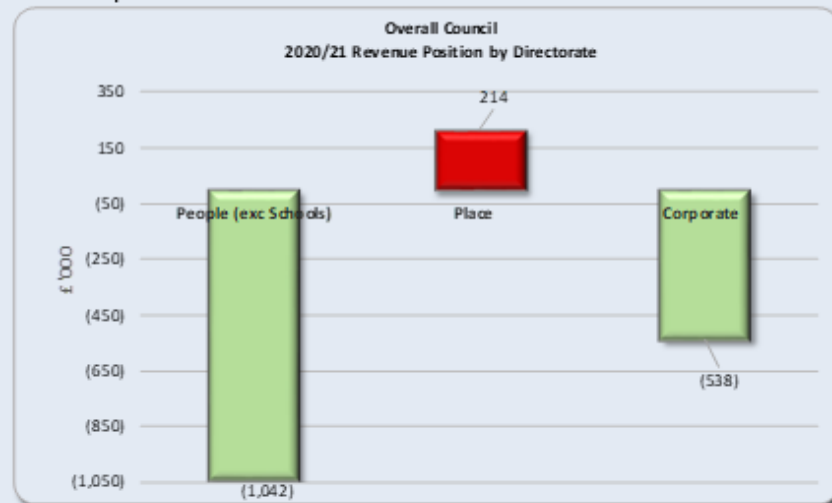
Appendix 1

Budget Monitoring Position – November 2020

Position by Directorate

	Current Budget £'000	Forecast £'000	Variance £'000
People (exc Schools)	90,434	89,392	(1,042)
Place	34,668	34,882	214
Corporate	18,953	18,416	(538)
Service Area Budget	144,055	142,690	(1,365)
Schools	106,527	105,985	(542)
Service Area Budget (inc Schools)	250,583	248,675	(1,907)
Schools - transfer to reserve	0	542	542
Non Service	48,215	48,317	102
Total Budget (excluding contingency)	298,797	297,534	(1,263)
General Contingency	1,473	0	(1,473)
Total Budget (Including contingency)	300,270	297,534	(2,736)

Detailed explanations can be found within service area dashboards



Undelivered Savings:

- 2020/21 - £900k
- Previous years - £133k
- Overall, undelivered savings are resulting in forecast overspend against budget of £1m. This is predominantly due to delays in implementation due to Covid.

Position Summary

- Revenue outturn reports an underspend of £2,736k which includes an underspend against the general contingency of £1.4m.
- In addition to the general contingency, service area forecasts have improved, the majority of which relates to lower than anticipated demand within social care and an improved position on school forecasts.
- Schools are now forecasting an underspend against budget and so no residual pressure on the overall council position is expected.
- The forecast has 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 ordinarily.
- 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 (£1,033k)
 - Increased demand for independent fostering agencies (£373k) and emergency placements (£493k).
- 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 – November 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. 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
 - RIH –Commercial & Industrial property income; & Norse profit share
 - City Services – Bus shelter advertising; Bus station departures; Car parking
 - Corporate (registrars) – drop in ceremony income
- 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;
- Whilst the projected schools balances have improved this month as a result of £542k in year underspending it should be highlighted that 26 out of 56 schools have an in year overspend and will have minimal balances available at the end of the year. Whilst this position has improved **this is a concern for the Council and something that requires attention.**

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

MTFP undelivered savings 2020/21	£1,033k
Key demand led areas across social care	£725k
Staffing and other service area variances	(£2,621k)
Council tax collection and CTRS	(£400k)
General contingency	<u>(£1,473k)</u>
Forecast position	(£2,736k)

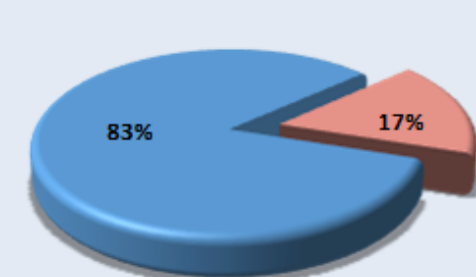
Budget Monitoring Position – November 2020

Staff Forecasts

Overall Staffing	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Budget (£'000)	59,926	59,926	60,116	59,906	59,425	59,431	59,551	54,233	54,233	54,233	54,233	54,233
Forecast (£'000)	59,926	59,958	59,157	58,396	57,875	57,911	57,865	52,586	52,586	52,586	52,586	52,586
Variance (£'000)	0	32	(959)	(1,510)	(1,550)	(1,519)	(1,686)	(1,647)	(1,647)	(1,647)	(1,647)	(1,647)

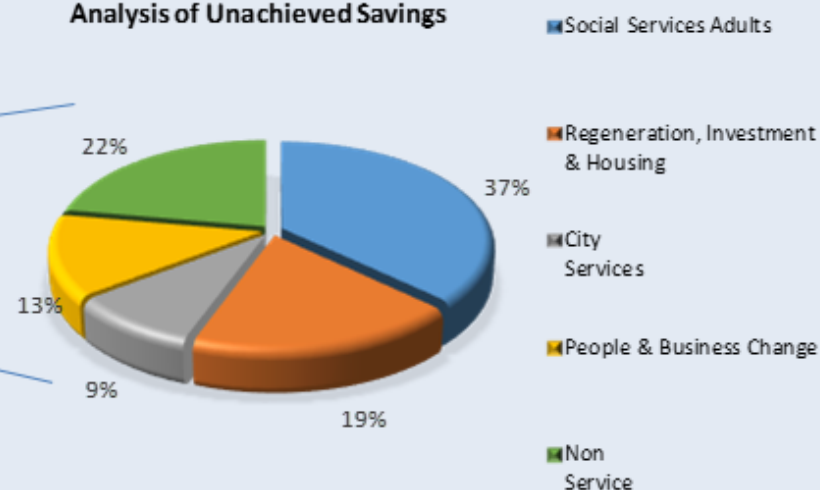
- Whilst there are a number of vacancies across the council and recruitment into these non essential posts has been somewhat delayed these savings are being offset in part by an increased requirement for additional staff time and agency staff.

2020/21 Delivery of Savings (Forecast)



■ Savings Achieved ■ Savings Unachieved

Analysis of Unachieved Savings



- The first chart shows that 83% 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 (17% 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 £900k undelivered savings in 20/21 there remains £133k 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	1,878	1,034	676	930	4,517
Variation to MTRP Target	-333	-248	-119	-200	-900
Variation % to MTRP Target	-15%	-19%	-15%	-18%	-17%

Budget Monitoring Position – November 2020

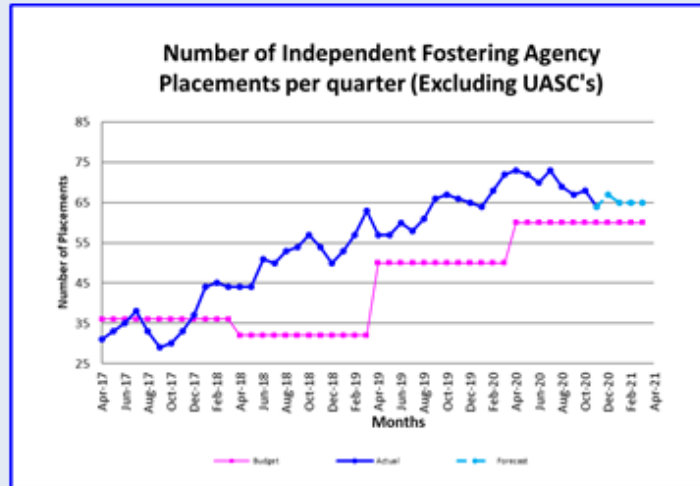
	Annual Budget £'000	Forecast £'000	Variance £'000	Graph Reference
Risk Based Areas				
Children & Young People				
Independent Fostering Agencies	2,382	2,755	373	i
Out of Area Residential	3,009	2,831	(178)	ii
In House Fostering	3,479	3,302	(177)	
Leaving Care	672	1,026	354	
Legal fees	950	950	0	
In House Residential	2,190	2,646	456	
Emergency Placements	0	493	493	
Adult & Community Services				
Community Care - Residential	21,300	21,104	(196)	
Community Care - Supported Living	10,499	11,041	542	iii
Community Care - Non Residential	11,317	11,057	(260)	iv
Community Care Income - Residential & Non Residential	(8,096)	(8,444)	(348)	
Education				
SEN Out of County - Local Authority	2,425	1,049	(1,376)	v
SEN Out of County - Independents	2,092	2,625	534	v
SEN Local Provision Development	621	1,489	868	
SEN Transport	1,674	1,619	(55)	
Special Home to School Transport	815	811	(4)	
Bridge Achievement Centre	1,190	1,190	0	
Regeneration, Investment & Housing				
Homelessness - B&B Costs	746	1,036	290	
Commercial & Industrial Properties Income	1,460	1,260	(200)	
City Services				
Commercial/ Asbestos Income	1,245	1,336	91	
Home to School Transport - Primary	989	869	(120)	
Home to School Transport - Secondary	1,171	1,128	(43)	
Home to School Transport - College	117	87	(30)	
CPE - Fines income	691	532	(159)	
Burial fees	561	580	19	
Car parking income	892	892	0	
Law & Regulation				
Licensing - Hackney carriages / private hire	(361)	(450)	(88)	
Total Net Budget	64,029	64,814	785	

- 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 – November 2020

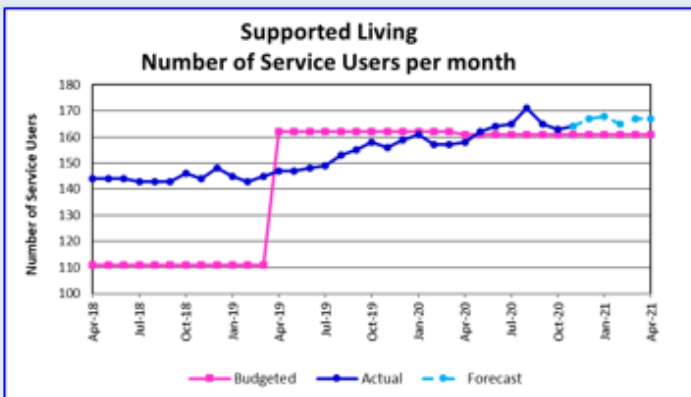
Risk Based Monitoring graphs

(i) Independent Fostering Agencies



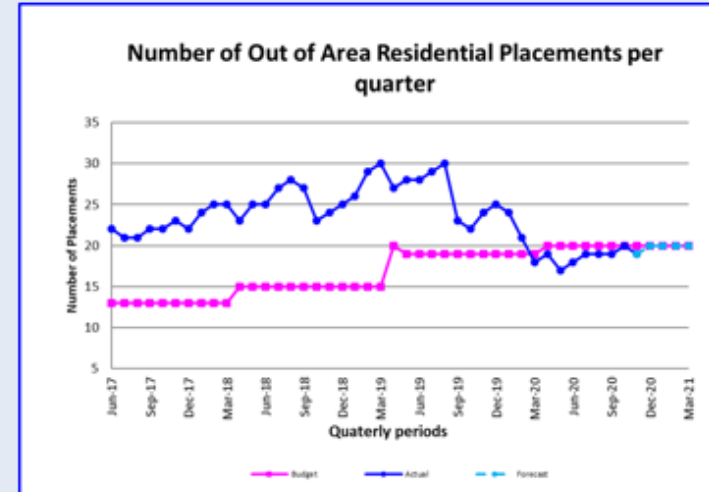
- The 2020/21 budget can afford 60 placements at an average cost. The number of placements have reduced to 64 at the end of November. It is expected that numbers will remain the same at year end, giving an overall overspend in this area of £376k.

(iii) Community Care – Supported Living



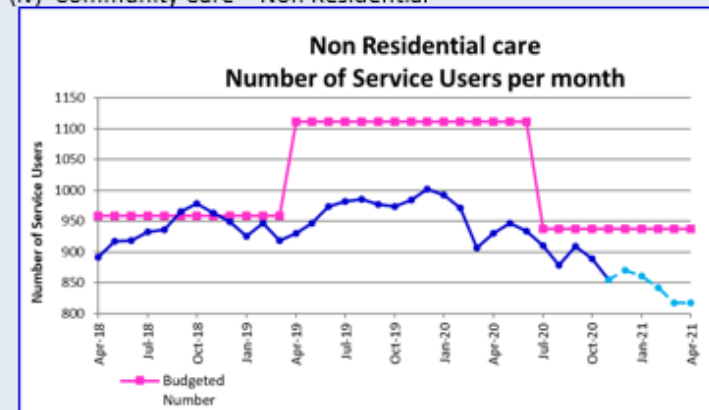
- Budget can afford 161 placements at an average cost. Currently numbers are at 164 with almost a third of costs being higher than the average resulting in an overspend of £542k.

(ii) Out of Area (OOA) Residential Placements



- Budget can afford 20 placements at an average cost. The service anticipates the number of placements remaining at 19 by the end of the financial year resulting in an underspend of £178k.

(iv) Community Care – Non Residential

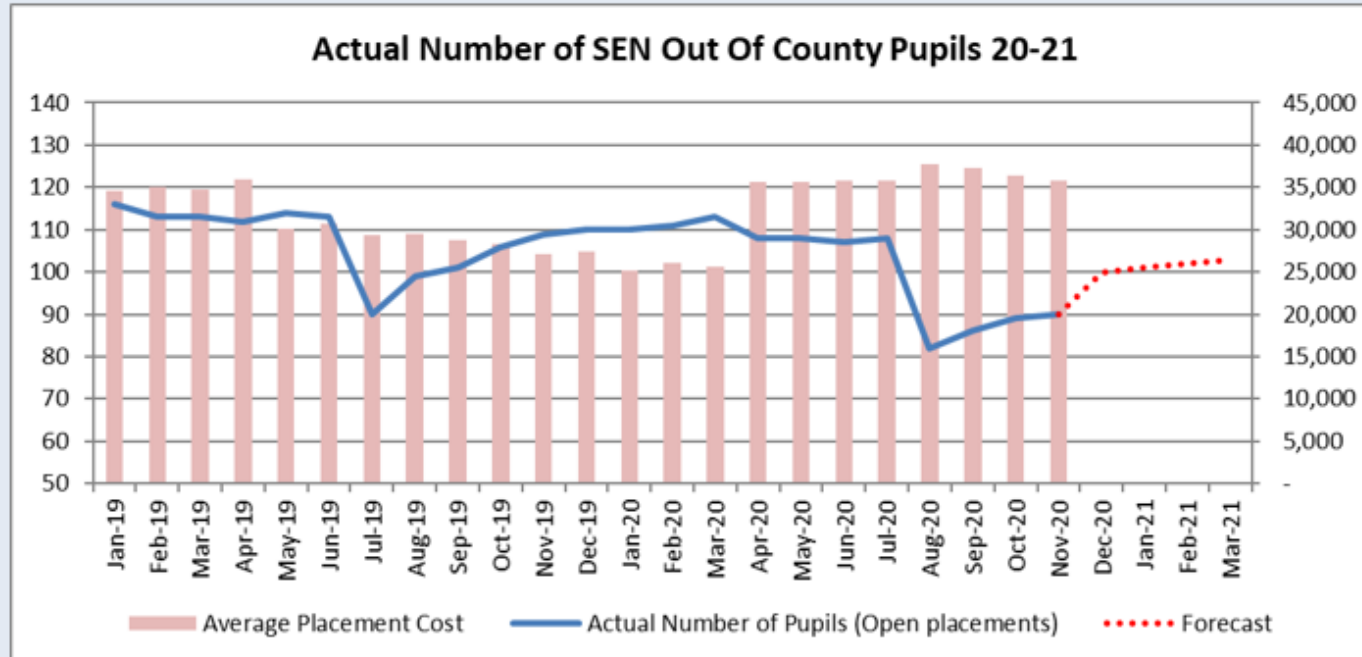


- Budget can afford 937 users per month at an average cost. Although over a quarter of users exceed this cost per week the numbers of users are lower. The net underspend assumes lost income of £400k being reimbursed by WG.

Budget Monitoring Position – November 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 November there are 90 open which has resulted in a forecast underspend. The forecast highlights an anticipated underspend against budget for local authority of £1.4m and an overspend of £533k for independent. Therefore no budgetary pressure currently exists within current forecasts.
- Placements ranging between £10k and £20k account for 29% of the total number of placements

Budget Monitoring Position – November 2020

Schools

Overall, schools are anticipating an underspend of £542k after taking account of one off grant and other compensation of £650k that has been received in year. Despite the forecast underspend 26 out of 56 schools forecast an in year overspend and have minimal balances remaining at the end of the financial year.

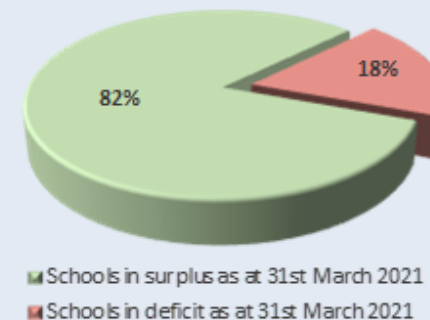
Forecasts by sector are shown below;

- Nursery £86k overspend (2 out of 2 nurseries reporting an in-year overspend position)
- Primary £82k underspend (20 out of 43 schools reporting an in-year overspend position)
- Secondary £83k overspend (3 out of 9 schools reporting an in-year overspend position)
- Special £21k overspend (1 out of 2 special schools reporting an in-year overspend position)

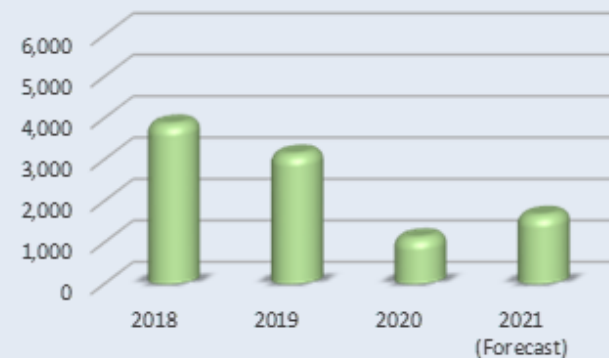
Schools forecasting deficit reserves at YE	November
Newport High	(90)
Caerleon Comprehensive	(981)
Llanwern High	(508)
Lliswerry High	(698)
St Julians School	(454)
High Cross Primary	(42)
St Woolos Primary	(32)
Kimberley Nursery	(125)
Maes Ebbw	(117)
Ysgol Gyfn Gwent Iscoed	(33)
Total Net Budget	(3,079)

Schools are forecasting an in year underspend of £542k therefore increasing school balances to £1,655k from £1,113k as at the end of March 2020. Whilst this is an improved position, £2.7m has been transferred from school reserves over the last 2 years to fund schools overspending and this is unsustainable. **This is an issue which requires continued action.**

Proportion of Schools Forecasting Deficit as at 31st March 2021



Balances held by Schools as at 31st March



APPENDIX 2 Revenue Summary Monitor – November 2020

Summary Revenue Budget 2020/21	April 20 Approved Budget	Current Budget	Projection	(Under) / Over
	£'000	£'000	£'000	£'000
People				
Children and Young People	25,904	25,855	26,620	765
Adult and Community Services	49,261	49,215	47,976	(1,239)
Education	15,365	15,364	14,796	(568)
Schools	106,527	106,527	105,985	(542)
	197,057	196,962	195,378	(1,584)
Place				
Regeneration, Investment and Housing	9,910	10,043	10,318	275
City Services	24,673	24,624	24,564	(60)
	34,583	34,668	34,882	214
Chief Executive				
Directorate	516	515	275	(240)
Finance	3,434	3,432	3,432	-
People and Business Change	8,005	8,378	8,274	(103)
Law and Regulation	7,183	6,628	6,434	(194)
	19,138	18,953	18,416	(538)
Capital Financing Costs and Interest				
Capital Financing Costs and Interest (Non-PFI)	14,462	14,462	14,462	(0)
Public Finance Initiative (PFI)	8,854	8,854	8,854	-
	23,316	23,316	23,316	(0)
Sub Total - Service/Capital Financing	274,094	273,899	271,991	(1,907)
Contingency Provisions				
General Contingency	1,473	1,473	-	(1,473)
Centralised Insurance Fund	581	581	581	-
Non Departmental Costs	-	-	-	-
Other Income and Expenditure	683	879	1,588	709
	2,737	2,932	2,169	(763)
Levies / Other				
Discontinued Operations - pensions	1,567	1,567	1,361	(207)
Discontinued Operations - Ex Gratia Payments	2	2	3	1
Levies - Drainage Board, Fire service etc	8,704	8,704	8,702	(2)
CTAX Benefit Rebates	13,465	13,465	12,565	(1,200)
Extraordinary Items	-	-	-	-
	23,738	23,738	22,631	(1,407)
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	-	-	542	542
Earmarked reserves: Transfer to/(from) Schools Redundancy	-	-	-	-
Invest to Save Reserve	-	-	1,699	1,699
Invest to Save Reserve (from)	-	-	(1,699)	(1,699)
	(299)	(299)	243	542
Total	300,270	300,270	297,034	(3,536)
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	800
Total	-	0	(2,736)	(2,736)

APPENDIX 3 – Schools Funding and Balances

School Name	Opening Reserve 20/21	ISB Allocation (inc Post 16)	In Year U/(O) Spend November 20	Projected Closing Reserve 31/03/21
	£	£	£	£
Bassaleg School	218,531	7,849,458	(33,228)	185,303
Newport High	(233,397)	5,364,733	143,594	(89,803)
Caerleon Comprehensive	(1,064,561)	6,949,076	83,837	(980,723)
The John Frost School	76,130	6,702,732	62,504	138,634
Llanwern High	(290,421)	4,689,060	(217,980)	(508,401)
Lliswerry High	(754,031)	4,757,510	56,337	(697,694)
St Josephs R.C. High	90,450	6,243,559	88,272	178,722
St Julians School	(180,821)	7,526,625	(273,051)	(453,872)
Ysgol Gyfun Gwent Is Coed	(39,385)	2,075,456	6,710	(32,675)
Sub Total	(2,177,504)	52,158,208	(83,005)	(2,260,510)
Alway Primary	60,116	1,612,077	(13,729)	46,388
Caerleon Lodge Hill	96,832	1,203,043	18,535	115,367
Charles Williams CIW	224,970	1,819,782	(44,559)	180,411
Clytha Primary	16,709	797,316	12,300	29,009
Crindau Primary	147,659	1,379,845	(15,935)	131,724
Eveswell Primary	242,539	1,503,336	(39,237)	203,302
Gaer Primary	81,402	1,695,601	41,697	123,100
Glan Usk Primary	36,470	2,137,802	40,724	77,194
Glan Llyn Primary	53,135	945,167	18,628	71,763
Glasllwch Primary	73,001	782,563	(40,393)	32,608
High Cross Primary	(42,257)	912,397	36	(42,222)
Jubilee Park	(8,018)	1,210,910	43,830	35,813
Langstone Primary	104,577	1,114,953	(18,699)	85,878
Llanmartin Primary	21,641	762,716	8,816	30,457
Lliswerry Primary	117,548	2,092,441	30,370	147,917
Maesglas Primary	(18,822)	1,022,756	27,203	8,381
Maindee Primary	66,774	1,788,623	49,819	116,592
Malpas CIW Primary	63,613	1,156,149	(57,681)	5,932
Malpas Court Primary	46,823	1,202,443	(21,304)	25,518
Malpas Park Primary	41,131	858,363	31,704	72,835
Marshfield Primary	65,929	1,385,932	(54,563)	11,366
Millbrook Primary	82,741	1,066,124	12,857	95,597
Milton Primary	24,777	1,616,837	(12,911)	11,867
Monnow Primary	161,652	1,519,101	(69,107)	92,545
Mount Pleasant	34,117	876,698	(8,135)	25,982
Pentrepoeth Primary	51,847	1,538,375	(21,690)	30,158
Pillgwenlly Primary	121,114	2,108,604	(4,988)	116,125
Ringland Primary	49,111	1,072,775	(31,275)	17,837
Rogerstone Primary	(32,929)	1,928,084	89,256	56,327
Somerton Primary	144,338	664,393	(55,445)	88,893
St Andrews Primary	52,774	2,356,297	10,138	62,912
St Davids RC Primary	67,457	776,630	6,053	73,510
St Gabriels RC Primary	34,230	695,655	30,812	65,042
St Josephs RC Primary	33,472	706,509	14,858	48,330
St Julians Primary	309,759	2,165,427	(66,580)	243,180
St Marys Rc Primary	58,503	1,337,128	18,427	76,930
St Michaels RC Primary	27,137	762,791	647	27,784
St Patricks RC Primary	48,321	727,125	(12,471)	35,850
St Woolos Primary	(47,163)	1,134,425	15,495	(31,667)
Tredegar Park Primary	203,343	1,529,431	112,675	316,018
Ysgol Gym Bro Teyrmon	167,308	750,371	(24,455)	142,854
Ysgol Gym Casnewydd	148,725	1,257,459	67,582	216,307
Ysgol Gym Ifor Hael	99,385	690,073	(6,519)	92,866
Sub Total	3,331,795	54,664,542	82,787	3,414,581
Fairoak Nursery	29,788	164,705	(27,460)	2,327
Kimberley Nursery	(66,244)	241,275	(59,003)	(125,246)
Sub Total	(36,456)	405,979	(86,463)	(122,919)
Maes Ebbw	(117,594)	3,433,639	517	(117,077)
Bryn Derw	112,917	1,576,210	(21,691)	91,226
Sub Total	(4,677)	5,009,850	(21,175)	(25,851)
Assumed additional grant and other compensation			649,955	649,955
Grand Total	1,113,157	112,238,580	542,099	1,655,256

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)												(542)	(1,655)
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)												209	(516)
General Investment Risk Reserve	(658)													(658)
European Funding IZA & CFW	(394)													(394)
Metro Bus	(9)												9	-
GEMS Redundancies	(78)													(78)
SUB TOTAL - RISK RESERVES	(4,783)	-	-	-	-	-	-	-	-	-	-	-	218	(4,565)
Capital Expenditure	(5,344)												75	(5,269)
Invest to Save	(9,938)												1,899	(8,039)
Super Connected Cities	(426)												128	(298)
Landfill (fines reserve)	(332)													(332)
School Reserve Other	(182)												182	-
School Works	(452)													(452)
Investment Reserve	(342)												18	(324)
Usable Capital Receipts	(8,259)												2,120	(6,139)
Streetscene Manager Support	(117)												117	-
SUB TOTAL - ENABLING RESERVES	(25,391)	-	-	-	-	-	-	-	-	-	-	-	4,539	(20,852)
Municipal Elections	(130)												(36)	(166)
Local Development Plan	(625)												(19)	(644)
Strategic Development Plan	-												(55)	(55)
Business Support Reserve *NEW in November 2021	-												(54)	(54)
Glan Usk PFI	(1,607)												4	(1,603)
Southern Distributor Road PFI	(40,691)												327	(40,364)
Loan modification technical reserve (IFRS 9)	(1,085)												175	(910)
Building Control	(104)												(22)	(126)
SUB TOTAL - SMOOTHING RESERVES	(44,242)	-	-	-	-	-	-	-	-	-	-	-	320	(43,922)

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
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)	-	-	-	-	-	-	-	-	-	-	-	1,210	(3,826)
														-
RESERVES TOTAL	(87,065)	-	-	-	-	-	-	-	-	-	-	-	5,745	(81,320)