

Report

Cabinet



Part 1

Date 8 September 2021

Subject **July Revenue Budget Monitor**

Purpose To highlight the current forecast position on the Council's revenue budget and the financial risks and opportunities that present themselves within the July position. This is the first Cabinet update of 2021/22 financial year.

Author Head of Finance

Ward All

Summary The July 2021 revenue position forecasts an underspend of £5.332m. This forecast is inclusive of the continued financial impact of the COVID-19 pandemic and assumes full reimbursement of additional expenditure and lost income during the entirety of the year. This follows confirmation from Welsh Government that the Hardship Fund will remain available until March 2022.

Although there is an overall underspend being forecast, certain service areas are reporting overspends against specific activities. As in previous years, these overspends relate to demand-led activity areas, such as Social Services, and therefore there is an inherent risk that they may change should demand levels change from current forecasts.

More than offsetting these specific pressures are projected underspends in relation to Capital Financing, the general contingency budget, the Council Tax Reduction Scheme, and other non-service budget headings. A number of these underspends are one-off in nature and will not necessarily recur in future years.

The key areas contributing to the overall position are:

(i)	Undelivered 2021/22 and prior year budget savings	£683k
(ii)	Key demand led areas across Social Services	£347k
(iii)	Staffing and other service area underspends	(£994k)
(iv)	Capital Financing	(£2,689k)
(v)	General Contingency	(£1,373k)
(vi)	CTRS and other Non-Service budgets	(£1,306k)

The position in relation to schools is somewhat different in comparison to previous years, due to the higher level of surplus balances carried forward from 2020/21. To some extent, these balances are being utilised during 2021/22, which is reflected by the projected £2,048k overspend. However, the overall level of balances anticipated to be carried forward into the 2022/23 financial year is still higher than in recent years. Despite this, thorough monitoring needs to be maintained in this area, as four schools remain in a deficit position, and there is a possibility that this overall healthier position is only a temporary one.

The appendices to the report as are follows:

- Appendix 1 Overall budget dashboard
- Appendix 2 Revenue summary monitor
- 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 potential for an underspend position to exist at the end of the financial year.
- Note the continued financial challenges being experienced by certain, demand-led, services and the need for robust financial management in these areas, as well as the level of currently unachieved budget savings.
- Note the risks identified throughout the report and in the HoF comments, particularly in relation to future years and the lasting impacts of the pandemic.
- Note the forecast movements in reserves.
- Note the improved overall position in relation to schools, when compared to previous years, but also note the remaining deficit positions for some schools and the risk of past issues re-emerging if good financial planning and management is not undertaken.

Action by Cabinet Members / Head of Finance / Corporate Management Team to:

- HoS continue to keep under review the key risk cost areas and taking action, with Cabinet Members, to move towards balanced positions for those budgets currently projected to overspend.
- HoS deliver agreed 2021/22 budget savings as soon as practically possible, but by the end of the financial year at the latest.
- HoS and budget holders to closely monitor the impact of the easing of restrictions relating to the pandemic and identify, escalate, and mitigate emerging risks in a timely manner.
- Cabinet Members and HoS promote and ensure robust forecasting throughout all service areas, including agreeing and implementing appropriate actions to balance spend and available budgets.

Timetable On going

This report was prepared after consultation with:

Chief Executive
Heads of Service
Budget Holders
Accountancy Staff

Signed

1 Background

- 1.1 The previous financial year saw the Council, and all other councils, contend with the financial impact arising from the COVID-19 pandemic. Although the rollout of the vaccination programme has enabled a lifting of restrictions and reopening of the economy, it is evident that the financial impact continues to be felt during the 2021/22 financial year. In recognition of this, the Welsh Government (WG) have continued to make available a Hardship Fund, which serves to reimburse local authorities for costs incurred in responding to the effects of the pandemic and income lost through services and facilities not being able to operate at pre-pandemic levels. Initially, the Hardship Fund was only available until the end of September 2021, however, WG have recently confirmed that it will be available for the entirety of the 2021/22 financial year. The monitoring position outlined in this report reflects that recent announcement from WG.
- 1.2 Significant areas of cost being incurred include the ongoing need to support the adult social care sector, ensuring providers are able to meet the costs associated with additional cleaning, staffing requirements, PPE and the impact of voids. Free school meal support has continued to be a significant cost, with the need to continue to provide vouchers to eligible pupils and families not diminishing. Furthermore, high levels of cost are still being incurred in relation to areas such as homelessness, the impact of staff absences, additional cleaning requirements and the provision of financial support for individuals who are self-isolating. In terms of lost income, which is claimed on a quarterly basis, the main areas affected are car parking, Newport Live and school catering.
- 1.3 Whilst WG have confirmed the availability of the Hardship Fund for the remainder of the year, there is now an expectation that local authorities and partners will start to move away from reliance upon additional financial support. For example, the support to the adult social care sector will start to taper off during the second half of the financial year. However, there remain several unknowns in terms of the longer-term impacts of the pandemic, such as the impact upon unemployment levels as and when the support for employees who are furloughed begins to be withdrawn. This monitoring position does not make any assumptions in terms of that longer term impact and, therefore, it will be critical to closely monitor key risk areas during the remainder of the year in case an adverse financial impact emerges. This will also be a key factor when considering future financial years, as it is currently assumed that the Hardship Fund will not exist beyond March 2022.
- 1.4 In addition to the financial impact of the pandemic, which is neutralised within the monitoring position by the aforementioned support from WG, certain service and demand-led pressures, in particular, continue to present a challenge.
- 1.5 These include specific challenges within Adult Services, as well as undelivered budget savings. Furthermore, schools are currently forecasting an overall overspend, although this will ultimately be offset by the balances carried forward from 2020/21, which were underpinned by late WG grant funding allocated during March 2021, most of which is being utilised during this financial year.
- 1.6 However, as well as these specific pressures, there are a number of services reporting underspend positions, including capital financing, and certain non-service budgets are also not committed in full at present. These underspends currently offset the pressures mentioned above and result in an overall projected underspend of £5.332m against the Council's net £315.9m budget.

2 Key areas contributing to position

- 2.1 The following section details some of the key areas that feature within the position. A number of these areas, such as COVID-19 expenditure and the schools overspend, are neutralised within the overall position, and do not affect the bottom line:

(i)	Additional costs arising from COVID-19 (para 2.3)	£4,397k
(ii)	Loss of income resulting from COVID-19 (para 2.4)	£454k
(iii)	Increased demand across key social care areas (para 2.5)	£347k
(iv)	Emerging risks within service areas (para 2.12)	£738k
(v)	Undelivered 2021/22 budget savings (para 2.13)	£217k
(vi)	Undelivered previous year savings (para 2.13)	£466k
(vii)	Capital Financing underspend (para 2.17)	(£2,689k)
(viii)	Position in relation to school budgets (Section 3)	£2,048k

2.2 There remain a number of uncertainties, which may impact upon the position over the remainder of the financial year. These include:

- The impact of the reduction of support for those individuals that have been furloughed at a point during the pandemic. Should this result in an increase in the unemployment rate, it could increase pressure upon services, as well as present a risk in terms of debt recovery, particularly in relation to Council Tax.
 - Currently, no surplus or deficit on Council Tax collection is assumed, however, should even a small percentage reduction in collection emerge, it could have a significant impact upon the overall position. Greater clarity regarding the collection position will be available as the year progresses.
 - Correspondingly, an increase in unemployment could result in an increased take up of the Council Tax Reduction Scheme (CTRS). This would go some way towards alleviating the concerns regarding Council Tax collection, however, would result in additional costs against this budget.
- Within Children's Services, there is a risk that demand could increase beyond trends seen in previous years. This is largely because of the potential for a delayed impact of the pandemic, with caseloads only rising as restrictions are lifted. Consequentially, an increase in costs would likely result.
- The gradual reduction or tightening of financial support from WG. Whilst the extension of the Hardship Fund until March 2022 has been confirmed, there is the expectation from WG that local authorities will begin to become less reliant upon the fund. In addition, WG have confirmed their expectation that support for sectors, such as the adult social care sector, will be tapered off over the remainder of the year. There is a risk that, whilst the funding may be reduced, costs may continue to be incurred and be unavoidable. Should this be the case, the Council will have to absorb these costs, which will reduce the current level of underspend.
- The impact of the potential financial pressures that may be incurred as a result of the effects of climate change. This could be seen in the form of increased spend required to meet the unpredictable effects of extreme weather events namely flooding. This too will be a consideration for the council's medium term financial strategy.

Additional expenditure in relation to COVID-19 - £4,397k

2.3 To date, the Council has submitted four monthly claims against the Hardship Fund during 2021/22, which are summarised in the table below. Adult Social Care, Free School Meals and Homelessness remain the largest components of the claims. The General category covers a range of costs and services, with expenditure incurred by schools forming one of the largest elements. It is currently assumed that all costs claimed to date will be reimbursed by WG, although responses to the July claim, and certain elements within other claims, are yet to be received.

Category	April (£000)	May (£000)	June (£000)	July (£000)	Total (£000)
Adult Social Care	39	523	560	231	1,353
Enforcement	0	10	19	5	34
Free School Meals	55	0	0	936	991
General	9	143	372	387	911
Homelessness	103	183	314	98	698

Opening Visitor Economy	0	13	28	55	96
Self-Isolation Payments	12	14	13	97	136
SSP Enhancement	0	4	0	0	4
Testing in Care Homes	0	157	0	17	174
Total Additional Expenditure	218	1,047	1,306	1,826	4,397

Loss of income due to COVID-19 - £1,089k (Net £454k after Q4 2020/21 Adjustment)

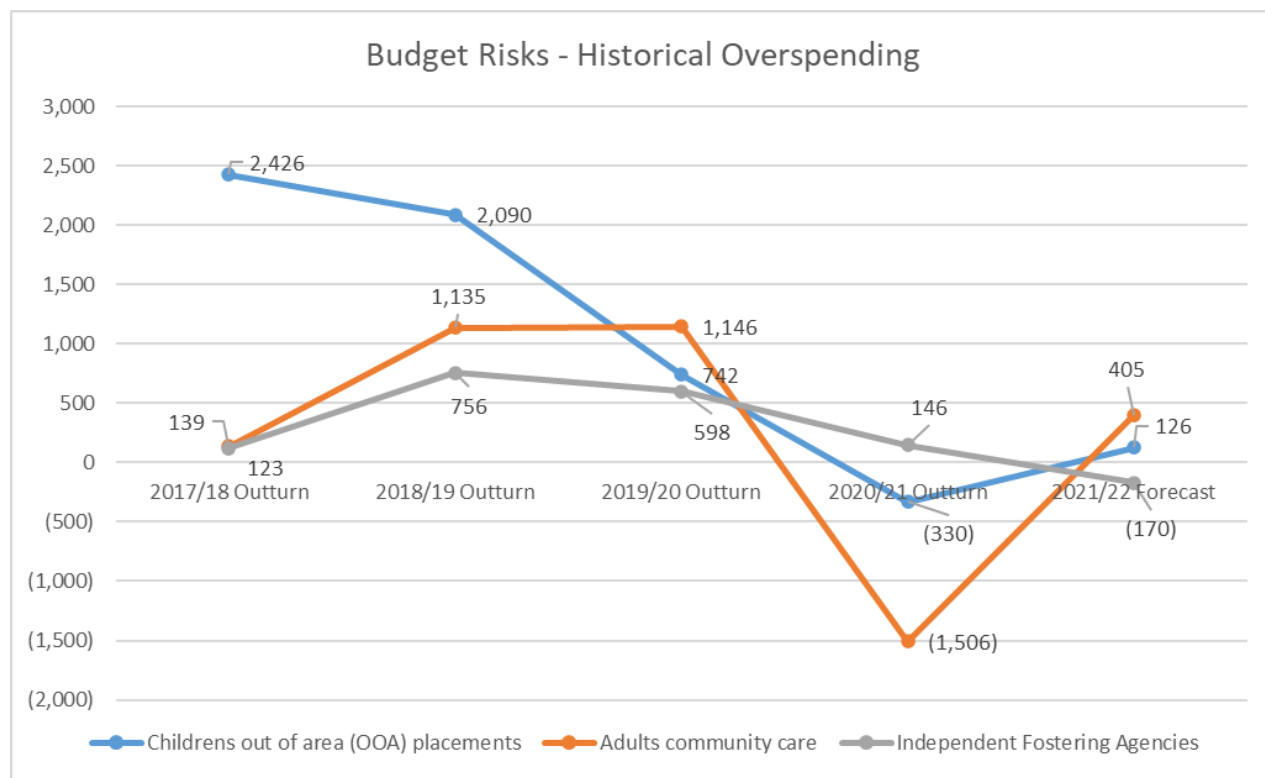
- 2.4 In addition to the increased costs, the Council continues to be impacted by reduced external income from activities such as car parking and music services. Claims for lost income against the Hardship Fund are made on a quarterly basis, with the table below providing an overview of the Quarter 1 claim for 2021/22. The net claim was for £454k, however this was due to an adjustment needing to be included in relation to the final claim for the 2020/21 financial year. This is because the final claim was based on estimates, with the understanding that any necessary adjustments would be offset against the first claim of this financial year. As can be seen from the table below, the gross loss of income for Quarter 1 totalled £1.551m, with offsetting mitigating savings and prior year adjustments totalling £462k and £635k, respectively. It should be noted that the final position for the 2020/21 financial year allowed for this £635k repayment to WG and, therefore, this does not have a negative impact upon this year's monitoring position. A response from WG is yet to be received in relation to the Quarter 1 claim, however this monitoring position assumes that it will be reimbursed in full.

Service Area	Actual Lost Income (£000)	Mitigating Savings (£000)	Adjustment for 20/21 Estimates (£000)	Net Lost Income (£000)
Adult Services	3	0	16	19
Education	544	(263)	(25)	256
Schools	24	0	21	45
City Services	408	0	(51)	357
RIH	17	0	0	17
Corporate	5	0	(104)	(99)
External	550	(199)	(492)	(141)
Total	1,551	(462)	(635)	454

Demand led budgets overspending - £347k

- 2.5 It was well documented throughout previous years that there were three areas of continued risk in terms of significant overspending against budget:
- Children's out of area placements
 - Independent fostering agencies
 - Adult community care
- 2.6 These are recurring issues and demand in most of these areas has been increasing over the last 2-3 years. Although these areas have received significant investment most years, previously the demand generally continued to accelerate beyond the budget available. However, the 2020/21 financial year, albeit perhaps not a representative one due to the pandemic, saw some of these areas record underspends. The risk, therefore, of significant overspends emerging has not necessarily gone away and these areas remain critical in terms of their potential impact upon the overall monitoring position.
- 2.7 The following chart reflects the outturns over the last 4 years in these areas, as well as the most recent forecasts. It demonstrates that spend has generally reduced over time, with significant underspends occurring during 2020/21, due to investments as part of the 2021/22 budget and the impact of the pandemic. However, 2020/21 was not a typical year, as evidenced by the return

towards a more normal picture in 2021/22, although there remains support via the Hardship Fund for certain costs being incurred and, therefore, the true, underlying, position may be more challenging than this.



- 2.8 **Children's out of area placements** – Following additional investment as part of the 2020/21 budget, this budget can support 20 placements. In July, the number of out of area placements are at 19, however the average cost of placements exceeds the level upon which the budget is predicated. As a result, an overspend of £126k is currently projected.
- 2.9 **Children's independent fostering** – As with out of area placements, this budget received significant investment as part of the 2020/21 budget and can support 58 placements at an average cost. This year, demand is currently broadly in line with the previous year, with 63 placements currently being supported. However, it has been possible to recover the cost of some of these placements via the Hardship Fund, resulting in a projected underspend of £170k.
- 2.10 **Adults community care** - £976k has been invested into the adult's community care budget for 2021/22, over and above inflation. The current position shows that the number of service users is slightly higher than at this time last year (2020/21 – 1,521 and 2021/22 – 1,574) and is forecast to continue this trajectory for the remainder of the year. The overall position for this area is a projected overspend of £405k, although there are some significant offsetting variances within that figure, including an overspend of £1.807m against residential packages and £1.142m in relation to community care packages income, aided by higher levels of property income compared with previous years.
- 2.11 Given the inherent nature of these budget risks, numbers in these areas could change throughout the year, as has been evident in previous years. Therefore, these areas present an inherent financial risk and will continue to be closely monitored.

Emerging risks within service areas - £738k:

- 2.12 In addition to the areas of continued risk explained above, there are emerging issues presenting themselves which will continue to be closely monitored throughout the year:
- Children's inter agency adoption fees – costs forecast to exceed budget available by £103k
 - Children's emergency placements – costs are forecast to exceed budget available by £100k
 - Regeneration commercial and industrial portfolio under recovery of income - £201k
 - City services – increased costs in respect of ash die back - £334k (not currently part of the risk-based analysis within appendix 1)

As can be seen within the overall dashboard in appendix 1, mitigating savings are being projected against staffing budgets. Service areas are forecasting an underspend against staff budgets as a result of delays in recruitment and any covid related activities being reimbursed by the WG hardship fund. This is something that affects many service areas and this is reducing, in part, areas of overspending.

Delivery of agreed 2021/22 budget savings - £217k:

- 2.13 The position on delivery of savings is shown in Appendix 1, with an overview provided in the table that follows. The performance on forecast delivery of 2021/22 savings reflects an anticipated shortfall of £217k, which is largely due to delays in progressing the necessary actions, some of which is a result of the pandemic. When considering this shortfall as an overall proportion of the total savings agreed as part of the 2021/22 budget, the vast majority of savings have been achieved, with this shortfall representing only 6% of the target. However, in addition, there remains a high level of unachieved savings from previous years, with a further £466k shortfall being projected. These savings relate to Children's Services (£188k), Adult Services (£78k) and Non-Service (£200k). In the case of the Social Services savings, these have not been achieved due to COVID-19 either delaying the implementation of plans or causing an increase in demand in areas where savings had previously been targeted. In the case of the non-service saving, relating to generating more income through an amended investment strategy, a decision has been taken to temporarily hold off undertaking riskier investments, considering the uncertain economic climate.

Summary by Portfolio	People	Place	Corporate	Non Service	Total
2021/22 MTRP Target (£) Total	1,421	670	430	870	3,391
Total Savings Realised by Year End 2021/22	1,321	580	403	870	3,174
Variation to MTRP Target	-100	-90	-27	0	-217
Variation % to MTRP Target	-7%	-13%	-6%	0%	-6%
Undelivered Savings from Previous Years	-266	0	0	-200	-466
Total Undelivered Savings	-366	-90	-27	-200	-683

- 2.13 Whilst the level of unachieved savings in relation to the current financial year is lower than in previous years, there remains a need to ensure that all savings are delivered, in full, as soon as possible. This is of even more significance when coupled with the unachieved savings from prior years. Although the total impact of £683k on the monitoring position is currently manageable, this may not be the case in future years and, therefore, delivery of these savings needs to be prioritised by services.
- 2.14 The 2021/22 savings that are currently being projected as unachieved are outlined below:

Adult Services (£100k)

- Community opportunities for adults with learning disabilities and adults with physical disabilities.

City Services (£26k)

- My Newport Development.

Regeneration, Investment & Housing (£64k)

- Information Station move to central museum and library

Law & Regulation (£27k)

- Miscellaneous increases in income and reduction in supplies and services budgets.

2.15 Whilst the overall dashboard in Appendix 1 sets out the key areas contributing to the forecast position, individual service areas dashboards provide further detail on service specific variances.

Capital Financing

2.16 One of the main elements of the overall underspend position is a projected underspend of £2.689m in relation to the Capital Financing budget. As part of the budget setting for 2021/22, the capital financing costs of the current capital programme, which ends in 2022/23, were funded up front. This has resulted in a saving within the Minimum Revenue Provision budget and the interest payable costs, as this budget is not yet required. Due to the slippage reported with the Capital Monitoring & Additions report, the interest payable budget is also showing a small saving due to the expected slippage within 2021/22 capital programme.

3 Schools

3.1 Appendix 3 highlights that, overall, schools are anticipating a net overspend of £2.048m, after allowing for reimbursement of eligible expenditure and lost income from the Hardship Fund. In addition, the figure includes one-off grant funding which is expected to be received at the end of the financial year. This projection is based on expenditure forecasts against governing body approved budgets, updated for any recent changes. Within this overall forecast is the position in respect of schools in a deficit budget position, for which recovery plans are in place and being implemented. School's own reserves are assumed to absorb and fund this overspend where possible within the forecast position shown.

3.2 Although an overall overspend against budget is currently projected, it should be noted that schools carried forward significantly higher balances at the end of the 2020/21 financial year, compared with previous years. This higher level of balances is primarily the product of WG grants issued towards the end of the last financial year, which offset spend that schools had already budgeted for. As a result, schools carried forward higher than anticipated balances, which, in most individual cases, will be more than sufficient in offsetting the overspends being reported. As outlined by the table below, school balances are projected to remain healthy going into the following financial year, except for those schools in deficit, albeit two of those will report smaller deficits compared with previous years.

3.3 The majority of the gross overspend relates to the primary sector, with the secondary and special sectors also projecting overspends. The nursery sector, despite containing a school with an increasing deficit balance, is projecting an overall in-year underspend. A summary table is shown below:

	Reserves balance 31/03/21	In year Under/(overspend)	Reserves Balance 31/03/22
	£	£	£
Nursery	(65,330)	23,137	(42,193)
Primary	8,528,594	(2,785,691)	5,742,903
Secondary	860,716	(256,656)	604,060
Special	234,441	(23,689)	210,752
Total	9,558,422	(3,042,899)	6,515,523
Assumed grant and other compensation		995,315	995,315
Total	9,558,422	(2,047,584)	7,510,837

- 3.4 Appendix 3 provides details regarding individual school positions, including their projected balances at year-end. It can be seen that only four schools are projecting to hold deficit balances, totalling £1.301m, with two of those expecting to be smaller than the previous year. Whilst reductions in those deficit balances are being reported, it is critical that the impact of the aforementioned WG grant funding is understood, so that the true position is not masked by this funding. Therefore, it will be necessary to continue to closely scrutinise each position and ensure that deficit recovery plans are being delivered as intended.
- 3.5 As well as deficit budget positions, there were some schools holding large surplus balances at the end of the previous financial year and some are projecting to continue doing so at the end of this financial year. It will, therefore, be important to understand the plan for utilising these balances over the forthcoming years, to avoid a situation where large balances are held indefinitely without a plan for their usage.
- 3.6 The current position on school balances represents a significant change from the concerns evident in previous financial years. As recently as the 2020/21 financial year, there were concerns that the aggregate school balances could reach a negative position, which may have had wider financial implications across the authority. Now that an overall surplus position, projected to total £7.511m at the year-end, has been achieved, and appears set to continue for at least the next financial year, it is important that there remains a focus on school budgets, to ensure that, as much as possible, a return to the previous position is avoided. This has to be balanced with trying to avoid a situation whereby balances could be considered excessive and will, therefore, be a key consideration when setting future revenue budgets and reviewing the medium term financial plan.

4 Use of reserves

- 4.1 Appendix 4 illustrates the planned movements in reserves throughout the year. Cabinet should note the opening balance as at 31st March 2021, forecast planned transfers in/(out) of reserves in 2021/22 and the forecast balance as at 31st March 2022. Current projections suggest that 6% 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 projected at the minimum level required (£6.5m) representing 3.2% of the overall net budget, excluding school net budgets who have their own ring-fenced reserves.
- 4.2 The Council currently has a good level of reserves and whilst these are virtually all earmarked, they do ultimately provide, in the last resort, some mitigation for overspending. If this was to happen, then future projects, which were to be 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.	CMT / SFBPs and budget holders HoF
Poor forecasting	M	M	Better forecasting in non-service areas where large variances occurred in 20/21. 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

Heightened by the existing and potential impacts of the pandemic, and associated recovery, 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. The current forecast suggests that this will be achieved, however it is imperative that thorough budget monitoring continues throughout the remainder of the year, to ensure that emerging risks are identified and addressed, and the overall positive position is maintained.

Preferred Option and Why

To continue careful review and management of key budgets and risks.

Comments of Chief Financial Officer

The current position reflects a £5.332m underspend position as at July 2021. Although this is a positive position and means that the general reserve can be preserved at its current level, it is still early in the year and the longer-term financial effects of the pandemic are, to a degree, yet to be seen. Therefore, it remains of critical importance that regular and thorough monitoring of key risk areas continues to be undertaken and that any emerging issues are identified and communicated quickly, allowing mitigating action to be taken wherever possible. As well as this, it remains essential that areas reporting overspends continue to review their positions and take steps to move towards a balanced position. In addition, the delivery of currently unachieved savings needs to be prioritised and the delay in achieving these minimised as much as possible.

It should be noted that a number of the underspends being reported are due to specific circumstances existing in this financial year that will not necessarily recur in future years. An example of this is the projected underspend against the capital financing budget, which has arisen due to the frontloading of this budget in readiness for higher levels of capital expenditure going forward. Therefore, when looking forward to future budget setting cycles and the review of the medium term financial plan, it will still be vitally important to ensure that a prudent approach is taken, efficiency savings are identified, transformational opportunities are captured, and income generation is maximised. It is also important to note the risk of WG financial support, via the Hardship Fund, ending from April 2022 and the possibility that the Council will need to continue to meet the enduring financial impact of COVID-19 from its own resources.

As the position currently stands, the Council has a good level of reserves, which were supplemented via a favourable outturn position at 31st March 2021. Should an underspend exist at the end of this financial year, decisions will need to be taken as to its use. One of the options will be to add to earmarked reserves and increase the financial resilience of the Council going forward. This will be of more significance when considering the risks and issues outlined in this report, particularly when looking over the medium term. A good level of earmarked reserves will support the Council in potentially having to address the lasting impacts of the pandemic, the ongoing challenges within certain demand-led services and the potential for the position in relation to schools to deteriorate from its current level.

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 including further information on the funding that has been made available by Welsh Government to address some financial pressures incurred as a result of Covid-19. The report also notes potential financial pressures that may be incurred as a result of the effects of climate change and the need to recognise this to ensure sound financial planning for the future.

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 2021/22 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.

Local issues

N/A

Scrutiny Committees

N/A

Fairness and Equality Impact Assessment:

- **Wellbeing of Future Generation (Wales) Act**
- **Equality Act 2010**
- **Socio-economic Duty**
- **Welsh Language (Wales) Measure 2011**

For this report, a full Fairness and Equality Impact Assessment has not been undertaken. This is because this report is not seeking any strategic decisions or policy changes, with its purpose being to update Cabinet on the current year financial performance against the budget agreed for the year. However, fairness and equality are considered as part of service delivery and will feature in annual finance reports, such as the Budget Report and Capital Strategy.

In terms of the Wellbeing of Future Generations (Wales) Act, and the five ways of working contained within it, this report highlights examples of these being supported. For example, whilst this report is focussed on the current year, there are references to the longer-term impact, via medium term financial planning, and on taking preventative action, to ensure that financial problems existing now are addressed as quickly as possible, to ensure they do not have a detrimental impact in future years. Analysis and review of reserves, which are critical for financial resilience over the long term, is regularly undertaken by the Head of Finance and detailed in this report.

In the case of the Welsh Language, the service will continue to ensure that, wherever possible, services or information is available in the medium of Welsh.

Consultation

N/A

Background Papers

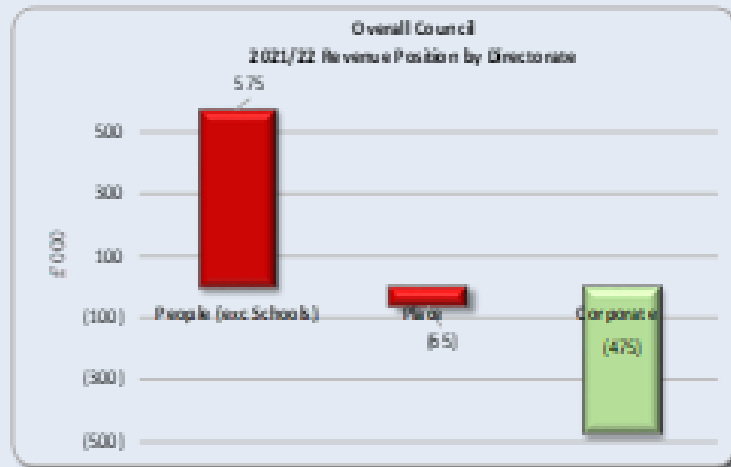
Dated: 1 September 2021

Appendix 1

Budget Monitoring Position – July 2021

Position by Directorate	Current Budget £'000	Forecast £'000	Variance £'000
People (inc Schools)	98,978	94,553	5,75
Place	36,793	36,728	(65)
Corporate	10,880	10,414	(475)
Service Area Budget	150,660	150,695	35
Schools	110,581	112,628	2,048
Service Area Budget (inc Schools)	261,241	263,323	2,083
Schools - transfer to reserve	0	(2,048)	(2,048)
Non Service	53,356	40,322	(1,994)
Total Budget (excluding contingency)	314,597	310,598	(3,959)
General Contingency	1,373	0	(1,373)
Total Budget (including contingency)	315,970	310,598	(5,332)

Detailed explanations can be found within service area dashboards



Undelivered Savings:

- 2021/22 - £217k
- Previous years - £466k
- Overall, undelivered savings are resulting in forecast overspend against budget of £683k. This is predominantly due to delays in implementation, some of which are due to the impact of COVID-19.

Position Summary

- Revenue forecast reports an underspend of £5,332k. This position is based on the assumption that all expenditure and lost income connected to the COVID-19 pandemic will be recoverable from WG. This follows confirmation from WG that the Hardship Fund will continue for the remainder of this financial year.
- The impact of service area net overspending (£35k) has been more than offset by underspending in non service areas:
 - Underspend against general contingency (£1,373k);
 - £2,689k underspend against capital financing costs;
 - £383k underspend against council tax benefit rebates.
- Schools forecast position shows an overspend against budget. Although significant, much of this is due to the use of reserves following significant one off income being received last financial year. A review is currently being undertaken to determine what proportion of this overspend is recurring. Based on prior year trends, this position also takes in to account an assumed level of income traditionally received at year end.
- The forecast has benefitted from one-off budget savings:
 - Delays in recruitment have resulted in vacancy savings;
 - 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-19.
 - Less miscellaneous expenditure being incurred than would have been ordinarily.

Budget Monitoring Position – July 2021

- Although the overall position is positive there are key budget issues to be addressed:
 - Undelivered 21/22 and prior year savings (£683k);
 - Increased demand for children's out of area residential placements (£126k);
 - Increased demand for inter agency adoption fees (£104k), in house residential/respite (£137k) and emergency placements (£100k).
 - Significant overspend in relation to Adults Community Care - £391k.
- It is important to note that the future of the pandemic and the likely financial consequence of further local and national lockdowns is unknown and has the potential to affect forecasts should the WG Hardship Fund be insufficient to cover.

Key Assumptions and Risks - Covid

WG Financial support

- Forecasts have been made on the basis that the Welsh Government (WG) Hardship Fund will continue for the remainder of the financial year, without any significant reduction in the scope of the fund. Whilst there is confirmation that the fund will continue, there remains uncertainty regarding further unavoidable cost pressures, and lost income, arising in response to the pandemic and whether or not the fund will be sufficient to cover these.
- Any additional expenditure or lost income incurred during the first four months of the year have been neutralised within the position on the basis that they will be reimbursed in full. Significant areas that will be claiming from this fund include homelessness costs; free school meals; continued support of adult social care and cover cost of overtime and agency for additional tasks required in response to COVID-19 and any COVID-19 related sickness. Key areas of lost income include Education (Gwent Music and school catering), City Services (waste services, bus station departures and car parking) and Newport Live.

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

MTFP undelivered savings 2021/22 and prior years	£683k
Key demand led areas across social care	£347k
Staffing and other service area variances	(£994k)
Capital financing	(£2,689k)
General contingency	(£1,373k)
Council tax reduction scheme and other non service	<u>(£1,306k)</u>
Forecast position	(£5,332 k)

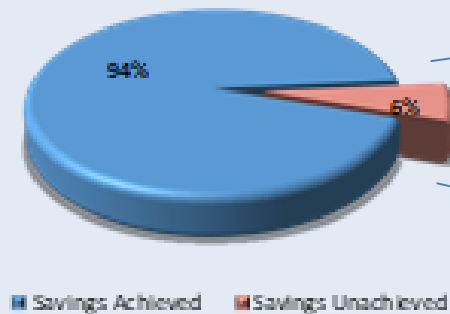
Budget Monitoring Position – July 2021

Staff Forecasts

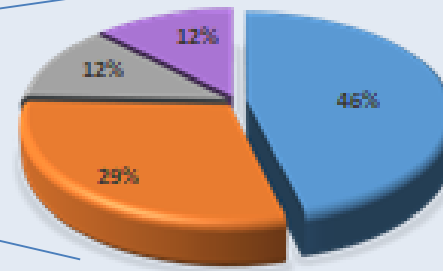
Overall Staffing	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Budget (£'000)		£1,427	£1,295	£1,091	£1,091	£1,091	£1,091	£1,091	£1,091	£1,091	£1,091	£1,091
Forecast (£'000)		£1,427	£1,328	£1,000	£1,000	£1,000	£1,000	£1,000	£1,000	£1,000	£1,000	£1,000
Variance (£'000)	0	0	(71)	(91)	(91)	(91)	(91)	(91)	(91)	(91)	(91)	(91)

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

2021/22 Delivery of Savings (Forecast)



Analysis of Unachieved Savings



- Social Services Adults
- Regionalisation, Investment & Housing
- City Services
- Law & Regulation

- The first chart shows that 94% of the total savings are forecast for full delivery in 2021/22;
- The second chart illustrates the areas where savings are forecast not to be delivered (6% of overall target);
- The delivery of savings in 2021/22 has been affected by the ongoing pandemic and the resulting overspends against budget have been reflected within the forecast;
- In addition to the £217k undelivered savings in 21/22 there remains £466k of undelivered savings from previous years, of which £266k relates to social care.

Overall Summary by Directorate	People	Place	Corporate	Non Service	Total
2021/22 MTRP Target (£) Total	1,421	670	430	870	3,391
Total Savings Realised by Year End 2021/22	1,321	580	403	870	3,174
Variance to MTRP Target	-100	-90	-27	0	-217
Variance % to MTRP Target	-7%	-13%	-6%	0%	-6%

Budget Monitoring Position – July 2021

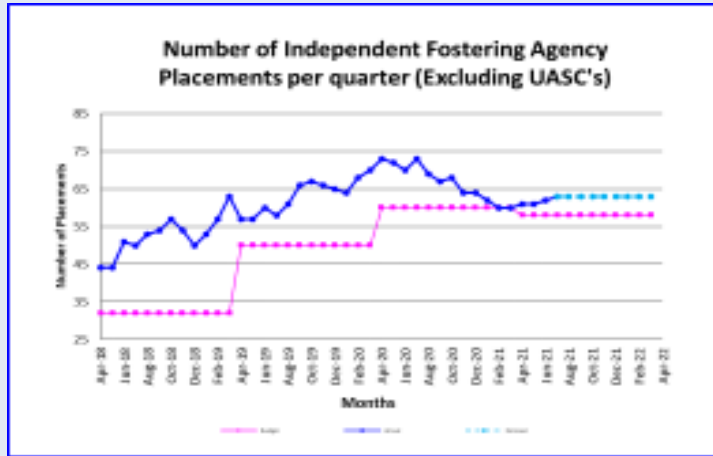
Risk Based Areas	Annual Budget £'000	Forecast £'000	Variance £'000	Graph Reference
Children & Young People				
Independent Fostering Agencies	2,462	2,292	(170)	i
Out of Area Residential	3,155	3,280	125	ii
In House Fostering	3,503	3,304	(199)	
When I'm Ready	24	86	62	
Legal fees	980	980	0	
In House Residential	1,968	2,105	137	
Emergency Placements	200	300	100	
Inter-Agency Adoption Fees	326	430	104	
Direct Payments - Children Services	176	250	74	
Adult & Community Services				
Community Care - Residential	22,509	24,407	1,898	
Community Care - Supported Living	11,713	11,144	(569)	iii
Community Care - Non Residential	11,614	12,135	521	iv
Community Care Income - Residential & Non Residential	(8,615)	(9,757)	(1,142)	
Education				
SEN Out of County - Local Authority	2,222	909	(1,223)	v
SEN Out of County - Independents	1,985	3,157	1,223	v
SEN Local Provision Development	879	964	86	
SEN Transport	1,739	1,739	0	
Special Home to School Transport	848	848	0	
Bridge Achievement Centre	1,250	1,252	3	
Regeneration, Investments & Housing				
Homelessness - B&B Costs	139	139	0	
Commercial & Industrial Properties Income	(1,406)	(1,205)	201	
City Services				
Commercial/Asbestos Income	(1,424)	(1,511)	(87)	
Home to School Transport - Primary	1,029	1,018	(11)	
Home to School Transport - Secondary	1,218	1,217	(1)	
Home to School Transport - College	122	84	(38)	
CPE - Fees Income	(691)	(691)	0	
Burial fees	(653)	(653)	0	
Car parking income	(1,508)	(1,567)	(31)	
Law & Regulation				
Licensing - Hackney cabs / private hire	(361)	(457)	(96)	
Total Net Budget	55,301	56,329	938	

- In 2021/22, there are over 25 budget areas identified as having the potential to be high risk or highly volatile. This list is 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, should the position worsen in any of these areas.
- 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-19 related loss of income being claimed from WG to highlight the risk in these areas.

Budget Monitoring Position – July 2021

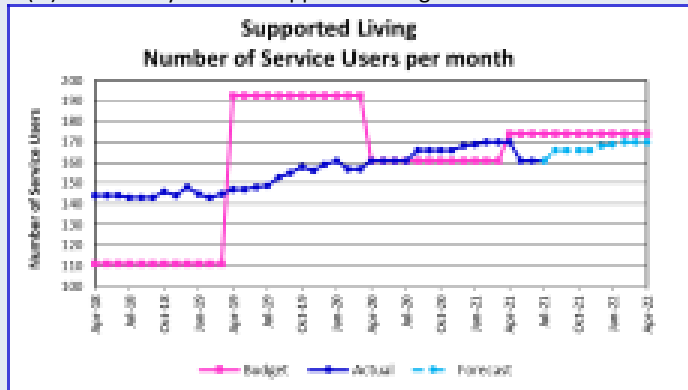
Risk Based Monitoring graphs

(i) Independent Fostering Agencies



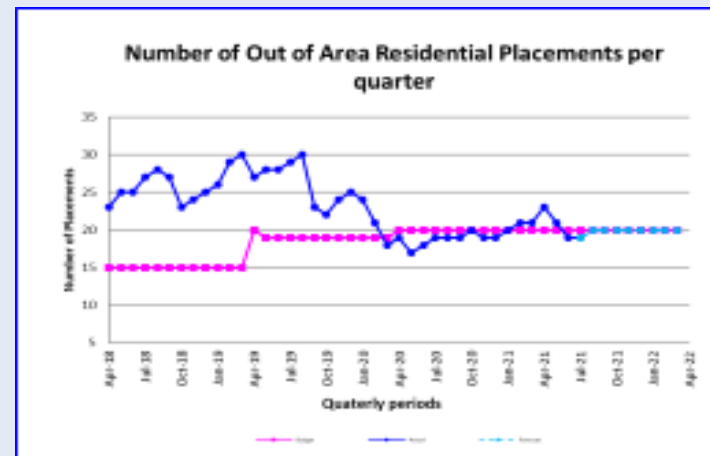
- The 2021/22 budget can afford 58 placements at an average cost. The number of placements have increased to 63 at the end of July. It is assumed that numbers will be maintained at this level. However, an overall underspend of £170k is projected due to certain costs being claimed against the Hardship Fund.

(iii) Community Care – Supported Living



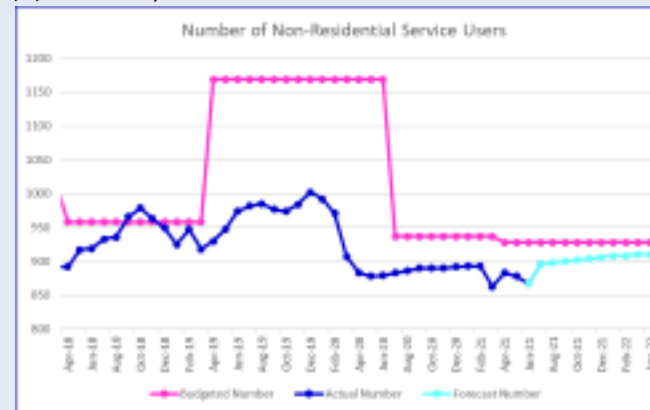
- Budget can afford 174 placements at an average cost. Currently numbers are at 161 and although almost a third of costs are higher than the average a forecast underspend of £569k is anticipated.

(ii) Out of Area (OOA) Residential Placements



- Budget can afford 20 placements at an average cost. The total number of placements remained at 19 at the end of July and is expected to remain at that level for the remainder of the year. It is the weekly costs of these placements that result in the forecast overspend of £126k.

(iv) Community Care – Non Residential

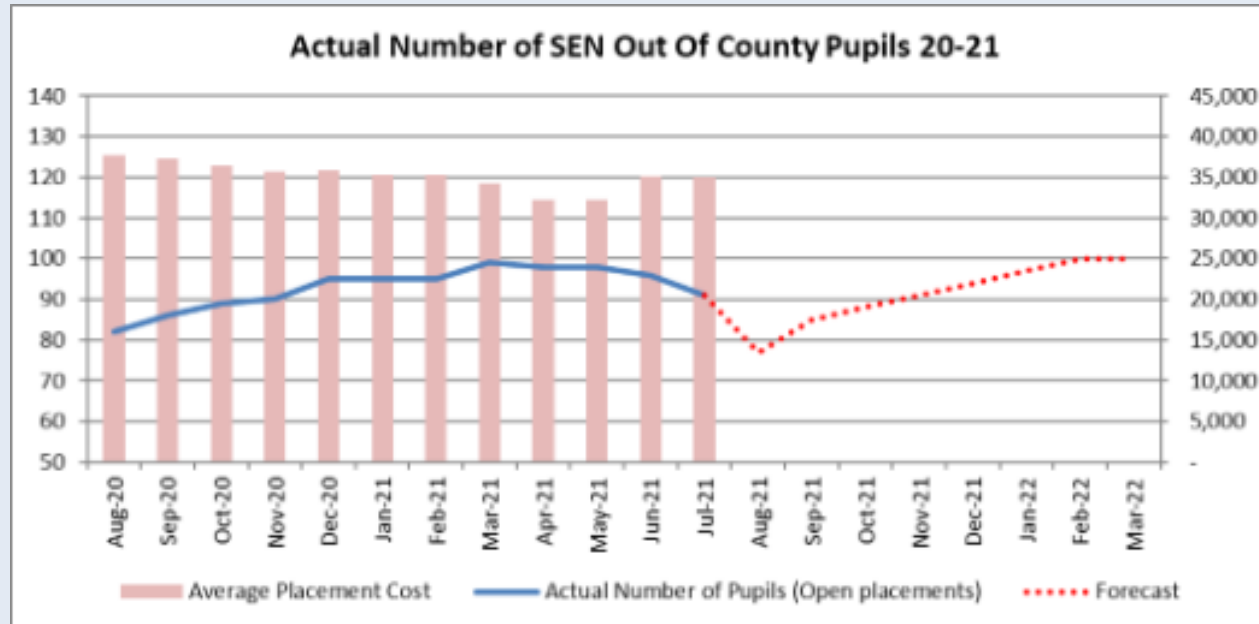


- Budget can afford 926 users per month at an average cost. Of the 896 users, there are currently 114 users with a care package cost of over £500 per week which is contributing to the budget overspend of £521k.

Budget Monitoring Position – July 2021

Risk Based Monitoring graphs

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



- SEN OOC budget can accommodate 118 placements at an average cost of £35k. There are currently 91 open placements which has meant that SEN out of county placements forecast to manage within existing budget, inclusive of an allowance for additional placements throughout the remainder of the year.
- Placements ranging between £10k and £20k account for 25% of the total number of placements. There are 3 placements costing in excess of £100k per year due to the complex needs of the individuals.

Budget Monitoring Position – July 2021

Schools

Overall, schools are anticipating an overspend of £2,048k after taking account of assumed one off grant and other compensation that is likely to be received at year end (£995k) and assuming that the financial impact of COVID-19 is neutralised via the Hardship Fund. It is important to note that significant additional income was received at year end and this income was added to schools balances to enable schools to utilise during this financial year. Although a significant proportion of the in year overspend will be attributable to this, an exercise is being undertaken to determine what element of the in year overspend is recurring.

41 out of 58 schools forecast an in year overspend.

Forecasts by sector are shown below;

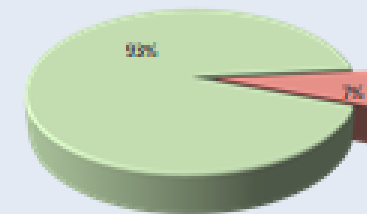
- Nursery £23k underspend (2 out of 3 nurseries reporting an in-year overspend position)
- Primary £2.786m overspend (34 out of 44 schools reporting an in-year overspend position)
- Secondary £257k overspend (4 out of 9 schools reporting an in-year overspend position)
- Special £24k overspend (1 out of 2 special schools reporting an in-year overspend position)

Schools forecasting deficit reserves at YE	June
Caerleon Comprehensive	(369)
Ulanwern High	(326)
Ullswerry High	(473)
Kimberley Nursery	(133)
Total Net Budget	(1,301)

Schools are forecasting an in year overspend of £2,048k therefore reducing school balances to £7,511k from £9,558k as at the end of March 2022.

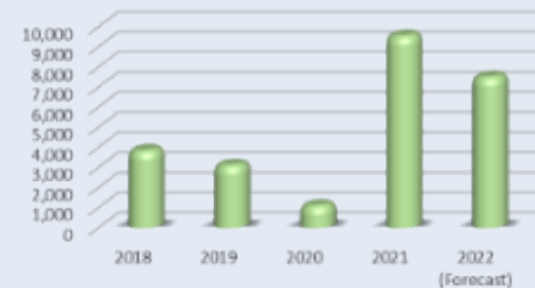
Whilst this is much improved position compared to previous years, this is as a result of significant savings made last year as a result of closures and also the significant grant income received from WG at year end. It is important to assess the review of recurring overspends at individual school level.

Proportion of Schools Forecasting Deficit as at 31st March 2022



■ Schools in surplus as at 31st March 2022
■ Schools in deficit as at 31st March 2022

Balances held by Schools as at 31st March



APPENDIX 2 Revenue Summary Monitor – July 2021

	Current Budget	Projection	(Under) / Over
	£'000	£'000	£'000
Summary Revenue Budget 2021/22			
People			
Children and Young People	26,743	26,996	254
Adult and Community Services	51,495	51,840	345
Education	15,740	15,717	(23)
Schools	110,581	112,628	2,048
	204,559	207,181	2,623
Place			
Regeneration, Investment and Housing	11,161	11,193	32
City Services	25,632	25,535	(97)
	36,793	36,728	(65)
Chief Executive			
Directorate	525	411	(114)
Finance	3,541	3,541	-
People and Business Change	9,026	8,813	(214)
Law and Regulation	6,796	6,649	(147)
	19,889	19,414	(475)
Capital Financing Costs and Interest			
Capital Financing Costs and Interest (Non-PFI)	16,205	13,517	(2,689)
Public Finance Initiative (PFI)	9,007	9,007	-
	25,213	22,524	(2,689)
Sub Total - Service/Capital Financing	286,453	285,847	(606)
Contingency Provisions			
General Contingency	1,373	-	(1,373)
Restructuring / Other Savings	-	-	-
Centralised Insurance Fund	593	593	0
Non Departmental Costs	40	40	-
Other Income and Expenditure	3,900	3,053	(847)
	5,905	3,686	(2,219)
Levies / Other			
Discontinued Operations - pensions	1,447	1,387	(60)
Discontinued Operations - Ex Gratia Payments	3	3	(0)
Levies - Drainage Board, Fire service etc	9,200	9,183	(17)
CTAX Benefit Rebates	13,375	12,992	(383)
Extraordinary Items	-	-	-
	24,025	23,565	(460)
Transfers To/From Reserves			
Base budget - Planned Transfers to/(from) Reserves	(452)	(452)	(0)
Earmarked reserves: Transfer to/(from) Capital	-	-	-
Earmarked reserves: Transfer to/(from) Schools	-	(2,048)	(2,048)
Earmarked reserves: Transfer to/(from) Schools Redundancy	-	-	-
Invest to Save Reserve	-	1,899	1,899
Invest to Save Reserve (from)	-	(1,899)	(1,899)
	(452)	(2,500)	(2,048)
Total	315,930	310,599	(5,332)
Funded By			
WG funding (RSG and NNDR)	(240,796)	(240,796)	-
Council Tax	(75,134)	(75,134)	-
Council Tax Surplus	-	-	-
Total	(0)	(5,332)	(5,332)

APPENDIX 3 – Schools Funding and Balances

School Name	Opening Reserve 21/22	Final ISB Allocation (inc Post 16)	In Year U/(O) Spend March 22	Closing Reserve 31/03/22
	£	£	£	£
Bassaleg School	750,960	8,129,723	(312,257)	438,704
Newport High	172,214	5,523,379	43,823	216,037
Caerleon Comprehensive	(607,091)	7,112,723	238,195	(368,896)
The John Frost School	415,936	6,969,939	(295,971)	119,965
Llanwern High	(120,987)	4,974,158	(205,067)	(326,053)
Lliswerry High	(548,940)	4,916,583	75,483	(473,457)
St Josephs R.C. High	403,577	6,486,070	155,631	559,207
St Julians School	292,851	7,600,647	111,152	404,002
Ysgol Gyfun Gwent Is Coed	102,196	2,501,712	(67,644)	34,552
Sub Total	860,716	54,214,935	(256,656)	604,060
Alway Primary	201,676	1,595,545	(172,998)	28,678
Caerleon Lodge Hill	231,628	1,208,440	(78,907)	152,721
Charles Williams CIW	459,262	1,828,997	(224,734)	234,529
Clytha Primary	78,885	820,065	3,371	82,257
Crindau Primary	210,870	1,387,028	(125,795)	85,075
Eveswell Primary	366,809	1,580,067	56,403	423,212
Gaer Primary	254,663	1,691,732	3,525	258,188
Glan Usk Primary	255,337	2,183,374	(138,711)	116,627
Glan Llyn Primary	114,736	1,291,498	30,476	145,212
Glasllwch Primary	115,850	829,696	(101,271)	14,579
High Cross Primary	26,327	936,982	(25,992)	335
Jubilee Park	145,587	1,362,656	(8,218)	137,369
Langstone Primary	224,708	1,146,731	(73,510)	151,199
Llanmartin Primary	94,405	786,189	(4,189)	90,215
Lliswerry Primary	356,802	2,050,288	(153,235)	203,567
Maesglas Primary	113,867	1,062,045	(49,480)	64,387
Maindee Primary	203,186	1,769,441	(130,541)	72,646
Malpas CIW Primary	106,911	1,108,372	(31,957)	74,954
Malpas Court Primary	158,924	1,156,425	(101,322)	57,603
Malpas Park Primary	142,273	872,623	(6,351)	135,923
Marshfield Primary	133,314	1,488,819	(87,502)	45,812
Millbrook Primary	208,194	1,096,928	(166,046)	42,148
Milton Primary	172,468	1,669,943	(55,735)	116,733
Monnow Primary	217,620	1,537,806	(190,431)	27,189
Mount Pleasant	84,154	897,804	(53,617)	30,537
Pentrepoeth Primary	108,221	1,592,615	(38,042)	70,179
Pillgwenlly Primary	194,196	2,167,142	(60,740)	133,456
Ringland Primary	136,473	1,040,028	(115,625)	20,847
Rogerstone Primary	178,970	2,129,685	14,588	193,558
Somerton Primary	154,768	603,385	(60,503)	94,265
St Andrews Primary	230,911	2,429,335	(11,211)	219,700
St Davids RC Primary	157,110	791,126	(13,844)	143,266
St Gabriels RC Primary	120,919	702,220	5,962	126,881
St Josephs RC Primary	117,521	745,960	(23,226)	94,295
St Julians Primary	589,669	2,237,775	(235,866)	353,803
St Marys Rc Primary	182,770	1,376,623	(16,261)	166,509
St Michaels RC Primary	165,210	808,873	(90,497)	74,713
St Patricks RC Primary	100,364	756,575	(47,327)	53,037
St Woolos Primary	73,302	1,141,251	2,481	75,783
Tredegarr Park Primary	536,353	1,547,012	(311,430)	224,923
Ysgol Gym Bro Teyrnnon	289,981	765,914	34,760	324,741
Ysgol Gym Casnewydd	341,608	1,323,727	(35,560)	306,048
Ysgol Gym Ifor Hael	171,794	752,165	16,547	188,341
Ysgol Gym Nant Gwenlli	0	226,310	86,867	86,867
Sub Total	8,528,594	56,497,219	(2,785,691)	5,742,903
Fairoak Nursery	29,783	67,103	(26,789)	2,994
Kimberley Nursery	(95,112)	92,489	(37,710)	(132,822)
Newport Nursery	0	279,668	87,636	87,636
Sub Total	(65,330)	439,259	23,137	(42,193)
Maes Ebbw	21,990	3,635,743	51,776	73,766
Bryn Derw	212,451	1,820,741	(75,465)	136,986
Sub Total	234,441	5,456,483	(23,689)	210,752
Assumed additional grant and other compensation			995,315	995,315
Grand Total	9,558,422	116,607,896	(2,047,584)	7,510,837

Reserve	Balance at 31-Mar-21	Planned Movements in Year												Balance at 31-Mar-22
		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
Theatre & Arts Centre	(232)												-	(232)
Cymorth Income	(25)													(25)
Blaen Y Pant	(4)													(4)
Homelessness Prevention	(38)												-	(38)
Environmental Health - Improve Air Quality	(49)													(49)
Refurbishment of a Children / Older People Homes	(41)					26								(15)
Apprenticeship Scheme	(17)													(17)
City Economic Development Reserve	(90)													(90)
Welsh Language Standards	(129)												5	(124)
Port Health	(16)													(16)
CRM	(52)													(52)
Financial System Upgrade	(600)													(600)
Events	(216)													(216)
MTFP Reserve (Covid Recovery Reserve) - CS and SS	(5,117)							34	34	34	34	34	34	(4,913)
Voluntary Sector Grants	(43)												27	(16)
Bus Wifi	-													-
Bus Subsidy	(15)												15	-
Feasibility Reserve	(54)													(54)
IT Development	(53)													(53)
Leisure Delivery Plan	(103)												103	-
Chartist Tower	(256)													(256)
Joint Committee City Deal Reserve	(626)													(626)
NEW - Civil Parking Enforcement	(245)													(245)
Community Covid Recovery Fund	(500)													(500)
City Services – refurbishment & cleansing of open spaces	(500)												500	-
Green Recovery Task Force	(1,000)												300	(700)
Business Recovery Fund	(250)												250	-
Business Development Grants	(56)												56	-
Children's Service legal fees	(150)												150	-
Community Occupational Therapy	(53)												25	(28)
Directly Managed Community Centres Maintenance	(50)												50	-
IT Infrastructure	(120)													(120)
PSB Contribution	(40)													(40)
COVID Reserve	(596)													(596)
Highways road repairs [potholes]	(116)												-	(116)
Homelessness Prevention	(289)												289	-
Chief Education Grant	(765)													(765)
Home to School Transport - St Andrew s (City Services Reserve)	(801)												553	(248)
Housing Supply review	(25)													(25)
Anniversary tree planting / green canopy	(20)												20	-
Cariad Casnewydd	(350)													(350)
	(13,723)	-	-	-	-	26	-	34	34	34	34	34	2,377	(11,150)
														-
RESERVES TOTAL	(106,747)	-	-	-	-	26	-	34	34	34	34	34	6,413	(100,138)