

Report

Cabinet

Part 1

Date: 10 November 2021

Subject **September 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 September position.

Author Head of Finance (HoF)

Ward All

Summary The September 2021 revenue position forecasts an underspend of £7,978k. This forecast is inclusive of the continued financial impact of the COVID-19 pandemic and assumes full reimbursement of all significant costs 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. Recently there has been revisions made to the terms of the Fund and although these changes are expected to have an insignificant impact upon forecasts at this time, areas will continue to be closely monitored as subsequent revisions to terms are anticipated following a review of infection rates during the Autumn.

Although there is an overall underspend being forecast, some service areas are reporting overspends against specific activities. In previous years these overspends have related to demand-led activity areas, such as Social Services, however overspending this year is evident across both the People and Place Directorates. Given the inherent risks within demand led areas there is the potential that forecasts worsen should demand levels increase.

More than offsetting these specific pressures are projected underspends in relation to Capital Financing, the general contingency budget, the Council Tax Reduction Scheme, Council Tax surplus 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	£556k
(ii)	Key demand led areas across Social Services	£229k
(iii)	Staffing and other service area underspends	(£2,525k)
(iv)	Capital Financing	(£2,739k)
(v)	General Contingency	(£1,373k)
(vi)	CTRS and Council Tax surplus	(£878k)
(vii)	Other non service	(£1,248k)

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 £2,150k overspend. However, the overall level of balances anticipated to be carried

forward into the 2022/23 financial year remains higher than in recent years. Despite this, thorough monitoring needs to be maintained in this area, as three 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 are as 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 restrictions relating to the pandemic and in respect of the subsequent changes to the WG Hardship Fund terms 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
Strategic Directors
Heads of Service
Budget Holders
Accountancy Staff

Signed

1 Background

- 1.1 As with the previous financial year, the first half of 2021/22 has seen 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. 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. Although WG have confirmed that the Hardship Fund will be available for the entirety of the 2021/22 financial year, it is anticipated that the hardship fund will not be in place beyond 31 March 2022.
- 1.2 Significant areas of cost being incurred include the ongoing need to support the adult social care sector, ensuring providers can 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, revisions are being made to the terms of the Fund as there is an expectation that local authorities and partners will start to move away from reliance upon additional financial support. For example:
- the tapering of adult social care uplifts and void payments during the second half of the financial year.
 - additional waste costs related to increased tonnage, resulting from homeworking, reimbursed at 50%.
 - DSE equipment / homeworking equipment and social distancing markers are no longer eligible.

Forecasts have built in the impact of the above and other changes in the second half of the year to the fund as best as possible. The terms of the fund may change again dependant on the Covid position through the Autumn / Winter and forecasts will need to change accordingly.

- 1.4 In addition to the financial impact of the pandemic, which is neutralised within the monitoring position by the support from WG, certain service and demand-led pressures, in particular, continue to present a challenge, including, in particular:
- specific challenges within Children's Services.
 - undelivered budget savings.
 - 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 these are planned to be utilised during this financial year.
- 1.5 In saying this, the pattern emerging this current year is similar to last year with:
- services generally underspending due to delays/ difficulties in recruitment / staff spend, lower costs being incurred in areas such as office related costs / staff travel for example and in some of its normal day to day spending as resources continue to be focussed on Covid related issues.
 - reimbursement of additional Covid related costs and lost income.
 - some non-service costs significantly underspending, and the revenue contingency budget not being needed.

2 Summary and areas contributing to forecast position

2.1 The following section summarises and details some of the key areas that make up the position.

Summary

Service area underspending (£1,740k)

Consisting of:

Undelivered 2021/22 savings	(para. 2.4)	£190k
Undelivered prior year savings	(para. 2.4)	£366k
'Risk based' budget areas – demand led	(para. 2.9-2.11)	(£132k)
'Risk based' budget areas – others	(para. 2.13)	(£560k)
Other emerging issues	(para. 2.14)	£611k
Staffing budgets, net	(para. 2.15)	(£456k)
Other variances	(para 2.16)	(£1,759k)

School budgets	(para. 3.1)	£2,150k
Use of school reserves	(para. 3.3)	(£2,039k)
Amalgamation balance transfers to Education		(£111k)

Non-service area underspending (£6,238k)

Consisting of:

Capital Financing budget	(para. 2.18)	(£2,739k)
Council Tax Reduction Scheme	(para. 2.19)	(£383k)
Council Tax collection	(para 2.20)	(£495k)
Contingency budget not required		(£1,373k)
Other budget areas		(£1,248k)

In addition to the above, the Council has claimed almost £7m from the Hardship Fund for specific Covid related costs and loss of income and these are shown in paragraphs 2.2 – 2.3 below.

As always, these are forecasts as of the date shown and will be subject to on-going review. Whilst the trajectory of Covid and its potential impact on services and demand led budgets cannot be underestimated, there is also the real potential for the underspend to increase due to (i) further WG specific grants (ii) further improvement in Council Tax collection (iii) conclusion of pay award negotiations.

Additional expenditure in relation to COVID-19 - £6,580k

2.2 To date, the Council has submitted six 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 August and September claim, and certain elements within other claims, are yet to be received.

Category	Q1 (£000)	Q2 (£000)	Total (£000)
Adult Social Care	1,122	848	1,970
Enforcement	29	16	45
Free School Meals	55	951	1,006
General	524	1,193	1,717
Homelessness	600	372	972
Opening Visitor Economy	41	228	269
Self-Isolation Payments	39	384	423
SSP Enhancement	4	0	4
Testing in Care Homes	157	17	174
Total Additional Expenditure	2,571	4,009	6,580

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

- 2.3 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. The Quarter 1 claim has been paid in full and the Quarter 2 claim is due at the end of October.

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

SERVICE AREA BUDGET VARIANCES (exc Schools)

Delivery of agreed 2021/22 budget savings - £190k overspend
Delivery of agreed previous financial year's savings - £366k overspend

- 2.4 The position on delivery of savings is shown in Appendix 1, with an overview provided in the table below. The performance on forecast delivery of 2021/22 savings reflects an anticipated shortfall of £190k, which is largely due to delays in progressing the necessary actions, some of which is a result of the pandemic. Most savings have been delivered and the shortfall makes up 6% of the total savings agreed.

In addition, there remains a higher level of unachieved savings from previous years, with a further £366k shortfall being projected. These savings relate to Children's Services (£88k), 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, the HoF has delayed undertaking riskier investments due to (i) to preserve cash-flow during the

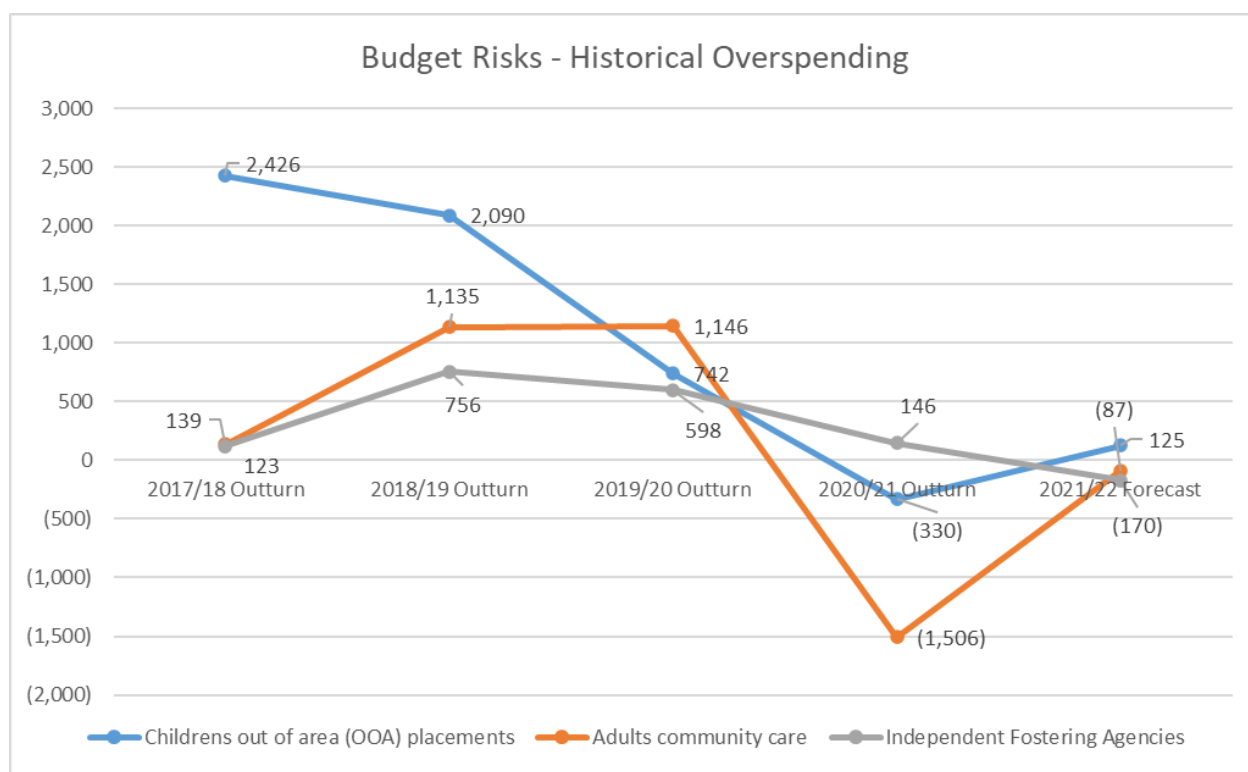
Covid period last year (ii) the uncertain economic climate caused by Covid (iii) the prospect of higher base interest rates in the future leading to other opportunities to achieve this at lower risk.

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	430	870	3,201
Variation to MTRP Target	-100	-90	0	0	-190
Variation % to MTRP Target	-7%	-13%	0%	0%	-6%
Undelivered Savings from Previous Years	-166	0	0	-200	-366
Total Undelivered Savings	-266	-90	0	-200	-556

- 2.5 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 £556k on the monitoring position is currently manageable, this may not be the case in future years and delivery needs to be achieved as soon as possible.

Risk based budgets - demand led – (£132k) underspend

- 2.6 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
- 2.7 These have, historically, been recurring issues where demand has continued to accelerate beyond the significant investment and budget available. The 2020/21 and 2021/22 financial years are not a true representation of this challenge due to the pandemic and the reimbursement of additional costs that is received from the WG Hardship Fund. The risk, therefore, of significant overspend emerging has not necessarily gone away and these areas remain critical in terms of their potential impact upon the overall monitoring position.
- 2.8 The following chart reflects the outturn position in these areas over the last 4 years, 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. 2020/21 and 2021/22 are not reflective of typical years and once the support from the Hardship Fund comes to an end the true, underlying position will be much more challenging than this.



- 2.9 **Children's out of area placements** – Following additional investment as part of the 2021/22 budget, this budget can support 20 placements. In September, 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 £125k is currently projected.
- 2.10 **Children's independent fostering** – As with out of area placements, this budget received significant investment as part of the 2021/22 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.
- 2.11 **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 – 1,544 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 underspend of £88k, although there are some significant offsetting variances within that figure, including an overspend of £1,912k against residential packages and £1,110k in relation to community care packages income, aided by higher levels of property income compared with previous years.
- 2.12 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.

Risk based budgets – other areas – (£560k) underspend

- 2.13 Whilst other risk-based areas are forecasting an underspend, these areas will continue to be closely monitored as the combined financial impact of adverse changes to these budgets has the potential to be significant. A summary of all risk-based areas can be found within the overall dashboard in Appendix 1.

Other emerging issues - £611k overspend

- 2.14 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:

- Regeneration commercial and industrial remedial works across the estate - £181k
- City services – increased costs in respect of ash die back - £430k

Staffing budgets – (£456k) underspend

- 2.15 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.

Other Variances – (£1,579k) underspend

- 2.16 Whilst the cumulative impact of lower value variances makes up some of this variance the key items included here are:
- Adult residential homes (£348k) underspend – hardship claim reimbursement received for testing, voids and uplifts which has been extended until the end of March 22. Furthermore, although in house residential homes have seen an increase in the number of vacant beds, they are seeing the current cohort of users paying more income than had been planned through user contribution
 - Adult day opportunities (£198k) underspend – savings resulting in the closure of the internal day centre and the early achievement of an agreed saving assumed as part of the medium term financial plan
 - Education SEN – (£801k) underspend - overachievement of income against the recoupment income budget and an underspend in relation to the reduction in anticipated placements to the year end
 - People and Business Change – (£179k) underspend against training and development budget
- 2.17 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.

NON-SERVICE AREA BUDGET VARIANCES

Capital Financing - (£2,739k) underspend

- 2.18 One of the main elements of the overall underspend position is a projected underspend of £2,739k 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.

Council Tax Reduction Scheme - (£383k) underspend

- 2.19 The forecast saving of £383k is due to a lower number of council tax benefit claimants than expected. Given that future year savings have already been agreed from this budget there is unlikely to be any mitigating savings from this area in future. Clearly, there remains an element of uncertainty surrounding the number of claimants in future given that the furlough scheme has ended. It is anticipated at this stage that the associated risk is low.

Council Tax collection - (£495k) underspend

- 2.20 Good progress has been made in supporting people to catch up on the council tax payments. This saving also includes a forecast surplus when compared to the budget.

3 Schools

- 3.1 Appendix 3 highlights that, overall, schools are anticipating a net overspend of £2,150k, 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 special sector also projecting an overspend. The nursery and secondary sector are both 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)	15,357	(49,973)
Primary	8,528,594	(3,387,481)	5,141,113
Secondary	860,716	222,700	1,083,416
Special	234,441	(107,809)	126,632
Total	9,558,422	(3,257,233)	6,301,189
Assumed grant and other compensation		1,107,156	1,107,156
Total	9,558,422	(2,150,077)	7,408,345
Kimberley & Fair oak reserve balance transfers to Education		-	110,820
Q3 & Q4 Covid Financial Impact		-	-
Total	9,558,422	(2,150,077)	7,519,165

Appendix 3 provides details regarding individual school positions, including their projected balances at year-end. It can be seen that only three schools are projecting to hold deficit balances, totalling £879k, 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. Work to support schools in achieving their individual school saving plans is on-going and meetings to review the positions are scheduled for November 2021.

- 3.4 As an update, Cabinet will remember that the pay provision allowed for in the Councils budget was held centrally, pending final confirmation of the increase. The Minister for Education and Welsh Language announced in September that the recommendation from the Independent

Welsh Pay Review Body would be accepted and that a pay award would be introduced from the 1 September 2021 to provide for a 1.75% uplift to all teachers' pay scales and allowances. This will now be transferred to school budgets in full, as agreed by Cabinet in their February meeting. It was also confirmed that £6.4m funding has been made available this year to support the cost of the pay award in schools and sixth forms across Wales.

- 3.5 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 £7,519k 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.

4 Use of reserves

- 4.1 Appendix 4 illustrates the planned movements in reserves throughout the year. Cabinet should note the opening balance as of 31st March 2021, forecast planned transfers in/(out) of reserves in 2021/22 and the forecast balance as of 31st March 2022. 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 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.	CMT / SFBPs and budget holders
			Revenue budget contingency.	HoF
Poor forecasting	M	M	Better forecasting in non-service areas where large variances occurred in 20/21.	Asst. HoF
			Review and refinement in service areas of risk-based modelling.	SFBP's and budget managers
			CX/HoF setting out clear expectations.	CX / SLT/ 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 an 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 financial position shows a good position and follows the same pattern as the previous year. Whilst risk to a deterioration always exists, there is also the prospect of the underspend increasing for reasons noted in the report.

Cabinet should consider early what uses might be made of an underspend and plan this in more detail in the last quarter as this will be required to facilitate a quicker closedown of the 2021/22 accounts.

The key variances in the report and associated service area dashboards will be important to inform the development of the 2022/23 budget and how we deal with some of the significant key issues/risks which arise from Covid and some of the arrangements put in place which may need to continue.

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 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.

There are no HR implications arising directly from this report.

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

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: 3 November 2021

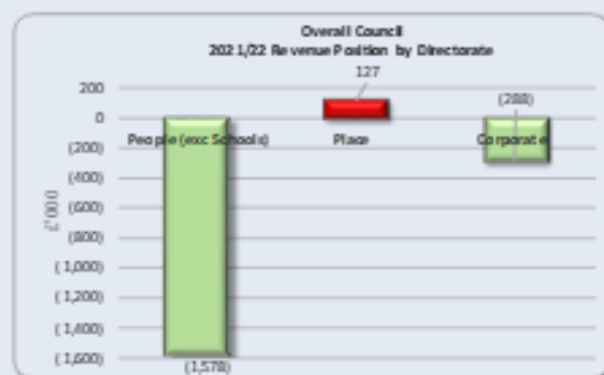
Appendix 1

Budget Monitoring Position – September 2021

Position by Directorate

	Current Budget £'000	Forecast £'000	Variance £'000
People (exc Schools)	93,978	92,400	(1,578)
Place	36,543	36,670	127
Corporate	19,651	19,363	(288)
Service Area Budget	150,172	148,432	(1,740)
Schools	110,581	112,731	2,150
Service Area Budget (inc Schools)	260,752	261,162	410
Schools - transfer to reserve	0	(2,150)	(2,150)
Non Service	53,806	48,940	(4,866)
Total Budget (excluding contingency)	314,558	307,953	(6,606)
General Contingency	1,373	0	(1,373)
Total Budget (including contingency)	315,931	307,953	(7,978)

Detailed explanations can be found within service area dashboards



Undelivered Savings:

- 2021/22 - £190k
- Previous years - £366k
- Overall, undelivered savings are resulting in forecast overspend against budget of £556k. 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 £7,978k. Although this is based on the assumption that all expenditure and lost income connected to the COVID-19 pandemic will be recoverable, WG have confirmed that the hardship terms will change from the 1st October. Although the impact on forecasts is not expected to be significant at this stage, any subsequent changes to terms, following the review of infection rates, may mean that eligibility will be restricted to key areas.
- Whilst service area underspending (£1,740k) contributes to the forecast position, a large proportion of the underspending comes from:
 - Underspend against general contingency (£1,373k);
 - £2,739k underspend against capital financing costs;
 - £878k underspend against council tax benefit rebates and council tax surplus;
 - £427k underspend due to provision for teachers pay being greater than expected.
- 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 underway 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 resulting in vacancy savings;
 - A number of staffing costs e.g. overtime claimed under the Hardship Fund;
 - 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 – September 2021

- Although the overall position is positive there are key budget issues to be addressed:
 - Undelivered 21/22 and prior year savings (£556k);
 - Increased demand for children's out of area residential placements (£125k);
 - Increased demand for inter agency adoption fees (£105k);
 - Overspend within the commercial and industrial portfolio as a result of income under recovery (£184k) and replacement roller shutter doors following health and safety checks (£181k);
 - Environmental services overspend due to increase expenditure on trees (£430k);
 - Increased Wastesavers contract payments on Recycling budget (£200k).
 - Increased traffic management safety and reduced external income has resulted in forecast overspend within grounds maintenance (£154k).
- 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

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, however, WG have confirmed that the scope of the hardship fund will change from 1st October. Whilst the initial changes are not expected to have a significant impact upon forecasts, subsequent changes that are being discussed have the potential to be much greater. Forecasts will be adjusted once further information is made available. WG have also confirmed that the fund will not exist beyond March 2022.
- Any additional expenditure or lost income incurred during the six 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.
- WG have announced social care recovery fund of £2m for Newport for recovery of social care services. The purpose of the fund is to support appropriate recovery of social care services across Wales, aligning with the priorities set out within the Social Care Recovery Framework. Authorities are required to submit spend plans by 20th October and budget forecasts will be updated once spend plans have been confirmed.

Budget Monitoring Position – September 2021

Other Assumptions/ Key Points

- A saving of £427k has been forecast this month against non service budgets following the confirmation of the teachers pay award from September 2021. A provision for 2% was made as the budget setting stage and the agreed pay award is 1.75%.
- A final NJC pay award is yet to be agreed. The 2021/22 budget was agreed based on a 2% uplift and so anything less than this will increase the in in year underspend further. The position will be updated once this becomes known.

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

MTFP undelivered savings 2021/22 and prior years	£556k
Key demand led areas across social care	£229k
Staffing and other service area variances	(£2,525k)
Capital financing	(£2,739k)
General contingency	(£1,373k)
Council tax reduction scheme and other non service	<u>(£2,126k)</u>
Forecast position	(£7,978k)

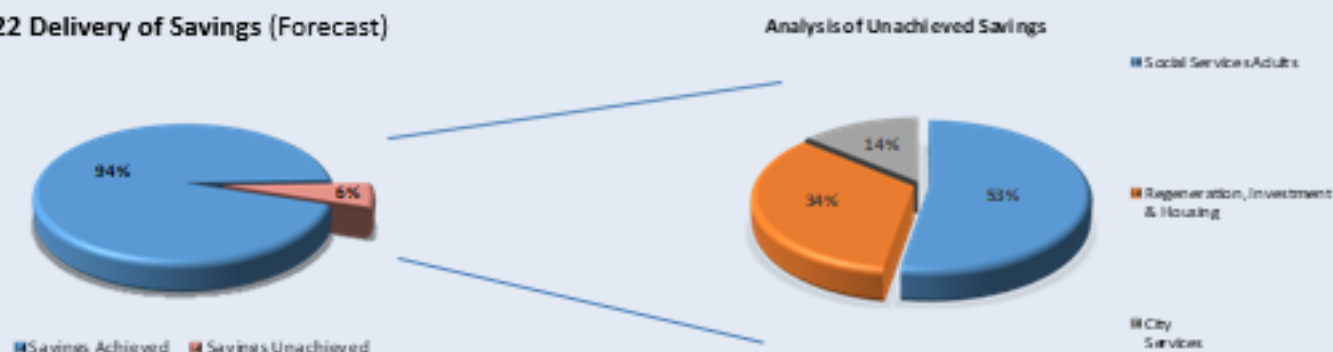
Budget Monitoring Position – September 2021

Staff Forecasts

Overall Staffing	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Budget (£'000)		61,327	61,295	61,091	61,120	61,244	61,244	61,244	61,244	61,244	61,244	61,244
Forecast (£'000)		61,477	60,539	61,000	61,239	60,788	60,788	60,788	60,788	60,788	60,788	60,788
Variance (£'000)		150	(756)	(909)	119	(456)	(456)	(456)	(456)	(456)	(456)	(456)

- 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. The saving against service area budgets has increased this month, in part, due to the first phase of the senior management team appointments being implemented and subsequent assumptions around the filling of the remaining posts being made.

2021/22 Delivery of Savings (Forecast)



- 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 £190k undelivered savings in 21/22 there remains £366k of undelivered savings from previous years, of which £166k 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	430	870	3,201
Variation to MTRP Target	-100	-90	0	0	-190
Variation % to MTRP Target	-7%	-13%	0%	0%	-6%

Budget Monitoring Position – September 2021

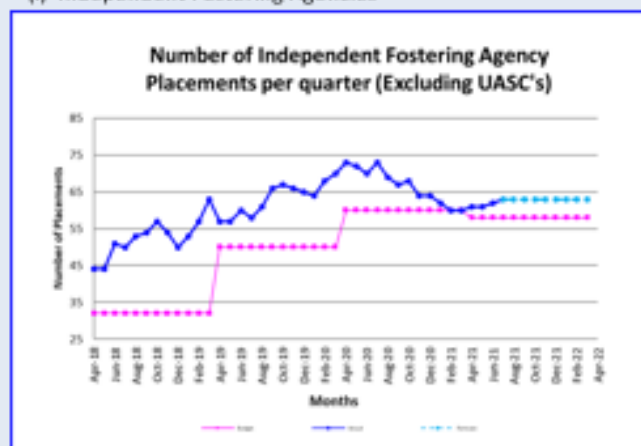
	Annual Budget £'000	Forecast £'000	Variance £'000	Graph Reference
Risk Based Areas				
Children & Young People				
Independent Fostering Agencies	2,462	2,292	(170)	i
Out of Area Residential	3,155	3,280	125	ii
In House Fostering	3,593	3,394	(199)	
When I'm Ready	24	86	62	
Legal fees	930	819	(111)	
In House Residential	1,968	2,079	111	
Emergency Placements	200	176	(24)	
Inter-Agency Adoption Fees	326	431	105	
Direct Payments - Children Services	176	258	82	
Adult & Community Services				
Community Care - Residential	22,600	24,512	1,912	
Community Care - Supported Living	11,713	11,204	(509)	iii
Community Care - Non Residential	12,010	11,863	(147)	iv
Community Care Income - Residential & Non Residential	(8,615)	(9,725)	(1,110)	
Education				
SEN Out of County - Local Authority	2,222	1,258	(964)	v
SEN Out of County - Independents	1,935	2,240	305	v
SEN Local Provision Development	879	823	(56)	
SEN Transport	1,739	1,739	0	
Special Home to School Transport	848	848	0	
Bridge Achievement Centre	1,250	1,250	0	
Regeneration, Investment & Housing				
Homelessness - B&B Costs	139	139	0	
Commercial & Industrial Properties Income	(1,406)	(1,222)	184	
City Services				
Commercial/ Asbestos Income	(1,424)	(1,605)	(181)	
Home to School Transport - Primary	1,029	963	(66)	
Home to School Transport - Secondary	1,218	1,245	27	
Home to School Transport - College	122	66	(56)	
CPE - Fines Income	(691)	(691)	0	
Burial fees	(653)	(653)	0	
Car parking income	(1,598)	(1,567)	31	
Law & Regulation				
Licensing - Hackney carriages / private hire	(369)	(413)	(44)	
Total Net Budget	55,780	55,088	(692)	

- In 2021/22, there are almost 30 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 – September 2021

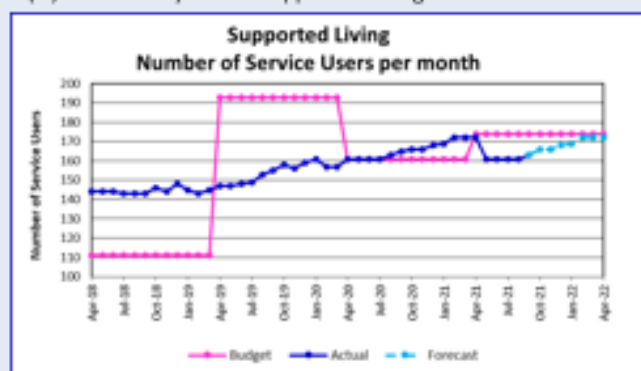
Risk Based Monitoring graphs

(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



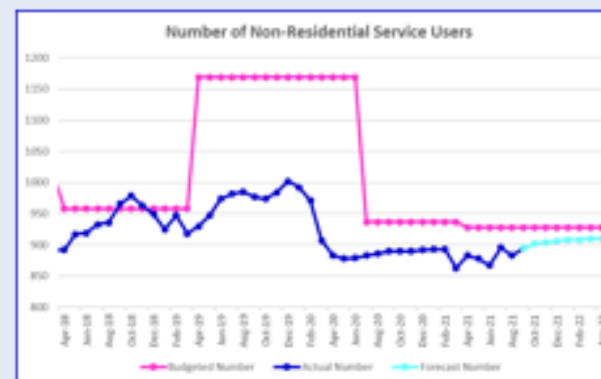
- Budget can afford 174 placements at an average cost. Currently numbers are at 165 and although almost a third of costs are higher than the average a forecast underspend of £509k is anticipated.

(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 £125k.

(iv) Community Care – Non Residential

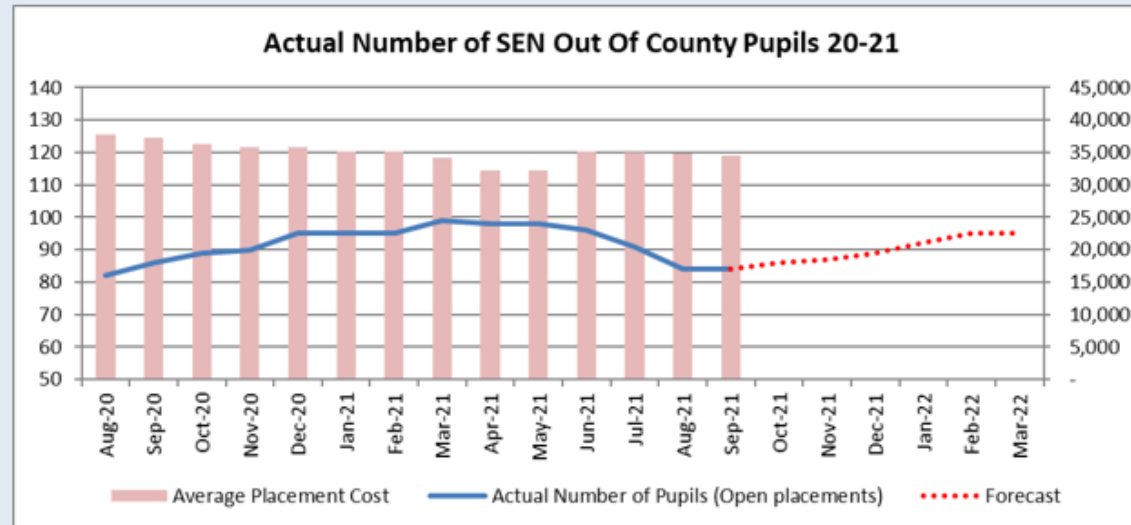


- Budget can afford 926 users per month at an average cost. Of the 895 users, there are currently 114 users with a care package cost of over £500 per week which is contributing to the budget overspend.

Budget Monitoring Position – September 2021

Risk Based Monitoring graphs

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



- SEN OOC budget can accommodate 120 placements at an average cost of £34k. There are currently 84 open placements and Inclusion anticipate 95 placements by the end of the financial year which has meant that SEN out of county placements forecast an underspend against budget of £964k.
- Placements ranging between £10k and £20k account for 22% of the total number of placements. There are 2 placements costing in excess of £100k per year due to the complex needs of the individuals.

Budget Monitoring Position – September 2021

Schools

Overall, schools are anticipating an overspend of £2,150k after taking account of assumed one off grant and other compensation that is likely to be received at year end (£1,107k) 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.

46 out of 58 schools forecast an in year overspend.

Forecasts by sector are shown below;

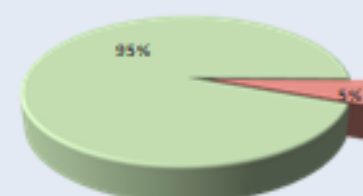
- Nursery £15k underspend (2 out of 3 nurseries reporting an in-year overspend position)
- Primary £3.387m overspend (39 out of 44 schools reporting an in-year overspend position)
- Secondary £223k underspend (4 out of 9 schools reporting an in-year overspend position)
- Special £108k overspend (1 out of 2 special schools reporting an in-year overspend position)

School Forecasting Year End Deficits	Sep
Caerleon Comprehensive	(183)
Llanwrin High	(233)
Llswenny High	(463)
Kimberley Nursery	0
Variance (£'000)	(879)

Schools are forecasting an in year overspend of £2,150k therefore reducing school balances to £7,408k from £9,558k as at the end of March 2022. The balance of £111k relates to Kimberley & Fair Oak reserve balance that has been transferred to Education.

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 Deficits as at 31st March 2022



MSchools in surplus as at 31st March 2022
MSchools in deficit as at 31st March 2022

Balances held by Schools as at 31st March



APPENDIX 2 Revenue Summary Monitor – September 2021

	Current Budget	Projection Revised	(Under) / Over
	£'000	£'000	£'000
Summary Revenue Budget 2021/22			
People			
Children and Young People	26,743	26,596	(147)
Adult and Community Services	51,495	50,941	(554)
Education	15,740	14,863	(877)
Schools	110,581	112,731	2,150
	204,559	205,130	572
Place			
Regeneration, Investment and Housing	10,911	11,072	161
City Services	25,632	25,598	(34)
	36,543	36,670	127
Chief Executive			
Directorate	525	467	(58)
Finance	3,251	3,251	-
People and Business Change	9,111	8,818	(293)
Law and Regulation	6,763	6,826	63
	19,651	19,363	(288)
Capital Financing Costs and Interest			
Capital Financing Costs and Interest (Non-PFI)	16,403	13,664	(2,739)
Public Finance Initiative (PFI)	9,007	9,007	-
	25,410	22,672	(2,739)
Sub Total - Service/Capital Financing	286,163	283,834	(2,329)
Contingency Provisions			
General Contingency	1,373	-	(1,373)
Restructuring / Other Savings	-	-	-
Centralised Insurance Fund	593	593	-
Non Departmental Costs	40	40	-
Other Income and Expenditure	4,190	3,053	(1,137)
	6,195	3,686	(2,510)
Levies / Other			
Discontinued Operations - pensions	1,447	1,351	(96)
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	23,529	(496)
Transfers To/From Reserves			
Base budget - Planned Transfers to/(from) Reserves	(452)	(452)	-
Earmarked reserves: Transfer to/(from) Capital	-	-	-
Earmarked reserves: Transfer to/(from) Schools	-	(2,150)	(2,150)
Earmarked reserves: Transfer to/(from) Schools Redundancy	-	-	-
Invest to Save Reserve	-	1,366	1,366
Invest to Save Reserve (from)	-	(1,366)	(1,366)
	(452)	(2,602)	(2,150)
Total	315,930	308,447	(7,484)
Funded By			
WG funding (RSG and NNDR)	(240,796)	(240,796)	-
Council Tax	(75,134)	(75,134)	-
Council Tax Surplus	-	(495)	(495)
Total	(0)	(7,978)	(7,978)

APPENDIX 3 – Schools Funding and Balances

School Name	Opening Reserve 21/	Final ISB Allocation (inc Post 1£	In Year U/(O) Spend March 22	Closing Reserve 31/03/22
	£	£	£	£
10287 Bassaleg School	750,960	8,129,723	(150,409)	600,552
10280 Newport High	172,214	5,523,379	43,823	216,037
10281 Caerleon Comprehensive	(607,091)	7,112,723	424,017	(183,074)
10282 The John Frost School	415,936	6,969,939	(284,184)	131,752
10283 Llanwern High	(120,987)	4,974,158	(111,841)	(232,827)
10284 Lliswerry High	(548,940)	4,916,583	86,063	(462,877)
10285 St Josephs R.C. High	403,577	6,486,070	162,409	565,985
10286 St Julians School	292,851	7,600,647	120,467	413,317
10288 Ysgol Gyfun Gwent Is Coed	102,196	2,501,712	(67,644)	34,552
Sub Total	860,716	54,214,935	222,700	1,083,416
10228 Alway Primary	201,676	1,595,545	(115,369)	86,306
10237 Caerleon Lodge Hill	231,628	1,208,440	(84,545)	147,083
10238 Charles Williams CIW	459,262	1,828,997	(237,530)	221,733
10203 Clytha Primary	78,885	820,065	(47,115)	31,771
10204 Crindau Primary	210,870	1,387,028	(110,275)	100,595
10205 Eveswell Primary	366,809	1,580,067	34,782	401,591
10201 Gaer Primary	254,663	1,691,732	(182,559)	72,104
10231 Glan Usk Primary	255,337	2,183,374	(147,556)	107,782
10270 Glan Llyn Primary	114,736	1,291,498	12,718	127,454
10206 Glasllwch Primary	115,850	829,696	(95,419)	20,431
10207 High Cross Primary	26,327	936,982	(25,603)	724
10250 Jubilee Park	145,587	1,362,656	(26,016)	119,571
10208 Langstone Primary	224,708	1,146,731	(109,059)	115,649
10209 Llanmartin Primary	94,405	786,189	(17,257)	77,147
10233 Lliswerry Primary	356,802	2,050,288	(150,296)	206,506
10210 Maesglas Primary	113,867	1,062,045	(68,420)	45,447
10211 Maindee Primary	203,186	1,769,441	(136,386)	66,801
10248 Malpas CIW Primary	106,911	1,108,372	(2,987)	103,923
10212 Malpas Court Primary	158,924	1,156,425	(91,138)	67,786
10213 Malpas Park Primary	142,273	872,623	(57,000)	85,274
10214 Marshfield Primary	133,314	1,488,819	(89,099)	44,215
10230 Millbrook Primary	208,194	1,096,928	(158,874)	49,320
10249 Milton Primary	172,468	1,669,943	(48,728)	123,740
10232 Monnow Primary	217,620	1,537,806	(194,881)	22,739
10215 Mount Pleasant	84,154	897,804	(53,953)	30,201
10216 Pentrepoeth Primary	108,221	1,592,615	(39,053)	69,168
10217 Pillgwenlly Primary	194,196	2,167,142	(116,708)	77,488
10229 Ringland Primary	136,473	1,040,028	(71,329)	65,144
10202 Rogerstone Primary	178,970	2,129,685	(82,532)	96,438
10218 Somerton Primary	154,768	603,385	(64,326)	90,442
10239 St Andrews Primary	230,911	2,429,335	(61,926)	168,985
10220 St Davids RC Primary	157,110	791,126	(24,633)	132,477
10221 St Gabriels RC Primary	120,919	702,220	(3,744)	117,175
10222 St Josephs RC Primary	117,521	745,960	(33,624)	83,897
10235 St Julians Primary	589,669	2,237,775	(38,990)	550,679
10223 St Marys Rc Primary	182,770	1,376,623	(125,371)	57,399
10224 St Michaels RC Primary	165,210	808,873	(126,049)	39,161
10225 St Patricks RC Primary	100,364	756,575	(32,845)	67,519
10226 St Woolos Primary	73,302	1,141,251	(58,033)	15,269
10243 Tredegar Park Primary	536,353	1,547,012	(311,961)	224,392
10236 Ysgol Gym Bro Teyrnnon	289,981	765,914	22,210	312,191
10227 Ysgol Gym Casnewydd	341,608	1,323,727	(107,756)	233,852
10234 Ysgol Gym Ifor Hael	171,794	752,165	5,275	177,070
10271 Ysgol Gym Nant Gwenlli	0	226,310	86,477	86,477
Sub Total	8,528,594	56,497,219	(3,387,481)	5,141,113
10060 Fair oak Nursery	29,783	67,103	(9,512)	20,271
10065 Kimberley Nursery	(95,112)	92,489	(35,979)	(131,091)
10061 Newport Nursery	0	279,668	60,848	60,848
Sub Total	(65,330)	439,259	15,357	(49,973)
10405 Maes Ebbw	21,990	3,635,743	38,871	60,861
10410 Bryn Derw	212,451	1,820,741	(146,680)	65,771
Sub Total	234,441	5,456,483	(107,809)	126,632
Assumed additional grant and other compensation			1,107,156	1,107,156
Kimberley & Fair oak reserve balance transfers to Education			0	110,820
Q3 & Q4 Covid Financial Impact - Alert Level 1			0	0
Grand Total	9,558,422	116,607,896	(2,150,077)	7,519,165

APPENDIX 4 – Planned Movement in Reserves

[illegible]

[illegible]

		Planned Movements in Year												
Reserve	Balance at 31-Mar-21	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Balance at 31-Mar-22
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Homelessness Prevention	(289)												289	-
Chief Education Grant	(765)												112	(653)
Home to School Transport - St Andrews (City Services Reserve)	(801)												567	(234)
Housing Supply review	(25)												25	-
Anniversary tree planting / green canopy	(20)												20	-
Cariad Casnew ydd	(350)													(350)
	(13,723)	-	-	-	-	-	-	28	-	-	-	-	2,905	(10,790)
														-
RESERVES TOTAL	(106,747)	-	-	-	-	-	-	28	-	-	-	-	7,204	(99,515)