

Report

Cabinet

Part 1

Date: 22 July 2020

Subject **May Revenue Budget Monitor**

Purpose To highlight the current forecast position on the Council's revenue budget and the risks and opportunities that present themselves within the May position with a specific focus on the key financial issues resulting from the Covid-19 pandemic and ongoing impact that this is likely to have upon the 2020/21 revenue budget.

Author Head of Finance (HoF)

Ward All

Summary Across Wales, the Covid-19 virus and associated lockdown measures have had significant financial implications for the Council, both in terms of additional costs and loss of income.

The May 2020 revenue position forecasts an overspend of £5.4m. This is a significant overspend and is a reflection of the issues explained within the report. Whilst there remain concerns around areas of continued, increasing demand in social services the key areas contributing to the forecast overspend are:

(i)	Unavoidable, continuing Covid-19 costs	£1,759k
(ii)	Loss of income attributable to the pandemic	£3,719k
(iii)	Undelivered 2020/21 budget savings	£1,140k
(iv)	Impact of on-going school budget overspending	£841k

As with any forecast at this stage of the year, there is an inherent uncertainty in assumptions that have been made. This year there is the added complexity of uncertainty surrounding the ongoing impact of the Covid-19 pandemic. The situation will remain under continued review and forecasts adjusted as the position evolves.

An area of significant concern is the level of forecast overspending across schools. Schools are currently forecasting an overspend of £1,954k and given the rate at which the schools reserves have reduced over the last 2-3 years these reserves are now insufficient to cover this level of forecast overspend in full. This causes problems for the Council in that a net £841k overspend as the forecast negative reserve at the end of the financial year will need to be funded by other Council budgets or from other Council reserves. This will have on-going negative consequences as set out within the report.

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

Proposal Cabinet is asked to:

- Note the overall budget forecast position and the significant overspending within service areas which is predominately resulting from the on-going pandemic and action currently in progress to address some issues;
- Note the planning assumptions within the forecast position and in particular, the uncertainty around (i) the ongoing impact that Covid will have upon service areas and (ii) funding support available from Welsh Government (WG) beyond quarter one of the financial year;
- Note the level of undelivered savings within each directorate and the risks associated with this;
- Note the forecast movements in reserves;
- Note the very significant financial challenges facing schools and the serious impact it will likely have on the Councils other revenue budgets and reserves. Note action currently in progress and the HoF comments on the seriousness of this position.

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

- HoS complete their review of some of the key costs areas, which contribute to the overspending and maximising, where possible, available Housing Benefit funding for homelessness costs currently being incurred;
- HoS deliver agreed 2020/21 budget savings as soon as practically possible under the current situation but by end of the financial year at latest;
- Promote and ensure robust forecasting throughout all service areas.

Timetable On going

This report was prepared after consultation with:

Acting Chief Executive
 Heads of Service
 Budget Holders
 Accountancy Staff

Signed

1 Background

- 1.1 The day-to-day operation of Council services dramatically changed under 'lockdown' conditions established following the Prime Minister's public address on the 23rd March 2020. Services rapidly transitioned into an essential services model delivering core services to the most vulnerable and the most affected by the threat of the virus.
- 1.2 Across Wales, the Covid-19 virus and associated lockdown measures have had significant financial implications for the Council, both in terms of additional costs and loss of income. The Council is incurring substantial costs in supporting vulnerable households and individuals in the community during this period and as outlined in the June Cabinet, with c£6m of projected costs being incurred in the first quarter of the 2020/21 financial year. Whilst financial support from Welsh Government (WG) has been earmarked for specific groups e.g. homelessness, social care providers and free school meal provision, the WG also set up a general fund to support Local Government to reimburse costs which were (i) specifically related to relief of hardship resulting from Covid-19 and (ii) new, additional costs to the Council. In this context, services were advised to ensure that any additional costs incurred were eligible to be reimbursed as per WG terms and conditions, and thus would not create a further financial pressure on their budgets. The Council is claiming all eligible Covid-19 additional costs in this first quarter of the 2020/21 financial year.
- 1.3 There are, however, a number of on-going financial pressures resulting from this situation, including:
- Unavoidable, continuing additional costs to support our vulnerable residents and maintain core services beyond quarter one, without WG financial support;
 - Lost income e.g. car parking beyond quarter one.

These issues are in addition to the 'usual' challenges placed upon the Council budget:

- Demand led service areas and delivering agreed savings, which have also been directly or indirectly affected by the current situation to some extent;
 - Impact of on-going school budget overspending.
- 1.4 The May 2020 position shows the Council's overall net revenue budget is forecasting an overspend of £5.4m assuming that the revenue contingency budget is fully committed. If the contingency is available at year-end then the overspend reduces to £4m. This is a significant overspend against budget and is a reflection of the issues noted above.

2 Key areas contributing to position

- 2.1 The following highlights the key areas that contribute to the overall Council position, with the report providing further details on each below:
- | | | |
|--------|--|-----------|
| (v) | Unavoidable, continuing costs beyond quarter one as a result of Covid-19 | - £1,759k |
| (vi) | Loss of income attributable to the pandemic | - £3,719k |
| (vii) | Demand led budget overspending (social care) | - £368k |
| (viii) | Undelivered 2020/21 budget savings | - £1,140k |
| (ix) | Impact of on-going school budget overspending | - £ 841k |
- 2.2 This is not a 'normal' forecast, itself relatively difficult given at this early stage in the financial year. The current situation has added a significant layer of complexity and uncertainty, some of which is still being 'worked through'.
- 2.3 The key 'upsides' to this forecast, which will improve the position, are

- WG funding for 'loss of income' in quarter one, currently not reflected in forecasts. Whilst an amount has been put aside for this purpose by WG, the confirmation of the final amount available and how it will be distributed is not agreed;
- Further WG support for costs and income losses in quarter two and beyond.

2.4 The key 'downsides' to this forecast, which will worsen the position, are

- Collection of council tax and costs of the 'Council Tax Reduction Scheme' will be worse / higher than forecast – a possible scenario if there is an economic downturn;
- Specific costs of 'service recovery actions' which were highlighted, in broad terms, in the June Cabinet, are not reflected in detail in these forecasts as services continue to work these through.

2.5 Therefore, the forecast is unavoidably subject to some potentially significant changes as we go through the next few months but a reasonable pattern should emerge by the end of the second quarter of the year. In the meantime, service area actions to review and mitigate the current overspending include:

- (i) Review of current levels of staff overtime and agency costs required to cover for staff who are shielding or can't work in the current situation; ensuring they are unavoidable;
- (ii) Review the ability of and how we might claim Housing Benefits to contribute towards the increased housing /accommodation costs the Council is currently incurring in the current situation.

Unavoidable, continuing costs beyond quarter one as a result of Covid-19 - £1,759k

2.6 For the Council, the financial implications and risks associated with the Covid-19 situation are significant. Whilst the current forecast does include estimated costs that will unavoidably continue beyond quarter one, (which in the main are claimable from WG), the medium to longer-term financial implications relating to the pandemic remain uncertain at this time. The situation will remain under continued review and forecast adjusted as the position evolves.

2.7 Whilst services have been asked to ensure all unbudgeted costs in response to this situation can be reimbursed through the WG hardship fund, some service and support arrangements put in place will have to continue beyond the current funding period. In particular, homelessness arrangements including hire of temporary accommodation beyond the quarter one funded period and the ongoing impact on waste services has been reflected through increased staff costs from July to September.

2.8 If the current arrangements for supporting adult social care continue beyond June this would also be a significant additional cost for the Council. Forecasts however, assume that further funding will be available from WG for social care, therefore nil impact on Council finances.

2.9 This current forecast assumes that WG funding arrangements will end as at the end of June 2020, with the exception of social care as above and free school meals, which is covered until the end of August. Beyond these areas, any unavoidable, continued costs in respect of Covid will cause an overspend against existing budget provision.

2.10 The significant estimated unavoidable costs that will continue beyond the reimbursement period include:

- | | |
|--------------------------|-------|
| - Waste & Cleansing | £645k |
| - Housing (homelessness) | £929k |

Key assumptions in this area include:

WG Financial Support:

- All additional Covid related spend incurred in quarter one will be reimbursed in full by WG hardship fund;
- Quarter two expenditure in relation to free schools meals and adult social care will be reimbursed in full;
- No further funding is available in respect of homelessness.

Service specific:

- Social care - any Covid related expenditure from quarter two onwards would be reimbursed by WG. If this funding is not available the costs will fall to the council to absorb and will worsen the projected position;
- Social care - service user charges from externally provided non-residential care will be affected up to the end of September;
- Children's - temporary increases for external placement costs in respect of Covid-19 will cease from July. If, however, there is an announcement from WG that this will be compensated, it will not affect forecasts as it will remain cost neutral;
- Staffing overtime, PPE purchases and cleaning will revert to the usual levels from July onwards unless there is a requirement to maintain these increased levels whereby it will be assumed this will be funded by WG;
- City Services - Home to school transport payment rate of 75% continues until September then resumes standard budget/forecast profile at 100% rate;
- City Services - The Council has continued to support some services where a service has not been received in the first quarter of the year at a lower contract rate. In the case of transport s assumed to continue until September when service resumes and contract paid at 100% rate;
- RIH - Homelessness Modular accommodation forecast assumes full year pressure as the service is expected to continue to be provided beyond the initial six-month agreement;

Loss of income due to Covid-19 - £3,719k

- 2.11 In addition to the increased costs, the Council is also impacted by reduced external income from activities such as car parking and planning fees. An initial estimate, carried out in early April, for lost income across Wales totalled £90m in the first quarter. This has been revisited and the actual income lost within quarter one for Newport totalled £2m (excluding Newport Live). This forecast has been extended and potential impact of the income assessed given that income will not recover immediately. This forecast position includes an estimate of the full year impact on income.
- 2.12 Although the WG have announced that £78m is available to account for lost income across Wales during the crisis, the methodology for allocation is yet to be confirmed. Given that the all Wales funding from WG is insufficient to cover all councils estimated losses, forecasts include the full extent of the loss to the end of the financial year, where applicable. Whilst we know this is the worst case scenario we are yet to be informed how the £78m will be allocated and how much will be allocated to Newport – any reimbursement will improve the forecast.
- 2.13 It seems likely at this time that loss of income will be a significant issue and challenging unless further financial support is confirmed. This is an area of on-going discussion with WG officials. The table below shows the estimate of all permanent loss of income during the year which has also been built into the current forecast position.

Service Area	ACTUAL Lost Income 1 Apr to 30 Jun (Qtr 1)	Estimated Lost Income 1 Jul to 30 Sep (Qtr 2)	Estimated Lost Income 1 Oct to 31 Mar (Qtr 3 & 4)	Mitigating Savings (Qtr 1-4)	Full Year Forecast
	£'000	£'000	£'000	£'000	£'000
Permanent					
Adult Services	£ 234	£ 234	£ -	£ -	£ 469
Education	£ 275	£ 288	£ 439	-£ 962	£ 40
Schools	£ 68	£ 23	£ -	£ -	£ 91
City Services	£ 972	£ 561	£ 697	£ -	£ 2,230
RIH	£ 270	£ 63	£ 132	£ -	£ 465
Corporate	£ 117	£ 22	£ 41	£ -	£ 180
Non Service	£ 94	£ 50	£ 100	£ -	£ 244
Total Lost Income	£ 2,030	£ 1,241	£ 1,409	-£ 962	£ 3,719

2.14 Below are the explanations to support the full year forecasts:

Adult Service - Despite continuing to pay external home care and day care providers for services the authority are not able to receive contributions from clients as non-residential services such as day centres are no longer being provided. Forecasts assume that this provision will be available during the second half of the year. This position has the potential to worsen if these establishments are not fully operational by the second half of the financial year.

Education – £962k of the £1,002k full year forecast relates to the income lost in respect of Gwent Music. This assumes that the service will not be in receipt of any income until September with the service recovering at a rate of 50% from October. Staff savings have offset this as extensive furloughing of staff was undertaken by the service to mitigate the impact.

City Services – The continued impact of the pandemic is significant for waste services (£956k): £352k due to downturn in commercial activity at the landfill site, £459k reduction in trade waste and special collections, £120k household waste recycling centre income, shop and bag sorting. Furthermore, the impact of car parking (including civil parking enforcement (CPE)) is significant at £732k as is the bus station departure fee income (£319k). Whilst car parking will reopen, it is not expected to increase to budgeted levels until much later in the year.

RIH - Lost income due to the closure of the market for the first quarter of the year. Forecasts also reflect the lost income in respect of commercial and industrial income for quarter one, Norse profit share and room hire income for the remainder of the year.

Corporate - £75k fall in income registrars in relation to ceremonies and events which are not expected to recover throughout the year. The balance relates to public protection activity.

Non-service - £200k of the full year impact relates to lost income due to Council not having liquidity to invest in the money markets that the income target was predicated on.

Key assumptions in this area include:

- Whilst it is assumed that some of the lost income will be reimbursed by WG the value of this is yet to be confirmed – this will improve the forecast position. A claim has been returned to WG totalling almost £2m for the first quarter and we are awaiting a response.

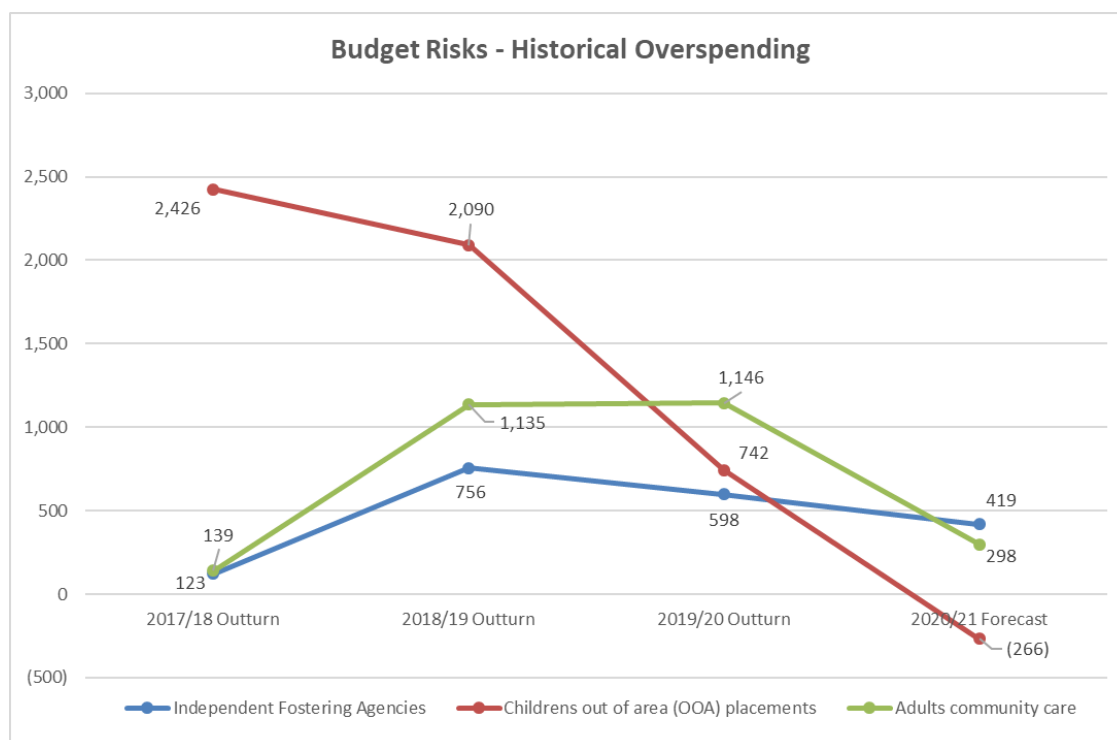
Demand led budgets overspending - £368k

2.15 It was well documented throughout last year 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

2.16 These are recurring issues and demand in most of these areas have been increasing over the last 2-3 years. Although these areas have received significant investment year on year, the demand continued to accelerate beyond the budget available. The 2019/20 outturn report identified that whilst the demand continued to increase in children's social care the level of investment in 2020/21 was deemed adequate as that accommodated the range that the HoS targeted in terms of placement numbers for the year.

2.17 The following chart represents the forecasts over the last 3 years in these areas. Whilst the level of overspending in this area has reduced due to significant investment in 2020/21, independent fostering agencies and adult's community care budgets continue to forecast an overspend.



2.18 **Children's out of area placements** – After investment of £182k, over and above inflation, in the 2020/21 budget, this budget can support 20 out of area placements. In May, the number of out of area placements are at 17, forecasted to increase to 20 at the end of the year resulting in an overall forecasted underspend of £266k for the year.

2.19 **Children's independent fostering** – Investment of £382k, over and above inflation, in 2020/21 enables the budget to support 60 placements which is reasonable given the level of increasing demand that was experienced in 2019/20. This year demand has continued to increase with placements currently at 72 as at the end of May. Placements are forecast to reduce to 68 by the end of March resulting in an overall forecasted overspend of £419k for the year.

2.20 **Adults community care** - £1.4m has been invested into the adult's community care budget for 2020/21, over and above inflation. The current position shows that the number of service users currently are slightly lower than at this time last year (2019/20 – 1,586 and 2020/21 – 1,534) and are forecast to continue on this trajectory resulting in an overspend of £298k. It should be noted; however, that part of this overspend is attributable to an undelivered MTFP saving which is included below.

- 2.21 Given the inherent nature of this budget risk, numbers in this area could change throughout the year as has been the case over the last 2-3 years and this therefore represents a risk. These areas will continue to be closely monitored.

Delivery of agreed 2020/21 budget savings - £1,140k:

- 2.13 The position on delivery of savings is shown in appendix 1. The performance on forecast delivery of 2020/21 savings has been significantly impacted by the Covid-19 situation, therefore reducing the levels of projected savings to 79% of target. In addition to the £1.1m shortfall this represents, there remains £443k of undelivered savings from 2019/20, which need to be addressed by children's and adult social services. Whilst the current delay is unavoidable, services will need to deliver these savings at least by the end of current financial year so that they do not carry forward as an issue into next year, alongside potentially further new savings requiring delivery.

Summary by Portfolio	People	Place	Corporate	Non Service	Total
2020/21 MTRP Target (£) Total	2,211	1,282	794	1,130	5,417
Total Savings Realised by Year End 2020/21	1,840	838	670	930	4,277
Variation to MTRP Target	-372	-444	-125	-200	-1,140
Variation % to MTRP Target	-17%	-35%	-16%	-18%	-21%
Undelivered Savings from Previous Years	-443	0	0	0	-443
Total Undelivered Savings	-814	-444	-125	-200	-1,583

- 2.14 Whilst these areas are considered as part of our future financial planning and budget process, overall they contribute £1.6m of overspending against the current year's budget and the current overall overspending of the Council's budget.
- 2.15 Some of the key areas and projects experiencing delays in 20/21 because of Covid are set out below:

Adult Services (£297k)

- Reduction in Projected Cost of Accommodation Based Care and Support Services for People with Learning Disabilities - £140k
- Staffing review - £82k
- Telecare service - £75k

City Services (£277k)

- Kingsway car park operation - £100k
- Newport Live profit share - £75k
- Increased Recycling - Bag Sorting at Household Waste Recycling Centre - £57k

People & Business Change (£105k)

- Innovation and Transformation Offering - reduction in programme management capacity - £57k
- Digital Savings - Public Building Wi-Fi - "Community Cloud" - £48k

Non-service (£200k)

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

3 Schools

- 3.1 Appendix 3 highlights that overall schools are anticipating an overspend of £1,954k with no assumed grant or other compensation being received throughout the year. This is based on budgets that have been approved by Governing Bodies where school reserves are positive or the

current budget position in those schools who have temporary licensed deficits as they continue to work on their financial recovery plans. Specific Covid-19 issues are not reflected here currently.

- 3.2 Over two thirds of the overspend originates from the secondary sector with the primary sector following closely accounting for 27% of the overspend. A summary table is shown below:

	Reserves balance 31/03/20	In year Under/(overspend)	Reserves Balance 31/03/21
	£'000	£'000	£'000
Nursery	(36)	(113)	(149)
Primary	3,332	(536)	2,796
Secondary	(2,178)	(1,188)	(3,365)
Special	(5)	(117)	(121)
Total	1,113	(1,954)	(840)
Assumed grant and other compensation	-	-	-
Total	1,113	(1,954)	(840)

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

- The forecast negative reserve at 31/3/2021 year-end will need to be funded by other Council budgets or from other Council reserves. This will have on-going negative consequences;
- The current level of in-year overspending is unlikely to be resolved after this financial year by current 'deficit recovery plans' given the size of that or deal with the large, historical deficits which have been built up. It has the real potential to negatively impact on other Council budgets and reserves for more than this one year.

- 3.4 Nine schools are anticipating a negative balance position at the end of the current financial year, one from the nursery sector, two from the primary sector, five from the secondary sector and one from the special sector. The cumulative forecast deficit for these schools is just short of £4m.

- 3.5 Officers are continuing to work closely with those schools to ensure that deficit recovery plans are in place and that action is taken to reduce spend. Cabinet approved additional funding in the 2020/21 budget to resource some analytical and senior leadership capacity to this challenge and the current situation has delayed recruitment to date, which is unhelpful given the position, but unavoidable. Current officers, including the Chief Education Officer and AHoF / HoF are engaged on this alongside colleagues. A detailed briefing on the situation is being completed and will need to be considered very soon.

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 2020, forecasted planned transfers in/ (out) of reserves in 2020/21 and the forecast balance as at 31st March 2021. Current projections suggest that 16% of the Council reserves will be utilised by the end of the financial year, which is in line with planned and expected use. The general fund reserve is at the minimum level required (£6.5m) representing 2% of the overall net budget.

- 4.2 The above position on reserves is based on planned use of reserves. It does not include the impact of un-planned use resulting from funding any revenue budget overspending and 'making good' school reserves. As the general reserve is at the minimum level and other reserves are

earmarked, any un-planned use will require the Cabinet to approve use of current earmarked reserves for these, which could affect future finances of the Council.

- 4.3 The Council 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 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.

Timetable

Ongoing

Risks

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

* Taking account of proposed mitigation measures

Links to Council Policies and Priorities

Options Available and considered

Preferred Option and Why

Comments of Chief Financial Officer

This first financial forecast represents an important milestone. A high degree of 'granularity' of the different issues affecting the financial forecasts is included and therefore the impact of changes in any assumptions can be made quickly. Clearly, there are a lot of uncertainties, in particular on WG funding support and collection of Council Tax but we should have some more detail on these by the end of Q2. They will be reported on an on-going basis in monthly financial updates.

There are a lot of unavoidable uncertainties surrounding the forecast but it provides a good foundation to move forward and has highlighted some early action, which HoS are now looking at; which is helpful. The Council has a strong financial position to deal with the immediate challenges these give rise too but would have an on-going impact or impact on key priorities.

Comments of Monitoring Officer

There are no specific legal issues arising from the report.

Comments of Head of People and Business Change

The report notes the difficult financial position the Council is in as a result of Covid-19. One of the actions being taken to mitigate the current overspending is a review by service areas: of current levels of staff overtime and agency costs required to cover for staff who are shielding or can't work in the current situation; ensuring they are unavoidable.

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.

Local issues

N/A

Scrutiny Committees

N/A

Equalities Impact Assessment and the Equalities Act 2010

N/A

Children and Families (Wales) Measure

N/A

Wellbeing of Future Generations (Wales) Act 2015

This update is against a backdrop of prolonged pressure on public services as a combination of reduced income, rising demands on services, increased expectations, compliance with new legislation and the increasing costs of running services, which has seen the delivery of significant budget savings over the last five years. Any future reductions in funding will need to reflect and be consistent with the five principles underpinning the Wellbeing of Future Generation (Wales) Act 2015.

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

Consultation

N/A

Background Papers

Dated: 22 July 2020

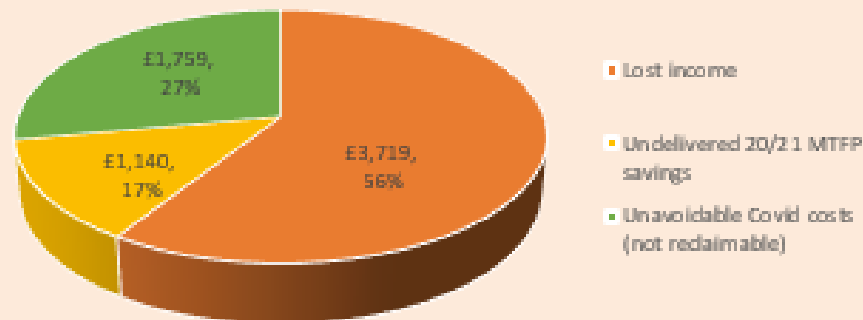
Appendix 1

Budget Monitoring Position – May 2020

Position by Directorate	Current Budget £'000	Forecast £000	Variance £'000
People (exc Schools)	90,444	91,767	1,323
Place	34,516	37,739	3,223
Corporate	19,095	19,191	96
Service Area Budget	144,055	148,696	4,641
Schools	106,527	108,481	1,954
Service Area Budget (inc Schools)	250,583	257,178	6,595
Schools - transfer from reserve	0	(1,113)	(1,113)
Non Service	48,214	48,176	(38)
Total Budget (excluding contingency)	298,797	304,241	5,443
General Contingency	1,473	1,473	0
Total Budget (Including contingency)	300,270	305,714	5,444

Detailed explanations can be found within service area dashboards

Key overspending areas - Covid-19 Impact



Undelivered Savings:

- 2020/21 - £1,140k
- Previous years - £443k
- Overall, undelivered savings are resulting in forecast overspend against budget of £1.6m. This is predominantly due to delays in implementation due to Covid.

Position Summary

- Revenue outturn reports an overspend of £5,444k assuming the contingency is fully committed.
- Overspend predominately as a result of the Covid-19 pandemic and the impact on increased expenditure, lost income and schools overspending.

Key areas contributing to position

Unavoidable Covid related expenditure:

- Within RIH, there is significant Covid related expenditure forecast beyond June (£929k). This is in relation to homelessness and at this time it is assumed that no additional funding is available after June.
- Furthermore, within City Services £645k is forecast in Waste and Cleansing from July onwards without reimbursement.

Lost Income:

- Some areas are significantly impacted by the loss of income due to Covid. It is not anticipated that all areas will recover immediately therefore these losses are reflected within the forecast.
- Over the year the estimated net impact on income relating purely to the pandemic is £3.7m. Whilst reimbursement will be available from Welsh Government (WG) it is not known at this time to what extent – any reimbursement will improve the forecast.

Schools:

- Forecast overspend of £1,954k in year far outweighs the reserves available to schools resulting in a council overspend of £841k. This is a significant issue which requires urgent attention.

Budget Monitoring Position – May 2020

Key Assumptions and Risks - Covid

WG Financial support

- Forecasts assume that all Covid related spend incurred in the first quarter of the year will be reimbursed in full by WG hardship fund;
- Whilst it is assumed that some of the lost income will also be reimbursed by WG the value of this is yet to be confirmed – this will improve the forecast position. A claim has been returned to WG totalling almost £2m for the first quarter and we are awaiting a response;
- Quarter 2 expenditure in relation to free schools meals will be reimbursed in full;
- No further funding available in respect of homelessness.

Social Services

- Adults – any Covid related expenditure from quarter 2 onwards will be reimbursed by WG. If this doesn't happen the costs will fall to the council to absorb;
- Adults - Service user charges from externally provided non residential care will be affected up to the end of September;
- Children's - Temporary increases for external placement costs in respect of Covid-19 will cease from July. If, however, there is an announcement from WG that this will be compensated, it will not affect forecasts as it will remain cost neutral;
- Staffing overtime, PPE purchases and cleaning will revert to the usual levels from July onwards unless there is a requirement to maintain these increased levels whereby it will be assumed this will be funded by WG.

City Services and RIH

- City Services - Home to school transport payment rate of 75% continues until September then resumes standard budget/forecast profile at 100% rate;
- RIH - Homelessness Modular accommodation forecast assumes full year pressure as the service is expected to continue to be provided beyond the initial six month agreement.

Other Key Assumptions and Risks

- Vast majority of schools have spent more than their funding in 20/21;
- The forecast overspending in schools far outweighs the level of reserves available to fund which now sees schools with a negative reserve. Schools are currently forecasting on overspend of £1.9m against an available reserve of £1.1m resulting in a net overspend impact on the council of £0.8m – this is a serious concern for the Council and something that requires immediate attention.

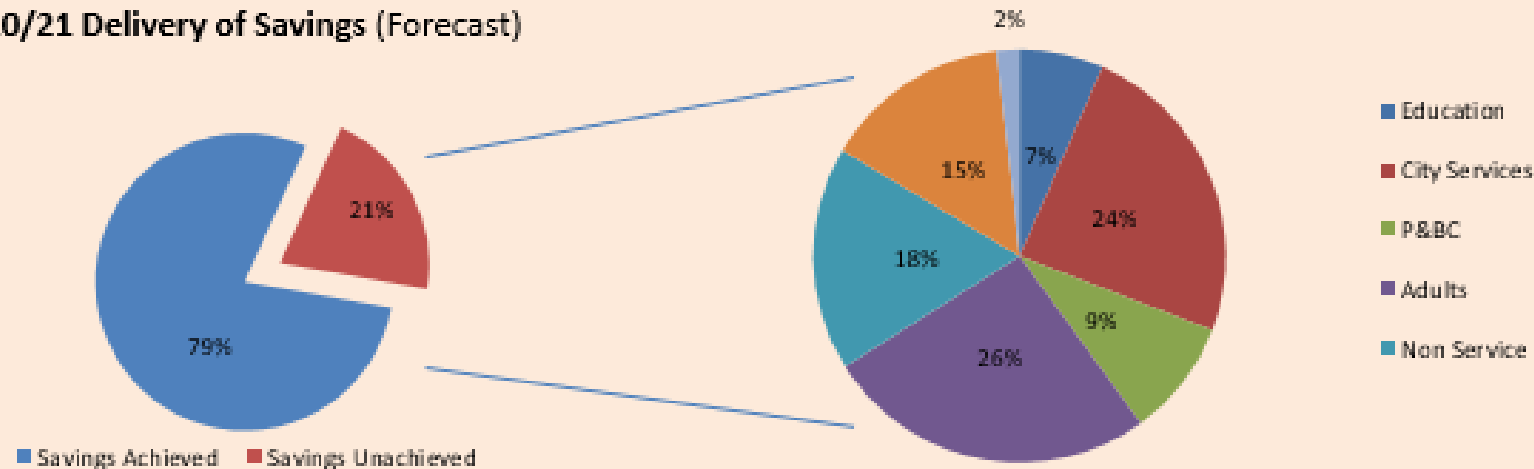
Budget Monitoring Position – May 2020

Staff Forecasts

Overall Staffing	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Budget (£'000)	0	50,926	50,926	50,926	50,926	50,926	50,926	50,926	50,926	50,926	50,926	50,926
Forecast (£'000)	0	50,958	50,958	50,958	50,958	50,958	50,958	50,958	50,958	50,958	50,958	50,958
Variance (£'000)	0	32	32	32	32	32	32	32	32	32	32	32

- Whilst there are a number of vacancies across the council and recruitment into these non essential posts has been somewhat delayed these savings are being offset by an increased requirement for additional staff time and agency staff beyond the WG reimbursement phase in respect of Covid. The net position remains on budget.

2020/21 Delivery of Savings (Forecast)



- The first chart shows that 79% of the total savings are forecast for full delivery in 2020/21;
- The second chart illustrates the areas where savings are forecast not to be delivered (21% of overall target);
- The delivery of savings in 2020/21 has been significantly affected by the ongoing pandemic and the resulting overspends against budget have been reflected within the forecast;
- In addition to the £1,140k undelivered savings in 20/21 there remains £443k of undelivered savings from previous years within social care.

Overall Summary	People	Place	Corporate	Non Service	Total
2020/21 MTRP Target(£) Total	2,211	1,282	794	1,130	5,417
Total Savings Realised by Year End 2020/21	1,840	838	670	930	4,277
Variation to MTRP Target	(372)	(444)	(125)	(200)	(1,140)
Variation % to MTRP Target	-17%	-35%	-16%	-18%	-21%

Budget Monitoring Position – May 2020

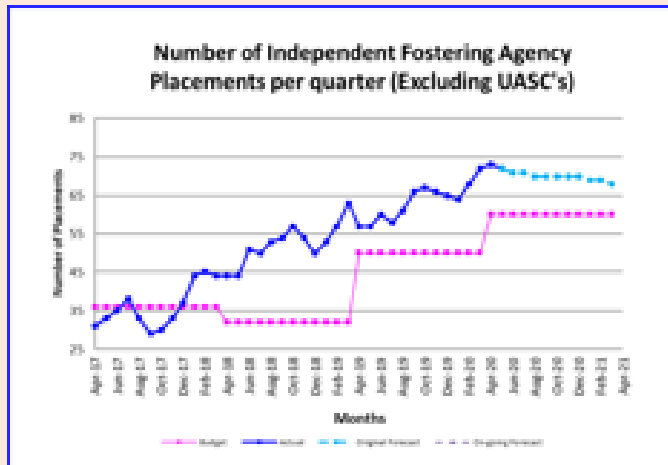
Risk Based Areas	Budget £'000	Fore cast £'000	Variance £'000	Graph Reference
Children & Young People				
Independent Fostering Agencies	2,382	2,801	419	i
Out of Area Residential	3,009	2,742	(266)	ii
In House Fostering	3,479	3,297	(182)	
Looked after Children (LAC) Remand			0	
Legal fees	950	950	0	
In House Residential	2,291	2,343	52	
Adult & Community Services				
Community Care - Residential	23,060	20,913	(2,147)	
Community Care - Supported Living	9,242	10,443	1,201	iii
Community Care - Non Residential	10,582	11,307	725	iv
Community Care Income - Residential & Non	(8,096)	(7,357)	739	
Education				
SEN Out of County - Local Authority	2,425	1,001	(1,424)	v
SEN Out of County - Independents	2,092	3,183	1,091	v
SEN Local Provision Development	621	952	331	
SEN Transport	1,674	1,674	0	
Special Home to School Transport	815	815	0	
Bridge Achievement Centre	1,190	1,190	0	
Regeneration, Investment & Housing				
Homelessness - B&B Costs	746	1,307	561	
Commercial & Industrial Properties Income	(1,460)	(1,271)	189	
City Services				
Commercial / Asbestos Income	(1,245)	(893)	352	
Home to School Transport - Primary	989	705	(284)	
Home to School Transport - Secondary	1,171	986	(185)	
Home to School Transport - College	117	93	(24)	
CPE - Fines Income	(691)	(350)	341	
Burial fees	(561)	(580)	(19)	
Car parking income	(892)	(360)	532	
Law & Regulation				
Licensing - Hackney carriages / private hire	(361)	(457)	(96)	
Total Net Budget	53,528	55,434	1,906	

- In 2020/21, there were over 25 budget areas identified as having the potential to be high risk or highly volatile. This list was reviewed on an on-going basis
- Although some of these areas have come in underspent against budget, they have continued to be monitored given the potential to have a significant impact
- There are six budget 'hotspot' areas within the risk based monitoring which demonstrate the significant financial impact and risk that only a small number of areas pose to the financial position of the Authority (graph ref i – v)
- These areas alone contribute almost £2m to the service area overspends
- A realignment exercise is currently underway to ensure that the budgets reflect the permanent demands in the area. This should deal with many of the offsetting variances.

Budget Monitoring Position – May 2020

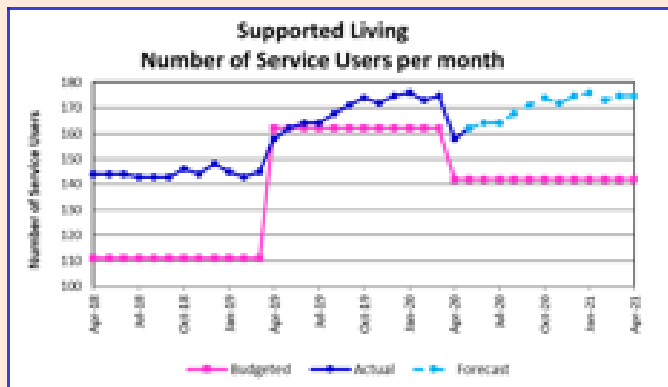
Risk Based Monitoring graphs

(i) Independent Fostering Agencies



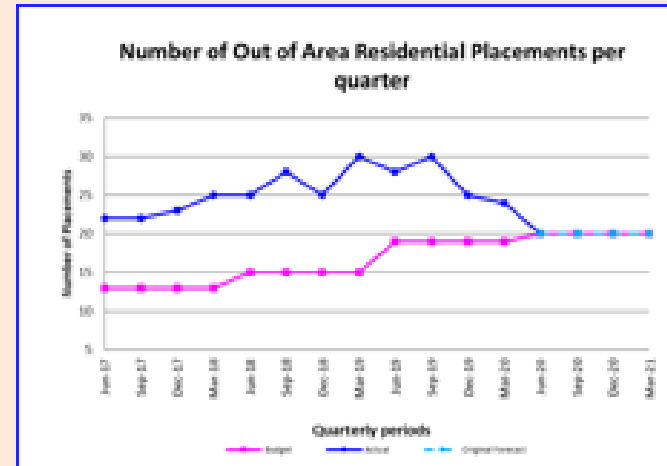
- The 2020/21 budget can afford 60 placements at an average cost. The number of placements in this sector are expected to increase to 68 at the end of the year resulting in an overspend of £419k.

(iii) Community Care – Supported Living



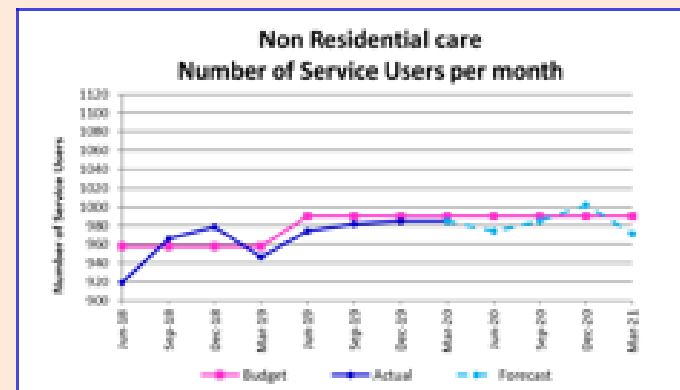
- Budget can afford 142 placements. Currently numbers are at 162 with almost a third of costs being higher than the average resulting in an overspend of £1.2m.

(ii) Out of Area (OOA) Residential Placements



- Budget can afford 20 placements at an average cost. The service anticipates the number of placements being 20 at the end of the financial year resulting in a break even position.

(iv) Community Care – Non Residential

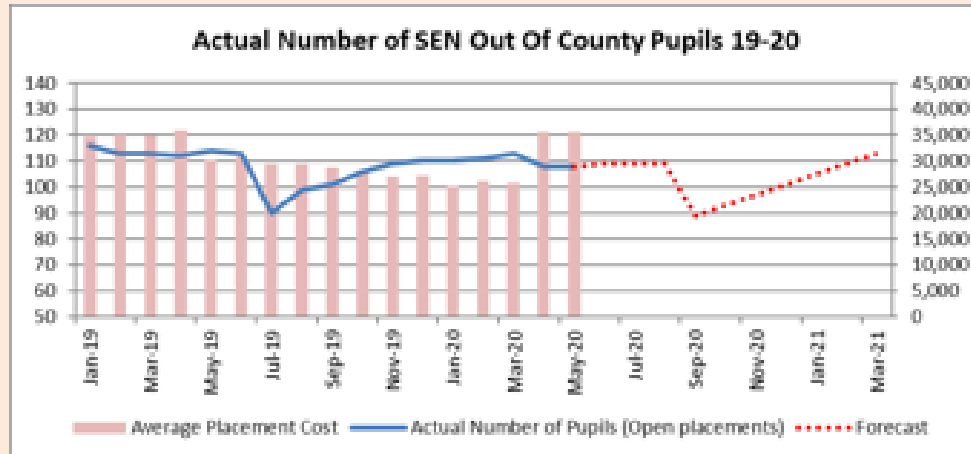


- Budget can afford 990 users per month at an average cost. Given that over a quarter of users exceed this cost per week and in increase in the number of service users an overspend of £725k is anticipated

Budget Monitoring Position – May 2020

Risk Based Monitoring graphs

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



- SEN OOC budget can accommodate 125 placements at an average cost of £36k. In May there are 108 open and 4 planned placements which have been included within the forecast. The forecast highlights an anticipated underspend against budget for local authority of £1.4m and an overspend of £1m for independent. Therefore no budgetary pressure currently exists within current forecasts.
- Placements ranging between £20k and £30k account for 31% of the total number of placements

Budget Monitoring Position – May 2020

Schools

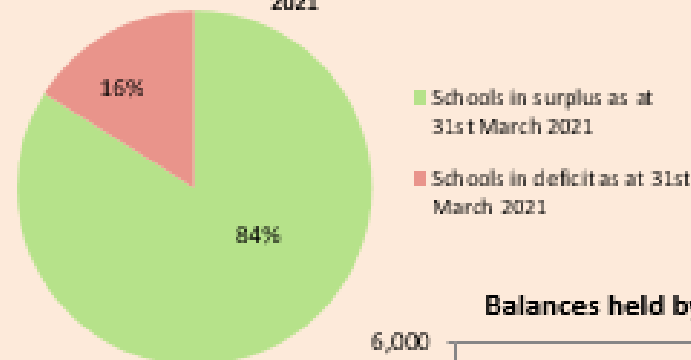
Overall, schools are anticipating an overspend of £1,954k with no assumed grant or other compensation being received throughout the year. Over two thirds of this overspend originates from the secondary sector with primary's accounting for 27%. This pattern is consistent with previous years, flagged as unsustainable and has now resulted in schools balances becoming negative.

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

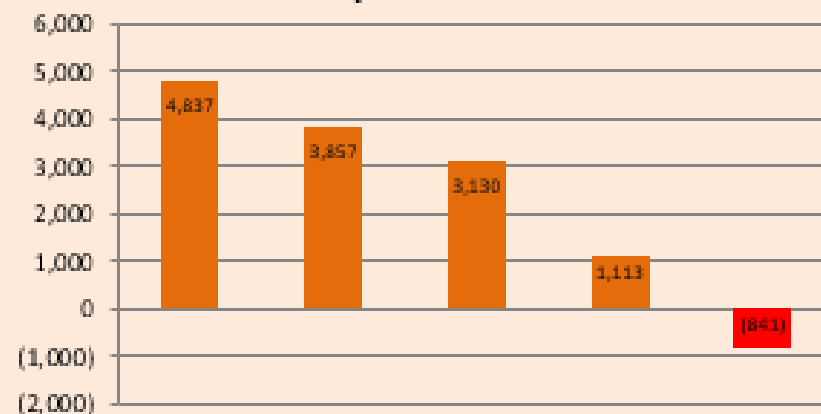
- Nursery £113k overspend (2 out of 2 nurseries reporting an in-year overspend position)
- Primary £536k overspend (24 out of 43 schools reporting an in-year overspend position)
- Secondary £1,188k overspend (6 out of 9 schools reporting an in-year overspend position)
- Special £117k overspend (2 out of 2 special schools reporting an in-year overspend position)

Schools forecasting deficit reserves at YE	May
Kimberley Nursery	(158)
High Cross Primary	(54)
St Woolos Primary	(34)
Newport High	(133)
Caerleon Comprehensive	(1,259)
Uisweny High	(784)
Llanwern High	(870)
St Julians	(501)
Mares Ebbw	(182)
Total Net Budget	(3,975)

Proportion of Schools Forecasting Deficit as at 31st March 2021



Balances held by Schools as at 31st March



Schools are forecasting an in year overspend of £1,954k therefore reducing school balances to a negative balance as there remains only £1,113k in school reserves as at the end of March 2020. This is therefore forecast to cause a pressure of £841k for the Council. **This is a significant issue which requires urgent action.**

APPENDIX 2 Revenue Summary Monitor – May 2020

	April 20 Approved Budget	Current Budget	Projection	(Under) / Over
	£'000	£'000	£'000	£'000
Summary Revenue Budget 2020/21				
People				
Children and Young People	25,904	25,865	26,481	617
Adult and Community Services	49,261	49,215	49,928	713
Education	15,365	15,364	15,357	(7)
Schools	106,527	106,527	108,481	1,954
	197,057	196,972	200,248	3,276
Place				
Regeneration, Investment and Housing	9,910	9,892	11,661	1,769
City Services	24,673	24,624	26,078	1,454
	34,583	34,516	37,739	3,223
Chief Executive				
Directorate	516	515	363	(153)
Finance	3,434	3,422	3,313	(110)
People and Business Change	8,005	7,998	8,113	115
Law and Regulation	7,183	7,159	7,403	243
	19,138	19,095	19,191	96
Capital Financing Costs and Interest				
Capital Financing Costs and Interest (Non-PFI)	14,462	14,462	14,462	(0)
Public Finance Initiative (PFI)	8,854	8,854	8,854	0
	23,316	23,316	23,316	(0)
Sub Total - Service/Capital Financing	274,094	273,899	280,494	6,595
Contingency Provisions				
General Contingency	1,473	1,473	1,473	0
Centralised Insurance Fund	581	581	581	0
Non Departmental Costs	-	-	-	-
Other Income and Expenditure	683	879	878	(0)
	2,737	2,932	2,932	0
Levies / Other				
Discontinued Operations - pensions	1,567	1,567	1,529	(38)
Discontinued Operations - Ex Gratia Payments	2	2	2	0
Levies - Drainage Board, Fire service etc	8,704	8,704	8,704	0
CTAX Benefit Rebates	13,465	13,465	13,465	0
Extraordinary Items	-	-	-	-
	23,738	23,738	23,700	(38)
Transfers To/From Reserves				
Base budget - Planned Transfers to/(from) Reserves	(299)	(299)	(299)	(0)
Earmarked reserves: Transfer to/(from) Capital	-	-	-	-
Earmarked reserves: Transfer to/(from) Schools	-	-	(1,113)	(1,113)
Earmarked reserves: Transfer to/(from) Schools Redundancy	-	-	-	-
Invest to Save Reserve	-	-	(1,408)	(1,408)
Invest to Save Reserve (from)	-	-	1,408	1,408
	(299)	(299)	(1,412)	(1,113)
Total	300,270	300,270	305,714	5,444
Funded By				
WG funding (RSG and NNDR)	(228,077)	(228,077)	(228,077)	-
Council Tax	(72,193)	(72,193)	(72,193)	-
Council Tax Surplus	-	-	-	-
Total	-	0	5,444	5,444

APPENDIX 3 – Schools Funding and Balances

School Name	Opening Reserve 20/21	ISB Allocation (inc Post 16)	In Year U/(O) Spend May 20	Projected Closing Reserve 31/03/21
	£	£	£	£
Bassaleg School	218,531	7,818,716	(192,858)	25,673
Newport High	(233,397)	5,347,446	100,059	(133,339)
Caerleon Comprehensive	(1,064,561)	6,912,566	(194,419)	(1,258,980)
The John Frost School	76,130	6,660,840	13,219	89,349
Llanwern High	(290,421)	4,641,017	(579,748)	(870,168)
Lliswerry High	(754,031)	4,729,788	(29,986)	(784,017)
St Josephs R.C. High	90,450	6,240,112	(23,110)	67,341
St Julians School	(180,821)	7,460,513	(319,871)	(500,693)
Ysgol Gyfun Gwent Is Coed	(39,385)	2,072,009	39,099	(286)
Sub Total	(2,177,504)	51,883,007	(1,187,615)	(3,365,120)
Alway Primary	60,116	1,610,630	(12,508)	47,608
Caerleon Lodge Hill	96,832	1,201,596	42,100	138,932
Charles Williams CIW	224,970	1,818,335	(40,177)	184,793
Clytha Primary	16,709	795,869	(4,057)	12,652
Crindau Primary	147,659	1,378,398	(47,534)	100,125
Eveswell Primary	242,539	1,501,889	(84,844)	157,694
Gaer Primary	81,402	1,694,154	42,459	123,861
Glan Usk Primary	36,470	2,136,355	(124)	36,346
Glan Llyn Primary	53,135	943,720	(2,974)	50,161
Glasllwch Primary	73,001	781,116	(58,150)	14,851
High Cross Primary	(42,257)	910,950	(11,901)	(54,158)
Jubilee Park	(8,018)	1,209,463	23,920	15,902
Langstone Primary	104,577	1,113,506	(88,561)	16,016
Llanmartin Primary	21,641	761,269	2,224	23,865
Lliswerry Primary	117,548	2,090,994	117,427	234,975
Maesglas Primary	(18,822)	1,021,309	42,455	23,633
Maindee Primary	66,774	1,787,176	2,805	69,579
Malpas CIW Primary	63,613	1,154,702	(53,715)	9,898
Malpas Court Primary	46,823	1,200,996	(34,084)	12,739
Malpas Park Primary	41,131	856,916	20,023	61,154
Marshfield Primary	65,929	1,384,485	(53,132)	12,798
Millbrook Primary	82,741	1,064,677	(64,216)	18,525
Milton Primary	24,777	1,615,390	24,562	49,339
Monnow Primary	161,652	1,517,654	(79,318)	82,334
Mount Pleasant	34,117	875,251	(15,790)	18,327
Pentrepoeth Primary	51,847	1,536,928	(22,608)	29,239
Pillgwenlly Primary	121,114	2,107,157	(43,124)	77,990
Ringland Primary	49,111	1,071,328	(24,835)	24,276
Rogerstone Primary	(32,929)	1,926,637	50,605	17,676
Somerton Primary	144,338	662,946	(53,884)	90,454
St Andrews Primary	52,774	2,354,850	20,407	73,181
St Davids RC Primary	67,457	775,183	1,840	69,297
St Gabriels RC Primary	34,230	694,208	9,215	43,445
St Josephs RC Primary	33,472	705,062	20,373	53,845
St Julians Primary	309,759	2,163,980	(177,338)	132,421
St Marys Rc Primary	58,503	1,335,681	8,947	67,450
St Michaels RC Primary	27,137	761,344	(11,537)	15,600
St Patricks RC Primary	48,321	725,678	4,490	52,811
St Woolos Primary	(47,163)	1,132,978	13,015	(34,148)
Tredeggar Park Primary	203,343	1,527,984	25,526	228,869
Ysgol Gym Bro Teyrnion	167,308	748,924	(28,184)	139,124
Ysgol Gym Casnewydd	148,725	1,256,012	21,829	170,554
Ysgol Gym Ifor Hael	99,385	688,626	(17,854)	81,531
Sub Total	3,331,795	54,602,306	(536,226)	2,795,568
Fairoak Nursery	29,788	164,168	(21,621)	8,167
Kimberley Nursery	(66,244)	240,738	(91,404)	(157,648)
Sub Total	(36,456)	404,906	(113,025)	(149,481)
Maes Ebbw	(117,594)	3,432,192	(64,097)	(181,691)
Bryn Derw	112,917	1,574,763	(52,583)	60,334
Sub Total	(4,677)	5,006,955	(116,680)	(121,357)
Grand Total	1,113,157	111,897,174	(1,953,547)	(840,389)

APPENDIX 4 – Planned Movement in Reserves

Reserve	Balance at 31-Mar-20	Planned Movements in Year											Balance at 31-Mar-21	
		Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb		Mar
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Council Fund:	(6,500)													(6,500)
Balances held by schools for future use	(1,113)												1,954	841
Earmarked Reserves:														
Music Service	(127)													(127)
Pay Reserve	(1,418)													(1,418)
Insurance Reserve	(664)													(664)
MMI Insurance Reserve	(602)													(602)
Health & Safety	(16)													(16)
Education Achievement Service	(92)													(92)
Schools Redundancies	(725)													(725)
General Investment Risk Reserve	(658)													(658)
European Funding I2A & CFW	(394)													(394)
Metro Bus	(9)													(9)
GEVMS Redundancies	(78)													(78)
SUB TOTAL - RISK RESERVES	(4,783)	-	-	-	-	-	-	-	-	-	-	-	-	(4,783)
Capital Expenditure	(5,344)												35	(5,309)
Invest to Save	(9,938)												1,564	(8,374)
Super Connected Cities	(426)												128	(298)
Landfill (fines reserve)	(332)													(332)
School Reserve Other	(182)													(182)
School Works	(452)													(452)
Investment Reserve	(342)												342	-
Usable Capital Receipts	(8,259)												3,098	(5,161)
Streetscene Manager Support	(117)												117	-
SUB TOTAL - ENABLING RESERVES	(25,391)	-	-	-	-	-	-	-	-	-	-	-	5,284	(20,107)

Reserve	Balance at 31-Mar-20	Planned Movements in Year												Balance at 31-Mar-21
		Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Municipal Elections	(130)													(130)
Local Development Plan	(625)													(625)
Glan Usk PFI	(1,607)													(1,607)
Southern Distributor Road PFI	(40,691)												299	(40,392)
Loan modification technical reserve (IFRS 9)	(1,085)												175	(910)
Building Control	(104)												12	(92)
SUB TOTAL - SMOOTHING RESERVES	(44,242)	-	-	-	-	-	-	-	-	-	-	-	486	(43,756)
														-
Works of art	(21)													(21)
Theatre & Arts Centre	(232)													(232)
Cymorth Income	(25)													(25)
Blaen Y Pant	(18)												8	(10)
Homelessness Prevention	(38)													(38)
Environmental Health - Improve Air Quality	(49)													(49)
Refurbishment of a Children / Older People Homes	(41)												41	-
Apprenticeship Scheme	(29)													(29)
City Economic Development Reserve	(90)													(90)
Welsh Language Standards	(169)													(169)
Port Health	(16)													(16)
CRM	(244)												244	-
Financial System Upgrade	(400)												400	-
Events	(216)													(216)
MTFP Reserve	(2,037)													(2,037)
Voluntary Sector Grants	(49)												12	(37)
Bus Wifi	(17)													(17)
Bus Subsidy	(15)												6	(9)
Feasibility Reserve	(117)													(117)
IT Development	(53)												53	-
Leisure Delivery Plan	(103)													(103)
Chartist Tower	(256)												256	-
Joint Committee City Deal Reserve	(626)													(626)
NEW - Civil Parking Enforcement	(175)												175	-
SUB TOTAL - OTHER RESERVES	(5,036)	-	-	-	-	-	-	-	-	-	-	-	1,195	(3,841)
Forecast Overspend - May 2020													5,444	5,444
RESERVES TOTAL	(87,065)	-	-	-	-	-	-	-	-	-	-	-	14,363	(72,702)