

Report

Cabinet



Part 1

Date: 16 September 2020

Subject **July 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 July position. This update builds on the May forecast given that there is further information and clarity on the recovery of the Covid-19 pandemic and the funding that has been made available for this.

Author Head of Finance (HoF)

Ward All

Summary

The July 2020 revenue position forecasts an overspend of £683k. This is a significant improvement on the May forecast of £5.4m overspend, and reflects the changes and clarification of funding made available from Welsh Government (WG) in relation to Covid related lost income and increased expenditure, in particular the availability of funding for this purpose for the remainder of this current financial year.

Since the May forecast there has been confirmation on a number of areas of funding provided by WG. Whilst this has provided some clarity and allowed officers to 'firm up' on a number of projections, there does remain a level of unavoidable uncertainty on the forecasts, given the unknown future of the pandemic and clarification on how recently announced funding for the remainder of the financial year will be administered.

While a significant amount of the previously reported overspends relating to Covid-19 have been addressed through proposed funding provided by WG, budget issues remain in a number of areas. The key areas contributing to the forecast overspend are:

(i)	Undelivered 2020/21 and prior year budget savings	£1,540k
(ii)	Increased demand for independent fostering agencies	£446k
(iii)	Impact of on-going school budget overspending	£305k
(iv)	Staffing and other service area underspends	(£1,608k)

An area of significant concern is the level of forecast overspending across schools. Schools are currently forecasting an overspend of £1,417k 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. While an improvement on the figure reported in May, this still causes problems for the Council in that a net £305k overspend and a forecast negative reserve at the end of the financial year will need to be funded by other Council budgets or from other Council reserves. This will have on-going negative consequences as set out within the report.

Appendix 1	Overall budget dashboard – July 2020
Appendix 2	Revenue summary monitor – July 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 undelivered MTFP savings impacted by the on-going pandemic, the risks associated with this and recommend that HoS focus on and implement agreed savings as soon as is possible;
- Note the planning assumptions within the forecast position and in particular, the uncertainty around (i) the ongoing impact that Covid will have upon service areas and (ii) funding support available from Welsh Government (WG) for the remainder of the financial year;
- Note the forecast movements in reserves;
- Note the 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:

Chief Executive
Heads of Service
Budget Holders
Accountancy Staff

Signed

1 Background

1.1 The May revenue budget monitor reported at July Cabinet provided an early indication of the risks and the potential financial consequences given the response and recovery actions in place for the Covid-19 pandemic. Since then there has been confirmation from Welsh Government (WG) of financial support for the whole of the financial year which has assisted in funding a number of the overspends previously reported as a risk. Therefore, the July forecast, shows a much-improved position of £683k overspend (£5.4m in May).

1.2 Financial support confirmed by WG includes:

- **Lost income (quarter 1)** - Confirmation that the original £78m funding across Wales previously announced would be attributed to loss of income fully. Tranche 1 funding of loss of income for quarter 1 (Q1) has been confirmed and this covered the main areas of lost income including car parking, waste and cultural services. This improved forecasts by £900k. Tranche 2, of this funding, which looks at the other areas of the Council income in Q1, is in the process of being claimed. The amount the Council is claiming for is in the region of £1m and forecasts assume that this income will be reimbursed in full in line with WG guidelines. This position will continue to be closely monitored.
- **Adult Social Care and homelessness (quarter 1 & 2)** - costs relating to residential, domiciliary and supported living will continue to be funded in Q2 as will the provision of facilities to isolate homeless individuals. Forecasts have been adjusted and improved for this. Recent announcements have confirmed that support in respect of adult social care support includes the Council's own homes. This latter element is not yet reflected within current forecasts, and will improve the forecast position further once the position is assessed.
- **Lost Income / Increased expenditure (full year)** - In addition to the above, recent announcements from WG have confirmed that £264m of funding will be added to the hardship fund, to cover pandemic related lost income / increased costs for the remainder of the financial year, over and above the existing support shown above. WG Ministers are, however, clear that there will be no further funds available after this. Although further detail on this additional funding has yet to be received from WG it does confirm, at this time:
 - (i) Additional funds for the 'protect' element of Test, Trace and Protect (TTP);
 - (ii) Additional funds for extra cleaning in schools;
 - (iii) Additional support for income losses for the remainder of the financial year but at a reduced rate as the impact gradually reduces. On this basis, the forecast currently assumes that all lost income related to the pandemic will be reimbursed in full although this will continue to be reviewed;
 - (iv) Additional funds allocated to the general fund to cover additional staffing costs to cover overtime or sickness absence, social distancing measures and enhanced infection control for the remainder of the financial year.

1.3 It is evident that 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 as outlined in the July Cabinet. Whilst financial support from WG has been earmarked for specific groups 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.

2 Key areas contributing to position

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

(i)	Loss of income resulting from Covid-19 (para 2.4)	£2,933k
(ii)	Offset by WG funding	(£2,933k)
(iii)	Increased demand across key social care areas (para 2.7)	£205k
(iv)	Undelivered 2020/21 budget savings (para 2.14)	£1,097k
(v)	Impact of on-going school budget overspending (section 3)	£ 305k

2.2 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:
 - Council tax income collection is on average 0.5% down per month as at July, below previous year collection by about £1m after adjusting for the rate increase in 2020/21. If this average rate continues for rest of the year, this will mean a 6% reduction in council tax collection, equating to around £4m reduced income. It is important to note that the budget in this area is usually exceeded mainly due to tax base and this acts as important mitigation against service area overspends. There will be a greater understanding on this position mid-way through the year and in readiness for the September monitor. There is clearly a risk that this position will deteriorate rapidly from the currently 'on budget' position forecast if arrears collection, which has resumed only recently, does not produce an improvement:
 - Furthermore, although the council tax reduction scheme does not seem to be increasing rapidly to date, the impact of the furlough scheme ending and the potential economic downturn could increase the risk of this happening as the year progresses.
- Within children's services, inevitably given the particular challenges presented by Covid some unforeseen issues have arisen. There is a risk that the demand in this area could increase in the near future:
- Finally, specific costs of 'service recovery actions' which were highlighted, in broad terms, in the July Cabinet report, are not reflected in detail in these forecasts as services continue to work these through. Where not eligible for reimbursement, they will worsen forecasts and services are therefore recommended to minimise these wherever possible.

2.3 The forecast is unavoidably subject to some potentially significant changes as we progress through the financial year much of which will be dependent upon details supporting recent announcements from WG. In the meantime, service areas should continue to:

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

Key assumptions in this area include:

WG Financial Support:

- The following areas of eligible spend will be reimbursed for the remainder of the financial year:
 - Homelessness and continued support of adult social care;

- Staffing additional hours and overtime as a direct result of Covid. It is expected that these costs will reduce significantly from July onwards as service areas move to recovery phase and shielding guidelines come to an end in August;
- Any expenditure in relation to social distancing measures and enhanced infection control;
- Lost income directly attributable to Covid, in particular the balance of Q1 lost income and then the remainder of the financial year;
- Quarter two expenditure in relation to free schools meals will be reimbursed in full;
- Children's – there will be no further support in respect of placements costs post June even though Covid continues to have an impact;
- City Services - Home to school transport payment rate of 75% continues until September then resumes standard budget/forecast profile at 100% rate.

Loss of income due to Covid-19 - £2,933k

- 2.4 In addition to the increased costs, the Council is also impacted by reduced external income from activities such as car parking and adult social care. Given that some of the income will not recover immediately the table below sets out the estimated lost income over the remainder of the year.

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	£ 271	£ 288	£ 439	£ -962	£ 36
Schools	£ 48	£ 23	£ -	£ -	£ 71
City Services	£ 980	£ 294	£ 313	£ 8	£ 1,579
RIH	£ 100	£ 55	£ 105	£ -	£ 260
Corporate	£ 114	£ 87	£ 76	£ 3	£ 274
Non Service	£ 94	£ 50	£ 100	£ -	£ 244
Total Lost Income	£ 1,841	£ 1,031	£ 1,033	£ -973	£ 2,933

- 2.5 Since the May forecast WG have announced that further funding is available to compensate for lost income in addition to the original £78m was announced earlier in the year. Therefore it is currently assumed that all lost income will be claimed in full from WG. Given that the allocation of funding and the assessment of eligible areas is yet to be undertaken by WG this area will continue to be monitored closely until the finer details are known.
- 2.6 The update reported to July Cabinet includes the detail to support the full year forecasts

Key assumptions in this area include:

- Whilst it is assumed that all of the lost income will be reimbursed by WG, the value of this is yet to be confirmed. Tranche 1 funding of loss of income for quarter 1 has been confirmed and this covered the main areas of lost income including car parking, waste and cultural services. Tranche 2, of this funding, which looks at the other areas of the Council income in quarter 1, is in the process of being claimed. The amount the Council is claiming for is in the region of £1m. It is expected that claims for quarter 2 onwards will be requested by WG in due course.

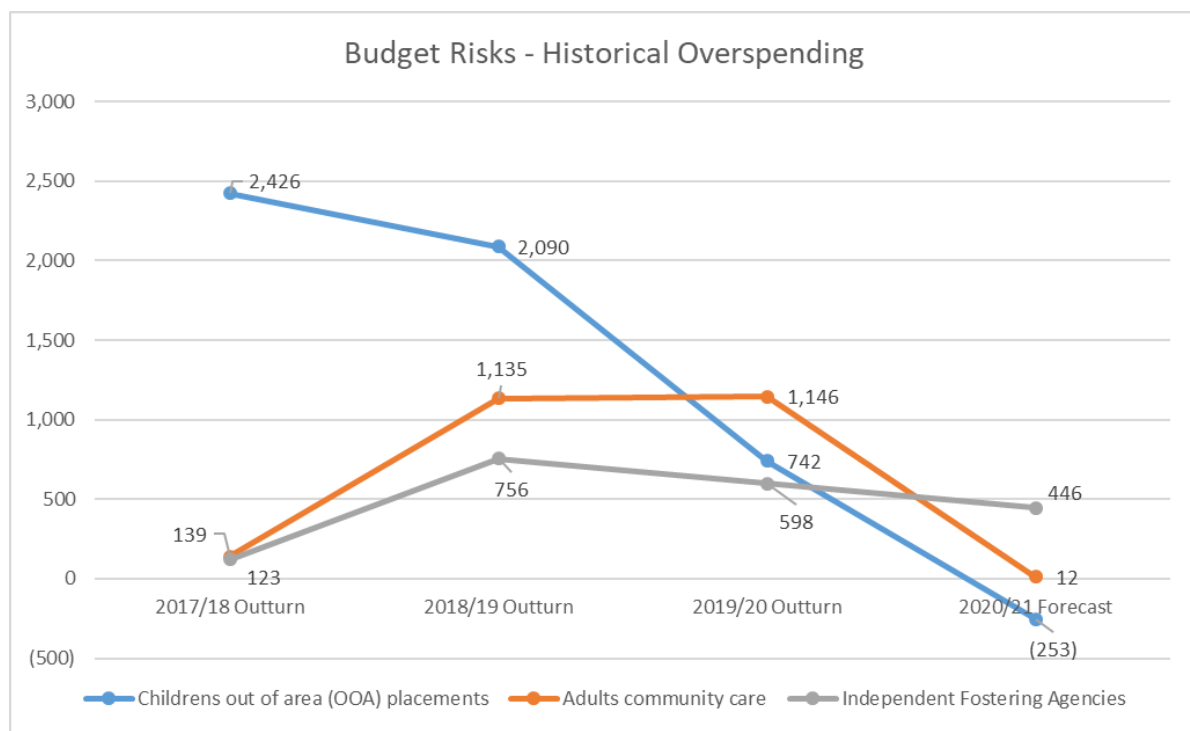
Demand led budgets overspending - £205k

- 2.7 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

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

2.9 The following chart represents the forecasts over the last 3 years in these areas. Whilst the level of overspending in these areas has reduced due to significant investment in 2020/21, independent fostering agencies continue to forecast an overspend of £446k.



2.10 **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 July, the number of out of area placements are at 19, forecasted to increase to 20 at the end of the year resulting in an overall forecasted underspend of £253k for the year.

2.11 **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 73 as at the end of July. Placements are forecast to reduce to 66 by the end of March resulting in an overall forecasted overspend of £446k for the year.

There is a further risk in children's services that demand could increase in the near future.

2.12 **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 are slightly lower than at this time last year (2019/20 – 1,538 and 2020/21 – 1,521) and are forecast to continue on this trajectory resulting in a balanced budget position. This also assumes that

income in respect of non-residential placement income lost due to Covid will be reimbursed in full (£400k).

- 2.13 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 - £1,097k:

- 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 80% 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. Cabinet are asked to note and approve this, which will require on-going focus by HoS and their teams.

Summary by Portfolio	People	Place	Corporate	Non Service	Total
2020/21 MTRP Target (£) Total	2,211	1,282	794	1,130	5,417
Total Savings Realised by Year End 2020/21	1,883	838	670	930	4,320
Variation to MTRP Target	-329	-444	-125	-200	-1,097
Variation % to MTRP Target	-15%	-35%	-16%	-18%	-20%
Undelivered Savings from Previous Years	-443	0	0	0	-443
Total Undelivered Savings	-771	-444	-125	-200	-1,540

- 2.14 Whilst these areas are considered as part of our future financial planning and budget process, overall they contribute £1.5m of overspending against the current year's budget and the current overall overspending of the Council's budget.

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

Adult Services (£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 £1,417k 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. As with other service areas schools have assumed that eligible Covid expenditure and lost income will be reimbursed.
- 3.2 Over half of the overspend originates from the secondary sector with the primary sector following closely accounting for 32% 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)	(109)	(146)
Primary	3,332	(455)	2,877
Secondary	(2,178)	(801)	(2,978)
Special	(5)	(52)	(56)
Total	1,113	(1,417)	(304)
Assumed grant and other compensation		-	.
Total	1,113	(1,417)	(304)

- 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 Ten schools are anticipating a negative balance position at the end of the current financial year, two 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 over £3.5m.
- 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 11% 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 '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 and in the short term.

Timetable

Ongoing

Risks

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

* Taking account of proposed mitigation measures

Links to Council Policies and Priorities

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

Options Available and considered

In terms of the overall forecast position and financial management there are no options – the Council needs to operate within its overall budget. Given that the current forecast suggests the Council will overspend against budget, after fully utilising the general contingency budget, action must be taken to ensure that the outturn is within budget. Schools must also take action to ensure they manage within available funding as the current forecast overspends takes the schools into negative reserve.

Preferred Option and Why

SLT with Heads of Service take a targeted approach to reducing spend across service areas whilst ensuring management of key budgets and risks.

Comments of Chief Financial Officer

The position has improved significantly following further confirmation of WG financial support. The 'bottom line' overspend are issues more within the Council's own control now, in the main. These issues require on-going and renewed focus to improve, in particular the delivery of agreed savings, which is relatively significant.

In addition, Council Tax collection is an on-going potential problem and could be significant if the collection of this income does not improve significantly following the re-introduction of arrears collection processes. This is being monitored carefully but any change in current forecast will need to realistically wait until at least September month end before we can see the impact of this.

The Council has a good level of reserves though use of these for making good school reserves or general overspending will use earmarked reserves which means original plans for using those will need to change / stop or future financial pressures to 'repay them'. 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.

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: Welsh Government has confirmed additional funds will be allocated for additional staffing costs relating to overtime or sickness absence.

One of the actions being taken to mitigate the current overspending is that service areas continue to review current levels of staff overtime and agency costs required to cover for staff who are shielding or cannot work in the current situation; ensuring they are unavoidable and therefore claimable.

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

Comments of Cabinet Member

Local issues

N/A

Scrutiny Committees

N/A

Equalities Impact Assessment and the Equalities Act 2010

N/A

Children and Families (Wales) Measure

N/A

Wellbeing of Future Generations (Wales) Act 2015

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

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

Consultation

N/A

Background Papers

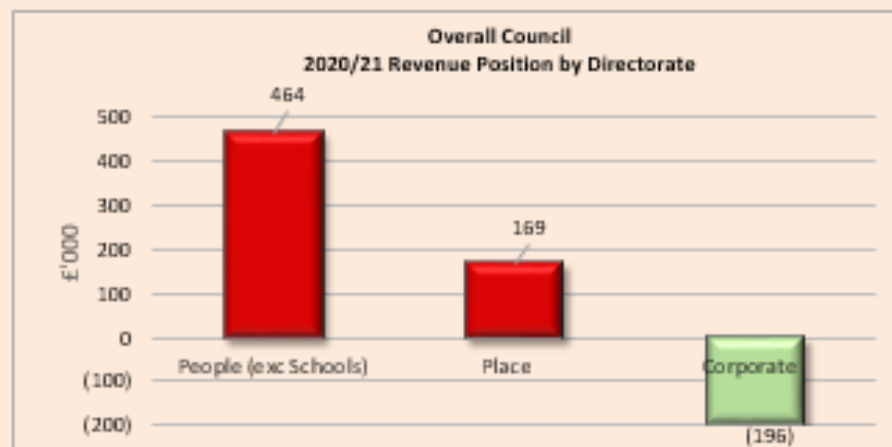
Dated:

Appendix 1

Budget Monitoring Position – July 2020

Position by Directorate	Current Budget £'000	Forecast £'000	Variance £'000
People (exc Schools)	90,434	90,899	464
Place	34,516	34,685	169
Corporate	19,105	18,909	(196)
Service Area Budget	144,055	144,492	437
Schools	106,527	107,945	1,418
Service Area Budget (inc Schools)	250,583	252,437	1,854
Schools - transfer from reserve	0	(1,113)	(1,113)
Non Service	48,215	48,156	(59)
Total Budget (excluding contingency)	298,797	299,480	683
General Contingency	1,473	1,473	0
Total Budget (including contingency)	300,270	300,953	683

Detailed explanations can be found within service area dashboards



Undelivered Savings:

- 2020/21 - £1,097k
- Previous years - £443k
- Overall, undelivered savings are resulting in forecast overspend against budget of £1.5m. This is predominantly due to delays in implementation due to Covid.

Position Summary

- Revenue outturn reports an overspend of £683k assuming full use of the contingency budget to offset forecast overspending.
- This position has improved significantly since the May update given that the majority of covid related expenditure and loss of income will be covered by WG funding to the end of the financial year.
- Lost income in 4 key areas has been reimbursed in full by WG (£900k) and a further claim for lost income is expected to be received (£1m) for quarter 1. The overspend will increase should this not be claimable.

Key areas contributing to position

Unavoidable Covid related expenditure:

- In previous monitoring this was substantial but has now been offset since announcement from WG of funding to the end of the financial year.

Demand led areas:

- Children's services Independent Fostering Agencies continue to contribute to a significant overspend in the People Directorate (£446k).

Schools:

- Forecast overspend of £1,418k in year far outweighs the reserves available to schools resulting in a council overspend of £305k. This is a significant issue which requires continued attention.

Budget Monitoring Position – July 2020

Key Assumptions and Risks - Covid

WG Financial support

- Forecasts assume that all eligible Covid related spend incurred for the remainder of the financial year will be reimbursed by the WG hardship fund; Significant areas which will be claiming from this fund include continued homelessness costs, continued support of Adult Social Care (including in-house provision which will be reflected in the forecast next month); cover cost of overtime and agency for shielding and covid related sickness; and additional cost of cleaning in schools and social distancing measures.
- Whilst it is assumed that lost income will also be reimbursed by WG the value of this is yet to be confirmed – however it is assumed within the forecast that a further £1m of lost income due to Covid would be claimable from WG. Without this income (some of which is uncertain if eligible) the forecast would be almost £2m overspend.
- Key areas of lost income include:
 - Adult Social Care – Charges for externally provided residential care (£400k)
 - RIH – Planning income; Commercial & Industrial property income; & Norse profit share (£255k)
 - City Services – Bus shelter advertising; Bus station departures; car parking (£632k)

Other Key Assumptions and Risks

- Vast majority of schools have spent more than their funding in 20/21;
- The forecast overspending in schools still outweighs the level of reserves available to fund which now sees schools with a negative reserve. Schools are currently forecasting on overspend of £1.4m against an available reserve of £1.1m resulting in a net overspend impact on the council of £0.3m – **this is a serious concern for the Council and something that requires immediate attention.**

In summary the £683k forecast overspend is made up of the following:

MTFP undelivered savings 2020/21 and prior years	£1,540k
Key demand led areas – independent fostering	£446k
Schools overspend	£305k
Staffing and other service area savings	<u>(£1,608k)</u>
Forecast overspend	£683k

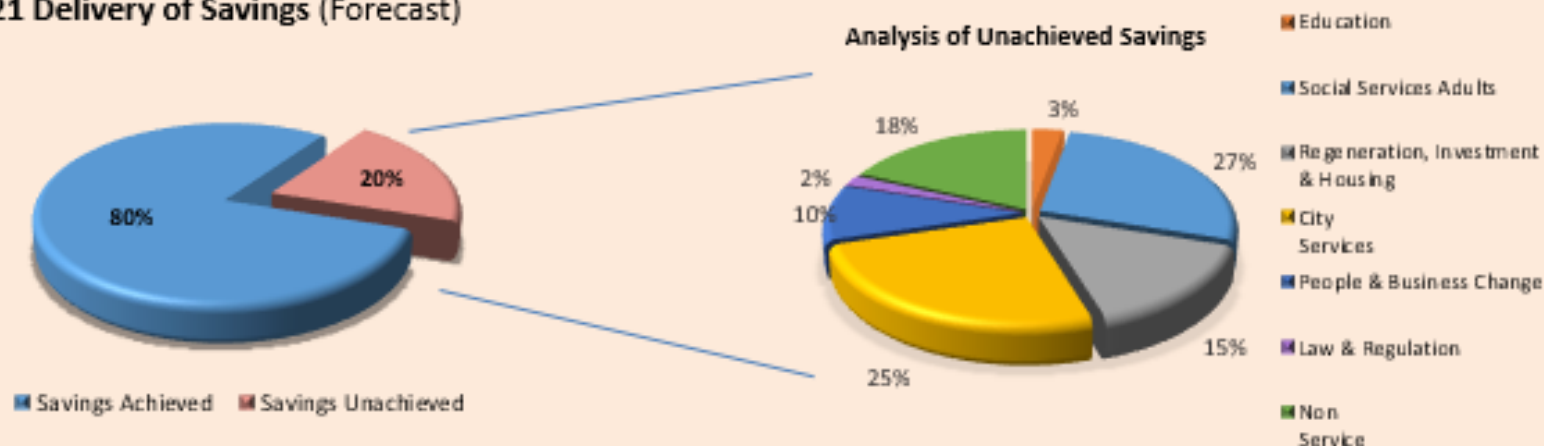
Budget Monitoring Position – July 2020

Staff Forecasts

Overall Staffing	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Budget (£'000)	0	59,926	60,116	60,202	60,202	60,202	60,202	60,202	60,202	60,202	60,202	60,202
Forecast (£'000)	0	59,958	59,157	58,838	58,838	58,838	58,838	58,838	58,838	58,838	58,838	58,838
Variance (£'000)	0	32	(959)	(1,362)	(1,362)	(1,362)	(1,362)	(1,362)	(1,362)	(1,362)	(1,362)	(1,362)

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

2020/21 Delivery of Savings (Forecast)



- The first chart shows that 80% 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 (20% 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 £1,097k undelivered savings in 20/21 there remains £443k of undelivered savings from previous years within social care.

Overall Summary by Directorate	People	Place	Corporate	Non Service	Total
2020/21 MTRP Target (£) Total	2,211	1,282	794	1,130	5,417
Total Savings Realised by Year End 2020/21	1,883	838	670	930	4,320
Variation to MTRP Target	-329	-444	-125	-200	-1,097
Variation % to MTRP Target	-15%	-35%	-16%	-18%	-20%

Budget Monitoring Position – July 2020

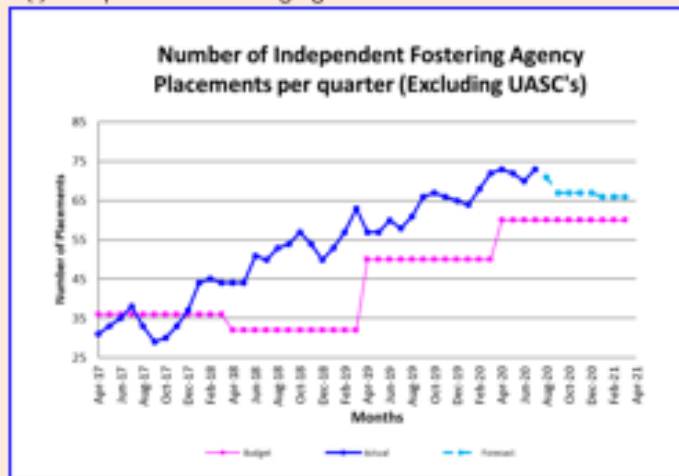
	Annual Budget £'000	Forecast £'000	Variance £'000	Graph Reference
Risk Based Areas				
Children & Young People				
Independent Fostering Agencies	2,382	2,828	446	i
Out of Area Residential	3,009	2,755	(253)	ii
In House Fostering	3,479	3,310	(170)	
Leaving Care	672	985	313	
Legal fees	950	950	0	
In House Residential	2,190	2,259	69	
Adult & Community Services				
Community Care - Residential	21,300	20,612	(688)	
Community Care - Supported Living	10,499	11,395	896	iii
Community Care - Non Residential	11,317	11,273	(44)	iv
Community Care Income - Residential & Non Residential	(8,096)	(7,772)	324	
Education				
SEN Out of County - Local Authority	2,425	1,002	(1,423)	v
SEN Out of County - Independents	2,092	3,125	1,034	v
SEN Local Provision Development	621	1,010	389	
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	1,500	754	
Commercial & Industrial Properties Income	(1,460)	(1,386)	74	
City Services				
Commercial/Asbestos Income	(1,245)	(926)	319	
Home to School Transport - Primary	989	862	(127)	
Home to School Transport - Secondary	1,171	1,141	(30)	
Home to School Transport - College	117	116	(1)	
CPE - Fines Income	(691)	(532)	159	
Burial fees	(561)	(580)	(19)	
Car parking income	(892)	(553)	339	
Law & Regulation				
Licensing - Hackney carriages / private hire	(361)	(457)	(96)	
Total Net Budget	54,331	56,596	2,265	

- 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 £1m 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.
- The figures here do not reflect the Covid related loss of income being claimed from WG to highlight the risk in these areas.

Budget Monitoring Position – July 2020

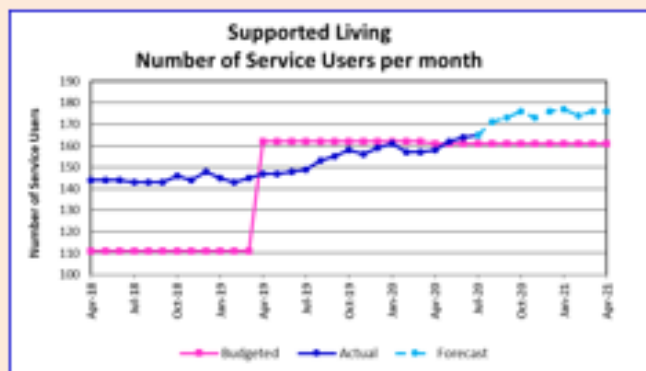
Risk Based Monitoring graphs

(i) Independent Fostering Agencies



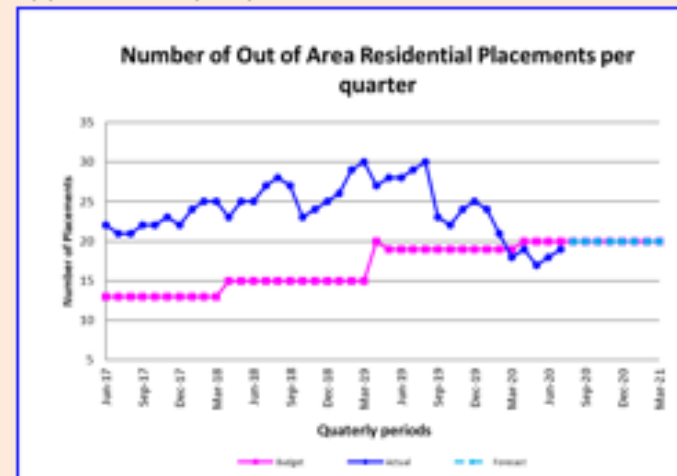
- The 2020/21 budget can afford 60 placements at an average cost. The number of placements increased to 73 by end of July and are forecast to be at 66 by the end of the financial year, giving an overall overspend in this area of £446k.

(iii) Community Care – Supported Living



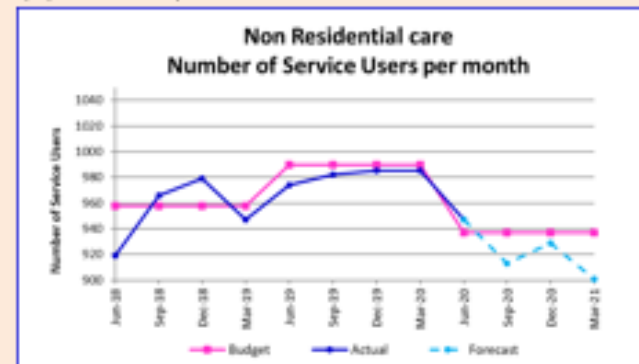
- Budget can afford 161 placements. Currently numbers are at 176 with almost a third of costs being higher than the average resulting in an overspend of £896k.

(ii) Out of Area (OOA) Residential Placements



- Budget can afford 20 placements at an average cost. The service anticipates the number of placements being 20 at the end of the financial year resulting in an underspend where numbers have been lower during the year.

(iv) Community Care – Non Residential

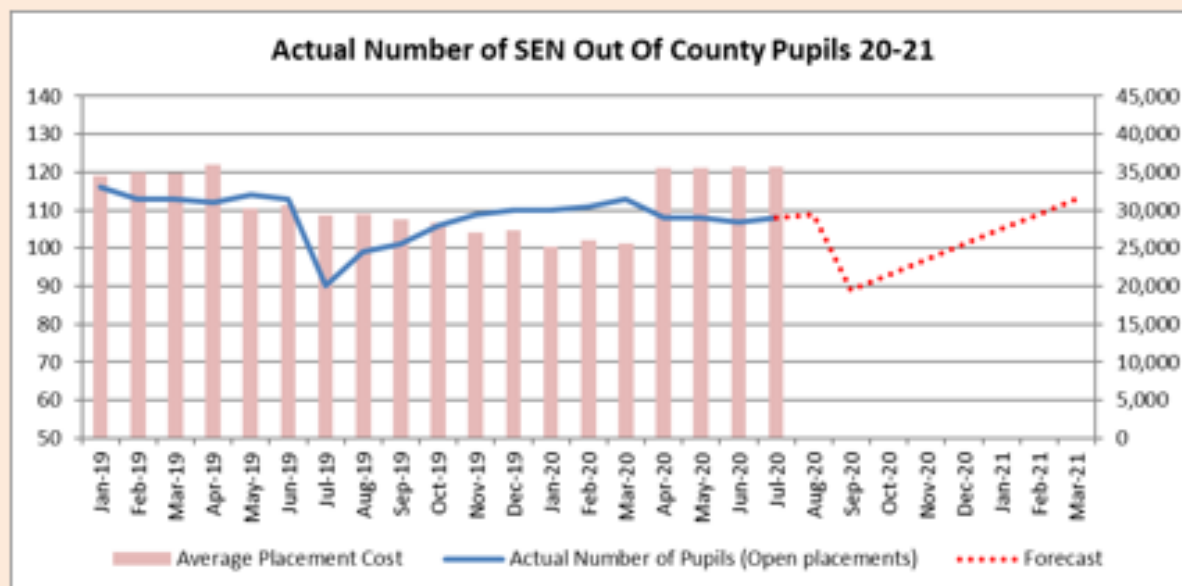


- Budget can afford 990 users per month at an average cost. Given that over a quarter of users exceed this cost per week and in increase in the number of service users an overspend of £235k is anticipated

Budget Monitoring Position – July 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 – July 2020

Schools

Overall, schools are anticipating an overspend of £1,418k with no assumed grant or other compensation being received throughout the year. Over half of this overspend (56%) originates from the secondary sector with primary's accounting for 32%. This pattern is consistent with previous years, flagged as unsustainable and has now resulted in schools balances becoming negative.

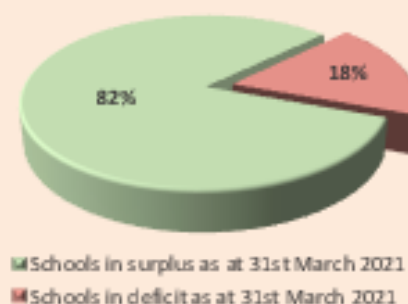
Schools reserves are no longer available to cover the full extent of the forecast overspend. The forecast by sector is shown below;

- Nursery £109k overspend (2 out of 2 nurseries reporting an in-year overspend position)
- Primary £455k overspend (20 out of 43 schools reporting an in-year overspend position)
- Secondary £801k overspend (5 out of 9 schools reporting an in-year overspend position)
- Special £52k overspend (2 out of 2 special schools reporting an in-year overspend position)

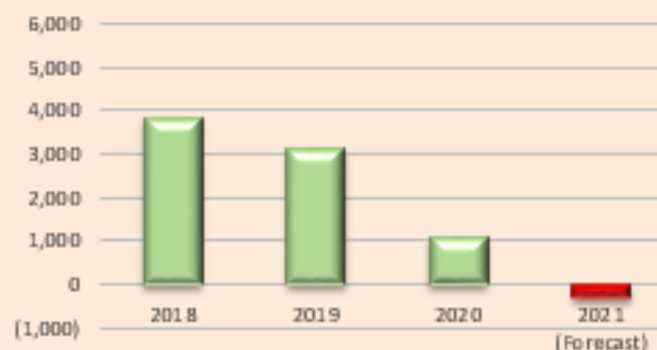
Schools forecasting deficit reserves at YE	July
Kimberley Nursery	(143)
Fairoak Nursery	(2)
High Cross Primary	(62)
St Woolos Primary	(34)
Newport High	(133)
Caerleon Comprehensive	(1,235)
Llisswerry High	(739)
Llanwern High	(669)
St Julians	(500)
Maes Ebbw	(121)
Total Net Budget	(3,638)

Schools are forecasting an in year overspend of £1,418k 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 £305k for the Council. This is a significant issue which requires continued action.

Proportion of Schools Forecasting Deficit as at 31st March 2021



Balances held by Schools as at 31st March



APPENDIX 2 Revenue Summary Monitor – July 2020

Summary Revenue Budget 2020/21	April 20 Approved Budget	Current Budget	Projection	(Under) / Over
	£'000	£'000	£'000	£'000
People				
Children and Young People	25,904	25,855	26,388	533
Adult and Community Services	49,261	49,215	49,251	36
Education	15,365	15,364	15,260	(105)
Schools	106,527	106,527	107,945	1,417
	197,057	196,962	198,843	1,881
Place				
Regeneration, Investment and Housing	9,910	9,892	10,298	406
City Services	24,673	24,624	24,387	(237)
	34,583	34,516	34,685	169
Chief Executive				
Directorate	516	515	372	(144)
Finance	3,434	3,432	3,433	0
People and Business Change	8,005	7,998	7,922	(76)
Law and Regulation	7,183	7,159	7,183	24
	19,138	19,105	18,909	(196)
Capital Financing Costs and Interest				
Capital Financing Costs and Interest (Non-PFI)	14,462	14,462	14,462	-
Public Finance Initiative (PFI)	8,854	8,854	8,858	4
	23,316	23,316	23,320	4
Sub Total - Service/Capital Financing	274,094	273,899	275,757	1,858
Contingency Provisions				
General Contingency	1,473	1,473	1,473	0
Centralised Insurance Fund	581	581	581	-
Non Departmental Costs	-	-	-	-
Other Income and Expenditure	683	879	868	(11)
	2,737	2,932	2,921	(11)
Levies / Other				
Discontinued Operations - pensions	1,567	1,567	1,529	(38)
Discontinued Operations - Ex Gratia Payments	2	2	1	(1)
Levies - Drainage Board, Fire service etc	8,704	8,704	8,692	(12)
CTAX Benefit Rebates	13,465	13,465	13,465	-
Extraordinary Items	-	-	-	-
	23,738	23,738	23,686	(51)
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	-	-	1,729	1,729
Invest to Save Reserve (from)	-	-	(1,729)	(1,729)
	(299)	(299)	(1,412)	(1,113)
Total	300,270	300,270	300,953	683
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	683	683

APPENDIX 3 – Schools Funding and Balances

School Name	Opening Reserve 20/21	ISB Allocation (inc Post 16)	In Year U/(O) Spend July 20	Projected Closing Reserve 31/03/21
	£	£	£	£
Bassaleg School	218,531	7,818,716	(192,858)	25,673
Newport High	(233,397)	5,347,446	100,059	(133,338)
Caerleon Comprehensive	(1,064,561)	6,912,566	(170,323)	(1,234,884)
The John Frost School	76,130	6,660,840	26,047	102,177
Llanwern High	(290,421)	4,641,017	(377,859)	(668,280)
Lliswerry High	(754,031)	4,729,788	14,659	(739,372)
St Josephs R.C. High	90,450	6,240,112	79,044	169,494
St Julians School	(180,821)	7,460,513	(318,629)	(499,450)
Ysgol Gyfun Gwent Is Coed	(39,385)	2,072,009	39,099	(286)
Sub Total	(2,177,504)	51,883,007	(800,761)	(2,978,265)
Alway Primary	60,116	1,610,630	(13,175)	46,941
Caerleon Lodge Hill	96,832	1,201,596	15,090	111,922
Charles Williams CIW	224,970	1,818,335	(41,467)	183,503
Clytha Primary	16,709	795,869	5,317	22,026
Crindau Primary	147,659	1,378,398	(48,948)	98,711
Eveswell Primary	242,539	1,501,889	(40,386)	202,153
Gaer Primary	81,402	1,694,154	72,280	153,682
Glan Usk Primary	36,470	2,136,355	6,427	42,897
Glan Llyn Primary	53,135	943,720	3,429	56,564
Glasllwch Primary	73,001	781,116	(69,765)	3,236
High Cross Primary	(42,257)	910,950	(19,518)	(61,775)
Jubilee Park	(8,018)	1,209,463	35,723	27,705
Langstone Primary	104,577	1,113,506	(80,875)	23,702
Llanmartin Primary	21,641	761,269	5,041	26,682
Lliswerry Primary	117,548	2,090,994	49,131	166,679
Maesglas Primary	(18,822)	1,021,309	48,217	29,395
Maindee Primary	66,774	1,787,176	29,111	95,885
Malpas CIW Primary	63,613	1,154,702	(53,178)	10,435
Malpas Court Primary	46,823	1,200,996	(21,376)	25,447
Malpas Park Primary	41,131	856,916	52,815	93,946
Marshfield Primary	65,929	1,384,485	(51,701)	14,228
Millbrook Primary	82,741	1,064,677	(63,905)	18,836
Milton Primary	24,777	1,615,390	(1,438)	23,339
Monnow Primary	161,652	1,517,654	(82,637)	79,015
Mount Pleasant	34,117	875,251	5,640	39,757
Pentrepoeth Primary	51,847	1,536,928	(18,592)	33,255
Pillgwenlly Primary	121,114	2,107,157	(25,475)	95,639
Ringland Primary	49,111	1,071,328	(46,525)	2,586
Rogerstone Primary	(32,929)	1,926,637	40,798	7,869
Somerton Primary	144,338	662,946	(67,875)	76,463
St Andrews Primary	52,774	2,354,850	34,881	87,655
St Davids RC Primary	67,457	775,183	7,304	74,761
St Gabriels RC Primary	34,230	694,208	4,904	39,134
St Josephs RC Primary	33,472	705,062	7,599	41,071
St Julians Primary	309,759	2,163,980	(171,736)	138,023
St Marys Rc Primary	58,503	1,335,681	9,430	67,933
St Michaels RC Primary	27,137	761,344	1,253	28,390
St Patricks RC Primary	48,321	725,678	410	48,731
St Woolos Primary	(47,163)	1,132,978	13,015	(34,148)
Tredegar Park Primary	203,343	1,527,984	35,408	238,751
Ysgol Gym Bro Teyrnnon	167,308	748,924	(22,821)	144,487
Ysgol Gym Casnewydd	148,725	1,256,012	18,713	167,438
Ysgol Gym Ifor Hael	99,385	688,626	(15,663)	83,722
Sub Total	3,331,795	54,602,306	(455,120)	2,876,675
Fairoak Nursery	29,788	164,168	(32,237)	(2,449)
Kimberley Nursery	(66,244)	240,738	(76,972)	(143,216)
Sub Total	(36,456)	404,906	(109,209)	(145,665)
Maes Ebbw	(117,594)	3,432,192	(3,570)	(121,164)
Bryn Derw	112,917	1,574,763	(48,162)	64,755
Sub Total	(4,677)	5,006,955	(51,732)	(56,409)
Grand Total	1,113,157	111,897,174	(1,416,822)	(303,665)

APPENDIX 4 – Planned Movement in Reserves

		Planned Movements in Year												
Reserve	Balance at 31-Mar-20	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Balance at 31-Mar-21
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Council Fund:	(6,500)													(6,500)
Balances held by schools for future use	(1,113)												1,418	305
Earmarked Reserves:														
Music Service	(127)													(127)
Pay Reserve	(1,418)													(1,418)
Insurance Reserve	(664)													(664)
MMI Insurance Reserve	(602)													(602)
Health & Safety	(16)													(16)
Education Achievement Service	(92)													(92)
Schools Redundancies	(725)													(725)
General Investment Risk Reserve	(658)													(658)
European Funding I2A & CFW	(394)													(394)
Metro Bus	(9)												9	-
GEMS Redundancies	(78)													(78)
SUB TOTAL - RISK RESERVES	(4,783)	-	-	-	-	-	-	-	-	-	-	-	9	(4,774)
Capital Expenditure	(5,344)												35	(5,309)
Invest to Save	(9,938)												2,029	(7,909)
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)	-	-	-	-	-	-	-	-	-	-	-	5,749	(19,642)

		Planned Movements in Year												
Reserve	Balance at 31-Mar-20	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Balance at 31-Mar-21
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Municipal Elections	(130)												(36)	(166)
Local Development Plan	(625)												(118)	(743)
Glan Usk PFI	(1,607)												4	(1,603)
Southern Distributor Road PFI	(40,691)												299	(40,392)
Loan modification technical reserve (IFRS 9)	(1,085)												175	(910)
Building Control	(104)												14	(90)
SUB TOTAL - SMOOTHING RESERVES	(44,242)	-	-	-	-	-	-	-	-	-	-	-	338	(43,904)
Works of art	(21)													(21)
Theatre & Arts Centre	(232)													(232)
Cymorth Income	(25)													(25)
Blaen Y Pant	(18)												8	(10)
Homelessness Prevention	(38)													(38)
Environmental Health - Improve Air Quality	(49)												49	-
Refurbishment of a Children / Older People Homes	(41)												41	-
Apprenticeship Scheme	(29)													(29)
City Economic Development Reserve	(90)													(90)
Welsh Language Standards	(169)													(169)
Port Health	(16)													(16)
CRM	(244)												244	-
Financial System Upgrade	(400)												400	-
Events	(216)													(216)
MTFP Reserve	(2,037)													(2,037)
Voluntary Sector Grants	(49)												12	(37)
Bus Wifi	(17)												17	-
Bus Subsidy	(15)												4	(11)
Feasibility Reserve	(117)													(117)
IT Development	(53)												53	-
Leisure Delivery Plan	(103)												41	(62)
Chartist Tower	(256)												256	-
Joint Committee City Deal Reserve	(626)													(626)
NEW - Civil Parking Enforcement	(175)												175	-
SUB TOTAL - OTHER RESERVES	(5,036)	-	-	-	-	-	-	-	-	-	-	-	1,300	(3,736)
Forecast Overspend - July 2020													683	683
RESERVES TOTAL	(87,065)	-	-	-	-	-	-	-	-	-	-	-	9,497	(77,568)