

# Report

## Cabinet

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### Part 1

Date: 12 October 2022

### Subject **July Revenue Budget Monitor**

**Purpose** To highlight the current forecast position on the Council's revenue budget and the financial risks and opportunities that present themselves within the July position. This is the first Cabinet update of the 2022/23 financial year.

**Author** Head of Finance

**Ward** All

**Summary** The July 2022 revenue position forecasts an overspend of £3,150k; which excludes schools. This overspend is after use of all the revenue budget contingencies of £4,853k included in the 2022/23 revenue budget, as agreed by Cabinet in February 2022. Cabinet will remember that in addition to the base budget contingency, other revenue budgets were temporarily available to augment that for 2022/23 to the level shown above.

As well as the revenue budget contingency of £4,853k, further 'Covid contingency' was earmarked from re-purposed reserves at £1,820k and this is one-off funding only. This is not included/ used in this forecast and the HoF recommends that the Council manages the position down to the available revenue budget which will allow the reserve to be utilised for other potential future use, as much as possible.

A small number of significant issues gives rise to the position, as follows:

- Overspend on pay budgets. Impact of pay award (not yet final) which represents a total increase to salary budgets of around 8%, against a budgeted increase provision of only 4%, excluding schools. - £2,398k
- Overspend on Housing budgets. Homelessness provision - £2,719k
- Overspend in Children's social care. Placement costs - £2,886k

A further net £600k of overspending is also included in this forecast, which includes non-delivery of savings both this current year and previous year's savings. More detail is included in the report.

Schools are separately projected to overspend by £6,073k and this will reduce school reserves by that amount. As well as the impact of a higher pay offer compared to the budget increase allowed for, schools are drawing down on reserves built up over the previous two years as they move to catch up / strengthen provision after the impacts of Covid and catch up on maintenance/ related improvements. Robust monitoring needs to be maintained in this area, as whilst no schools have set a deficit budget, there are a number of schools that are at risk of entering a deficit position again, especially once the impact of the pay awards is reflected in individual school forecasts.

The overall overspend is a significant concern at this early part of the year. Even at this early part of the year, whilst forecasts are still liable to refinements, there is reasonable certainty on the key issues flagged up which gives rise to the overspending - homelessness costs and placement numbers for example. The position requires robust action requiring services to find ways to reduce pressures, identify in-year mitigating savings and, wherever possible, utilise any additional grant funding to offset overspend positions. Any overspend will require immediate funding from reserves at the year-end.

The appendices to the report are as follows:

Appendix 1	Overall budget dashboard – July 2022
Appendix 2	Revenue summary monitor – July 2022
Appendix 3	Projected school balances
Appendix 4	2022/23 projected reserve movements

**Proposal** That Cabinet:

- Note the overall budget forecast position resulting from the issues included in this report and the potential for an overspend position to exist at the end of the financial year.
- Agrees that the Chief Executive and the Executive Board instigate specific measures to manage the overall forecasts within the core revenue budget, including revenue budget contingencies.
- Note the risks identified throughout the report and in the HoF comments, particularly in relation to the Teachers and NJC pay awards for 2022/23, homelessness and the lasting impacts of the pandemic.
- Note the forecast movements in reserves.
- Note the overall position in relation to schools, when compared to previous years, but also note the risk that deficit positions could emerge in the future if good financial planning and management is not undertaken.

**Action by** Cabinet Members / Head of Finance / Executive Board:

- Chief Executive and Executive Board instigate a review of the issues resulting in the current position and put in place, with HoS, robust action to manage overall forecasts in line with available core revenues budgets, including revenue contingencies.
- Cabinet Members discuss financial forecasts and issues in their portfolio areas and agree recommended action to bring those back in line with available budgets, as much as is possible.
- HoS deliver agreed 2022/23 and previous year budget savings as soon as practically possible, but by the end of the financial year at the latest.
- Cabinet Members and HoS promote and ensure robust forecasting throughout all service areas.

**Timetable** Immediate

This report was prepared after consultation with:

- Leader of the Council
- Chief Executive
- Strategic Directors
- Head of Finance
- Head of Law and Standards
- Head of People, Policy and Transformation

**Signed**

## 1 Background

1.1 As reflected in the 2022/23 Budget Report, and 2021/22 Outturn Report, this financial year presented the potential for more stability, relative to the last two years', with the effects of the COVID-19 pandemic potentially set to ease. However, it was known that the Welsh Government (WG) Hardship Fund would end and, therefore, any costs associated with recovery from the pandemic would fall upon the Council. It was also likely that the challenges experienced in achieving historic income levels would continue. Therefore, on that basis, Cabinet agreed a package of mitigation in terms of a mix of temporary and permanent base budget provision and reclassification of one-off specific earmarked reserves, as follows.

### Revenue budget provision - £4,853k

- existing permanent base budget contingency budget for normal financial risks - £1,373k
- temporary headroom in Capital Financing budget - £2,000k
- temporary headroom in city centre investment budget - £980k
- new permanent budget provision for 2022/23 for in-year mitigation as well as any more permanent budget adjustments required for future years - £500k

### Reserves - £1,820k

In addition to the above revenue budget provision, uncommitted reserves were repurposed for 2022/23. These total £1,820k, are one-off and will be reprioritised if not required.

1.2 Having established reasonable budget contingencies for the 2022/23 year, we have seen legacy impacts relating to Covid within these forecasts, as expected, but also, crucially, two new issues have emerged since the budget was agreed:

- NJC and Teacher's pay offer for 2022/23 being higher than provision allowed for (+4% higher for NJC and +1% higher for Teacher's)
- Inflationary increases over the last 6 months which continue to increase. These have impacted on the Council's own direct budget e.g., fuel, and major external contracts such as school transport. Officers continue to manage these, as best as possible, in negotiations / discussions with suppliers.

A summary of the key areas contributing to the overall position, excluding schools, is below:

Children's Services overspend. Emergency & other placements.	£2,886k
Housing & Communities overspend. Homelessness provision	£2,719k
Other Service Area Variances	£867k
Impact of 2022/23 proposed pay award (non-schools)	£2,398k
Non-Service - Council Tax, CTRS and other Non-Service budgets	(£867k)
<b>SUB-TOTAL – OVERSPEND BEFORE CONTINGENCIES</b>	<b>£8,003</b>
Core budget - general revenue budget contingency	(£1,373k)
Temporary / new revenue budget contingency	(£3,480k)
<b>TOTAL</b>	<b>£3,150k</b>

1.3 As shown, the combination of the factors outlined above is a total projected overspend of £3,150k, excluding schools. This overspend is after use of all the revenue budget contingencies of £4,853k.

## 2 Key Areas Contributing to Position

2.1 Appendices 1 and 2 provide detail regarding the composition of the overall position above and the issues that have led to that.

2.2 The following section details some of the key areas that feature within the position. As any under or overspend within schools is dealt with through a transfer to or from school reserves, the overall impact is neutralised within the overall position, and does not affect the bottom line:

- (i) Risk-based areas net overspending
- (ii) Other budget areas
- (iii) Non-service variances
- (iv) Undelivered budget savings

**(i) Risk-based areas net overspending**

2.3 Collectively, areas that have been agreed as requiring a risk-based approach to monitoring are projecting an overspend of £2,139k. This is shown in Appendix 1. Notable individual areas include:

- Children's Out of Area placements £1,018k overspend where 22 placements are forecasted based on current known and trend-based placements with the budget affording only 15.
- Children's Emergency placements £1,868k overspend reflecting a substantial increase in demand for these high-cost placements and challenges in identifying suitable accommodation. Forecast based on current known placements and a modest allowance of £338k for new placements based on historical trends.
- Education SEN transport £222k overspend reflecting higher operator's costs due to inflation and Infrastructure car parking income shortfall of £255k.

A number of risk-based areas are underspending and contribute to some mitigation of areas overspending of which the most significant is:

- Education primary free school meals (£1,028k) underspend largely due to the uptake in free school meals being lower than anticipated and additional grant funding from WG in the form of an administrative payment for the universal provision of free school meals. The uptake on meals will continue to be closely monitored following the start of the new term.

Full details of each 'risk-based budget area' and their forecasts and variance are shown in Appendix 1.

**(ii) Other budget areas**

2.4 The main issue within non-risk-based areas is the significant pressure evident within Housing & Communities, in relation to homelessness. An overspend of £2,888k is being forecast here, with the overall service area showing a slightly smaller overspend of £2,719k due to minor mitigation underspends elsewhere.

The main issues are:

- The continuing large number of individuals/ households accommodated in temporary accommodation from the Covid period.
- The lack of suitable accommodation options resulting in significant use of hotel and B&B options at much higher cost than more traditional options.
- The inability of Housing Payments to cover these costs as it is capped for short term accommodation - the differential per week can exceed £500 and is not afforded/ being paid by those accommodated.

2.5 The WG Hardship Fund has covered these heightened costs over the last two years and understanding this was not available in 2022/23 – further base budget funding was put into this service of c£400k plus a new WG grant of c£750k and continuation of Housing Benefit (HB) contributions. However, the continuing high numbers accommodated in high-cost options,

exceeding the HB contributions significantly, results in the current forecast and is based on current numbers continuing.

- 2.6 Whilst a sustainable option to deal with this issue may be longer term in nature, the impact of this is the real risk of it becoming embedded in the Council's cost base. In that respect, it is a high risk for medium term financial planning and therefore requires a significant review, which is on-going. The pressure is unlikely to ease in the short term and could potentially worsen with the cost-of-living crisis.
- 2.7 Other issues, in other service areas, include a £651k overspend within Infrastructure in relation to fleet maintenance. This is the product of rising fuel prices, as well as increasing costs associated with maintenance. A further new pressure, totalling £275k, is within People, Policy & Transformation and is connected with Estate Management. This is mainly due to the costs associated with temporary boiler hire.

**(iii) Non-service variances**

2.8 The key variances in relation to Non-Service include:

- NJC pay award overspend resulting from an average 8% offer versus provision of only 4% in the budget, for non-school staff £2,398k
- HB technical errors and other unrecoverable overpayments from DWP £657k
- Council Tax income shortfall based on current collection rates £250k
- Council Tax Reduction scheme underspend (£1,166k)

Both the core revenue contingency budget and the other temporary contingencies are within non-service. The NJC pay award issue above will be shown against service areas, as appropriate in future monitoring reports.

**(iv) Undelivered budget savings**

- 2.9 Although the much better than anticipated settlement from WG meant that the budget for 2022/23 could be balanced without the requirement to find new savings for this financial year, other than those already agreed, close monitoring of this area continues to be required, given the impact that the pandemic has had on the delivery of savings. Whilst the delay in implementation last year was unavoidable, most of the undelivered savings from previous years were deemed deliverable this year.
- 2.10 The position of delivery of savings is shown within Appendix 1, with an overview provided in the table that follows. The performance on forecast delivery of 2022/23 savings suggests being achieved by year-end are 95% of target. This represents a shortfall of £44k which will need to be addressed during the remainder of the year. More significantly than the savings shortfall for 2022/23 are the unachieved savings from previous years. This shortfall amounts to £585k, with only £12k of the target having been identified as achievable to date. Directors and Heads of Service have been tasked with identifying the actions that need to be taken to ensure that these savings are achieved, as intended, or permanently mitigated via another means.

Summary by Portfolio	Social Services	Environment & Sustainability	Transformation & Corporate	Non Service	Total
2022/23 MTRP Target (£) Total	380	100	52	280	812
Total Savings Realised by Year End 2022/23	380	70	38	280	768
Variation to MTRP Target	0	-30	-14	0	-44
Variation % to MTRP Target	0%	-30%	-27%	0%	-5%
Undelivered Savings from Previous Years	-254	-41	-90	-200	-585
Total Undelivered Savings	-254	-71	-104	-200	-629

- 2.11 In terms of the specific savings unachieved to date, these relate to a range of services, including non-service. The largest unachieved saving relates to interest income generation, intended to be

achieved via investment in longer-term riskier funds. This hasn't been pursued to date because of the risk with tying up funds during the pandemic period and the uncertain economic environment. Some of that uncertainty remains, however the target has been possible to fully mitigate via increased interest returns on existing investments, partly facilitated by recent interest rate rises, meaning that this unachieved target isn't actually impacting upon the overall position.

### 3 Schools

- 3.1 There was a significant improvement in school balances at the end of last year resulting in the overall school reserves increasing from £9.6m to £15.7m. The £6.1m underspend that led to that increase was mainly due to over £4.8m of unexpected grants being received late in the year. The outcome of this meant that only two schools had a negative balance position at the end of the 2021/22 financial year. Whilst school balances improved significantly in 2021/22, this was largely due to one off, non-recurring grant income which is being utilised during 2022/23 as intended. However, in addition, schools are required to meet the cost of the higher than anticipated pay awards for both teaching and non-teaching staff. This is adding an in-year pressure of £2.2m.
- 3.2 As a result of the factors outlined in the previous paragraph, overall, schools are anticipating a net overspend of £6.1m. This projection is based on expenditure forecasts against governor approved budgets. The impact of the pay award is not currently allocated against individual schools and is shown as a single figure at the bottom of Appendix 3. A similar approach has been taken to incorporate an assumption that £1m of additional grant funding will be received from WG during the year. Should this not materialise, the position will worsen, and school balances reduce further than anticipated.
- 3.3 Appendix 3 highlights the impact that the projected overspend will have upon aggregate school balances, with balances projected to total £9.7m by the end of the year. For 2022/23, no individual schools set a deficit budget. However, once the impact of the pay award is fully worked through, there is a risk that some schools may enter a deficit position.
- 3.4 A summary table of the position for each sector is shown below:

	Reserves balance 31/03/22	In year Under/(overspend)	Reserves Balance 31/03/23
	£	£	£
Nursery	127,060	(58,906)	68,154
Primary	10,523,965	(3,261,145)	7,262,820
Secondary	4,561,437	(1,384,793)	3,176,645
Special	524,514	(166,196)	358,318
<b>Total</b>	<b>15,736,976</b>	<b>(4,871,040)</b>	<b>10,865,936</b>
Assumed grant and other compensation		1,000,000	1,000,000
Pay Award Pressure		(2,202,351)	(2,202,351)
<b>Total</b>	<b>15,736,976</b>	<b>(6,073,391)</b>	<b>9,663,585</b>

### 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 31<sup>st</sup> March 2022, forecast planned transfers in/(out) of reserves in 2022/23 and the forecast balance as at 31<sup>st</sup> March 2023. Current projections suggest that 9.6% of the Council's reserves will be utilised by the end of the financial year, which is in line with planned and expected use.
- 4.2 The General Fund Reserve is projected at the previously agreed minimum level required (£6.5m) representing only 2.9% of the overall net budget, excluding school net budgets who have their own ring-fenced reserves. It should be noted that the minimum balance of the General Fund

Reserve has been at the same level for some time and, because of increases in the total net budget, means that the level of coverage provided by this balance is reducing proportionately each year. Any overspend at the end of the year would need to be funded from reserves, but this is not shown currently with the aim that the current position will be managed down to within available core budget and contingencies.

- 4.3 The Council currently has a good level of reserves and, whilst these are nearly all earmarked for specific purposes, they do ultimately provide, in the last resort, some mitigation for overspending. This includes the aforementioned £1.8m held as a COVID contingency, as well as £1.4m held in relation to pay. If reserves were to be used to cover off overspending, future projects which were to be funded from these reserves may not be able to progress or in using other reserves, budgetary provision would need to be made to 'repay' these, creating further pressure on the Council's Medium Term Financial Plan (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.

## **5 Outlook for the remainder of the year and way forward**

- 5.1 As the first reported revenue monitor of the year, it is clearly subject to change as the year progresses and new issues and opportunities emerge. At this point, the issues that give rise to individual significant overspending are known with certainty and the values attributed are realistic.
- 5.2 Potential upside opportunities are the possibility of further WG funding, and this has been discussed at an all-Wales level. No funding is currently available but may become available at the year-end though WG budgets are also currently under some challenge from similar issues such as rising inflation and the Ukraine scheme. This therefore should not be relied upon. Forecasts are normally pessimistic at this stage of the year and therefore we may expect some improvements as the year progresses.
- 5.3 The downsides (further deterioration) risks are more numerous and include:
- The current inflationary crisis continues to increase and to date, this is the actual experience of this. Council direct budgets and key suppliers' budgets are under significant strain and may increase.
  - The Council has numerous demand led budgets and costs and the legacy of the Covid restrictions period are impacting on those already and will continue to do so.
  - The cost-of-living crisis and potential economic downturn will put increasing pressure on individuals and households. This can manifest itself through more demand for Council services – social care placements, housing, council tax collection and demand for council tax reduction, for example.
  - The on-going response to the Ukraine crisis could also impact upon demand for services. Whilst any direct costs of this are expected to be funded via a combination of UK Government and WG, there may be some costs, indirectly, that have to be borne by the Council. In addition, WG's redirection of funding towards the Ukraine response could impact upon the availability of additional grants later in the year, which could reduce the scope for mitigation against the current overspend.
- 5.4 Because of the risks that may materialise over the remainder of the year, there is a need to reduce the overspend and achieve a balanced position. Ideally, this should be achieved without resort to the one-off reserves set aside to manage risks here as there are other potential demands for these resources. This will require services to robustly review their forecasts and identify ways to mitigate the overspends, such as by identifying in-year savings or utilising additional grant funding to offset existing pressures. In addition, any new pressures will need to be managed within existing resources as much as is practically possible.

## **Timetable**

Ongoing

## Risks

Detailed financial risks are included in the report and appendices where applicable

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, due to increased demand, cost increases or unforeseen costs.	H	H	Regular forecasting and strong financial management. Services to identify ways to absorb pressures within existing budgets.  Existence of contingency budgets to provide mitigation.	CMT / SFBPs and budget holders  HoF
Poor forecasting	M	M	A revised approach to forecasting in non-service areas to avoid significant cost being reported late in the financial year, as has occurred in previous years.  Review and refinement in service areas of risk-based modelling.  Chief Executive and Cabinet setting out clear expectations of budget manager and HoS responsibilities for robust forecasting and financial management.	Asst. HoF  SFBPs and budget managers  CX / Leader

\* Taking account of proposed mitigation measures

## Links to Council Policies and Priorities

Managing the in-year financial position within available resources is a key requirement for the Council and a key component of sound financial management. The medium-term challenges being faced by all councils heightens the need for the Council to avoid an overspend within this financial year.

## 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.

## Preferred Option and Why

To note the challenging financial position being reported and the actions being taken to reduce the overspend position and manage within the overall budget.

## Comments of Chief Financial Officer

The monitoring position outlined in this report reflects a projected overspend of £3,150k. This is a significant overspend and represents a challenging position, unlike any experienced in recent years. In the circumstances of the first year following Covid restrictions, it is not unexpected, and mitigation was put into the overall budget. However, the scale of the impact and the new issues such as pay award are issues that were not expected and means the Council is now likely to overspend, without action.



Whilst this is the first monitor, it is half-way through the year and many issues are now known. There are a relatively small number of significant issues which give rise to the position and their impacts have been reasonably forecasted at this point. There are still a number of downside risks such as the cost of living and other factors.

An overspend of this magnitude, should it not reduce, will need to be funded and will, therefore, impact upon the Council's level of reserves going forward. The Council's General Fund Balance is only £6.5m and, therefore, provides a relatively low level of cover for such a large financial challenge. Any use of the General Fund Balance would impact upon future years, as there would be a need to replenish this balance in full the next year to provide on-going mitigation over the longer term. Because of this, it would be unduly risky to use only this balance as mitigation and, therefore, specific earmarked reserves would have to be used. This, in itself, will create issues insofar as the purposes for which those reserves were initially created may not be able to be fulfilled. It should also be noted that the challenging medium term financial position being faced by the Council necessitates the need to avoid an overspend in this financial year and not weaken the Council's financial position as it heads into a challenging financial period.

To avoid having to utilise reserves, as outlined above, it is imperative that services take action in order to reduce their overspends. This will include, but not be limited to, wherever possible, ceasing non-essential spend, managing further emerging issues within existing budgets, identifying in-year savings as mitigation and utilising in-year grant funding to offset service pressures before incurring expenditure on new initiatives. As part of this requirement, Strategic Directors and Heads of Services will need to prioritise a robust review of overspending areas with a view to reporting a significantly improved position in the next Cabinet report.

#### **Comments of Monitoring Officer**

There are no legal issues arising from the report.

#### **Comments of Head of People, Policy and Transformation**

The report notes the forecasted financial position of the Council for 2022/23, which currently projects a significant overspend and the need for management action to address this. Also noted is the challenging medium-term situation the Council expects to face.

The Well-being of Future Generations Act requires public bodies to apply the five ways of working to any financial planning, which will balance short-term priorities with the need to safeguard the ability to meet long-term needs. With this in mind, the analysis and review of reserves, which is critical for financial resilience over the long term, is regularly undertaken by the Head of Finance and is detailed in this report.

There are no HR implications arising directly from this report.

#### **Scrutiny Committees**

N/A

#### **Fairness and Equality Impact Assessment:**

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

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

In terms of the Wellbeing of Future Generations (Wales) Act, and the five ways of working contained within it, this report highlights examples of these being supported. For example, whilst this report is

focussed on the current year, there are references to the longer-term impact, via medium term financial planning, and on taking preventative action, to ensure that financial problems existing now are addressed as quickly as possible, to ensure they do not have a detrimental impact in future years. Analysis and review of reserves, which are critical for financial resilience over the long term, is regularly undertaken by the Head of Finance and detailed in this report.

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

## **Consultation**

N/A

## **Background Papers**

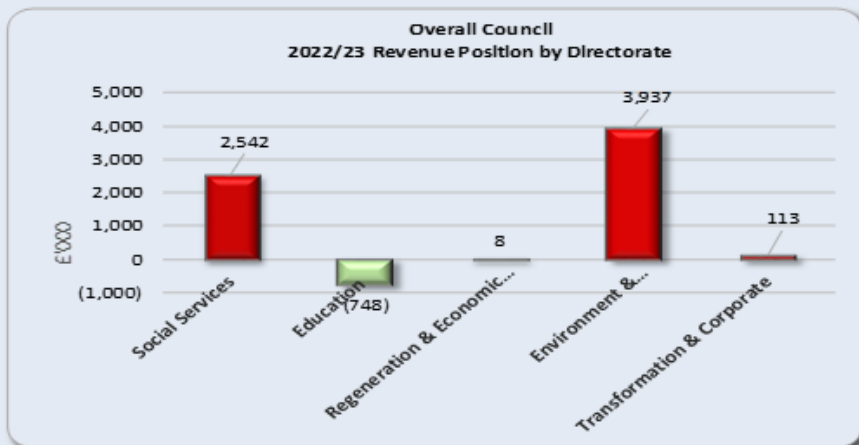
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Appendix 1

Budget Monitoring Position – July 22

Position by Directorate	Current Budget £'000	Forecast £'000	Variance £'000
Social Services	88,735	91,277	2,542
Education	15,759	15,011	(748)
Regeneration & Economic Development	5,700	5,707	8
Environment & Sustainability	31,149	35,086	3,937
Transformation & Corporate	24,064	24,177	113
<b>Service Area Budget</b>	<b>165,407</b>	<b>171,259</b>	<b>5,853</b>
Schools	122,267	128,341	6,073
<b>Service Area Budget (inc Schools)</b>	<b>287,674</b>	<b>299,600</b>	<b>11,926</b>
Schools - transfer to reserve	0	(6,073)	(6,073)
Non Service	53,966	52,635	(1,330)
<b>Total Budget (excluding contingency)</b>	<b>341,640</b>	<b>346,162</b>	<b>4,522</b>
General Contingency	1,373	0	(1,373)
<b>Total Budget (including contingency)</b>	<b>343,012</b>	<b>346,162</b>	<b>3,150</b>

Detailed explanations can be found within service area dashboards



Undelivered Savings:

- 2022/23 - £44k
- Previous years - £585k
- Overall, projected undelivered savings are resulting in forecast overspend against budget of £629k.

Position Summary

- The revenue forecast reflects an overspend of £3,150k. This is largely due to the impact of the proposed pay awards, increased demand in services such as Children’s Services and Housing & Communities (in relation to out of area placements, emergency placements and temporary accommodation for homeless people) and the impact of inflation in Infrastructure.
- The impact of service area overspending and the pay awards is being partly offset by underspending in non service areas:
  - Underspend against general contingency (£1,373k)
  - Underspend against COVID contingency (£3,298k)
  - Underspend against CTRS (£1,166k)
- Schools forecast position shows an overspend against available budget, which will be offset against surplus balances carried forward.
- Because of the challenging position, there is a requirement for services to robustly review their respective positions and take action to reduce overspending as much as possible. These actions may include the following:
  - Reduction in non-essential spend
  - Identification of in-year savings
  - Utilisation of additional grant funding to offset expenditure already incurred
  - Absorbing emerging pressures within existing resources
- It is important to note that the current national inflationary challenges have the potential to worsen during the remainder of the year, which could increase overspends in some services. Therefore, it is critical that services continually review emerging issues and take action to mitigate them as soon as possible.

## Budget Monitoring Position – July 2022

### Key Assumptions and Risks

- There are some key factors that are leading to the overspend position that is being forecasted and those have the potential to change during the remainder of the year, especially as the economic situation is so volatile and subject to change:
  - Demand for services – in most cases, the financial projections are based on current numbers, with some allowance for increased demand during the remainder of the year. Should demand exceed expectations, overspending may increase beyond current forecasts.
  - Pay award – the impact of both pay awards, as currently reflected in the position, is based on the proposed pay awards. Neither has yet been accepted and, therefore, there is the risk that the final agreed pay awards could be higher than currently assumed. This would add to the overspend.
  - Inflation – overspends being driven by the current inflationary challenges (e.g. fuel prices within Fleet Maintenance), are based on current known information. Should inflation, and therefore prices, continue to rise, this will add to the level of overspend being reported.
  - Cost of living crisis – a deficit is currently being projected in relation to Council Tax, on the assumption that debt recovery may be more challenging than in previous years. However, only a later point in the year will the true position be known. In terms of CTRS, a significant underspend is being reported. Should the cost of living crisis worsen further, it could result in more take up for CTRS, which will reduce the underspend currently being forecasted.
  - Grant funding – other than within Schools, there is no assumption of additional grant funding from WG during the year. Should this be received, wherever possible, this will be used to offset existing expenditure and should reduce overspends in certain services.
  - Use of reserves – no use of corporate reserves (e.g. COVID reserve or Pay Reserve) is currently being assumed within the position. This is because there remain further risks, which could necessitate the use of these reserves in order to balance the overall position at outturn.

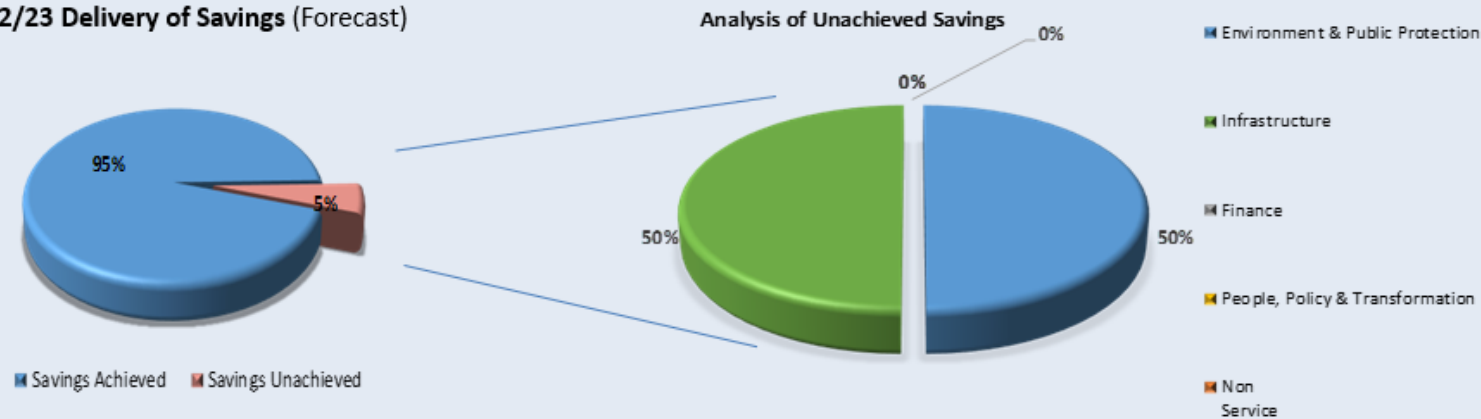
## Budget Monitoring Position – July 2022

### Staff Forecasts

Overall Staffing	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Budget (£'000)	74,306	74,306	74,306	74,685	74,685	74,685	74,685	74,685	74,685	74,685	74,685	74,685
Forecast (£'000)	74,306	74,306	77,388	77,904	77,904	77,904	77,904	77,904	77,904	77,904	77,904	77,904
Variance (£'000)	0	0	3,082	3,219	3,219	3,219	3,219	3,219	3,219	3,219	3,219	3,219

- The main reason for the overspend shown is the impact of the proposed 2022/23 pay awards. In addition, there are a number of vacancies across the Council and the challenges with recruiting to certain posts has resulted in in-year savings arising. In some cases, these savings are being offset by an increased requirement for additional staff time and agency staff.

### 2022/23 Delivery of Savings (Forecast)



- The first chart shows that 95% of the total savings are forecast for full delivery in 2022/23;
- The second chart illustrates the areas where savings are forecast not to be delivered (5% of overall target);
- The delivery of savings in 2022/23 has been significantly affected by the ongoing pandemic and the resulting overspends against budget have been reflected within the forecast;
- In addition to the £44k undelivered savings in 22/23 there remains £495k of undelivered savings from previous years. £254k within social care, £41k within Infrastructure and £200k in Non Service.

Overall Summary by Directorate	Social Services	Environment & Sustainability	Transformation & Corporate	Education	Regeneration & Economic Development	Non Service	Total
2022/23 MTRP Target (£) Total	380	100	52	0	0	280	812
Total Savings Realised by Year End 2022/23	380	56	52	0	0	280	768
Variation to MTRP Target	0	-44	0	0	0	0	-44
Variation % to MTRP Target	0%	-44%	0%	0%	0%	0%	-5%

## Budget Monitoring Position – July 2022

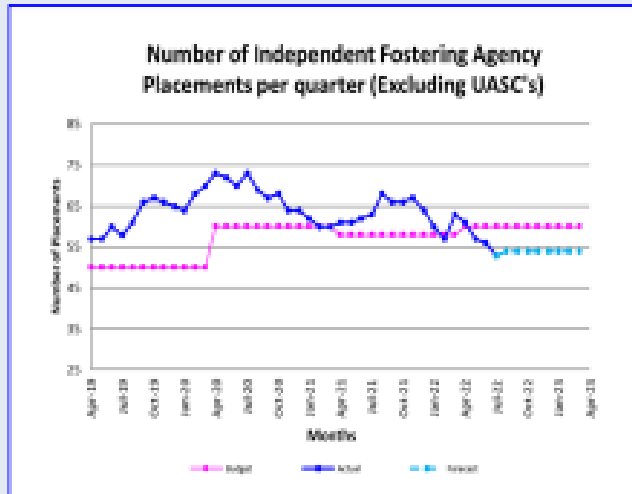
	Annual Budget £'000	Forecast £'000	Variance £'000
<b>Risk Based Areas</b>			
<b>Children Services</b>			
Independent Fostering Agencies	2,545	2,333	(212)
Out of Area Residential	2,889	3,907	1,018
In House Fostering	3,708	3,539	(169)
When I'm Ready	268	180	(88)
Special Guardianship Orders	1,174	1,365	191
Legal fees	780	780	0
In House Residential	2,043	2,188	145
Emergency Placements	200	2,068	1,868
Inter-Agency Adoption Fees	330	427	97
Direct Payments - Children Services	280	280	0
<b>Adult Services</b>			
Community Care - Residential Service	0	0	0
Community Care - Supported Living	0	0	0
Community Care - Non Residential Service	0	0	0
Community Care Income - Residential & Non Residential	0	0	0
<b>Education</b>			
SEN Out of County Placements	3,850	3,836	(14)
SEN Local Provision Development	931	1,110	179
Special Home to School Transport	881	1,104	222
SEN Transport	1,806	1,890	85
Catering FSM (Primary)	923	(106)	(1,028)
Catering FSM (Secondary)	101	170	69
Catering FSM (Special)	5	41	36
SEN Recoupment Income	(320)	(568)	(248)
<b>Regeneration &amp; Economic Development</b>			
Development Control Fee Income	(742)	(861)	(119)
<b>Housing &amp; Communities</b>			
Homelessness B&B Net Cost	530	TBC	TBC
<b>Environment &amp; Public Protection</b>			
Commercial/ Asbestos Income	(1,306)	(1,351)	(45)
<b>Infrastructure</b>			
Home to School Transport - Primary	1,080	1,045	(35)
Home to School Transport - Secondary	1,279	1,409	130
Home to School Transport - College	128	56	(72)
CPE - Fines income	691	691	0
Car parking income	(1,564)	(1,309)	255
<b>People, Policy &amp; Transformation</b>			
Commercial & Industrial Portfolio	1,406	1,280	(126)
<b>Total Net Budget</b>	<b>23,895</b>	<b>25,504</b>	<b>2,139</b>

- In 2022/23, there are over 25 budget areas identified as having the potential to be high risk or highly volatile. This list is reviewed on an on-going basis
- Although some of these areas are currently forecast underspent against budget, they will be continually monitored given the potential to have a significant impact should the forecast worsen.

## Budget Monitoring Position – July 2022

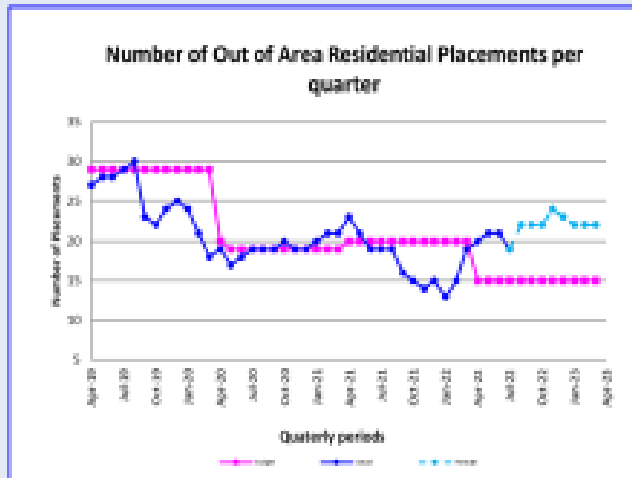
### Risk Based Monitoring graphs

#### Independent Fostering Agencies



- The 2022-23 budget can afford 60 placements per month at an average monthly cost of £2,809 (£648 per week)
- The Service ended the 2021-22 financial year with 63 placements in Independent Fostering Agencies. The total number of placements reduced to 53 at the end of July 2022 compared to 56 at the end of June 2022.
- 3 trend placements included to bring the number of placements forecast at 54 by the end of March 2023.
- The individual placement cost can vary significantly per child reflecting individual care needs.
- 62.6% of current placements fall within the £727 to £900 per week price range. Over 80% of placements are costing more than the average weekly cost the budget can afford.

#### Out of Area (OOA) Residential Placements

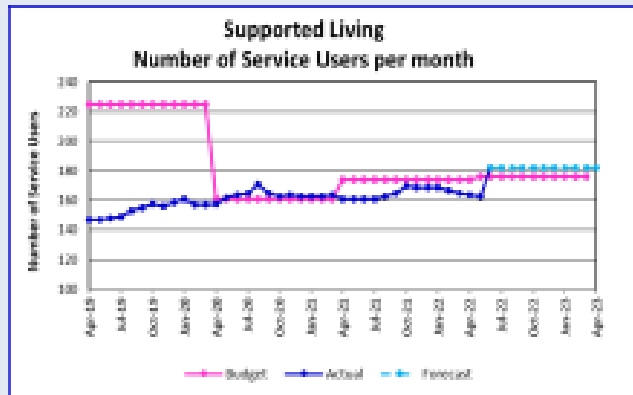


- The 2022-23 gross budget for out of area placements is £4,185,985 with a grant contribution of £1,297,000. This is sufficient to fund 15 placements per month at an average monthly cost of £22,533 (£5,200 per week).
- The Service ended the 2021-22 financial year with 19 placements. The total number of placements reduced to 19 at the end of July 2022 compared to 21 at the end of June 2022.
- 5 trend placements included to bring the number of placements forecast to 22 by the end of March 2023.
- The individual placement cost can vary significantly per child reflecting individual care needs.
- 15.79% of placements fall within £5,801 to £6,900 per week price range; 5.25% of placements fall within the £8,101 to £12,700 per week price range.
- There is a £135.5k expected contribution from Health and £124.8k internal recharge to Education included in the forecast that was not budgeted for.

## Budget Monitoring Position – July 2022

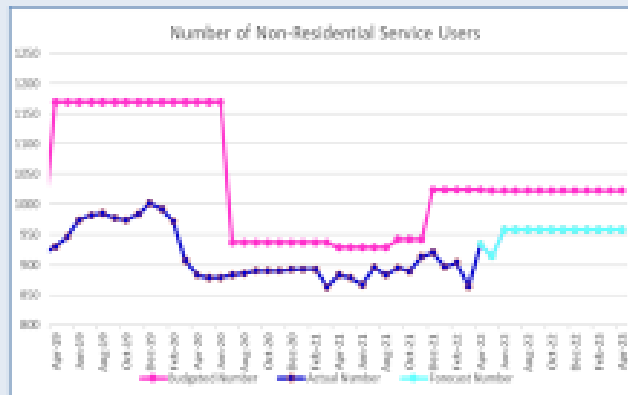
### Risk Based Monitoring graphs – no risk monitor for July

#### Community Care – Supported Living



- The 22/23 budget can support 176 service users at an average weekly cost of £1,487.79.
- With current demand for placements and the expected level of users transitioning from children's services and ageing carers, the forecasts show 37% or 67 service user placements have a placement cost higher than this average amount.

#### Community Care – Non Residential



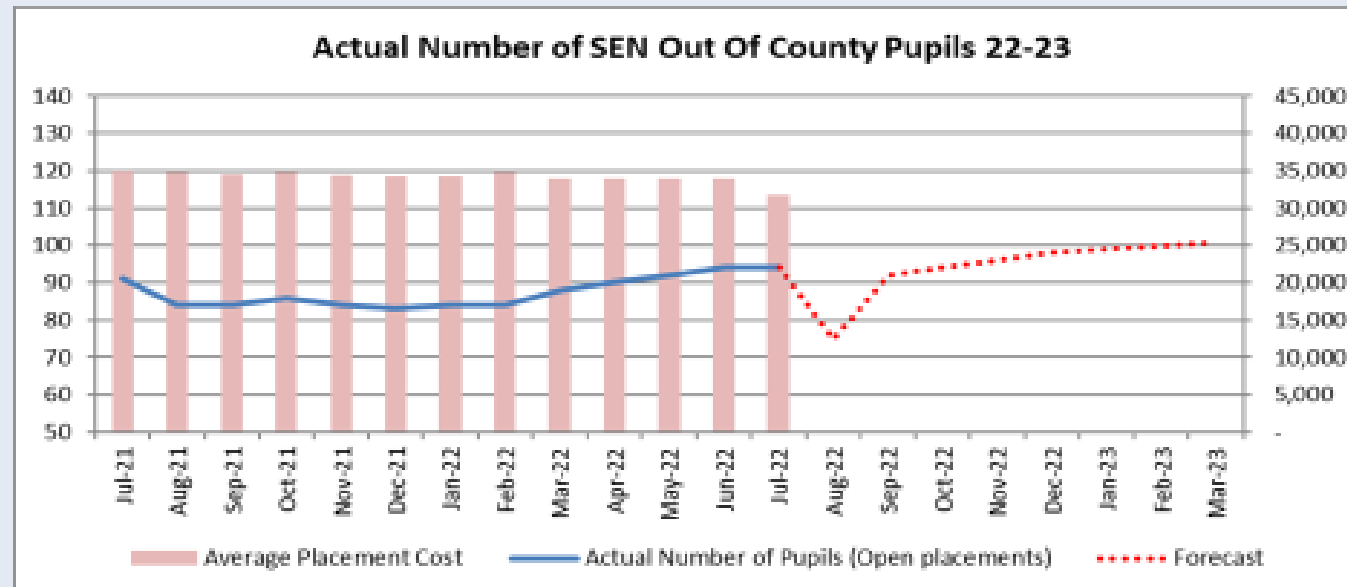
- Removing the Real Living Wage pressure applied to the budget for 22/23, the budget can afford 1022 users at an average cost of £269.47 per week.
- As of June 2022, there were 958 service users who were in receipt or awaiting a service.
- It is expected that there will be a high demand for care services throughout 22/23 and current numbers exceed the 21/22 average of 891.
- An MTRP saving for community opportunities of £150k for 22/23 will not be achieved following changes to the external provider market. The recent increases to fuel and cost of living have made it difficult to negotiate a change to provider contracts.
- There are currently 290 service users with a care package cost of over the current average weekly amount. This calculates to 30% of the current level users.



## Budget Monitoring Position – July 2022

### Risk Based Monitoring graphs

SEN Out of County Placements – Local Authority and Independent



- The actual number of pupils accessing Out of County (OOC) Education has decreased in comparison to prior financial years as Special Education Needs provision has increased within the City, however overall demand for SEN support/placements has increased over the past few years and the trend is expected to continue, in particular for pupils with Social and Emotional Behaviour Disorder (SEBD) needs, Autistic Spectrum Disorder (ASD) and Profound Multiple Learning Difficulties (PMLD). A new ASD base at Rogerstone was opened in 21/22. The base will retain pupils in County and avoid the higher Out of County costs. The team are also sourcing additional places within schools.
- The 2022-23 SEN OOC budget can accommodate 121 placements at an average cost of £31k. There are currently 94 open placements and Inclusion previously anticipated 101 placements by the end of the financial year.
- Placements ranging between £10k and £20k account for 15% of the total number of placements.
- There are 2 placements in excess of £100k per year due to the complex needs of the individuals.

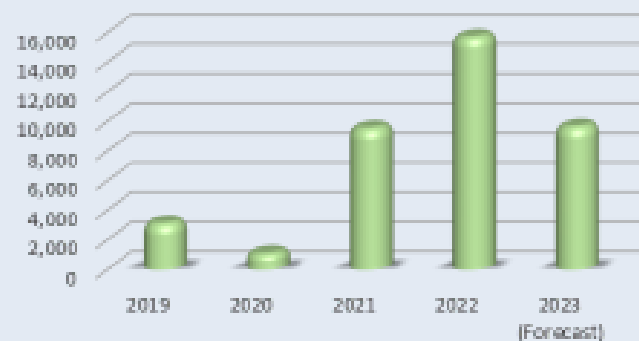
## Budget Monitoring Position – July 2022

### Schools

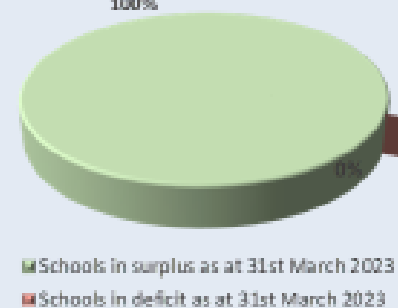
The projected in-year overspend as at June is £6,073m with 43 out of 56 schools have an in-year overspend in this financial year. Projected total school reserves are forecast to reduce from £15,737m to £9,664m with no schools anticipating a negative balance position at the end of the current financial year.

Whilst most of the in year overspends are one-off, a number of schools have low surplus balances and will need to be monitored closely over the medium term to avoid reporting a deficit position in future years.

Balances held by Schools as at 31st March



Proportion of Schools Forecasting Deficit as at 31st March 2023



## APPENDIX 2 Revenue Summary Monitor – July 2022

	Current Budget	Projection	(Under) / Over
	£'000	£'000	£'000
<b>Summary Revenue Budget 2022/23</b>			
<b>Social Services</b>			
Children Services	27,928	30,257	2,328
Adult Services	58,844	59,040	196
Prevention & Inclusion	1,963	1,981	18
	<b>88,735</b>	<b>91,277</b>	<b>2,542</b>
<b>Transformation &amp; Corporate</b>			
Finance	5,239	5,239	(0)
People, Policy & Transformation	14,264	14,321	58
Law & Standards	4,561	4,616	56
	<b>24,064</b>	<b>24,177</b>	<b>113</b>
<b>Environment &amp; Sustainability</b>			
Housing & Communities	4,477	7,196	2,719
Environment & Public Protection	14,643	14,706	63
Infrastructure	12,029	13,184	1,155
	<b>31,149</b>	<b>35,086</b>	<b>3,937</b>
<b>Chief Executive</b>			
Regeneration & Economic Development	5,700	5,707	8
Education	15,759	15,011	(748)
Schools	122,267	128,341	6,073
	<b>143,726</b>	<b>149,059</b>	<b>5,333</b>
<b>Capital Financing Costs and Interest</b>			
Capital Financing Costs and Interest (Non-PFI)	14,455	14,455	(0)
Capital Financing Costs and Interest	7,920	7,920	(0)
Interest Payable	6,863	6,863	-
Interest Receivable	(327)	(327)	-
Public Finance Initiative (PFI)	9,007	9,007	-
	<b>23,462</b>	<b>23,462</b>	<b>(0)</b>
<b>Sub Total - Service/Capital Financing</b>	<b>311,136</b>	<b>323,062</b>	<b>11,926</b>
<b>Contingency Provisions</b>			
General Contingency	1,373	-	(1,373)
Covid Contingency	3,480	182	(3,298)
Centralised Insurance Fund	604	604	-
Non Departmental Costs	40	40	-
Other Income and Expenditure	2,865	6,025	3,160
	<b>8,362</b>	<b>6,851</b>	<b>(1,511)</b>
<b>Levies / Other</b>			
Discontinued Operations - pensions	1,651	1,376	(275)
Discontinued Operations - Ex Gratia Payments	3	3	(0)
Levies - Drainage Board, Fire service etc	9,416	9,416	-
CTAX Benefit Rebates	13,458	12,292	(1,166)
	<b>24,528</b>	<b>23,087</b>	<b>(1,441)</b>
<b>Transfers To/From Reserves</b>			
Base budget - Planned Transfers to/(from) Reserves	(1,015)	(1,015)	(0)
Earmarked reserves: Transfer to/(from) Capital	-	-	-
Earmarked reserves: Transfer to/(from) Schools	-	(6,073)	(6,073)
Earmarked reserves: Transfer to/(from) Schools Redundancy	-	-	-
Invest to Save Reserve	-	870	870
Invest to Save Reserve (from)	-	(870)	(870)
	<b>(1,015)</b>	<b>(7,088)</b>	<b>(6,074)</b>
<b>Total</b>	<b>343,012</b>	<b>345,912</b>	<b>2,900</b>
<b>Funded By</b>			
WG funding (RSG and NNDR)	(265,612)	(265,612)	-
Council Tax	(77,400)	(77,400)	-
Council Tax Deficit	-	250	250
<b>Total</b>	<b>0</b>	<b>3,150</b>	<b>3,150</b>

## APPENDIX 3 Schools Funding and Balances

School Name	Opening Reserve 22/23	Final ISB Allocation (inc Post 16)	In Year U/(O) Spend March 23	Closing Reserve 31/03/23
	£	£	£	£
Bassaleg School	932,981	7,227,561	(595,629)	337,352
Newport High	567,967	5,038,998	(256,456)	311,511
Caerleon Comprehensive	279,815	6,235,576	150,686	430,502
The John Frost School	550,230	6,833,539	(264,473)	285,757
Llanwern High	296,723	4,700,119	(264,451)	32,272
Lliswerry High	(56,833)	5,080,293	436,156	379,323
St Josephs R.C. High	597,736	5,596,491	(172,948)	424,789
St Julians School	1,091,911	7,062,024	(440,261)	651,650
Ysgol Gyfun Gwent Is Coed	300,908	2,513,180	22,581	323,489
<b>Sub Total</b>	<b>4,561,437</b>	<b>50,287,783</b>	<b>(1,384,793)</b>	<b>3,176,645</b>
Always Primary	257,659	1,668,643	(188,780)	68,879
Caerleon Lodge Hill	255,388	1,377,093	2,891	258,278
Charles Williams CIW	620,879	1,913,953	(204,423)	416,456
Clytha Primary	102,111	891,556	(54,039)	48,071
Crindau Primary	253,609	1,483,067	(80,894)	172,715
Eveswell Primary	571,440	1,651,448	43,748	615,189
Gaer Primary	275,986	1,873,783	(157,327)	118,659
Glan Usk Primary	336,535	2,351,835	(63,752)	272,783
Glan Llyn Primary	231,043	1,813,034	104,020	335,062
Glasllwch Primary	116,351	903,064	(68,317)	48,034
High Cross Primary	78,684	989,845	(36,299)	42,385
Jubilee Park	281,615	1,483,968	28,154	309,769
Langstone Primary	242,091	1,246,347	(117,371)	124,721
Llanmartin Primary	167,842	794,522	(47,697)	120,145
Lliswerry Primary	226,510	2,172,637	(108,868)	117,642
Maesglas Primary	97,174	1,137,798	(44,805)	52,369
Maindee Primary	225,681	1,951,490	(217,358)	8,323
Malpas CIW Primary	158,433	1,125,305	(56,970)	101,463
Malpas Court Primary	138,272	1,262,937	(74,239)	64,033
Malpas Park Primary	226,501	941,447	15,104	241,605
Marshfield Primary	188,750	1,624,394	(129,708)	59,041
Millbrook Primary	187,728	1,248,052	(133,619)	54,109
Milton Primary	250,483	1,794,413	(98,056)	152,427
Monnow Primary	230,381	1,598,462	(135,584)	94,797
Mount Pleasant	105,385	938,778	(51,101)	54,284
Pentrepoeth Primary	173,703	1,736,091	(36,782)	136,920
Pillgwenlly Primary	69,023	2,334,519	(62,686)	6,337
Ringland Primary	149,982	1,097,558	(54,332)	95,650
Rogerstone Primary	97,972	2,393,433	90,666	188,637
Somerton Primary	136,211	641,704	(45,896)	90,315
St Andrews Primary	294,235	2,687,706	(247,558)	46,676
St Davids RC Primary	216,769	882,698	(55,634)	161,135
St Gabriels RC Primary	205,523	749,090	(55,436)	150,087
St Josephs RC Primary	117,732	806,043	26,300	144,032
St Julians Primary	697,925	2,320,881	(444,859)	253,066
St Marys Rc Primary	302,078	1,477,678	(86,906)	215,173
St Michaels RC Primary	192,218	858,754	(58,798)	133,420
St Patricks RC Primary	128,100	808,686	(43,159)	84,942
St Woolos Primary	93,178	1,273,375	(37,872)	55,306
Tredegar Park Primary	722,700	1,671,088	(342,141)	380,559
Ysgol Gym Bro Teyrnion	392,833	826,758	27,498	420,331
Ysgol Gym Casnewydd	369,166	1,429,954	(70,432)	298,734
Ysgol Gym Ifor Hael	214,689	761,957	(64,740)	149,949
Ysgol Gym Nant Gwenlli	123,397	414,395	176,914	300,312
<b>Sub Total</b>	<b>10,523,965</b>	<b>61,410,241</b>	<b>(3,261,145)</b>	<b>7,262,820</b>
Newport Nursery	127,060	274,686	(58,906)	68,154
<b>Sub Total</b>	<b>127,060</b>	<b>274,686</b>	<b>(58,906)</b>	<b>68,154</b>
Maes Ebbw	231,844	3,840,405	16,155	247,999
Bryn Derw	292,670	2,353,549	(182,351)	110,319
<b>Sub Total</b>	<b>524,514</b>	<b>6,193,954</b>	<b>(166,196)</b>	<b>358,318</b>
Assumed additional grant and other compensation			1,000,000	1,000,000
Pay Award Pressure			(2,202,351)	(2,202,351)
<b>Grand Total</b>	<b>15,736,976</b>	<b>118,166,664</b>	<b>(6,073,391)</b>	<b>9,663,585</b>

## APPENDIX 4 Planned Movement in Reserves

Reserve	Balance at 31-Mar-22	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Balance at 31-Mar-23 (Forecast)
	£'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	(15,737)												6,073	(9,664)
														-
<b>Earmarked Reserves:</b>														-
Music Service	(127)													(127)
Pay Reserve	(1,418)													(1,418)
Insurance Reserve	(1,162)													(1,162)
MMI Insurance Reserve	(602)													(602)
Education Achievement Service	(92)													(92)
Schools Redundancies	(1,098)													(1,098)
General Investment Risk Reserve <i>(see separate tab for detail)</i>	(2,631)													(2,631)
European Funding I2A & CFW	(1,398)												83	(1,315)
MTFP Reserve <i>(see separate tab for detail)</i>	(9,401)												3,099	(6,302)
GEMS Redundancies	(78)													(78)
Landfill (fines reserve)	(332)													(332)
COVID Risk Reserve	(1,820)													(1,820)
<b>SUB TOTAL - RISK RESERVES</b>	<b>(20,159)</b>	-	-	-	-	-	-	-	-	-	-	-	<b>3,181</b>	<b>(16,977)</b>
Capital Expenditure <i>(see separate tab for detail)</i>	(9,928)													(9,928)
Displacement Headroom	(10,279)													(10,279)
Capital Grants Unapplied	(3,210)													(3,210)
Invest to Save	(7,567)												1,151	(6,416)
Super Connected Cities	(170)												128	(42)
School Works	(27)													(27)
School Reserve Other	(929)													(929)
Schools ICT Sustainability	(50)													(50)
Feasibility Reserve	(54)													(54)
Chartist Tower	(256)													(256)
Usable Capital Receipts <i>(see separate tab for detail)</i>	(9,390)													(9,390)
Streetscene Manager Support	(11)													(11)
<b>SUB TOTAL - ENABLING RESERVES</b>	<b>(41,871)</b>	-	-	-	-	-	-	-	-	-	-	-	<b>1,279</b>	<b>(40,592)</b>
Municipal Elections	(180)												180	-
Local Development Plan	(515)												131	(384)
Strategic Development Plan	(110)													(110)
Glan Usk PFI	(1,607)													(1,607)
Southern Distributor Road PFI	(39,940)												452	(39,488)
Building Control	(124)												35	(89)
Loan modification technical reserve (IFRS 9)	(513)													(513)
Soft Loan interest equalisation reserve	(1,648)													(1,648)
Kingsway	(64)													(64)
<b>SUB TOTAL - SMOOTHING RESERVES</b>	<b>(44,701)</b>	-	-	-	-	-	-	-	-	-	-	-	<b>798</b>	<b>(43,903)</b>

Reserve	Balance at 31-Mar-22	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Balance at 31-Mar-23 (Forecast)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Works of art	(21)													(21)
Theatre & Arts Centre	(232)													(232)
Environmental Health - Improve Air Quality	(49)													(49)
Apprenticeship Scheme	(7)													(7)
City Economic Development Reserve	(90)													(90)
Welsh Language Standards	(127)												39	(88)
Port Health	(20)												5	(15)
Financial System Upgrade	(600)												472	(128)
SS Covid recovery	(563)												563	-
Events	(275)												1	(274)
Voluntary Sector Grants	(27)													(27)
IT Development	(53)												53	-
Joint Committee City Deal Reserve	(662)													(662)
Civil Parking Enforcement	(193)												162	(31)
Community Covid Recovery Fund	(500)													(500)
City Services – refurbishment & cleansing of open spaces	(19)													(19)
Green Recovery Task Force	(1,000)												43	(957)
Business Support	(81)												81	-
Business Development Grants	(250)												250	-
Community Occupational Therapy	(53)												48	(5)
Directly Managed Community Centres Maintenance	(50)													(50)
IT Infrastructure (see separate tab for detail)	(647)												527	(120)
PSB Contribution	(40)													(40)
COVID Reserve (see separate tab for detail)	(426)												195	(231)
Homelessness Prevention	(327)													(327)
Chief Education Grant	(568)													(568)
Home to School Transport - St Andrews	(499)													(499)
Housing Supply review	(25)													(25)
Anniversary tree planting / green canopy	(3)													(3)
Cariad Casnewydd	(170)												4	(166)
Community Gardening Schemes	(180)													(180)
Market Arcade owner contributions	(51)													(51)
Parks & Open Spaces	(2,500)													(2,500)
Discretionary Rate Relief	(900)													(900)
Domiciliary Care Service Capacity	(500)												500	-
Social Services PPE Reserve	(212)												212	-
St. Andrews Primary	(305)													(305)
Communications Corporate Requirement	(232)													(232)
Decarbonisation Projects	(90)													(90)
Prior Year Underspend - 21/22	(7,895)													(7,895)
<b>SUB TOTAL - OTHER RESERVES</b>	<b>(20,442)</b>	-	-	-	-	-	-	-	-	-	-	-	<b>3,155</b>	<b>(17,287)</b>
<b>RESERVES TOTAL</b>	<b>(149,409)</b>	-	-	-	-	-	-	-	-	-	-	-	<b>14,487</b>	<b>(134,922)</b>