

Report

Cabinet

Part 1

Date: 14 December 2022

Subject **October 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 October position.

Author Head of Finance

Ward All

Summary The October 2022 revenue position forecasts an overspend of £1,369k; 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 an overspend against service area budgets (excluding schools) of £7,337k:

- Overspend on pay budgets. Impact of agreed pay award which represents a total increase to salary budgets of around 6%, against a budgeted increase provision of only 4%, excluding schools. £2,398k
- Overspend on Housing budgets. Homelessness provision £3,057k
- Overspend in Children's social care. Placement costs £3,354k

A further net £514k 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.

In addition to the use of the general and covid contingency budgets to mitigate service area overspends, underspends are forecast against the following non-service budgets:

- Capital Financing underspend - interest payable and receivable (£2,299k)
- Council Tax Reduction scheme underspend (£1,014k)
- NDR and empty homes underspend (£214k)
- Pensions forecast lower than budget (£275k)

Schools are separately projected to overspend by £5,596k, a proportion of which will have been planned, and this will reduce school reserves by that amount. As well as the impact of a higher pay award 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 couple of schools that have entered an in year deficit position following the impact of the pay award being reflected in individual school forecasts.

Whilst the service area overspending has been mitigated by forecast underspends against non-service budgets, the level of overspending in service areas is a significant concern. There is reasonable certainty on a number of key issues raised which give rise to the overspending – 2022/23 pay award, 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 –October 2022
Appendix 2	Revenue summary monitor – October 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 continue to review and challenge service area forecasts in an attempt 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 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 continue to review the issues resulting in the current position and, with HoS, continue to take 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 The external factors impacting on the Council are a key consideration not only for in year budget management but also for financial planning. There are a distinct set of challenges facing the Council not only building on the unprecedented circumstances of the last few years but also the drastic economic changes over the last 12 months. The key emerging challenges that face councils, including Newport, include:
- **Increasing inflationary costs** – the impact of specific elements of the consumer prices index (CPI) basket of goods on council supplies and services; affecting both the Council's own direct costs and that of its key suppliers. Annual CPI inflation rate is 11.1% as at October and is forecast to remain at this level for the remainder of 2022/23;
 - **Pay awards** – the impact of high inflation on actual and future potential pay awards. For 2022/23, the NJC pay award (which encompasses most Council staff), is an uplift of £1,925 across all pay scales. In percentage terms, this is an average increase of 6.4%; 10.4 % at the bottom of the Council's pay spine and 3.3% at the top. The additional cost of the NJC award compared to the 4% budgeted in 2022/23 is £3.6million;
 - **Energy crisis** – whilst this is expected to have significant cost implications for the council in future, forward buying purchasing arrangements for energy have largely protected the Council from the impact of energy price increases in the current year;
 - **Cost of living crisis** – the fall in real disposable income experienced since late 2021 has led to increasing requests for government support. It is expected that this will continue to impact directly on the demand experienced for services;
 - **Increasing demand** – the increasing demand for services and therefore costs stemming from legacy issues coming from the Covid pandemic period as well as population and demographic/ societal changes. These are most acute in the usual budget areas of social services and education; but also, now housing services.

- 1.2 When setting the budget for 2022/23, although the effects of the Covid-19 pandemic were potentially set to ease, 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. 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 could be reprioritised if not required.

- 1.3 Having established these budget contingencies for the current 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 award for 2022/23 being higher than provision allowed for (+2.4% 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 set out below:

Children's Services overspend. Emergency & other placements.	£3,354k
Housing & Communities overspend. Homelessness provision	£3,057k
Other Service Area Variances	(£1,472k)
Impact of 2022/23 proposed pay award (non-schools)	£2,398k
Non-Service - Council Tax, CTRS, capital financing & other non-Service budgets	(£1,296k)

Sub-total – overspend before contingencies **£6,041k**

Core budget - general revenue budget contingency	(£1,373k)
Temporary / new revenue budget contingency	(£3,299k)

Total **£1,369k**

- 1.4 As shown, the combination of the factors outlined above is a total projected overspend of £1,369k, excluding schools. This overspend is after use of all the revenue budget contingencies of £4,672k. The revenue budget provision previously quoted has reduced from £4,853k to £4,672k following the reallocation of budget mitigation to deal with service specific covid legacy issues.

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 £5,118k. This is shown in Appendix 1. Notable individual areas include:
- Children's Out of Area placements - £757k overspend where 19 placements are forecast based on current known and trend-based placements with the budget affording only 15.
 - Children's Emergency placements - £2,597k 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 £231k for further placements between now and the year end.
 - Education special and SEN transport £370k overspend reflecting higher operator's costs due to inflation and car parking income shortfall of £186k.

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 (£1,000k) 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 throughout the 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 emerging issue this year is the significant pressure evident within Housing & Communities, in relation to homelessness. An overspend of £3,057k is being forecast here, with the overall service area showing a slightly higher overspend of £3,115k due to minor overspends elsewhere within the budget.

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 Benefit payments to cover these costs as the level of subsidy 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 & 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 higher numbers accommodated in high-cost options, exceeding the HB contributions and the additional base budgets added in 2022/23, results in the current forecast and is based on current numbers continuing.

2.6 Whilst a sustainable option to resolve 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, across service areas, include:

- £316k pressure within Education to cover feasibility studies
- £287k increased revenue spend on tree surveys & Inspections
- £1,052k overspend within infrastructure in relation to fleet maintenance. This is the product of rising fuel prices, as well as increasing costs associated with maintenance
- £367k underachieved car parking income within infrastructure as a result in changes in behaviour following the covid pandemic.
- £324k within People, Policy & Transformation connected with Estate Management. This is mainly due to the costs associated with temporary boiler hire.
- Delayed move from the information station to central library is causing additional cost within the service in the region of £100k.

(iii) Non-service variances

2.8 The key variances in relation to non-service include:

- | | |
|--|-----------|
| • Underspends against capital financing, specifically non PFI interest | (£2,299k) |
| • HB technical errors and other unrecoverable overpayments from DWP | £508k |
| • Bad debt provision increase for 2022/23 | £680k |
| • NDR and empty homes underspend | (£107k) |
| • Contribution to capital to fund landfill engineering | £1,012k |
| • Council Tax income shortfall based on current collection rates | £250k |
| • Council Tax Reduction scheme underspend | (£1,014k) |
| • Other non-service variances | (£326k) |

Both the core revenue contingency budget and the other temporary contingencies are within non-service.

(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.

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 £497k. 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	-166	-41	-90	-200	-497
Total Undelivered Savings	-166	-71	-104	-200	-541

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 stock market 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 due to over £4.8m of unexpected grants being received late in the year. As a result, schools are drawing down from these balances in year and therefore anticipating a net overspend of £5.6m. This overspend is inclusive of the requirement for schools 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 This projection is based on expenditure forecasts against governor approved budgets. The impact of the pay award has been allocated against individual schools and is reflected within the summary included within Appendix 3. The overall position incorporates an assumption that £900k 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 £10.1m by the end of the year. For 2022/23, now that the impact of the pay award has been fully worked through, there are two schools that are reporting a deficit position. It, therefore, remains necessary to closely scrutinise each position and ensure that recovery plans are in place and being delivered as intended.

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	(84,107)	42,953
Primary	10,523,965	(4,249,628)	6,274,337
Secondary	4,561,437	(1,886,514)	2,674,924
Special	524,514	(275,308)	249,206
Total	15,736,976	(6,495,557)	9,241,419
Assumed grant and other compensation		900,000	900,000
		-	-
Total	15,736,976	(5,595,557)	10,141,419

4 Use of Reserves

- 4.1 Appendix 4 illustrates the planned movements in reserves throughout the year. Cabinet should note the opening balance as of 31st March 2022, forecast planned transfers in/(out) of reserves in 2022/23 and the forecast balance as of 31st March 2023. Current projections suggest that 19.4% 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 many years and, because of increases in the Council's total net budget in recent years, 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 Although the Council's reserves have increased in recent years, nearly all of these are earmarked for specific purposes. However, in the last resort, they do provide 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, for example. 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.
- 4.4 Cabinet will be aware of the budget challenge for 2023/24 and the Medium Term. In the context of this, longer term funding for Local Government and on-going uncertainties, the preservation of reserves for these and other pressures are increasingly important. Whilst the current years overspend is the result of a number of factors outside of the Council's control, the mitigation of this is a key priority and work on this is ongoing.

5 Outlook for the remainder of the year and way forward

- 5.1 Although this report provides a mid-year update, the emerging challenges facing councils means that the position is still 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 cannot be relied upon.

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 the Council Tax Reduction Scheme, for example.
- The ongoing 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 grant, there may be some costs, indirectly, that must 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 Given the risks that may materialise over the remainder of the year, there is a need to reduce the overspending in service areas and achieve a balanced position. Ideally, this should be achieved without resorting to the one-off reserves set aside to manage risks as there are other potential demands for these resources over the medium term. 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	Asst. HoF SFBPs and budget managers CX / Leader

			of budget manager and HoS responsibilities for robust forecasting and financial management.	
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* 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 overspending reported earlier in the year has reduced but the current level is a concern at this point of the year. All services have been asked to reduce/ stop non-essential spending wherever opportunities lie. In saying this, most of the improvement in current forecasts come from non-service budgets with service area overspending.

In light of the medium-term challenges and uncertainties facing all Council's, it is important that the Council reduces this overspend to the lowest point possible and ideally within budget so that it does not result in an unplanned call on reserves to fund the underspend at the year-end.

Comments of Monitoring Officer

There are no legal issues arising from the report

Comments of Head of People, Policy and Transformation

This revenue budget monitoring report sets out the challenging financial position as of October 2022, and the risks, opportunities and action being taken to reduce the overspend position in order to manage the budget. The financial context includes the ending of Welsh Government Covid support funding, increasing demand for services, severe inflationary costs, and the impact of pay awards, amounting to extraordinary pressures. Whilst the report recommends financial management measures to mitigate the position it also notes the potential for a possible overspend at year end. The financial position for 2022/23 reflects the increasingly challenging situation in the medium term which is expected to impact on service delivery and meeting our public sector duties.

Scrutiny Committees

N/A

Fairness and Equality Impact Assessment:

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

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

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

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

Consultation

N/A

Background Papers

Dated: 7 December 2022

Appendix 1

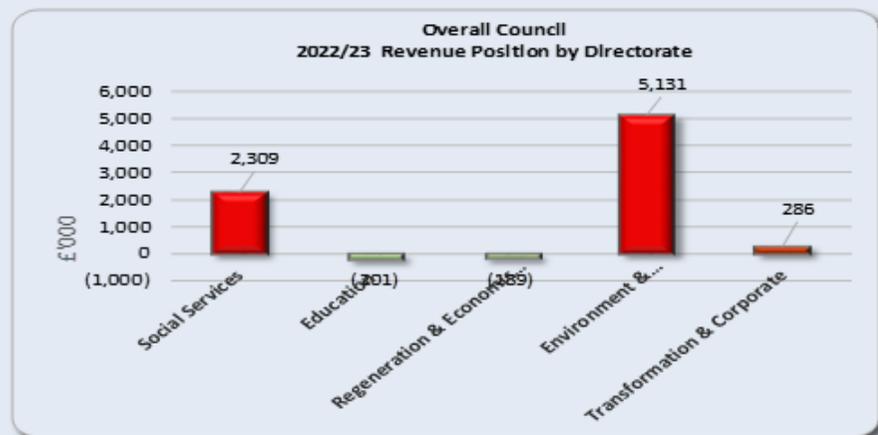
Budget Monitoring Position – October 2022

Position by Directorate	Current Budget £'000	Forecast £'000	Variance £'000
Social Services	88,374	90,683	2,309
Education	16,871	16,670	(201)
Regeneration & Economic Development	5,813	5,624	(189)
Environment & Sustainability	31,850	36,981	5,131
Transformation & Corporate	24,038	24,324	286
Service Area Budget	166,945	174,282	7,337
Schools	122,267	127,863	5,596
Service Area Budget (Inc Schools)	289,213	302,145	12,932
Schools - transfer to reserve	0	(5,596)	(5,596)
Non Service	52,426	47,832	(4,594)
Total Budget (excluding contingency)	341,639	344,381	2,742
General Contingency	1,373	0	(1,373)
Total Budget (Including contingency)	343,012	344,381	1,369

Position Summary

- The revenue forecast reflects an overspend of £1,369k. Overspending in service areas (£7.3m) is largely due to the impact of the pay awards, increased demand in services such as Children’s Services and Housing & Communities (in relation to out of area and emergency placements - £3.4m, homelessness provision - £3m) 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 (£3,299k)
 - Underspend against CTRS, capital financing and other non service budgets (£1,296k)

Detailed explanations can be found within service area dashboards



Undelivered Savings:

- 2022/23 - £44k
- Previous years - £497k
- Overall, projected undelivered savings are resulting in forecast overspend against budget of £541k.

- Schools forecast position shows an overspend against available budget, which will be offset against surplus balances carried forward.
- Due to the continued challenging position, there is a requirement for services to continue to 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 budget
- 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 –October 2022

Key Assumptions and Risks

- There are some key factors that are leading to the overspend position that is being forecast 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 agreed pay awards.
 - 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 at 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 forecast.
 - 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.

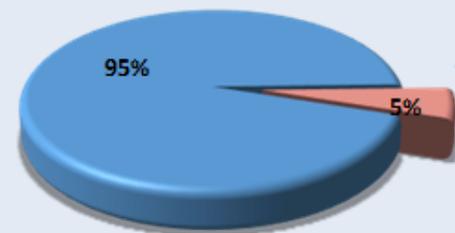
Budget Monitoring Position – October 2022

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	76,723	74,510	75,637	75,637	75,637	75,637	75,637	75,637
Forecast (£'000)	74,306	74,306	77,388	77,904	79,807	77,728	78,670	78,670	78,670	78,670	78,670	78,670
Variance (£'000)	0	0	3,082	3,219	2,884	3,218	3,033	3,033	3,033	3,033	3,033	3,033

- The main reason for the overspend shown is the impact of the 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)



■ Savings Achieved ■ Savings Unachieved

Analysis of Unachieved Savings



- 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 £497k of undelivered savings from previous years. £166k within social care, £41k within Infrastructure, £26k within Finance, £64k within People Policy & Transformation 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%
Undelivered Savings from Previous Years	-166	-41	-90	0	0	-200	-497
Variation to MTRP Target - previous and current year	-166	-85	-90	0	0	-200	-541

Budget Monitoring Position – October 2022

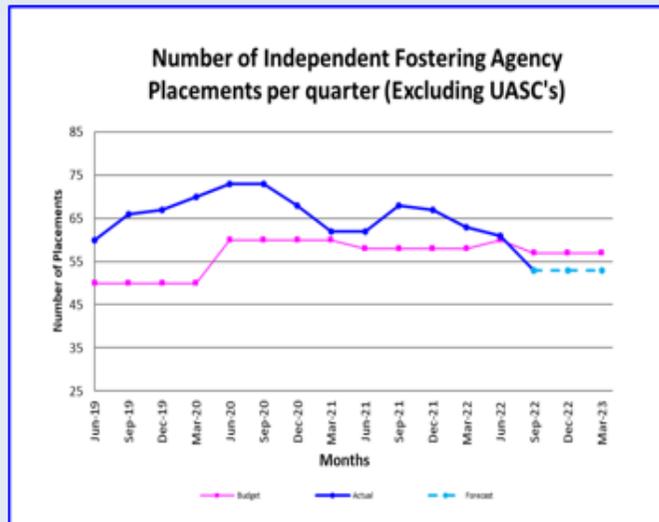
	Annual Budget £'000	Fore cast £'000	Variance £'000
Risk Based Areas			
Children Services			
Independent Fostering Agencies	2,415	2,298	(117)
Out of Area Residential	2,889	3,646	757
In House Fostering	3,708	3,514	(194)
When I'm Ready	268	138	(130)
Special Guardianship Orders	1,304	1,375	71
Legal fees	780	780	0
In House Residential	2,084	2,316	232
Emergency Placements	200	2,797	2,597
Inter-Agency Adoption Fees	375	401	26
Direct Payments - Children Services	280	278	(2)
Adult Services			
Community Care - Residential Service	26,373	28,978	2,605
Community Care - Supported Living	13,650	12,838	(812)
Community Care - Non Residential Service	14,294	14,177	(117)
Community Care Income - Residential & Non Residential	(9,111)	(10,901)	(1,790)
Education			
SEN Out of County Placements	3,850	3,877	27
SEN Local Provision Development	931	1,157	226
Special Home to School Transport	881	1,236	355
SEN Transport	1,806	1,821	15
Catering FSM (Primary)	923	(77)	(1,000)
Catering FSM (Secondary)	101	184	83
Catering FSM (Special)	5	16	11
SEN Recoupment Income	(320)	(590)	(269)
Regeneration & Economic Development			
Development Control Fee Income	(742)	(861)	(119)
Housing & Communities			
Homelessness B&B Net Cost	530	2,760	2,230
Environment & Public Protection			
Commercial/ Asbestos Income	(1,306)	(1,229)	77
Infrastructure			
Home to School Transport - Primary	1,080	1,100	20
Home to School Transport - Secondary	1,279	1,369	90
Home to School Transport - College	128	56	(72)
CPE - Fines income	(691)	(691)	0
Car parking income	(1,564)	(1,378)	186
People, Policy & Transformation			
Commercial & Industrial Properties Income	(1,411)	(1,280)	131
Total Net Budget	64,988	70,105	5,118

- 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 – October 2022

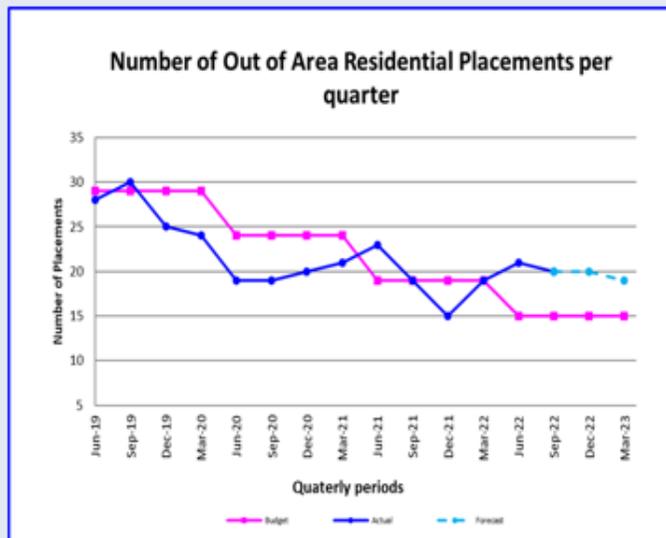
Risk Based Monitoring graphs –

Independent Fostering Agencies



- The 2022-23 budget was set to be able to afford 60 placements per month at an average monthly cost of £2,809 (£648 per week). A £130,000 virement has been done to Special Guardianship Orders and the budget is now able to afford 57 placements per month.
- The Service ended the 2021-22 financial year with 63 placements in Independent Fostering Agencies. The total number of placements reduced to 52 at the end of October 2022 compared to 53 at the end of August 2022.
- 2 trend placements included to bring the number of placements forecast at 53 by the end of March 2023.
- The individual placement cost can vary significantly per child reflecting individual care needs.
- 59.62% of current placements fall within the £727 to £900 per week price range. Over 76.92% of placements are costing more than the average weekly cost the budget can afford. Any potential overspend from this is offset by the lower placement numbers.

Out of Area (OOA) Residential Placements

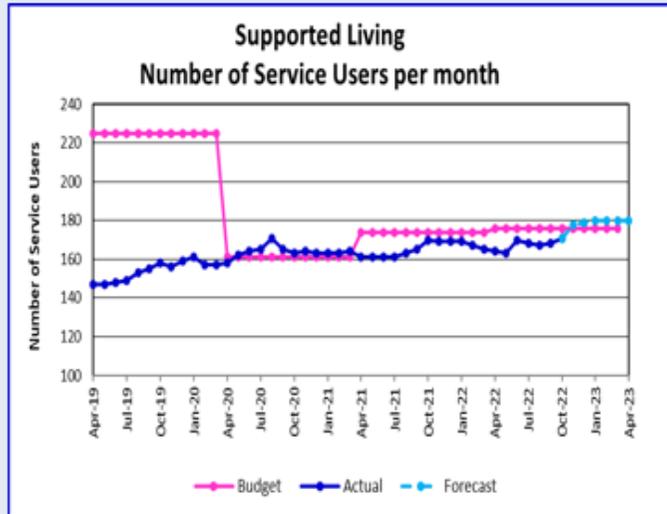


- The 2022-23 gross budget for out of area placements is £4,185,985 with a grant contribution of £1,297,000. This is sufficient to fund 15 placements per month at an average monthly cost of £22,533 (£5,200 per week).
- The Service ended the 2021-22 financial year with 19 placements. The total number of placements reduced to 19 at the end of October 2022 compared to 20 at the end of August 2022.
- 2 trend placements included to bring the number of placements forecast to 19 by the end of March 2023. Costs have increased due to 3 placements requiring additional support.
- The individual placement cost can vary significantly per child reflecting individual care needs.
- 21.06% of placements fall within £5,801 to £8,100 per week price range; 15.79% of placements fall within the £8,101 to £12,700 per week price range.
- There is a £135.5k expected contribution from Health and £131.2k internal recharge to Education included in the forecast that was not budgeted for.

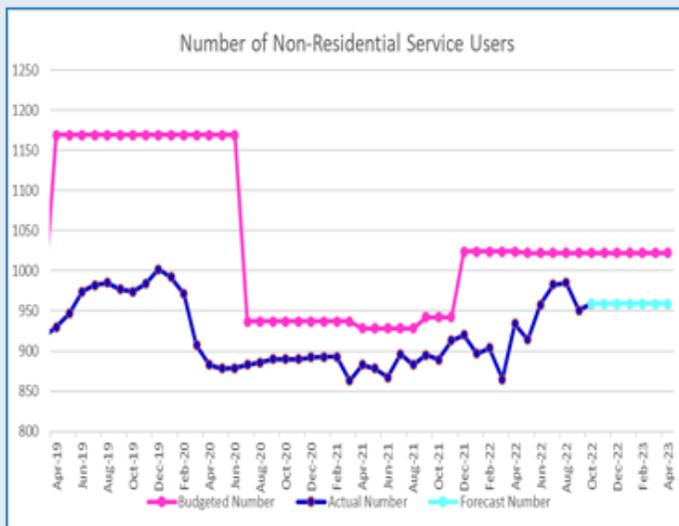
Budget Monitoring Position – October 2022

Risk Based Monitoring graphs

Community Care – Supported Living



Community Care – Non Residential



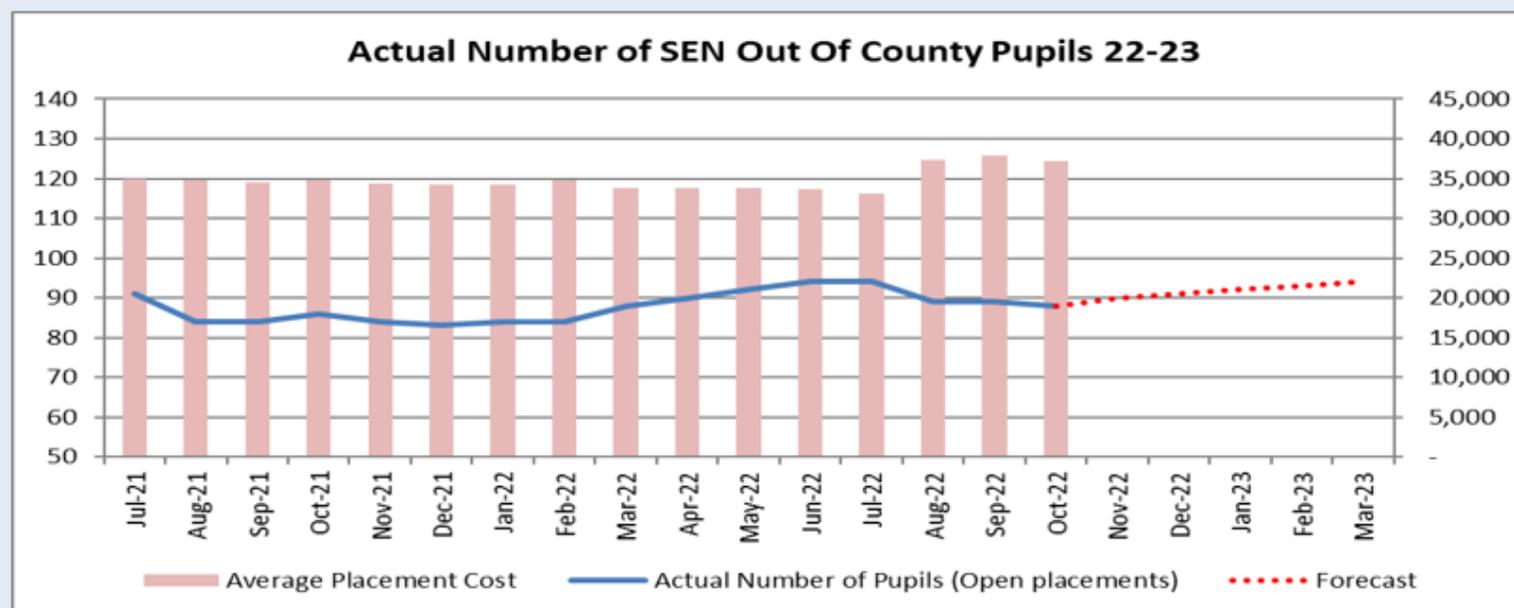
- The 22/23 budget can support 176 service users at an average weekly cost of £1,487.
- The average weekly cost is calculated based on 22/23 actual average package cost plus an assumption of 11% for fee increase due to the need to pay the real living wage.
- Due to individual needs, package costs for supported living currently vary from £436 per week to £4130 per week.
- Full year forecasts at the end of October 2022 show that just under 50% of weekly package costs are below the average package costs level.
- Some of this will be as a result of fee negotiations achieving lower percentage increases in this sector than was allowed for in the budget. This will offset other areas where fee negotiations were higher and once negotiations are concluded across all providers/sectors budget virement may be required.
- It is expected that numbers of care packages will remain below budget until November and then gradually rise to 180 by the end of March 2023.
- The lower placement numbers and package costs are resulting in the £811k underspend forecast this month.

- The budget for 22/23 can afford 1022 service users at an average cost of £269 per week.
- As at October 2022, the forecast includes 959 services user who were in receipt of, or expected to start a service.
- There are currently 578 service users with a care package cost of under the current average weekly amount. This calculates to 66% of the current level of users which is contributing to an overspend on the non-residential budget.
- A remaining balance of a prior year MTRP saving for community opportunities of £100k will not be achieved in 22/23 as a result of non-residential services for Learning Disability service users being due for re-tender.
- Fee increases for the sector are anticipated to be up to 30% compared to the budgeted increase of 11%. The costs have been factored into the forecasts.

Budget Monitoring Position – October 2022

Risk Based Monitoring graphs

SEN Out of County Placements – Local Authority and Independent



- At month 7 (October 2022) there were 88 open placements.
- 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 104 placements at an average cost of £37k. There are currently 88 open placements and Inclusion previously anticipated 94 placements by the end of the financial year.
- Placements ranging between £10k and £20k account for 21% of the total number of placements.
- There are 3 placements in excess of £100k per year due to the complex needs of the individuals.

Budget Monitoring Position – October 2022

Schools

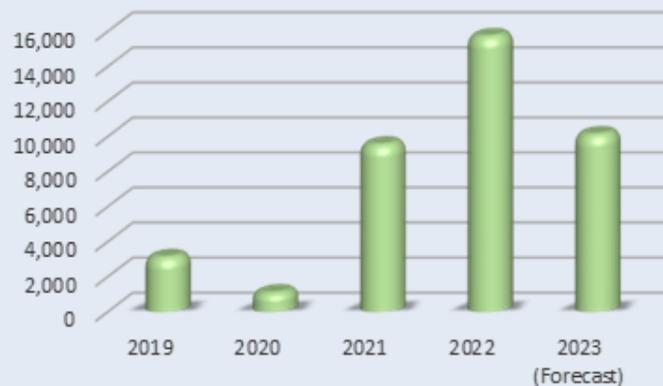
The projected in-year overspend increased from £5.05m to £5.596m in October. This revised position includes the pay award pressure for NJC staff and teaching staff and an adjustment for assumed late grants and other compensation. Projected total school reserves are forecast to be £10,141k at the end of the current financial year.

51 out of 56 schools have an in year overspend in this financial with year with 2 schools forecasting a closing deficit as at 31 March 2023. Projected total school reserves are forecast to be £10,141k as at 31 March 2023, down £91k from the previous month.

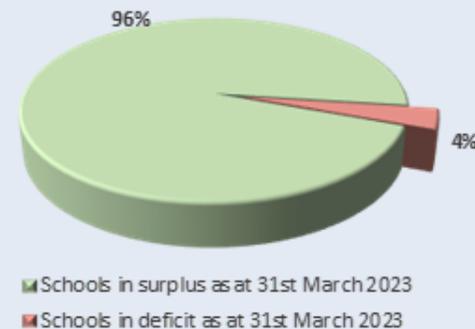
The local authority continues to closely monitor school balances over the medium term as part of our deficit avoidance and prevention strategy. An analysis on the use of reserves was undertaken at budget setting to identify the proportion of one-off and recurring overspending and whilst the majority of the in year overspending is one-off, however following recent changes, the number of schools with low surplus balances have increased and will need to be monitored closely over the medium term to avoid reporting a deficit position in future years as well as additional support to the 2 schools who are reporting an in-year deficit.

Schools forecasting deficit reserves at YE	September
Llanwern High School	0
Maindee Primary School	(19)
Pillgwenlly Primary School	(53)
St Andrews Primary School	0
Total Net Budget	(72)

Balances held by Schools as at 31st March



Proportion of Schools Forecasting Deficit as at 31st March 2023



APPENDIX 2 Revenue Summary Monitor – October 2022

	Current Budget	Projection Revised	(Under) / Over
	£'000	£'000	£'000
Summary Revenue Budget 2022/23			
Social Services			
Children Services	28,185	31,027	2,841
Adult Services	59,264	58,885	(379)
Prevention & Inclusion	925	771	(154)
	88,374	90,683	2,309
Transformation & Corporate			
Finance	5,155	5,122	(33)
People, Policy & Transformation	14,271	14,496	225
Law & Standards	4,612	4,707	95
	24,038	24,324	286
Environment & Sustainability			
Housing & Communities	4,685	7,800	3,115
Environment & Public Protection	15,061	15,564	503
Infrastructure	12,104	13,617	1,513
	31,850	36,981	5,131
Chief Executive			
Regeneration & Economic Development	5,813	5,624	(189)
Education	16,871	16,670	(201)
Schools	122,267	127,863	5,596
	144,951	150,157	5,206
Capital Financing Costs and Interest			
Capital Financing Costs and Interest (Non-PFI)	14,564	12,265	(2,299)
Public Finance Initiative (PFI)	9,007	9,007	(0)
	23,571	21,272	(2,299)
Sub Total - Service/Capital Financing	312,784	323,417	10,633
Contingency Provisions			
General Contingency	1,373	-	(1,373)
Covid Contingency	3,298	-	(3,298)
Centralised Insurance Fund	604	604	(0)
Non Departmental Costs	40	40	-
Other Income and Expenditure	1,399	3,406	2,007
	6,715	4,050	(2,665)
Levies / Other			
Discontinued Operations - pensions	1,651	1,376	(275)
Discontinued Operations - Ex Gratia Payments	3	3	(0)
Levies - Drainage Board, Fire service etc	9,416	9,452	36
CTAX Benefit Rebates	13,458	12,444	(1,014)
	24,528	23,275	(1,253)
Transfers To/From Reserves			
Base budget - Planned Transfers to/(from) Reserves	(1,015)	(1,015)	(0)
Earmarked reserves: Transfer to/(from) Capital	-	-	-
Earmarked reserves: Transfer to/(from) Schools	-	(5,596)	(5,596)
Earmarked reserves: Transfer to/(from) Schools Redundancy	-	-	-
Invest to Save Reserve	-	904	904
Invest to Save Reserve (from)	-	(904)	(904)
	(1,015)	(6,611)	(5,596)
Total	343,012	344,131	1,119
Funded By			
WG funding (RSG and NNDR)	(265,612)	(265,612)	-
Council Tax	(77,400)	(77,400)	-
Council Tax Deficit	-	250	250
Total	0	1,369	1,369

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	8,682,022	(611,916)	321,065
Newport High	567,967	5,963,929	(266,721)	301,246
Caerleon Comprehensive	279,815	7,532,457	1,284	281,099
The John Frost School	550,230	7,573,349	(347,215)	203,015
Llanwern High	296,723	5,474,118	(227,785)	68,937
Lliswerry High	(56,833)	5,787,613	326,882	270,049
St Josephs R.C. High	597,736	6,871,758	(288,108)	309,628
St Julians School	1,091,911	8,093,190	(446,918)	644,993
Ysgol Gyfun Gwent Is Coed	300,908	2,909,040	(26,017)	274,891
Sub Total	4,561,437	58,887,476	(1,886,514)	2,674,924
Always Primary	257,659	1,710,267	(165,831)	91,828
Caerleon Lodge Hill	255,388	1,414,107	(92,895)	162,493
Charles Williams CIW	620,879	1,971,662	(66,546)	554,333
Clytha Primary	102,111	917,065	(66,207)	35,904
Crindau Primary	253,609	1,520,396	(60,304)	193,305
Eveswell Primary	571,440	1,700,669	(14,483)	556,957
Gaer Primary	275,986	1,925,332	(214,131)	61,855
Glan Usk Primary	336,535	2,424,598	(84,965)	251,571
Glan Llyn Primary	231,043	1,861,869	76,597	307,640
Glasllwch Primary	116,351	928,330	(93,028)	23,323
High Cross Primary	78,684	1,016,474	(48,061)	30,623
Jubilee Park	281,615	1,523,490	(43,500)	238,116
Langstone Primary	242,091	1,283,953	(90,533)	151,558
Llanmartin Primary	167,842	812,472	(52,276)	115,566
Lliswerry Primary	226,510	2,233,851	(112,554)	113,957
Maesglas Primary	97,174	1,167,662	(62,896)	34,278
Maindee Primary	225,681	2,005,302	(244,187)	(18,507)
Malpas CIW Primary	158,433	1,157,004	(96,604)	61,829
Malpas Court Primary	138,272	1,286,774	(81,345)	56,928
Malpas Park Primary	226,501	966,191	(3,469)	223,032
Marshfield Primary	188,750	1,673,038	(80,483)	108,267
Millbrook Primary	187,728	1,280,993	(140,310)	47,418
Milton Primary	250,483	1,843,432	(195,711)	54,773
Monnow Primary	230,381	1,636,905	(188,534)	41,847
Mount Pleasant	105,385	966,074	(49,729)	55,656
Pentrepoeth Primary	173,703	1,785,712	(117,504)	56,198
Pillgwenlly Primary	69,023	2,401,078	(122,482)	(53,459)
Ringland Primary	149,982	1,121,140	(69,897)	80,085
Rogerstone Primary	97,972	2,448,433	(12,644)	85,328
Somerton Primary	136,211	657,031	(71,098)	65,113
St Andrews Primary	294,235	2,759,326	(271,112)	23,123
St Davids RC Primary	216,769	906,187	(78,685)	138,084
St Gabriels RC Primary	205,523	769,448	(65,308)	140,215
St Josephs RC Primary	117,732	828,794	34,487	152,219
St Julians Primary	697,925	2,389,602	(498,152)	199,773
St Marys Rc Primary	302,078	1,522,583	(98,250)	203,829
St Michaels RC Primary	192,218	884,308	(131,414)	60,804
St Patricks RC Primary	128,100	833,355	(56,155)	71,945
St Woolos Primary	93,178	1,311,359	(70,747)	22,431
Tredegar Park Primary	722,700	1,718,332	(328,601)	394,098
Ysgol Gym Bro Teyrnnon	392,833	849,065	(28,786)	364,047
Ysgol Gym Casnewydd	369,166	1,470,917	(81,647)	287,519
Ysgol Gym Ifor Hael	214,689	782,220	(90,876)	123,813
Ysgol Gym Nant Gwenlli	123,397	425,329	181,225	304,622
Sub Total	10,523,965	63,092,130	(4,249,628)	6,274,337
Newport Nursery	127,060	280,689	(84,107)	42,953
Sub Total	127,060	280,689	(84,107)	42,953
Maes Ebbw	231,844	4,047,671	(51,328)	180,516
Bryn Derw	292,670	2,498,555	(223,980)	68,689
Sub Total	524,514	6,546,226	(275,308)	249,206
Assumed additional grant and other compensation			900,000	900,000
Pay Award Pressure				
Grand Total	15,736,976	128,806,522	(5,595,557)	10,141,419

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)												5,596	(10,141)
Earmarked Reserves:														-
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)												131	(967)
General Investment Risk Reserve <i>(see separate tab for detail)</i>	(2,631)												(128)	(2,759)
European Funding I2A & CFW	(1,398)												83	(1,315)
MTFP Reserve <i>(see separate tab for detail)</i>	(9,401)												2,793	(6,608)
GEMS Redundancies	(78)													(78)
Landfill (fines reserve)	(332)												(11)	(343)
COVID Risk Reserve	(1,820)													(1,820)
SUB TOTAL - RISK RESERVES	(20,159)	-	-	-	-	-	-	-	-	-	-	-	2,868	(17,291)
Capital Expenditure <i>(see separate tab for detail)</i>	(9,928)												398	(9,530)
Displacement Headroom	(10,279)												8,948	(1,331)
Capital Grants Unapplied	(3,210)													(3,210)
Transformation Fund	(7,567)												1,185	(6,382)
Super Connected Cities	(170)												128	(42)
School Works	(27)													(27)
School Reserve Other	(929)													(929)
Schools ICT Sustainability	(50)													(50)
Feasibility Reserve	(54)												3	(51)
Chartist Tower	(256)												256	-
Usable Capital Receipts <i>(see separate tab for detail)</i>	(9,390)												2,351	(7,039)
Streetscene Manager Support	(11)												11	-
SUB TOTAL - ENABLING RESERVES	(41,871)	-	-	-	-	-	-	-	-	-	-	-	13,280	(28,591)
Municipal Elections	(180)												180	-
Local Development Plan	(515)												37	(478)
Strategic Development Plan	(110)												(55)	(165)
Glan Usk PFI	(1,607)												-	(1,607)
Southern Distributor Road PFI	(39,940)												897	(39,043)
Building Control	(124)												(39)	(163)
Loan modification technical reserve (IFRS 9)	(513)												105	(408)
Soft Loan interest equalisation reserve	(1,648)												300	(1,348)
Kingsway	(64)												64	-
SUB TOTAL - SMOOTHING RESERVES	(44,701)	-	-	-	-	-	-	-	-	-	-	-	1,489	(43,212)

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)													(20)
Financial System Upgrade	(600)												472	(128)
SS Covid recovery	(563)												563	-
Events	(275)												(60)	(335)
Voluntary Sector Grants	(27)												27	-
IT Development	(53)												53	-
Joint Committee City Deal Reserve	(662)													(662)
Civil Parking Enforcement	(193)												77	(116)
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)												50	(3)
Directly Managed Community Centres Maintenance	(50)												-	(50)
IT Infrastructure <i>(see separate tab for detail)</i>	(647)												527	(120)
PSB Contribution	(40)													(40)
COVID Reserve <i>(see separate tab for detail)</i>	(426)												195	(231)
Homelessness Prevention	(327)												327	-
Chief Education Grant	(568)												476	(92)
Home to School Transport - St Andrews	(499)												430	(69)
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)												1,200	(1,300)
Discretionary Rate Relief	(900)												173	(727)
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)
SUB TOTAL - OTHER RESERVES	(20,442)	-	-	-	-	-	-	-	-	-	-	-	5,773	(14,669)
RESERVES TOTAL	(149,409)	-	-	-	-	-	-	-	-	-	-	-	29,006	(120,403)