

# Report

## Cabinet

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### Part 1

Date: 15 November 2023

### Subject **September Revenue Budget Monitor**

**Purpose** To highlight the current forecast position on the Council's revenue budget and the financial risks and opportunities that present themselves within the September position. This is the second Cabinet update of the 2023/24 financial year.

**Author** Head of Finance

**Ward** All

**Summary** The September 2023 revenue monitoring position reflects a forecasted underspend of £3.500m, taking into account the contingency budget. This compares to an underspend of £3.044m reported in respect of July 2023, with the change in position largely due to a reduced overspend within Children's Services and an increased underspend within Capital Financing, partly offset by an increased overspend within Housing & Communities. Whilst an overall underspend is projected, it should be noted that service areas are collectively forecast to overspend by £3.484m, excluding schools. This significant service area overspending is offset by underspends in non-service areas, such as Capital Financing.

The most significant element of service area overspending is within Children's Services (£3.061m), where significant demand levels for, and individual cost of, out of area and emergency placements is the underlying factor behind this position. As well as this, Housing & Communities and People, Policy & Transformation are also projecting large overspends, the details of which are outlined further in the report. Partly offsetting these service area overspends is a significant underspend within Adult Services (£893k).

Schools are separately projecting expenditure in excess of budget totalling £5.368m. This expenditure comprises both planned, one-off, use of reserves, as well as a large element of recurring expenditure totalling circa £3.6m, which, for this year, will be offset by available surplus balances. Going forward, there is a risk that this level of recurring expenditure in excess of budget will result in certain individual schools entering a deficit budget position unless they make the savings required to balance their individual budgets. Therefore, close monitoring will be required during the remainder of this year to ensure that schools are managing their finances as required and taking action to ensure that deficit positions are avoided wherever possible.

Whilst an overall underspend is currently being projected, it is important to note that there are a number of risks that could result in the position deteriorating over the course of the year. For example, demand issues that are causing the service area overspending could increase during the year and place further pressure on services such as Children's Services and Housing & Communities.

The report also includes 'invest to transform' funding requests to fund one-off costs associated with transformation projects and Cabinet are asked to review and approve these, as appropriate.

The appendices to the report are as follows:

Appendix 1	Overall budget dashboard – September 2023
Appendix 2	Revenue summary monitor – September 2023
Appendix 3	School balance outturn position
Appendix 4	2023/24 reserve movements
Appendix 5	Transformation Fund Bids

**Proposal** That Cabinet:

- Note the overall budget forecast position outlined within this report, which is comprised of service area overspending, offset by underspends against non-service budgets.
- Note the risks identified throughout the report and in the HoF comments, such as in relation to demand issues being faced.
- Note the overall shortfall in the delivery of savings accepted as part of the 2023/24 revenue budget.
- Note the forecast movements in reserves.
- Note the overall position in relation to schools' budgets, acknowledging the risk that some individual deficit positions could emerge by the end of the financial year.
- Approve the virement within Adult Services, as detailed within the report.
- Approve the use of the Transformation Fund to cover the cost of internal and external resource requirements for the Transformation Programme, as set out in the report and Appendix 5 of the report.
- Note the recommendation from the Head of Finance that replenishment of the Transformation Fund is made a priority for any underspend at the end of the financial year, in order to ensure adequate funds to be able to support savings proposals that will be critical for future years' budget setting processes.

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

- HoS implement actions to ensure that agreed 2023/24 and previous year budget savings are achieved 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 & Standards
- Head of People, Policy & Transformation

**Signed**

## 1 Background

- 1.1 As set out in the last monitoring report, the 2023/24 revenue budget was set against an incredibly challenging financial backdrop, driven by the high levels of inflation, resulting in rapidly increasing prices, as well as increasing demand for services such as homelessness and emergency children's placements, in the wake of the COVID-19 pandemic. Because of this, the Council faced a significant budget gap when setting its budget for this financial year, requiring a range of mitigating actions to be taken in order to ensure that a balanced budget was achieved. Part of these mitigating actions included savings totalling circa £20m, representing a stepped change from the level of savings required over the last two years. Therefore, coming into the 2023/24 financial year, there was already a potential risk that it would be difficult to achieve all agreed savings in full by the end of March 2024, as well as having any reasonable certainty on inflationary cost pressures and increased demand for services as the year progressed.
- 1.2 In order to mitigate some of these risks, the Council has an unallocated contingency of £1.373m which can be used to offset unforeseen costs. Whilst a valuable and much needed contingency, in the context of a net budget totalling £373m, this provides a relatively small amount of mitigation, particularly if multiple issues present themselves in the year. Some earmarked reserves are held to provide mitigation for such issues, although, again, these are not significant and may be insufficient in addressing all issues that could emerge. Fortunately, it was known that there would be a large underspend against the capital financing budget in 2023/24, due to the fact that the capital programme was forward funded in 2021/22 and slippage in delivering the programme has resulted in this budget not being fully spent/committed to date. However, this is very much temporary mitigation and cannot be relied upon in future years, as the full delivery of the capital programme will result in this budget being fully utilised.
- 1.3 The first monitoring position of the year, as at July 2023, confirmed that some of those known risks, at the start of the year, had materialised and were set to cause significant overspends, especially within Children's Services. The latest forecast, as at September 2023, whilst improved, reflects a continuation of the issues first reported in July. As outlined in the previous report, it is currently proving possible to more than offset these service area overspends with the general contingency and underspends within capital financing. This leaves a projected underspend of £3.500m, at this point of the year.

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

Children's Services overspend (primarily emergency & other placements)	£3,061k
Housing & Communities overspend (primarily homelessness provision)	£934k
Other Service Area Variances (net)	(£512k)
Non-Service - Council Tax, CTRS and other Non-Service budgets	(£1,497k)
<b>SUB-TOTAL – OVERSPEND BEFORE CONTINGENCIES</b>	<b>£1,986k</b>
Core budget - general revenue budget contingency	(£1,373k)
Capital Financing underspend	(£4,114k)
<b>TOTAL</b>	<b>(£3,500k)</b>

- 1.4 Given that the underspend is lower than the capital financing temporary underspend, it confirms that service area overspending needs to be lower in the future otherwise the Council's budget would be overspent.

## 2 Key Areas Contributing to Position

2.1 The following section details some of the key areas that feature within the position, with Appendices 1 and 2 providing further detail. As any under or overspend within schools is offset via a transfer to or from school reserves, the collective impact of this is neutralised within the overall position, and does not affect the bottom line:

- (i) Risk-based area variances
- (ii) Other service budget variances
- (iii) Non-service variances
- (iv) Delivery of budget savings

**(i) Risk based area variances**

2.2 The Council takes a risk-based approach to budget monitoring, with additional focus being given to those areas that tend to exhibit volatility or have a history of significantly overspending. Those risk-based areas, which often reside within demand-led services, are collectively forecasting a net overspend of £2.762m. Significant overspends within that net figure are outlined below:

- Children's Services out of area placements (+£4.148m). The budget available, which is supplemented by external grant funding, allows for an average of 15 placements per month. At the end of September 2023, there were 22 placements, and it is anticipated that there will be 23 placements by the end of the financial year. In addition to numbers exceeding the available budget, in some cases the cost of a placement has significantly increased when compared with previous years, which has added to the overspend. In addition to out of area placements, there is also an overspend of £390k in relation to emergency placements being projected.
- Adult Services residential and non-residential service (+£2.102m). The non-residential care budget can accommodate 936 service users at an average cost. Currently, the forecast reflects service users totalling 965 and, of that figure, the care packages of circa 41% of service users exceed the average weekly cost that the budget allows for. In relation to residential care, there are currently 568 residential placements compared to the 555 that the budget can afford. Approximately 13% of care packages exceed the average weekly cost, which has added to the level of overspend.
- Education ALN local provision development (+£648k). Additional costs are being incurred following the procurement of capacity within Newport in order to avoid the higher cost of out of area placements. As well as this, several pupils are currently being supported to remain in mainstream settings, which assists with avoiding the more expensive out of area placements but has added cost against this budget.

2.3 Partly offsetting the overspends outlined above, and detailed in Appendix 1, are a number of risk-based areas that are identifying underspends, which are set out in the following paragraph.

- Adult Services community care – supported living (-£508k). The budget can accommodate 170 service users at an average weekly cost. The current number of service users is 176, however more than half of those packages are costing less than the budgeted weekly cost, resulting in a significant underspend.
- Adult Services community care income (-£2.899m). This underspend relates to service users (both residential and non-residential) contributing towards the cost of their care. As service user numbers are currently higher than anticipated, there is a greater level of income being generated than was budgeted for. In the case of residential care, service users are assessed as to their ability to pay (with no weekly cap in place) meaning that the level of income generated can fluctuate year to year.

**(ii) Other service area budget variances**

2.4 As well as those areas that have been assessed as requiring a risk-based approach to monitoring, there are other variances that emerge and contribute towards the overall position forecasted.

- 2.5 The main variance identified in the September position relates to the Housing Benefit impact of the current demand for the homelessness service within Housing & Communities. This is an area that has seen a significant increase in costs over the last two years, following the Welsh Government's policy aim to dramatically reduce homelessness. Despite the Council allocating a significant budget increase for 2023/24, to address the ongoing impact of the overspend incurred in 2022/23, costs have increased further and an overspend of £1.031m is being projected. This overspend is mainly due to the fact that costs incurred in relation to Housing Benefit exceed the level of subsidy awarded by the Department for Work & Pensions.
- 2.6 Material variances in other service areas include an overspend of £322k within the Environment & Leisure part of the Environment & Public Protection service, which is predominantly the result of the need to incur additional costs in relation to tree inspections. An overspend of £339k is being projected within the Fleet service within Infrastructure, because of increased maintenance and hire costs. In addition to this, within the People, Policy & Transformation service, there are net overspends exceeding £831k in relation to assets and property. Some of these overspends are the result of additional maintenance costs being incurred and others being the consequence of loss of income or additional contract payments. Across all directorates, there are a number of vacancies being experienced and recruitment challenges are resulting in vacancies being held for longer, which, unless covered by agency staff, are generating underspends.

**(iii) Non-service variances**

- 2.7 There are a number of budgets within non-service areas that are projecting underspends and, ultimately, more than offsetting the net service area overspends, resulting in an overall underspend for the whole council. The main variances are listed below:

• General unallocated contingency	(£1,373k)
• Capital financing	(£4,114k)
• Council Tax Reduction Scheme (CTRS)	(£396k)

- 2.8 The most significant of these variances is the capital financing underspend, which is the product of underspends against the budgets for Minimum Revenue Provision (MRP) and external interest payable, as well as a projected surplus in relation to interest receivable. The underspends on MRP and interest payable were expected, due to having forward funded the budgets necessary to meet the cost of the total capital programme. Slippage in delivering the programme has resulted in the full utilisation of this budget being delayed, which has led to a temporary underspend in this financial year, as well as potentially, although to a lesser extent, in the next year. Regarding the additional interest receivable being generated, this is the result of rising interest rates, meaning the return on investments made is greater than the budget assumes, coupled with higher than expected investment balances, resulting from the aforementioned slippage and the consequent deferral in new external borrowing this has led to.
- 2.9 The projected underspend in relation to CTRS follows a significant budget reduction as part of setting the 2023/24 budget. Despite this reduction, numbers are remaining relatively stable, meaning that the headroom that was retained within the budget for growth in numbers has not been required, to date.

**(iv) Delivery of budget savings**

- 2.10 As outlined in the background section to this report, the 2023/24 budget setting process was set against a particularly challenging financial backdrop, culminating in the need for savings totalling £19.385m being required in order to balance the budget. The table below outlines the progress made to date in delivering those savings and highlights the fact that £1.485m is not expected to have been achieved by the end of the year. In addition, there remains £167k of unachieved savings from previous years. These shortfalls are part of the overall position being reported and, if not addressed, will be carried forward as a pressure into future years.

Summary by Portfolio	Social Services	Environment & Sustainability	Transformation & Corporate	Regeneration & Economic Development	Education	Non Service	Total
2023/24 MTRP Target (£) Total	2,686	1,619	1,910	953	9,642	2,575	<b>19,385</b>
Total Savings Realised by Year End 2023/24	1,680	1,323	1,795	953	9,574	2,575	<b>17,900</b>
Variation to MTRP Target	-1,006	-296	-115	0	-68	0	<b>-1,485</b>
Variation % to MTRP Target	-37%	-18%	-6%	0%	-1%	0%	<b>-8%</b>
Undelivered Savings from Previous Years	-62	-41	-64	0	0	0	<b>-167</b>
Total Undelivered Savings	-1,068	-337	-179	0	-68	0	<b>-1,651</b>

- 2.11 In terms of the specific undelivered savings to date, the two services responsible for the majority of the shortfall are Adult Services and Housing & Communities. Within Housing & Communities, the main shortfall relates to a £296k proposal to reduce the expenditure on temporary accommodation via a range of methods, including increasing move-on opportunities and the level of support given to those individuals in this type of accommodation. To date, it has not been possible to evidence achievement of this saving, especially given the overall overspend in this area. Within Adult Services, savings shortfalls total £1.068m, relating to four separate proposals, including proposals to reduce staffing and the cost of external contracts.
- 2.12 In the case of two of the Adult Services proposals, relating to reductions in staffing costs totalling £481,000, it has been determined that it is possible to undertake a budget realignment within the service area's budget, to permanently write out the savings requirement. This would be achieved as part of a wider virement within the service, which would increase residential fee income budgets to reflect current levels, increase residential care expenditure budgets to reflect increased costs being incurred, and leave a residual balance which is sufficient to permanently cover the unachieved savings target. The table below sets this out. Because the gross value of this virement exceeds £100,000 in value, it requires Cabinet approval.

Budget amendment	Amount
Increase in residential care income	-£1,159k
Increase in residential/nursing care home costs	+£678k
<b>Sub total</b>	<b>-£481k</b>
Shortfall in staffing savings	+£481k
<b>Net virement</b>	<b>£0k</b>

### 3 Schools

- 3.1 The table below and Appendix 3 provide an overview of the position regarding individual school balances. As can be seen, the total balances brought forward into 2023/24 reflected a combined surplus position of £14.4m. Within this total, one school had a deficit balance. This overall closing position was better than had been anticipated during the 2022/23 financial year, partly as a result of schools putting on hold areas of one-off expenditure in anticipation of a challenging 2023/24 budget setting process.
- 3.2 For 2023/24, all schools have been able to set a balanced budget, although, in the majority of cases, this has only been achieved via the planned use of existing surplus balances in order to fund either recurring or one-off expenditure, some of which has been deferred from the previous year. The latest monitoring position suggests that all schools, with the exception of one, are forecasting being able to avoid a deficit position by the end of the year. In the case of that one school, the level of projected deficit is small, and it is hoped that it will prove possible to return this position to a balanced one by March 2024.
- 3.3 Overall, school balances are forecast to reduce to £9.1m by the end of the financial year, which is a significant reduction on the balances carried forward. Of this £5.4m reduction, a proportion is due to one-off use of balances that were, in effect, temporarily inflated due to the late receipt of Welsh Government grant funding in previous years. However, of more concern is the fact that more than half of this use of balances is to fund recurring expenditure at circa £3.6m. For some schools, this is an unsustainable position, as surplus balances are limited, and, therefore, there is a risk of entering a deficit position in future years. Because of this, robust monitoring will be required for the remainder of the year to ensure that schools plan for this risk and take the necessary steps to avoid this or minimise the impact.

	Reserves balance 31/03/23	In year Under/(overspend)	Reserves Balance 31/03/24
	£	£	£
Nursery	123,199	(49,192)	74,007
Primary	8,082,726	(2,987,876)	5,094,850
Secondary	5,692,010	(3,142,913)	2,549,097
Special	528,441	(288,406)	240,035
<b>Total</b>	<b>14,426,375</b>	<b>(6,468,386)</b>	<b>7,957,989</b>
Assumed grant and other compensation		1,100,000	1,100,000
		-	-
<b>Total</b>	<b>14,426,375</b>	<b>(5,368,386)</b>	<b>9,057,989</b>

## 4 Use of reserves

- 4.1 Appendix 4 illustrates the planned movements in reserves throughout the year. At this point, the appendix shows the opening balance as at 31<sup>st</sup> March 2023 of £138.9m and the forecasted use during the year, which currently totals £26.6m, reducing balances to £112.3m. It should be noted that this includes the projected movement of school balances, which accounts for £5.4m of that movement. The other movements are planned or budgeted and in line with the purpose of the earmarked reserve. Also contained within the total position is the General Fund Balance, which totals £6.5m, as it has for a number of years. This reserve would only be accessed in the event of last resort and where all other options had been considered. The general level of cover provided by this balance is low, standing at 2.7% of the net budget, excluding schools. This reinforces the fact that this should only be accessed where absolutely necessary.
- 4.2 On the face of it, the Council currently has a good level of reserves, although these are diminishing, as shown by the reduction of £13m in 2022/23 and projected reduction of £26.6m this year. However, whilst the total level of reserves is good, with the exception of the General Fund Balance, they are all either earmarked or ringfenced for specific purposes, including the financial impacts of risks the Council is facing. Having said that, if absolutely necessary, earmarked reserves could be repurposed to meet an overspend or specific unforeseen costs. In doing so, it may result in a certain policy objective no longer being achievable, or the requirement to repay the reserve in future years. The requirement to repay reserves would place an immediate additional pressure upon the Council's Medium Term Financial Plan and, because of this, the unplanned use of reserves should be avoided wherever possible.
- 4.3 As part of the projected movements on reserves, there is a commitment of £2.889m in relation to the Transformation Fund. This reserve is used to support, primarily, the implementation costs associated with proposals contained within the Council's Medium Term Financial Plan, such as redundancy or project costs. The commitments against this reserve for the year are agreed as part of the budget setting process, with any commitments arising in-year requiring subsequent Cabinet approval. It should also be noted that the Reserves Protocol, which is approved by Council on an annual basis, requires the minimum balance in the fund, after allowing for known commitments, to be £3m.
- 4.4 The current forecast against this reserve includes provisional commitments in relation to additional internal and external resources required to support specific elements of the Council's Transformation Programme, such as the Asset Programme. These provisional commitments are set out in Appendix 5 and, for the three-year period from 2023/24 to 2025/26, total £774k. This level of new commitment can be afforded from the total balance available within the reserves, whilst ensuring that the residual balance in the reserve remains above the minimum £3m. However, it is important to note that there remains relatively little scope for further commitments, without breaching the minimum level required. This is especially important, as the reserve acts as an enabling mechanism for budget savings proposals agreed for each financial year. Without an adequate reserve balance, this could have an impact upon the Council's ability to agree the necessary savings in order to balance future year revenue budgets. Therefore, it is important that

replenishment of this reserve is considered as one of the highest priorities for any underspend at the end of this financial year.

- 4.5 As part of the recommendations to this report, Cabinet is asked to approve these new commitments. As part of doing so, Cabinet is also asked to note the comments of the Head of Finance, who has recommended that priority is given to replenishing the reserve from any in-year underspend. It should also be noted that the existing commitments will be subject to ongoing review to ensure that any opportunities to reduce the overall commitment against the fund are taken.

## **5 Outlook for the remainder of the year**

- 5.1 The position outlined in this report represents the second one of the year and reflects an improvement on the position reported in July. In previous years, the general trend has been for the position to improve throughout the year. This can be because of unexpected grant funding allocations from Welsh Government, which can offset core expenditure, or because of changes to forecasts resulting from vacancies, for example. In the case of the 2023/24 year, it is possible that further vacancies could arise, stemming from the recruitment challenges being experienced across all services, which would improve the position further. However, the prospect of additional grant funding is potentially less reliable than it may have been in previous years, following the recent Welsh Government announcements, which have confirmed that the likelihood of receiving additional in-year grant funding is low. To date, Welsh Government have not withdrawn any previously confirmed grant allocations, however there is a risk that as yet unconfirmed grants may not be forthcoming.
- 5.2 In addition to the risk of grant funding not materialising, there are other risks that could negatively impact the position. These include:
- Specific inflationary pressures emerging, despite the gradually reducing level of overall inflation nation-wide.
  - Demand pressures increasing further and resulting in increasing overspends against demand-led services, such as Housing & Communities and Children's Services.
- 5.3 Therefore, whilst there is currently an overall underspend being projected, there remains a risk that this position could worsen in the second half of the year. An overspend position is something that needs to be avoided, so that earmarked reserves can be retained for their intended purpose. Services should, therefore, maintain a focus on financial management and ensure that emerging issues are addressed and managed within existing resources. Where overspends are already being projected, services should be taking steps to reduce these overspends and, ideally, return to a balanced position.
- 5.4 It is recognised that there is a significant underspend forecast and whilst it is still relatively early to have certainty on this position, especially given the potential risks outlined within the report, it is important that as much of an underspend as possible is generated in order to boost capital resources. The Head of Finance recommends early consideration of the potential use of this underspend at year end for this purpose. Any transfer to capital resources would add much needed resources to the Council's capital funding headroom and provide scope to respond to unforeseen capital pressures/priorities as and when they arise.

### **Timetable**

Ongoing

### **Risks**

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



<b>Risk</b>	<b>Impact of Risk if it occurs* (H/M/L)</b>	<b>Probability of risk occurring (H/M/L)</b>	<b>What is the Council doing or what has it done to avoid the risk or reduce its effect</b>	<b>Who is responsible for dealing with the risk?</b>
Risk of overspending, due to increased demand, cost increases or unforeseen costs.	H	M	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, which is intended to create capacity for Finance Business Partners to adequately review the forecasts submitted by budget holders within service areas.  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.

#### Adult Services virement

- To approve the proposed virement within Adult Services, in order to reflect the fact that two unachieved savings have been achieved via an alternative route.
- To not approve the virement and continuing to report unachieved savings totalling £481,000 within Adult Services.

#### Transformation Fund

- To approve the use of the Transformation Fund, totalling £774,000 across three financial years, to fund the costs associated with the internal and external resources needed to support the Transformation Programme.
- To note the Head of Finance's recommendation that replenishment of the Transformation Fund is made a priority when determining the use of any underspend at the end of the financial year.

- To not approve the use of the Transformation Fund, as set out in the report.

### **Preferred Option and Why**

To note the monitoring position being reported and the risks that could cause this to change during the remainder of the year.

To approve the proposed virement.

To approve, in principle, the use of the Transformation Fund to support the Transformation Programme and note the Head of Finance's recommendation regarding replenishment of the reserve.

### **Comments of Chief Financial Officer**

The monitoring position outlined in this report reflects an overall underspend of £3.500m, which is an improvement on the position reported in July. Whilst this reflects a positive position at this stage of the year, this overall underspend is only achievable due to the availability of contingencies and temporary significant underspends in non-service areas. The level of service overspending is a significant concern, though mitigated to an extent by some services underspending, especially when considering the additional budget that was allocated to alleviate some of these pressures as part of the 2023/24 revenue budget setting process. As these temporary contingencies reduce over the next two years, services will need to manage at or closer to their budgets to ensure the Council's outturn is balanced.

The report outlines a number of risks that could result in the position deteriorating as the year progresses. These risks are very real, as evidenced by the level of overspend within Children's Services, for example, given that at the time of setting the budget it was anticipated that demand pressures could be met from within existing budget allocations and grant funding. Therefore, caution is still required during the year and all services need to ensure that they manage within their available resources and take mitigating action for any unforeseen costs that may emerge. In addition, services need to pay close attention to any grant allocations that are yet to be confirmed, as there is a risk that these may not be forthcoming, in light of the recent announcements by Welsh Government.

As well as managing any emerging issues within their existing budgets, service areas also need to ensure that the savings agreed as part of the 2023/24 budget setting process are delivered in full, as far as possible. Currently, a significant shortfall of £1.651m is predicted against savings targets, including unachieved savings carried forward from previous years. These shortfalls form part of the overall position and, whilst they are being mitigated in 2023/24, this may not be possible in future years, with the exception of £481,000 within Adult Services, which can be written out permanently via the virement proposed in this report. Therefore, it is imperative that steps are taken to ensure full delivery of savings by the end of this financial year, so they do not continue to represent a pressure from 2024/25 onwards.

The report also highlights the fact that the balance on the Council's Transformation Fund is set to reduce close to the agreed £3m minimum level, should new commitments in relation to the Transformation Programme be agreed. Because it is highly likely that there will be future commitments required against this fund, mainly arising from savings proposals agreed as part of future budget setting processes, it is important that adding to the balance in the reserve, via any in-year underspend, is given a high priority. This will ensure that sufficient funding is available in future years and the Transformation Programme can fully achieve the benefits anticipated.

### **Comments of Monitoring Officer**

There are no legal issues arising from this report.

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

The report is the second update of the 2023/24 financial year and highlights the current forecast position on the Council's revenue budget and the financial risks and opportunities that present themselves within the September position. An overall underspend of £3.500m is projected, whilst acknowledging the potential risks that could cause this to change during the remainder of the year.

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

There are no direct HR implications associated with the report. A Fairness and Equality Impact Assessment was not required but is considered as part of service delivery and will feature in annual finance reports.

## **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

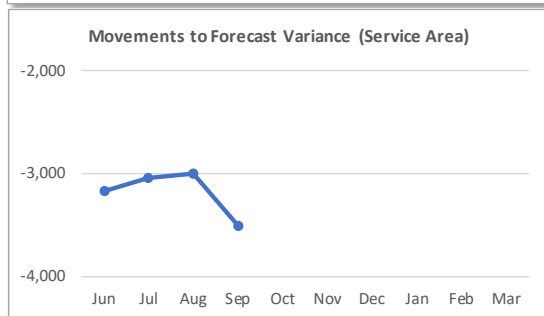
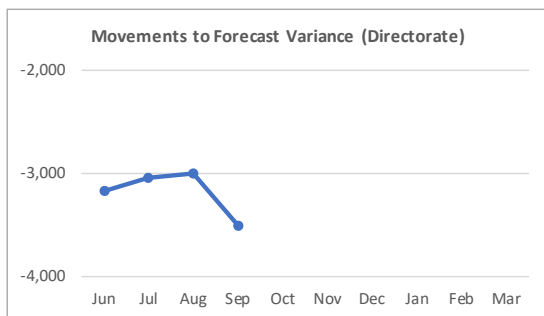
## **Background Papers**

Dated:

## APPENDIX 1 Overall monitoring dashboard – September 2023

### Revenue Monitoring Dashboard 2023-24

The following tables, charts and figures give an indication of the financial performance of each Directorate and Service Areas across the Council.



Subjective	Budget £'000	Forecast £'000	Variance £'000
Employees	240,495	247,123	6,628
Premises	32,379	37,341	4,962
Transport	11,262	12,310	1,048
Supplies & Services	78,398	73,566	-4,832
Agency & Contracted Services	156,726	166,193	9,467
Transfer Payments	37,472	37,304	-168
Support Services	0	0	0
Capital Financing	10,673	8,540	-2,134
Income	-186,088	-201,268	-15,180
Miscellaneous	-7,641	-10,932	-3,291
<b>Grand Total</b>	<b>373,677</b>	<b>370,176</b>	<b>-3,500</b>

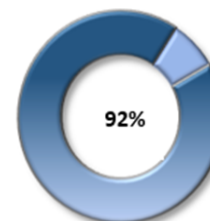
The following tables and charts provide an update on the financial performance for identified risk areas across the Council.

Risk Based Areas	Budget £'000	Forecast £'000	Variance £'000
<b>Adult Services</b>			
Community Care - Non Residential Service	15,870	17,287	1,417
Community Care - Residential Service	33,650	34,335	685
Community Care - Supported Living	14,826	14,318	-508
Community Care Income - Residential & Non Residential	-9,785	-12,684	-2,899
<b>Children Services</b>			
Emergency Placements	332	723	391
In House Fostering	3,856	3,884	28
In House Residential	2,379	2,282	-97
Independent Fostering Agencies	2,517	1,992	-525
Out of Area Residential	2,960	7,108	4,148
Special Guardianship Orders	1,351	1,425	74
<b>Education</b>			
ALN Local Provision Development	877	1,525	648
ALN Out of County Placements	4,235	4,015	-220
ALN Transport	2,592	2,276	-315
Special Home to School Transport	1,275	1,651	376
<b>Infrastructure</b>			
Home to School Transport - College	228	167	-61
Home to School Transport - Primary	1,555	1,372	-184
Home to School Transport - Secondary	1,884	1,688	-196
<b>Grand Total</b>	<b>80,602</b>	<b>83,364</b>	<b>2,762</b>

The figures and charts below report the performance against the 2023/24 savings target.

Service Area	MTRP Target	Savings Realised	Variation to MTRP Target	Variation % to MTRP Target
Adult Services	1,394	388	-1,006	-72%
Children Services	1,200	1,200	0	0%
Contingency Provisions	1,575	1,575	0	0%
Education	1,387	1,319	-68	-5%
Environment & Public Protection	616	616	0	0%
Finance	408	408	0	0%
Housing & Communities	413	117	-296	-72%
Infrastructure	590	590	0	0%
Law & Standards	188	156	-32	-17%
Levies / Other	1,000	1,000	0	0%
People, Policy & Transformation	1,314	1,231	-83	-6%
Prevention & Inclusion	92	92	0	0%
Regeneration & Economic Development	953	953	0	0%
Schools	8,255	8,255	0	0%
<b>Grand Total</b>	<b>19,385</b>	<b>17,900</b>	<b>-1,485</b>	

2023/24 Delivery of Savings (forecast)



% of MTRP Target Achieved

## APPENDIX 2 Revenue Summary Monitor - September 2023

	Current Budget	Projection	(Under) / Over
	£'000	£'000	£'000
<b>Summary Revenue Budget 2023/24</b>			
<b>Social Services</b>			
Children Services	29,405	32,466	3,061
Adult Services	69,153	68,260	(893)
Prevention & Inclusion	913	837	(76)
	<b>99,471</b>	<b>101,562</b>	<b>2,092</b>
<b>Transformation &amp; Corporate</b>			
Finance	5,581	5,480	(101)
People, Policy & Transformation	15,068	15,481	413
Law & Standards	4,975	5,076	100
	<b>25,624</b>	<b>26,036</b>	<b>412</b>
<b>Environment &amp; Sustainability</b>			
Housing & Communities	8,249	9,183	934
Environment & Public Protection	16,320	16,419	99
Infrastructure	15,269	15,173	(96)
	<b>39,838</b>	<b>40,775</b>	<b>937</b>
<b>Chief Executive</b>			
Regeneration & Economic Development	6,239	6,168	(71)
Education	17,638	17,752	114
Schools	129,127	134,496	5,368
	<b>153,004</b>	<b>158,416</b>	<b>5,412</b>
<b>Sub Total - Service Areas (inc schools)</b>	<b>317,937</b>	<b>326,789</b>	<b>8,852</b>
Earmarked reserves: Transfer to/(from) Schools		(5,368)	(5,368)
<b>Sub Total - Service Areas (net of school reserves)</b>	<b>317,937</b>	<b>321,421</b>	<b>3,484</b>
<b>Capital Financing Costs and Interest</b>			
Capital Financing Costs and Interest (Non-PFI)	16,564	12,450	(4,114)
	<b>26,264</b>	<b>22,150</b>	<b>(4,114)</b>
<b>Sub Total - Service/Capital Financing</b>	<b>344,202</b>	<b>343,571</b>	<b>(630)</b>
<b>Contingency Provisions</b>			
General Contingency	1,373	-	(1,373)
Centralised Insurance Fund	616	617	1
Non Departmental Costs	40	20	(20)
Other Income and Expenditure	3,182	2,176	(1,006)
	<b>5,211</b>	<b>2,813</b>	<b>(2,398)</b>
<b>Levies / Other</b>			
Discontinued Operations - pensions	1,451	1,338	(113)
Discontinued Operations - Ex Gratia Payments	3	3	-
Levies - Drainage Board, Fire service etc	10,810	10,846	37
CTAX Benefit Rebates	13,739	13,343	(396)
	<b>26,002</b>	<b>25,530</b>	<b>(472)</b>
<b>Transfers To/From Reserves</b>			
Base budget - Planned Transfers to/(from) Reserves	(1,739)	(1,739)	-
Earmarked reserves: Transfer to/(from) Capital	-	-	-
Invest to Save Reserve	-	3,477	3,477
Invest to Save Reserve (from)	-	(3,477)	(3,477)
	<b>(1,739)</b>	<b>(1,739)</b>	<b>-</b>
<b>Total</b>	<b>373,676</b>	<b>370,176</b>	<b>(3,500)</b>
<b>Funded By</b>			
WG funding (RSG and NNDR)	(289,522)	(289,522)	-
Council Tax	(84,154)	(84,154)	-
Council Tax Deficit	-	-	-
<b>Total</b>	<b>(0)</b>	<b>(3,500)</b>	<b>(3,500)</b>

## APPENDIX 3 School Balances Position

School Name	Opening Reserve 23/24	Final ISB Allocation (inc Post 16)	In Year U/(O) Spend March 24	Closing Reserve 31/03/24
	£	£	£	£
Bassaleg School	688,103	9,253,564	(574,235)	113,868
Newport High	467,836	6,285,687	(436,101)	31,735
Caerleon Comprehensive	481,691	7,596,434	(34,243)	447,449
The John Frost School	868,055	7,962,535	(628,123)	239,932
Llanwern High	623,817	5,919,289	(434,636)	189,181
Lliswerry High	373,491	6,151,256	51,383	424,874
St Josephs R.C. High	692,782	7,245,337	(330,312)	362,471
St Julians School	1,247,263	8,131,316	(567,686)	679,577
Ysgol Gyfun Gwent Is Coed	248,971	2,917,903	(188,959)	60,011
<b>Sub Total</b>	<b>5,692,010</b>	<b>61,463,321</b>	<b>(3,142,913)</b>	<b>2,549,097</b>
Alway Primary	182,838	1,790,357	(128,346)	54,492
Caerleon Lodge Hill	170,699	1,444,080	(59,806)	110,893
Charles Williams CIW	711,625	2,014,348	(309,629)	401,996
Clytha Primary	20,600	967,542	(16,956)	3,644
Crindau Primary	215,536	1,701,817	(82,309)	133,226
Eveswell Primary	625,722	1,842,472	(138,174)	487,548
Gaer Primary	66,296	2,036,572	(66,061)	234
Glan Usk Primary	345,969	2,439,005	(170,754)	175,215
Glan Llyn Primary	362,335	2,078,018	56,495	418,830
Glasllwch Primary	48,668	953,927	(42,958)	5,710
High Cross Primary	34,693	1,083,984	(29,302)	5,391
Jubilee Park	271,870	1,588,865	(153,505)	118,365
Langstone Primary	201,600	1,334,543	(161,401)	40,199
Llanmartin Primary	151,052	830,391	(95,634)	55,418
Lliswerry Primary	48,832	2,341,034	57,699	106,532
Maesglas Primary	36,860	1,303,731	(27,798)	9,061
Maindee Primary	107,393	2,185,056	(98,955)	8,438
Malpas CIW Primary	43,818	1,183,151	(27,840)	15,978
Malpas Court Primary	65,103	1,367,445	(59,577)	5,527
Malpas Park Primary	253,430	1,009,325	(97,776)	155,654
Marshfield Primary	119,988	1,749,316	(89,482)	30,506
Millbrook Primary	208,686	1,416,720	(127,268)	81,417
Milton Primary	155,501	2,047,705	(90,272)	65,229
Monnow Primary	69,584	1,790,137	(9,862)	59,722
Mount Pleasant	58,640	1,042,274	(20,614)	38,025
Pentrepoeth Primary	44,950	1,815,652	1,577	46,527
Pillgwenlly Primary	(72,203)	2,557,855	118,783	46,580
Ringland Primary	139,537	1,177,600	(129,908)	9,629
Rogerstone Primary	114,039	2,446,399	(81,639)	32,401
Somerton Primary	143,469	793,842	(16,115)	127,354
St Andrews Primary	175,597	3,087,581	(82,747)	92,850
St Davids RC Primary	195,048	949,503	(106,319)	88,730
St Gabriels RC Primary	134,835	842,433	(35,011)	99,824
St Josephs RC Primary	94,670	860,073	(27,998)	66,672
St Julians Primary	370,870	2,596,859	(128,159)	242,711
St Marys Rc Primary	269,924	1,630,972	(136,286)	133,638
St Michaels RC Primary	81,330	959,025	(68,948)	12,382
St Patricks RC Primary	126,764	893,202	(52,527)	74,237
St Woolos Primary	39,221	1,358,881	(50,249)	(11,028)
Tredeggar Park Primary	594,736	1,832,943	(215,170)	379,567
Ysgol Gym Bro Teyrnion	339,915	923,865	(101,687)	238,228
Ysgol Gym Casnewydd	283,581	1,551,337	(49,211)	234,369
Ysgol Gym Ifor Hael	117,100	882,535	(89,865)	27,235
Ysgol Gym Nant Gwenlli	312,007	627,420	253,687	565,694
<b>Sub Total</b>	<b>8,082,726</b>	<b>67,329,792</b>	<b>(2,987,876)</b>	<b>5,094,850</b>
Newport Nursery	123,199	306,375	(49,192)	74,007
<b>Sub Total</b>	<b>123,199</b>	<b>306,375</b>	<b>(49,192)</b>	<b>74,007</b>
Maes Ebbw	297,340	4,347,665	(127,681)	169,659
Bryn Derw	231,101	3,075,611	(160,725)	70,376
<b>Sub Total</b>	<b>528,441</b>	<b>7,423,276</b>	<b>(288,406)</b>	<b>240,035</b>
Assumed additional grant and other compensation			1,100,000	1,100,000
<b>Grand Total</b>	<b>14,426,375</b>	<b>136,522,764</b>	<b>(5,368,386)</b>	<b>9,057,989</b>



Reserve	Balance at 31-Mar-23 (£'000)	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Balance at 31-Mar-24 (£'000) (Forecast)
Theatre & Arts Centre	(232)												-	(232)
Environmental Health - Improve Air Quality	(49)													(49)
City Economic Development Reserve ( <i>see separate tab for detail</i> )	(370)													(370)
Welsh Language Standards	(100)												55	(45)
Port Health	(20)													(20)
Financial System Upgrade	(437)												348	(89)
Events	(282)												(20)	(302)
Voluntary Sector Grants	(27)													(27)
IT Development	(53)													(53)
Joint Committee City Deal Reserve	(662)													(662)
Civil Parking Enforcement	(11)												11	-
Business Support	(81)													(81)
Business Development Grants	(250)													(250)
IT Infrastructure ( <i>see separate tab for detail</i> )	(309)												59	(250)
PSB Contribution	(5)													(5)
COVID Reserve ( <i>see separate tab for detail</i> )	(351)												-	(351)
Chief Education Grant	(2,208)												309	(1,899)
Home to School Transport - St Andrews / Millbrook	(314)				(509)								291	(532)
Housing Supply review	(16)													(16)
Cariad Casnewydd	(166)													(166)
Community Gardening Schemes	(180)												180	-
Market Arcade owner contributions	(51)													(51)
Parks & Open Spaces	(2,090)												1,180	(910)
Discretionary Rate Relief	(900)													(900)
Domiciliary Care Service Capacity (now Direct Payments)	(34)												34	-
St. Andrews Primary	(152)												19	(133)
Communications Corporate Requirement	(232)													(232)
Growing space - 2 years	(100)												50	(50)
Spring Gardens - short breaks service	(200)												200	-
Residential Care Home Equalisation Reserve	(621)													(621)
Partnership funding - ABUHB - Windmill Farm	(57)													(57)
Levelling up	(38)													(38)
Cost of living Support Scheme Reserve	(485)													(485)
Prior year underspend	(5,065)				4,964									(101)
Empty Homes	-				(200)									(200)
Transporter Bridge	-				(53)								(35)	(88)
<b>SUB TOTAL - OTHER RESERVES</b>	<b>(16,169)</b>	-	-	-	<b>4,202</b>	-	-	-	-	-	-	-	<b>2,682</b>	<b>(9,285)</b>
<b>RESERVES TOTAL</b>	<b>(138,868)</b>	-	-	-	<b>(41)</b>	-	-	-	<b>3,139</b>	-	-	-	<b>23,488</b>	<b>(112,282)</b>



**APPENDIX 5** Transformation Fund Bids

<b>Bid</b>	<b>2023/24 (£000)</b>	<b>2024/25 (£000)</b>	<b>2025/26 (£000)</b>	<b>Total (£000)</b>
Asset Projects Officer	13	54	41	<b>108</b>
Internal project resource for JV review	10	62	47	<b>119</b>
External project resource for JV review	16	19	0	<b>35</b>
Finance resources to support Transformation Programme	28	119	91	<b>238</b>
Legal resources to support Transformation Programme	19	75	56	<b>150</b>
HR resources to support Transformation Programme	0	68	56	<b>124</b>
<b>Total</b>	<b>86</b>	<b>397</b>	<b>291</b>	<b>774</b>