



Report of the Cabinet Member for Economy, Finance & Strategy

Cabinet – 17 December 2020

Revenue and Capital Budget Monitoring 2nd Quarter 2020/21

| | |
|------------------------------------|--|
| Purpose: | To report on financial monitoring of the 2020/21 revenue and capital budgets, including the delivery of budget savings. |
| Policy Framework: | Budget 2020/21. Transformation and Future Council (Sustainable Swansea –fit for the future) |
| Consultation: | Cabinet Members, Corporate Management Team, Legal Services and Access to Services. |
| Recommendation(s): | It is recommended that Cabinet: <ol style="list-style-type: none"> 1) Notes the comments and variations set out in the report and the actions in hand to address these; 2) Approves the virements in para 2.7; 3) Continues setting a level of permitted, in extremis, in year overspending of up to £10m, to be fully financed from draws from earmarked reserves, as approved at Council on 4 November 2020, to ensure the overall budget remains balanced for the year; 4) Endorse that no officer may consider any material further spending commitments and must wherever possible defer and delay spending to contain and reduce the likely forecast overspend by year end as far as is practicable, whilst delivering agreed Council priorities set out in the approved budget. |
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1. Background and Introduction

- 1.1 This report details forecast variations from the agreed budget for 2020/21.
- 1.2 In respect of Revenue Budgets, this report provides a consolidated forecast which combines:
- projected variations (mainly shortfalls) in relation to budget savings agreed by Council in March 2020
 - Variations arising from other service pressures not directly linked to specific savings plans (e.g. increased service demand, price and pay inflation, increased, but most often unfunded, regulatory obligations and burdens from both UK and Welsh governments)
- 1.3 The report includes comments from Directors in relation to the variations highlighted and the action that is in hand or proposed as appropriate.

2. Revenue Outturn Forecast Based on 2nd Quarter Position

- 2.1 Appendix 'A' to this report details the approved Revenue Budget for 2020/21 and the forecast variation at this time.
- 2.2 Other than projected variations on Directorate expenditure, it is still too early to confidently forecast final variations that may arise on some significant Corporate items, including the level of Council Tax collection (which posted a deficit in 2019-20 of £0.7m and 2018-19 of £0.3m). Given the likely impact of COVID on collection it is inevitable that a further shortfall will arise in 2020-21. An updated forecast is that there will be a shortfall of £3.8m (£2.5m in the first quarter) in 2020-21. This may be subject to some form of grant underpin support in due course from the Welsh Government, but is far from assured.
- 2.3 The overall Directorate position is summarised below:-

DIRECTORATE

| | FORECAST VARIATION 2020/21 £000 | NET COVID VARIATION 2020/21 £000 | OTHER VARIATION 2020/21 £000 |
|---|--|---|---|
| RESOURCES | 4,531 | 4,821 | -290 |
| PEOPLE - SOCIAL SERVICES | 4,917 | 8,176 | -3,259 |
| PEOPLE - EDUCATION | 4,805 | 3,533 | 1,272 |
| PLACE | 10,500 | 10,500 | 0 |
| Additional Savings | 194 | | 194 |
| <i>NET DIRECTORATE EXPENDITURE</i> | 24,947 | 27,030 | -2,083 |

- 2.4 Directors' comments on the above variations are shown at Appendix B :-
- 2.5 Within the *Sustainable Swansea* Delivery Programme, work continues to develop service delivery plans that will include all savings requirements across all strands. This includes the cross cutting nature of new reviews as well as the completion of current in-flight reviews.
- 2.6 The table above shows an estimated overspend for the year of £24.9million. Bar some "Business as usual" fluctuations in Social Services and Education which is in effect entirely as a result of the COVID 19 pandemic and relevant responses in expenditure and reductions in Income as a result. This figure does not include the Business Support Grants costs and Retail/Hospitality/Rates reductions resulting from Welsh Government decisions and which are anticipated to cost around £85m and to be funded in their entirety. Any funding from WG confirmed after the Quarter2 report as a result of grant claims have not been included in the figures above, i.e including the additional £13m approximately due paid out in firebreak grants in early November. Section 2.7 below shows the level of "service" expenditure that has been deemed as eligible and paid by WG to date in the first quarter report and subsequently.
- 2.7 Currently, monthly claims against additional COVID expenditure (April to September and an historic claim in relation to March 2020) and a claim for loss of income for the first two quarters as a result of COVID in relation to the services has been submitted to WG. The summary of claims submitted to date and amounts received is set out below :

Summary of claims submitted and payments received to date in 2020/21

| | Claim £000's | Paid £000's | |
|---|-----------------|----------------|--|
| All other claims : April to July | 6,004 | 5,291 | Monthly claims for Free School Meals are held subject to WG review. |
| Loss of Income 1st Quarter Tranche 1 | 4,174 | 4,174 | Limited by WG to Carparking ,Waste , School catering and Cultural Services only. |
| <i>Total April – July</i> | <u>10,178</u> | <u>9,465</u> | <i>as reported in Quarter 1 report</i> |
| Loss of Income 1 st Quarter Tranche 2 | 2,917 | 2,803 | WG reviewing and querying elements locally and Nationally - primarily Adult Social Services. |
| All other claims : August | 1,848 | 1,538 | Paid includes July delayed payment .WG reviewing and querying elements locally and Nationally – primarily FSM. |
| September | 1,691 | ?? | Recently submitted :Initial payments will be reflected in third quarter report. |
| Loss of Income 2 nd | | | |

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Quarter 3,779 ?? Recently submitted: Initial payments will be reflected in third quarter report.

Total Aug –Sept 10,235 4,341

Overall total 20,413 13,806 Hardship and Loss of Income.

Welsh Government have amended eligibility criteria as the year has progressed both in relation to additional costs and loss of income. This has included deeming as ineligible certain elements of expenditure (eg day to day expenses such as mobile phones, postage/copying/stationery costs , local decisions re support to local business) and reducing the eligible element of other costs.

As such the monthly claims are amended to include only those elements of expenditure deemed to be eligible so exclude any costs etc not deemed eligible to be claimed.

Whilst some elements of expenditure are going to be continued to be claimed the WG

“panel have suggested as authorities are moving into a different phase of response then some costs deemed additional and necessary at the start will no longer be eligible within the fund but will be a matter for local discretion. E.g. packed lunches for homeless. This is because what was deemed an emergency response at the start of the pandemic is likely to either have a national policy response or there has been enough time for authorities to make alternative arrangements at a lower cost from existing budgets.”

This will result in a further reduction in those elements deemed to be eligible for grant by WG.

Similarly , the Loss of Income claims only include those elements deemed as “eligible” by WG. A second quarter loss of income claim is due to be submitted in mid November to the WG in accordance with their most recent eligibility/guidance criteria.

Grant claims to WG in relation to TTP have commenced which are anticipated to cover all additional costs arising. The additional costs are included under Resources and currently amount to £2.8m in 2020/21. It remains unclear how much will be truly additional cost (and claimable) as opposed to, as is predominantly currently the case, redeployed and redirected costs of existing workforce otherwise prevented from working in their normal service areas, but as “return to new normal” becomes more prevalent it is clear costs will rapidly start to be additional rather than “in lieu” and thus reclaimable.

Grant claims to WG for the £500 carer payments will be made in due course as the scheme develops nationally and again are assumed to fully cover costs with both elements contained with the Social Services forecast . The same will apply to the £500 isolation payments and social care statutory sick pay top up payments once the schemes have been developed nationally.

At present, therefore, it is proposed to allocate the additional sums received since the first quarter report as follows and to seek that cabinet formalise their virement in receiving this report to service budget lines as follows :

| | |
|-----------------|---------|
| Education | £1.1m |
| Social Services | £1.33m |
| Place | £1.906m |

| | |
|-----------|---------|
| Resources | £0.005m |
| Total | £4.341m |

And once the figure is confirmed up to the following figure :

Resources (TTP) £2.8m

This proposal has no overall impact on the position, merely allocates grant received back above the line and which will result in some reductions in report service overspending in later reports but equally will remove the net grant income received below the line.

2.8 Corporate Management Team has re-enforced the current arrangements for budget monitoring in particular:-

- focus on a range of corrective actions;
- targeted immediate spend reduction and deferral action;
- spending control on all vacancies and contracts;
- a continued reminder that **no Responsible Officer is authorised to overspend their budget in line with Financial Procedure Rules;**
- and consequently that Directors must work closely with Cabinet Members and the Corporate Management Team to contain, reduce, defer and delay spending as far as possible, having due regard, to existing agreed budget and political priorities to nonetheless seek to limit service overspending.

2.9 Offsetting opportunities do exist to temporarily ameliorate the currently identified service demand and price pressures as follows.

- £1m was set aside in the budget for the potential costs relating to the impact of the Apprenticeship Levy. The final costs relating to this levy will only be known once final employee related costs are calculated at the year end. Should the full allocation not be required then any saving will be proposed to be used to mitigate service pressures at year end.
- £1.85m was also set aside to meet any specific and significant inflationary increases arising in year. Given the overall financial projection at this stage it is proposed by the S151 officer that this be released as a compensating corporate saving especially as the price inflation outlook for the year looks very subdued..
- Use of the Contingency Fund as detailed below.

3. Contingency Fund Provision for 2020/21

3.1 The contingency fund was set at the £3.621m contribution for 2020/21 as set out in the budget report approved by Council in March 2020. As a result of the favourable outturn position this was added to, on a one off basis, to bring the total available to spend to over £9m. This is significantly higher than in recent years reflecting additional mitigation against any repeated overspending.

3.2 The current potential calls on the contingency fund for 2020-21 are:-

| Contingency Fund 2020/21 | Prediction |
|--|-------------------------|
| | 2020/21 (£m) |
| Budgeted contribution for year. | 3.621 |
| Increase from c/fw from 2019-20 (as per Council 4 November 2020) | 6.306 |
| Proposed Strengthening and increased resilience in Financial Services | -0.250 |
| Freedom of the City – Merchant Navy | -0.005 |
| Support to Leisure Centres | -0.800 |
| Underwrite to leisure Operators | -1.000 |
| Support to Swansea Market | -0.500 |
| Pipe House Wharf relocation lease costs | -0.057 |
| School 3G pitch Support | -0.025 |
| Communications/PR improvements | -0.010 |
| City of Sanctuary floral badge | -0.001 |
| Coroners ICT | -0.040 |
| Market Rents | -0.035 |
| COVID ICT agile/homeworking costs: staff and members | -0.320 |
| COVID extension of waiver for staff parking permits –loss of income. | -0.300 |
| Used to reduce service overspending | -6.584 |
| Balance 31st March 2021 | 0.000 |

The above table lists current potential calls on the budgeted contingency fund. All bar the Strengthening of Finance (which will be a proposed budget adjustment for 2021-22) are anticipated to be one off costs. The final amounts will be dependent on a number of factors during the year including speed of implementation, actual costs/commitments incurred and final Directorate outturn position. Spend approvals will be deliberately limited to seek to maximise underspend here as part of mitigating budget savings action.

As at 1st April 2020 some £3m remained within the Restructure Reserve to contribute toward ER/VR or other cost risks that may arise in 2020-21. The S151 officer remains satisfied that this is sufficient for 2020-21 and that there should be no call on contingency this year to fund such costs. The final costs of ER/VR will only be known towards the end of the year once all management actions re savings proposals etc are implemented. At this stage it is assumed that all ER/VR costs will be able to be contained within the sum left in the Restructure Reserve.

Based on current forecast the S151 officer proposes to utilise the current year forecast underspend on the Contingency Fund of £6.584m to provide additional mitigation against the anticipated unfunded elements of cost/loss of income as a result of COVID19.

However, the S151 officer proposes to reserve his final position on the recommended levels of use of the restructure reserve and contingency fund until the absolute success or otherwise of reducing the forecast overspend is known at year-end.

3.3 The current indication is that, for 2020-21, there needs to be continued targeted mitigating action and delivery of savings proposals to help reduce the overall service overspends. It looks inevitable as this early stage that substantial draws from earmarked reserves will be needed to achieve a fully balanced budget for the year. Any inroads to net spending will reduce the necessary draw from reserves and increase the amount of reserves available to carry into 2021-22.

3.4 The action being taken includes working through existing plans on an accelerated delivery basis:

- Management and Business Support Review: ongoing review of the management structure across the Council and future requirements given the Council's priorities, future challenges and the changing nature of the role of managers
- Reducing the Pay Bill: review of options to reduce employee costs across the Council as part of our overall future workforce strategy (subject to trade union consultation at the appropriate time)
- Commercialism through third party Procurement Savings and Income Generation: review of further options to increase income from fees and charges, trading etc, in addition to the targets already set for 2020/21
- Progressing implementation of final phases Commissioning Reviews and Cross Cutting Themes.
- Further implementation of the Social Services Saving Plan through which we have identified mechanisms for bringing down overall costs.
- On the basis that these are existing agreed actions fully set out in the agreed budget set by Council in March, whilst wholly recognising the ability to progress any of the above have been seriously impacted by Covid 19.
- Continuing the extant spending restrictions which have been agreed as necessary by Corporate Management Team.
- Directors detailed action plans which are summarised in their commentary in Appendix B.
- The Deputy Chief Executive taking forward implementation of the recovery plan approved at Cabinet to agree alternative mitigating actions and future steps, including a successor programme to Sustainable Swansea more suited and fitted pan and post Covid 19 and Brexit.

3.5 It should be noted that at this time, although the Council continues to pursue a number of VAT related claims, some are more advanced than others, there is NO certainty of windfalls from VAT refunds or any other external source being received in the current year.

4. Revenue Budget Summary

4.1 The position reported above reflects the best known current position and shows a net £24.9m of shortfall in service revenue budgets, almost entirely in relation to anticipated costs/loss of income as a result of COVID19 which when combined with

a forecast £3.8m shortfall in Council Tax collection leads to a total shortfall of £28.7m. Some additional £4.3m has, since the previous report, actually been received or confirmed from WG in relation to service additional costs/loss of income claims as per 2.7 above. It is assumed that all the TTP costs will also be recovered and for 2020/21 some £2.8m is included at this stage. It is also possible that Council tax losses, or part of them at least, will be met by future WG grant support, but this is yet to be assured. In addition as identified above further mitigation is anticipated from the Apprenticeship/Inflation provision of £1.9m and Contingency fund of £6.584m. Taking account all of these mitigations this results in a net forecast shortfall for the council of some £10.0m.

Summary

| | |
|--|------------|
| Service Forecast overspend | £24.9m |
| Council Tax shortfall | £3.8m |
| Less Mitigating | |
| COVID grants received not incl in service forecasts | -£4.3m |
| COVID claims submitted no response from WG yet – assume will be received. | -£2.3m |
| Future covid claims re council tax losses - assumed | -£0.9m |
| TTP costs recovered | -£2.8m |
| Apprenticeship/Inflation | -£1.9m |
| Contingency Fund not currently utilised | -£6.5m |
| Net overspend forecast | £10.0m |

NB Further claims for re-imburement of both expenditure and loss of income continue to be submitted to Welsh Government in accordance with their criteria. Based on previous expenditure claims submitted (and subsequently paid to date) it is considered reasonable that as a minimum some additional £2.3m is likely to be paid and is therefore included above. The Welsh Government continues to review all the outstanding Loss of Income claims across Wales including additional claims for Quarter 2 losses. Any decision regarding success or otherwise of the outstanding Loss of Income claims is not expected until late November/early December so no assumption re additional grant income for loss of income is included in the current forecast.

Any additional WG funding towards the additional costs or loss on income received from WG in relation to COVID19 costs /loss of income included in table 2.3 above will further reduce the overall budget shortfall and thus why a target of “no worse than £10m” is recommended kept by Cabinet and by the S151 Officer on a truly exceptional one off basis.

- a. Currently, all revenue grant income from WG in relation to COVID claims for the services, including schools, and has not yet been allocated “back” to departments.
- b. Corporate Management Team have reinforced the expectation that both service and overall net expenditure **must** be, as far as practicable, contained within the relevant limits of the current year budget as set by Council, and certainly within any agreed level of tolerance set by Cabinet on the advice of the s151 Officer, recognising the extreme nature of the Covid 19 impact.

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- c. As previously mentioned, it is too early to provide an accurate forecast as to the potential outturn on corporate items such as Council Tax collection which is in itself potentially affected by the effects of welfare reform measures, an often increasing tax base, but equally a substantial deterioration in the economy and employment which may inhibit individuals ability to pay tax already set and due.
- d. Included in the projected budget for 2020/21 for other corporate items are capital finance charges. At this early stage no variance is forecast, in any case any underspending or overspending will be transferred at year end to or from the capital equalisation reserve, a strategy previously agreed by Council. This will be reviewed and updated during the year as various capital schemes/programmes progress.
- e. There continue to be risks around general inflationary pay and price pressures in the forthcoming year including significant increases to the National Living Wage from April 2020 which will significantly impact contractors to the Council in some service areas. It will also put further pressure on the lower end of the current local government pay spine in future years. The national local government pay award offer has been finalised at 2.75%, as budgeted and there is now an agreed new pay offer for teachers worth up to 8% for some teachers (3.25% for majority), and part of the excess will be funded by WG by way of a one off specific grant. Whilst all are entirely welcomed from a policy perspective, nevertheless the Council simply cannot afford to fund them in isolation, unless additional permanent support is forthcoming from the UK and Welsh Governments, otherwise savings will have to be made elsewhere to meet such pressures longer term.
- f. Detailed monitoring of budgets will continue to be carried out and reported to Departmental Performance and Financial Management meetings on a monthly basis.
- g. It remains imperative that sustainable, but sensitive in the unusual circumstances of Covid 19, base budget savings are found to replace in year one off actions to stabilise the 2020-21 budget ahead of the finalisation of the 2021-22 budget round.

5. Capital Budget

5.1 Expenditure to 30th September 2020 is £94.457 million, summarised as follows:

| Directorate | Budget 2020/21 | Actual to 30/09/20 | % spend |
|----------------------|---------------------------|-----------------------------------|----------------|
| | £'000 | £'000 | |
| Corporate Services | 5,294 | 851 | 16.1% |
| People | 34,545 | 10,438 | 30.2% |
| Place (General Fund) | 162,457 | 70,122 | 43.2% |
| Place (HRA) | 54,166 | 13,046 | 24.1% |
| Total | 256,462 | 94,457 | 36.8% |

Expenditure on major capital schemes is detailed in Appendix C.

It should be noted that the actual spend to 30 September may only have 4 or 5 months costs relating to external invoices. The impact of COVID will have an impact on the timing and potential slippage of the original capital programme. The situation remains fluid and the full impacts of COVID continue to be monitored with capital schemes being reprofiled during the year as the impacts of timing / slippage become known. This will have an impact on the revenue Capital Financing Charges in 2020/21 and beyond.

Bay Studios Surge Hospital (Covid19)

The figures above for Place (General Fund) includes £20.46m of expenditure for the Bay Studio Surge Hospital (Covid 19). As part of the Region's response to address projected increased demand on hospital services as a result of the Covid 19 pandemic, the Authority was asked by Swansea Bay University Health Board (SBUHB)/ Welsh Government (WG) to deliver a 1,000 bed Surge Hospital on the site of the old Bay Studios in SA1.

The scheme was completed in an exceptionally short timeframe. It was conceived, designed, delivered and operational within 3 months (April – June 2020) by Corporate Building Services in partnership with our partner sub-contractors, Kier and TRJ. The full cost of the scheme has been received from SBUHB and WG.

6. Housing Revenue Account

6.1 The Covid situation could have a considerable impact on the HRA revenue budget in 2020/21. During the first half of the year, collection rates have not been significantly affected however as the economic impact of the crisis continues it is anticipated that collection rates will be adversely impacted. Rent income is being closely monitored. It is too early to forecast the full impact on the budgeted Bad Debt Provision. There has also been a major impact on revenue expenditure with the revenue repairs budget for the first 6 months being significantly underspent by £1.6m due to Covid restrictions on entering properties. This budget will continue to be closely monitored however further restrictions could impact this figure further. There are also underspends on transport and employee/vacancies (£0.17m). The

crisis has also understandably impacted the delivery of the HRA Capital Programme with commensurate reduction in spend and financing costs. It is anticipated that financing costs could be reduced by around £1.5m. Work is currently ongoing to re-profile the 2020/21 HRA capital programme and which may have a further impact on this.

7. Legal Issues

7.1 There are no legal issues contained within this report.

8. Equality issues

8.1 The Council is subject to the Public Sector Equality Duty (Wales) and must, in the exercise of their functions, have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

Our Equality Impact Assessment process ensures that we have paid due regard to the above.

8.2 The Revenue budget of the Council was approved following the application of the corporate Equality Impact Assessment (EIA) process throughout the Budget setting process. It is essential where service levels are affected by changes to the Revenue Budgets (including savings options) that the EIA process (alongside consultation and engagement as appropriate) is applied to ensure due regard is paid to the potential equality impacts of any proposals prior to decision making.

Background Papers: None

Appendices:

Appendix A - Revenue Budget forecast 2020/21

Appendix B - Directors comments on variances and action plans

Appendix C - Expenditure on major Capital Schemes

| REVENUE BUDGET PROJECTION QUARTER 2 2020/21 | | | Appendix A |
|--|----------------|------------------|-------------------|
| <u>DIRECTORATE</u> | BUDGET | PROJECTED | VARIATION |
| | 2020/21 | 2020/21 | 2020/21 |
| | £000 | £000 | £000 |
| RESOURCES | 50,475 | 55,006 | 4,531 |
| PEOPLE - SOCIAL SERVICES | 124,781 | 129,698 | 4,917 |
| PEOPLE – EDUCATION | 181,901 | 186,706 | 4,805 |
| PLACE | 60,943 | 71,443 | 10,500 |
| Additional Savings | -194 | 0 | 194 |
| <i>NET DIRECTORATE EXPENDITURE</i> | 417,906 | 442,853 | 24,947 |
| SPECIFIC PROVISION FOR | | | |
| APPRENTICESHIP LEVY/INFLATION | 2,850 | 1,000 | -1,850 |
| CONTINGENCY FUND | 278 | 0 | -278 |
| SUPPORT TO LOCAL BUSINESS | 0 | 51,500 | 51,500 |
| WG COVID GRANTS (Assured & Due to be allocated to Services) | 0 | -97,013 | -97,013 |
| <i>OTHER ITEMS</i> | | | |
| LEVIES | | | |
| SWANSEA BAY PORT HEALTH AUTHORITY | 87 | 87 | 0 |
| CONTRIBUTIONS | | | |
| MID & WEST WALES COMBINED FIRE AUTHORITY | 13,741 | 13,741 | 0 |
| <i>CAPITAL FINANCING CHARGES</i> | | | |
| PRINCIPAL REPAYMENTS | 16,368 | 16,368 | 0 |
| NET INTEREST CHARGES | 20,010 | 20,010 | 0 |
| <i>NET REVENUE EXPENDITURE</i> | 471,240 | 448,546 | -22,694 |
| <i>MOVEMENT IN RESERVES</i> | | | |
| GENERAL RESERVES | 0 | 0 | 0 |
| EARMARKED RESERVES | -2,985 | -19,291 | -16,306 |
| <i>TOTAL BUDGET REQUIREMENT</i> | 468,255 | 429,255 | -39,000 |
| DISCRETIONARY RATE RELIEF | 400 | 400 | 0 |
| <i>TOTAL CITY AND COUNTY OF SWANSEA REQUIREMENT</i> | 468,655 | 429,655 | 0 |
| COMMUNITY COUNCIL PRECEPTS | 1,582 | 1,582 | 0 |
| <i>TOTAL REQUIREMENT</i> | 470,237 | 431,237 | -39,000 |
| <i>FINANCING OF TOTAL REQUIREMENT</i> | | | |
| REVENUE SUPPORT GRANT | 253,660 | 253,660 | 0 |
| NATIONAL NON-DOMESTIC RATES | 85,721 | 50,521 | 35,200 |
| COUNCIL TAX - CITY AND COUNTY OF SWANSEA | 129,274 | 125,474 | 3,800 |
| COUNCIL TAX - COMMUNITY COUNCILS | 1,582 | 1,582 | 0 |
| <i>TOTAL FINANCING</i> | 470,237 | 431,237 | 39,000 |

Service related COVID19 funding already received from WG of c £13.8m IS included above.

Appendix B

Director's comments on budget variances

Director of Resources

The COVID-19 response has had a detrimental effect on the Resources portfolio budget for the 2nd Qtr. The TTP staffing expenditure is expected to be fully recoverable from Welsh Government. In addition to the staffing there is a short fall in IT funding for the TTP programme, due to WG capping the amount of money available, discussion are ongoing to enable all this funding to be reclaimed.

A number of transformation projects and restructures were unable to be progressed resulting in overspends in both Customer Contact Centre, Digital Services and Transformation and Commercial services. Alternative savings plans are being prepared.

The resources portfolio has limited income streams, however, where income streams are within services, these have also been affected and unlikely to be achieved within the year.

The heads of service will continue to review the budgets and look for alternative ways of achieving efficiencies to balance the budget.

| Variance | £000 | Explanation and Action |
|--|-------|--|
| COVID-19 Variation: | | |
| Test Trace & Protect Programme (TTP) | 2,800 | Estimated Staffing costs of £2.6m and IT costs of £0.2m. There may be a funding shortfall due to WG funding capping the funding available. |
| Oracle Cloud Project | 0 | Project has been delayed, however, after negotiations with Oracle it is not anticipated that there will not be any additional costs. |
| WCCIS Project | 0 | Project has been delayed, No additional costs are anticipated as a result of negotiations with NWIS. |
| Mobile Phones | 0 | No additional costs are forecasted after working with the supplier to negate the costs. |
| Digital services staff costs | 12 | Additional Digital services staffing costs at the start of lockdown to enable homeworking. |
| Contact centre software licences and consultancy | 25 | Digital Services remote contact centre software licences and consultancy to enable call handling from home. |
| Schools infrastructure project | 44 | Government directive to continue to pay consultants. Estimated additional cost as a result of continuing to pay consultants during |

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| | | |
|-------------------------------------|--------------|--|
| | | lockdown and therefore elongated project timelines. |
| Design Print | 300 | Loss of trading income which relates mainly to internal recharges to Council departments. |
| Council Tax Reduction Scheme (CTRS) | 1,400 | Estimated additional costs due to additional demand, however, position will be reviewed for the next quarter as it is dependant on actual caseloads. |
| Council Tax Court Cost Income | 235 | Loss of Council Tax/NNDR court cost income as no court action has been taken for a significant part of the year. |
| Consultancy and Employee Costs | 33 | Additional Covid-19 costs. |
| COVID-19 Hardship grant | -28 | Qtr1 WG hardship grant received. |
| Net COVID-19 variation | 4,821 | |
| | | |
| Other Variations: | | |
| Contact Centre | 50 | Restructure in flight to ensure sufficient resources in WTU, Complaints and a new model for Customer Services. The restructure will aim to take account of 'new normal' but will still require additional resources needed for Social Services Complaints and WTU in order to meet legal requirements. |
| Welsh Translation Service (WTU) | 183 | Welsh Translation Unit Saving from previous years cannot be achieved as requirement to maintain the service and deliver demand due to Welsh language Measures. |
| Commercial Services | 130 | Income target attributed to Commercial Services will not be achieved. |
| Legal Services | -430 | Net underspend mainly due to vacant posts. |
| Other net variations | -223 | Net Employee, Supplies & Services, Income shortfall and Unachievable savings. |
| Total Other Variations | -290 | |
| | | |
| Total Forecast Variation | 4,531 | |

Director of Social Services**Social Services**

| Variance | £000 | Explanation and Action |
|--|--------|--|
| Covid 19 Variation | | |
| Additional costs within Child and Family | 430 | The pandemic has reduced the options for placements with particular issues around care leavers. This has resulting in the Council having to secure more expensive placements than would be usual. There has also been a rise in the cost of Direct Payments as we aim to support families through this time. |
| Additional Costs within Poverty and Prevention | 171 | The Directorate has incurred additional costs in supporting those deemed especially vulnerable at this time. Support has seen increased investment in services for those at risk of Domestic Violence as well as in Welfare Rights to help them cope with increased demand. Some of these costs have been offset by the use of grant. This includes a £95k cost for the Summer Provision for Vulnerable Children which is recoverable through the hardship fund. |
| Lost income within Poverty and Prevention | 368 | The primary area of income loss relates to the Gower Activity Centres. We have also lost expected income from Adult Education. |
| Additional Costs within Adult Services | 8,146 | This is the estimated additional cost of the actions taken to increase local social care capacity and the payment of Welsh Government support to the commissioned sector. |
| Loss of Income within Adult Services | 1,339 | This loss of income relates to income received from citizens and partners in respect of our day services that closed at the time of the outbreak. |
| First Tranche of WG Hardship Funding | -2,278 | Significant additional income will follow in Q3 and Q4 |
| Other | | |
| Other Child and Family Variances | 200 | It is possible that this overspend will be reduced by grant funding later in the year. |
| External Residential Care | -1,062 | An underspend is forecast but this figure remains volatile and will be closely monitored during Q3 |
| External Domiciliary Care | -514 | This underspend is a continuation of that reported in 2019/20 and has been driven by increased client income and the 'right sizing' work around packages of care. |

| Variance | £000 | Explanation and Action |
|--------------------------------|--------------|--|
| Internal Staffing and Services | -2,227 | A number of grants have been received that are able to support the overall financial position. Work to ensure services are designed in a way that enables the Council to access all funding sources continues. |
| Third Party Spend | -61 | The Directorate continues to maintain cost management approaches to ensure that our services are sustainable and we continue to pursue external partners to ensure we receive a fair income for our services. |
| MHLD Complex Care | 529 | This remains an area of pressure. Additional budget has been allocated but ongoing pressures on demand and fees remain. |
| Poverty and Prevention | -124 | Some small savings are expected due to the management of grants. |
| Overall Variation | 4,917 | |

Director's Comments

The Council's response to Covid-19 continues to dominate our financial outlook for the year. We have incurred significant additional expenditure through our response to the crisis. We continue to expect the majority of our additional costs will be recoverable through Welsh Government grant funding have aligned our processes to ensure we are successful in this.

Forecasts for Covid related expenditure and income loss are based on current WG Hardship Funding guidance and are subject to the progression of the pandemic through the remainder of the financial year.

The pandemic continues to effect on our business as usual activity. That said, our non Covid variances continue the story from last year where we have been able to use grant income to offset the cost of our internal services. Some of this funding expires in the current year and presents us with a challenge for the future.

The overspends within Mental Health and Learning Disabilities Complex Care are lower than those we have previously reported. However, retendering has added to the pressures on fees, which have continued to increase at above inflation rates for some time.

We continue with efforts to seek fair and equitable funding contributions from our Health Service partners for the services they commission and have strengthened our systems for the recovery of client income.

Should our expectations around Hardship and Income Loss grants be met, the Directorate will deliver an underspend for the year.

Director of Education

| Variance | £000 | Explanation and Action |
|--|--------------|---|
| <u>Covid 19 Variations</u> | | |
| Additional direct cost of maintaining provision of lunches / food bags / BACS payments for FSM eligible pupils | 3,009 | Reflects significant additional food costs, considerably greater coverage of eligible families (with transitional protection), and additional provision over holidays. Work to estimate the cost of continued support in the 20/21 academic year is ongoing and not included in this forecast. |
| Loss of paid School Meal Income | 1,463 | Reflects previous year levels of take up of meals |
| Additional staffing costs over normal contracted hours (catering, cleaning and school support teams) | 159 | This is due to the support provided to settings at times when they would not usually be open such as weekends and holidays. |
| Additional hours for teaching assistants outside of term | 120 | |
| Additional transport, PPE, and utility costs. | 342 | Additional costs from the use of vehicles to support the delivery of Free School Meals, as well as the provision of PPE, continues to be scrutinised. Potential shortfall in the Face Covering Grant |
| Additional costs of licences to support Chromebooks and continuity of learning for pupils | 24 | Additional cost over and above core broadband and other IT infrastructure costs and available base budget which are no longer claimable against WG grant |
| Loss of other income such as from school clerking services and penalty notices | 10 | On the basis of broad comparison with previous year – e.g. £4.2k per quarter re penalty notices |
| Loss of income to schools for example from school lettings and breakfast and other clubs | 1,066 | Reflects detailed analysis of income lost across our maintained schools. |
| 1st Tranche of Income Loss and Hardship Income | -2,660 | Corporate allocation of payments received from WG in response to claims made. |
| Total Covid 19 variations | 3,533 | |
| <u>Non Covid Variations</u> | | |
| Continuing additional costs of FSM transitional protection - part year impact with schools fully | 335 | Considerable increase in those entitled to FSM and likely to grow further with impact of lockdown and other restrictions. With transitional protection these numbers will be |

Appendix 1

| Variance | £000 | Explanation and Action |
|---|------|--|
| re-open | | maintained without any certainty of additional core funding from WG |
| Additional costs of FSM provision during lockdown which cannot be reclaimed from WG under strict grant criteria | 214 | Additional food costs, which cannot be reclaimed from WG, from free provision of care lunches to all pupils, over ordering by schools of food bags / parcels, and donation to food banks of food items not required due to changing expectations of food parcel contents |
| Loss of additional paid meal income from previously proposed MTFP increased prices (April 20 and Sept 20) | 205 | £125k loss of income from removal of increase from April and a further £80k part year impact with no increase in September |
| Home to School Transport - further underlying cost pressures and undeliverable savings target relating to creation of additional walking routes, allocated from Place Directorate | 442 | MTFP reflects robust management action to mitigate scale of demand and cost pressures but underlying pressures continue to grow. Further shortfall due to undeliverable savings target allocated to Education, with no influence in its determination or delivery |
| Continuing Additional Learning Needs demand and cost pressures | 92 | Significant impact of management action to manage demand and cost pressures reflected in MTFP, but challenges remain |
| Out of County Placements - undeliverable savings without further specialist provision within County | 250 | Delay in actions necessary to bring forward delivery of scale of additional Special School Places required |
| Implications of school decisions on SLA buy back on services | 50 | Reflects existing pressures on areas such as Music Service, as far as possible mitigated by robust management action |
| Additional cost for schools of corporate decision relating to average payments to staff | 160 | A local decision and so not reclaimable against WG funding for COVID 19 |
| Additional staffing costs for schools due to freeze on ER/VR processes | 100 | Costs may increase further depending on timescales for HR redundancy processes but may be able to mitigate from WG grant |
| Additional civic catering costs with decision to freeze closure | 63 | Reflects continuing shortfall exacerbated by loss of any income from sales for the lockdown period - could increase if closure further delayed |
| One-off additional contribution to Regional Improvement Partnership | 82 | Agreed for 2020-21 only, before Swansea withdraws from ERW from April 2021 |

Appendix 1

| Variance | £000 | Explanation and Action |
|---|--------------|---|
| Capita One - one-off cost to have been charged to, and contained, within available 2019-20 budget | 30 | Proposed carry forward to reflect this one-off cost was not supported |
| Capita One annual maintenance costs - more than offset by savings in Corporate Digital Services budget but requiring an appropriate budget transfer | 32 | Highlighted as a potential continuing overspend until an appropriate base budget transfer from Digital Services is approved |
| Other continuing pressures (Primarily Historic Pension Costs, Maternity etc) | 122 | Will continue to be scrutinised to as far as possible mitigate pressures |
| One-off managed savings with delay to full implementation of new EOTAS model | -700 | Further managed savings can be delivered whilst the new EOTAS model cannot be fully implemented |
| One-off managed savings identified in year in addition to those already reflected in MTFP | -205 | Continuing robust management action will seek to identify further savings in addition to MTFP requirements |
| Net non-Covid 19 projected overspend | 1,272 | Reflects impact of national and local factors preventing the full delivery of current year MTFP savings assumptions and unrecoverable additional Covid-19 costs |
| TOTAL PROJECTED PRESSURES | 4,805 | |

The closure of schools has had a significant budgetary impact on the Directorate and is the primary cause of the variations reported above. We continue to align our processes in a way to ensure that we maximise the grants available to support us through this period but there is clearly a risk that some costs may not be fully reclaimable.

The non-Covid 19 projected overspend is more than accounted for by the impact of WG or local factors which have increased the uncontrollable and statutory cost pressures, prevented the delivery of significant elements of current year MTFP savings assumptions, and incurred unrecoverable additional Covid-19 costs, in part underwritten by S151 Officer.

There are other areas of identified demand and cost pressures, in spite of the continuing delivery of the Education strategy, but these are anticipated to be more than offset by further one-off managed savings in addition to those already reflected in the MTFP. However, the underlying base budget shortfall facing the Education portfolio budget, potentially at almost £1.9m, is clearly of concern even though almost

£1.2m directly reflects the full year impact of national or local factors outside of the control of the Directorate.

Director of Place

The directorate is currently projecting a £10.5m overspend which is significant and unprecedented (excludes expected tranche 2 quarter 1 loss of income and July Tranche 2 /August Hardship Covid Grant of £1.9m currently held centrally, which when allocated to directorates would improve the forecast outturn in Place to an overspend of circa £8.6m) . The reason for this is the additional costs incurred on Covid related matters, plus the lost income across a range of services areas due to the inability to carry out work or recharge for services. This projected out turn will be revised as clarity is obtained from Welsh Government as to the level of support provided for both expenditure and lost income. There are some other "non Covid" projected overspends as is often the case early in the financial year but as in previous years the directorate would have achieved a balanced budget had it not been for COVID related implications.

Appendix C

| Capital expenditure on major schemes to 30 September 2020 (where spend greater than £250k) | £000's |
|---|---------------|
| People | |
| EOTAS new build | 2,621 |
| Gorseinon primary new build | 2,059 |
| YGG Tan-y-Lan primary new build | 1,494 |
| YGG Tirdeunaw primary new build | 501 |
| YGG Gwyr secondary extension | 549 |
| Bishopston Comprehensive refurbishment | 2,298 |
| Hendrefoilan RICs scheme | 332 |
| Resources | |
| ERP System Upgrade | 517 |
| Hwb-in-schools infrastructure | 271 |
| Place | |
| City Centre Development Phase 1 (Arena schemes) | 33,690 |
| Kingsway Infrastructure | 1,927 |
| Kingsway Offices-Design & Plan | 604 |
| Corporate Building Services (including schools) | 5,100 |
| Highways - Baldwins Bridge / Fabian Way | 445 |
| Highways carriageway resurfacing including invest to save | 2,503 |
| Vehicle replacement scheme | 776 |
| DPD fitout and adaptations | 431 |
| Disability Facilities Grants | 600 |
| Hafod Copper Powerhouse scheme | 263 |
| Palace Theatre Redevelopment | 378 |
| Bay Studios Surge Hospital build for SBUHB managed by CBS | 20,460 |
| | |
| HRA | |
| HRA capital programme (More Homes schemes) | 2,360 |
| Wind and Weatherproofing (including West Cross) | 3,003 |
| External Facilities | 2,226 |
| HRA Kitchens & Bathrooms | 6,416 |

Total scheme value where spend greater than £250k

91,824