



## Report of the Cabinet Member for Economy, Finance & Strategy

Cabinet – 16 December 2021

### Revenue and Capital Budget Monitoring 2nd Quarter 2021/22

<b>Purpose:</b>	To report on financial monitoring of the 2021/22 revenue and capital budgets, including the delivery of budget savings.
<b>Policy Framework:</b>	Budget 2021/22. Transformation and Future Council (Sustainable Swansea –fit for the future)
<b>Consultation:</b>	Cabinet Members, Corporate Management Team, Legal and Access to Services.
<b>Recommendation(s):</b>	It is recommended that Cabinet:  1) Notes the comments and variations, including the material uncertainties, set out in the report and the actions in hand to seek to address these.  2) Approves the virements set out in paragraph 2.7 and the use of the Contingency fund as set out in 3.2 subject to any further advice for the S.151 officer during the year.  3) Reinforces the need for all Directors to continue to minimise service overspending in year, recognising that the budget overall is currently balanced only by relying heavily on future likely (but far from assured) reimbursement from Welsh Government, centrally held contingency budgets and reserves, but equally recognising that the overspending is almost exclusively due to ongoing , broadly anticipated Covid pressures.  4) Considers the options in paragraph 4.1 in relation to potential underspend for the year with final actions to be confirmed at the third quarter report in February 2022.
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## 1. Background and Introduction

- 1.1 This report details forecast variations from the agreed budget for 2021/22.
- 1.2 In respect of Revenue Budgets, this report provides a consolidated forecast, which combines:
- projected variations in relation to budget savings agreed by Council in March 2021
  - 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 2021/22 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 2020-21 of £2.4m and 2019-20 of £0.7m). However, given the ongoing impact of COVID and based on the 2020-21 final position on collection an optimistic forecast is that there will be a shortfall in the region of £2.0m in 2021-22. 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**

	<b>FORECAST VARIATION 2021/22 £000</b>	<b>COVID VARIATION 2021/22 £000</b>	<b>OTHER VARIATION 2021/22 £000</b>
RESOURCES	5,005	6,430	-1,425
PEOPLE - SOCIAL SERVICES	8,316	9,126	-810
PEOPLE – EDUCATION	4,040	3,426	614
PLACE	-1,434	-177	-1,257
<b><u>NET DIRECTORATE EXPENDITURE</u></b>	<b>15,927</b>	<b>18,805</b>	<b>-2,878</b>

- 2.4 Directors' comments on the above variations are shown at Appendix B.
- 2.5 Within the *Recovery Plan Service Transformation* Programme, work continues to develop service delivery plans linked to savings targets and prioritisation of services. 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 £15.9million. Bar some "Business as usual" fluctuations, this amount is in effect entirely because of the COVID 19 pandemic and relevant increases 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 be funded in their entirety. Any funding from WG as a result of grant claims actually received at this stage has been included in the figures above. Section 2.7 below shows the level of "service" expenditure that has been deemed as eligible and paid by WG to date.
- 2.7 Currently, monthly claims against additional COVID expenditure (April to September) and first and second quarter claim for loss of income as a result of COVID in relation to the services have been submitted to WG. The summary of claims submitted to date and claims WG have agreed to date are set out below:

**Summary of claims submitted and approvals received to date in 2021/22**

	<b>Claim £000's</b>	<b>Paid £000's</b>	
Hardship : April to September	10,732	8,624	WG reviewing various elements of claims primarily Adult Social Care and Free School meals
Loss of Income 1st & 2 <sup>nd</sup> Quarter	4,615	4,160	2 <sup>nd</sup> Qtr Submitted to WG mid-October. Response awaited.

To ensure as accurate forecast position as possible these grants have been allocated to services as they are received and the impact included within the relevant service forecasts in section 2.3 and in APPENDIX A.

Welsh Government have amended the eligibility criteria for 2021-22 to reflect the relevant easing of restrictions during the financial year and have further amended the eligibility criteria for the second half of the year claims. As such, the monthly claims are amended to include only those elements of expenditure deemed eligible based on the most recent Welsh Government guidance.

Grant claims to Welsh Government in relation to TTP and the Welsh Vaccination Certificate Service (WVCS) are ongoing and are anticipated to cover all additional costs arising. The remaining additional cost forecast (after grants received) are included under Resources and currently amount to £7.1m in 2021/22. It remains unclear how much will be truly additional cost and therefore claimable. An

assumption regarding 100% funding of this figure is included in the table below and in APPENDIX A.

In addition to the additional service costs (and grants) in relation to COVID the authority has once again continued to act as an “Agent” on behalf of the Welsh Government in relation to various elements of the Business Grant Support national scheme. All of these costs are anticipated to be funded 100% by the Welsh Government and as such costs incurred and grants received will be reported later in the year once the most recent announcements/schemes have been implemented.

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
- but recognising that the overall spend pressures are near wholly Covid related and that reserves were bolstered to temporarily assist with pressures.

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.
- £3.25m was 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.
- Use of the Contingency Fund as detailed below.

### 3. Contingency Fund Provision for 2021/22

3.1 The contingency fund budgeted contribution was set at £3.621m contribution for 2021/22 as set out in the budget report approved by Council in March 2021. As a result of the favourable outturn position, this was added to on a one off basis, to bring the total available in 2021/22 to £13.621m. This is an increased figure to the previous year reflecting additional mitigation against any repeated overspending as a result of COVID, one off costs or business as usual.

3.2 The current potential calls on the contingency fund for 2021/22 are:

<b>Contingency Fund 2021/22</b>	<b>Prediction</b>
	<b>2021/22 (£m)</b>
Budgeted contribution for year.	3.621
Increase from 2020/21 carry forward	10.000
Pay award 21/22 for Teachers excess cost: £0.475m potentially passported but not received as confirmed grant from Welsh Government	-0.475
Design Print	-0.250
Welsh Translation costs for social media	-0.035
Medical Surgeries	-0.120
TU facility – saving reversal	-0.069
Backfill for Learning & Development support	-0.070
Additional support Strategic Delivery Unit	-0.157
Cabinet and members support	-0.095
Performance Management System replacement	-0.037
Litigation Costs	-0.050
Armed Forces veteran fund	-0.025
Mayhill Community day	-0.005
Used to reduce service overspending	-12.233
<b>Balance 31st March 2022</b>	<b>0.000</b>

The above table lists current potential calls on the budgeted contingency fund. All bar the impact of the pay award over and above budgeted for in 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.

The Quarter 1 report indicated that the S151 Officer was anticipating utilising the Contingency Fund to fund the additional pay award (now offered as full and final at 1.75%) for 2021-22 over and above the 1% budgeted for in the base budget. Following updated inflationary forecasts for the sector and the wider UK economy for both the current and following financial year (higher, more persistent inflation before potentially then dropping back) the S151 officer advises that central contingencies for higher costs must now be retained and not passported to services. The sole exception being the still anticipated one off Welsh Government grant for part compensating the higher than expected teachers pay award for 2021-22.

As at 1<sup>st</sup> April 2021 some £3m remained within the Restructure Reserve to contribute toward ER/VR or other cost risks that may arise in 2021-22. The S151 officer remains satisfied that this is sufficient for 2021-22 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 up to £12.233m 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 2021-22, there needs to be continued targeted mitigating action and delivery of savings proposals to help reduce the overall service overspends. It looks inevitable at this early stage that substantial draws from contingency and earmarked reserves will be needed to achieve a fully balanced budget for the year but this was somewhat anticipated and led to the material bolstering of earmarked reserves at outturn. Any inroads to net spending will reduce the necessary draw from reserves and increase the amount of reserves available to carry into 2022-23.

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
- Managing the Pay Bill: review of options to contain or 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.
- Progressing implementation of residual 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 as summarised in their Appendix B commentary.
- The Deputy Chief Executive leading the Recovery Plan implementation as agreed by Cabinet to agree alternative mitigating actions and future steps, taking into account 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 £15.9m 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 £2.0m shortfall in Council Tax collection leads to a total shortfall of £17.9m. To date the amount actually approved by WG in relation to COVID related additional costs/loss of income is set out as per 2.7 above. It is assumed that all the TTP costs will also be recovered and for 2021/22 some additional grant is shown below in the overall summary table of £7.1m. 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 £3.25m and Contingency fund of £12.2m. Taking account all of these mitigations and including the shortfall in Council Tax collection this results in a net forecast underspend for the council of some £4.7m. although shown as an effective underspend it is more accurately a lower than expected draw from one off contingency sums and members will have the opportunity to consider in due course how to respond to that indicative figure.

Options include

- Reducing the draw on contingency and conserving more for future years
- Allocating the sum to other reserves, including for example the Recovery Fund
- Adopting a “wait and see” strategy given the uncertainties over funding and reimbursement of Covid costs for the rest of the year (Welsh Government support) and spending for the rest of the year (e.g. current year national pay award not settled).

The position is likely to be firmed up significantly by the third quarter monitoring report as many of those ongoing uncertainties will be removed.

#### Summary

	£'m
Service Forecast overspend	15.9
Council Tax shortfall	2.0
<b>Less Mitigating</b>	
Assumed TTP/WVCS costs recovered	-7.1
Apprenticeship/Inflation	-3.3
Contingency Fund not utilised	-12.2
<b>Net underspend forecast</b>	<b>-4.7</b>

NB Further claims for re-imbursement of both expenditure and loss of income will be submitted to Welsh Government in accordance with their relevant announcements and terms and conditions. The Welsh Government is continuing to review eligibility and its own available resources in relation to both additional costs and Loss of Income claims across Wales. Any decision re the nature of and subsequent success or otherwise of any further claims to Welsh Government is unknown at that this stage.

- a. Currently, all revenue grant income from WG in relation to COVID claims for the services, including schools, has 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.
- c. As previously mentioned, an early forecast as to the potential outturn on corporate items such as Council Tax collection is estimated to result in a shortfall in collection of £2m.
- d. Included in the projected budget for 2021/22 for other corporate items are capital finance charges. At this early stage an underspend variance of £5m is forecast, 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. Borrowing activity throughout 2021/22 to lock in sub 2% long term rates means the overall borrowing envelope debt is now fully externalised which will feed through into significantly higher base capital financing costs in 2022/23. Ongoing underspends in this line should no longer be presumed for future years.
- e. There continue to be risks around general inflationary pay and price pressures this year, including increases to the National Living Wage 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. There is, as yet, no resolution to the national local government pay award offer (1% budgeted) although the latest full and final offer is in the region of 1.75%. The above budgeted pay offer for teachers, also of 1.75%, is currently wholly unfunded by WG. There is indication that the excess above 1% will be funded one off, but we await formal confirmation of the grant. Whilst all are entirely welcomed from a policy perspective, the Council simply cannot afford to fund them in isolation. Unless additional support is forthcoming from UK and Welsh Governments, savings will have to be made elsewhere to meet such pressures.
- f. Detailed monitoring of budgets will continue and will be reported to the monthly Departmental Performance and Financial Management meetings.
- g. It remains imperative that sustainable, but sensitive in the ongoing unusual circumstances of Covid 19, base budget savings are found to replace in year one off actions to stabilise the 2021-22 budget ahead of the finalisation of the 2022-23 budget round.



4.2 Additional total costs in the delivery and implementation of the Oracle Fusion ICT project estimated arising directly as a result of delays related to the pandemic will need to be funded over 2021-22 and 2022-23. The Section 151 officer proposes to meet these costs from the Capital Equalisation Reserve in both years. A separate update report will be required to Cabinet on the overall progress and revised costs in due course.

## 5. Capital Budget

5.1 Expenditure to 30<sup>th</sup> September 2021 is £69.301 million, summarised as follows:

<b>Directorate</b>	<b>Budget 2021/22</b>	<b>Actual to 30/09/21</b>	<b>% spend</b>
	£'000	£'000	
Resources	5,275	1,219	23.1%
Education	22,476	10,113	45.0%
Social Services	750	303	40.4%
Place (General Fund)	124,399	37,880	30.5%
Place (HRA)	60,009	19,786	33.0%
<b>Total</b>	<b>212,909</b>	<b>69,301</b>	<b>32.5%</b>

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 continues to have an impact on the timing and potential slippage of the original capital programme. Schemes will continue to be reprofiled during the year as the impacts of timing / slippage become known. In addition, the effect of substantial price inflation on supplies and materials for schemes is adversely impacting across the capital programme. This is under constant review with scheme cost re-engineering, however any material cost increases on individual schemes shall need to be agreed through FPR7 procedures.

This will have an impact on the revenue Capital Financing Charges in 2021/22 and future years.

## 6. Housing Revenue Account

6.1 The economic impact of the Covid pandemic on rent collection rates is being closely monitored. During the first half of the year, collection rates have not been significantly affected however; it is difficult to forecast the longer-term impact and it is too early in the year to forecast the full impact on rent arrears and the budgeted Bad Debt Provision. Revenue repairs expenditure has increased as a result of the back log of repairs from 2020/21 caused by the pandemic and an overspend of £0.75m in 21/22 is forecast. Spend in this area will continue to be closely

monitored. In addition, an increase in the number of disrepair insurance claims has led to a forecast overspend of £150k. This is offset by a forecast underspend on employees costs of £150k as a result of higher than expected vacancies.

## **7. Legal Issues**

7.1 There are no legal issues contained within this report.

## **8. Integrated Assessment Implications**

8.1 The Council is subject to the Equality Act (Public Sector Equality Duty and the socio-economic duty), the Well-being of Future Generations (Wales) Act 2015 and the Welsh Language (Wales) Measure, 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.
- Deliver better outcomes for those people who experience socio-economic disadvantage
- Consider opportunities for people to use the Welsh language
- Treat the Welsh language no less favourably than English. Ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs.

8.2 The Well-being of Future Generations (Wales) Act 2015 mandates that public bodies in Wales must carry out sustainable development. Sustainable development means the process of improving the economic, social, environmental and cultural well-being of Wales by taking action, in accordance with the sustainable development principle, aimed at achieving the 'well-being goals'.

8.3 Our Integrated Impact Assessment (IIA) process ensures we have paid due regard to the above. It also takes into account other key issues and priorities, such as poverty and social exclusion, community cohesion, carers, the United Nations Convention on the Rights of the Child (UNCRC) and Welsh language.

8.4 The Revenue budget of the Council was approved following the application of the corporate Equality Impact Assessment (EIA) process throughout the Budget setting process (now replaced by IIA's). It is essential where service levels are affected by changes to the Revenue Budgets (including savings options) that the IIA 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 2021/22

Appendix B - Directors comments on variances and action plans

Appendix C - Expenditure on major Capital Schemes

## Appendix A

## REVENUE BUDGET PROJECTION QUARTER 2 2021/22

<b><u>DIRECTORATE</u></b>	<b>BUDGET 2021/22 £000</b>	<b>PROJECTED 2021/22 £000</b>	<b>VARIATION 2021/22 £000</b>
RESOURCES	55,554	60,559	5,005
PEOPLE - SOCIAL SERVICES	129,562	137,878	8,316
PEOPLE – EDUCATION	188,790	192,830	4,040
PLACE	69,448	68,014	-1,434
<b><i>NET DIRECTORATE EXPENDITURE</i></b>	<b>443,354</b>	<b>459,281</b>	<b>15,927</b>
SPECIFIC PROVISION FOR			
APPRENTICESHIP LEVY/INFLATION	4,250	1,000	-3,250
CONTINGENCY FUND	12,708	475	-12,233
<i>Assumed additional TTP grant to cover costs</i>	0	-7,130	-7,130
<b><i>OTHER ITEMS</i></b>			
LEVIES			
SWANSEA BAY PORT HEALTH AUTHORITY	88	88	0
CONTRIBUTIONS			
MID & WEST WALES COMBINED FIRE AUTHORITY	14,120	14,120	0
<b><i>CAPITAL FINANCING CHARGES</i></b>			
PRINCIPAL REPAYMENTS	16,368	13,868	-2,500
NET INTEREST CHARGES	20,010	17,510	-2,500
<b><i>NET REVENUE EXPENDITURE</i></b>	<b>510,898</b>	<b>499,212</b>	<b>-11,686</b>
<b><i>MOVEMENT IN RESERVES</i></b>			
GENERAL RESERVES	0	0	0
EARMARKED RESERVES	-22,455	-12,769	9,686
<b><i>TOTAL BUDGET REQUIREMENT</i></b>	<b>488,443</b>	<b>486,443</b>	<b>-2,000</b>
DISCRETIONARY RATE RELIEF	418	418	0
<b><i>TOTAL CITY AND COUNTY OF SWANSEA REQUIREMENT</i></b>	<b>488,861</b>	<b>486,861</b>	<b>-2,000</b>
COMMUNITY COUNCIL PRECEPTS	1,641	1,641	0
<b><i>TOTAL REQUIREMENT</i></b>	<b>490,502</b>	<b>488,502</b>	<b>-2,000</b>
<b><i>FINANCING OF TOTAL REQUIREMENT</i></b>			
REVENUE SUPPORT GRANT	269,725	269,725	0
NATIONAL NON-DOMESTIC RATES	82,917	82,917	0
COUNCIL TAX - CITY AND COUNTY OF SWANSEA	136,219	134,219	2,000
COUNCIL TAX - COMMUNITY COUNCILS	1,641	1,641	0
<b><i>TOTAL FINANCING</i></b>	<b>490,502</b>	<b>488,502</b>	<b>2,000</b>

## Director's comments on budget variances

### Director of Resources

The budget position in the first quarter shows the resources directorate underspending in a number of areas. This is mainly due to employee recruitment which has been delayed due to COVID. A recruitment programme is underway. The TTP and WVCS programmes will both recover all costs.

Variance (under -)/over spend	£000	Explanation and Action
<b>COVID-19 Variation:</b>		
Test Trace & Protect Programme (TTP)/Wales Vaccination Certificate Service(WVCS)	7,130	Additional £14m funding has been awarded to the Region of which £7m is the forecast cost for Swansea Council. This forecast is based on the latest position which includes the extension to the WVCS service. The expenditure is expected to be fully recoverable from Welsh Government Grant.
Design Print	250	Loss of trading income which relates mainly to internal recharges to Council departments.
Council Tax Reduction Scheme (CTRS)	-950	The base budget reflects an increase of £2,346k for the year. This has resulted in an underspend based on the caseloads as at the 1st Quarter, however, this may change by the 2 <sup>nd</sup> Quarter as furlough is about to unwind which may lead to more demand and hence additional costs. There is no guarantee that it is going to be the same position at year end but it does seem to be favourable at the moment.
<b>Net COVID-19 variation</b>	<b>6,430</b>	
<b>Other Variations:</b>		
Net variations	-1,425	Net Employee, Supplies & Services underspends across the Directorate.
<b>Total Other Variations</b>	<b>-1,425</b>	
<b>Total Forecast Variation</b>	<b>5,005</b>	

**Director of Social Services**

<b>Variance</b>	<b>£000s</b>	<b>Explanation and Action</b>
<b>Covid 19 Variation</b>		
Projected Hardship Costs	8,145	This is the current estimated additional cost of actions taken in accordance with Welsh Government guidance around the Hardship Fund. This spend supports the commissioned sector and ensures we are best placed to support the national response to Covid-19. This also takes into consideration the tapering arrangements as specified by WG Such actions include <ul style="list-style-type: none"> <li>• increasing capacity within the domiciliary care market</li> <li>• participating in a Welsh Government scheme to provide financial support to our private residential providers</li> <li>• providing support to supported living providers</li> <li>• providing additional respite capacity</li> </ul>
Projected Income Loss	1,683	This loss of income relates to income that would have been received from citizens and partners were it not for the pandemic. It covers day services, respite services and the Gower Activity Centres.
Hardship Funding Received to date	-702	Two tranches of funding has been received and allocated to the Directorate
<b>Other</b>		
Internal Staffing and Services	-1,585	Several 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.
Independent Child and Family Placements and support for care leavers	-525	During the second quarter, we have been successful in safely reducing the cost of a number of our most expensive placements. This budget remains volatile and is subject to enhanced monitoring
Western Bay Adoptions	-200	The costs of the regional adoption service is split between partners depending on the proportion of children

		placed by each. This underspend is based on the latest projections which have seen an increase in the number of children placed by partners.
Revenue Contribution to Capital Outlay	1,500	The cumulative business as usual underspends above have given the directorate headroom to make a significant contribution to the future cost of vehicle replacement within Social Services Transport. This investment will protect revenue budgets from the need to fund such replacements into the medium term.
<b>Overall Variation</b>	8,316	

### **Director's Comments**

The Council's response to Covid-19 continues to dominate the operational and financial outlook for the Directorate. To ensure we are able to recover all eligible costs through Welsh Government grant, our processes and the support we provide to the commissioned sector is aligned with Welsh Government guidance and has been updated to take into account tapering of support

Activity levels in several of the services we commission continue to be lower than they were before the Pandemic. In producing these forecasts, we have made assumptions around service activity increasing during the second half of the year. We will continually monitor these assumptions and will revise our financial forecasts when the data support this. Within Child and Family Services, we have seen a reduction in the number and cost of some of our most expensive placements. Whilst this represents a relatively small number of children, the cost of the placements means that it has a significant effect on our financial forecasts.

With a forecast underspend at year end, we have made an unbudgeted contribution to the Council's vehicle replacement programme. This decision will ensure the Directorate does not have to make annual contributions to the programme throughout the medium term.

### **Director of Education**

<b>Variance</b>	<b>£000</b>	<b>Explanation and Action</b>
<b>Covid 19 Variations</b>		
Additional direct cost of maintaining provision of lunches / food bags / BACS payments for FSM eligible pupils	2,567	Reflects significant additional food costs, considerably greater coverage of eligible families (with transitional protection), and additional provision over holidays – including Y11 & Y13 costs for Summer Term Finishing
Additional cost of PPE in excess of funding provided	180	Forecasted for 21/22 based on previous year expenditure.

by WG		
Additional staffing costs over normal contracted hours (catering, cleaning and school support teams)	550	Continuing additional staffing costs of enhanced cleaning. Daytime cleaning regime continues to be required and will continue until WG grant ceases to support this.
Additional hours for teaching assistants outside of term	497	Claims from schools for those staff being paid for additional non-contracted hours
Additional transport, PPE, and utility costs.	94	Claims from Schools for continue for Covid related expenditure
Additional Transport Costs arising from taking pupils home to self-isolate	29	Additional costs associated with additional journeys home for children with an identified positive case in their year group - Summer Term 21
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 after MTFP savings
Loss of paid School Meal Income	547	Based on 21/22 Q1 (£326K) & Q2 (£61K) Claims - claims will continue until take up of paid meals can return to pre-Covid levels. Forecast £70K per Qtr for rest of 21/22.
Loss of other income such as from school clerking services and penalty notices	12	On the basis of comparison with previous year - Was reimbursed by WG at £6K/quarter last year.
Loss of income to schools for example from school lettings and breakfast and other clubs	389	Reflects detailed analysis of income lost across our maintained schools.
Paid to Date	-1463	Hardship Claims up to August 2021 & Q1 Loss of Income – Reimbursement Received from WG
<b>Total Covid 19 variations</b>	<b>3426</b>	
<b>Non Covid Variations</b>		
Continuing additional costs of FSM transitional protection	335	Considerable increase in those entitled to FSM with lockdown and transitional protection will maintain these numbers without any certainty of additional core funding from WG
Loss of additional paid meal income from previously proposed MTFP increased prices (April 20 and Sept 20)	0	£125k loss of income from political decision to remove increase from April and further £80k part year impact as prices frozen in September. Pressure met by Recovery Fund in current year.
Home to School Transport -	280	MTFP reflects robust management action



further underlying cost pressures and undeliverable savings target relating to creation of additional walking routes, allocated from Place Directorate		to mitigate scale of demand and cost pressures but underlying pressures continue to grow. The overall shortfall in delivery of the MTFP savings targets transferred to Education would be greater again at £280,000 for 2021-22 and at least £186,550 for 2022-23 and £143,300 thereafter until the third walking route is delivered.
Home to School Transport - Additional cost pressures of additional transport requirements for Education from September 2021.	107	Additional costs for Ysgol Penybryn anticipated from September but savings from Clase bus being taken off. Additional bus needed for Y G Gwyr from September to deal with increased pupil numbers. Additional costs for YGG Tirdeunaw from September anticipated.
Implications of school decisions on SLA buy back on services	25	Reflects existing pressures on areas such as Music Service, as far as possible mitigate by robust management action
One-off additional contribution to Regional Improvement Partnership	28	PYE of ERW additional charge at £28K. Ongoing work with new partnership.
Union Duties – Reflects current expenditure	73	Called on claims against this budget continue to increase. Confirmed Adherence to Policy.
Historical change of use of the caretaker house to school use - at Pontarddulais Comprehensive	6	Overlap period where both council tax & rates have been charged. No option but to pick up on a one-off basis from Directorate budget. Unfair for the school to be charged twice.
Difference in Teacher's Pay Award. 0.75 of a 1.75% increase is unfunded.	0	Welsh Government national grant to fund the additional percentage element of teachers pay award (£333K) in 21/22. However, full year impact would be £571K if this is not met going forward.
Other continuing pressures (Primarily Historic Pension Costs, Maternity etc)	300	Will continue to mitigate as far as possible and contain such costs
One-off managed savings with delay to full implementation of new EOTAS model	-300	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	-240	Challenging to identify significant further savings in addition to MTFP requirements
Net non-Covid 19 projected overspend	614	Continuing robust management action will seek to identify further savings in addition to MTFP requirements but the

		remaining projected overspend reflects the scale of externally driven and uncontrollable cost pressures
TOTAL PROJECTED PRESSURES	4,040	Reflects impact of decisions preventing the delivery of current year MTFP savings assumptions and unrecovered additional Covid-19 costs

The Council response to Covid-19 continues to dominate the financial outlook for the year. The Council's response is in line with Welsh Government Guidance and has required significant resource directed at Education.

Forecasts for Covid related expenditure and income loss are subject to the progression of the pandemic through the remainder of the financial year and further guidance around the use of the Hardship Fund. It is hoped that most costs considered Covid related will be recovered from available WG grant funding 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 decision which has 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.

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 largely 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 £614k, is clearly of concern even though it directly reflects the full year impact of national or local decisions.

### **Director of Place**

The directorate is currently projecting a £1.4m underspend which is testament to all of the hard work and rigour applied by the service areas. However, it is a difficult year to project out turn in details as a result of a number of factors namely

- The ongoing dependency of Welsh Government who continue to provide funding for Covid expenditure and loss of income and the assumption is that this will continue for the full year ahead.
- The continued pressure on income via a range of sources including fees, charges, car parking, volatile recyclates and residual waste cost and the gradual return to normal of events and venues
- The continued uncertainty of inflationary increases on materials and contractor resources
- Continued asset related income and uncertainty resulting from pressures on businesses and dependency on economic recovery
- An assumption that there would be no further Covid restrictions later in the year further impacting on income

As such the directorate is projecting a £1.4m underspend but even with the above challenges it is expected that it will at least break even at year end.

## Appendix C

<b>Capital expenditure on major schemes to 30 September 2021 (where spend greater than £250k)</b>	<b>£000's</b>
<b>Education</b>	
Bishopston Comprehensive School refurbishment	2,081
YG Gwyr extension	1,146
YGG Tan y Lan new build	2,235
YGG Tirdeunaw new build	3,745
Improvement Works at Arfryn	319
<b>People</b>	
ICF Vehicles	287
<b>Resources</b>	
Agile and Mobile IT equipment	662
<b>Place</b>	
City Deal Development Phase 1 (Arena schemes)	20,445
Hafod Copper Powerhouse scheme	1,770
Wind Street improvements	1,224
City Centre acquisition	1,955
Corporate Building Services (including schools)	3,750
Capital Community Play Schemes	539
Highways carriageway resurfacing including invest to save	2,567
Highways Footways	487
Highways Graig Rd Emergency Repairs	423
Highways Sketty/Mayals Network	408
Highways Drainage works	368
Fabian Way	1,464
Disability Facilities Grants	1,361
Mini Adaptation Grants	297
<b>HRA</b>	
HRA capital programme (More Homes schemes)	4,680

Wind and Weatherproofing	2,455
Flat Roof & Window Replacement	321
Fire Safety	670
Electrical Rewiring	550
External Facilities	2,932
Adaptations	853
Bolier and heating upgrades	682
HRA Kitchens & Bathrooms	5,837

Total scheme value where spend greater than £250k 66,513