



Report of the Cabinet Member for Economy, Finance & Strategy

Cabinet – 17 February 2022

Revenue and Capital Budget Monitoring 3rd Quarter 2021/22

Purpose:	To report on financial monitoring of the 2021/22 revenue and capital budgets, including the delivery of budget savings.
Policy Framework:	Budget 2021/22. Transformation and Future Council
Consultation:	Cabinet Members, Corporate management Team, Legal and Access to Services.
Recommendation(s):	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) Cabinet 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) Note the indicative options in paragraph 4.1 in relation to potential underspend for the year with final actions to be confirmed at outturn.
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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 3rd 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 soon 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

	FORECAST VARIATION 2021/22 £000	COVID VARIATION 2021/22 £000	OTHER VARIATION 2021/22 £000
RESOURCES	4,651	5,880	-1,229
PEOPLE - SOCIAL SERVICES	3,092	4,900	-1,808
PEOPLE – EDUCATION	3,394	2,779	615
PLACE	-1,705	-174	-1,531
<i>NET DIRECTORATE EXPENDITURE</i>	9,432	13,385	-3,953

- 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 £9.4million. 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 December) and first , second and third 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

	Claim £000's	Paid £000's	
Hardship : April to December	17,662	12,057	WG reviewing various elements of claims primarily Adult Social Care. November & December claims submitted: WG response awaited
Loss of Income 1 st , 2 nd & 3 rd Quarter	7,706	5,247	3rd Qtr Submitted to WG mid-January. Response awaited.

To ensure as accurate forecast position as possible these grants have been vired 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:

Contingency Fund 2021/22	Prediction
	2021/22 (£m)
Budgeted contribution for year.	3.621
Increase from 2020/21 carry forward	10.000
Pay award 21/22 for Teachers excess cost: Grant now received from WG and thus removed	0.0
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
Cabinet and members support	-0.095
Human Rights City	-0.030
Litigation Costs	-0.023
Armed Forces veteran fund	-0.025
Mayhill Community day	-0.005
Available to fully remove service overspending	-12.899
Balance 31st March 2022	0.000

The above table lists current potential calls on the budgeted contingency fund. All 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 2 report indicated that an anticipated one off Welsh Government grant for part compensating the higher than expected teachers pay award for 2021-22. This has now been received so the potential call for funding from the Contingency has now been fully removed.

As at 1st 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 £12.899m 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 as this early stage that some 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 £9.4m 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 £11.4m. 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 £12.9m. 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 £11.9m. 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.

Indicative Options include

- Reducing the draw on contingency and conserving more for future years – an indicative £4.5m is proposed but will be confirmed only at outturn
- Allocating the sum to other reserves, including for example the Economic Recovery Fund - an indicative £5m is proposed but will be confirmed only at outturn
- Allocating a sum to ICT reserves, recognising the fundamental shift in service delivery and on line working practices and the attendant pressures on future development activity. An indicative £2.4m (the current balance of underspending forecast left) is proposed but will be confirmed only at outturn.

The position will be firmed up significantly by the outturn report as most of those ongoing uncertainties will be removed (though the delayed national local government pay award may still not be actually resolved so an estimated cost may still need to be provided for).

Summary

	£'m
Service Forecast overspend	9.4
Council Tax shortfall	2.0
Less Mitigating	
Assumed TTP/WVCS costs recovered	-7.1
Apprenticeship/Inflation	-3.3
Contingency Fund not utilised	-12.9
Net underspend forecast	-11.9

NB Further claims for re-imbursment 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.

- Currently, all revenue grant income from WG in relation to COVID claims for the services, including schools, has been allocated “back” to departments.
- 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.
- 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.
- Included in the projected budget for 2021/22 for other corporate items are capital finance charges. At this stage an underspend variance of £6m 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%.
- 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 was considered at Cabinet on 20 January 2022 and appropriate budgetary provisions made.

5. Capital Budget

5.1 Expenditure to 31st December 2021 is £103.229 million, summarised as follows:

Directorate	Budget 2021/22	Actual to 31/12/21	% spend
	£'000	£'000	
Resources	5,275	1,406	26.7%
Education	22,463	15,291	68.1%
Social Services	822	336	40.9%
Place (General Fund)	119,296	55,127	46.2%
Place (HRA)	47,431	31,069	65.5%
Total	195,287	103,229	52.9%

Expenditure on major capital schemes is detailed in Appendix C.

It should be noted that the actual spend to 31 December 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 £1m 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 £170k. This is offset by a forecast underspend on employees costs of £180k as a result of higher than expected vacancies. Covid has also had an ongoing impact on the delivery of the HRA Capital Programme and some slippage is forecast. This will mean a reduction in the amount of borrowing required to fund this year's programme and a reduction in financing costs.

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

REVENUE BUDGET PROJECTION QUARTER 3 2021/22

<u>DIRECTORATE</u>	BUDGET 2021/22 £000	PROJECTED 2021/22 £000	VARIATION 2021/22 £000
RESOURCES	57,701	62,352	4,651
PEOPLE - SOCIAL SERVICES	129,556	132,648	3,092
PEOPLE – EDUCATION	188,786	192,180	3,394
PLACE	72,017	70,312	-1,705
<i>NET DIRECTORATE EXPENDITURE</i>	448,060	457,492	9,432
SPECIFIC PROVISION FOR APPRENTICESHIP LEVY/INFLATION	4,250	1,000	-3,250
CONTINGENCY FUND	12,899	0	-12,899
<i>Assumed additional TTP grant to cover costs</i>	0	-7,130	-7,130
<i>OTHER ITEMS</i>			
LEVIES			
SWANSEA BAY PORT HEALTH AUTHORITY	88	88	0
CONTRIBUTIONS			
MID & WEST WALES COMBINED FIRE AUTHORITY	14,120	14,120	0
<i>CAPITAL FINANCING CHARGES</i>			
PRINCIPAL REPAYMENTS	16,368	12,790	-3,578
NET INTEREST CHARGES	20,010	17,587	-2,423
<i>NET REVENUE EXPENDITURE</i>	515,795	495,947	-19,848
<i>MOVEMENT IN RESERVES</i>			
GENERAL RESERVES	0	0	0
EARMARKED RESERVES	-27,352	-9,504	17,848
<i>TOTAL BUDGET REQUIREMENT</i>	488,443	486,443	-2,000
DISCRETIONARY RATE RELIEF	418	418	0
<i>TOTAL CITY AND COUNTY OF SWANSEA REQUIREMENT</i>	488,861	486,861	-2,000
COMMUNITY COUNCIL PRECEPTS	1,641	1,641	0
<i>TOTAL REQUIREMENT</i>	490,502	488,502	-2,000
<i>FINANCING OF TOTAL REQUIREMENT</i>			
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
<i>TOTAL FINANCING</i>	490,502	488,502	2,000

Director's comments on budget variances

Director of Resources

The budget position in the third 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, however in some areas recruitment is proving difficult. The TTP and WVCS programmes will both recover all costs.

Variance (under -)/over spend	£000	Explanation and Action
COVID-19 Variation:		
Test Trace & Protect Programme (TTP)/Wales Vaccination Certificate Service(WVCS)	7,130	Additional £14m funding has been awarded to the Region of which £7.1m 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, a review of the overheads has been undertaken to help manage this loss of income
Council Tax Reduction Scheme (CTRS)	-1,500	The base budget reflects an increase of £2,346k for the year. This has resulted in an underspend based on caseloads, however, this may change and 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.
Net COVID-19 variation	5,880	
Other Variations:		
Net variations	-1,229	Net Employee, Supplies & Services underspends across the Directorate.
Total Other Variations	-1,229	
Total Forecast Variation	4,651	

Director of Social Services

Variance	£000s	Explanation and Action
Covid 19 Variation		
Projected Hardship Costs	8,166	<p>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</p> <p>Such actions include</p> <ul style="list-style-type: none"> • increasing capacity within the domiciliary care market • participating in a Welsh Government scheme to provide financial support to our private residential providers • providing support to supported living providers • providing additional respite capacity
Projected Income Loss	1,668	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	-4,861	Three tranches of funding has been received and allocated to the Directorate
Other		
Internal Staffing and Services	-2,226	<p>Despite the best efforts of the Directorate, some staffing vacancies are taking some time to fill. Whilst this is a situation we are seeking to resolve, financial savings do occur from such vacancies.</p> <p>We continue to receive grants 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.</p>
Commissioned Care	-1,255	Activity levels remain lower than we would expect were it not for the pandemic.

Variance	£000s	Explanation and Action
Independent Child and Family Placements and support for care leavers	-1,600	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	-300	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 our partners.
Revenue Contribution to Capital Outlay	3,500	The cumulative business as usual underspends above have given the directorate headroom to make a significant contribution to the future cost of forecast capital expenditure.
Overall Variation	3,092	

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 reviewed current service levels and forecast activity for the fourth quarter. We continually monitor our assumptions and revise financial forecasts when the data supports 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 high cost of these placements means that it has a significant effect on our financial forecasts.

Once all expected Covid income is received, we expect the Directorate to underspend at year end. This has provided an opportunity to make an unbudgeted contribution to the Council's Capital Programme. This enables investment in services for the longer term, whilst protecting future revenue budgets.

Director of Education

Variance	£000	Explanation and Action
Covid 19 Variations		
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 by WG	182	Forecasted for 21/22 based on previous year expenditure.
Additional staffing costs over normal contracted hours (catering, cleaning and school support teams)	527	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	755	Claims from schools for those staff being paid for additional non-contracted hours
Additional transport, PPE, and utility costs.	107	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	24	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	386	Reflects detailed analysis of income lost across our maintained schools.
Paid to Date	-2348	Hardship Claims up to October 2021 & Q1+Q2 Loss of Income – Reimbursement Received from WG
Total Covid 19 variations	2779	
Non Covid Variations		

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 - further underlying cost pressures and undeliverable savings target relating to creation of additional walking routes, allocated from Place Directorate	280	MTFP reflects robust management action 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.	85	Additional costs for Ysgol Penybryn from September but savings from Clase bus being taken off. Additional bus for Y G Gwyr from September to deal with increased pupil numbers. Additional costs for YGG Tirdeunaw from September.
Implications of school decisions on SLA buy back on services	0	Reflects existing pressures on areas such as Music Service - Update - WG Grant received covering 21/22 music pressure.
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	-300	Further managed savings can be delivered whilst the new EOTAS model

implementation of new EOTAS model		cannot be fully implemented
One-off managed savings identified in year in addition to those already reflected in MTFP	-193	Challenging to identify significant further savings in addition to MTFP requirements
Net non-Covid 19 projected overspend	615	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	3,394	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 £615k, 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 £1.7m 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 recycles 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 £1.7m underspend but even with the above challenges it is expected that it will at least break even at year end.

Appendix C

Capital expenditure on major schemes to 31 December 2021 (where spend greater than £250k)	£000's
Education	
Bishopston Comprehensive School refurbishment	3,213
YG Gwyr extension	1,606
YGG Tan y Lan new build	3,805
YGG Tirdeunaw new build	5,390
Improvement Works at Arfryn	351
YGG Bryniago classroom extension	342
People	
ICF Community Equipment Vehicles	309
Resources	
Agile and Mobile IT equipment	662
Place	
City Deal Development Phase 1 (Arena schemes)	29,024
Hafod Copper Powerhouse scheme	2,338
Wind Street improvements	2,069
City Centre acquisition	2,102
Palace Theatre Redevelopment	513
Castle Square Regeneration	375
Kingsway Infrastructure	271
Corporate Building Services (including schools)	5,078
Community Play Schemes	954
Highways carriageway resurfacing including invest to save	3,101
Highways Footways	695
Highways Graig Road Emergency Repairs	423
Active Travel schemes	1,550
Highways Drainage works	510
Mumbles Seawall Repairs	386
Fabian Way	1,464
Disability Facilities Grants	2,303

Mini Adaptation Grants	493
HRA	
HRA capital programme (More Homes schemes)	8,332
Wind and Weatherproofing	2,956
Flat Roof & Window Replacement	354
Fire Safety	913
Electrical Rewiring	894
Chimney Repairs	375
External Facilities	4,321
Adaptations	1,621
Bolier and Heating Upgrades	917
HRA Kitchens & Bathrooms	9,643

Total scheme value where spend greater than £250k 99,653