



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

Cabinet – 15 December 2022

### Revenue and Capital Budget Monitoring 2nd Quarter 2022/23

<b>Purpose:</b>	To report on financial monitoring of the 2022/23 revenue and capital budgets, including the delivery of budget savings.
<b>Policy Framework:</b>	Budget 2022/23. Transformation and Future Council
<b>Consultation:</b>	Cabinet Members, Corporate Management Team, Legal Services and Access to Services.
<b>Recommendation(s):</b>	It is recommended that Cabinet:  <ol style="list-style-type: none"><li>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.</li><li>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 from the S.151 officer during the year.</li><li>3) Reinforces the need for all Directors to continue to minimise service spending in year, recognising that the budget overall is currently balanced only by relying on future likely (but far from wholly assured) reimbursement from Welsh Government, centrally held contingency budgets and reserves.</li><li>4) Recognises that cost overspends can now only reasonably be sought to be minimised, rather than eliminated, in current year by some targeted recovery action with a clear expectation of 'tough' rebasing choices to achieve a balanced budget for the 2023-24 budget round.</li><li>5) Notes the indicative overspend in 4.1 with further action to be confirmed in subsequent quarters once it is clearer as to level of residual Covid reimbursement, the likely final cost of the local government pay award which will be paid in third quarter and the ongoing uncertainty over the teachers' pay award.</li></ol>
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## 1. Background and Introduction

- 1.1 This report details forecast variations from the agreed budget for 2022/23.
- 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 2022
  - 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 2022/23 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 2021-22 of £4m). However, given the ongoing impact of COVID and based on the 2021-22 final position on collection an optimistic forecast is that there will be a shortfall in the region of £2.0m in 2022-23. This could possibly be subject to some form of grant underpin support in due course from the Welsh Government, but is far from assured, and is certainly not at all presumed.
- 2.3 The overall Directorate position is summarised below:-

### **DIRECTORATE**

	<b>FORECAST VARIATION 2022/23 £000</b>	<b>COVID VARIATION 2022/23 £000</b>	<b>OTHER VARIATION 2022/23 £000</b>
CORPORATE SERVICES	4,347	3,856	491
FINANCE	-2,342	0	-2,342
SOCIAL SERVICES	2,274	0	2,274
EDUCATION	5,511	0	5,511
PLACE	3,500	0	3,500
<b>NET SERVICE EXPENDITURE</b>	<b>13,290</b>	<b>3,856</b>	<b>9,434</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 £13.290million. Bar some COVID 19 pandemic fluctuations, this amount is in effect entirely because of the recently approved 2022/23 pay award. There is only a 3% pay award budgeted for. There will be in excess of £12 million additional payroll costs that are unfunded by the UK/Welsh Governments. The only funding announced as being available from Welsh Government in relation to COVID related costs in 2022-23 is, for the period up to the end of September 2023, Statutory Sick Pay support and Self Isolation payments plus a longer timescale to the end of the March 2023 for certain Free School Meals costs. Those amounts received at this stage have been included in the figures above. Section 2.7 below shows the level of the currently eligible expenditure that has been deemed as eligible and paid by WG to date.
- 2.7 Currently, monthly claims against additional COVID expenditure for the above specific currently eligible areas for April to September 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 2022/23**

	<b>Claim £000's</b>	<b>Paid £000's</b>	
April to September 2022	3,526	3,109	(September claim submitted in October. WG 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.

Grant claims to Welsh Government in relation to TTP/MVCS costs are ongoing currently but are expected to cease later in the year when the service is scaled back considerably with a new set up in conjunction with public health. As such it is expected that there will be total costs in the region of £3.9m arising. Costs (after grants received) are included under Corporate Service. An assumption regarding 100% funding of this cost is included in the table below and in Appendix A.

In addition to the specific additional service costs regarding Free School Meals in relation to COVID the authority has once again continued to act as an “Agent” on behalf of the Welsh Government in relation to Self-Isolation payments, Statutory Sick Pay and Cost of Living 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 Service budgets currently only assume a 3% pay award, however the recently accepted pay offer from the Employers (for local government services) is significantly higher than this – with a minimum offer of £1,925 per spinal point. This equates to an overall average of around 7-8% on base pay and on-costs for pensions and employers’ national insurance. The cost of this is likely to be in

excess of £18m for Council staff with a further £2m estimated for Teachers (£3m full year effect) if the existing 5% offer is accepted (still subject to much uncertainty as to likelihood of being agreed). This exceeds the amount budgeted by a sum in the region of £12m and no additional government funding is likely forthcoming for any services. **This means particularly for schools, for this year, they will have to fund own pay awards from within existing budgets.** This is entirely consistent in treatment with other council services, which are also not funded, but means these costs will eat directly into schools delegated reserves, given the way schools delegated budgets operate, rather than Council's reserves due to their enforced staff overspending. Vehicle fuel costs are already feeding into reported forecast overspends in some areas and these are reflected where known, but remain volatile. Whilst in year energy costs are being closely monitored, and assessed to remain afforded within reasonable tolerance of the overall budgets set for the current year, with some offsetting savings elsewhere, but predominantly because of the advance buying of energy, the position remains extremely volatile and challenging for new energy forward purchases and will undoubtedly be a very significant burden on future year budgets (£15million increase, a threefold increase, remains a still very likely scenario).

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

- focus on a range of corrective actions, particularly for services overspent even before allowing for the unfunded pay award;
- targeted immediate spend minimisation 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 spending especially given the substantially higher than expected national pay awards;
- but recognising that the overall spend pressures are near wholly Covid or pay award related and that reserves were bolstered to temporarily assist with such pressures in the short term.

2.10 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.
- £3.13m 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 earmarked as a compensating funding mechanism for likely higher than expected pay awards.
- Use of the Contingency Fund as detailed below.

### 3. Contingency Fund Provision for 2022/23

3.1 The contingency fund budgeted contribution was set at £3.731m contribution for 2022/23 as set out in the budget report approved by Council in March 2022. As a result of the favourable outturn position in 2021/22 there was a balance of £4.554m carried forward, to bring the total available in 2022/23 to £8.285m.

3.2 The current potential calls on the contingency fund for 2022/23 are:

<b>Contingency Fund 2022/23</b>	<b>2022/23 (£m)</b>
Budgeted contribution for year	3.731
Increase from 2021/22 carry forward	4.554
Increase from Central Inflation transfer	3.130
Coroner Court rooms	-0.026
Freedom of City Merchant Navy event	-0.002
Payroll temporary support	-0.075
Interim Director Corporate Services (up to)	-0.075
Potential for higher than budgeted national pay awards teaching and local government staff	-8.587
Ashlands Sports Centre	-0.150
Creation of IT Development Fund Reserve this was agreed as part of budget setting for 2022-23 and ongoing savings in future	-2.500
<b>Balance 31st March 2023</b>	<b>0.0</b>

The above table lists current potential calls on the budgeted contingency fund. All (apart from the pay award) 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 1<sup>st</sup> April 2022 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 2022/23 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 £5.457m to provide additional mitigation, together with the forecast unused element of the inflation provision of £3.130m (some £8.587m in total) toward the potential unfunded element of the 2022/23 pay award.

**The one off nature of the funding sources cannot be understated, the excess unbudgeted base costs will impact directly and significantly on the base budget pressures for 2023/24 and do not solve the inflationary pressures, merely defer most of the problem a year.**

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 2022/23, there needs to be continued targeted mitigating action and delivery of savings proposals to help reduce the overall overspend. It looks inevitable at 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 2023/24.

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 Interim Director of Corporate Services 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 £13.290m of shortfall in service revenue budgets, almost entirely in relation to the recently accepted 2022/23 pay award together with 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 £15.290m. 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 2022/23 some additional grant is shown below in the overall summary table of £3.9m. 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 £3.13m and Contingency fund of £5.457m. Taking account all of these mitigations and including the shortfall in Council Tax collection this results in a net forecast overspend for the council of £2.847m.

### Summary

	£'m
Service Forecast overspend	13.290
Council Tax shortfall	2.000
<b>Less Mitigating</b>	
Assumed TTP/WVCS costs recovered	-3.856
Inflation provision assumed to be fully utilised for potential pay offer	-3.130
Contingency Fund balance after assumed use, to be utilised for agreed pay offer.	-5.457
<b>Net overspend forecast</b>	<b>2.847</b>

Note that the above includes unfunded schools pressures which will ultimately fall to schools budgets. In line with historic reporting conventions we do not directly reflect schools spending or reserves movements in year (assume neutral overall) but given the scale of the movement due to unfunded pay costs alone it is important to include this explanatory note. Actual individual and then collated, schools reserves movements will not be known until year end.

**At present an anticipated £3.4m of this cost pressure will ultimately fall to schools delegated budgets and schools reserves, not Council reserves for pay alone. (Schools face additional local pressures including unfunded energy cost rises and local circumstances and it would be perfectly reasonable at this stage to assume that total draws from reserves across all schools are at least treble this figure). In that sense the residual overspend above will be fully covered by extra draws from schools reserves. It remains the case as highlighted by the S151 Officer in first quarter reporting to Cabinet that the scale of draws from reserves (both council and now schools reserves) are temporary expediency measures and are simply not sustainable going into 2023/24.**

NB Further claims for re-imburement of expenditure in relation to the currently eligible expenditure areas will be submitted to Welsh Government in accordance with their relevant announcements and terms and conditions. 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 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 2022/23 for other corporate items are capital finance charges. At this stage there is a likely at least a further £5m underspend on capital finance charges, but this will be formally reported at third quarter and any underspending will be transferred at year end to the capital equalisation reserve, a strategy previously agreed by Council. This will be reviewed and updated during the year as emerging capital demands arise (Levelling Up bids etc). The implemented capital financing strategy was formulated to smooth the impact of the implementation of the revised MRP policy whilst also taking advantage of drawing down long term borrowing at historically low interest rates. Any future borrowing will clearly be at materially higher rates and in the short term will need to be supported by draws from the capital equalisation reserve to smooth cost pressures. New borrowing can currently be temporarily deferred as the council has significant cash backed reserve balances and continued material slippage on its capital programme
- 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 has recently been agreement on the 2022/23 national local government pay award (3% budgeted). No agreement on teachers’ pay as yet. As previously mentioned the agreed offer is a flat rate offer of £1,925 to every spinal point, which equates, to an approximate overall average of 7-8% (higher for the lower spinal points). Current mitigation for the shortfall in funding over this budgeted amount is proposed as utilising the currently un-allocated elements of both the Inflation and Contingency provision totalling some £8.5m (see section 3.2 above).
- 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 2022/23 budget ahead of the 2023/24 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 2022/23 and 2023/24. The Section 151 officer proposes to meet these costs from the Capital Equalisation Reserve and the ICT Development Fund Reserve in both years. A separate update report was considered at Cabinet on 20 January 2022 and appropriate budgetary provisions made. A further update to Cabinet on 20 October 2022 confirmed the use of the ICT Development Fund Reserve.

## 5. Capital Budget

5.1 Expenditure to 30th September 2022 is £42.266 million, summarised as follows:

Directorate	Budget 2022/23	Actual to 30/09/22	% spend
	£'000	£'000	
Corporate Services	1,610	1,280	79.5%
Finance	1,835	0	0.0%
Education	12,117	4,910	40.5%
Social Services	863	656	76.0%
Place (General Fund)	107,385	19,087	17.8%
Place (HRA)	48,613	16,333	33.6%
<b>Total</b>	<b>172,423</b>	<b>42,266</b>	<b>24.5%</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 1 or 2 months costs relating to external invoices. The impacts of substantial price inflation on supplies and materials for schemes is continuing to lead to cost increases 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 2022/23 and future years.

## 6. Housing Revenue Account

- 6.1 During this Quarter, rent arrears and the number of households in rent arrears has risen however it is projected they will continue to increase due to the impacts of the cost of living crisis and energy bill increases. It is too early in the year to forecast the full impact on rent arrears and the budgeted Bad Debt Provision.
- 6.2 Revenue repairs overspent in 21/22 resulting in a budget increase of £1.32m for 22/23 in this area. Spend has been monitored and it is forecasted there will be an overspend of £0.250m for day to day repairs as a result of higher than anticipated building inflation and dealing with the backlog of repairs due to Covid. Day to day voids are forecast to overspend by £0.7m and an additional resource in the form of a new contractor has been sourced, in an attempt to reduce the number of void properties. A further £1.150m increase in 22/23 will be required due to the decreased period in electrical testing (currently every 10 years, new legislation reduces this to every 5 years).
- 6.3 Employee budgets will be overspent by £0.465m once the flat rate pay award is implemented. In addition to this, there will be a transfer to reserves of £0.3m to bolster them back to the agreed minimum level. All of the above anticipated overspends will be offset by a reduction in the Revenue Contribution to Capital transfer as a result of slippage in the Capital programme.

## **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 2022/23

Appendix B – Directors comments on variances and action plans

Appendix C – Expenditure on major Capital Schemes

Appendix D - IIA

## REVENUE BUDGET PROJECTION QUARTER 1 2022/23

<b><u>DIRECTORATE</u></b>	<b>BUDGET 2022/23 £000</b>	<b>PROJECTED 2022/23 £000</b>	<b>VARIATION 2022/23 £000</b>
CORPORATE SERVICES	25,003	29,350	4,347
FINANCE	32,922	30,580	-2,342
SOCIAL SERVICES	145,394	147,668	2,274
EDUCATION	202,157	207,668	5,511
PLACE	80,188	83,688	3,500
<b><i>NET DIRECTORATE EXPENDITURE</i></b>	<b>485,664</b>	<b>498,954</b>	<b>13,290</b>
SPECIFIC PROVISION FOR APPRENTICESHIP LEVY/INFLATION	4,130	1,000	-3,130
CONTINGENCY FUND	8,107	2,650	-5,457
<i>Assumed additional TTP grant to cover costs</i>	0	-3,856	-3,856
<b><i>OTHER ITEMS</i></b>			
LEVIES			
SWANSEA BAY PORT HEALTH AUTHORITY	88	88	0
CORPORATE JOINT COMMITTEE	200	200	0
CONTRIBUTIONS			
MID & WEST WALES COMBINED FIRE AUTHORITY	14,692	14,692	0
<b><i>CAPITAL FINANCING CHARGES</i></b>			
PRINCIPAL REPAYMENTS	16,868	16,868	0
NET INTEREST CHARGES	20,510	20,510	0
<b><i>NET REVENUE EXPENDITURE</i></b>	<b>550,259</b>	<b>551,106</b>	<b>847</b>
<b><i>MOVEMENT IN RESERVES</i></b>			
GENERAL RESERVES	0	0	0
EARMARKED RESERVES	-27,943	-30,790	-2,847
<b><i>TOTAL BUDGET REQUIREMENT</i></b>	<b>522,316</b>	<b>520,316</b>	<b>-2,000</b>
DISCRETIONARY RATE RELIEF	418	418	0
<b><i>TOTAL CITY AND COUNTY OF SWANSEA REQUIREMENT</i></b>	<b>522,734</b>	<b>520,734</b>	<b>-2,000</b>
COMMUNITY COUNCIL PRECEPTS	1,697	1,697	0
<b><i>TOTAL REQUIREMENT</i></b>	<b>524,431</b>	<b>522,431</b>	<b>-2,000</b>
<b><i>FINANCING OF TOTAL REQUIREMENT</i></b>			
REVENUE SUPPORT GRANT	297,425	297,425	0
NATIONAL NON-DOMESTIC RATES	89,167	89,167	0
COUNCIL TAX - CITY AND COUNTY OF SWANSEA	136,142	134,142	2,000
COUNCIL TAX - COMMUNITY COUNCILS	1,697	1,697	0
<b><i>TOTAL FINANCING</i></b>	<b>524,431</b>	<b>522,431</b>	<b>2,000</b>

## Director's comments on budget variances

### Interim Director of Corporate Services

The budget position in the second quarter reports that the Corporate Services directorate is overspending. The TTP service has been extended for the rest of the year and the WVCS programme has been extended to at least December 2022. Both programmes will recover all costs from Welsh Government funding.

Variance (under -)/over spend	£000	Explanation and Action
<b>COVID-19 Variation:</b>		
Test Trace & Protect Programme (TTP)/Wales Vaccination Certificate Service(WVCS)	3,856	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.
<b>Net COVID-19 variation</b>	<b>3,856</b>	
<b>Other Variations:</b>		
Design Print	-100	Loss of trading income which relates mainly to internal recharges to Council departments, however, this has been offset by additional base budget allocated for the year.
Net variations	-568	Net Employee, Supplies & Services underspend.
Pay Award	1,159	Estimated cost.
<b>Total Other Variations</b>	<b>491</b>	
<b>Total Forecast Variation</b>	<b>4,347</b>	

### Director of Finance

The budget position in the first quarter shows the Finance directorate underspending.

Variance (under -)/over spend	£000	Explanation and Action
Council Tax Reduction Scheme CTRS)	-2,000	Demand led spending which continues to be carefully managed to contain costs and which help ameliorate the unrelated losses on council tax collection.

Other variations	-342	Modest underspending across a range of employee and supplies and services costs netted off by an estimated pay award of £610k.
<b>Total Forecast Variation</b>	<b>-2,342</b>	

### **Director of Social Services**

Variance (under -)/over spend	£000	Explanation and Action
Adult Services, Prevention and Tackling Poverty	2,716	Forecast overspends within Mental Health and Learning Disability and External Domiciliary Care. The pending pay award has eliminated the ability of staffing savings to offset this.
Child & Family Services	1,506	There are financial pressures due to service growth within Direct Payments and a forecast increased cost for Special Guardianship Orders. There are also pressures caused by the pending pay award.
Grants Commissioning and Partnerships	526	The forecast overspend is primarily attributable to pending pay award.
Integrated Services for Older People	-2,626	We are currently forecasting underspends within the external residential sector and within our own staffing establishment.
Resources Hub	152	An underspend on staffing is currently forecast.
<b>Total Social Services</b>	<b>2,274</b>	

### **Director's Comments**

The overall forecast has deteriorated from that projected at quarter one. The expectation that the pending pay award will cost the Directorate significantly more than we have been funded is the primary reason for this.

Other than those variances attributable to the pending pay award, we are seeing pressures within Adult Services, Prevention and Tackling Poverty; where we are forecasting an overspend within Mental Health and Learning Disability Services. The pressures within Child and Family Services are due to the increased cost of Direct Payments and Special Guardianship Orders.

Overspends are partially offset by significant underspends in Integrated Services for Older People where we continue to forecast underspends around External Residential Care and in our workforce. We are very conscious of the negative impact of staffing vacancies and actions to fill front line vacant posts are a business priority.

## Director of Education

<b>Variance</b>	<b>£000</b>	<b>Explanation and Action</b>
<b>Covid 19 Variations</b>		
FSM Support - Holiday BACS Payments	1,594	Cash Payments to those pupils eligible for FSM Holiday BACS payments.
FSM Support - BACS Payments	75	Cash Payments to those pupils eligible for FSM Study and Post-Exam Leave BACS payments.
FSM Support - Holiday Food Bags	14	Food Bags issued to those pupils eligible for FSM Holiday support.
Paid to Date	-1683	Reimbursement Received from WG - Paid up to August 22 so far.
<b>Total Covid 19 variations</b>	<b>0</b>	
<b>Non Covid Variations</b>		
FSM Support - BACS Payments – Bank Holiday (Unfunded)	31	Cash Payments to those pupils eligible for FSM Bank Holiday BACS payment - Royal Funeral – Not Reimbursable.
ALN - more costly out of County provision mitigated by further enhanced in County provision (so impact dependent on resourcing to deliver enhanced provision)	150	Indications are that savings will be made but the position will be clearer with September admissions/pupil placements. Since the addition of more specialist places in Swansea, out of County provision is starting to decline.
Catering and Cleaning services - Continuing work towards full cost recovery through SLAs where schools are receiving additional funding to reflect such cost pressures	100	Although full cost recovery was established from school SLAs, the real living wage and the introduction of universal free school meals are likely to add cost pressures.
Home to School Transport - further underlying cost pressures and undeliverable savings target re-creation of additional walking routes, allocated from Place	200	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 at least £200,000 for 2022-23 and £143,300 thereafter, until the third walking route is delivered.
Home to School Transport - Additional cost pressures of additional transport costs for Education - Summer Term.	137	Agreement to pay suppliers above contracted rates due to the risk on service contracts failing. Other LAs already acted forcing a response from Swansea. Backdated to March 22. Calculated using increases in average

		fuel price. ALN Contracts £76K, Mainstream Contracts £61K. No further payments to suppliers will be made.
Home to School Transport - Additional cost pressures of additional transport costs for Education from September 2022.	572	Forecasts estimate a 9.80% increase overall in value of the school transport contracts from September. This is from the most recent indices published. Until finally agreed this is up for constant review. Suppliers will increase charges due to the hike in the price of fuel.
Differences in Support Staff Pay Award - Schools Salaries.	2,748	LA Funded at 3%. £1,925 (+oncosts) per FTE Proposed.
Differences in Teachers Pay Award - Schools Salaries	652	LA Funded at 3%. Current Proposed 5%. Difference of 2%. Full year £1,118K. Part year impact for 22/23 is £652K
Differences in Education Staff Pay Award	1,110	LA Funded at 3%. £1,925 (+oncosts) per FTE Proposed.
Differences in Education Teachers Pay Award	62	LA Funded at 3%. Current Proposed 5%. Difference of 2%. Full year £106K. Part year impact for 22/23 is £62K.
Other continuing pressures (Primarily Historic Pension Costs, Maternity etc)	377	Will continue to mitigate as far as possible and contain such costs.
One-off managed savings identified in year in addition to those already reflected in MTFP	-627	Challenging to identify significant further savings in addition to MTFP requirements.
Net non-Covid 19 projected overspend	5,511	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
<b>TOTAL PROJECTED PRESSURES</b>	<b>5,511</b>	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 impact the first and second quarters of 22/23. The Council's response is in line with Welsh Government Guidance and has required significant resource directed at Education. Payments for FSM support are now expected to continue only for the three remaining School Holiday Periods remaining of the 22/23 financial year, namely, the Christmas Break and Two Half Terms.

It was the LA's decision to make an FSM payment to cover the September Bank Holiday for the Royal Funeral. These costs (£31K) are not recoverable from Welsh Government.

It is expected that remaining costs considered Covid related will be recovered from available WG grant funding but there is always a risk that a few costs may not be fully reclaimable.

The most significant cost pressure to Education comes from 22/23 Pay Awards. In previous years there would have been an expectation that pay awards would be fully funded. There can be no such assumption this year. The variance between the budgeted increase and the proposed awards for Schools and Education Staff (inc. Teachers) is currently forecast at £4.57m, with the potential to increase further until an agreement is made.

In addition, the overspend forecasts have increased due to escalating cost pressures in school transport. Current forecasts estimate an indexation increase of 9.80% to contracts which will be implemented and backdated to September 22.

Due to the increase in fuel pricing during Q1 was a decision to offer backdated top-up payments to retain our current school transport providers. This has since prevented further suppliers from handing back their contracted services for Swansea schools. These payments we calculated based on the monthly average increases in fuel pricing and backdated to March 22.

The remaining projected overspend can be 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.

There are other areas of identified demand and cost pressures, despite the continuing delivery of the Education strategy, but these are anticipated to be 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 being over £5.5m, 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 an overspend of £4.5m for the year ahead which includes an unbudgeted pay award of £2.6m for 22/23. This is however based on assumed use of budgeted contingency allocated to the Directorate in response to the ending of Welsh Government funding for loss of income and other impacts associated with Covid. It is still early in the year, however there is a current estimated £6.1m overspend of which £1.6m has already been mitigated by the use of contingency and a further £1.2m call on contingency by year end will reduce the overspend to £3.3m-3.5m. The aim for the next 2 quarters will be to mitigate the remaining £3.3m-3.5m overspend. Whilst income is recovering in some key areas, the rate of recovery remains slow and is impacting a range of services, fees and charges. Recovery of car park income is a significant unknown and remains supported in year by the Economic Recovery fund. Once ERF ends, this key area of income will be monitored closely. In addition inflationary pressures are being experienced across all areas of the

Directorate and we are mindful of likely implications from the annual pay award currently being negotiated nationally.

As is the case with any large directorate there are some other non Covid related projected overspends, including costs associated with rising price of Utilities, but will to mitigate where possible.

## Appendix C

<b>Capital expenditure on major schemes to 30 September 2022 (where spend greater than £250k)</b>	<b>£000's</b>
<b>Education</b>	
Bishopston Comprehensive School Refurbishment	2,224
YG Gwyr Extension	1,127
YGG Tan y Lan new build	479
Free School Meals scheme - infrastructure / equipment	763
<b>Social Services</b>	
Child & Family in-house residential scheme	399
<b>Digital Services</b>	
IT equipment	563
Data Centre relocation	380
<b>Place</b>	
City Deal - Arena	644
City Deal - 71-72 Kingsway Offices	3,868
Palace Theatre Redevelopment	1,316
Redevelopment of Former BHS Building	1,518
Hafod Copper Powerhouse scheme	1,153
Corporate Building Services (Including Schools)	3,762
Disability Facility Grants	1,562
Mini Adaptation Grants	368
Local Transport Fund Schemes	613
Highways Carriageway Resurfacing	629
Marina Lock-Inner Gate Refurbishment	397
Bridge Repair/Retainment Walls	520
Community Play Schemes	694
<b>HRA</b>	
HRA Capital Programme (More Homes Schemes)	4,855
Wind and Weatherproofing	3,499
External Facilities	2,527
Adaptations	1,089
Boiler and Heating Upgrades	614
Chimney repairs	425
Fire and other safety measures	1,076
HRA Kitchens & Bathrooms	1,361
<b>Total scheme value where spend greater than £250k</b>	<b>38,425</b>