



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

Cabinet – 16 February 2023

### Revenue and Capital Budget Monitoring 3rd 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:  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 from the S.151 officer during the year.  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.  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.
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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 continued 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	3,471	3,753	-282
FINANCE	-2,431	0	-2,431
SOCIAL SERVICES	53	0	53
EDUCATION	3,902	0	3,902
PLACE	4,000	0	4,000
<b><i>NET SERVICE EXPENDITURE</i></b>	<b>8,995</b>	<b>3,753</b>	<b>5,242</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 £8.995million. 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. Due to the Cost of Living crisis there is additional funding available for winter fuel payments. 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 December 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 December 2022	9,396	3,669	(December claim submitted in January. WG response awaited. November claim agreed and waiting for payment.)

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/WVCS 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 £3.8m 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 (WG have imposed the offer but it is still subject to much uncertainty as to likelihood of being accepted given recent trade union ballots and announced intended industrial action). 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 (up to £15million increase, a threefold increase, remains a still very likely near term 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 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 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 £8.995m 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 £10.995m. 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 £3.8m. 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 underspend for the council of £1.345m (after contingency and other reserve draws). Ongoing uncertainty over NDR receipts (after a succession of complicated interim relief schemes may likely need to utilise this residual under spend after reserve draws).

#### Summary

	£'m
Service Forecast overspend	8.995
Council Tax shortfall	2.000
<b>Less Mitigating</b>	
Assumed TTP/WVCS costs recovered	-3.753
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>Limited headroom available to potentially reduce the otherwise significant planned draw from reserves and contingency</b>	<b>-1.345</b>
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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 beyond 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 projected £8m underspend on capital finance charges, any underspending will be transferred at year end to the capital equalisation reserve, a strategy previously agreed by Council. The rapid and quick succession of interest rate rises in year has benefitted interest received on balances held. This will be reviewed and updated during the year as emerging capital demands arise (successful 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). Teachers' pay has been imposed by Welsh Government but no agreement as yet. As previously mentioned the agreed local government pay 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 31<sup>st</sup> December 2022 is £72.361 million, summarised as follows:

<b>Directorate</b>	<b>Budget 2022/23</b>	<b>Actual to 31/12/22</b>	<b>% spend</b>
	£'000	£'000	
Corporate Services	2,094	1,362	65.0%
Finance	985	0	0.0%
Education	12,622	7,494	59.4%
Social Services	851	674	79.2%
Place (General Fund)	111,078	36,762	33.1%
Place (HRA)	48,613	26,069	53.6%
<b>Total</b>	<b>176,243</b>	<b>72,361</b>	<b>41.1%</b>

Expenditure on major capital schemes is detailed in Appendix C.

It should be noted that the actual spend to 31 December 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 will 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 Rent arrears are being closely monitored and are anticipated to increase by the end of the financial year due to the impacts of the cost of living crisis and energy bill increases. However, these increases have been budgeted for and the current level of Bad Debt Provision is sufficient.
- 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 £0.42m 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 £0.3m 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 are forecast to be overspent by £0.3455m now that the flat rate pay award has been implemented. 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 Integrated Impact Assessment (IIA) process throughout the Budget setting process. It is essential where service levels are affected by changes to the Revenue Budgets (including savings options) that the 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

## Appendix A

## 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	29,926	33,397	3,471
FINANCE	32,556	30,125	-2,431
SOCIAL SERVICES	144,838	144,891	53
EDUCATION	202,264	206,166	3,902
PLACE	81,911	85,911	4,000
<b><i>NET DIRECTORATE EXPENDITURE</i></b>	<b>491,495</b>	<b>500,490</b>	<b>8,995</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	-3,753	-3,753
<b><i>OTHER ITEMS</i></b>			
LEVIES			
SWANSEA BAY PORT HEALTH AUTHORITY	88	88	0
CORPORATE JOINT COMMITTEE CONTRIBUTIONS	200	200	0
MID & WEST WALES COMBINED FIRE AUTHORITY	14,692	14,692	0
<b><i>CAPITAL FINANCING CHARGES</i></b>			
PRINCIPAL REPAYMENTS	16,868	13,874	-2,994
NET INTEREST CHARGES	20,510	15,504	-5,006
<b><i>NET REVENUE EXPENDITURE</i></b>	<b>556,090</b>	<b>544,745</b>	<b>-11,345</b>
<b><i>MOVEMENT IN RESERVES</i></b>			
GENERAL RESERVES	0	0	0
EARMARKED RESERVES	-33,774	-24,429	-9,345
<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)	3,753	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>3,753</b>	
<b>Other Variations:</b>		
Communications & Marketing	-298	Underspend primarily due to staff vacancies not being filled
Digital & Customer Services	-255	Underspend primarily due to staff vacancies not being filled and contracts being underspent
HR & Service Centre	309	Improved position due to increase in income and approved ERF funding
Chief Legal Officer	-38	Underspend primarily due to staff vacancies not being filled and reduced forecast spend in Elections Service
<b>Total Other Variations</b>	<b>-282</b>	
<b>Total Forecast Variation</b>	<b>3,471</b>	

### **Director of Finance**

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

<b>Variance (under -)/over spend</b>	<b>£000</b>	<b>Explanation and Action</b>
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	-431	Modest underspending across a range of employee and supplies and services costs netted off by the pay award.
<b>Total Forecast Variation</b>	<b>-2,431</b>	

### **Director of Social Services**

<b>Variance (under -)/over spend</b>	<b>£000</b>	<b>Explanation and Action</b>
Adult Services, Prevention and Tackling Poverty	2,398	Forecast overspends within Mental Health and Learning Disability and External Domiciliary Care. The pay award has eliminated the ability of staffing savings to offset this.
Child & Family Services	382	There are financial pressures due to service growth within Direct Payments and a forecast increased cost for Special Guardianship Orders. The pay award has reduced the staffing underspend that could be used to offset this. One off grant funding has provided some opportunities to offset core funded expenditure.
Grants Commissioning and Partnerships	-205	Staffing vacancies as well as the use of one off grant funding has enabled us to offset the financial pressures forecast in Q2 due to the pay award.
Integrated Services for Older People	-2,496	We are currently forecasting underspends within the external commissioned sector and within our own staffing establishment.
Resources Hub	-26	All variances in this service are attributable to staffing.
<b>Total Social Services</b>	<b>53</b>	

## Director's Comments

Robust application of in year spending restrictions and particularly the freeze on non-critical workforce recruitment has supported a significant improvement on the overall forecast projected at quarter two and now represents a near balanced position. This is despite the pay award costing the Directorate significantly more than we have been funded.

However we continue to see pressures within Adult Services, Prevention and Tackling Poverty, where we are forecasting overspends 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 and are partially offset by one off grant funding.

Significant underspends in Integrated Services for Older People, where we continue to forecast underspends around External Residential Care and in our workforce, are the primary factor in our ability to offset pressures elsewhere in the Directorate.

Activity within externally commissioned residential and domiciliary care is yet to return to pre pandemic levels. Whilst this has contributed to our ability to balance our budget in the current year, it presents a risk that our future financial performance will deteriorate should activity return to those levels seen previously.

We are very conscious of the negative impact of staffing vacancies and actions to fill critical front line vacant posts continue to be a priority.

## Director of Education

Variance	£000	Explanation and Action
<b>Covid 19 Variations</b>		
FSM Support - Holiday BACS Payments & Food Bags	2,600	Cash Payments to those pupils eligible for FSM Holiday payments, Study and Post-Exam Leave. Food Bags issued to eligible pupils.
Paid to Date	-2,200 -400	Reimbursement Received from WG - Paid up to October 22 so far. Amount due for December Claim
<b>Total Covid 19 variations</b>	<b>0</b>	December outstanding, assumed no issues
<b>Non Covid Variations</b>		
FSM Support - BACS Payments – Bank Holiday.	31	Local decision Royal Funeral – Not Reimbursable.
Catering & Cleaning - Continuing work towards full cost recovery.	200	Full cost recovery established from school SLAs, real living wage and introduction of universal free school meals are likely to add cost pressures.

Home to School Transport - Cost pressures and undeliverable savings target re-creation of additional walking routes, allocated from Place.	200	Action to mitigate scale of demand and cost pressures on School Transport. The overall shortfall in delivery of the MTFP savings targets transferred to Education would be at least £200,000 for 2022-2023.
Home to School Transport - Additional cost pressures of additional transport costs.	1,000	Agreement to pay suppliers above contracted rates due to the risk on service contracts failing. Other LAs already acted forcing a response from Swansea. In addition, forecasts estimate a 9.80% increase overall in value of the school transport contracts from September. Likely to stabilise with diesel pump prices currently back to mid-March 2022 levels, and are continuing to fall.
Differences in Support Staff Pay Award - Schools Salaries.	2,748	LA Funded at 3%. £1,925 (+on-costs) per FTE.
Differences in Teachers Pay Award – Schools/Education Salaries.	714	LA Funded at 3%. Proposed 5%. Difference of 2%. 2022-2023 impact is £652K for Schools and £62K for teachers employed centrally in Education.
Differences in Education Staff Pay Award	1,110	LA Funded at 3%. £1,925 (+on-costs) per FTE.
One-off managed savings identified in year.	-2,101	Challenging to identify significant further savings, adhering to only essential spending and vacancy savings.
<b>Total Forecast Variation</b>	<b>3,902</b>	Reflects shortfall on Pay Award which was over and above what was budgeted mitigated by in year savings.

The Directorate is currently projecting an overspend, with the most significant cost pressure relating to the 2022-2023 Pay Award at £8.8m with the total variance forecast at £4.6m. There is also the potential for this to increase further while an agreement on Teachers' Pay with trades unions is still outstanding. Robust management of in-year spending using restrictions, vacancy management and identification of one-off savings of £2.1m have helped to offset the overspend and absorb some of the underfunded pay award.

In addition, the overspend forecasts have increased due to escalating cost pressures in school transport mainly due to the increase in contract and fuel pricing. A decision to offer top-up payments to retain our current school transport providers was made, preventing further suppliers from handing back their contracted services for Swansea schools. This was agreed at 137k for Summer



and £33k for Autumn Term. There are other areas of identified demand and cost pressures but measures are in place to offset these.

The Council's response to Covid-19 is in line with Welsh Government Guidance and has required significant resource directed at Education. Payments for FSM support are will continue for the remaining Half Term Holiday.

### **Director of Place**

<b>Variance (under -)/over spend</b>	<b>£000</b>	<b>Explanation and Action</b>
Culture, Tourism, Sport & Leisure	-305	Underspend primarily due to staff vacancies
Housing and Public Protection	249	Due primarily to spend and income pressures in Cemeteries & Cremations. Mitigating measures elsewhere will improve year end position.
Economic Regeneration and Planning	631	Due primarily to lower Planning fee income and Swansea Market overspend. Some mitigation before year end but not in full
Highways and Transportation	319	Operational and income pressures
Waste Management, Parks and Neighbourhood Working	1,133	Historic and predicted pressure - unfunded agency pay award, increased plastic collection costs, increased fleet maintenance costs, increases in diesel costs. Spend mitigation measures in place but will not recover year end position.
Corporate Building Services & Director of Place	-12	Over-recovery on trading
Corporate Property Services	62	Shortfall on income.
	<b>2,077</b>	
Unbudgeted 22/23 Pay Award	3,286	
Less part year NI saving	-333	
Less further call on Place Contingency	-1,030	Underwriting support for partners post pandemic - Freedom Leisure, WNP & JR Catering
<b>Total Forecast Variation</b>	<b>4,000</b>	

The directorate is currently projecting an overspend of £5.0m for the year ahead which includes an unbudgeted pay award of £3.2m for 22/23 offset by a £0.3m part year underspend in Employers National Insurance. 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. There is a current estimated £6.6m 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 net overspend to £3.8m - £4.0m. The aim for the next quarter will be to mitigate the remaining £3.8m - £4.0m overspend as much as possible via implementation of a budget recovery plan within services and use of grant wherever possible. 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 particularly closely and a new charging structure is expected to be introduced from 1<sup>st</sup> April 23. In addition inflationary pressures are being experienced across all areas of the Directorate and there remains significant volatility in the Waste recycles market which is also impacting accuracy of budget forecasting.

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 as described this will be mitigated where possible.

## Appendix C

<b>Capital expenditure on major schemes to 31 December 2022 (where spend greater than £250k)</b>	<b>£000's</b>
<b>Education</b>	
Bishopston Comprehensive School Refurbishment	3,184
YG Gwyr Extension	1,216
YGG Tan y Lan new build	508
Free School Meals scheme - infrastructure / equipment	1,182
Olchfa Comprehensive School Refurbishment	275
<b>Social Services</b>	
Child & Family in-house residential scheme	404
<b>Digital Services</b>	
IT equipment	610
Data Centre relocation	400
<b>Place</b>	
City Deal - Arena	965
City Deal - 71-72 Kingsway Offices	7,264
Palace Theatre Redevelopment	2,629
Redevelopment of Former BHS Building	1,772
Hafod Copper Powerhouse scheme	2,194
Cefn Hengoed Community Hub	1,792
3G Pitch Phoenix Centre	258
Corporate Building Services (Including Schools)	5,997
Disability Facility Grants	2,445
Mini Adaptation Grants	414
Local Transport Fund Schemes	633
Active Travel Fund Schemes	561
Highways Carriageway Resurfacing	1,760
Marina Lock-Inner Gate Refurbishment	397
Bridge Repair/Retainment Walls	667
Drainage Works	354
Purchase of Two Electric Road Sweepers	369
Community Play Schemes	871
Essential Playground Works	370

<b>HRA</b>	
HRA Capital Programme (More Homes Schemes)	7,856
Wind and Weatherproofing	5,760
External Facilities	4,076
Adaptations	1,839
Boiler and Heating Upgrades	836
Electric Rewiring	657
Chimney repairs	575
Balcony Refurbishment	334
Fire and other safety measures	1,600
HRA Kitchens & Bathrooms	1,820

Total scheme value where spend greater than £250k

64,844