



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

Cabinet – 21 December 2023

### Revenue and Capital Budget Monitoring 2nd Quarter 2023/24

<b>Purpose:</b>	To report on financial monitoring of the 2023/24 revenue and capital budgets, including the delivery of budget savings.
<b>Policy Framework:</b>	Budget 2023/24. Transformation and Future Council
<b>Consultation:</b>	Cabinet Members, Corporate Management Team, Legal 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 heightened material uncertainties around equal pay provisions, set out in the report and the actions in hand to seek to address these.</li><li>2) Approves the virements and the use of the Contingency fund as set out in 3.2 and the Inflation provision as set out in 4.3 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, providing clear recovery plans where they are overspending, recognising that the budget overall is currently balanced only by relying on future (but far from wholly assured) reimbursement from Welsh Government, centrally held contingency budgets and increasingly reserves.</li><li>4) Recognises that directorate cost overspends must be absolutely minimised, through recovery plans, given the proposed material pay provision, in current year by targeted recovery action with a clear expectation of 'tough' rebasing choices to achieve a balanced budget for the 2024/25 budget round.</li><li>5) Note the indicative overspend in 6.1 with further actions to be confirmed in subsequent quarters once it is clearer as to the likely final cost of the equal pay award provision.</li></ol>
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## **1. Background and Introduction**

- 1.1 This report details forecast variations from the agreed budget for 2023/24.
- 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 2023
  - 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.
- 1.4 The implementation of Oracle Fusion delayed Quarter 1 reporting by one monthly cycle but the system is now working sufficiently well enough to give assurance to the S.151 Officer that the finance and performance reporting process is working in line with previous expectations and timescales. The remaining issues are considered not fundamental to the core budget monitoring and reporting on the financial position.
- 1.5 There is also, as members will be aware widescale reporting of financial pressures especially in England. Risks are growing for the whole of local government and whilst the Council has high earmarked reserves, with an equally ambitious set of spending plans to match, it has especially low General Reserves already at the absolute minimum of acceptability to the S.151 Officer. In line with all other councils, it is now rapidly reviewing once again equal pay claims and potential liabilities. At this stage, prudently, a new pay liability, tentatively priced at £15m is included in the projections. Even if it were proven fully needed (and it is indeed contingent on other events first before being wholly assured), it can be afforded, albeit with consequences (by reducing options for other spending elsewhere) and is proposed to be fully covered by an equal pay provision created and charged in the current year on the recommendation of the S.151 Officer.

## **2. Revenue Outturn Forecast Based on 2nd Quarter Position**

- 2.1 Appendix 'A' to this report details the approved Revenue Budget for 2023/24 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 small surplus in 2022/23 of £32k). At present, break-even is assumed, but there may be some

scope for a repeated surplus given a very prudent (lower) level of collection rate was set for 2023/24.

2.3 The overall Directorate position is summarised below:-

**DIRECTORATE**

	FORECAST VARIATION 2023/24 £000
CORPORATE SERVICES	-35
FINANCE	-656
SOCIAL SERVICES	2,312
EDUCATION	465
PLACE	3,656
<b><u>NET SERVICE EXPENDITURE</u></b>	<b>5,742</b>

2.4 Directors' comments on the above variations are shown at Appendix B.

2.5 Within the *Successful and Sustainable Swansea Corporate Transformation Plan*, 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 service overspend for the year of £5.742 million but this will ultimately be influenced by the final pay award once implemented.

2.7 Services are now operating business as usual but there will be an ongoing impact from Covid for example where income levels have not recovered fully.

2.8 Service variations currently assumed the existing local government pay offer will be implemented as is at some point (an average 7% pay award but with wide variations between grades). The pay offer from the Employers remained a flat rate £1,925, which was fully budgeted for, but some Trade Unions were in dispute with national employers. The pay deal has now been accepted by a majority of unions and has been implemented and paid after the cut off point for this second quarter forecast but before the time this report is being considered at Cabinet. Vehicle fuel costs are already feeding into reported forecast overspends in some areas (home to school transport and bus services support) 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, because of material and **one-off** earmarked use of reserves to provide for **one-off** enhanced central inflation budgets, the position remains extremely volatile and challenging for new energy forward purchases and will undoubtedly be a very significant burden on future year base budgets (£millions).

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

- focus on a range of corrective actions,

- targeted immediate spend minimisation and deferral action,
- strict 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**,
- 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,
- to agree credible recovery plans where there is current overspending and for these to be shared and agreed with the Chief Executive and S.151 Officer for assurance purposes,
- whilst recognising that the overall spend pressures are near wholly post-Covid, inflation or pay award and now pay risk related and that reserves were bolstered to temporarily assist with some such pressures.

2.10 Offsetting opportunities do exist to temporarily ameliorate some of the currently identified service demand and price pressures as follows:

- £20.330m was set aside mostly **one-off** to meet any significant inflationary increases arising in year, specifically for the increased energy costs. Given the overall financial projection at this stage, it is proposed by the S.151 Officer that any residual sum be earmarked as a compensating funding mechanism for part of the new equal pay provision.
- Use of the Contingency Fund as detailed below.

### 3. Contingency Fund Provision for 2023/24

3.1 The Contingency Fund budgeted contribution was set at £6.118m contribution for 2023/24 as set out in the budget report approved by Council in March 2023. There was no balance brought forward from 2022/23 as the Contingency Fund was fully utilised, so the total available for use in 2023/24 remains at £6.118m.

3.2 The current potential calls on the Contingency Fund for 2023/24 are:

<b>Contingency Fund 2023/24</b>	<b>2023/24 (£m)</b>
Budgeted contribution for year.	6.118
Funding Agreed deferred specific savings as per Council decision 2 <sup>nd</sup> March 2023	-0.901
Corporate Services Items - various one-off items reflecting known cost pressures (inc. coroners costs, card processing fees) – to be addressed in base in future years	-0.330
Corporate Services – Auditel costs to improve hybrid meeting functionality/stability	-0.027
Corporate Services make good slight shortfall on already agreed Recovery Fund Scheme to support occupational health expansion	-0.018
Potential legal costs – litigations and mitigations	-0.500
Place Services additional costs as per Exempt Cabinet Decisions in year – Regeneration	-0.825
Defibrillators – additional roll out	-0.075

EMS vehicle costs	-0.005
Car Parks extended offer on pricing tariffs	-0.850
Part contribution for new Equal Pay Provision	-2.587
<b>Balance 31st March 2024</b>	<b>0.0</b>

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, including equal pay risks.

As at 1<sup>st</sup> April 2023 the balance of the Restructure Reserve was £2.8m, however on 20<sup>th</sup> April 2023 Cabinet agreed the use of £2.433m of this for the Workforce and Digital Transformation programmes, leaving a balance of £0.367m to contribute toward ER/VR or other cost risks that may arise in 2023/24. The S.151 Officer remains satisfied that this is sufficient for 2023/24 taken in conjunction with the balance 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 either within Services or from existing earmarked reserves.

Based on current forecast the S.151 Officer proposes to utilise the current year forecast underspend on the Contingency Fund of up to £2.587m to provide additional mitigation, together with the forecast unused element of the inflation provision of £3.649m (some £6.236m in total) toward the potential equal pay risk provision.

**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 2024/25 and do not solve the inflationary pressures, merely defer most of the problem a year.**

However, the S.151 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 2023/24, 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 and the enhanced **one-off** central inflation provision. Any inroads to net spending will reduce the necessary draw from reserves and increase the amount of reserves available to carry into 2024/25.
- 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.
- 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 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 VAT related claims when applicable, there is NO certainty of windfalls from VAT refunds, or any other external source being received in the current year.

#### 4. Inflation Provision 2023/24

4.1 The 2023/24 budget includes a provision of £20.330m for both inflation (£19.330m) and the Apprenticeship Levy (£1m). This was increased specifically because of the levels of general inflation forecast for 2023/24 and because of the unprecedented energy price rises.

4.2 The Apprenticeship Levy funding will be wholly needed for the Levy this year, with no underspend available to fund service overspending.

4.3 The current potential calls on the Inflation Provision are as follows:

<b>Inflation Provision 2023/24</b>	<b>2023/24 (£m)</b>
Budgeted contribution for year.	19.330
Social Care Energy Costs	-1.000
Education Home to School Transport Costs	-1.000
Schools Energy Costs	-6.000
Council as Corporate Landlord Energy Costs (Including Street Lighting)	-6.000
Community Groups Energy Costs support	-0.250
Freedom Leisure Energy Costs support	-1.021
Wales National Pool Energy costs support	-0.200
Arena Energy Costs support	-0.210
<b>Balance 31st March 2024</b>	<b>3.649</b>

## 5. Savings Tracker 2023/24

- 5.1 Since the onset of the COVID pandemic, the service savings built into the annual budget have not been specifically and separately monitored. As the budget has been underspent in each year then the savings have been assumed to be met.
- 5.2 As the operation of the Council is now back to “business as usual” the monitoring of specific savings has resumed. In line with the monitoring process pre-pandemic, each Director monitors and reports on progress of individual savings. A summary of this progress is attached at Appendix C.
- 5.3 The summary shows that against a savings target of £21.9m, £16.6m or some 76% is forecast to be achieved by the end of the year.
- 5.4 In addition to the list of savings deferred one year at Council in March 2023, any minor previous savings proposed funded temporarily in year from contingency as part of Cabinet budget monitoring reports will be treated as equivalently deferred and removed from the target.

## 6. Revenue Budget Summary

- 6.1 The position reported above reflects the best-known current position and shows a net £5.742m shortfall in service revenue budgets. This is as a result of pressures mainly in the care sector and home to school transport.

### Summary

	£'m
Service Forecast overspend	5.742
Estimated equal pay provision	15.000
<b>Less Mitigating</b>	
Inflation provision earmarked for estimated equal pay provision	-3.649
Contingency Fund earmarked for estimated equal pay provision	-2.587
Capital financing underspend exceptionally not added to Capital Equalisation Reserve	-7.000
<b>Net overspend forecast, currently met by additional draws from reserves</b>	<b>7.506</b>

- a. Corporate Management Team have reinforced the expectation that both service and overall net expenditure **must** be, 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 S.151 Officer.
- b. Included in the projected budget for 2023/24 for other corporate items are capital finance charges. At this stage there is a likely £7m minimum underspend on capital finance charges and any underspending here will now be required to help fund the equal pay provision and thus will **exceptionally**

**not** be available to add to the Capital equalisation Reserve this year. This will be reviewed and updated during the year as emerging capital demands and equally slippage arise. 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.

- c. There continue to be risks around general inflationary pay and price pressures this year and for future years, including increases to the National Living Wage which will significantly impact contractors to the Council in some service areas next year. It will also put further pressure on the lower end of the current local government pay spine in future years. There is finally resolution to the 2023/24 national local government/teachers' pay awards, but attention will already be turning to next year's pay negotiations which will continue to be dominated by affordability issues on one hand with persisting, albeit likely falling, inflation and the impact of the rise in the Real Living Wage.
- d. Detailed monitoring of budgets will continue and will be reported to the monthly Departmental Performance and Financial Management meetings.
- e. It remains imperative that sustainable base budget savings are found to replace in year one off actions to stabilise the 2023/24 budget ahead of the 2024/25 budget round.

6.2 Costs in the delivery and implementation of the Oracle Fusion ICT project estimated arising directly as a result of delays related mostly to the pandemic are needing to be funded during 2023/24. The S.151 Officer proposed to meet these costs from reserves already established and already carried forward. A separate project update report was considered at Cabinet in October 2023.

## 7. Capital Budget

7.1 Expenditure to 30th September 2023 is £41.595 million, summarised as follows:

Directorate	Budget 2023/24	Actual to 30/09/23	% Spend
	£'000	£'000	
Corporate Services	3,521	317	9.0%
Finance	985	0	0.0%
Education	10,594	1,598	15.1%
Social Services	2,208	89	4.0%
Place (General Fund)	143,667	25,746	17.9%
Place (HRA)	47,728	13,845	29.0%
<b>Total</b>	<b>208,703</b>	<b>41,595</b>	<b>19.9%</b>

Expenditure on major capital schemes is detailed in Appendix D.

Second quarter expenditure figures remain low, however this is expected to pick for the remainder of the financial year. The general impact of inflation remains pervasive across the wider economy and continues to have an impact on all capital projects where materials and external labour is required.



However, material increases above 5% of the cost of a programme are required to be formally approved.

There is an expected impact on the revenue Capital Financing Charges in 2023/24 and future years.

## **8. Housing Revenue Account**

- 8.1 The HRA has faced significant inflationary pressures over recent years. These pressures continue and have led to the need to increase revenue budgets significantly for 2023/24. Higher than forecast increases in employee costs, increases in utility costs and in particular increases in materials costs for revenue and capital repairs has meant that there will be less financial resources available to the HRA to fund Capital projects in the medium and longer term.
- 8.2 The revenue repairs budget for 2023/24 has been increased by £4.4m however there are still significant additional demands on this budget. These include, the back log of repairs following Covid, additional spend on void repairs to speed up relet times because of the Homelessness crisis and the additional repair requirements of the Welsh Government's Renting Homes legislation. This budget will be closely monitored over the course of the year to ensure there is sufficient funding to meet these needs.
- 8.3 The current economic climate and cost of living crisis, along with Welfare Reform and the continued implementation of Universal Credit are impacting rent collection rates, and it is being closely monitored with measures employed to mitigate these impacts. During this quarter, rent arrears and the number of households in rent arrears have risen and it is projected they will continue to increase throughout this year. It is too early in the year to forecast the full impact on rent arrears and the budgeted Bad Debt Provision.

## **9. Legal Issues**

- 9.1 There are no legal issues contained within this report.

## **10. Integrated Assessment Implications**

- 10.1 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.
- 10.2 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'.
- 10.3 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.
- 10.4 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 2023/24

Appendix B – Directors comments on variances and action plans

Appendix C – Savings Tracker

Appendix D – Expenditure on major Capital Schemes

REVENUE BUDGET PROJECTION QUARTER 1 2023/24

Appendix A

<b><u>DIRECTORATE</u></b>	<b>BUDGET 2023/24 £000</b>	<b>PROJECTED 2023/24 £000</b>	<b>VARIATION 2023/24 £000</b>
CORPORATE SERVICES	21,884	21,849	-35
FINANCE	33,738	33,082	-656
SOCIAL SERVICES	158,032	160,344	2,312
EDUCATION	215,052	215,517	465
PLACE	76,655	80,311	3,656
<b><i>NET DIRECTORATE EXPENDITURE</i></b>	<b>505,361</b>	<b>511,103</b>	<b>5,742</b>
SPECIFIC PROVISION FOR APPRENTICESHIP LEVY/INFLATION	15,330	11,681	-3,649
CONTINGENCY FUND	4,764	2,177	-2,587
<i>Estimated Equal Pay Provision</i>	0	15,000	15,000
<b>OTHER ITEMS</b>			
LEVIES			
SWANSEA BAY PORT HEALTH AUTHORITY	89	89	0
CORPORATE JOINT COMMITTEE	212	212	0
CONTRIBUTIONS			
MID & WEST WALES COMBINED FIRE AUTHORITY	17,122	17,122	0
<b>CAPITAL FINANCING CHARGES</b>			
PRINCIPAL REPAYMENTS	15,574	15,574	0
NET INTEREST CHARGES	23,360	16,360	-7,000
<b><i>NET REVENUE EXPENDITURE</i></b>	<b>581,812</b>	<b>589,318</b>	<b>7,506</b>
<b>MOVEMENT IN RESERVES</b>			
GENERAL RESERVES	0	0	0
EARMARKED RESERVES	-22,278	-29,784	-7,506
<b><i>TOTAL BUDGET REQUIREMENT</i></b>	<b>559,534</b>	<b>559,534</b>	<b>0</b>
DISCRETIONARY RATE RELIEF	418	418	0
<b><i>TOTAL CITY AND COUNTY OF SWANSEA REQUIREMENT</i></b>	<b>559,952</b>	<b>559,952</b>	<b>0</b>
COMMUNITY COUNCIL PRECEPTS	1,829	1,829	0
<b><i>TOTAL REQUIREMENT</i></b>	<b>561,781</b>	<b>561,781</b>	<b>0</b>
<b>FINANCING OF TOTAL REQUIREMENT</b>			
REVENUE SUPPORT GRANT	339,280	339,280	0
NATIONAL NON-DOMESTIC RATES	79,002	79,002	0
COUNCIL TAX - CITY AND COUNTY OF SWANSEA	141,670	141,670	0
COUNCIL TAX - COMMUNITY COUNCILS	1,829	1,829	0
<b><i>TOTAL FINANCING</i></b>	<b>561,781</b>	<b>561,781</b>	<b>0</b>

## Director's comments on budget variances

### Director of Corporate Services

The budget position in the second quarter reports that the Corporate Services directorate is forecasting an underspend of £35,000 by the year end.

Variance (under -)/over spend	£000	Explanation and Action
Director of Corporate Services	-136	Underspend as a result of efficiency measures within the directorate, which will be used to help offset the forecast overspend in HR&OD.
Communications and Marketing	-77	Net employee and Supplies and Services underspend across the services
Digital and Customer Services	0	Various compensating under/over spends relating to staff costs, contracts and licenses, but overall forecasting break even by year end.
Human Resources and Organisational Development	178	Overspend forecast due to unfunded card transaction fee costs.
Legal and Democratic Services	0	Various compensating under/over spends relating to staff costs and external legal fees, but overall forecasting break even by year end.
<b>Total Forecast Variation</b>	<b>-35</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)	-347	Demand led spending which continues to be carefully managed to contain costs. Demand is monitored monthly and is rising month on month and consequently the current year end forecast underspend may yet reduce further during the year.
Other variations	-309	Modest underspending across a range of employee and supplies and services costs.
<b>Total Forecast Variation</b>	<b>-656</b>	

## Director of Social Services

Variance (under -)/ overspend	£000	Explanation and Action
Adult Services, Prevention and Tackling Poverty	1,328	<p>There are £2.2m of pressures in respect of support for those with Mental Health and Learning Disabilities, with £1.25m of this attributable to the cost of external residential care.</p> <p>An overspend of £761k is forecast in respect of Direct Payment costs.</p> <p>These pressures are offset by an income and vacancy driven underspend of £962k within our Direct Service Provision.</p>
Child & Family Services	-489	<p>A forecast staffing underspend of £2.45m has been offset by an expected overspend within Independent Placements.</p>
Grants, Commissioning & Partnerships	-220	<p>Underspends forecast in this area are attributable to staffing and grant income.</p>
Integrated Services for Older People	1,684	<p>We are forecasting overspends in respect of the Domiciliary Care and Residential Care that we commission. The largest overspend is £1.2m in respect of Domiciliary Care, where activity levels have increased but income levels have not followed.</p> <p>This is partially offset by forecast underspends our own staffing establishment.</p>
Resources Hub	9	<p>A small overspend is currently forecast.</p>
<b>Total Social Services</b>	<b>2,312</b>	

### Director's Comments

We are currently forecasting an overall overspend of £2.3m for the Directorate. The largest area of overspend remains our Externally Commissioned Care and we have identified pressures across the Directorate that contribute to this in respect of both income and expenditure.

Whilst the current forecast is that the Directorate will overspend, there are several significant underspends currently forecast with the majority pertaining to staffing. We are conscious of the impact of staffing vacancies and actions to fill vacant posts are

a business priority. Current forecasts presume current vacancies will be filled on a timely basis.

I have shared my recovery plan with the relevant Cabinet Members, the Chief Executive and the Director of Finance who are assured the Directorate is taking all necessary and reasonable steps to conserve spend and maximise partner contributions. Should it be required, we will consider the targeted use of service specific earmarked reserves to get the optimal balance of living within our budget and ensuring prioritised care needs are met.

### **Director of Education**

<b>Variance (under -)/ overspend</b>	<b>£000</b>	<b>Explanation and Action</b>
Vulnerable Learner Service	850	<p>£550k of this overspend relates to Maes Derw/PRU. This is due to overspends on staff, agency and transport along with an unachievable saving.</p> <p>There is also a projected overspend of £195k relating to transport costs of independent placements and up to £200k overspend on Psychology (depending on pay award).</p> <p>These are partially offset by forecast underspends due to some in year grants offsetting core budget.</p>
Education Planning and Resources	-2,355	A forecast underspend on primary and secondary school maternity and pension payments, and also increased income for the School Meals Service.
Achievement and Partnership Service	-315	Underspends forecast in this area are largely attributable to staffing and some supplies and services.
School Transport	2,285	We are forecasting overspends in respect of School Transport. This is Primary and Secondary mainstream, Special Schools, and also additional learning needs (ALN). £1m has been funded from the central inflation provision to offset increasing costs.
<b>Total Education</b>	<b>465</b>	

### **Director's Comments**

We are currently forecasting an overall overspend of £465k for the Directorate but with careful planning, one off savings and utilising grants in year, this will be mitigated by year end.

School Transport is predicted to overspend by £2.3m, due to increases in fuel and contract prices, and is subject to change as the indexation for September has to be finalised, although this is expected at 2.75%. There has also been a steady increase in demand, particularly for learners with additional needs. There are also savings targets for walking routes which are taking longer to implement and be achieved. The overall position has improved since the last quarter due to a £1m budget increase from the inflation provision acknowledging the uncontrollable pressure the service is facing.

The Vulnerable Learning Service and Pupil Referral Unit (PRU) is also predicting an overspend of £850k. This is largely due to the use of agency staff and transport of pupils. This is being monitored and where appropriate changes made, i.e. taking on temporary/fixed term staff to reduce agency costs. The Psychology Service is overspent, however until the Soulbury pay award has been agreed, the full impact on this budget and other areas within the service is unknown and estimated at this stage.

Whilst the overall forecast is that the Directorate will overspend, there are several significant underspends currently forecast which will help offset some of this. Currently maternity and pensions paid to primary and secondary school staff is volatile and by the final quarter we will hopefully have a better understanding of demand and will have reduced expenditure which will be used to offset the predicted overspend. This supports the MTFP where £1.6m of savings have been allocated against maternity and pensions at schools.

We continue to focus on controlling our costs and maximising income from grants and will continue to use grant funding to offset core costs where this is allowable.

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.

### **Director of Place**

<b>Variance (under -)/over spend</b>	<b>£000</b>	<b>Explanation and Action</b>
Culture, Tourism, Sport & Leisure	721	Operational and income pressures.
Housing and Public Protection	285	Due primarily to spend and income pressures in Cemeteries & Cremations. Mitigating measures elsewhere will improve year end position.
Economic Regeneration and Planning	586	Due primarily to lower Planning fee income and Swansea Market overspend. Some mitigation before year end but not in full.
Highways and Transportation	-190	Overachieved income and employee underspends offset by operational pressures.
Waste Management,	3,479	Historic and predicted pressure -

Parks and Neighbourhood Working		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	0	Break even predicted.
Corporate Property Services	-1,225	NNDR reimbursement (£1,100k) and additional rental income (£125k).
<b>Total Forecast Variation</b>	<b>3,656</b>	

### Director's Comments

The Directorate is currently projecting a £3.656m overspend for the year ahead. This overspend is after a £5.464m temporary 'one-off' virement from the central inflation reserve to offset spending pressures arising from increased utility costs. In addition, a number of significant budget pressures are noted and there will be use of budgeted contingency allocated to the Directorate in response to the ending of Welsh Government funding for loss of income and other impacts that continue in the period of recovery post Covid. The aim for the next 2 quarters will be to implement a budget recovery plan to mitigate any Directorate overspends identified and minimise the call on contingency. Whilst income is recovering in some key areas, the rate of recovery remains slow and is impacting a range of services, fees and charges. This will continue to be monitored closely but, because of the prevailing economic conditions, is unlikely to return to pre-pandemic levels in the short to medium term meaning further efficiencies will continue to be required. Car park income is a significant unknown and remains supported in year by the Economic Recovery Fund. In addition, inflationary pressures continue to be experienced across all areas of the Directorate.

As is the case with any large directorate there are some other non-income related projected overspends, including costs associated with rising price of utilities, but as above and, whilst it can by no means be guaranteed, a net balanced budget remains the aim.



## Overall Summary of Savings Achievement

Directorate	Savings TARGETS 2023/24 £'000					Total TARGET 2023/24 £'000
	Black	Red	Amber	Green	Blue	
Corporate Services	228	43	98	70	2,384	2,823
Finance (Including Council Tax Reduction Scheme)	0	185	1,491	104	530	2,310
Social Services (Including Poverty & Prevention)	0	650	100	2,800	2,550	6,100
Education	0	341	0	980	650	1,971
Place	733	142	1,317	2,883	3,630	8,705
<b>Total</b>	<b>961</b>	<b>1,361</b>	<b>3,006</b>	<b>6,837</b>	<b>9,744</b>	<b>21,909</b>
	Savings DELIVERY 2023/24 £'000					Total DELIVERY 2023/24 £'000
	Black	Red	Amber	Green	Blue	
Corporate Services	0	0	50	70	2,358	2,478
Finance (Including Council Tax Reduction Scheme)	0	0	1,366	104	530	2,000
Social Services (Including Poverty & Prevention)	0	0	0	2,650	2,550	5,200
Education	0	0	0	980	650	1,630
Place	0	0	324	1,367	3,630	5,321
<b>Total</b>	<b>0</b>	<b>0</b>	<b>1,740</b>	<b>5,171</b>	<b>9,718</b>	<b>16,629</b>
Overall Percentage Achieved	0%	0%	58%	76%	100%	76%

## Appendix D

<b>Capital expenditure on major schemes to 30 September 2023 (where spend greater than £250k)</b>	<b>£000's</b>
<b>Education</b>	
3G Pitch Olchfa Comprehensive	904
Free School Meals Scheme - Infrastructure / Equipment	391
<b>Place</b>	
City Deal - 71-72 Kingsway Offices	6,947
City Deal - Arena	694
Hafod Copperworks Powerhouse Redevelopment	383
LUF - Lower Swansea Valley	1,122
Palace Theatre Redevelopment	2,052
Acquisition of Black Boy Public House	383
Cefn Hengoed Community Hub	1,481
Corporate Building Services (Including Schools)	3,427
Disability Facility Grants	2,193
Mini Adaptation Grants	298
Highways Carriageway Resurfacing	1,912
Highways Footways	264
Highways Drainage Works	321
Highways & Transport Vehicle Replacement	400
Seawall Repairs Mumbles	3,246
Landfill Gas Engine Replacement	329
<b>HRA</b>	
HRA Capital Programme (More Homes Schemes)	3,168
Wind and Weatherproofing	4,246
External Facilities	2,047
Adaptations	1,265
Electric Rewiring	313
Chimney Repairs	356
Fire and Other Safety Measures	578
Boiler and Heating Upgrades	308
HRA Kitchens & Bathrooms	1,086
<b>Total scheme value where spend greater than £250k</b>	<b>40,114</b>