



Dinas a Sir Abertawe

Hysbysiad o Gyfarfod

Fe'ch gwahoddir i gyfarfod

Panel Perfformiad Craffu - Gwella Gwasanaethau a Chyllid

Lleoliad: Remotely via Teams

Dyddiad: Dydd Llun, 9 Tachwedd 2020

Amser: 10.00 am

Cynullydd: Y Cynghorydd Chris Holley OBE

Aelodaeth:

Cynghorwyr: P M Black, P Downing, P R Hood-Williams, L James, M H Jones, P K Jones, J W Jones, I E Mann, B J Rowlands a/ac D W W Thomas

Agenda

Rhif y Dudalen.

- | | | |
|-----------|---|----------------|
| 1 | Ethol Cynullydd Panel | |
| 2 | Ymddiheuriadau am absenoldeb. | |
| 3 | Datgeliadau o fuddiannau personol a rhagfarnol.
www.abertawe.gov.uk/DatgeliadauBuddiannau | |
| 4 | Gwahardd Pleidleisiau Chwip a Datgan Chwipiau'r Pleidiau | |
| 5 | Cofnodion | 1 - 5 |
| 6 | Cwestiynau gan y Cyhoedd
Rhaid cyflwyno cwestiynau'n ysgrifenedig, cyn hanner dydd ar y diwrnod gwaith cyn y cyfarfod fan bellaf. Rhaid i gwestiynau ymwneud ag eitemau ar yr agenda. Ymdrinnir â chwestiynau o fewn cyfnod 10 munud. | |
| 7 | Ch1 Adroddiad Monitro'r Gyllideb 2020/21 | 6 - 24 |
| 8 | Adolygu'r Refeniw Wrth Gefn | 25 - 48 |
| 9 | Datganiad Cyllideb Canol Tymor
Y Cyng. Rob Stewart, Aelod y Cabinet dros yr Economi, Cyllid a Strategaeth (yr Arweinydd)
Ben Smith, Pennaeth y Gwasanaethau a'r Ganolfan Ariannol | |
| 10 | Ailgylchu a Thirlenwi - Adroddiad Monitro Perfformiad Blynyddol 2019/20
Y Cyng. Mark Thomas, Aelod y Cabinet dros yr Gwella'r Amgylchedd a Rheoli Isadeiledd | 49 - 53 |

- | | | |
|-----------|---|----------------|
| 11 | Cynllunio'r Rhaglen Waith Craffu ar Wella Gwasanaethau a Chyllid 2020/21 | 54 - 55 |
| 12 | Llythyrau | 56 - 68 |

Cyfarfod nesaf: Dydd Llun, 14 Rhagfyr 2020 ar 10.00 am

Huw Evans

Huw Evans
Pennaeth Gwasanaethau Democrataidd
Dydd Llun, 2 Tachwedd 2020

Cyswllt: Craffu

Agenda Item 5



City and County of Swansea

Minutes of the **Scrutiny Performance Panel – Service Improvement & Finance**

Remotely via Microsoft Teams

Monday, 21 September 2020 at 10.00 am

Present: Councillor C A Holley (Chair) Presided

Councillor(s)

P Downing
M H Jones
I E Mann

Councillor(s)

P R Hood-Williams
P K Jones
D W W Thomas

Councillor(s)

L James
J W Jones

Officer(s)

Emily-Jayne Davies
Jeffrey Dong
Adam Hill
Michelle Roberts
Richard Rowlands
Ben Smith

Scrutiny Officer
Deputy Chief Finance
Deputy Chief Executive / Director of Resources
Scrutiny Officer
Strategic Delivery & Performance Manager
Chief Finance Officer / Section 151 Officer

Apologies for Absence

Councillor(s): B J Rowlands, A H Stevens and R C Stewart

1 Disclosure of Personal and Prejudicial Interests.

None

2 Prohibition of Whipped Votes and Declaration of Party Whips.

None

3 Minutes.

The Minutes were agreed by the Panel.

4 Public Questions.

No public questions were received.

5 Corporate Performance and Financial Monitoring - Discussion on COVID-19 Impacts / Issues.

a) Budget Monitoring (verbal report) Ben Smith

It was noted that:

- The audit of the statement of accounts for last year has been completed, which is important because it gives the bedrock of the reserves position moving forward. It is now official as to what level of reserves we have going into a challenging period. The overall assumptions and parameters we are working to, have been made clear to Cabinet and Council.
- The budgets are being flexed by about 25%. Reflecting in the revenue budget by over 100 million pounds and a flex of the capital budget by over 20 million pounds.
- The 1st Quarter Report will not be submitted to Panel today pending submission to Cabinet in October.
- It has been difficult to achieve certainty over the forecasts given the uncertain and unprecedented times of Covid-19.
- We are awaiting clarity over recent funding announcements from Welsh Government. Since 23rd March 2020, there have been numerous amendments to funding from Welsh and UK Governments with many new and continuously changing announcements throughout the Pandemic.
- The national funding streams have ebbed and flowed continuously throughout the pandemic and has therefore added uncertainty to the forecast.
- We are expecting all services to be over spent in year given the current circumstances; however, we are recouping some spending and will continue to apply for funding to recoup spending as and when this becomes available.
- We do not yet know the full effect of the furlough scheme ending and the impact upon abilities of businesses and individuals to keep up with payment of bills such as Non Domestic Rates and Council Tax.
- A question arose as to whether extra money has been spent and not claimed back. Chief Finance Officer (CFO) replied that we would expect to spend more than we receive, however we have no certainty of what our final share of the funding allocation will be yet. There is a burden of costs to be shared across the public sector and local choices will have to be met locally by Councils.
- The Panel queried the amount of Council tax arrears this year to which CFO confirms the figure is currently £4.7M for 2019/20 alone. CFO subsequently advised arrears of council tax were cumulatively 31/3/19 £7.7m and at 31/3/20 £9.0m. The vast majority of the arrears relate to the previous 3 years tax liability, although arrears are pursued for all years.
- The Panel asked whether we are likely to need to have an emergency budget, to which CFO replied that £19M was added to reserves last year to strengthen our position during the pandemic. The Reports to Cabinet and Council will set out the need to draw from reserves reasonably and proportionally in the circumstances. CFO reiterates there are challenging numbers to balance. However, currently he is happy overall that the budget will be managed for the rest of the year through normal budget reporting mechanisms.

b) Corporate Performance Monitoring Annual Report 2019/2020

Richard Rowlands, the Councils Corporate Performance Manager outlined those indicators within the report that are showing a less positive trend.

Overall, the Corporate Performance indicators for 2019/20 show that 43 out of 78 (55%) Corporate Plan performance indicators (that had targets and where there was data) met their targets. 41 out of 66 (62%) comparable Corporate Plan performance indicators also showed improvement or stayed the same compared to 2018/19.

The Panel went through each Corporate Priority individually discussing those indicators that are identified as Red where the figures are showing a decline.

Safeguarding

- *AS11 - Rate of adults aged 65+ receiving care and support to meet their well-being needs per 1,000 population.* It was noted that more individuals are being supported through short-term reablement and other enabling interventions in keeping with the Council's strategic objectives.
- *AS13a – Number of carers (aged 18+) who received a carer's assessment in their own right during the financial year.* It was noted that work is being undertaken with carers groups on a regional basis to try and better understand the above-expected number of carers declining an assessment. The Panel raised a query over the Adult Carer Assessments and the concerning trend in the data. The Panel also raised concerns over the quality of such services after initial assessment. **Further written information sought regarding this point.**
- *Measure 19 (PAM025) The rate of delayed transfers of care for social care reasons per 1,000 population aged 75 or over.* It was noted that we are continuing to work with NHS to reduce Delayed Transfers with the Rapid Discharge project commencing.
- *CFS2 – The number of Looked After Children (LAC) at end of the period.* It was noted that the focus has been on reducing numbers of children cared for in residential settings. Next phase is focus on legal security, which is part of safe lac strategy and will reduce numbers to 475 by March 2021 - below 100 per 10,000.
- *Measure 24 - The percentage of assessments completed for children within statutory timescales.* It was noted that improvement in this area has been challenging to achieve for a number of years. A focused piece of work has been completed and the monthly report is evidencing improvement in the 1st quarter of this new financial year.

Education and Skills

- *EDU15a - The percentage of final statements of Special Education Need (SEN) issued within 26 weeks including exceptions*
- *EDU15b - The percentage of final statements of Special Education Need (SEN) issued within 26 weeks excluding exceptions*
- It was noted that the decline on statements issued within 26 weeks has continued in 2019. Work has already taken place to address some of the issues contributing to this performance, including the introduction of new systems for statements. This is a priority area for improvement within the Directorate - a new structure and improvement programme will commence in 2020 to address current improvement requirements and changes to meet the requirements of the ALNET Act 2018. The Panel requested further

information and scrutiny surrounding SEN Statements and the target times that are being missed. **They agreed that further action was required here to explore subject, in the first instance, via written responses from relevant officers.**

Economy and Infrastructure

No issues raised

Tackling Poverty

- *HMBCT01a - Housing Benefit Speed of Processing: Average time for processing new claims.* It was noted that with reduced resources in place a reduction in performance was expected and 0.5 days is well within acceptable limits
- *POV10 - Number of people gaining employment through Employability Support.* It was noted that as part of the employability commissioning review work which is being undertaken we will be better able to capture the results of all the employability activity across the Council. The Panel would like to explore this indicator as the data suggests fewer people are gaining employment. **Further written information on this data set is required along with the indicator definition.**

Transformation and Future Council

- *CHR002 (PAM001) - The number of working days/shifts per full time equivalent lost due to sickness absence.* Note from Corporate Performance Team - Data quality under review. Sickness figures impacted by COVID-19. Consultation paused on new Management of Attendance Policy due to COVID. Support continuing in service areas with high levels of sickness absence.
Data surrounding staff sickness indicates an increase of 1.85% highlighting a growing trend in sickness absence from 8% to 10% over the previous two periods. The Panel wish to look into this topic in further detail and the Deputy Chief Executive was to provide further information in the future (when this is available) regarding the impact of home working and agile arrangements on the sickness absence data. He confirmed that early indicators show that working from home during the pandemic has helped to support a reduction in sickness absence. **The Panel requested a breakdown of sickness and type across the Council departments.**

Nature and Biodiversity

- In terms of Nature and Biodiversity, the Panel questioned progress being made on development of quantitative indicators. RR explains that work has been carried out with the Nature Conservation Team. However, it has been difficult to find something to report in a robust manner. Work is ongoing on this and the Panel agreed that qualitative data given was very useful.

Public Accountability Measures

- The report also contains the provisional outturn for 2019/20 of the Council's performance against national Public Accountability Measures (PAMs). The results show that 67% of PAMs met their targets and 50% of comparable PAMs improved or stayed the same compared to 2018/19.

- PAM15 - The average number of calendar days taken to deliver a Disabled Facilities Grant. It was noted that decreased performance this year resulted from a number of extended staff sickness absences, an Occupational Therapist vacancy that took an extended period to fill and the Covid-19 outbreak caused supply chain delays in the last quarter from China / Italy. This all impacted on programme.
- PAM39 - Percentage of rent lost due to properties being empty. The Panel raised this indicator and asked for further information on the number of empty council properties currently. The Panel would also like see an indicator giving the number of empty council properties considered for inclusion in performance monitoring reporting data.
- *PAM45 – Number of additional dwellings created as a result of bringing empty properties back into use.* The Panel queried whether these were based upon the Empty Property Grant that had been introduced.

The Panel also discussed the process of performance monitoring and how the councillors use and review that data. Including what data is submitted to Panel and indeed collected, who the Panel speaks to either written or verbally, following up on areas of concern, the interface with other scrutiny Panels and how we avoid duplication of effort by officers and councillors. The Panel agreed to consider this matter in more detail at a future meeting.

6 Letters

The Panel reviewed the letters.

The meeting ended at 11.15 am

Agenda Item 7



Report of the Cabinet Member for Economy, Finance & Strategy

Cabinet – 15 October 2020

Revenue and Capital Budget Monitoring 1st Quarter 2020/21

Purpose:	To report on financial monitoring of the 2020/21 revenue and capital budgets, including the delivery of budget savings.
Policy Framework:	Budget 2020/21. Transformation and Future Council (Sustainable Swansea –fit for the future)
Consultation:	Cabinet Members, Corporate management Team, Legal Services and Access to Services.
Recommendation(s):	It is recommended that: 1) Cabinet notes the comments and variations set out in the report and the actions in hand to address these. 2) The virements in para 2.7 are approved. 3) Cabinet consider setting a level of permitted, in extremis, in year overspending of up to £10m, to be fully financed from draws from earmarked reserves, to ensure the overall budget remains balanced for the year 4) That no officer may consider any material further spending commitments and must wherever possible defer and delay spending to contain and reduce the likely forecast overspend by year end as far as is practicable, whilst delivering agreed Council priorities set out in the approved budget.
Report Author:	Ben Smith
Finance Officer:	Ben Smith
Legal Officer:	Debbie Smith
Access to Services Officer:	Rhian Millar

1. Background and Introduction

1.1 This report details forecast variations from the agreed budget for 2020/21.

- 1.2 In respect of Revenue Budgets, this report provides a consolidated forecast which combines:
- projected variations (mainly shortfalls) in relation to budget savings agreed by Council in March 2020
 - 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 1st Quarter position

- 2.1 Appendix 'A' to this report details the approved Revenue Budget for 2020/21 and the forecast variation at this time.
- 2.2 Other than projected variations on Directorate expenditure, it is still too early to confidently forecast final variations that may arise on some significant Corporate items, including the level of Council Tax collection (which posted a deficit in 2019-20 of £0.7m and 2018-19 of £0.3m). Given the likely impact of COVID on collection it is inevitable that a further shortfall will arise in 2020-21. An optimistic forecast is that there will be a shortfall of £2.5m in 2020-21. This may be subject to some form of grant underpin support in due course from the Welsh Government, but is far from assured.
- 2.3 The overall Directorate position is summarised below:-

DIRECTORATE

	FORECAST VARIATION 2020/21 £000	COVID VARIATION 2020/21 £000	OTHER VARIATION 2020/21 £000
RESOURCES	5,696	5,582	114
PEOPLE - SOCIAL SERVICES	2,690	4,051	-1,361
PEOPLE - EDUCATION	6,133	4,963	1,170
PLACE	16,300	16,300	0
Additional Savings	194		194
<i>NET DIRECTORATE EXPENDITURE</i>	31,013	30,896	117

- 2.4 Directors' comments on the above variations are shown at Appendix B :-
- 2.5 Within the *Sustainable Swansea* Delivery Programme, work continues to develop service delivery plans that will include all savings requirements across all strands. 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 £31million. Bar some “Business as usual” fluctuations in Social Services and Education which largely net off this £31m is in effect entirely as a result of the COVID 19 pandemic and relevant responses in expenditure and reductions in Income as a result. This figure does not include the Business Support Grants costs and Retail/Hospitality/Rates reductions resulting from Welsh Government decisions and which are anticipated to cost around £85m and to be funded in their entirety. Any funding from WG as a result of grant claims have not been included in the figures above. Section 2.7 below shows the level of “service” expenditure that has been deemed as eligible and paid by WG to date.
- 2.7 Currently, monthly claims against additional COVID expenditure (April to July and an historic claim in relation to March 2020) and a first quarter claim for loss of income as a result of COVID in relation to the services has been submitted to WG. The summary of claims submitted to date and amounts received is set out below :

Summary of claims submitted and payments received to date in 2020/21

	Claim £000's	Paid £000's	
All other claims : April to July	6,004	5,291	Monthly claims for Free School Meals are held subject to WG review.
Loss of Income 1st Quarter	4,174	4,174	Limited by WG to Carparking, Waste, School catering and Cultural Services only.

Welsh Government have amended eligibility criteria as the year has progressed. This has included deeming as ineligible certain elements of expenditure (eg day to day expenses such as mobile phones, postage/copying/stationery costs , local decisions re support to local business) and reducing the eligible element of other costs (eg 50% of ICT costs). As such the monthly claims are amended to include only those elements of expenditure deemed to be eligible so exclude any costs etc not deemed eligible to be claimed.

Whilst some elements of expenditure are going to be continued to be claimed in July and later the WG

“panel have suggested as authorities are moving into a different phase of response then some costs deemed additional and necessary at the start will no longer be eligible within the fund but will be a matter for local discretion. E.g. packed lunches for homeless. This is because what was deemed an emergency response at the start of the pandemic is likely to either have a national policy response or there has been enough time for authorities to make alternative arrangements at a lower cost from existing budgets.”

This will result in a further reduction in those elements deemed to be eligible for grant by WG.

Similarly , the Loss of Income claim only includes those elements deemed as “eligible” by WG and relate to those areas common across all authorities (Car Parking , Waste , School catering and Cultural Services). Excluded currently for this claim , are any other estimates of “loss of income” for the first quarter previously identified by Services to WG. The total of which significantly exceeds the restricted elements identified above.

Grant claims to WG in relation to TTP are due to commence in July which are anticipated to cover all additional costs arising. The additional costs are included under Resources and currently amount to £2.9m in 2020/21. It remains unclear how much will be truly additional cost (and claimable) as opposed to as is predominantly currently the case) redeployed and redirected costs of existing workforce otherwise prevented from working in their normal service areas, but as “return to new normal” becomes more prevalent it is clear costs will rapidly start to be additional rather than “in lieu” and thus reclaimable.

Grant claims to WG for the £500 carer payments will be made in due course as the scheme develops nationally and again are assumed to fully cover costs.

At present, therefore, it is proposed to allocate sums received as follows and to seek that cabinet formalise their virement in receiving this report to service budget lines as follows

Education	£2.66m
Social Services	£2.28m
Place	£4.5m
Resources	£0.03m
Total	£9.47m

And once the figure is confirmed up to the following figure

Resources (TTP) £2.9m

This has no overall impact on the position, merely allocates grant received back above the line and which will result in some reductions in report service overspending in second quarter but equally will remove the net grant income received below the line.

On 17 August Welsh Government announced a further funding envelope of up to £264 million for future local government spending. Given the significance of the announcement and sums involved the normal timetable for reporting in year spend has been deferred to this meeting of Cabinet. Further detail is still awaited but it is understood it is a claims based system which will have a number of criteria applied to specifically include some areas of prioritised spending (especially schools and social care) and specifically exclude others (those deemed returned to normal or near normal).

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

- focus on a range of corrective actions;
- targeted immediate spend reduction and deferral action;
- spending control on all vacancies and contracts;
- a continued reminder that **no Responsible Officer is authorised to overspend their budget in line with Financial Procedure Rules;**
- and consequently that Directors must work closely with Cabinet Members and the Corporate Management Team to contain, reduce, defer and delay spending as far as possible, having due regard, to existing agreed budget and political priorities to nonetheless seek to limit service overspending.

2.9 Offsetting opportunities do exist to temporarily ameliorate the currently identified service demand and price pressures as follows.

- £1m was set aside in the budget for the potential costs relating to the impact of the Apprenticeship Levy. The final costs relating to this levy will only be known once final employee related costs are calculated at the year end. Should the full allocation not be required then any saving will be proposed to be used to mitigate service pressures at year end.
- £1.85m was also set aside to meet any specific and significant inflationary increases arising in year. Given the overall financial projection at this stage it is proposed by the S151 officer that this be released as a compensating corporate saving especially as the price inflation outlook for the year looks very subdued.
- Use of the Contingency Fund as detailed below.

3. Contingency Fund Provision for 2020/21

3.1 The contingency fund was set at the £3.621m contribution for 2020/21 as set out in the budget report approved by Council in March 2020. As a result of the favourable outturn position this was added to, on a one off basis, to bring the total available to spend to over £9m. This is significantly higher than in recent years reflecting additional mitigation against any repeated overspending.

3.2 The current potential calls on the contingency fund for 2020-21 are:-

Contingency Fund 2020/21	Prediction
	2020/21 (£m)
Budgeted contribution for year.	3.621
Increase from c/fw from 2019-20	6.306
Proposed Strengthening and increased resilience in Financial Services	-0.250
Freedom of the City – Merchant Navy	-0.005
Support to Leisure Centres	-0.800
Underwrite to leisure Operators	-1.000
Support to Swansea Market	-0.500
Pipe House Wharf relocation lease costs	-0.100
School 3G pitch Support	-0.025
Communications/PR improvements	-0.010
City of Sanctuary floral badge	-0.001
Used to reduce service overspending	-7.236
Balance 31st March 2021	0.000

The above table lists current potential calls on the budgeted contingency fund. All bar the Strengthening of Finance (which will be a proposed budget adjustment for 2021-22) are anticipated to be one off costs. The final amounts will be dependent on a number of factors during the year including speed of implementation, actual costs/commitments incurred and final Directorate outturn position. Spend approvals will be deliberately limited to seek to maximise underspend here as part of mitigating budget savings action.

As at 1st April 2020 some £3m remained within the Restructure Reserve to contribute toward ER/VR or other cost risks that may arise in 2020-21. The S151 officer remains satisfied that this is sufficient for 2020-21 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 £7. 236m to provide additional mitigation against the anticipated unfunded elements of cost/loss of income as a result of COVID19.

However, the S151 officer proposes to reserve his final position on the recommended levels of use of the restructure reserve and contingency fund until the absolute success or otherwise of reducing the forecast overspend is known at year-end.

3.3 The current indication is that, for 2020-21, there needs to be continued targeted mitigating action and delivery of savings proposals to help reduce the overall service overspends. It looks inevitable as this early stage that substantial draws from earmarked reserves will be needed to achieve a fully balanced budget for the year. Any inroads to net spending will reduce the necessary draw from reserves and increase the amount of reserves available to carry into 2021-22.

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
- Reducing the Pay Bill: review of options to 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 for 2020/21
- Progressing implementation of final 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 which are summarised in their commentary in Appendix B.
- The Deputy Chief Executive bringing forward a recovery plan for Cabinet to agree alternative mitigating actions and future steps, including a successor programme to Sustainable Swansea more suited and fitted plan and 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 £31m of shortfall in service revenue budgets, almost entirely in relation to anticipated costs/loss of income as a result of COVID19 which when combined with a forecast £2.5m shortfall in Council Tax collection leads to a total shortfall of £33.5m. Some £9.5m has, to date, actually been received from WG in relation to service additional costs/loss of income as per 2.7 above. It is assumed that all the TTP costs will also be recovered and for 2020/21 some £2.9m is included at this stage. 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 £1.9m and Contingency fund of £7.236m. Taking account all of these mitigations this results in a net forecast shortfall (excluding Council Tax) for the council of some £19.9m.

Summary

Service Forecast overspend	£31m
Council Tax shortfall	£2.5m
Less Mitigating	
COVID grants received to date	-£9.5
COVID expenditure claims	
Submitted – not yet received	-£2.0m
TTP costs recovered	-£2.9m
Apprenticeship/Inflation	-£1.9m
Contingency Fund not utilised	-£7.2m
Net overspend forecast	£10m

NB Further claims for re-imburement of both expenditure and loss of income have been submitted to Welsh Government. Based on expenditure claims submitted (and subsequently paid) to date it is considered reasonable that as a minimum some £2m is likely to be paid and is therefore included above. The Welsh Government is further reviewing all the outstanding Loss of Income claims across Wales. Any decision re success or otherwise of the outstanding Loss of Income claims is not expected until the end of September so no assumption re additional grant income is included in the current forecast.

Any additional WG funding towards the additional costs or loss on income received from WG in relation to COVID19 costs /loss of income included in table 2.3 above overspend will further reduce the overall budget shortfall and thus why a target of “no worse than £10m” is recommended to be agreed by Cabinet and by the S151 Officer on a truly exceptional one off basis.

a. Currently, all revenue grant income from WG in relation to COVID claims for the services, including schools, and has not yet 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, it is too early to provide an accurate forecast as to the potential outturn on corporate items such as Council Tax collection which is in itself potentially affected by the effects of welfare reform measures, an often increasing tax base, but equally a substantial deterioration in the economy and employment which may inhibit individuals ability to pay tax already set and due.
- d. Included in the projected budget for 2020/21 for other corporate items are capital finance charges. At this early stage no variance is forecast, in any case any underspending or overspending will be transferred at year end to or from the capital equalisation reserve, a strategy previously agreed by Council. This will be reviewed and updated during the year as various capital schemes/programmes progress.
- e. There continue to be risks around general inflationary pay and price pressures in the forthcoming year including significant increases to the National Living Wage from April 2020 which will significantly impact contractors to the Council in some service areas. It will also put further pressure on the lower end of the current local government pay spine in future years. There is, as yet, no resolution to the national local government pay award offer (currently 2.75%, as budgeted) and there is a now above budgeted new pay offer for teachers worth up to 8% for some teachers, the excess cost of which is currently wholly unfunded by WG. Whilst all are entirely welcomed from a policy perspective, nevertheless the Council simply cannot afford to fund them in isolation, unless additional support is forthcoming from the UK and Welsh Governments, otherwise savings will have to be made elsewhere to meet such pressures.
- f. Detailed monitoring of budgets will continue to be carried out and reported to Departmental Performance and Financial Management meetings on a monthly basis.
- g. It remains imperative that sustainable, but sensitive in the unusual circumstances of Covid 19, base budget savings are found to replace in year one off actions to stabilise the 2020-21 budget ahead of the finalisation of the 2021-22 budget round.

5. Capital Budget

5.1 Expenditure to 30th June 2020 is £53.523 million, summarised as follows:

Directorate	Budget 2020/21	Actual to 30/06/20	% spend
	£'000	£'000	
Corporate Services	5,069	443	8.7%
People	33,917	3,651	10.8%
Place (General Fund)	177,987	46,112	25.9%
Place (HRA)	54,166	3,317	6.1%
Total	271,139	53,523	19.7%

Expenditure on major capital schemes is detailed in Appendix C.

It should be noted that the actual spend to 30 June may only have 1 or 2 months costs relating to external invoices. The impact of COVID will have an impact on the timing and potential slippage of the original capital programme. It is too early to determine the full impacts at this stage and capital schemes will be reprofiled during the year as the impacts of timing / slippage become known. This will have an impact on the revenue Capital Financing Charges in 2020/21 and beyond.

Bay Studios Surge Hospital (Covid19)

The figures above for Place (General Fund) includes £20.3m of expenditure for the Bay Studio Surge Hospital (Covid 19). As part of the Region's response to address projected increased demand on hospital services as a result of the Covid 19 pandemic, the Authority was asked by Swansea Bay University Health Board (SBUHB)/ Welsh Government (WG) to deliver a 1,000 bed Surge Hospital on the site of the old Bay Studios in SA1.

The scheme was completed in an exceptionally short timeframe. It was conceived, designed, delivered and operational within 3 months (April – June 2020) by Corporate Building Services in partnership with our partner sub-contractors, Kier and TRJ. The full cost of the scheme has been received from SBUHB and WG.

6. Housing Revenue Account

6.1 The Covid situation could have a considerable impact on the HRA revenue budget in 2020/21. Rent income is being closely monitored. During Quarter 1, collection rates have not been significantly affected however as the economic impact of the crisis continues it is anticipated that collection rates will be adversely impacted. It is too early to forecast the full impact on the budgeted Bad Debt Provision. There has also been a major impact on revenue expenditure with the revenue repairs budget for Quarter 1 being significantly underspent. This budget will continue to be closely monitored and it is forecast that spend for the remainder of the year will increase as the repairs service returns to normal. The crisis has also understandably impacted the delivery of the HRA Capital Programme with commensurate reduction in spend and financing costs. Work is ongoing to re-profile the 2020/21 capital programme.

7. Legal Issues

7.1 There are no legal issues contained within this report.

8. Equality issues

8.1 The Council is subject to the Public Sector Equality Duty (Wales) 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.

Our Equality Impact Assessment process ensures that we have paid due regard to the above.

8.2 The Revenue budget of the Council was approved following the application of the corporate Equality Impact Assessment (EIA) 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 EIA 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 2020/21

Appendix B – Directors comments on variances and action plans

Appendix C - Expenditure on major Capital Schemes

REVENUE BUDGET PROJECTION QUARTER 1 2020/21

<u>DIRECTORATE</u>	BUDGET 2020/21 £000	PROJECTED 2020/21 £000	VARIATION 2020/21 £000
RESOURCES	50,113	55,809	5,696
PEOPLE - SOCIAL SERVICES	124,734	127,424	2,690
PEOPLE – EDUCATION	181,833	187,966	6,133
PLACE	60,726	77,026	16,300
Additional Savings	-194	0	194
<i>NET DIRECTORATE EXPENDITURE</i>	417,212	448,225	31,013
SPECIFIC PROVISION FOR			
APPRENTICESHIP LEVY/INFLATION	2,850	1,000	-1,850
CONTINGENCY FUND	1,030	0	-1,030
SUPPORT TO LOCAL BUSINESS	0	51,500	51,500
WG COVID GRANTS (ASSURED)	0	-101,027	-101,027
<i>OTHER ITEMS</i>			
LEVIES			
SWANSEA BAY PORT HEALTH AUTHORITY	87	87	0
CONTRIBUTIONS			
MID & WEST WALES COMBINED FIRE AUTHORITY	13,741	13,741	0
<i>CAPITAL FINANCING CHARGES</i>			
PRINCIPAL REPAYMENTS	16,368	16,368	0
NET INTEREST CHARGES	20,010	20,010	0
<i>NET REVENUE EXPENDITURE</i>	471,298	449,904	-21,394
<i>MOVEMENT IN RESERVES</i>			
GENERAL RESERVES	0	0	0
EARMARKED RESERVES	-3,043	-19,349	-16,306
<i>TOTAL BUDGET REQUIREMENT</i>	468,255	430,555	-37,700
DISCRETIONARY RATE RELIEF	400	400	0
<i>TOTAL CITY AND COUNTY OF SWANSEA REQUIREMENT</i>	468,655	430,955	0
COMMUNITY COUNCIL PRECEPTS	1,582	1,582	0
<i>TOTAL REQUIREMENT</i>	470,237	432,537	-37,700
<i>FINANCING OF TOTAL REQUIREMENT</i>			
REVENUE SUPPORT GRANT	253,660	253,660	0
NATIONAL NON-DOMESTIC RATES	85,721	50,521	35,200
COUNCIL TAX - CITY AND COUNTY OF SWANSEA	129,274	126,774	2,500
COUNCIL TAX - COMMUNITY COUNCILS	1,582	1,582	0
<i>TOTAL FINANCING</i>	470,237	432,537	37,700

Service related COVID19 funding already received from WG of c £9.5m IS included above.

Appendix B

Director's comments on budget variances

Director of Resources

The COVID-19 response has had a detrimental effect on the Resources portfolio budget for the 1st Qtr. The TTP staffing expenditure is expected to be fully recoverable from Welsh Government. In addition to the staffing there is a short fall in IT funding for the TTP programme, due to WG capping the amount of money available.

A number of transformation projects and restructures were unable to be progressed resulting in overspends in both Customer Contact Centre, Digital Services and Transformation and Commercial services. Alternative savings plans are being prepared.

The resources portfolio has limited income streams, however these have also been affected and unlikely to be achieved within the year.

The heads of service will continue to review the budgets and look for alternative ways of achieving efficiencies to balance the budget.

Variance	£000	Explanation and Action
COVID-19 Variation:		
Test Trace & Protect Programme (TTP)	2,900	Estimated Staffing costs of £2.7m and IT costs of £0.2m. There may be a funding shortfall due to WG funding capping the funding available.
Oracle Cloud Project	400	Project has been delayed which has resulted in estimated additional costs of the orderly wind-down and restart of the project, upgrade of current R12 servers (end of life), extension of R12 licences. Timings have shifted and as a result incurring additional cost.
WCCIS Project	250	Project has been delayed which will result in estimated additional staffing costs to extend the project for implementation. The overspend may be contained within existing budget, however, this may not be possible. Work is being done with NWIS to change the notice.
Mobile Phones	100	Estimated increased costs, however, working with supplier to understand the actual cost increase per year.
Digital services staff costs	50	Additional Digital services staffing costs at the start of lockdown to enable homeworking.
Contact centre software licences and consultancy	50	Digital Services remote contact centre software licences and consultancy to enable call handling from home.

Schools infrastructure project.	35	Government directive to continue to pay consultants. Estimated additional cost as a result of continuing to pay consultants during lockdown and therefore elongated project timelines.
Design Print	107	Loss of trading income
Council Tax Reduction Scheme (CTRS)	1,400	Estimated additional costs due to additional demand, however, position will be reviewed for the next quarter as it is dependant on actual caseloads.
Council Tax Court Cost Income	235	Loss of Council Tax/NNDR court cost income as no court action has be taken for a significant part of the year.
Consultancy and Employee Costs	55	Additional Covid-19 costs.
Total COVID-19 variation	5,582	
Other Variations:		
Contact Centre	50	Restructure in flight to ensure sufficient resources in WTU, Complaints and a new model for Customer Services. The restructure will aim to take account of 'new normal' but will still require additional resources needed for Social Services Complaints and WTU in order to meet legal requirements.
Welsh Translation Service (WTU)	183	Welsh Translation Unit Saving from previous years cannot be achieved as requirement to maintain the service and deliver demand due to Welsh language Measures.
Commercial Services	130	Income target attributed to Commercial Services unlikely to be achieved.
Legal Services	-270	Net underspend mainly due to vacant posts.
Other net variations	21	Net Employee, Supplies & Services, Income shortfall and Unachievable savings.
Total Other Variations	114	
Total Overspend Variation	5,696	

Director of Social Services

Social Services

Variance	£000	Explanation and Action
Covid 19 Variation		
Additional costs within Child and Family	515	<p>The pandemic has reduced the options for placements with particular issues around care leavers. This has resulting in the Council having to secure more expensive placements than would be usual.</p> <p>There has also been a rise in the cost of Direct Payments as we aim to support families through this time.</p>
Additional Costs within Poverty and Prevention	141	The directorate has incurred additional costs in supporting those deemed especially vulnerable at this time. Support has seen increased investment in services for those at risk of Domestic Violence as well as in Welfare Rights to help them cope with increased demand.
Lost income within Poverty and Prevention	518	The primary area of income loss relates to the Gower Activity Centres. We have also lost expected income from Adult Education.
Additional Costs within Adult Services	2,327	<p>This is the current estimated additional cost of the actions taken to increase social care capacity and ensure we are best placed to support the national response to Covid-19.</p> <p>Such actions include</p> <ul style="list-style-type: none"> • reopening a closed residential home and increasing capacity in others • increasing capacity within the domiciliary care market • participating in a Welsh Government scheme to provide financial support to our private residential providers • providing support to supported living providers
Loss of Income within Adult Services	700	This loss of income relates to income received from citizens and partners in respect of our day services that closed at the time of the outbreak.
Other		
Other Child and Family Variances	35	It is possible that this small overspend will be eliminated by grant funding later in the year.
External Residential Care	251	A slight overspend is forecast but this will be monitored as the year progresses.
External Domiciliary Care	-737	This underspend is a continuation of that reported in 2019/20 and has been driven by increased client income and the 'right sizing' work around packages of care.

Variance	£000	Explanation and Action
Internal Staffing and Services	-2,323	A number of grants have been received that are able to support the overall financial position. Work to ensure services are designed in a way that enables the Council to access all funding sources continues.
Third Party Spend	-13	The Directorate continues to maintain cost management approaches to ensure that our services are sustainable and we continue to pursue external partners to ensure we receive a fair income for our services.
MHLD Complex Care	1,356	This remains an area of significant pressure. Additional budget has been allocated but ongoing pressures on demand and fees remain.
Poverty and Prevention	-80	Some small savings are expected due to the management of grants.
Overall Variation	2,690	

Director's Comments

The Council's response to Covid-19 dominates the financial outlook for the year. Our response has been swift, thorough and expensive. We expect that many of our additional costs will be recoverable through Welsh Government grant funding and will continue to align our processes to ensure we are successful in recovering as much of our expenditure as possible.

Forecasts for Covid related expenditure and income loss are subject to the progression of the pandemic through the remainder of the financial year. Whilst this is a year like no other, we need to ensure that our services are able to respond to demands and pressures as they arise.

The pandemic also has an effect on our business as usual activity. That said, our non Covid variances continue the story from last year where we have been able to use grant income to offset the cost of our internal services. Some of this funding expires in the current year and presents us with a challenge for the future.

The overspends within Mental Health and Learning Disabilities Complex Care are lower than some of those we have previously reported. However, retendering has added to the pressures on fees, which have continued to increase at above inflation rates for some time.

We continue with efforts to seek fair and equitable funding contributions from our Health Service partners for the services they commission and have strengthened our systems for the recovery of client income.

Director of Education

Variance	£000	Explanation and Action
Covid 19 Variations		
Additional direct cost of maintaining provision of lunches / food bags / BACS payments for FSM eligible pupils	2,809	Reflects significant additional food costs, considerably greater coverage of eligible families (with transitional protection), and additional provision over holidays - estimated to 14th September
Loss of paid School Meal Income	1,180	Reflects previous year levels of take up of meals – estimated to 14th September
Additional staffing costs over normal contracted hours (catering, cleaning and school support teams)	159	This is due to the support provided to settings at times when they would not usually be open such as weekends and holidays.
Additional hours for teaching assistants outside of term	120	
Additional transport, PPE, and utility costs.	256	Additional costs from the use of vehicles to support the delivery of Free School Meals, as well as the provision of PPE, continues to be scrutinised.
Home to School Transport - reduced payments to operators during summer term	-661	Providers have received retainer payments for the duration of school closure that are lower than contracted prices.
Additional costs of licences to support Chromebooks and continuity of learning for pupils	24	Additional cost over and above core broadband and other IT infrastructure costs and available base budget
Loss of other income such as from school clerking services and penalty notices	10	On the basis of broad comparison with previous year – e.g. £4.2k per quarter re penalty notices
Loss of income to schools for example from school lettings and breakfast and other clubs	1,066	Reflects detailed analysis of income lost across our maintained schools.
Total Covid 19 variations	4,963	
Non Covid Variations		
Continuing additional costs of FSM transitional protection - part year impact once schools fully re-open	266	Considerable increase in those entitled to FSM and likely to grow further with impact of lockdown. With transitional protection these numbers will be maintained without any certainty of additional core funding from WG
Additional costs of FSM provision during lockdown which cannot be reclaimed from WG under strict grant criteria	258	Additional food costs, which cannot be reclaimed from WG, from free provision of care lunches to all pupils, over ordering by schools of food bags / parcels, and donation to food banks of food items not required due to changing

		expectations of food parcel contents
Loss of additional paid meal income from previously proposed MTFP increased prices (April 20 and Sept 20)	205	£125k loss of income from decision to remove increase from April and a further £80k part year impact with no increase in September
Home to School Transport - further underlying cost pressures and undeliverable savings target relating to creation of additional walking routes, allocated from Place Directorate	402	MTFP reflects robust management action to mitigate scale of demand and cost pressures but underlying pressures continue to grow. Further shortfall due to undeliverable savings target allocated to Education, with no influence in its determination or delivery
Continuing Additional Learning Needs demand and cost pressures	92	Significant impact of management action to manage demand and cost pressures reflected in MTFP, but challenges remain
Out of County Placements - undeliverable savings without further specialist provision within County	250	Direction not to proceed with actions necessary to bring forward delivery of scale of additional Special School Places required
Implications of school decisions on SLA buy back on services	50	Reflects existing pressures on areas such as Music Service, as far as possible mitigate by robust management action
Additional cost for schools of corporate decision relating to average payments to staff	160	A local decision and so not reclaimable against WG funding for COVID 19
Additional staffing costs for schools due to freeze on ER/VR processes	100	Costs will increase further if HR redundancy processes cannot recommence before September but may be able to mitigate from WG grant
Additional civic catering costs with decision to freeze closure	63	Reflects continuing shortfall exacerbated by loss of any income from sales for the lockdown period - could increase if closure further delayed
One-off additional contribution to Regional Improvement Partnership	45	Agreed for 2020-21 only, before Swansea withdraws from ERW from April 2021
Capita One - one-off cost to have been charged to, and contained, within available 2019-20 budget	30	Proposed carry forward to reflect this one-off cost was not supported
Capita One annual maintenance costs - more than offset by savings in Corporate Digital Services budget but requiring an appropriate budget transfer	32	Highlighted as a potential continuing overspend until an appropriate base budget transfer from Digital Services is approved
Other continuing pressures (Primarily Historic Pension Costs, Maternity etc)	122	Will continue to be scrutinised to as far as possible mitigate pressures
One-off managed savings with delay to full implementation of new	-700	Further managed savings can be delivered whilst the new EOTAS model cannot be fully implemented

EOTAS model		
One-off managed savings identified in year in addition to those already reflected in MTFP	-205	Continuing robust management action will seek to identify further savings in addition to MTFP requirements
Net non-Covid 19 projected overspend	1,170	Reflects impact of decisions preventing the delivery of current year MTFP savings assumptions and unrecoverable additional Covid-19 costs
TOTAL PROJECTED PRESSURES	6,133	

The closure of schools has had a significant budgetary impact on the Directorate and is the primary cause of the variations reported above. It is hoped that most costs will be recovered from available WG grant funding but there is clearly a risk that some costs may not be fully reclaimable.

The non-Covid 19 projected overspend is more than accounted for by the impact of WG or local decision which has increased the uncontrollable and statutory cost pressures, prevented the delivery of significant elements of current year MTFP savings assumptions, and incurred unrecoverable additional Covid-19 costs (*in part underwritten by S151 Officer – in italics*).

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 more than offset by further one-off managed savings in addition to those already reflected in the MTFP. However, the underlying base budget shortfall facing the Education portfolio budget, potentially at almost £1.9m, is clearly of concern even though almost £1.2m directly reflects the full year impact of national or local decisions.

Director of Place

The directorate is currently projecting a £16.3m overspend which is significant and unprecedented. The reason for this is the additional costs incurred on Covid related matters, plus the lost income across a range of services areas due to the inability to carry out work or recharge for services. This projected out turn will be revised as clarity is obtained from Welsh Government as to the level of support provided for both expenditure and lost income. There are some other "non Covid" projected overspends as is often the case early in the financial year but as in previous years the directorate would have achieved a balanced budget had it not been for COVID related implications.

Appendix C

Capital expenditure on major schemes to 30 June 2020 (where spend greater than £250k)	£000's
People	
EOTAS new build	1,673
Gorseinon Primary	852
YGG Tan y Lan new build	410
Resources	
ERP System Upgrade	405
Place	
City Development Phase 1 (Arena schemes)	21,712
Kingsway Infrastructure	764
Kingsway Offices-Design & Plan	523
Corporate Building Services (including schools)	1,117
Baldwins Bridge Interchange	377
Highways carriageway resurfacing including invest to save	928
Bay Studios Surge Hospital build for SBUHB managed by CBS	20,232
HRA	
HRA capital programme (More Homes schemes)	543
Wind and Weatherproofing West Cross	313
External Facilities	704
HRA Kitchens & Bathrooms	989

Total scheme value where spend greater than £250k

51,542

Agenda Item 8



Report of the Section 151 Officer

Council – 4 November 2020

Review of Revenue Reserves

Purpose:	To undertake a mid-year review of the Revenue Reserves position and to agree any suggested reclassification of reserves based on current requirements.
Policy Framework:	Sustainable Swansea Budget Plan 2020/21
Consultation:	Cabinet Members, Corporate Management Team, Legal and Access to Services.
Recommendations:	That Council approves the recommendations made in this report at Sections 3.11 and 3.12
Report Author:	Ben Smith
Finance Officer:	Ben Smith
Legal Officer:	Tracey Meredith
Access to Services Officer:	Rhian Millar

1. Introduction and Context

- 1.1. Local Authorities have a corporate responsibility to operate within available resources and to remain financially sound over the short, medium and longer term.
- 1.2. One of the key tools available to Authorities in managing its affairs is the creation and use of both General and Earmarked reserves to assist in delivering services over a period longer than one financial year.
- 1.3. In terms of guidance on the review and management of reserves, the Chartered Institute of Public Finance and Accountancy (CIPFA), via the Local Authority Accounting Panel, issued a bulletin in July 2014 (LAAP 99) intended to give guidance to Local Authorities on the management and review of reserves. This bulletin is considered best practice in terms of Local Authority

financial administration and effectively must be followed. A copy of the bulletin is at Appendix A to this report.

- 1.4. Within the existing statutory and regulatory framework, it is the responsibility of Chief Financial Officers to advise Local Authorities about the level of reserves that should be held and to ensure there are clear protocols for their establishment and use. Reserves should not be held without a clear purpose.
- 1.5. It is the duty of the Chief Financial Officer to specifically report on the robustness of estimates and reserves when the Council considers its budget requirement, as such the Revenue Budget approved by Council in March 2020 made specific references to the adequacy of reserves at that time.
- 1.6. Notwithstanding that specific statutory requirement, it is the duty of the Chief Finance Officer to regularly review the position regarding available reserves of the Authority having specific regard to:
 - The original and current need for each category of reserve held
 - An assessment of current and future risks (both operationally and financially) facing the Council
 - The impact of known and predicted funding levels likely to impact on the Council going forward.
- 1.7. Swansea Council's Chief Finance Officer is the Section 151 Officer and Chief Finance Officer.
- 1.8. This report considers the position regarding both General and Earmarked reserves as at 31st March 2020 and makes specific recommendations in respect of reclassification of elements of those specific reserves.

2. Position as at 31st March 2020

- 2.1. The audited Statement of Accounts 2019/20 includes the following entries in respect of reserves as at 31st March 2020:
- 2.2.

Cash-Backed Usable Reserves	£'000	Purpose
1. General Fund Revenue Reserves		
a) General Fund Balance	9,352	Used as an overall contingency to cushion the impact of unexpected events or emergencies and as a means of smoothing out annual budgets where there is significant change
b) Earmarked Revenue Reserves	84,400	Consisting of sums set aside for specific purposes to support Corporate and Service needs
2. General Fund Capital Reserves		(only usable for capital purposes)
a) Capital Receipts Reserve	6,373	Capital monies received by the Council set aside for funding ongoing Capital schemes per the Capital Programme.

		These sums are committed to current schemes and cannot be used to support Revenue expenditure
b) Capital Grants Unapplied Account	21,043	Relates to committed funding on Capital schemes and cannot be used to support Revenue expenditure
3. Housing Revenue Account (HRA) Reserves		(only usable for HRA purposes)
a) Housing Revenue Account	5,341	Exists to support expenditure for Housing Revenue Account purposes only and cannot be used to support General Fund Council Revenue or Capital expenditure
Total Usable Cash Backed Reserves	126,509	

- 2.3. Usable reserves are cash-backed and can be used to support expenditure – albeit occasionally with some specific rules around the type of expenditure that they can be used for. For example the Housing Revenue Account Reserve has been created from rents received, it is a cash reserve, however it is ring-fenced for use within the Housing Revenue Account only; it can only be spent on items relating to Council Housing.
- 2.4. In addition the Council holds a net £172.282m in unusable reserves arising purely from accounting technicalities (this includes capital financing and pensions liabilities). These reserves are not cash-backed and therefore cannot be spent, they tend to arise from entries that have to be made for accounting purposes, but which are not permitted to affect the taxpayer. **These cannot be used to support revenue or capital expenditure of the Council in any form and as such are not part of this review.**
- 2.5. The HRA reserve and the Capital reserves detailed above are ring-fenced and are regularly reviewed as part of business planning. As such they are provided for general information only, no further review is proposed at this time.
- 2.6. The General Fund Balance of the Council as detailed above takes account of decisions made by Cabinet based on the 2019/20 Revenue Outturn position considered on 16th July 2020.
- 2.7. Comparisons with other Welsh Councils show that, as a percentage of Gross Revenue Expenditure, the level of the General Fund reserve is below the All Wales average (as at 31st March 2019) and as such no planned use of the balance is recommended. Indeed the view of the Section 151 Officer is that, should the opportunity arise, consideration should be given to increasing the level of the General Fund Reserve as this is deemed to be low both in absolute and proportionate terms both historically and compared to all other Councils in Wales. For Members to achieve that aim, whilst trying to maintain services in the face of significant budgetary constraint, especially due to the

COVID-19 pandemic, is accepted by the Section 151 to be exceptionally equally difficult to consider.

- 2.8. The Statement of Accounts as agreed by our external Auditors (Wales Audit Office) and presented to Council on 10th September 2020 included an analysis of earmarked reserves with the proviso that each reserve was subject to strategic review by the Section 151 Officer based on an analysis of current need and changing Council risks.
- 2.9. This report is the result of that strategic review.

3. Outcomes and recommendations

- 3.1. The Medium Term Financial Plan approved by Council on 5th March 2020 forecast a cumulative deficit on General Fund Revenue Expenditure of some £34m by 2023/24, based on a 2% increase in Government funding, with an immediate savings requirement of £13m for 2021/22. This is in addition to the current year savings requirement of £17.9m. More recent forecasts indicate an even larger savings requirement will be likely, predominantly as a result of ongoing demographic pressures and issues such as loss of income arising from the COVID-19 pandemic, as well as the already planned and ultimately significant additional capital investment and the associated costs of borrowing. Brexit introduces yet greater uncertainty into the financial landscape.
- 3.2. Equally, there is clear and compelling evidence that it is unlikely that any Directorate will be able to live within budget this year primarily due to the COVID-19 pandemic. The pandemic has also limited the ability of departments to achieve savings planned in the 2020/21 budget, which may put future years' savings in jeopardy.
- 3.3. To put it into context, if all planned savings for 2020/21 are achieved it still leaves a minimum gap of £13m to be addressed for 2021/22, in line with previous medium term financial plan assumptions. The impact of COVID-19 is likely to significantly affect this.
- 3.4. The Council's strategy for dealing with ongoing budget reductions and Service reforms – Sustainable Swansea – which will in due course be refreshed and delivered alongside a Recovery Plan – is ongoing and it is clear that, whether as a result of commissioning reviews or emergency action being required to produce a balanced budget going forward, there is likely to be considerable cost in relation to change, together with potential significant investment in digital technology solutions.
- 3.5. Dealing with the cost of future structural change is a significant financial risk facing the given the scale and pace of budget pressures to be addressed by the Council.
- 3.6. Traditionally exit costs in relation to downsizing the organization have been dealt with through the use of the annual contingency fund. However, in 2020/21, whilst the contingency fund has been substantially increased (by £6.3m rolled forward from 2019/20 plus the 2020/21 contribution of £3.6m),

this has been predominantly earmarked to contribute to any overspend on the Council's budget due to COVID-19.

- 3.7. In assessing both the level and use of Earmarked and General reserves, the LAAP bulletin sets out some of the factors that should be considered, including:-
- The treatment of demand led pressures
 - The treatment of planned efficiency savings/productivity gains
 - The financial risks inherent in any significant new funding partnerships or changes in service delivery
 - The general financial climate to which the Authority is subject.
- 3.8. Having considered the above, and in the context of a medium term financial plan that shows ongoing and sustained budget reductions, it is the opinion of the Section 151 Officer that the Council needs to continue to prepare for significant change in service delivery that will inevitably impact on direct employment levels going forward.
- 3.9. Changes on such a scale will inevitably come with substantial up-front costs and it is important at this time that the Council plans operationally and financially to meet these changes. There is £3m held in the Restructure Reserve for these costs.
- 3.10. It is vitally important that the Restructuring Reserve is protected as much as possible to enable the Council to carry out any necessary restructuring as it continues to transform under the Sustainable Swansea programme.
- 3.11. As recommended previously a capital equalisation reserve was created from the underspending on debt charges and the fundamental review by council last year of our approach to the Minimum Revenue Provision calculation. The recommendation continues to be that this reserve is topped up wherever possible, by capital financing underspending in year, to help with any timing issues around the need to fund any City Deal projects in advance of receipt of funding from other bodies. Exceptionally, however, , as reported in the Quarter 1 Budget Monitoring Report to Cabinet on 15th October the S151 Officer has identified that the £6.3m rolled forward contingency fund will be required to fund additional costs arising from the COVID-19 pandemic, on top of the full use of the in-year contingency fund. In addition to this the 1st Quarter monitoring report identifies that **up to** £10m will be required and released from the Capital Equalisation reserve to protect the Council from any shortfall in reimbursement of COVID-19 expenditure. This figure may fluctuate significantly throughout the year as further funding packages and support measures are announced by the Welsh Government but it is considered prudent to assume the need for this draw at this point in time.

3.12. To this extent, and following a review of current earmarked reserves, the following re-classification of earmarked reserves is recommended:-

Category of Earmarked Reserve	Current Balance 31/03/20 £'000	Proposed Change £'000	Recommended Position £'000
Technical/third party	1,695	0	1,695
Insurance	16,332	0	16,332
Transformation and efficiency	46	0	46
Schools delegated reserves	7,729	0	7,729
Equalisation reserves	21,678	-10,000	11,678
Commuted sums	6,991	0	6,991
Repair and renewal funds	1,946	0	1,946
Profit share on joint ventures	1,488	0	1,488
Service earmarked reserves	9,857	0	9,857
Capital reserves	7,332	0	7,332
Restructuring costs reserve	3,000	0	3,000
Contingency	6,306	-6,306	0
Total Earmarked Reserves	84,400	-16,306	68,094

4. Evaluation of reserve requirements

- 4.1. A number of the reserves highlighted above have been set aside for specific purposes; these include the insurance reserve set aside to meet the potential cost of excess payments should a claim on external insurers materialise or should the Council have to meet claims from its own resources. Repair and renewal funds set aside to meet future major repair and renewal costs on strategic assets (for example Crematorium, Quadrant Bus Station), and reserves set aside for profit share on disposals of assets where reclamation has been funded by the WDA/Welsh Government.
- 4.2. It is essential that monies set aside for the above purposes are regularly reviewed in order to confirm their accuracy and relevance.
- 4.3. To that extent formal assurance will be sought on the adequacy of these reserve levels as part of the annual budget setting process.
- 4.4. As part of the budget setting process for 2019/20 a formal review of the Insurance reserve was completed and it was further determined that a take from the reserve of £700k per annum could be extended until 2022/23. This has already been built into planning assumptions.
- 4.5. As part of the budget setting process for 2021/22 a review will be carried out again of all service earmarked reserves to test their continued relevance and value.

5. Legal implications

- 5.1. There are no direct legal implications arising from this report. However, Section 151 of the Local Government Act 1972 requires each Local Authority

to make arrangements for the proper administration of its financial affairs and that the Chief Finance Officer (in our case the Head of Financial Services and the Service Centre) has responsibility for those affairs.

5.2. Under guidance detailed at Appendix A to this report the Chief Finance Officer is required at all times to monitor the purpose and use of reserves.

6. Equality and Engagement implications

6.1. The Council is subject to the Public Sector Equality Duty (Wales) 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.

Our Equality Impact Assessment process ensures that we have paid due regard to the above.

6.2. Having assessed the current planned use of earmarked reserves there are no significant equalities implications arising from these changes. An EIA screening form has been attached at Appendix B.

Background Papers: None

Appendices:

Appendix A – LAAP Bulletin 99 – Local Authority Reserves and Balances

Appendix B – Glossary of Terms

Appendix C – EIA Screening Form

LAAP BULLETIN 99

Local Authority Reserves and Balances

July 2014

The Local Authority Accounting Panel issues LAAP Bulletins to assist practitioners with the application of the requirements of the Code of Practice on Local Authority Accounting, SeRCOP and Prudential Code, and to provide advice on emerging or urgent accounting issues. Bulletins provide influential guidance that is intended to be best practice, but are not prescriptive and do not have the formal status of the Code, SeRCOP or Prudential Code.

Please address any queries to CIPFA Technical Enquiry Service for CIPFA members and students
technical.enquiry@cipfa.org.uk

The Chartered Institute of Public Finance and Accountancy
Registered with the Charity Commissioners of England and Wales Number
231060

CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, in major accountancy firms, and in other bodies where public money needs to be effectively and efficiently managed. As the only UK professional accountancy body to specialise in public services, CIPFA's qualifications are the foundation of a career in public finance. They include the benchmark professional qualification for public sector accountants as well as a postgraduate diploma for people already working in leadership positions. Our in-house CIPFA Education and Training Centre delivers the range of our programmes at locations across the UK, and works with other places of learning to provide our courses locally. We also champion high performance in public services, translating our experience and insight into clear advice and practical services. They include information and guidance, courses and conferences, property and asset management solutions, consultancy and interim people for a range of public sector clients. Globally, CIPFA shows the way in public finance by standing up for sound public financial management and good governance. We work with governments, accounting bodies and the public sector around the world to advance public finance and support its professionals.

INTRODUCTION AND BACKGROUND

1. LAAP Bulletin 55 (Guidance note on local authority reserves and balances) was issued in February 2003. This was followed by its replacement in 2008 by LAAP Bulletin 77. LAAP Bulletin 77 included a number of events and changes that occurred including the publication of the Prudential Code and the beginnings of the financial downturn. Since the issue of LAAP Bulletin 77, the IFRS-based Code¹ has been published and this bulletin has been updated to reflect the new requirements of that Code. In addition, during a period of financial austerity for the public sector, the Local Authority Accounting Panel considers that it is necessary to update the guidance on local authority reserves and balances.
2. The “New Reporting Framework” described in LAAP Bulletin 55 has now largely been overtaken by statutory requirements, but is included in Appendix A for information.
3. The advice previously provided by LAAP Bulletin 77 which focussed on the financial impact of flooding is included in Appendix B.
4. Further resources and information are provided at Appendix C.
5. Relevant extracts from the IFRS-based Code are provided at Appendix D.

PURPOSE

6. This bulletin provides guidance to local authority chief finance officers in England, Northern Ireland, Scotland and Wales on the establishment and maintenance of local authority reserves and balances.

APPLICATION

7. In England, Scotland and Wales the guidance is applicable to local authorities, joint committees and joint boards of principal authorities.
8. In England and Wales the guidance is applicable to Police and Crime Commissioners, Chief Constables and fire and rescue authorities.
9. In Northern Ireland the guidance applies to all district councils.
10. The general principles set out in this guidance apply to an authority’s General Fund, Council Fund, Police Fund and, where appropriate, to the Housing Revenue Account (HRA).
11. The advice in this bulletin relates to reserves, not provisions. The Code definitions of provisions and reserves are included in Appendix D to this bulletin for information.
12. This bulletin replaces LAAP Bulletin 77.

¹ *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code).

LEGISLATIVE / REGULATORY FRAMEWORK

13. The requirement for financial reserves is acknowledged in statute. Sections 31A, 32 42A and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. Section 93 of the 1992 Act requires Scottish authorities, in calculating council tax, to take into account 'any means by which those expenses may otherwise be met or provided for'. This includes reserves.
14. In Scotland there are explicit statutory powers under schedule 3 of the Local Government (Scotland) Act 1975 permitting certain local authorities to establish a renewal and repair fund, an insurance fund and a capital fund alongside a requirement, as in England and Wales, to maintain a General Fund (section 93 of Part VII of the Local Government (Scotland) Act 1973). LASAAC has published guidance on reserves which is available from the LASAAC website. In Northern Ireland, Section 9 of the Local Government Finance Act (Northern Ireland) 2011 enables councils to maintain other funds in addition to the General Fund. Local authorities may however ' earmark ' specific parts of the General Fund reserve. This earmarking of a proportion of the General Fund is referred to in this Bulletin as Earmarked Reserves.
15. There are also a range of safeguards in place that help to prevent local authorities over-committing themselves financially. These include:
 - the balanced budget requirement:
 - England, sections 31A, 42A of the Local Government Finance Act 1992, as amended
 - Wales, sections 32 and 43 and Scotland, 93 of the Local Government Finance Act 1992 and
 - section 85 of the Greater London Authority Act 1999
 - chief finance officers' duty to report on robustness of estimates and adequacy of reserves (under section 25 of the Local Government Act 2003) when the authority is considering its budget requirement (England and Wales)
 - chief finance officers' duty to report on the robustness of estimates and the adequacy of reserves (under sections 4 and 6 of the Local Government and Finance Act (Northern Ireland) 2011
 - the legislative requirement for each local authority to make arrangements for the proper administration of their financial affairs and that the chief finance officer / proper officer has responsibility for the administration of those affairs section 151 of the Local Government Act 1972, section 95 of the Local Government (Scotland) Act 1973 and section 1 of the Local Government and Finance Act (Northern Ireland) 2011
 - the requirements of the Prudential Code.
16. These requirements are reinforced by section 114 of the Local Government Finance Act 1988 which requires the chief finance officer in England and Wales to report to all the authority's councillors if there is or is likely to be unlawful expenditure or an unbalanced budget. This would include situations where reserves have become seriously depleted and it is forecast that the authority will not have the resources to meet its expenditure in a particular financial year. The issue of a section 114 notice cannot be taken lightly and has serious operational implications. Indeed, the authority's full council must meet within 21 days to consider the s114 notice and

during that period the authority is prohibited from entering into new agreements involving the incurring of expenditure.

17. Whilst it is primarily the responsibility of the local authority and its chief financial officer to maintain a sound financial position, external auditors will confirm that there are no material uncertainties about going concern. Even where as part of their wider role auditors have to report on an authority's financial position, it is not their responsibility to prescribe the optimum or minimum level of reserves for individual authorities or authorities in general.
18. CIPFA's Prudential Code requires chief finance officers in local authorities to have full regard to affordability when making recommendations about the local authority's future capital programme. Such consideration includes the level of long term revenue commitments. Indeed, in considering the affordability of its capital plans, the authority is required to consider all of the resources available to it/estimated for the future, together with the totality of its capital plans and revenue forecasts for the forthcoming year and the following two years.

ROLE OF THE CHIEF FINANCE OFFICER (PROPER OFFICER IN SCOTLAND)

19. Within the existing statutory and regulatory framework, it is the responsibility of chief finance officers (proper officer in Scotland) to advise local authorities about the level of reserves that they should hold and to ensure that there are clear protocols for their establishment and use. Reserves should not be held without a clear purpose.
20. CIPFA and the Local Authority Accounting Panel consider that local authorities should establish reserves including the level of those reserves based on the advice of their chief finance officers. Authorities should make their own judgements on such matters taking into account all the relevant local circumstances. Such circumstances vary. A well-managed authority, for example, with a prudent approach to budgeting should be able to operate with a level of general reserves appropriate for the risks (both internal and external) to which it is exposed. In assessing the appropriate level of reserves, a well-managed authority will ensure that the reserves are not only adequate but are also necessary. There is a broad range within which authorities might reasonably operate depending on their particular circumstances.
21. Section 26 of the Local Government Act 2003 gives Ministers in England and Wales a general power to set a minimum level of reserves for local authorities. However, the government has undertaken to apply this only to individual authorities in the circumstances where an authority does not act prudently, disregards the advice of its chief finance officer and is heading for serious financial difficulty. This accords with CIPFA's view that a generally applicable minimum level is inappropriate, as a minimum level of reserve will only be imposed where an authority is not following best financial practice (including the guidance in this bulletin).

TYPES OF RESERVE

22. When reviewing their medium term financial plans and preparing their annual budgets local authorities should consider the establishment and maintenance of reserves. These can be held for three main purposes:
 - a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves;
 - a contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves;

- a means of building up funds, often referred to as earmarked reserves (or earmarked portion of the general fund in Scotland - see below), to meet known or predicted requirements; earmarked reserves are accounted for separately but remain legally part of the General Fund.

Category of Earmarked Reserve	Rationale
Sums set aside for major schemes, such as capital developments or asset purchases, or to fund major reorganisations	Where expenditure is planned in future accounting periods, it is prudent to set aside resources in advance.
Insurance reserves (note that the Insurance Fund is a statutory fund in Scotland)	Self-insurance is a mechanism used by a number of local authorities. In the absence of any statutory basis (other than in Scotland) sums held to meet potential and contingent liabilities are reported as earmarked reserves where these liabilities do not meet the definition of a provision under the requirements of the Code's adoption of IAS 37 <i>Provisions, Contingent Assets and Liabilities</i>).
Reserves of trading and business units	Surpluses arising from in-house trading may be retained to cover potential losses in future years, or to finance capital expenditure.
Reserves retained for service departmental use	Authorities may have internal protocols that permit year-end underspendings at departmental level to be carried forward.
Reserves for unspent revenue grants	Where revenue grants have no conditions or where the conditions are met and expenditure has yet to take place. The Code Guidance Notes recommend that these sums are held in earmarked reserves (see paragraph 29 below).
Schools balances	These are unspent balances of budgets delegated to individual schools.

FINANCIAL REPORTING FOR RESERVES

23. The IFRS-based *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code) introduced the Movement in Reserves Statement to local authority financial statements in the 2010/11 financial year. This Statement presents the movement in the year of the reserves of the authority analysed into usable reserves, (eg General Fund, HRA Balances and earmarked reserves) and unusable reserves (see paragraph 24 below).
24. Unusable reserves arise out of the interaction of legislation and proper accounting practice either to store revaluation gains or as adjustment accounts to reconcile accounting requirements driven by reporting standards to statutory requirements.

These reserves², which are not resource-backed and cannot be used for any other purpose, are described below:

Revaluation Reserves

- The Revaluation Reserve - this is a reserve that records unrealised gains in the value of property, plant and equipment. The reserve increases when assets are revalued upwards, and decreases as assets are depreciated or when assets are revalued downwards or disposed of. Local authorities might benefit from these gains in the future from the continued use of the assets or from their sale. The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.
- The Available-for-Sale Financial Instruments Reserve – this is a reserve that records unrealised revaluation gains arising from holding available-for-sale investments, plus any unrealised losses that have not arisen from impairment of the assets. Local authorities might benefit in the future from the gains when the investments mature or are sold or they might be lost in falls in value.

Adjustment Accounts

- The Pensions Reserve – this is a specific accounting mechanism used to reconcile the payments made for the year to various statutory pension schemes in accordance with those schemes' requirements and the net change in the authority's recognised liability under the Code's adoption of IAS 19 – *Employee Benefits*, for the same period. A transfer is made to or from the pensions reserve to ensure that the charge to the General Fund reflects the amount required to be raised in taxation. For example, the debit balance on the Reserve shows that an authority has made commitments to fund pensions that the Government has permitted it to fund from contributions to be made in future years.
- The Capital Adjustment Account - this is a specific accounting mechanism used to reconcile the different rates at which assets are depreciated under proper accounting practice and are financed through the capital controls system. Statute requires that the charge to the General Fund is determined by the capital controls system. For example, the credit balance on the Account shows that an authority has generally financed capital investment in advance of receiving the benefits of that investment. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.
- The Financial Instruments Adjustment Account – this is a specific accounting mechanism used to reconcile the different rates at which gains and losses (such as premiums on the early repayment of debt) are recognised under proper accounting practice and are required by statute to be met from the General Fund. For example, the debit balance on the Account shows that an authority has incurred expenses on borrowings that the Government has permitted it to spread over future years.

² In addition to the Reserves included in this list authorities may hold the deferred capital receipts reserve and the accumulated absences account. Further details on these reserves are included in the *Code of Practice on Local Authority Accounting in the United Kingdom Guidance Notes for Practitioners 2013/14 Accounts*.

- The Unequal Pay Back Pay Account - this is a specific accounting mechanism used to reconcile the different rates at which payments in relation to compensation for previous unequal pay are recognised under proper accounting practice and are required by statute to be met from the General Fund. This account is not applicable to Scotland.
 - Collection Fund Adjustment Account – this is a specific accounting mechanism used to reconcile the differences arising from the recognition of council tax and non-domestic rates income (England) in the Comprehensive Income and Expenditure Statement to those amounts required to be charged by statute to the General Fund. For example, the credit balance on the Account shows that more tax has been collected on behalf of the authority and the precepting bodies (and central government in England for non-domestic rates income) than an authority is permitted to transfer out of the Collection Fund by 31 March. This account is not applicable to Scotland.
25. Other such reserves may be created in future where developments in local authority accounting result in timing differences between the recognition of income and expenditure under proper accounting practice and under statute or regulation.
26. In addition authorities will hold the following two usable reserves:
- a Major Repairs Reserve (England and Wales), where relevant – in England this reserve records the unspent amount of HRA balances for capital financing purposes in accordance with statutory requirements for the Reserve. In Wales this represents the amounts unspent from the Major Repairs Allowance capital grant.
 - a Capital Receipts Reserve (Capital Fund in Scotland³) – this reserve holds the proceeds from the sale of assets, and can only be used for those purposes specified in the capital finance and accounting regulations⁴ in England, Northern Ireland and Wales and for capital purposes in Scotland.
27. The Code recommends that earmarked reserves are reported on the face of the Movement in Reserves Statement. Particularly significant movements might need to be reported individually on the face of the Statement to ensure key messages are presented clearly to users. However, effective reporting may either as an alternative or as a supplementary report necessitate similar disclosures in the notes to the financial statements (see paragraphs 3.4.2.41 and 3.4.2.42 of the Code which are also included in Appendix D for ease of reference).
28. When establishing reserves, local authorities need to ensure that they are complying with the Code and in particular the need to distinguish between reserves and provisions. Definitions of reserves and provisions are included in Appendix D of this Bulletin.
29. The introduction of the IFRS-based Code on 1 April 2010 has meant that grant income should be recognised in the Comprehensive Income and Expenditure Statement (and therefore against the General (Council) Fund or HRA Balances for

³ *The Statutory Basis for Accounting and Disclosing Reserves in Local Authorities in Scotland* [LASAAC, 2005] states "Useable capital receipts reserves are considered to be allowable under the power contained within Schedule 3, para 22 of the 1975 Act. Such a reserve effectively acts as a subset of the capital reserve specifically permitted by legislation."

⁴ The Local Authorities (Capital Finance and Accounting)(England) Regulations 2003, as amended, The Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003, as amended and the Local Government (Capital Finance and Accounting) Regulations (Northern Ireland) 2011.

revenue grants) where grant payment is unconditional or grant conditions have been satisfied⁵. The Code Guidance Notes recommend⁶ that where these grants have been received prior to the expenditure having taken place authorities should consider establishing earmarked reserves. This will ensure that amounts are set aside from the General (or Council) Fund and HRA balances in earmarked reserves to provide financing to meet the requirements of the grant. The amounts set aside will be posted back from earmarked reserves to meet General Fund and HRA expenditure in future years. It is likely therefore that since the introduction of the IFRS-based Code there is an increased tendency to hold earmarked reserves.

30. The statutory reporting regime described earlier and effective financial management underpin the need for clear, transparent reporting arrangements for reserves and therefore in addition to the financial reporting requirements above, LAAP recommends that for each earmarked reserve (earmarked portion of the general fund in Scotland) held by a local authority there should be a clear protocol setting out:
- the reason for / purpose of the reserve;
 - how and when the reserve can be used;
 - procedures for the reserve's management and control; and
 - a process and timescale for review of the reserve to ensure continuing relevance and adequacy.

PRINCIPLES TO ASSESS THE ADEQUACY OF RESERVES

31. In order to assess the adequacy of unallocated general reserves when setting the budget, chief finance officers should take account of the strategic, operational and financial risks facing the authority. Where authorities are being reorganised, this assessment should be conducted on the basis that the services will continue to be provided, and adequate reserves will therefore be required by successor authorities. The assessment of risks should include external risks, such as flooding, as well as internal risks, for example, the ability to deliver planned efficiency savings. In England and Wales, statutory provisions require authorities to review at least once in a year the effectiveness of their system of internal control, which will include risk management. The CIPFA/SOLACE framework *Delivering Good Governance in Local Government* details an approach to giving assurance that risk, control and governance matters are being addressed in accordance with best practice.
32. The Codes of Audit Practice in England, Wales, Scotland and Northern Ireland make it clear that it is the responsibility of the audited body to identify and address its operational and financial risks, and to develop and implement proper arrangements to manage them, including adequate and effective systems of internal control. The financial risks should be assessed in the context of the authority's overall approach to risk management.

Budget Assumptions	Financial standing and management assessment/impact
The treatment of inflation and interest rates	The overall financial standing of the authority (level of borrowing, debt outstanding, council tax collection rates

⁵ See Code of Practice on Local Authority Accounting in the United Kingdom Section 2.3.

⁶ See *Code of Practice on Local Authority Accounting in the United Kingdom Guidance Notes for Practitioners 2013/14 Accounts*, paragraphs C39 and C40.

	<p>etc.). Rises in the prices of some commodities, eg fuel, highlight the relevance of using a number of inflation rates in the budget and financial strategy, and considering whether general reserves are adequate to deal with unexpected increases. Volatility in the financial markets also points to the need to consider investment and borrowing risks and their impact on income.</p>
<p>Estimates of the level and timing of capital receipts</p>	<p>The authority's track record in budget and financial management including the robustness of the medium term plans. Authorities will also need to take into account changes in the property market, and adjust estimates and assumptions for reserves accordingly.</p>
<p>The treatment of demand led pressures</p>	<p>The authority's capacity to manage in-year budget pressures, and its strategy for managing both demand and service delivery in the longer term.</p>
<p>The treatment of planned efficiency savings/ productivity gains</p>	<p>The strength of the financial information and reporting arrangements. The authority should also be in a position to activate contingency plans should the reporting arrangements identify that planned savings or gains will either not be achieved or be delayed.</p>
<p>The financial risks inherent in any significant new funding partnerships, major outsourcing arrangements or major capital developments</p>	<p>The authority's virement and end of year procedures in relation to budget under/overspends at authority and department/directorate level. Risk management measures in relation to partnerships, including consideration of risk allocation. Contract provisions designed to safeguard the authority's position in the event of problems arising from outsourcing arrangements.</p>
<p>The availability of reserves, government grants and other funds to deal with major contingencies and the adequacy of provisions</p>	<p>The adequacy of the authority's insurance arrangements to cover major unforeseen risks. When considering insurance cover, the structure of the cover as well as the overall level of risk should be taken into account. Risk assessments should be used when balancing the levels of insurance premiums and reserves.</p>
<p>The general financial climate to which the authority is subject</p>	<p>External factors, such as future funding levels expected to be included in Spending Reviews and expected referenda principles and limits, will influence an authority's ability to replenish reserves once they have been used. Any plans for using reserves will</p>

	need to consider the need and ability of the authority to replenish the reserves, and the risks to which the authority will be exposed whilst replenishing the reserves.
--	--

Whilst many of these factors relate to setting the annual budget, the level of risk and uncertainty associated with these factors will be relevant in determining an appropriate level of reserves.

33. Authorities have been faced by increasing financial pressures since 2008. This has been followed by a period of significant reduction in government funding which is anticipated to continue for some time, ie the spending review 2013 announced that the government will reduce total spending in 2015/16, 2016/17 and 2017/18 in real terms at the same rate as during the spending review 2010 period. Demands on local government services continue to increase. In addition to reduction in government funding other pressures include:
- councils striving to constrain council tax increases,
 - reductions of income,
 - new service demands and responsibilities such as:
 - the transfer of public health functions
 - the localisation of non-domestic rates retention, council tax freezes and council tax benefits/support
 - severe weather and floods.

Furthermore, events such as the losses in Icelandic banks and the problems in global financial markets are likely to mean that Councils will focus on cautious investment strategies. Council budgets and reserves have remained under pressure and are likely to continue to do so for some time.

34. The many factors involved when considering appropriate levels of reserves can only be assessed properly at a local level. A considerable degree of professional judgement is required. The chief finance officer may choose to express advice on the level of balances in cash and/or as a percentage of budget (to aid understanding) so long as that advice is tailored to the circumstances of the authority. The Audit Commission Report (December 2012) *Striking a Balance* makes a number of recommendations to both Chief Finance Officers and elected members to better assist councils in their decision making. Similarly the Accounts Commission in its report *An overview of local government in Scotland 2014*⁷ commented that more needs to be done to provide information on why reserves are held, how this fits with the councils financial strategy and how they will be used. The principles and financial reporting established in this and the previous LAAP bulletins on reserves will provide for the information requirements and an appropriate framework for this.
35. The advice should be set in the context of the authority's risk register and medium term plans and should not focus exclusively on short-term considerations. Balancing the annual budget by drawing on general reserves may be viewed as a legitimate short-term option. However, it is not normally prudent for reserves to be deployed

⁷ Issued by the Accounts Commission in March 2014
Page 41

to finance recurrent expenditure. CIPFA has commented⁸ that Councils should be particularly wary about using one off reserves to deal with shortfalls in current funding. Where such action is to be taken, this should be made explicit, and an explanation given as to how such expenditure will be funded in the medium to long term. Advice should be given on the adequacy of reserves over the lifetime of the medium term financial plan, and should also take account of the expected need for reserves in the longer term.

36. Events such as the floods and severe weather that occurred earlier this year (2014) and previously in the floods during the summers of 2007 and 2008 have emphasised the need for authorities to be prepared for major unforeseen events. Adequate insurance cover combined with appropriate levels of reserves will enable authorities to manage the demands placed on them in such circumstances. However, these arrangements need to take account of all possible scenarios. An example quoted in the Audit Commission report *Staying Afloat* is that the total cost of the flooding was reduced where authorities had specifically considered the impact of a wide scale, serious event affecting many assets, and had taken appropriate action, for example, negotiating insurance policies that capped the total excesses linked to one event.
37. Part of the risk management process involves taking appropriate action to mitigate or remove risks, where this is possible. This in turn may lead to a lower level of reserves being required, and it would be appropriate to consider reducing the level of balances held where appropriate action to mitigate or remove risks has been successfully undertaken. A balance will need to be found between maintaining adequate levels of reserves and investing in risk reduction measures. This balance should form part of the risk management process and be considered as part of the annual budget process.
38. Emergency financial assistance from central government may be available to assist authorities in dealing with the immediate consequences of major unforeseen events, normally under the Emergency Financial Assistance to Local Authorities scheme (commonly known as the 'Bellwin' scheme). However, there is no automatic entitlement to financial assistance, and where financial assistance is given, it will not cover all of the costs even in exceptional circumstances. Further details of the scheme are available on the relevant government web sites (links can be found in Appendix C of this bulletin). Authorities should plan to have access to sufficient resources (through reserves, insurance or a combination of both) to cover the costs of recovering from events that are likely to be unavoidable.
39. When considering the level of reserves, it would be appropriate for authorities to take into account the likely level of Government support that would be available, and to consider how the balance would be funded in the event of an unforeseen event occurring.
40. Flooding, the effects of severe weather and the impact of the problems experienced by the global financial markets are examples of external risks which local authorities may need to take into account in setting levels of reserves and wider financial planning. An assessment of external risks should not be limited to those issues, but should range more widely, to take account of all significant external risks identified through the authority's risk management processes.

⁸ See comments by CIPFA Chief Executive *Building up council reserves to protect the public from future financial problems is good financial management* – CIPFA
<http://www.cipfa.org/about-cipfa/press-office/latest-press-releases/building-up-council-reserves>

EXTRACT FROM LAAP BULLETIN 55

7 A New Reporting Framework

7.1 The finance director has a fiduciary duty to local taxpayers, and must be satisfied that the decisions taken on balances and reserves represent proper stewardship of public funds.

7.2 The level and utilisation of reserves will be determined formally by the Council, informed by the advice and judgement of the finance director⁹. To enable the Council to reach its decision, the finance director should report the factors that influenced his or her judgement, and ensure that the advice given is recorded formally. Where the finance director's advice is not accepted this should be recorded formally in the minutes of the council meeting.

7.3 It is recommended that:

- the budget report to the Council should include a statement showing the estimated opening general reserve fund balance for the year ahead, the addition to/withdrawal from balances, and the estimated end of year balance. Reference should be made as to the extent to which such reserves are to be used to finance recurrent expenditure
- this should be accompanied by a statement from the finance director on the adequacy of the general reserves and provisions in respect of the forthcoming financial year and the authority's medium term financial strategy
- a statement reporting on the annual review of earmarked reserves (including schools' reserves) should also be made at the same time to the Council. The review itself should be undertaken as part of the budget preparation process. The statement should list the various earmarked reserves, the purposes for which they are held and provide advice on the appropriate levels. It should also show the estimated opening balances for the year, planned additions/withdrawals and the estimated closing balances.

⁹ LAAP Bulletin 99 normally refers to Chief Finance Officers – previous editions of this Bulletin referred to Finance Directors.

EXTRACT FROM LAAP BULLETIN 77

27. "...Alternative arrangements, for example mutual aid agreements, may help to reduce the reliance on reserves or insurance. The Pitt Review into the 2007 floods, although specifically focused on England, will be of relevance to all local authorities. This recommended that "Local authorities should continue to make arrangements to bear the cost of recovery for all but the most exceptional emergencies, and should revisit their reserves and insurance arrangements in light of last summer's floods." The Government's position remains that it is primarily the local authority's responsibility to bear such costs, and authorities should note this position when considering the appropriate level of reserves."

28 "... However, both the Pitt Review and Staying Afloat noted that most central government assistance provided to local authorities in relation to the 2007 floods was ad hoc in nature. The government has been keen to stress that they should not be seen as setting a precedent and should not be relied on in the future. Authorities will therefore need to make their own assessments of the likely level of support. "

FURTHER INFORMATION:

The Pitt Review can be downloaded from:

http://webarchive.nationalarchives.gov.uk/20100807034701/http://archive.cabinetoffice.gov.uk/pittreview/thepittreview/final_report.html

Staying Afloat can be downloaded from:

http://archive.audit-commission.gov.uk/auditcommission/SiteCollectionDocuments/AuditCommissionReports/NationalStudies/StayingAfloat_REP14Dec07.pdf

Both reports provide additional advice to local authorities on planning for and managing the financial impacts of exceptional events.

LASAAC Guidance on Reserves in Scotland can be downloaded from:

<http://www.cipfa.org/regions/scotland/policy-and-technical/local-authority-scotland-accounts-advisory-committee/guidance-and-publications/accounting-for-interest-on-reserves>

Details of the Emergency Financial Assistance (Bellwin) Scheme can be downloaded from:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/210953/The_Bellwin_Scheme_of_Emergency_Financial_Assistance_to_Local_Authorities.pdf

<http://www.scotland.gov.uk/Topics/Government/local-government/17999/Bellwin>

<http://wales.gov.uk/topics/localgovernment/finandfunding/emergency/publications/efas-guidance-notes-14-15/?lang=en>

The Audit Commission Report *Striking a Balance* can be downloaded from:

<http://www.audit-commission.gov.uk/2012/12/striking-a-balance-improving-councils-decision-making-on-reserves/>

Accounts Commission *An overview of local government in Scotland 2014* (March 2014) can be accessed at:

http://www.audit-scotland.gov.uk/docs/local/2014/nr_140327_local_government_overview.pdf

CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING IN THE UNITED KINGDOM
DEFINITIONS (AND RELEVANT EXTRACTS OF) RESERVES AND PROVISIONS

CHAPTER TWO: CONCEPTS AND PRINCIPLES

2.1.2.25 Reserves – the residual interest in the assets of the authority after deducting all its liabilities. The Movement in Reserves Statement shows the true economic cost of providing the authority's services, represented by the line 'Surplus or (deficit) on the provision of services'. Some income and expenditure is required to be recognised on a different basis or in a different accounting period (ie in accordance with legislation) in the General Fund and Housing Revenue Account. These differences are shown in the line 'Adjustments between accounting basis and funding basis under regulations'. Voluntary transfers to or from the General Fund Balance and Housing Revenue Account Balance also affect the amount to be funded from council tax or council dwelling rents; these are shown in the line 'Transfers to or from reserves available to fund services'. The Movement in Reserves Statement also shows Other Comprehensive Income and Expenditure, for example revaluation gains.

CHAPTER THREE: FINANCIAL STATEMENTS

3.4.2.41 The classification of reserves presented in the Movement in Reserves Statement shall include the following items; authorities may choose to present additional items on the face of the statement:

- a) General Fund Balance (in Scotland, includes earmarked portion of General Fund Balance)
- b) Earmarked General Fund Reserves (not Scotland) (recommended but not mandatory)
- c) Housing Revenue Account Balance (in Scotland, includes earmarked portion of Housing Revenue Account Balance)
- d) Earmarked Housing Revenue Account Reserves (not Scotland) (recommended but not mandatory)
- e) Major Repairs Reserve (England and Wales)
- f) Revenue statutory funds (Scotland)
- g) Capital Receipts Reserve (England and Wales); Capital statutory funds (Scotland)
- h) Capital Grants Unapplied Account
- i) Total usable reserves
- j) Unusable reserves
- k) Total reserves of the authority
- l) Authority's share of the reserves of subsidiaries, associates and joint ventures (Group Accounts only)
- m) Total reserves (Group Accounts only).

3.4.2.42 A local authority shall present, either in the Movement in Reserves Statement or in the notes, an analysis of the amounts included in each item of the classification of reserves required by paragraph 3.4.2.41. This analysis shall present amounts held for capital purposes separately from those held for revenue purposes, and shall separately identify the total reserves held by schools.

CHAPTER EIGHT: LIABILITIES

8.2.2.9 A **provision** is a liability of uncertain timing or amount.

8.2.2.12 A provision shall be recognised when:

- an authority has a present obligation (legal or constructive) as a result of a past event
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and
- a reliable estimate can be made of the amount of the obligation.

8.2.2.13 If the above conditions are not met, no provision shall be recognised.

8.2.2.14 In some cases it is not clear whether there is a present obligation. In these cases, a past event is deemed to give rise to a present obligation if, taking account of all available evidence, it is more likely than not that a present obligation exists at the reporting date. A past event that leads to a present obligation is called an obligating event.

Glossary of Terms	
Reserves	A sum or sums of money held by the Council for future use or application
General Reserves	A sum of money set aside by the Council for general use in an emergency. Should not be considered for everyday use.
Earmarked Reserves	Sums of money set aside by the Council for use in specific instances. Some of these may be legally enforceable (such as commuted sums), others are just an indication of what the Council wishes to set monies aside for.
Commutated Sums	Monies given to the Council to carry out specific works as per Section 106 agreements - as an example a developer may wish to give the Council a sum of money to maintain open spaces on new housing estates. These monies must be used for the purpose for which they were given, or returned under the terms of the agreement.
Chief Finance Officer	The Officer of the Council with ultimate responsibility for all things financial. Also referred to as 'The Section 151 Officer' as this is the legislation awarding the powers.
Usable/Unusable Reserves	Reserves can be usable or unusable - to be usable they must be cash backed ie there must be cash available to support the reserve. Unusable reserves are those created through technical accounting entries and will have no cash to support the reserve.
Gross Revenue Expenditure	A particular calculation of a Council's gross spend, this can be used to compare across Councils
Medium Term Financial Plan	The Council's three year forecast of budget pressures and savings
Minimum Revenue Provision	The minimum amount of money the Council needs to set aside each year to repay debt.

Agenda Item 10



Report of the Cabinet Member for Environment Enhancement & Infrastructure Management

Service Improvement and Finance Performance Panel 9 November 2020

Recycling and Landfill Annual Performance Monitoring Report 2019/20

Purpose:	To monitor and challenge performance and action plan for meeting statutory targets.
Content:	This report explains the statutory recycling and landfill targets, performance to date and actions to meet statutory targets.
Councillors are being asked to:	Consider the report
Lead Councillor:	Councillor Mark Thomas, Cabinet member for Environment Enhancement & Infrastructure Management
Lead Officer & Report Author:	Chris Howell Matthew Perkins Tel: 01792 796886 E-mail: matthew.perkins@swansea.gov.uk

1. Background

- 1.1 The Waste (Wales) Measure 2010 and the Welsh Governments National Strategy 'Towards Zero Waste' sets out a 70% recycling and composting target for 2025. It also sets out targets to reduce the amount of biodegradable waste sent to landfill.
- 1.2 Council adopted a Waste Strategy in 2012 which sets out a range of principles and actions to achieve the statutory targets set out in Welsh Governments plans. In addition, the service was subject to a comprehensive 'Commissioning Review' in 2016, which looked at how the service can move forward in the most cost effective manner whilst meeting the statutory targets.
- 1.3 In 2019/20, the Council exceeded the increased statutory recycling target of 64% by achieving 64.94%; this was an increase of 2.1% on the previous year. The increase was mainly due to the implementation

of the Keep it Out campaign reducing recyclable material being sent to landfill.

- 1.4 This performance meant that the Council provisionally sits 13th in a league table of performance for the whole of Wales. As in previous years, it should be noted that most LAs in Wales are sending their residual waste for incineration, which means that they are also able to claim recycling tonnage for the residue ash produced. This usually increases the recycling rate by around 6%, so as we are incinerating very little at this time, our ranking is artificially low. Once we fill Tir John and then send our residual waste to Energy from Waste, our ranking will improve potentially into the first quartile, although we are unlikely to be able to compete with the rural LAs such as Monmouth, Ceredigion, and Pembroke etc. as we have a number of factors, which adversely affect our recycling rate. These include:
- A large commercial sector being a city authority
 - A large student population
 - A large number of flats and other high-density housing with less room to recycle.
- 1.5 The Council continues to send the highest percentage of residual waste to landfill, as opposed to Energy from Waste, in Wales. This again is solely due to the fact that we are one of the few LAs who still run a landfill site, with most LAs sending waste for incineration. The PI is not an indication of “good” performance, more a result of disposal strategy. This has been recognised by Welsh Government and this indicator has been replaced by a measure of the residual waste produced per head of population.
- 1.6 We need to fill Tir John with material to achieve the planned profile prior to closure and landscaping. Diverting all our residual waste from landfill to Energy from Waste would not only leave the landfill site short of material (which would subsequently need to be bought in), it would also cost approx. £750K per year. We are due to start a stand-alone procurement process to obtain a long-term solution for the disposal/treatment of our residual waste having exhausted all options on a regional solution with WG in the last 12 months.
- 1.7 In addition to the recycling target, the Authority also has a target to meet in relation to the amount of biodegradable waste it can send to landfill. Should either of their targets not be achieved the Authority could face fines of £200 for every tonne that the targets is missed, which represents £250k for every 1% short of the target.
- 1.8 Based on our current recycling and composting rate for the first two quarters of this year the authority is hopeful of meeting the 64% target this year despite the Coronavirus lockdown, which forced the closure of all our Recycling Centres, separate nappy collections, and our bulky waste collection service for 2 months. The Re-use Shop also had to

close and currently remains closed. This situation, affecting all Councils in Wales, is fully understood by Welsh Government, who have advised that they will take the pandemic into account.

1.9 The priority improvement areas to enable the Council to meet the statutory target going forward will include:

- Refreshing the promotion and enforcement of the Keep it Out campaign.
- Restarting the recycling of separately collected nappies, and expanding the service to a full separate nappy collection service.
- Continuing to promote recycling.
- Waste minimisation
- Increasing the recycling rates of waste collected from commercial premises.
- Re-opening the Re-use Shop
- Procuring an energy from waste provider from January 2022 onwards

2 How did we meet our targets last year?

2.1 Restrictions on residual waste continue to play a major role. The three bag limit positively impacts recycling participation at the kerbside and supplemented by the introduction of the Keep it Out Campaign, resulted in a significant reduction in residual waste tonnages.

2.2 The Council continues to look at options to get more recycling out of non-recyclable waste. We are working with Welsh Government to secure a national Absorbent Hygiene Products recycling facility and, if successful, roll out AHP separate collections.

2.3 An on-going national advertising and communications plan is in place, and together with a range of initiatives to encourage more participation in the extensive kerbside collection services that are provided, seeks to change attitude towards recycling for those who do not yet participate.

2.4 Commercial waste was been significantly affected by the lockdown at the end of the year, and is still at a level well below the pre-covid position.

2.5 Changing markets forced us to de-bag and quality check our paper and card collections, which comes at a high cost, but is also essential to make its disposal far more robust, and to protect our recycling performance. There is also a need to keep moisture content down, which can prove problematic when loose cardboard is put out with green bags during wet weather.

3 What's next?

- 3.1 The Commissioning review approved by Council in July 2016 contained recommendations to enable the council to meet the statutory targets. The majority of the recommendations have now been implemented.
- 3.2 In order to continue recovery from the lockdown, and get back to the increased statutory recycling target of to 64%, initiatives which will be explored include:
- Introduce a full separate nappy collection service and work with Welsh Government in developing a cost effective processing plant
 - Continue work on the procurement of a long-term energy from waste solution.
 - Refresh the Keep it Out campaign to further drive recyclable materials out of the black bags.
 - Continue to review the commercial waste service offer/pricing structure so it is appropriate for all customers.
- 3.3 The service will continue to monitor recycling performance and levels of residual waste. The service will continue to review new recycling technologies and markets to ensure it maximises recycling performance within available budgets.
- 3.4 Welsh Government are reviewing the definition of what is considered recycling. This may negatively impact the recycling performance for each Welsh LA.

4 Legal Implications

- 4.1 There are no additional legal implications to those already set out in the report.

5 Financial Implications

- 5.1 The service has a circa £12.4m annual budget comprising of £19.8m costs and £7.4m income. £5.4m income is generated through commercial contracts or the sale of certain recyclables; £1.2m of the income currently comes via grants from Welsh Government. The £19.8m costs principally comprise of staff, vehicles and waste/recyclable treatment/disposal costs.

Background papers: Waste Management Commissioning Review

Appendices: None

Agenda Item 11



Report of the Convener of the Service Improvement and Finance Scrutiny Performance Panel

Service Improvement and Finance Scrutiny Work Planning

Purpose:	To develop a work programme moving forward that will provide ongoing challenge to the areas of Finance and Performance.
Content:	Draft Work Programme
Councillors are being asked to:	Discuss and agree the work programme for the remainder of the council year 2020/2021
Lead Councillor:	Councillor Chris Holley, Service Improvement and Finance Scrutiny Performance Panel
Lead Officer & Report Author:	Emily-Jayne Davies, Scrutiny Officer E-mail: emily-jayne.davies@swansea.gov.uk

Context

The Panel in June each year normally agree their Scrutiny Work Programme for the coming council year. Due to Covid-19 discussion of the work programme had been delayed but it can now be discussed and agreed for the remainder of the 2020/2021 Council year.

Work Programme 2020/2021

The attached work programme is a combination of issues outstanding from earlier in the year (pre-covid-19), items the Panel look at annually (or have chosen to keep a watching brief upon, items chosen by the Panel or through the scrutiny work planning conference which took place on the 13 October 2020.

Action Required

The Panel are asked to consider and discuss the draft Service Improvement and Finance Scrutiny Work Programme attached in **Appendix A**, to make any addition/amendments as required and then to agree its contents.

Service Improvement and Finance Work Plan (Oct 2020 – May 2021)

<p>Meeting 1 9 Nov 2020</p>	<ol style="list-style-type: none"> 1. Work Planning for 2020/21 2. Q1 Budget Monitoring 2020/21 3. Review of Revenue Reserves 4. Mid Term Budget Statement Ben Smith – Head of Financial Services and Centre 5. Recycling and Landfill - Annual Performance Monitoring 2019/20 Chris Howell – Head of Waste Management and Parks Cllr Mark Thomas – Cabinet Member
<p>Meeting 2 14 Dec 2020</p>	<ol style="list-style-type: none"> 1. Equality Plan Review Richard Rowlands – Corporate Performance Manager Cllr Louise Gibbard – Cabinet Member 2. Reviewing the process of performance monitoring Richard Rowlands – Corporate Performance Manager Cllr Andrew Stevens – Cabinet Member
<p>Meeting 3 11 Jan 2021</p>	<ol style="list-style-type: none"> 1. Budget Proposals 2. Q2 Budget Monitoring 2020/21 Ben Smith – Head of Financial Services and Service Centre Rob Stewart – Cabinet Member for Economy and Strategy 3. Q1 Performance Monitoring Report 2019/20 4. Overview/Summary of Commissioning review outcomes Richard Rowlands – Corporate Performance Manager
<p>Meeting 4 Feb 2021 Date TBC</p>	<ol style="list-style-type: none"> 1. Sustainable Swansea - Fit for the Future: Budget Proposals 2021/22 – 2023/24 – pre-decision Ben Smith – Head of Financial Services Service Centre Cllr Rob Stewart – Cabinet Member for Economy and Strategy 2. Budget realisation, what are we budgeting for 3. Q2 Performance Monitoring Report 2019/20
<p>Meeting 5 Mar 2021</p>	<ol style="list-style-type: none"> 1. Mid-Year Budget Statement 2020/21 2. Q3 Budget Monitoring 2020/21 Ben Smith – Head of Financial Services and Service Centre Cllr Rob Stewart – Cabinet Member for Economy and Strategy 3. Q3 Performance Monitoring Report 2019/20 Richard Rowlands – Corporate Performance Manager Cabinet Member
<p>Meeting 6 April 2021</p>	<ol style="list-style-type: none"> 1. Corporate Complaints Annual Report 2020/21 Julie Nicholas Humphreys - Customer Services Manager Cllr David Hopkins – Cabinet Member for Delivery and Performance 2. Planning Annual Performance Report 2019/2020 Ian Davies - Development Conservation and Design Manager Cllr David Hopkins – Cabinet Member for Delivery
<p>Meeting 7 May 2021</p>	<ol style="list-style-type: none"> 1. Annual Review of Well-being Objectives and Corporate Plan 2018/22 2. How performance has been affected by Covid-19 situation Richard Rowlands – Corporate Performance Manager Cllr Rob Stewart – Cabinet Member Economy and Strategy

Review of Bye-laws to be added to the work programme – date to be agreed

Agenda Item 12



**To/
Councillor Andrew Stevens
Cabinet Member for Business
Improvement and Performance**

BY EMAIL

*Please ask for:
Gofynnwch am:*

*Direct Line:
Llinell Uniongyrochol:*

*e-Mail
e-Bost:*

*Date
Dyddiad:*

Overview & Scrutiny

01792 636292

scrutiny@swansea.gov.uk

2 October 2020

Summary: This is a letter from the Service Improvement and Finance Performance Panel to the Cabinet Member for Business Improvement and Performance. The letter concerns the meeting on 21 September 2020 and the Corporate Performance Monitoring Annual Report 2019/20.

Dear Councillor Stevens,

On the 21 September, the Panel met to discuss the Performance Monitoring Annual Report 2019/20. The Panel are grateful to the Corporate Performance Manager and the Director of Resources for attending to discuss the report.

We heard that overall, the Corporate Performance indicators for 2019/20 show that 43 out of 78 (55%) Corporate Plan performance indicators (that had targets and where there was data) met their targets. With 41 out of 66 (62%) comparable Corporate Plan performance indicators also showing improvement or staying the same compared to 2018/19. Some of the individual indicators we discussed include:

Safeguarding

- *AS11 - Rate of adults aged 65+ receiving care and support to meet their well-being needs per 1,000 population.* We noted that more individuals are being supported through short-term reablement and other enabling interventions in keeping with the Council's strategic objectives.
- *AS13a – Number of carers (aged 18+) who received a carer's assessment in their own right during the financial year.* We noted that work is being undertaken with carers groups on a regional basis to try and better understand the above-expected number of carers declining an assessment.
- *Measure 19 (PAM025) The rate of delayed transfers of care for social care reasons per 1,000 population aged 75 or over.* We noted that we are continuing to work with NHS to reduce Delayed Transfers with the Rapid Discharge project commencing.
- *CFS2 – The number of Looked After Children (LAC) at end of the period.* We noted that the focus has been on reducing numbers of children cared for in

OVERVIEW & SCRUTINY / TROSOLWG A CHRAFFU

SWANSEA COUNCIL / CYNGOR ABERTAWE

GUILDHALL, SWANSEA, SA1 4PE / NEUADD Y DDINAS, ABERTAWE, SA1 4PE

www.swansea.gov.uk / www.abertawe.gov.uk

I dderbyn yr wybodaeth hon mewn fformat arall neu yn Gymraeg, cysylltwch â'r person uchod
To receive this information in alternative format, or in Welsh please contact the above

residential settings. Next phase is focus on legal security, which is part of safe lac strategy and will reduce numbers to 475 by March 2021 - below 100 per 10,000.

- *Measure 24 - The percentage of assessments completed for children within statutory timescales.* We noted that improvement in this area has been challenging to achieve for a number of years. A focused piece of work has been completed and the monthly report is evidencing improvement in the 1st quarter of this new financial year.

Education and Skills

- *EDU15a - The percentage of final statements of Special Education Need (SEN) issued within 26 weeks including exceptions*
- *EDU15b - The percentage of final statements of Special Education Need (SEN) issued within 26 weeks excluding exceptions*

We noted that the decline on statements issued within 26 weeks has continued in 2019. Work has already taken place to address some of the issues contributing to this performance, including the introduction of new systems for statements. This is a priority area for improvement within the Directorate - a new structure and improvement programme will commence in 2020 to address current improvement requirements.

Tackling Poverty

- *HMBCT01a - Housing Benefit Speed of Processing: Average time for processing new claims.* We noted that with reduced resources in place a reduction in performance was expected and 0.5 days is well within acceptable limits
- *POV10 - Number of people gaining employment through Employability Support.* We noted that as part of the employability commissioning review work which is being undertaken we will be better able to capture the results of all the employability activity across the Council

Transformation and Future Council

- *CHR002 (PAM001) - The number of working days/shifts per full time equivalent lost due to sickness absence.* We noted that data quality was under review. Sickness figures have been impacted by COVID-19. Consultation paused on new Management of Attendance Policy due to COVID. Support is continuing in service areas with high levels of sickness absence. We heard that data surrounding staff sickness indicates an increase of 1.85% highlighting a growing trend in sickness absence from 8% to 10% over the previous two periods. The Panel wish to look into this topic in further detail and the Deputy Chief Executive will provide further information in the future (when this is available) regarding the impact of home working and agile arrangements on the sickness absence data. He confirmed that early indicators show that working from home during the pandemic has helped to support a reduction in sickness absence.

Nature and Biodiversity

- In terms of Nature and Biodiversity, the Panel asked about progress the being made on development of quantitative indicators. The Corporate Performance Manager explained that work had been carried out with the Nature Conservation Team. However, it is proving difficult to find something to report in a robust

manner. Work is ongoing on this and the Panel agreed that the qualitative data given in the report was very useful.

Public Accountability Measures

- *PAM15 - The average number of calendar days taken to deliver a Disabled Facilities Grant.* We noted that decreased performance this year resulted from a number of extended staff sickness absences, an Occupational Therapist vacancy that took an extended period to fill and the Covid-19 outbreak caused supply chain delays in the last quarter. The Panel wished keep a watching brief on this item to see impact over next quarter.
- *PAM39 - Percentage of rent lost due to properties being empty.* The Panel were asked for further information on the number of empty council properties. The Panel would also like see this considered for inclusion in performance monitoring reporting data.
- *PAM45 – Number of additional dwellings created as a result of bringing empty properties back into use.* The Panel queried whether these were based upon the Empty Property Grant that had been introduced.

After the discussion at the Panel today we agreed to look into the Performance Monitoring progress in more detail. I will, in the first instance have a one-to-one discussion with the Performance manager.

We are interested in any thoughts you may have on the contents of this letter but can we please have your written response to the following questions by 23 October 2020

1. *AS13a – Number of carers (aged 18+) who received a carer's assessment in their own right during the financial year.* The Panel raised concerns over the quality of such services after the initial assessment. Can you please provide further information on this point?
2. *EDU15a and EDU15b - The percentage of final statements of Special Education Need (SEN) issued within 26 weeks including and excluding exceptions.* Can you provide more information on why these target times that are being missed?
3. *POV10 - Number of people gaining employment through Employability Support.* The Panel would like to explore this indicator data further and request further written information on this data set along with the indicator definition.
4. *CHR002 (PAM001) - The number of working days/shifts per full time equivalent lost due to sickness absence.* Can you please provide the Panel with a breakdown of sickness and type across the Council departments?
5. *PAM39 - Percentage of rent lost due to properties being empty.* Can you provide further information on the numbers of empty council properties? The Panel would also like your thoughts on introducing an indicator giving the number of empty council properties
6. *PAM45 – Number of additional dwellings created as a result of bringing empty properties back into use.* Have these properties been brought back to use by using the Empty Properties Grant?

Yours sincerely,

Councillor Chris Holley
Convener, Service Improvement and Finance Scrutiny Performance Panel
✉ cllr.chris.holley@swansea.gov.uk

Councillor Chris Holley
Convener – Service Improvement and
Finance Scrutiny Performance Panel

BY EMAIL

Please ask for: Councillor Andrew Stevens
Direct Line: 01792 63 7428
E-Mail: cllr.andrew.stevens@swansea.gov.uk
Our Ref: AS/KH
Your Ref:
Date: 23 October 2020

Dear Councillor Holley

Thank you for your letter dated 2nd October 2020

In answer to your questions, I respond as follows.

Q1. AS13a –Number of carers (aged 18+) who received a carer's assessment in their own right during the financial year. The Panel raised concerns over the quality of such services after the initial assessment. Can you please provide further information on this point?

Adult Services provides a range of internal and external services to Carers in Swansea. These services include help provided directly to people who are cared for in order to indirectly help Carers. These include;

- Domiciliary care services to help provide care to people in their own homes. These services can significantly reduce the burden on people with caring responsibilities.
- Domiciliary care respite services (sitting at home services). These services do not provide regular substitute personal care, but are designed to enable Carers to take a break as and when needed.
- Residential respite services at internal and externally commissioned care homes which offer temporary residential care for the cared for to enable Carers to receive a break.
- Day Centres and other day opportunities for the cared for to relieve pressure on Carers.
- Repair and adaptation services which can offer changes and improvements to the cared for, or Carers home to make it more suitable.
- Counselling and other therapeutic services aimed at relieving stress and improving wellbeing.

- Financial advice services, including welfare benefits advice to ensure Carers are receiving their full entitlements and able to make best use of potential resources.
- Young Carers Support via a contract with YMCA.
- Assistive technology services, for example;
 - **Telecare**
Telecare alarm systems allow the person being cared for to remain somewhat independent and give peace of mind to the carer when they cannot be around. Telecare can allow the Carer to go out, reassured in the knowledge that if the person they care for needs assistance that they will be informed.
 - **CareAssist**
The CareAssist is a portable telecare alarm that can receive telecare alerts and display not only the type of sensor activated but also either the location of the sensor or the name of the person the sensor has been assigned to. This means that onsite Carers can be quickly made aware of any incidents allowing them to provide a high level of care whilst maximising their efficiency.
 - **Just Checking**
Just Checking is an activity monitoring system that helps people stay independent in their own home. *Just Checking* provides activity monitoring services that help care professionals complete objective, evidence based assessments. The system provides a better understanding of when support is needed puts the focus on maximising independence and autonomy without compromising quality of care. Just Checking can also provide a summary of daily living activity, viewed by a Carer securely, online.

Adult Services provide a small grant scheme for Carers and also provide a small grant scheme administered by Swansea Carers Centre.

People eligible for support via Social Services may purchase and manage their own support via Direct Payments and this could include different forms of respite that best suit the needs of the individual and / or Carer.

Examples of other services which are partially funded by Social Services via the Swansea Carers Centre include;

- Young Adult Carers (YACs) project for young people aged 16-25 who provide unpaid care for a loved one. The service offers one to one practical and emotional support, trips and activities as well as two youth clubs per month all to give the YACs a break from their caring roles.
- Mind, Body and Spirit programme which aims to improve the health and wellbeing of Carers through a mix of feel-good and practical training sessions which include mindfulness, singing, yoga and creative sessions such as painting and drawing.
- Parent Carer Support – offering free support, information, advice and advocacy to parent Carers of children with a disability or additional need. The service aims to

- ensure that parent Carers are fully aware of their rights and entitlements, are supported to continue in their caring role, maintain their emotional and physical wellbeing and build relationships with others in similar situations.
- Provision of volunteering opportunities and volunteer services –which enable people and Carers to get work experience, training and job references, meet new people and stay active.
- Provision of holistic therapies which are offered every month to Carers and former Carers to reduce stress and promote wellbeing.
- Hospital worker to provide information and support directly to Carers in hospital settings across Swansea; to promote access to Carers services and promote Carers participation in the hospital discharge process.
- GP outreach services which run community help desks and support GP surgeries to be carer friendly by offering staff training, information for Carers via notice boards and referral forms and information for Carers' services.

Limitations on resources mean that contact monitoring of some of these services is more limited than in other higher risk service areas. However, commissioning staffing structures are being reorganised to enable a greater focus on services to Carers. This will enable increased quality monitoring. A number of other activities also take place to ensure Carers services are appropriate and effective. These include 'Carers Rights' events to provide information to help develop a regional strategy and action plan for Carers, creation of a Parent Carer Forum to help develop our understanding of the needs of Carers and help shape future services, and development of regional and local commissioning objectives for Carers services. This will require collaboration with Carers to review current provision and make recommendations for change to ensure that services are fit for purpose now and into the future.

From legislative and practice guidance, when Carers are identified, they are offered an assessment which considers individual circumstance, carers ability and wishes, alongside their right to access a reasonable break to sustain their caring role. Information and advice, including an awareness of resources available to them within their own community is offered in the first instance; those that require more support are offered an opportunity to revisit, discuss and review their situation, in line with Local Authority statutory responsibilities. The Social Work new team arrangements provide opportunities to revisit the offer of a Carers assessment, as this function is built into each teams' responsibility.

Further development of Carer engagement is acknowledge and will be addressed in more detail over the coming months with Carer groups. During the pandemic period Social Services has been involved in monthly Carer groups and developed closer links with Carers services, which has provided an opportunity to engage with Carers in a co-productive meaningful way, to explore what is important to them. Identifying barriers impacting on engagement with Social Services and what has been learned from a Carers experience during COVID19 will inform current and future planning.

Q2. EDU15a and EDU15b - The percentage of final statements of Special Education Need (SEN) issued within 26 weeks including and excluding exceptions. Can you provide more information on why these target times that are being missed.

The performance indicator results for statements issued within 26 weeks is extremely low. The first quarter of this financial year will show a 0% result. This is wholly down to the situation with Covid-19. Staff were unable to access the office for hard copy files. As a result, digitalising of pupil records has taken place. Transmedia has scanned formal assessment files which are parked in a cloud, awaiting transfer to our hard drive.

The other main factor is due to medics not providing advices during this period. Medical advice is one of the core statutory advices needed as part of the statutory assessment process.

The new Additional Learning Needs and Inclusion Team (ALNIT) having undergone restructure is now proactively addressing the current issues in preparation for new legislation being implemented in less than a calendar year.

During the last year processes and systems have improved. Key to further success will be more proactive discussions with parents and schools through new ALNIT caseworkers will allow us to realise more efficient case work management and better outcomes for children and young people in Swansea.

From the beginning of the academic year 2020-2021, the statement writer attends all ALN panel meetings. When draft statements are discussed at ALN panel, these can now be converted into proposed statements immediately after the panel, signed and sent out to all stakeholders. This is a change to the ways of working and one which will have a positive impact on the 26 week performance indicator.

Whilst the first few quarters of this financial year are likely continue to show weak performance, given the restructure and changes in processes, performance is likely to improve during the course of the current academic year.

Q3. POV10 - Number of people gaining employment through Employability Support. The Panel would like to explore this indicator data further and request further written information on this data set along with the indicator definition.

The definition of the above indicator is to measure the number of Swansea residents gaining employment (excluding apprenticeships with Swansea Council) through the following Employability Support schemes:

Workways Plus
Workways Plus Short Term Unemployed
Communities for Work
Communities for Work Plus
Cam Nesa

An 'Into Employment' outcome is measured across these programmes as an individual who enters employment for 16 or more hours a week.

- In quarter 1, (from April 1st 2020 to 30th June 2020) 82 people gained employment through employability support, (by enrolling on one of the above programmes and entering employment as a result).
- During the previous year (from April 1st 2019 to 31st March 2020) 354 people gained employment through employability support, (by enrolling on one of the above programmes and entering employment as a result).
- Employability related training outcomes are also key in moving individuals into employment. During the previous year (from April 1st 2019 to 31st March 2020), across the four employability programmes mentioned above, the Councils Lifelong Learning Service and through its Swansea Working approach the Council supported 1000 employability training related outcomes.

Q4. CHR002 (PAM001) - The number of working days/shifts per full time equivalent lost due to sickness absence. Can you please provide the Panel with a breakdown of sickness and type across the Council departments?

Please find attached a chart showing the breakdown of the Sickness and type across the Council Directorates and a further breakdown into departments.

Q5. PAM39 - Percentage of rent lost due to properties being empty. Can you provide further information on the numbers of empty council properties? The Panel would also like your thoughts on introducing an indicator giving the number of empty council properties

The existing PAM39 indicator links to provisions made within the HRA Business Plan around forecasts for rental income which is closely monitored to ensure income targets are met. Empty property(void) data is collected on a weekly basis to manage performance against the various stages/activities associated with the void process. Updates are provided to the Head of Service, Director and myself on a regular basis so it is felt that the introduction of an additional indicator is not currently needed.

In relation to the end of year data for 2019/2020, the number of empty (void) properties was 213 against a target of 215. As at the end of September 2020 (end of quarter 2) there were 272 empty properties. The number of empty properties has inevitably increased since March due to Covid-19, disruption to supplies and the workforce working to safe social distancing guidelines. Housing and Building Services are working closely to ensure any delays are minimised.

Q6. PAM45 – Number of additional dwellings created as a result of bringing empty properties back into use. Have these properties been brought back to use by using the Empty Properties Grant?

No, these properties have been brought back into use through the Welsh Government Landlord loan funding. The Valleys Taskforce Empty Property Grant Phase1 programme only commenced in January this year and a number of applications are currently being processed to enable works to commence in the next few months.

The Panel also made reference to performance in relation to PAM15, i.e. the average number of calendar days taken to deliver a Disabled Facilities Grant and that they wished to keep a watching brief to see the impact over the next quarter. This is subject

to close monitoring by the service area on which I will be having more detailed discussions with the Head of Service in due course.

If you have any further requests then please do not hesitate to contact me.

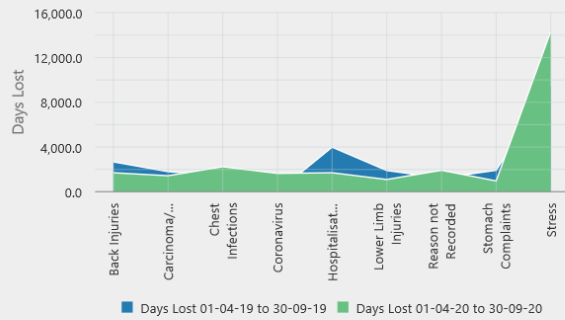
Yours sincerely



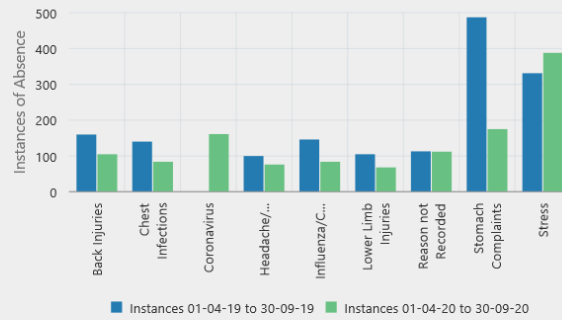
Y Cynghorydd/Councillor Andrew Stevens
Aelod y Cabinet dros Trawsnewid Busnes a Pherfformiad
Cabinet Member for Business Improvement & Performance



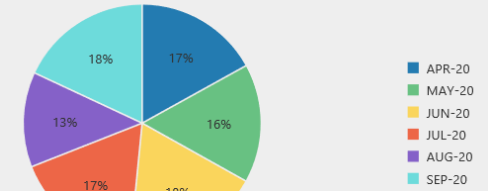
Working Days Lost - Absence Reason



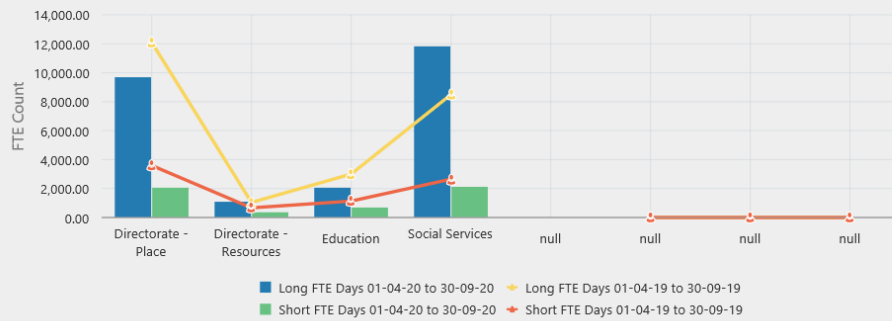
Instances of Absence by Reason



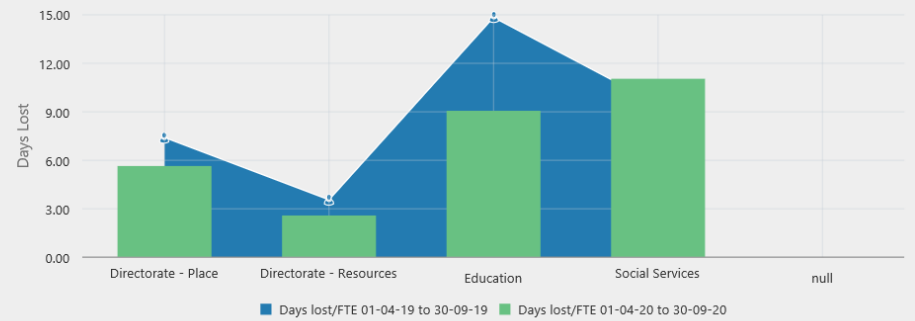
Working Days Lost per Month



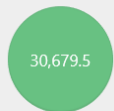
FTE Days Long and Short Term Absence



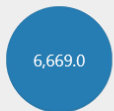
Days lost per FTE



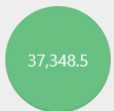
Absence Figures - Whole Authority (Not Including Schools)



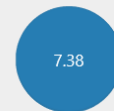
Long Term Sick Days:



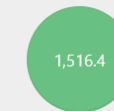
Short Term Sick Days:



Total Days Lost:

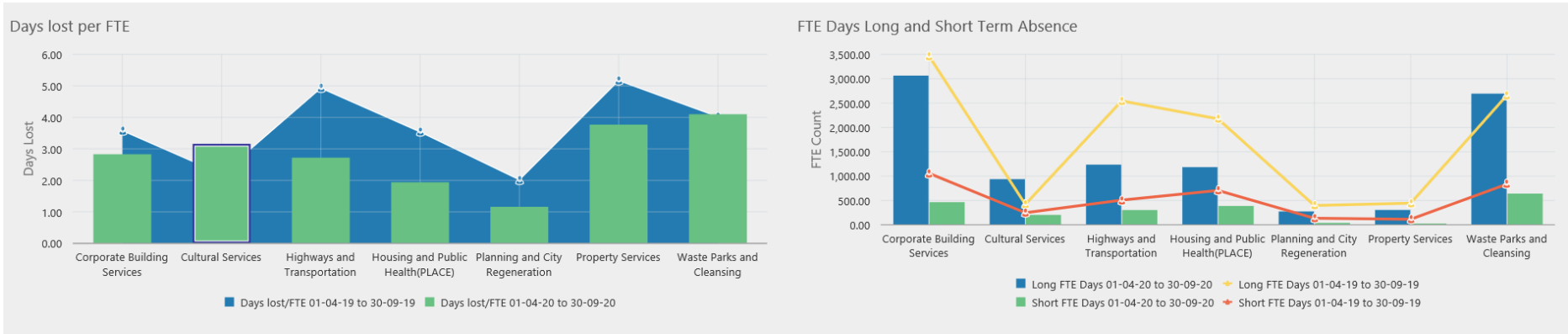


Average Days Lost per FTE:

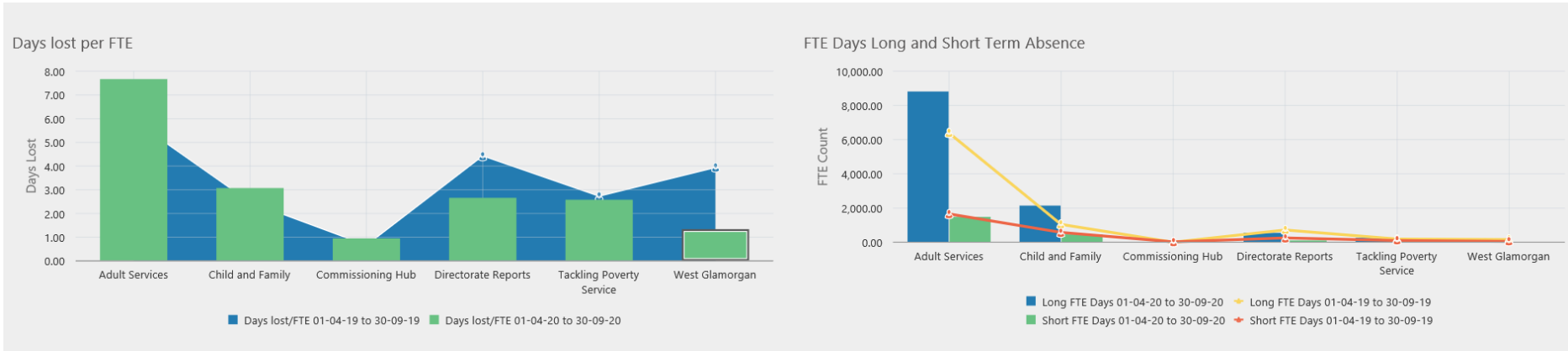


Equivalent FTE Sick:

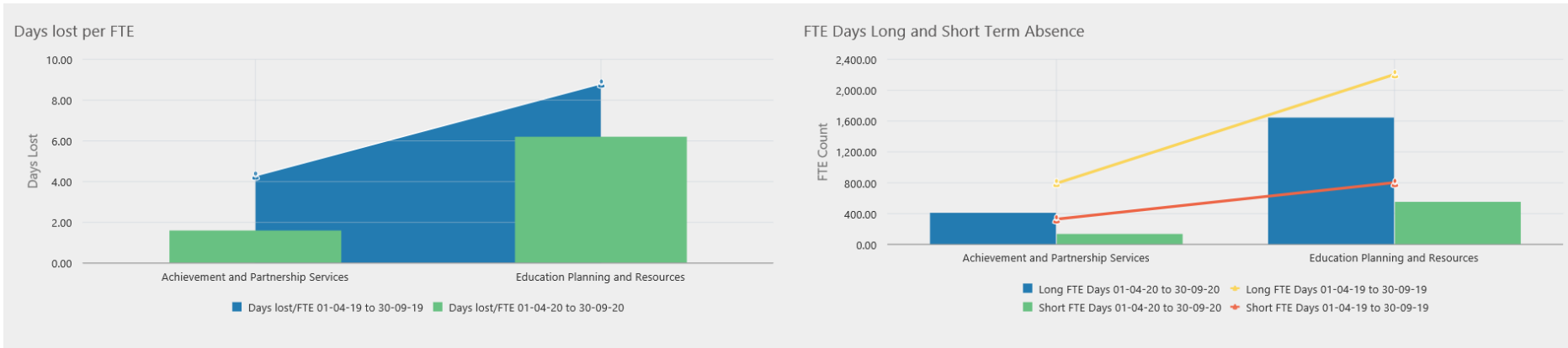
PLACE



SOCIAL SERVICES



EDUCATION (EXC SCHOOLS)



RESOURCES

