

CYNGOR SIR POWYS COUNTY COUNCIL.

CABINET EXECUTIVE

3rd November 2020

**REPORT AUTHOR: County Councillor Aled Davies
Portfolio Holder for Finance**

**REPORT TITLE: Financial Forecast for the year ended 31st March 2021
(as at 30th September 2020)**

REPORT FOR: Information

1. Purpose

1.1 To provide Cabinet with an updated assessment of the projected year end financial position, and the ongoing impact the Covid 19 pandemic is having on the Council's revenue budget for 2020/21.

2. Background

2.1 The pandemic has had a considerable impact on the Councils budget this year, the financial forecast at quarter one was a deficit of £12.515 million before the full scale of support from Welsh Government was identified. The Council is now drawing down this support and has assurances about it being maintained until the end of the year. Budget holders have also taken corrective action to reduce costs in order to limit the financial impact on the budget.

2.2 The full year projected deficit reported at the end of the second quarter has reduced to £7.582 million (£5.993 million with the inclusion of schools and the HRA). However, there are assurances from Heads of Service that they can deliver further cost reductions in the second half of the year and this coupled with further claims for lost income from Welsh Government will reduce the forecast outturn deficit to £2.843 million, (a projected deficit of £1,154 million including HRA and Schools).

2.3 Appendix A provides a breakdown of the financial position for each service, broken down into categories covering cost pressures, cost underspends, service reductions and loss of income.

3. Revenue Forecast

3.1 Table 1 below summarises the projected full year position across the Council's services including HRA and delegated schools. Further detail for each service area is provided in Appendix A and Heads of Service set out their individual narrative that explains their financial position and activities being undertaken in Appendix B.

Table 1 – Summary Forecast

	£'000
Base Budget	269,440
Cost Pressures	6,909
Cost Underspends	(11,326)

Cost Reductions Shortfall	5,152
Lost Income	5,258
Forecast Outturn	275,433
Overspend	5,993
Mitigating Actions to reduce gap	(4,839)
Overall Gap	1,154

4. Cost reductions

4.1 In March 2020 the Council approved cost reduction proposals of £10.79 million. In addition, undelivered cost reductions in 2019/20 of £1.60 million have been rolled forward for delivery in the current year. This increases the value of cost reductions required during 2020/21 to £12.393 million.

4.2 The summary at Table 2 shows that 60% or £7.417 million have been delivered and a further 25% £3.075 million are assured of delivery by Service Heads of Service. £1.901 million, 15% are unachieved and are at risk of delivery.

Table 2 – Cost Reductions Summary

Service	£'000	To Be Achieved	Actually Achieved	Assured	Un-achieved	% Achieved
Adult Services		4,070	2,283	1,713	74	56%
Childrens Services		2,496	1,377	546	572	55%
Digital Services		771	468	303	-	61%
Education		701	701	-	-	100%
Finance		426	276	-	150	65%
Central Activities		870	1,000	45	(175)	115%
Highways Transport & Recycling		1,109	405	306	398	37%
Housing & Community Development Regeneration		218	143	-	75	66%
Legal & Democratic Services		326	135	-	191	41%
Property, Planning & Public Protector		331	169	8	155	51%
Transformation and Communication		784	366	89	329	47%
Workforce & OD		85	85	-	-	100%
Total		12,394	7,417	3,075	1,901	60%

5. Reserves

5.1 The Reserves position at Table 3 below sets out the reserve balance as at 30th September 2020. The opening reserves stand at £32.5 million, with the general reserve £9.472 million representing 5.1% of total net revenue budget (excluding Schools and the HRA for 2019/20).

Table 3 – Reserves

Summary	Opening Balance (1st April 19) Surplus / (Deficit)	Forecast Addition / (Use) of Reserves	Forecast (Over) / Under Spend (as per ledger)	Projected Balance (31st March 20) Surplus/ (Deficit)
General Fund	9,472	(70)	0	9,402
Budget Management Reserve	3,584	0	0	3,584
Specific Reserves	7,523	(1,401)	(59)	6,063
Transport & Equipment Funding Reserve	9,266	(5,675)	0	3,591
Schools Delegated Reserves	(889)	(1,245)	134	(2,000)
School Loans & Other Items	(371)	7	0	(364)
Housing Revenue Account	3,918	(1,379)	1,456	3,995
Total	32,503	(9,763)	1,531	24,271

5.2 Although the overall budget deficit is still uncertain, the use of some reserves is now likely. In order to maintain the current 3% minimum level of general reserve, which is set out in the Reserves Policy, a maximum of £3.829 million could be used to bridge the deficit. This position will continue to be reviewed as we move through the coming months.

5.3 The Housing Revenue Account business plan planned to utilise £1.379 million of reserves, but this position has now reverted to a contribution to reserves, a net movement of £77,000.

5.4 The breakdown of the schools balances and the required call on reserve is set out below at Table 4. These figures are based on the latest three year projections provided by all schools.

Table 4 – School Reserve Requirements in Year

School Sector £'000	Opening Balance 31/3/20	Budgeted Contribution/ (Use) in 2020-21	Forecast Variation to/(from) reserves	Closing Balance 31/3/21
Primary	2,646	(561)	(60)	2,025
Special	(124)	245	(138)	(17)
Secondary	(3,432)	(930)	332	(4,030)
Total	(910)	(1,245)	134	(2,022)

5.5 School Budgets and the level of deficit continues to be a significant risk that must be addressed. The opening position on the Schools Delegated Reserves was a deficit balance of £910,000. Current projections predict a further draw on reserves of £1.111 million for 2020/21. A number of these schools have unapproved deficits and have been issued with Notices of Concern as part of compliance work, and further intervention has been taken at some schools with the issue of formal warning notices reinforcing the need for Governing Bodies to put in place the appropriate action to bring their budgets back into line.

5.6 Any use of reserves should be carefully considered and a balanced approach adopted that assesses the current impact of using reserves against future financial resilience. All other measures to manage the deficit down should be taken first.

6. Welsh Government Support

6.1 The Welsh Government Local Authority Hardship Fund has been established to cover the additional costs the Council and its stakeholders are incurring due to the Covid Pandemic. It supports the additional cost associated with Social Care, Homelessness, PPE, Free School Meals, general additional expenses and the Mortuary Facility.

6.2 Thus far the Council have received over £6 million in funding to cover the cost of specific spending items. In addition, funding has been claimed for the loss of income for quarter one, totalling £1.5 million. The claim for quarter 2 will be submitted to Welsh Government in early November.

6.3 The council has been requested to assist Welsh Government in administering hardship payments to Town and Community Councils. These payments will be processed with the precept payments.

6.4 Welsh Government has made nearly £500 million of additional funding available to councils through the local government hardship fund as well as making some other funding available including for example in relation to extra funding for teachers for catch up support from education and cleaning materials for schools. This has mitigated local councils' additional costs and income losses to date, but depending on the future course of the pandemic, there may still be a significant funding shortfall for local authorities during 2020-21.

7. Key Financial Risks

7.1 The key financial Risks were identified in the quarter 1 report and these remain. These are included in the Corporate and Covid Specific Risk Registers and continually monitored and assessed.

7.2 The greatest risk remains on our ability to deliver a balanced budget for the current and future years, we have to continue to limit the deficit and the wider impact on our reserves. This is fundamental in supporting our financial resilience over the Medium and Longer Term and our ability to approve and deliver balanced budgets.

7.3 Treasury Management, maintaining the Councils cash flow to meet liabilities, is also under close scrutiny and continues to be monitored on a daily basis. We must ensure that the Council has sufficient liquidity to meet its immediate costs such as salaries and wages, HMRC taxation, and maintaining payment to suppliers and precepting authorities. The current position remains stable.

7.4 The Council remains under borrowed as we continue to utilise our cash reserves to underpin our cashflow. We have the ability to borrow both in the short to medium or long term, our approach is regularly updated and explained as part of the Treasury Management update to Audit Committee.

7.5 Although originally highlighted as a risk the Statement of Accounts for both the Council and the Pension Fund were completed and signed off by the Section 151 Officer and submitted to the Audit Wales by the statutory deadline of the 15th June. The accounts for the Council have since been approved by the Audit Committee following the receipt of an unqualified audit opinion by the Auditor General. The audit of the Pension Fund accounts continues but it is anticipated that these will be considered by the Audit Committee on the 19th November, this will be within the statutory deadline.

8. Virements

8.1 A virement of £635,000 is recommended to Council for approval to fund the additional 0.75% pay award for NJC staff across the council, this will be funded from the central Risk Budget.

8.2 Virements are also required for new grants that have been received in Quarter 2 2020/21:

- Adult Community Learning – Increase of grant from £128,170 to £170,172
- ALN Transformation - £135,227 – to support the service
- Building a Healthier Wales - £3,973 - The priority is to improve mental health and resilience within schools; especially relating to early identification and prevention.
- Digital Exclusion – Capital ICT - £12,783 – To provide up to date portable equipment for adult learners in remote community locations.
- E-sgol - £39,611 - Schools delegated secondary support
- Infant Class Size Grant - £169,694 - To reduce infant classes in the schools to benefit from classes of less than 30 pupils.
- LA Education Grant - £1,199,474 – split across ALN (£278,526), Accelerated Programme (£519,502), Additional counselling (£47,672), cleaning supplies (£33,108), EHE (£24,791), MEGRT (£139,251), PDG Access (£97,700) & Wellbeing (£58,924).
- PDG LAC - £144,025 – To support learners who are eligible for FSM and educated in maintained schools
- Period Dignity - £141,503 - Ensuring access to period products, free of charge and accessible in the most practical and dignified way possible.
- Post 16 – Recruit, Recover & Raise Standards - £188,857
- Seren Grant - £33,000 – To support the continuing activities of our Seren Academy Network Hub.
- Small & Rural Schools - £378,108 - To help schools and local authorities drive up standards in small and rural schools in Wales

8.3 A Virement to move unused grant that has been drawn down from the capital grant unapplied reserve back out into the revenue account in the following areas, which will be used to support those services applicable to the grant:

- £76,300 Army Covenant Grant Community Regeneration

- £18,800 Consumer Fraud Team
- £334,000 Supporting People Grant -Social Care

9. Resource Implications

The Head of Finance (Section 151 Officer) has provided the following comment:

It is clear that the virus and the measures imposed continue to have an unprecedented detrimental financial impact on the Council and this is likely to continue throughout 2020-21 and into future years.

The financial support provided by Welsh Government has been significant and has been instrumental in reducing the level of deficit previously reported. Further support is available and confirmed, but this is of course dependant on how much support is required across all authorities in Wales within the limit of the fund, so risk remains.

The Council must continue to take every opportunity to reduce costs and limit the financial impact on its budget, not only to address the deficit in the current year but to reduce the financial pressure on future years and ensure the sustainability of the Council.

The course of the pandemic and further measures or restrictions imposed through the remainder of the year, particularly as we move through the winter months, will continue to impact on our budget and careful monitoring of the position is critical to ensure that we take appropriate action to manage our financial position.

Our Medium Term Financial Strategy was already extremely challenging with significant budget gaps over the next 4 years. The financial plans are currently being reviewed, funding assumptions revisited, revised budget gaps calculated and clear plans of how we can bridge the gaps are being developed.

We cannot under estimate the significant challenge facing the Council in balancing the financial position over many years to come, there will be difficult choices to make, and the clear prioritisation of resources that deliver realistic outcomes is the key to our success.

10 Legal implications

10.1 The Monitoring Officer has no specific concerns with this report.

11. Comment from local member(s)

11.1 This report relates to all service areas across the whole County.

12. Integrated Impact Assessment

12.1 No impact assessment required

13. Recommendations

- 13.1 That Cabinet note the half year budget position and the projected full year position to the end of March 2021.
- 13.2 That the virements proposed in section 7 of the report are approved and the virement relating to the pay award is recommended to Council for approval.

Contact Officer: Jane Thomas Email: jane.thomas@powys.gov.uk Head of Service: Jane Thomas Corporate Director: Ness Young

Appendix A – Forecast to year end as at 30th September 2020

		SEPT FORECAST FOR THE YEAR ENDED 31ST MARCH 20201 AS PER CP/LEDGER						SEPTEMBER FORECAST			
		Add	+ / -	Add	Less	Add	Revised	Less	Less	Final	
£'000	2020/21 Base Budget	Cost Pressures not covered by Covid funding	Staff Redeployment	Annual lost income against budget	Cost Underspends	Cost Reductions not delivered (assured / unachieved)	Forecast	WG Lost Income assumed reclaimable for Q2	Cost Reductions not yet delivered but assured	Forecast Position 2020/21	SEPT Budget Gap to be addressed
Adult Services	63,361	2,029	230	79	(310)	1,787	67,176	(79)	(1,713)	65,384	(2,023)
Children's Services	26,016	1,545		0	(708)	1,119	27,972	0	(546)	27,425	(1,409)
Commissioning	3,211	0		0	(73)	0	3,138	0	0	3,138	73
Education	9,096	322	(18)	206	(535)	0	9,072	0	0	9,072	25
Highways Transport & Recycling + Director	28,019	1,065	(62)	2,275	(1,789)	703	30,211	(675)	(306)	29,231	(1,212)
Property, Planning & Public Protection	6,347	1,038	(240)	1,182	(1,916)	418	6,830	(500)	(89)	6,241	106
Regeneration	626	24		0	(124)	191	717	0	0	717	(91)
Housing & Community Development	4,032	34	(87)	13	(265)	75	3,802	0	0	3,802	230
Digital	3,905	104		59	(210)	303	4,161	0	(303)	3,858	47
Transformation & Communication	1,531	37	(28)	0	(140)	0	1,400	0	0	1,400	131
Track and Trace	0	93	272	0	0	0	365	(365)	0	0	0
Workforce & OD	1,944	0	(40)	40	(217)	199	1,926	0	(67)	1,859	85
Legal & Democratic Services	3,061	24	(35)	140	(232)	162	3,120	(25)	(8)	3,087	(26)
Finance	5,692	28	7		(78)	150	5,799	(20)	0	5,779	(87)
Corporate Activites	31,234	459		1,164	(2,932)	45	29,970	0	(45)	29,925	1,309
							0	0			
Total	188,075	6,438	(0)	5,133	(8,961)	5,152	195,657	(1,663)	(3,075)	190,918	(2,843)
Housing Revenue Account	0	107			(1,563)		(1,456)			(1,456)	1,456
Schools Delegated	81,365			100	(234)		81,231			81,131	234
Total	81,365	107	0	100	(1,797)	0	79,775		0	79,675	1,690
Total	269,440	6,545	(0)	5,233	(10,758)	5,152	275,432		(3,075)	270,593	(1,153)
2							(5,992)			(1,153)	

Appendix B

Head of Service Commentary

		SEPT FORECAST FOR THE YEAR ENDED 31ST MARCH 2021 AS PER CP/LEDGER						SEPTEMBER FORECAST			
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£'000	2020/21 Base Budget	Cost Pressures not covered by Covid funding	Staff Redeployment	Annual lost income against budget	Cost Underspends	Cost Reductions not delivered (assured / unachieved)	Forecast	WG Lost Income assumed reclaimable for Q2	Cost Reductions not yet delivered but assured	Forecast Position 2020/21	SEPT Budget Gap to be addressed
Adult Services	63,361	2,029	230	79	(310)	1,787	67,176	(79)	(1,713)	65,384	(2,023)

Adult Social Care Overview

Cost Pressures

Included in the forecast outturn are the following budget pressures:

- £0.862 million relating to the cost of providing home care of an additional 960 hours per week. These hours were identified as a cost pressure as part of 2020/21 budget setting process, but for over a year there had been a lack of human resource available to deliver these hours. Due to the recent economic situation there have been successful recruitment campaigns and all of these additional hours are now being delivered.
- Transitional costs relating to young adults transferring from Childrens Services of £0.780 million, who require ongoing care. These are part year costs, and the full year effect will be in excess of £1 million, again this was an unfunded pressure in the Financial Resources Model as part of the budget setting process.
- Due to the Covid-19 pandemic some Supported Living tenders were placed on hold and an agreed interim contract is in place which costs an additional £0.575 million. When the tender is advertised it will include the realignment of service user hours and the maximisation of enabled technology care which should reduce the overall cost.

Future pressures Sept – March 2020 - Not included in the forecast outturn

- Following a risk assessment, Older People & Disability centre/services remain closed. Future need will be based on what matters conversations that are currently occurring which may result in increased costs/double running costs in the short term due to potential increase in bespoke 1:1 sessions which will be over and above current budgeted staffing levels.
- Unknown future impact of Covid 19 on services, are not included in the forecast and currently only clarity from Welsh Government (WG) re Hardship funding from September 2020 to March 2021. This relates to support to local authorities to maintain their commissioned and in-house adult social care placements.

- Winter pressures and potential demand on home-based care and interim bed options. future demand is unknown and to date still awaiting clarity with regards to WG funding
- Stability of commissioned providers, particularly the care home sector. There are currently 2+ providers who may be at risk of failure. At least one domiciliary care provider may require support or transfer of 500+ hours per week of care packages in the next few months.
- Future demography and any further Learning Disabilities Transitions form Children's services.
- Additional and backdated costs for "Sleep-ins" following the outcome of the judicial review, possibly backdated to November 2011. Awaiting judgement and liability to be calculated by the payroll team for the in-house service and legal direction re external providers.

Redeployment

Following business continuity being evoked staff from other services areas within the Council have been redeployed to Social Care. To date this is a cost pressure of £0.230 million and the corresponding savings are available in other (substantive) service area budgets to balance.

Income

A budget pressure of £79,000, has been included on the Q1 and Q2 claim to Welsh Government, but we are still awaiting approval. It is unknown if this level of lost income will remain for Q3 and beyond in 2020/21. This will depend on the continuity of services and client choice as family members return to work and changes in regard to shielding that have occurred in August.

Cost Underspends

The service has only been recruiting in respect of frontline services, which has resulted in staff slippage due to vacancies and also a reduction in travel as face to face meetings have not been taking place.

Cost Reductions

The original target of £4.070 million is currently on target to achieve delivery, of which £1.274 million of the original target to date achieved and included in the forecast outturn. There is assurance of delivery of a further £1.713 million, with £0.829 million of the original target set being unachievable due to business continuity being invoked. Mitigating actions as set out below have been put in place to balance the budget in terms of delivering the savings, of which £0.755 million to date has been delivered and included in our forecast. The budget pressure will be carried forward to 2021/22 and be part of FRM.

Lost income reclaimable from WG (possibly)

No assumptions have been built into the forecast re lost income for beyond Q2, as very difficult to project as dependent on future delivery of services, Welsh Government funding decisions and service user choice.

Cost Reductions

It is important to note that Social Services meets the eligible needs of Powys' residents and is a statutory duty of the Local Authority. Whilst the services provide highly regulated, statutory provision, it is paramount that Social Services can demonstrate value for money, ensuring that we are making best use of

resources in discharging our statutory duties.

During budget planning for this financial year it was confirmed that the Council would underwrite any demographic increased financial pressures. If this was honoured an additional £1m would be made available, enabling the service to significantly reduce the over-spend and would change the budget position for 2021/2 also. For instance, if the transitions of service users from children's services into adult services would be funded for 2020/21, as promised, then the budget pressure would be significantly reduced and the recurring impact would mean fewer pressures for 2021/22.

The ability to deliver the planned budget in this year has been hindered by the services having to prioritise both the response to Covid-19 and mission-critical activity. The impact has been both from increased demand and loss of income, which has been exacerbated by the inability to prioritise the delivery of the savings plan (including retendering of contracts).

Detail of actions to be undertaken to deliver a balanced budget in terms of achieving the cost reduction target in full:

Proposal	Action	Impact	£K	Timescales	Achieved to Period 6/Qtr 2	To be achieved
TEC	To deploy (TEC) Technology Enabled Care in order to cost avoid £500k to adult social services in 2020/21. TEC includes lifelines emergency phones/alarms and sensors which support people to live independently in their own homes. These systems enable people to live at home for longer and for next of kin / informal carers to be assured of the individual's wellbeing.	£45K has been achieved. An additional £20k target has been set.	£20	2020/21	£0	£20
Funding Body Review	In line with Vision 2025, we are committed to developing pooled budgets and joint commissioning arrangements to ensure those in need of care receive a seamless service. This will include resolution of ordinary residence challenges and to work with health boards to support accessing correct funding for care.	Have identified additional efficiencies through the live tracking value of continuing healthcare cases that we are currently addressing with PTHB.	£606	2020/21	£0	£606
Recommissioning / Decommissioning	We will continue to work in partnership with all service providers to review the way services are delivered in Powys to ensure that such services are accessible, of the right quality and at an affordable cost for all people who need to arrange their support. Alongside this, and to generate further efficiencies we will continue to promote reablement and recovery throughout all services to ensure that resulting support packages are appropriate to a people's needs.	Further target of £800k	£670	2020/21	£500	£170
<i>Sub Total</i>			£1,296		£500	£796
One Off	Direct Payment audits	Clawback of unused resources	£300	2020/21	£206	£94
TOTAL			£1,596		£706	£890

Other mitigating actions to deliver a balanced budget

Changes in the Welsh Government guidance has now enabled Direct Payment audits to occur and the target budget set of £0.300 million is anticipated to be achieved by year end, this will be a one-off cost reduction. To date £0.206 million has been included in the forecast outturn. Therefore, if this plan is delivered the anticipated overspend for Adult Services will be £1.133 million.

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Children's Services	26,016	1,545		0	(708)	1,119	27,972	0	(546)	27,425	(1,409)

Children's Services Overview

Cost Pressures

- **General issues around costs not funded by WG**

Real pressures have emerged in Children's Services due to an increase in demand during the pandemic and the impact of the reduction of services in the community such as health and leisure services. There has been an increase of circa 20% (compared with the same period last year) since May/ June time and this is being sustained. This surge is now flowing through the service into an increase in children subject to a child protection plan and children who are looked after.

- **Future pressures Oct – March 2020**

- Increase in decision making and practitioner capacity at the Front Door and in Early Help. It is unknown whether Welsh Government will fund this expenditure.
- Number of children looked after is continuing to climb.

- **Redeployment**

All Children's Services redeployment was managed within the service.

Income

N/A

Cost Underspends

All included in plans below.

Cost Reductions

Set at Recovery Planning	Target	Achieved	To be achieved
Shared costs for placements	£416,000		£416,000
Placements	£1,023,260	£956,520	£66,740
Travel	£53,000	£53,000	
Emergency Duty Team	£25,000		£25,000
Agency	£131,309	£92,967	£38,342
TOTAL	£1,648,569	£1,102,487	£546,082

Other mitigating actions to deliver a balanced budget

Nothing further to offer at this stage all included above in recovery plans.

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Commissioning	3,211	0		0	(73)	0	3,138	0	0	3,138	73

Commissioning Overview

The forecast outturn is due to staff slippage from vacancies and mileage underspends, due to home working and face to face meetings/contract monitoring not occurring. This underspend will mitigate the overspends in Adults & Children's services.

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Education	9,096	322	(18)	206	(535)	0	9,072	0	0	9,072	25

Education Overview

Cost Pressures

Known and quantified:

£322k overspend relating to remedial works identified as part of the assessment undertaken when schools re-opened in the summer term that had to be completed. This was undertaken successfully with all schools being able to open on time on the 29th June, enabling all schools to provide the opportunity for learners to Catch up, check in and Prepare for September 2020.

Future pressures September 2020 – March 2021

- Supply cover costs where classroom based staff must work from home as a result of risk assessment / Welsh Government guidance (eg maternity over 28 weeks) has now been confirmed to be funded through the hardship fund.

Income

As early years settings, breakfast clubs and after school clubs did not open in the summer term, no income was received from them, however, staff costs continued to be incurred as many worked in the emergency childcare hubs and could not be furloughed. This is estimated at £215k. Claims have been submitted to WG for the first quarter's lost income have now been paid. The local authority operated 28 early years childcare hubs for key workers' children and for vulnerable children.

Cost Underspends

- £195k underspend as a result of not making payments to non-maintained early years' settings for the summer term as they were closed;
- Approximately £74k underspend relating to vacant posts across the service, particularly within ALN / units
- £45k underspend forecast against the redundancy / early retirement budget line. However, it must be noted that this budget line can change significantly either way dependant on the personal circumstances. This underspend has been reduced by £24K to offset efficiencies outstanding
- £63k underspend on out of county placements. This budget line can change significantly with one or two pupils that may need suitable provision that cannot be met in the county.
- Reductions in staff travel of approximately £41k. Staff have adapted to working from home effectively. Much of the support given to schools over this period has been successful with more effective joint working and more regular meetings with Headteachers and governing bodies ensuring the successful running of the childcare hubs and the return to school on the 29th June 2020.

Cost Reductions

- £41k Budget reductions has now been found – These budget reductions for 2020-21 that were identified as part of the work for the “Residents are Confident, Capable and Fulfilled” Integrated Business Planning work during July:
 - o The release of a vacant part-time post, which had been budgeted for but not filled, will contribute £11,000.
 - o £5,000 can be released from the advertising budget for 14-19 education, as this has been historically underspent.
 - o The redundancy and early retirement budget has experienced a year on year underspend which will release £24,000.

Lost income reclaimable from WG

£115k claim made for April – June relating to lost income from Breakfast Clubs, Early Years Settings and After School Clubs. An estimate of lost income has been included in Quarter 1 claims for financial support to WG, with a further claim to be made for July. This has been claimed and received and a further claim for quarter two will be made.

Other mitigating actions to deliver a balanced budget

We are currently on track to deliver a balanced budget and all savings have been achieved.

		SEPT FORECAST FOR THE YEAR ENDED 31ST MARCH 2021 AS PER CP/LEDGER						SEPTEMBER FORECAST			SEPT Budget Gap to be addressed
		Add	+ / -	Add	Less	Add	Revised	Less	Less	Final	
£'000	2020/21 Base Budget	Cost Pressures not covered by Covid funding	Staff Redeployment	Annual lost income against budget	Cost Underspends	Cost Reductions not delivered (assured / unachieved)	Forecast	WG Lost Income assumed reclaimable for Q2	Cost Reductions not yet delivered but assured	Forecast Position 2020/21	
Schools Delegated	81,365			100	(234)		81,231			81,131	234

Schools Delegated Overview

Cost Pressures

- Overall, at 31 March 2020, schools were £910k in deficit and originally budgeted to draw a further £1,292k from reserves by 31 March 2021. The latest forecasts show a slight reduction of £170k in this forecast draw from reserves by 31 March 2021. This has improved since last month by £100k. Financial surgeries are being held and recovery plans are due at the end of term.
- School deficits continue to be an area of concern and a significant risk to the authority as a whole. Schools, the Schools Service and the Schools finance team are working together to improve this position. Schools in deficit have been asked to submit deficit recovery plans by 30 September 2020. This has been extended to the 16th October due to Covid.

Future pressures September 2020 – March 2021

Potential costs within schools not claimable through Welsh Government may arise and need to be funded.

ALN retained budget due to individual cases of pupil need.

Income

£100k lost income from donations / fundraising

Cost Underspends

The schools finance team is arranging finance surgeries with all schools for the first half of the autumn term to help schools identify any potential underspends

Lost income reclaimable from WG (possibly)

£100k lost income from donations / fundraising, based on donations received in Quarter 1 of 2019-20, claim submitted but awaiting approval from WG

Cost Reductions – any further ideas that could take place later in the year

School service and Finance will work with schools during the Autumn term to identify any further cost reductions.

		Add	+ / -	Add	Less	Add	Revised	Less	Less	Final	
£'000	2020/21 Base Budget	Cost Pressures not covered by Covid funding	Staff Redeployment	Annual lost income against budget	Cost Underspends	Cost Reductions not delivered (assured / unachieved)	Forecast	WG Lost Income assumed reclaimable for Q2	Cost Reductions not yet delivered but assured	Forecast Position 2020/21	SEPT Budget Gap to be addressed
Highways Transport & Recycling + Director	28,019	1,065	(62)	2,275	(1,789)	703	30,211	(675)	(306)	29,231	(1,212)

HTR Overview

Cost Pressures

The main budget pressures of the service are:

- **£390K Passenger Transport** – The previous re-tender pressure remains.
- **£506K Kerbside increased cost / paper & card** – The forecast for Dry Recycling has been impacted due to the market for paper and card drying up because of COVID-19. Disposal of residual waste is forecast to overspend by £380k, this is as a result of an increase in the volume of waste being collected from kerbside because of COVID-19 (lockdown, WFH, HWRC closures etc).

Lost Income

Figures below show lost income less the support already received from Welsh Government for Quarter1

- £570K Forecast income loss from NMWTRA and delayed capital, due to reduction to essential only works
- £575K Trade Waste income has been significantly impacted upon during the COVID-19, with closing of shops, businesses, B&Bs etc
- £26K Bulky service was stopped during the lockdown impacting on income, and it is considered there will continue to be less uptake
- £60K Recyclate income has been affected during covid-19
- £440K Passenger Transport – Income affected by a reduced service and reduced usage is forecast
- £42K Reduced usage of pool cars during covid, prior to making intervention
- £630K Car park usage has been significantly affected by Covid-19.
- £52K Development Control has been affected by Covid-19.
- £18K - Markets have been heavily affected by Covid-19.

Cost Underspends

- Home to School transport stopped in Q1 generating an underspend of £485K. School Transport will resume in September and costs will likely increase ('de-integrate' public/school transport for the foreseeable future and PPE); however, discussions continue with WG and their support of such additional costs.
- HWRCs were closed for a couple of months generating an underspend of £255K.
- Vacant positions in Highways have not been filled
- Underspend in countryside services

Cost Reductions

HTR has a savings target of £1.1M and have achieved £400K to date and expected to achieve a further £310K in the remaining year. Forecast to achieve £710K and to not deliver £400K. There is a risk that not all the expected to achieve savings will occur within the timeframe.

Unachieved savings (main):

- Car parking has been severely affected by covid-19, and we will not see the full year effect of previous changes.
- HWRC contract has been renegotiated and will achieve a saving of £30K (full year £40K); but a short fall of £70K remains.
- Reduction in winter service will not achieve full year effect this season

It should also be noted that savings programmed in 21/22 will need to be re-profiled / reviewed as progress towards these has been impacted upon and therefore savings based on full year effects are not seen as a realistic position.

Lost income reclaimable from WG (possibly)

- Forecast in above table assumes all lost income will be supported for Q1 & Q2.
- No assumption for WG support has been included for Q3 and Q4. Should WG support Q3/Q4 there will be an improving position.

Cost Reductions – any further ideas that could take place later in the year?

Proposed Mitigation	Actions	Value
Q3 / Q4 support of lost income by WG (or income levels return to normal)	WG continue to support lost income for the rest of the financial year	£1,000,000
WG offset pressures associated with Trawscymru routes and other bus services	WG have recently agreed to fully fund the Traws Cymru service for Q1 and Q2 which is not included in the forecast; and the assumption is this will continue for Qtr3 & Qtr4.	£300,000
Re-profile disposal costs that are forecast based on a 'worst case' scenario	Profile a return to normal year landfill costs for Q3/Q4.	£200,000

	Re-forecast HGSS income.	Review potential lost income from NMWTRA / capital	£100,000
	Reduce or temporarily postpone the permanent adjustment to highways budget increase for 20/21, rolling forward the full permanent adjustment to 21/22.	Do not undertake targeted increase in programmed works (sweeping / Street Cleansing) £500,000 for full year.	£250,000 (based on 6 mths)
	Forecast that engineering design team will over-achieve forecast income.	Profile an income target for over-achieving.	£100,000
		Net Total	£1,950,000

		SEPT FORECAST FOR THE YEAR ENDED 31ST MARCH 2020/21 AS PER CP/LEDGER									
		Add	+ / -	Add	Less	Add	Revised	Less	Less	Final	
£'000	2020/21 Base Budget	Cost Pressures not covered by Covid funding (excluding redeploy)	Staff Redeployment	Annual lost income against budget	Cost Underspends	Cost Reductions not yet delivered (assured / unachieved)	Forecast	WG Lost Income assumed reclaimable for Q2	Cost Reductions not yet delivered but assured	Forecast Position 2020/21	Budget Gap to be addressed
Property, Planning & Public Protection	6,347	1,038	(240)	1,182	(1,916)	418	6,830	(500)	(89)	6,241	106

PPPP Overview

Cost Pressures

- HOWPS have informed Strategic Property that an additional £345K is required to fund statutory testing. This figure is currently being scrutinised by Strategic Property and Finance.
- Trading Standards are predicting a £65K overspend on an ongoing large-scale illegal tobacco investigation.
- Strategic Property have experienced a number of cost pressures relating to items such as ICT (£70K), legal fees, telephones and other services. This equates to £177K.
- Catering's ParentPay system is not budgeted for which equates to £95k.

Lost Income

- The occupation of Ladywell House has been impacted by Covid-19. This has contributed to an income loss of £62k.
- Covid-19 has impacted on the Environmental Health Services ability to generate income. This has resulted in lost income of £120K.
- Covid-19 has impacted on the Trading Standards ability to generate income. This has resulted in lost income of £151K.
- Covid-19 has impacted on the Catering Services ability to generate income. This has resulted in lost income of £657K.

Cost Underspends

Underspends as a result of work not being able to be commissioned due to covid-19, vacant posts and increased income for example, have been secured in the following areas:

- £22K Planning Policy.
- £216K Development Management.
- £196K Environmental Health (Commercial).

- £55K Environmental Health (Environmental Protection).
- £125K Head of Service.
- £69K Cleaning.
- £494K Corporate Property.
- £235K Catering supplies.

Cost Reductions

Covid-19 has limited the service areas ability to achieve savings/income targets. Management of change processes have now been re-commenced in order to achieve an element of savings proposals. It is hoped that the relaxation of covid-19 restrictions will enable income generation to recommence at previously identified levels.

Lost income reclaimable from WG (possibly)

Assumptions have been made that lost income experienced by the public protection service will be reclaimable from WG.

Cost Reductions – any further ideas that could take place later in the year?

Voluntary redundancy has been offered to PPPP staff by HoS. Covid-19 is limiting the scope of this proposal.

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£'000	2020/21 Base Budget	Cost Pressures not covered by Covid funding (excluding redeploy)	Staff Redeployment	Annual lost income against budget	Cost Underspends	Cost Reductions not yet delivered (assured / unachieved)	Forecast	WG Lost Income assumed reclaimable for Q2	Cost Reductions not yet delivered but assured	Forecast Position 2020/21	Budget Gap to be addressed
Regeneration	626	24		0	(124)	191	717		0	717	(91)

Regeneration Overview

Cost Pressures

N/A

Income

N/A

Cost Underspends

Reduction in spend due to focus on Covid activity, reduction in expenditure to support budget savings and underspend in mileage.

Cost Reductions

The service has savings to achieve of £326k in 2020-21, £135k has been achieved to date leaving an outstanding amount of £191k.

Lost income reclaimable from WG (possibly)

N/A

Cost Reductions – any further ideas that could take place later in the year?

Work is ongoing to assess cost reduction options to achieve the remaining budget savings required in 2020-21.

Other mitigating actions to deliver a balanced budget

Project management fee/staff time income generated from externally funded projects.

End of temporary core revenue funded post.

		SEPT FORECAST FOR THE YEAR ENDED 31ST MARCH 2020/21 AS PER CP/LEDGER									
		Add	+ / -	Add	Less	Add	Revised	Less	Less	Final	
£'000	2020/21 Base Budget	Cost Pressures not covered by Covid funding (excluding redeploy)	Staff Redeployment	Annual lost income against budget	Cost Underspends	Cost Reductions not yet delivered (assured / unachieved)	Forecast	WG Lost Income assumed reclaimable for Q2	Cost Reductions not yet delivered but assured	Forecast Position 2020/21	Budget Gap to be addressed
Housing & Community Development	4,032	34	(87)	13	(265)	75	3,802		0	3,802	230

Housing and Community Development Overview

Cost Pressures

Future pressures Sept – March 2020

- Unknown future impact of Covid 19 on services – not forecast at this stage
- Freedom Leisure have written to formally raise concerns about the WG restrictions on leisure in Wales and the potential for further significant detrimental impact on income. That may need to change once we have an indication on current and likely future trends in terms of income and an accrual may need to be made
- Economic impact may lead to further increases in homeless presentations. Potential increase in B&B costs and additional pressure on temporary accommodation
- Housing rental income has not been as negatively affected by Covid 19 as anticipated. However, there is the potential for that to change when the furlough scheme comes to an end, and if there is an increase in unemployment.

Redeployment

Current and previous redeployed staff accounted for. Potential for additional future redeployment of staff depending on future impact of covid 19 moving forward.

Income

Lost income against budget forecast, in areas such as libraries and Private Sector Housing.

Cost Underspends

Reductions in cost due to partial or full cessation of some services due to covid 19. Underspends from across the service and include reduction in mileage.

Cost Reductions

The service had savings to achieve of £218k in 2020-21, £143k has been achieved to date leaving an outstanding amount of £75k.

Covid 19 has delayed work to prepare for delivering savings in future years, therefore, putting those savings at higher risk in terms of delivery.

Cost Reductions – any further ideas that could take place later in the year?

HoS has emailed all staff in the service inviting expressions of interest in voluntary redundancy or a reduction on hours. There could be the potential for some small additional savings. Unknown at this stage so not included in the forecast.

Other mitigating actions to deliver a balanced budget

As the Service is forecast to underspend, no other mitigating actions are being proposed.

		SEPT FORECAST FOR THE YEAR ENDED 31ST MARCH 2020/21 AS PER CP/LEDGER									
		Add	+ / -	Add	Less	Add	Revised	Less	Less	Final	
£'000	2020/21 Base Budget	Cost Pressures not covered by Covid funding (excluding redeploy)	Staff Redeployment	Annual lost income against budget	Cost Underspends	Cost Reductions not yet delivered (assured / unachieved)	Forecast	WG Lost Income assumed reclaimable for Q2	Cost Reductions not yet delivered but assured	Forecast Position 2020/21	Budget Gap to be addressed
Digital	3,905	104		59	(210)	303	4,161		(303)	3,858	47

Digital Overview

Digital Services continue to be active in delivering efficiency savings and developing transformation to support cost reductions across the organisation. Demand is being managed and clear priority focus to business critical areas has driven our response and ensure resource is used within budgets available.

Cost Pressures

- 40k shortfall at budget setting – looking to resolve within year

Income

- Lost income against budget of £70k due to roll-over of S33 from previous year is being managed
- Reprographics and post income based on previous year will give a cost pressure and this is being reviewed in Q3 when a better understanding of usage is available and our move to hybrid mail is complete

Cost Underspends

- £171k from vacant posts and reduced travel

Cost Reductions

- £330k assured savings expected to be delivered by year end with work ongoing to finalise commitments

Other mitigating actions to deliver a balanced budget

Looking to recover £70k shortfall from S33 reserves for additional work carried out due to Covid

Detail of actions to be undertaken to deliver a balanced budget

Introduction of Hybrid mail to reduce expenditure but deliver a more flexible service to support our more agile workforce

		SEPT FORECAST FOR THE YEAR ENDED 31ST MARCH 20201 AS PER CP/LEDGER									
		Add	+ / -	Add	Less	Add	Revised	Less	Less	Final	
£'000	2020/21 Base Budget	Cost Pressures not covered by Covid funding (excluding redeploy)	Staff Redeployment	Annual lost income against budget	Cost Underspends	Cost Reductions not yet delivered (assured / unachieved)	Forecast	WG Lost Income assumed reclaimable for Q2	Cost Reductions not yet delivered but assured	Forecast Position 2020/21	Budget Gap to be addressed
Transformation & Communication	1,531	37	(28)	0	(140)	0	1,400		0	1,400	131

Transformation and Communication Overview

Cost Pressures

Cost pressure of £37k for Power BI premium licence

Income

N/A

Cost Underspends

£37k additional grant monies from Public Services board, £70k underspend on Welsh Language unit, Public Relations and Graphic Design, £20k for additional ICF monies, and £10k from savings from non-staff costs such as travel due to staff working from home.

Cost Reductions

All cost reductions achieved

Lost income reclaimable from WG (possibly)

N/A

Cost Reductions – any further ideas that could take place later in the year?

New Communications and Welsh Translation operating model will achieve part-year savings of £25k.

Other mitigating actions to deliver a balanced budget

T&C will achieve a balanced budget

		SEPT FORECAST FOR THE YEAR ENDED 31ST MARCH 2020/21 AS PER CP/LEDGER									
		Add	+ / -	Add	Less	Add	Revised	Less	Less	Final	
£'000	2020/21 Base Budget	Cost Pressures not covered by Covid funding (excluding redeploy)	Staff Redeployment	Annual lost income against budget	Cost Underspends	Cost Reductions not yet delivered (assured / unachieved)	Forecast	WG Lost Income assumed reclaimable for Q2	Cost Reductions not yet delivered but assured	Forecast Position 2020/21	Budget Gap to be addressed
Workforce & OD	1,944	0	(40)	40	(217)	199	1,926		(67)	1,859	85

Workforce and OD Overview

Cost Pressures

None

Income

The budgeted income from delivering training will be underachieved by £40k. This will be offset against cost underspends.

Cost Underspends

Significant underspends of £217k on training, staffing, non-staffing costs and against the corporate training budget are forecast.

Cost Reductions

£10k of the planned £209k savings have been achieved to date, leaving a balance of £199k.

Lost income reclaimable from WG (possibly)

N/A

Cost Reductions – any further ideas that could take place later in the year ?

No further ideas

Other mitigating actions to deliver a balanced budget

The budget is forecasted as being in balance

		SEPT FORECAST FOR THE YEAR ENDED 31ST MARCH 2020/21 AS PER CP/LEDGER									
		Add	+ / -	Add	Less	Add	Revised	Less	Less	Final	
£'000	2020/21 Base Budget	Cost Pressures not covered by Covid funding (excluding redeploy)	Staff Redeployment	Annual lost income against budget	Cost Underspends	Cost Reductions not yet delivered (assured / unachieved)	Forecast	WG Lost Income assumed reclaimable for Q2	Cost Reductions not yet delivered but assured	Forecast Position 2020/21	Budget Gap to be addressed
Legal & Democratic Services	3,061	24	(35)	140	(232)	162	3,120	(25)	(8)	3,087	(26)

Legal Overview

Cost Pressures

£17k for corona services and £7k for staff registrars.

Income

Total Lost income of £140K is made up of Land Charges Lost income of £67.5k plus £35k lost income from Registrars (Loss of income from ceremonies) and £37k from legal fees.

Cost Underspends

£232k is made up of:

- £16k Elections reduced staff and travel costs
- £47k Man Team reduced staff and travel costs
- £99k Reduced members' travel
- £11k Dem services reduced staff & travel costs
- £25k Solicitor to Council reduced staff & travel costs
- £57k Saving from restructures

Cost Reductions

Lost income reclaimable from WG (possibly)

Assumption that £150k (50%) of lost income will be recovered from Welsh Government.

Cost Reductions – any further ideas that could take place later in the year ?

£54,460 of additional annual savings

		SEPT FORECAST FOR THE YEAR ENDED 31ST MARCH 20201 AS PER CP/LEDGER									
		Add	+ / -	Add	Less	Add	Revised	Less	Less	Final	
£'000	2020/21 Base Budget	Cost Pressures not covered by Covid funding (excluding redeploy)	Staff Redeployment	Annual lost income against budget	Cost Underspends	Cost Reductions not yet delivered (assured / unachieved)	Forecast	WG Lost Income assumed reclaimable for Q2	Cost Reductions not yet delivered but assured	Forecast Position 2020/21	Budget Gap to be addressed
Finance	5,692	28	7		(78)	150	5,799	(20)	0	5,779	(87)

Finance Overview

Cost Pressures

- General issues around costs not funded by WG**

Our Procurement lead is currently contracted for 3 days per week (to ensure the cost is covered by budget), but he has been working full time to support the pandemic ensuring we identify and secure PPE and supporting suppliers through PPN220. WG have only funded 50% of his additional costs in June and July, we have put in an appeal, but if this is refused, we have a cost pressure.

There are some staffing cost pressures which are in part mitigated by holding vacant posts.

- Future pressures Sept – March 2020**

Insurance claims continue to rise and we may need to draw from reserves at year end, even with the additional base budget provided at budget setting.

Redeployment

We have a member of staff working on Track and Trace, but redeployed post is fundamental in the management accounts team and has meant additional hours have been worked to cover his workload which builds up additional TOIL hours.

Income

Within Income and Awards the service generates £75k in court fee income per annum we have been able to claim £40k Q1 income back from WG, which also covers the gap created by undertaking less commercial work in Q1. We have assumed the same level of income can be claimed from WG in Q2.

Cost Underspends

Across the service there are non-pay savings such as the travel, vacancies slippage budgets from undertaking service delivery remotely through Teams. Travel to schools, to claimants etc have mainly ceased.

Cost Reductions

Financial services anticipate cost reduction gap of £150k by year end, mainly due to the delay in undertaking a staff restructure along-side streamlining activities that can reduce staff levels as part of the Finance Transformation programme. All staff have been under considerable pressure through Covid, buying PPE, administering business grant support, processing and coordinating Covid Claims and collating financial assumptions to understand the changing forecast outturn. There has not been capacity to develop the transformation activities.

Lost income reclaimable from WG (possibly)

We have claimed loss of income for court costs and loss of commercial income within income and awards.

:

		SEPT FORECAST FOR THE YEAR ENDED 31ST MARCH 20201 AS PER CP/LEDGER						SEPTEMBER FORECAST			
		Add	+ / -	Add	Less	Add	Revised	Less	Less	Final	
£'000	2020/21 Base Budget	Cost Pressures not covered by Covid funding	Staff Redeployment	Annual lost income against budget	Cost Underspends	Cost Reductions not delivered (assured / unachieved)	Forecast	WG Lost Income assumed reclaimable for Q2	Cost Reductions not yet delivered but assured	Forecast Position 2020/21	SEPT Budget Gap to be addressed
Corporate Activites	31,234	459		1,164	(2,932)	45	29,970	0	(45)	29,925	1,309
		SEPT FORECAST FOR THE YEAR ENDED 31ST MARCH 20201 AS PER CP/LEDGER									
		Add	+ / -	Add	Less	Add	Revised	Less	Less	Final	
£'000	2020/21 Base Budget	Cost Pressures not covered by Covid funding (excluding redeploy)	Staff Redeployment	Annual lost income against budget	Cost Underspends	Cost Reductions not yet delivered (assured / unachieved)	Forecast	WG Lost Income assumed reclaimable for Q2	Cost Reductions not yet delivered but assured	Forecast Position 2020/21	Budget Gap to be addressed
Corporate Activites	31,234	459		1,164	(2,932)	45	29,970		(45)	29,925	1,309

Corporate Overview

Cost Pressures

General issues around costs not funded by WG

Mainly relates to CTRS increased demand due to the current financial climate. Our current caseload is 10,052 with claims of £11.2m, which is in excess of £600k above budget, there may be greater demand later in the year as the Furlough Scheme closes. We have recently been informed that WG will fund the overspend for the first half of the year, so we will recoup £300k, and could possibly have further funding.

Income

This relates to the expected shortfall on council tax collection estimated at £1m. Although collection rates have improved there is still 1.4% under collected year to date (circa £1 million) and there are concerns that once the Furlough Scheme closes there may be greater delays in receiving payments from tax payers.

Cost Underspends

The capital programme continues to identify schemes that need to be reprofiled into future years and the consequence is a reduction to our in year borrowing requirement. This then has a beneficial impact on the cost of borrowing, currently estimated at a £2.715m underspend although this then mitigates increased Minimum Revenue Provision demands of £1.215m due to a greater completion of some schemes in year.

The risk budget of £1.5m has been drawn against in September to fund the 0.75% pay award which has been back dated to 1st April, £635k as a one off budget virement. For 2021/22 this cost will be included as a cost pressure on the FRM to ensure the risk budget remains intact.



