

# CYNGOR SIR POWYS COUNTY COUNCIL.

## CABINET EXECUTIVE

15<sup>th</sup> February 2021

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

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

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**REPORT FOR:** Information

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### 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 and the restrictions imposed continue to impact on the delivery of services across the Council, additional costs and loss of income continue to be supported through the Welsh Government Hardship Fund and this together with the corrective action being taken by Budget holders is mitigating the impact on the Council budget in the current year.

2.2 The full year projected deficit of £1.15 million reported at the end of the second quarter has reduced to a near balanced position forecast of £0.57 million at year end (excluding Delegated Schools and Housing Revenue Account (HRA)).

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 being a £1.06 million surplus. (this figure moves to a £0.57 million deficit when HRA and delegated schools are excluded). 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**

Revenue Budget 2020/21	£'000
Base Budget	269,440
Cost Pressures	8,057
Cost Underspends	(15,789)
Cost Reductions Shortfall	2,582
Lost Income	4,088
<b>Forecast Outturn</b>	<b>268,379</b>
<b>Surplus</b>	<b>1,061</b>

#### 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 £12.394 million.

4.2 The summary at Table 2 shows that 72% or £8.93 million have been delivered and a further 7% £0.88 million are assured of delivery by Heads of Service. £2.582 million, 21% are unachieved and are at risk of delivery in this year, although some targets will be rolled forward into 2021/22.

**Table 2 – Cost Reductions Summary**

Service	£'000	To Be Achieved	Actually Achieved	Assured	Un-achieved	% Achieved
Adult Services		4,070	3,234	352	484	79%
Childrens Services		2,496	1,987	-	508	80%
Digital Services		771	505	253	13	66%
Education		701	701	-	-	100%
Finance		426	232	-	193	55%
Central Activities		870	1,000	45	(175)	115%
Highways Transport & Recycling		1,109	416	127	565	38%
Housing & Community Development		218	143	-	75	66%
Regeneration		326	135	-	191	41%
Legal & Democratic Services		331	80	8	243	24%
Property, Planning & Public Protection		784	401	75	308	51%
Transformation and Communication		85	85	-	-	100%
Workforce & OD		209	10	23	176	5%
<b>Total</b>		<b>12,394</b>	<b>8,930</b>	<b>882</b>	<b>2,582</b>	<b>72%</b>
			72%	7%	21%	

4.3 As part of the budget setting process for 2021/22 a validation exercise has identified some of those undelivered cost reductions that will not be achievable even in future years. It has been proposed that a total of £1.634 million will be written off as part of the budget process for these undeliverable savings to ensure next year's budget is robust and deliverable. These are listed at Appendix C.

#### 5. Reserves

5.1 The Reserves position at Table 3 below sets out the reserve balance as at 31<sup>st</sup> December 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).

5.2 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 £15,000.

Table 3 – Reserves

Summary - £'000	Opening Balance (1st April 20)	Forecast Addition / (Use) of	Forecast (Over) / Under Spend	Projected Balance (31st March 21)
General Fund	9,472	(70)	0	9,402
Budget Management Reserve	3,584	0	0	3,584
Specific Reserves	7,523	(1,400)	98	6,221
Transport & Equipment Funding Reserve	9,266	(5,516)	0	3,750
<b>Total Usable Reserves</b>	<b>29,845</b>	<b>(6,986)</b>	<b>98</b>	<b>22,957</b>
Schools Delegated Reserves	(910)	(1,036)	248	(1,698)
School Loans & Other Items	(350)	7	0	(364)
Housing Revenue Account	3,918	(1,379)	1,394	3,933
<b>Total Specific Reserves</b>	<b>2,658</b>	<b>(2,408)</b>	<b>1,642</b>	<b>1,871</b>
<b>Total Reserves</b>	<b>32,503</b>	<b>(9,394)</b>	<b>1,740</b>	<b>24,828</b>

- 5.3 The breakdown of the school's 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	Opening Balance 31/3/20	Budgeted Contribution/ (Use) in 2020-21	Forecast Variation to/(from) reserves	Closing Balance 31/3/21
	£'000	£'000	£'000	£'000
Primary	2,646	(528)	(106)	2,012
Special	(124)	245	(170)	(49)
Secondary	(3,432)	(753)	524	(3,661)
<b>Total</b>	<b>(910)</b>	<b>(1,036)</b>	<b>248</b>	<b>(1,698)</b>

- 5.4 **Primary** - The forecast contribution from reserves for the Primary Sector is currently £634k which has increased by £27k since last month.
- 5.5 **Secondary** - The Secondary sector has a forecast call on reserves currently of £229k. This has increased since last month by £173k. Officers have been working with the Secondary sector and schools are working hard to reduce the deficit balances. This significant reduction in the call on reserves in the main is due to the savings realised through the Summer term closure due to COVID-19 which plans have now been updated to reflect.
- 5.6 **Special** - The special sector has a £75k forecast contribution to reserves. This has reduced by £7k since last month. Finance surgeries for these schools were held in December to support schools and revise their forecasts.
- 5.7 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 continues to support additional costs incurred by the Council and its stakeholders 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. Thus far £9.3 million has been received. In addition, funding has been claimed for the loss of income for quarter one and two, totalling £2 million.
- 6.2 Welsh Government has made additional funding available to councils, for example in relation to extra funding for teachers for catch up support from education and cleaning materials for schools, transport grants and childcare support. Over £8 million has been received to date.
- 6.3 Claims totalling £48,995 were made for staff on furlough from the Governments' Job Retention Scheme between October and December 2020. This takes the total recovered under the scheme to £567,092.

## **7. Virements**

- 7.1 The following virements are requested for approval:
- 7.1.1 A virement to reduce the funding required from reserves to support the WCCIS team and refresh costs in the current financial year, a net reduced contribution of £14,770 split between:
- Staffing vacancies within the team has meant that a reduced amount of funding from reserves is required to support service delivery, totalling £50,260.
  - This has been offset by Powys County Council's share of the nationwide infrastructure refresh costs, chargeable to all local authorities which totals £35,490. This was not previously budgeted for.
- 7.1.2 Additional laptops bought for services which need to be added into the Council's five year refresh cycle, £21,250 will be funded by service budgets into the refresh reserve annually.
- 7.1.3 The following grants have been received from Welsh Government and will be used to support the following activity:
- To pay for laptops for track and trace staff totalling £138,000.
  - For Children's Services for All Wales Play Opportunities, £140,248, £20,000 revenue, and £120,248 capital funding. Linked to support the Play Sufficiency Action Plan.
  - Children's Services from the Child Development Fund, £124,541. To be used for additional support to children and families to address concerns around developmental delay, in areas such as speech, language and communication, fine and gross motor skills and personal and social development.
  - Children's Services for Family Group Conferencing £62,834. Local authorities to support the development of enhanced or remodelled family group conferencing provision/ Enhance Family Network Arrangements.
  - Children's Services for Children and Community Grant - Childcare and Play £84,089. Childcare sustainability - To secure continued provision for the childcare sector by supporting providers facing sustainability issues.
  - Children's Services for Care Leavers Hardship Fund £28,561. Additional support for care leavers.

- Children's Services for Relieving Court Backlogs and Supporting Exits from Care £71,116. Funding specific Court Team in Children's Social Services.
- Children's Services for Intervention Fund for Supporting Child & Family Well-being £45,697. Intervention fund for family wellbeing - diverting cases from child protection registration or deregistration.
- Children's Services for Supporting Family Relationships because of Covid-19 £31,124. Conflict in families - Early Help.
- Grant funding of £95,000 for Flood and Coastal Erosion Risk Management.

## **8. Key Financial Risks**

- 8.1 In earlier Cabinet reports we identified the key financial risks, and these remain. These are included in the Corporate and Covid Specific Risk Registers and continually monitored and assessed.
- 8.2 The greatest risk remains on our ability to deliver a balanced budget for the current and future years, we must 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.
- 8.3 Treasury Management, maintaining the Councils cash flow to meet liabilities, is also under scrutiny and continues to be monitored daily. 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.
- 8.4 The Council remains under borrowed as we continue to utilise our cash reserves to underpin our cashflow. We can 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.

## **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 underestimate 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 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.

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## Appendix A – Forecast to year end as at 31<sup>st</sup> December 2020

		DEC FORECAST FOR THE YEAR ENDED 31ST MARCH 2021 AS PER CP/LEDGER							DECEMBER FORECAST (outside the ledger)			
		Add	+ / -	Add	Less	Less	Add	Revised		Less	Final	
£'000	2020/21 Base Budget	Cost Pressures not covered by Covid funding (excluding redeploy)	Staff Redeployment	Annual lost income against budget	Income loss funded via WG	Cost Underspends	Cost Reductions not yet delivered (assured / unachieved)	Forecast	WG Lost Income assumed reclaimable for Q3&4	Cost Reductions not yet delivered but assured	Forecast Position 2020/21	Budget Gap to be addressed
Adult Services	63,379	1,642	241	225	99	(1,166)	836	65,256	(100)	(352)	64,804	(1,425)
Children's Services	26,013	1,659	0	0		(784)	508	27,396		0	27,396	(1,383)
Commissioning	3,193	0	0	0		(81)	0	3,112		0	3,112	81
Education	8,720	322	(17)	206		(684)	0	8,547		0	8,547	173
Highways Transport & Recycling + Director	28,019	1,646	(94)	2,309	(917)	(3,651)	692	28,005		(127)	27,878	141
Property, Planning & Public Protection	6,248	692	(416)	2,019	(809)	(1,552)	383	6,565	(500)	(75)	5,990	258
Regeneration	626	24	(8)	0		(189)	191	644		0	644	(18)
Housing & Community Development	4,012	308	(126)	107	(41)	(392)	75	3,943		0	3,943	69
Digital	3,934	69	(4)	147		(583)	266	3,829		(253)	3,576	358
Transformation & Communication	1,530	37	0	0	0	(137)	0	1,430		0	1,430	100
Track and Trace	0	52	543	0		0	0	595		0	595	(595)
Workforce & OD	1,944	0	(45)	0		(174)	199	1,924		(23)	1,901	43
Legal & Democratic Services	3,060	35	(7)	129	(50)	(356)	251	3,062		(8)	3,054	6
Finance	5,691	25	(67)	0		(79)	193	5,763		0	5,763	(72)
Corporate Activities	31,307	1,315	0	1,164		(3,995)	(130)	29,661		(45)	29,616	1,691
								0				
<b>Total</b>	<b>187,676</b>	<b>7,826</b>	<b>0</b>	<b>6,306</b>	<b>(1,718)</b>	<b>(13,823)</b>	<b>3,463</b>	<b>189,731</b>	<b>(600)</b>	<b>(882)</b>	<b>188,250</b>	<b>(574)</b>
Housing Revenue Account	0	231				(1,625)		(1,394)			(1,394)	1,394
Schools Delegated	81,764			100		(341)		81,523			81,523	241
<b>Total</b>	<b>81,764</b>	<b>231</b>	<b>0</b>	<b>100</b>	<b>0</b>	<b>(1,966)</b>	<b>0</b>	<b>80,129</b>	<b>0</b>	<b>0</b>	<b>80,129</b>	<b>1,635</b>
<b>Total</b>	<b>269,440</b>	<b>8,057</b>	<b>0</b>	<b>6,406</b>	<b>(1,718)</b>	<b>(15,789)</b>	<b>3,463</b>	<b>269,860</b>	<b>(600)</b>	<b>(882)</b>	<b>268,379</b>	<b>1,061</b>

## Appendix B

## Head of Service Commentary

		DEC FORECAST FOR THE YEAR ENDED 31ST MARCH 2021 AS PER CP/LEDGER							DECEMBER FORECAST (outside the ledger)			
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Adult Services	63,379	1,642	241	225	99	(1,166)	836	65,256	(100)	(352)	64,804	(1,425)

### 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 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 more than £1 million, again this was an unfunded pressure in the Financial Resources Model as part of the budget setting process.

**Future pressures January 2021 – March 2021** - Not included in the forecast outturn.

- Following a revised 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 session 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. Whilst additional funding of £0.417m has been allocated to

the Powys Regional Partnership Board to support Discharge to Recover then Assess Pathways is welcome, future demand is unknown and so further cost pressures may arise.

- Stability of commissioned providers, particularly the care home sector. There is currently 2+ providers who may be at risk of failure.
- Future demography and any further Learning Disabilities Transitions from 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 £0.247 million, less £0.006 million Adults employees redeployed to Track and Trace and the corresponding savings are available in other (substantive) service area budgets to balance.

### **Income**

A forecast budget pressure of £125,000, has been included which is a shortfall over and above income recovered on the Q1 and Q2 claim to Welsh Government. It is unknown if this level of lost income will remain after 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 regarding shielding that have occurred in August or current family arrangements break down.

### **Cost Underspends**

The service has only been recruiting in respect of frontline services, which has resulted in staff slippage due to vacancies and a reduction in travel as face to face meetings have not been taking place. Additionally, work undertaken in year as set out in guidance PPN2/20 with providers.

### **Cost Reductions**

The original target of £4.070 million is currently on target to achieve delivery, of which £3.234 million of the original target to date achieved and included in the forecast outturn. There is assurance of delivery of a further £0.352 million, with £0.484 million of the original target set being unachievable due to business continuity being invoked. The budget pressure will be carried forward to 2021/22 and be part of FRM.

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 2021/22 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).

**Lost income reclaimable from WG (possibly)**

£0.1 million 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.

**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.

£0.641 million one off, which is partly due to Covid 19 service restrictions and/or service provision being amended or put on hold; or alternative Covid 19 funding streams received by providers from WG e.g. furlough staff, business grants, so the contract price was reduced due to accessing the public funding or only fixed costs being incurred. Pulling back unused cost is part of the work undertaken in year as set out in guidance PPN2/20. These costs will be incurred in 2021/22, if services resume or alternative funds to support their service are not secured or available.

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Children's Services	26,013	1,659	0	0		(784)	508	27,396		0	27,396	(1,383)

## 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 education, 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 Dec – March 2020**

- Increase in decision making and practitioner capacity at the Front Door and in Early Help. Pressure in Early Help has increased further.
- Number of children looked after remains higher than pre-covid-19

- **Redeployment**

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

### Income

N/A

### Cost Underspends

All included in plans below.

### Cost Reductions

<b>Set at Recovery Planning</b>	<b>Target</b>	<b>Achieved</b>	<b>To be achieved</b>
Shared costs between responsible funding bodies	£416,000	£0	£416,000
Placements	£1,023,260	£1,498,358	-£475,098
Travel	£53,000	£109,000	-£56,000
Emergency Duty Team	£25,000	£0	£25,000
Agency	£131,309	£105,287	£26,022
<b>TOTAL</b>	<b>£1,648,569</b>	<b>£1,712,645</b>	<b>-£64,076</b>

Efficiencies that have not been achieved in EDT and sharing costs with funding bodies are offset by overachieving on placement cost efficiencies.

**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	3,193	0	0	0		(81)	0	3,112		0	3,112	81

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	8,720	322	(17)	206		(684)	0	8,547		0	8,547	173

Education overview

**Cost pressures**

School Improvement – With the removal of performance data for end of KS4 and KS5 assessments, a secondary strategy is being developed to ensure progress in standards in secondary schools as identified in the Estyn report in September 2019. Extra capacity to support secondary schools is essential.

Structural repairs and maintenance costs in relation to electrical remedial works and legionella works identified as part of the assessment undertaken when schools re-opened in the summer term and the service have now fully costed this impact.

**Income**

N/A

**Underspends**

Travel for officers across the service presents as underspends in school improvement, ALN, Youth service and governor support amounting to £50,000. There are also underspends due to vacancies in the youth service, school improvement and ALN until the staffing structure is fully implemented.

**Lost income**

N/A

**Cost reductions**

School service will achieve a balanced budget with full year savings all complete.

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Schools Delegated	81,764			100		(341)		81,523			81,523	241

## Schools Delegated Overview

### Cost Pressures

- Overall, at 31 March 2020, schools were £910k in deficit and currently budgeted to draw a further £1,036k from reserves by 31 March 2021. The latest forecasts show a slight reduction of £248k in this forecast draw from reserves by 31 March 2021.
- School deficits continue to be an area of concern and a significant risk to the authority. Schools, the Schools Service and the Schools finance team are working together to improve this position.

### Future pressures Dec 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 by schools.

### Cost Underspends

Cost underspends relating to schools being closed due to the current lockdown are being identified and the finance team are working with the schools to ensure probable outturns are compiled including these.

### Lost income reclaimable from WG

Claims have been made for loss of income to WG amounting to £245k, a further claim for QTR 3 is due to be submitted on the 21<sup>st</sup> January 21.

WG will not cover the loss on donations.

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Highways Transport & Recycling + Director	28,019	1,646	(94)	2,309	(917)	(3,651)	692	28,005		(127)	27,878	141

## HTR Overview

### Cost Pressures

The main budget pressures of the service are:

- **£394K 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 £268k, this is because of an increase in the volume of waste being collected from kerbside because of COVID-19 (lockdown, WFH, HWRC closures etc).
- **£165k Passenger Transport** - £104k Pupil referral unit, and £45k pool cars
- **£936k waste collection** – agency staff employed & south bulking sites, however this is offset by a cost underspend of £992k on staff establishment budget.

### Lost Income

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

- £626k Forecast income loss from NMWTRA and delayed capital, due to reduction to essential only works
- £335k Trade Waste income
- £95k Recyclate income has been affected during covid-19
- £417k Car park usage has been significantly affected by Covid-19.
- £53k Street works has been affected by Covid-19
- £52K Development Control has been affected by Covid-19.

- £18K - Markets have been heavily affected by Covid-19 and the sale of Brecon Market Hall.

### **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 £416k to date and expected to achieve a further £127k in the remaining year. Forecast to achieve £543k and to not deliver £565k. 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 Mitigations**

<b>Proposed Mitigation</b>	<b>Actions</b>	<b>Value</b>
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
	<b>Net Total</b>	<b>£1,950,000</b>

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Property, Planning & Public Protection	6,248	692	(416)	2,019	(809)	(1,552)	383	6,565	(500)	(75)	5,990	258

## 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 several 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 because 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 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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Regeneration	626	24	(8)	0		(189)	191	644		0	644	(18)

## Regeneration Overview

### Cost Pressures

Community Hall costs remain slightly higher than budgeted due to maintenance costs which is currently being reviewed and can be met through in year savings.

### Income

The team is generating income from the administration of external funding programmes and the temporary secondment of core funded staff to support the delivery of the Communities for Work+ programme.

### 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 (c.34% of its budget). £135k has been achieved to date leaving an outstanding amount of £191k. The generation of grant income and a reduction in expenditure has given the capacity to achieve a further £160k of in year savings leaving £35k shortfall at this point. The team is currently forecasting an in year underspend at the end of the financial year although this will not achieve the required long term savings target.

### Lost income reclaimable from WG (possibly)

Investigating hardship fund reclaim for 1 post

### 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 of £191k required in 2020-21. A Cabinet decision is required on the proposal to offer up the allocation of £100k Community Grants budget as part of these saving.

**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.

Potential reduction in Community Grant budget

Proposed reduction in Regeneration Strategy and Tourism budgets

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Housing & Community Development	4,012	308	(126)	107	(41)	(392)	75	3,943		0	3,943	69

## Housing and Community Development Overview

### Cost Pressures

#### **Future pressures Jan – March 2020**

- Ongoing economic impact of COVID-19 may lead to further increases in homeless presentations. Potential increase in B&B costs and additional pressure on temporary accommodation
- The impact on Housing rental income is being closely monitored.

### Redeployment

Current and previous redeployed staff accounted for. Potential for additional future redeployment of staff depending on impact of COVID-19.

### Income

Lost income against budget is 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. There are underspends from across the service, including reductions in mileage expenditure.

### 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?**

Head of Service has emailed all staff 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.

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Housing Revenue Account	0	231				(1,625)		(1,394)			(1,394)	1,394

**HRA**

- The impact on Housing rental income is being closely monitored.
- Progress with some works has been delayed due to COVID-19 restrictions.

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Digital	3,934	69	(4)	147		(583)	266	3,829		(253)	3,576	358

**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 have 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 has improved the position in Q3

**Cost Underspends**

- £171k from vacant posts and reduced travel and £200k contract costs reduced bringing forward 21/22 savings.

**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, awaiting approval at Joint Partnership Board

**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 agile workforce

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Transformation & Communication	1,530	37	0	0	0	(137)	0	1,430		0	1,430	100

**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, underspend on Welsh Language unit, Public Relations and Graphic Design, additional income generation and 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?**

None

**Other mitigating actions to deliver a balanced budget**

T&C will achieve a balanced budget and will meet the budget pressures. Full year savings already achieved.

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Workforce & OD	1,944	0	(45)	0		(174)	199	1,924		(23)	1,901	43

## 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 £174k 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, and a further £23k are assured, leaving a balance of £176k.

### 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

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Legal & Democratic Services	3,060	35	(7)	129	(50)	(356)	251	3,062		(8)	3,054	6

**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

**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

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Finance	5,691	25	(67)	0		(79)	193	5,763		0	5,763	(72)

**Finance Overview**

**Cost Pressures**

- General issues around costs not funded by WG**

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

- Future pressures**

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.

**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**

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 £150k 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.:

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Corporate Activites	31,307	1,315	0	1,164		(3,995)	(130)	29,661		(45)	29,616	1,691

**Corporate Overview**

**Cost Pressures**

The additional pay award of 0.75% which has been back dated to 1<sup>st</sup> April, £635k as a one off budget virement. For 2021/22 this cost has been included as a cost pressure on the FRM to ensure the risk budget remains intact.

**Income**

This relates to the expected shortfall on council tax collection forecast at £1m. Although collection rates have improved there is still 0.66% under collected year to date 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 £1m due to a greater completion of some schemes in year.

The risk budget of £1.5m remains intact to support overspends within services.

## Appendix C – Undelivered Savings

Service	2020/21 Undelivered Savings	Reason	£
HCD	Housing General Fund - management re-structure	Housing redesign has been rescheduled. However, this area is now forecasting an underspend, which will cover this saving for 20/21. A new savings target relating to the Housing General Fund has been put forward for 2021/22.	25,000
HCD	Museums Service - Reduction in opening hours	The delivery of the museum service is part of a new savings target in 2022/23	15,602
HCD	Y Gaer - Future operational modelling	Work has been delayed and y Gaer closed for much of the last 12 months due to the pandemic. Work ongoing with two potential partners, which may see partial savings being made within future years - a new savings proposal has been put forward for 2022/23	34,209
HTR	HWRCs	Significant efforts have been made to negotiate the £100k saving with the current contractor. However due to an unstable market situation for recycled materials (principally due to the pandemic) resulting in reduced income for the operator, only £40k in savings are currently achievable.	60,000
ASC	Where people live - support people to live in their own communities	Due to the pandemic, it was not possible for social workers to visit service users in England to undertake the reviews required to move them back to the new Cae Glas scheme. This remains the case while we are in lockdown. This pressure is superseded by a new saving in 2021/22	250,000
ASC	Double to Single handed care - right sized packages	The pandemic has reduced the OTs ability to undertake face-to-face visits and has made it impossible to undertake this work. The OTs did provide support into care homes for the pandemic with moving and handling advice, but clearly this could not achieve the same level of savings. A new savings target has been proposed in 2021/22	270,000
ASC	Funding Review	It was not possible to undertake the planned reviews during the pandemic, both our staff and partner resources had reduced capacity and new funding streams have not been achieved. A new savings target has been proposed for 2021/22	179,000
Childrens	Agency	Due to the pandemic the increase in placement numbers means the staffing resource cannot reduce and agency removed. A new savings target has been added in for 2021/22	192,431
Childrens	Funding Review	It was not possible to undertake the planned reviews during the pandemic, both our staff and partner resources had reduced capacity and new funding streams have not been achieved. A new savings target has been proposed for 2021/22	380,000
Finance	Finance Transformation	Saving of £397k proposed for 2020/21, £247k has been delivered but the remaining £150k is now considered unachievable. The delivery of the change programme has been significantly delayed by the impact of the	150,000

		<p>pandemic and additional work undertaken by the teams, removing all capacity to lead or implement the transformation programme. But the issue is wider than this as the expectation on financial services to support the wider the organisation grows year on year. General capacity issues are now affecting the delivery of an appropriate service for the Council. Further reductions will mean that we are not be able to deliver all that is being asked of the service. The Section 151 Officer has a statutory duty to make arrangements for the proper administration of the financial affairs of the Council. To deliver this responsibility I must lead and direct a finance function that is resourced to be fit for purpose.</p>	
WOD	Reduction in service delivery through review in staffing	Carried forward from 2019/20 and unable to deliver	26,000
Legal	Legal and Democratic Restructure	Carried forward from 2019/20 and unable to deliver	52,000
			<b>1,634,242</b>