

CYNGOR SIR POWYS COUNTY COUNCIL.

CABINET EXECUTIVE

13 April 2021

REPORT AUTHOR: County Councillor Aled Davies
Portfolio Holder for Finance

REPORT TITLE: Financial Forecast for the year ended 31st March 2021 (as at 28th February 2021)

REPORT FOR: Information and Decision

1. Purpose

- 1.1. To provide Cabinet with the revised revenue budget outturn forecast for the 2020/21 financial year. This includes information on the additional funding streams received from Welsh Government since the last report and how this impacts on the projected position.
- 1.2. Explain how the Covid 19 pandemic continues to impact 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, resulting in additional costs and loss of income, that continue to be supported through the Welsh Government Hardship Fund. To date just under £14 million has been claimed received.
- 2.2. Through February a number of Welsh Government funding announcements have been made with additional grants totalling £7.8 million provided to support council services. Some of this funding has to be carried forward and utilised in 2021/22, whilst other funding is now offsetting expenditure the Council expected to support in the current year. The receipt of this additional support improves our financial position to a projected surplus of £5.906 million (excluding Delegated Schools and Housing Revenue Account (HRA)). The full detail of the additional funding is set out in Appendix 7.
- 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 which now reports a £7.902 million surplus, (this figure moves to a £5.906 million (3.2%) surplus when HRA and delegated schools are excluded).
- 3.2. Further detail for each service area is provided in Appendix B, with Heads of Service setting out their individual narrative that explains their financial position and activities being undertaken.

Table 1 – Summary Forecast

Revenue Budget	£'000
Base Budget	269,440
Cost Pressures	6,775
Cost Underspends	(19,637)
Cost Reductions Shortfall	2,851
Lost Income	2,109
Forecast Outturn	261,538
Surplus	7,902

3.3. The budget agreed at Council on 25th February 2021 approved a number of recommendations as a result of the improved financial position:

3.3.1. To make an additional payment of £767,000 into the Minimum Revenue Provision account, which is an advance payment to be utilised in 2021/22 thus negating the requirement to fund this through the budget in 2021-22. This action has been completed and it is accounted for in the forecast.

3.3.2. To set aside £1.8 million of the one-off funding now available in 2020-21 to put in place a Powys Recovery Fund, this fund will support Communities and Council Services. This £1.8 million will be held in a specific reserve and drawn down over the next 2 years. The reserve will be used flexibly across both categories. The transfer to reserve will take place at year end.

3.3.3. Should any further opportunities be presented before year end, a principle (for this and future years) be set that this further funding is earmarked to support the Capital Programme and Transformation as a priority. With the aim of minimising the impact on future revenue budgets by reducing the cost of borrowing. With this in mind the following proposals are recommended for action as part of year end:

- Transformation - Critical in providing an appropriate level of service to our residents at a much lower cost ensuring that the councils budget is maintained on a sustainable footing for the future. Transformation activities are forecast to cost £2.7 million this year, these costs were originally budgeted to be funded through Capital Receipts utilising the Welsh Government Capitalisation Directive. It is now proposed that these costs are met from the revenue budget releasing the capital receipts to support the Capital Programme.
- Ring fencing £1.5 million of the surplus for remedial works by way of setting up a specific reserve to fund both revenue and capital essential remedial work to minimise the level of risk that the Council would be placed under. The overall requirement is £2.8 million over the next two financial years, of which £590,000 relates to schools and will be funded separately through a Welsh Government grant

4. Welsh Government Support

4.1. 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 £10.5 million has been received. In addition, funding has

been claimed for the loss of income for quarters one to three, £2.54 million being received to date.

- 4.2. Welsh Government has made additional funding available to councils to support the pandemic, section 7 provides an update on the grants received since the last Cabinet report. In total the Council has received over £7.8 million through January and February. Some of this funding will displace spend in the current year which will be carried forward into 2021/22 as stipulated in the funding terms and conditions.
- 4.3. Claims totalling £205,099 were made for staff on furlough from the Governments' Job Retention Scheme for January and February 2021. This takes the total recovered under the scheme, year to date, to £772,191.
- 4.4. Welsh Government have met most of the Storm/flood costs incurred through January and February 2021. Storm Dennis costs are forecast at £2.4m which are fully funded. Storm Christoph has incurred relatively small outlay, revenue responsive costs of £35k of which £4k is to be met from the WG hardship grant, and a forecast spend of £105k on recovery works which the service has applied for additional grant funding, however confirmation of funding is still pending.

5. Cost reductions

- 5.1. 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.
- 5.2. The summary at Table 2 shows that 76% or £9.386 million have been delivered and a further 1% £158,000 are assured of delivery by Heads of Service. £2.851 million, 23% is 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

	To Be Achieved	Actually Achieved	Assured	Un-achieved	% Achieved
Adult Services	4,070	3,589	0	481	88%
Childrens Services	2,496	1,987	-	508	80%
Digital Services	771	501	53	217	65%
Education	701	701	-	-	100%
Finance	426	232	-	193	55%
Central Activities	870	1,000	45	(175)	115%
Highways Transport & Recycling	1,109	490	8	610	44%
Housing & Community Development	218	143	-	75	66%
Regeneration	326	135	-	191	41%
Legal & Democratic Services	331	80	-	251	24%
Property, Planning & Public Protection	784	432	29	323	55%
Transformation and Communication	85	85	-	-	100%
Workforce & OD	209	10	23	176	5%
Total	12,394	9,386	158	2,851	76%
		76%	1%	23%	

- 5.3 The budget approved by Council in February removed £1.634 million of the unachieved savings from service budgets which are now not considered to be deliverable, thus ensuring a robust and deliverable budget for next year.

6. Reserves

- 6.1. The Reserves position at Table 3 below sets out the reserve balance as at 28th February 2021. 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).
- 6.2 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 £18,000.

Table 3 – Reserves Table

(excludes contributions to reserve for the expected year end surplus)

Summary	Opening Balance (1st April 20) Surplus / (Deficit)	Forecast Addition / (Use) of Reserves	Forecast (Over) / Under Spend	Projected Balance (31st March 21) Surplus/ (Deficit)
General Fund	9,472	(70)	0	9,402
Budget Management Reserve	3,584	0	0	3,584
Specific Reserves	7,523	(1,352)	(321)	5,850
Transport & Equipment Funding Reserve	9,266	(5,516)	0	3,750
Total Usable	29,845	(6,938)	(321)	22,586
Schools Delegated Reserves	(910)	(960)	600	(1,270)
School Loans & Other Items	(350)	7	0	(343)
Housing Revenue Account	3,918	(1,379)	1,397	3,936
Total Specific	2,658	(2,332)	1,997	2,323
Total	32,503	(9,270)	1,676	24,909

- 6.3 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 £'000	Opening Balance 31/3/20	Revised Budgeted Contribution to / (from) 2020-21	Forecast Variance from budget to / (from) reserves	Projected Closing Balance 31/3/21
Primary	2,646	(532)	(12)	2,102
Special	(124)	245	(24)	97
Secondary	(3,432)	(686)	649	(3,469)
Total	(910)	(973)	613	(1,270)

- 6.4 **Primary** - The forecast contribution from reserves for the Primary Sector is currently £544k which has decreased by £90,000 since last month.
- 6.5 **Secondary** - The Secondary sector has a forecast call on reserves currently of £37k. This has decreased since last month by £192,000. 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.

- 6.6 **Special** - The special sector has a £221k forecast contribution to reserves. This has increased by £146k since last month.
- 6.7 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.

7. Virements and Grants

- 7.1 A virement request is made to fund £400,000 critical remedial works across Council properties. A further £1.25 million will be required through 2021/22 to complete the urgent backlog maintenance programme. The Corporate Landlord approach has identified some work that needs to be undertaken. Estimates have been calculated using actual quotes where available, but as work is undertaken and further quotes are received the estimates will be refined. Details will be set out in a Council report for approval in May for the full programme. A specific reserve for £1.5 million, as set out in section 3.3.3 will fund the backlog works, and schools maintenance work will be funded by an additional Welsh Government grant.
- 7.2 A virement request is made to fund essential maintenance work totalling £220,000 at the Powys owned care homes. Identification and planning for these activities were delayed due to the pandemic limiting visitors to care homes. When surveys were conducted a number of deficiencies were identified and work required on fire doors, fire compartmentation, and fire alarms. This work has commenced as it is deemed essential but is in addition to the normal care home budgets and not been identified. The budget is identified within Adult Social Care and part of their overall forecast.
- 7.3 The following grants have been received from Welsh Government and will be used to support activity, mainly in this financial year:
- Children's Services for additional Children and Community Grant - Childcare and Play £109,681. Childcare sustainability - To secure continued provision for the childcare sector by supporting providers facing sustainability issues.
 - Children's Services for additional Children and Community Grant – £56,403. Additional Flying Start resources, equipment, and project support.
 - Children's Services - Childcare Administration Offer - Lateral flow Grant £15,000. Facilitate the delivery arrangements for lateral flow testing kits needed to support childminders and peripatetic staff requiring access to education and childcare premises.
 - Social Care - Regional Partnership Board, responsible for allocating Welsh Government funding of which Powys has been successful in funding for – Adult Social Care £527,130 to mitigate the one off expenditure in relation to Winter Pressures. and Childrens Services £250,000 to fund the rise in Looked After Children arising through the pandemic.
 - Adult Social Care Substance Misuse Action Fund - £1,110,105 agreement to the annual plan to fund key mental health contracts and specialist residential placements, additionally including one off funding for Winter Pressures/Covid 19.

- Adult Social Care additional funding for Mental Capacity Act/ Deprivation of Liberty Safeguarding - to support the ongoing operation of the Mental Capacity Act 2005 (MCA) and the Deprivation of Liberty Safeguards (DoLS) £22,123
- Adult Social Care Substance Misuse Action Fund, £80,750 Funding for the specific purpose of purchasing of injectable buprenorphine, which will be a trial alongside all currently available treatment and provided on a monthly basis, compared to daily requirements of other treatments.
- Highways Flooding Grant - £2,464,114. Revenue grant to support the costs associated with the recovery works associated with Storm Dennis.
- Highways Flooding - £95,000. To support flood and erosion management for sites affected by floods this financial year.
- Highways - Green Recovery funding £13,941 - to support projects that deliver Green Recovery based on reported priorities.
- Transport - Home to School Transport Grant £3,056,985 - To support learner's return to school or college on registered local bus services, to increase frequencies where demand exceeds capacity, to improve access to jobs and support economic recovery. The February forecast assumes that £1,811,284 of this funding will be utilised in 2020/21 and the balance will be rolled into 2021/22.
- Transport - BES Emergency Scheme Phase 1.5 - £506,978 To support learner's return to school or college on registered local bus services, to increase frequencies where demand exceeds capacity, to improve access to jobs and support economic recovery.
- Transport funding BSSG - £1,136,064. To support and maintain the core strategic bus network and to improve connectivity.
- Transport - Traws Cymru Routes - £978,000- To procure and manage the TrawsCymru™ T4 service linking Merthyr Tydfil to Newtown and the T6 service linking Brecon to Swansea for period 1st July 2020 to 30th September 2020; and to work with Bus Users UK (Wales) to carry out passenger consultation events when appropriate.
- Libraries Circular Economy Fund financial year 2020-21 project 238, all of the funding £137,012 is to be rolled forward to 2021-22.
- Leisure – Sports recovery funding of £162,525 to be used in year for staffing and supporting post covid-19 activity. £41,000 has been spent and the remainder to be carried forward.
- Leisure - Sports development funding of £22,000 to be used in year for additional projects supporting health and wellbeing with Powys.
- Leisure - Sports development funding of £293,550 to be used in year for support of physical activity events across Powys from toddler to 18 years of age.
- Leisure - £40,350 to fund free swimming for children and will be passported through to Freedom Leisure.
- Leisure - Disability Sport Wales Grant, £21,886 supporting disability and inclusion sport through put.

- Corporate - Council Tax Reduction Scheme £628,861 to fund the increase in demand for the scheme due to the pandemic.
- Corporate – to fund the gap in council tax collection of 0.66% below the expected collection rate £621,503
- Corporate – undelivered savings, £1,093,201 to contribute towards the undelivered savings in year.
- Corporate - £1,093,201 to support digital services. This grant is unencumbered and will be used to support the overall financial position of the Council.

7.4 There has also been funding from other bodies received:

- Housing General Fund - Syrian Refugee Grant income from the Home Office of £905,000 forecast to spend £237,000 roll forward £668,000 into 2021/22. This Grant is to facilitate the Syrian resettlement programme.
- Community Development – Arts Council Wales Cwll Celf Grant funding for Arts Commissioning £30,000

8. Key Financial Risks

- 8.1. In earlier Cabinet reports we identified the key financial risks that are set out 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 in future years, we must continue to limit the possibility of future 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 Council's 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 improving the Council's financial position for the current year. The establishment of the Powys Recovery Fund will support communities and council

services to recover from the pandemic. Using revenue funds to support transformation costs this year will release capital receipts back for use in the Capital Programme reducing the need to borrow and improving our financial sustainability. Addressing existing remedial issues across the Councils assets will also ensure our buildings are effectively maintained removing pressure on the Capital Programme in future years.

Welsh Government have confirmed continued support in 2021/22 is available 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 financial sustainability of the Council.

Our Medium Term Financial Strategy was already extremely challenging with significant budget gap of £38 million over the next 4 years. The financial plans will be subject to ongoing review, funding assumptions will be revisited as more information becomes available, revised budget gaps calculated and clear plans of how we can bridge the gaps will be 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 set out in section 7 of the report are approved

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Appendix A – Forecast to year end as at 28th February 2021

		FEBRUARY FORECAST FOR THE YEAR ENDED 31ST MARCH 2021 AS PER CP/LEDGER							FEBRUARY 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 Q4	Cost Reductions not yet delivered but assured	Forecast Position 2020/21	Variance
Adult Services	63,379	1,642	269	434	106	(2,225)	481	64,086		(0)	64,086	(707)
Children's Services	26,013	972	0	0		(1,420)	508	26,073		0	26,073	(60)
Commissioning	3,193	0	0	0		(216)	0	2,977		0	2,977	216
Education	8,625	322	(18)	206		(860)	0	8,275		0	8,275	350
Highways Transport & Recycling + Director	28,019	831	(93)	1,412	(1,100)	(1,980)	619	27,708	(353)	(8)	27,347	672
Property, Planning & Public Protection	6,248	1,621	(479)	2,749	(1,440)	(2,701)	352	6,350	(347)	(29)	5,974	274
Regeneration	626	16	(8)	0		(230)	191	595		0	595	31
Housing & Community Development	4,012	192	(136)	87	(41)	(246)	75	3,943		0	3,943	69
Digital	3,934	69	(4)	101		(725)	270	3,645		(53)	3,592	342
Transformation & Communication	1,530	37	(5)	0	0	(165)	0	1,397		0	1,397	133
Workforce & OD	1,944	0	(46)	0		(217)	199	1,880		(23)	1,857	87
Legal & Democratic Services	3,060	29	(19)	143	(93)	(353)	251	3,018	(20)	0	2,998	62
Finance	5,691	472	(67)	40	(40)	(250)	193	6,039		0	6,039	(348)
Corporate Activites	31,307	165	606	164		(5,546)	(130)	26,566		(45)	26,521	4,786
								0				
Total	187,581	6,368	(0)	5,336	(2,608)	(17,134)	3,008	182,552	(720)	(158)	181,675	5,906
Housing Revenue Account	0	407				(1,803)		(1,396)			(1,396)	1,396
Schools Delegated	81,858			100		(700)		81,258			81,258	600
Total	81,858	407	0	100	0	(2,503)	0	79,862	0	0	79,862	1,996
Total	269,439	6,775	(0)	5,436	(2,608)	(19,637)	3,008	262,414	(720)	(158)	261,537	7,902

Appendix B

Head of Service Commentary

		FEBRUARY FORECAST FOR THE YEAR ENDED 31ST MARCH 2021 AS PER CP/LEDGER							FEBRUARY 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 Q4	Cost Reductions not yet delivered but assured	Forecast Position 2020/21	Variance
Adult Services	63,379	1,642	269	434	106	(2,225)	481	64,086		(0)	64,086	(707)

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 March 2021 - Not included in the forecast outturn.

- Unknown future impact of Covid 19 on service costs that are not reclaimable from the Welsh Government (WG) Hardship funding.
- Stability of commissioned providers, particularly the care home sector. There is currently 2+ providers who may be at risk of failure.
- 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 £0.275 million, less £0.006 million where Adults employees redeployed to Track and Trace (T&T). The corresponding savings should be available in other (substantive) service area budgets to balance this pressure.

Income

A forecast budget pressure of £328,000, has been included which is a shortfall over and above income recovered on the Q1-3 claim to Welsh Government (WG). It is unknown if this level of lost income will remain after Q3, this will depend on the continuity of services and client choice as family members return to work and changes regarding shielding or current family arrangements break down.

Since the beginning of November, the cost of front line employees shielding has been mitigated by furlough income from WG.

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 during the pandemic. These costs will resume in 2021/22.

Cost Reductions

£3.589 million of the original target of £4.070 million has been delivered to date and included in the forecast outturn. 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.

Lost income reclaimable from WG

£106,000 has been received from WG in respect of lost income to Q3. It is very difficult to project to year end 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.

£1.030 million one off reduction in costs, 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.

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).

		FEBRUARY FORECAST FOR THE YEAR ENDED 31ST MARCH 2021 AS PER CP/LEDGER							FEBRUARY FORECAST (outside the ledger)			
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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	Income loss funded via WG	Cost Underspends	Cost Reductions not yet delivered (assured / unachieved)	Forecast	WG Lost Income assumed reclaimable for Q4	Cost Reductions not yet delivered but assured	Forecast Position 2020/21	Variance
Children's Services	26,013	972	0	0		(1,420)	508	26,073		0	26,073	(60)

Children's Services Overview

Cost Pressures

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.

Increase in decision making and practitioner capacity at the Front Door and in Early Help. Pressure in Early Help has increased further.

Redeployment

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

Income

N/A

Cost Underspends

All underspends are due to additional one-off Grant Funding, or utilisation of existing grant allocations over a variety of projects. Due to business continuity some projects have not occurred at the planned pace, so eligible base line budget costs have been utilised to ensure funding allocation drawn down if within the grant terms and conditions.

Cost Reductions

Savings were identified of £2.50 million in the 2020/21 budget setting process. To date £1.99 million has been achieved in the main as a result of step downs due to the closer to home project. With £0.51 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.

Other mitigating actions to deliver a balanced budget.

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

		FEBRUARY FORECAST FOR THE YEAR ENDED 31ST MARCH 2021 AS PER CP/LEDGER							FEBRUARY 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 Q4	Cost Reductions not yet delivered but assured	Forecast Position 2020/21	Variance
Commissioning	3,193	0	0	0		(216)	0	2,977		0	2,977	216

Commissioning Overview

The forecast outturn is a combination of staff slippage from vacancies and mileage underspends, due to home working and face to face meetings/contract monitoring not occurring. Additionally, to maximise grant allocations, due to business continuity and planned expenditure not occurring due to the pandemic, if the grant terms and conditions could be met, then percentages of baseline staff who have contributed to the project have been utilised. This frees up the baseline budget in 2020/21 but will be required in 2021/22. This underspend will mitigate the overspends in Adults & Children's services.

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		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 Q4	Cost Reductions not yet delivered but assured	Forecast Position 2020/21	Variance
Education	8,625	322	(18)	206		(860)	0	8,275		0	8,275	350

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	81,858			100		(700)		81,258			81,258	600

Schools Delegated Overview

Cost Pressures

- Overall, at 31 March 2020, schools were £910k in deficit and currently budgeted to draw a further £973k from reserves by 31 March 2021. The latest forecasts show a contribution to reserve of £613k 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

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 for all four quarters in the year. WG will not cover the loss on donations.

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Highways Transport & Recycling + Director	28,019	831	(93)	1,412	(1,100)	(1,980)	619	27,708	(353)	(8)	27,347	672

Highways Transport & Recycling Overview

Overview

Highways, Transport and Recycling are reporting a forecast outturn **underspend of £311k** at the end of period 11, the position has improved since reporting in December where an underspend of £10k was forecast. It is expected this underspend will increase to £672k by year end.

Cost Pressures

- **£493k Adverse – Waste Collection.** A forecast outturn over spend of 493k is reported at the end of February (£451k in December). The main reason for this change in position is due to a decrease in forecast income against trade waste forecast income.
- **£429k (£559k in December) overspend on Car Parks,** £1.01m resulting from the reduced opportunity to earn income from on/off street parking and enforcement, arising from the impact of COVID-19, which is offset by £703k grant income expected from Welsh Government to support loss of income for the April to December period, and £18K grant job retention grant received from Welsh Government for the April to July period and a £156k unachieved savings target.

Lost Income

- Forecast under achievement of income, mainly because of COVID-19 of **circa £1.4m**. The main areas this has affected is Trade Waste income and car park income.

Cost Underspends

- **An under spend of £841k** on Home to School and College Transport because of the reduction (operators paid at 75%) in supplier costs due to school closures, additionally a saving is forecast on dual base payments due to children not travelling between schools.
- **An under spend of £335k** on Public Transport mainly as a result of the grant funding received to fund the Traws Cymru Bus Service, that was previously funded by base budget.
- Backdated income received from NMWTRA for holiday pay supplements in previous years of £118k
- **There is an under spend of £286k** reported because of vacant management & supervisor posts and reduced private contractor spend in Highways Operations.
- **An under spend of £290k** against street works as a result of increased income.

Cost Reductions

- HTR has a savings target of £1.1 million and have achieved £489k to date and expected to achieve a further £10k in the remaining year. The remainder of savings will need to be rolled over into 2021/22 to the sum of £610k, with main elements being:
 - a. Green Waste - £91k
 - b. HWRC's - £70k
 - c. Parking Charges - £156k; and
 - d. Reduction in Winter Service Provision - £130k

Lost Income reclaimable from WG (Possibly)

- The position of a **£311k underspend overall for HTR** does not consider any further income support from the Welsh Government Hardship fund; if more support is granted for Qtr. 4 the forecast outturn position will improve.

Cost Reductions Mitigations

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

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Property, Planning & Public Protection	6,248	1,621	(479)	2,749	(1,440)	(2,701)	352	6,350	(347)	(29)	5,974	274

PPPP Overview

Cost Pressures

- Trading Standards have a large overspend as a result of experiencing a loss of income and the cost of an ongoing large-scale illegal tobacco investigation.
- Strategic Property have experienced several cost pressures relating to items such as HOWPS, ICT, legal fees, telephones, and other services.
- 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.
- Covid-19 has impacted on the Environmental Protection ability to generate income.
- Covid-19 has impacted on the Trading Standards ability to generate income.
- Covid-19 has impacted on the Catering Services ability to generate income.

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:

- Planning Policy.
- Development Management.
- Environmental Health (Commercial).

- Environmental Health (Environmental Protection).
- Corporate Property.
- Catering supplies.

Cost Reductions

Covid-19 has limited the service areas ability to achieve savings/income targets. Management of change processes were recommenced 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 has limited the scope of this proposal.

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Regeneration	626	16	(8)	0		(230)	191	595		0	595	31

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, although this must be balanced

against the recent budget announcements and requirements for the team to support funding bids.

Other mitigating actions to deliver a balanced budget

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

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Housing & Community Development	4,012	192	(136)	87	(41)	(246)	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.

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	407				(1,803)		(1,396)			(1,396)	1,396

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)	101		(725)	270	3,645		(53)	3,592	342

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, WCCIs structure and management of change process is now complete to introduce a sustainable support team going forward with agreed budgets.

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	(5)	0	0	(165)	0	1,397		0	1,397	133

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	(46)	0		(217)	199	1,880		(23)	1,857	87

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	29	(19)	143	(93)	(353)	251	3,018	(20)	0	2,998	62

Legal Overview

Cost Pressures

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

Income

Total Lost income of £143K is made up of Land Charges Lost income of £68k plus £37k lost income from Registrars (Loss of income from ceremonies) and £37k from legal fees.

Cost Underspends - is mainly 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	472	(67)	40	(40)	(250)	193	6,039		0	6,039	(348)

Finance Overview

Cost Pressures

- General issues around costs not funded by WG**

There are some staffing cost pressures due to part time staffing undertaking additional hours to support covid 19 activities, including processing of the business grants and administering the £500 carers grant, Welsh Government have provided additional administration grant funding now to support some of these expenses.

Insurance claims continue to rise and we have now added a provision of £300k to this cost centre. Employers liability is forecast at an additional £150k almost doubling, Public Liability increased by £150k. In addition the cost of insurance premiums which were renewed in December have increased by £150k per annum, of which £50k is attributable to this financial year. Additional base budget has been approved to fund the extra cost of premiums in 2021/22.

Redeployment

We have a member of staff working on Track and Trace, but have backfilled his post, and this is being claimed against Welsh Government

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	165	606	164		(5,546)	(130)	26,566		(45)	26,521	4,786

Corporate Overview

Cost Pressures

Previously we reported a cost pressure of £1.315 million. This figure has largely been addressed, the additional pay award of 0.75% which has been back dated to 1st April, £635k as a one off budget virement has been funded in year by the Risk budget and fully funded in 2021/22 as part of budget setting. In addition Welsh Government have also funded the shortfall on Council Tax Reduction £628,861.

Income

Previously we have reported an expected shortfall on council tax collection forecast at £1m, based on collection rates being 0.66% below expectation. Welsh Government have funded some of this shortfall, £621,503 has been received.

Cost Underspends

Corporate underspends have improved by a further £1.551 million since the last report. The Council has benefited from two unhypothecated grants received from Welsh Government, both of which have been held centrally to contribute towards the £1.8 million Powys Recovery Reserve and MRP contribution £767,000 agreed as part of the budget setting process for 2021/22, the latter having been actioned through the ledger.

- £1,093,201 to support digital services
- £1,093,201 to contribute towards the undelivered savings in year

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 £2.928m underspend although this then mitigates increased

Minimum Revenue Provision demands of £1.67m (this includes the additional £767,000 MRP contribution) due to a greater completion of some schemes in year.

