



SPECIAL COUNCIL – 10TH SEPTEMBER 2020

SUBJECT: FINANCIAL OUTLOOK

REPORT BY: ACTING SECTION 151 OFFICER

1. PURPOSE OF REPORT

- 1.1 To provide Members with details of the provisional outturn position for the 2019/20 financial year, outline the anticipated financial impact of the Covid-19 pandemic for the 2020/21 revenue budget, and to provide an initial high-level assessment of the medium to longer-term financial outlook.

2. SUMMARY

- 2.1 The report provides a summary of the revenue budget outturn position for the 2019/20 financial year and asks Council to approve recommendations endorsed by Cabinet at its meeting on the 1st July 2020.
- 2.2 The report also provides an assessment of the financial impact of Covid-19 for the 2020/21 budget including details of additional costs that are being incurred, income that is being lost and funding that is being provided by the Welsh Government (WG). Outturn projections have been prepared based on quarter one information and the report sets out details of how the position will be monitored and reported upon through the remainder of the financial year.
- 2.3 A high-level assessment of the financial challenges for future years is also provided along with details of some of the key workstreams that will be undertaken as part of the Council's Transformation Programme.

3. RECOMMENDATIONS

- 3.1 It is recommended that Council: -

3.1.1 Notes the content of the report.

3.1.2 Supports the recommendation of the Acting S151 Officer (subsequently endorsed by Cabinet) to maintain the General Fund balance at £10.684m as previously agreed by Council on the 20th February 2020.

3.1.3 Supports the recommendation of the Acting S151 Officer (subsequently endorsed by Cabinet) that the surplus General Fund balance of £3.288m be allocated as follows: -

- £575k to fund the current deficit on the Communities Directorate Reserve.
- £2.713m to be transferred into an earmarked reserve to meet potential unfunded additional costs arising from the Covid-19 pandemic.

3.1.4 Notes the budget monitoring arrangements for the 2020/21 financial year as set out in paragraphs 5.5.8 and 5.5.9 of this report.

4. REASONS FOR THE RECOMMENDATIONS

- 4.1 To ensure that Council is aware of the current financial position, and to take the prudent step of setting aside an initial element of one-off funding to address unfunded additional costs arising from the ongoing Covid-19 pandemic.

5. THE REPORT

5.1 2019/20 Provisional Outturn

- 5.1.1 At its meeting on the 1st July 2020 Cabinet was presented with the provisional revenue budget outturn position for the 2019/20 financial year, which is attached as Appendix A and summarised in the table below: -

	£m
Net Service Directorate Underspends	4.153
Miscellaneous Finance Underspend	2.315
Council Tax Surplus	1.305
Housing Revenue Account (HRA) Underspend	6.701
Schools Overspend	(1.251)
Total: -	13.223

- 5.1.2 The 2019/20 Service Directorate underspend of £4.153m represents 1.77% of net Directorate budgets. During the 2019/20 financial year Officers continued to be mindful of the ongoing programme of austerity and expenditure was curtailed in several areas to support the Medium-Term Financial Plan (MTFP). This prudent approach resulted in several savings being achieved in advance and underspends being higher than would normally be the case.
- 5.1.3 After adjusting for earmarked reserves, 50% of underspends are carried forward by Directorates and are available to meet the requirements of these service areas. The remaining balance is transferred to the General Fund. Overspends are normally funded from future Directorate budgets or balances brought forward from previous years. Service reserves held by Directorates can be used to fund one-off cost pressures or to pump-prime service reconfiguration, but they cannot be relied upon to deliver balanced budgets on a recurring basis.
- 5.1.4 The table in Appendix B shows the movements on the General Fund balance from the 1st April 2019 to the 31st March 2020, along with agreed commitments for 2020/21. The forecast General Fund balance as reported to Council on 20th February 2020 was £13.261m. This reduced to £10.684m following Council approval to transfer £2.577m into Capital Earmarked Reserves to support investments in the 'place shaping' agenda. The updated position is a projected balance £13.972m, an increase of £3.288m. The variations to the forecast are as follows: -

	£m
Increased Contribution from Service Areas (including Miscellaneous Finance)	3.033
Additional 2019/20 Council Tax Surplus	0.255
Net Increase: -	3.288

- 5.1.5 At its meeting on the 1st July 2020 Cabinet endorsed a recommendation from the Acting S151 Officer that the General Fund balance should be maintained at £10.684m, as approved by Council on the 20th February 2020. Cabinet also endorsed a recommendation that the updated surplus General Fund balance of £3.288m should be allocated as follows: -

- £575k to fund a deficit on the Communities Directorate Reserve, which was due in the main to the reported overspend for 2019/20; and
- £2.713m to be transferred into an earmarked reserve to meet potential unfunded additional costs arising from the Covid-19 pandemic.

5.1.6 Council is asked to approve the recommendations endorsed by Cabinet.

5.1.7 Council should note that the proposed Covid-19 reserve of £2.713m cannot be used to fund additional cost pressures in the Housing Revenue Account (HRA).

5.2 Coronavirus Pandemic (Covid-19)

5.2.1 The emergence of the Coronavirus across the world and more recently across the UK has posed a significant and unprecedented challenge to our way of life and the way in which we provide services.

5.2.2 In response to the pandemic and lock-down the Authority has refocussed, repurposed and reshaped its priorities and how it works within a very short timescale. This has ensured that we have been best placed and equipped to respond to the immediate needs of our communities.

5.2.3 The Authority has incurred significant additional costs due to the pandemic and is also losing income in several key areas. Additional costs of £5.315m have been incurred for the period March to July 2020 in key areas such as Social Care, the provision of Personal Protective Equipment (PPE), Information Technology, the establishment of Community Hubs for childcare provision and Free School Meals.

5.2.4 The additional cost figures do not include an increase in applications for Council Tax support through the Council Tax Reduction Scheme (CTRS), where we are currently projecting a 5.4% increase in expenditure compared to last year. On the 28th August 2020 it was announced that £2.85m would be allocated to local authorities from the Welsh Government Coronavirus Emergency Fund to meet the additional CTRS costs for the first quarter of the 2020/21 financial year.

5.2.5 Income lost totals £1.819m for the period March to June 2020 with key areas being Leisure Centres, Tourism Venues and School Catering. The income lost figures do not include Council Tax where collection rates are being adversely affected by the economic impact of the pandemic. Collection rates for the first quarter of the financial year are 2.14% lower than for the same period last year, albeit that an element of this will be due to payment deferrals being agreed where requested. WG is keeping the position under review and has not committed to additional funding at this stage.

5.2.6 Maintaining financial sustainability in the medium to long-term is an 'Amber Risk' on the Authority's Covid-19 Risk Register, which is regularly reviewed and updated by the Corporate Management Team. The position will be closely monitored throughout the 2020/21 financial year using our established budget monitoring processes.

5.2.7 As already mentioned, at its meeting on the 1st July 2020, Cabinet endorsed a recommendation in the Provisional Outturn for 2019/20 Report to transfer £2.713m into an earmarked reserve to meet potential unfunded additional costs arising from Covid-19. Council is asked to approve the establishment of this reserve as an initial one-off sum to help mitigate the financial impact of the pandemic.

5.2.8 Clearly, the virus will remain with us for some time yet and the resilience of the organisation and our communities must be ensured and protected throughout. It is this primary objective that we will continue to focus upon over the forthcoming months.

5.3 Welsh Government Funding for Covid-19

5.3.1 WG initially launched a £110m Covid-19 Hardship Fund for Local Authorities to claim additional costs incurred as a direct consequence of the pandemic, with a further £22.7m subsequently being announced for Adult Social Services. This initial fund is broken down as follows: -

Description	Amount (£m)	Period Covered
Free School Meals	40.0	April 2020 to August 2020
Adult Social Care	62.7	April to September 2020
Homelessness	10.0	April 2020 to March 2021
Excess Deaths	7.0	April 2020 to March 2021
General Expenditure	13.0	April 2020 to June 2020
Total: -	132.7	

5.3.2 At an early stage it was decided to account for the additional costs of Covid-19 on distinct holding codes for each Directorate. This allows for the costs to be captured outside of Directorate core revenue budgets and provides the clarity required to submit claims for funding from the WG Hardship Fund. It also ensures that there is a clear evidence base to substantiate the costs.

5.3.3 As mentioned in paragraph 5.2.3 additional costs of £5.315m have already been incurred for the period March to July 2020. These costs have been claimed from the Hardship Fund and the table below provides a summary of the current position: -

Month	Claim (£m)	Paid (£m)	Disallowed (£m)	Pending (£m)
March	0.013	0.013	0.000	0.000
April	0.439	0.366	0.073	0.000
May	1.270	1.189	0.010	0.071
June	2.589	2.037	0.316	0.236
July	1.004	0.000	0.000	1.004
Totals: -	5.315	3.605	0.399	1.311

5.3.4 Members will note from the above that WG have reimbursed £3.605m of the total costs claimed to date, with £399k being disallowed and therefore not funded. The most significant elements of disallowed expenditure relate to the Housing Revenue Account (HRA) and only 50% of IT equipment purchases being funded. The bulk of the pending figure of £1.311m relates to the July claim which is currently being considered by WG with the balance of £307k largely consisting of Free School Meals expenditure which is still under consideration.

5.3.5 The disallowed expenditure will either need to be charged back to service revenue budgets or be funded from the proposed £2.713m Covid-19 earmarked reserve.

5.3.6 In addition to the Hardship Fund, WG has also made funding of £78m available for income loss during the first quarter of the financial year. Caerphilly CBC has submitted a claim of £1.819m covering the period April to June 2020, of which £1.430m has been paid by WG to date. Further details have been requested in respect of the balance of £0.389m and this was sent to WG on the 28th August 2020.

5.3.7 Whilst the initial package of WG funding was of course welcomed, there remained considerable uncertainty in respect of additional funding for the remainder of the 2020/21 financial year and the potential significant financial impact for local authorities. However, on the 17th August 2020 there was a welcome announcement by WG of an additional £264m Covid-19 funding package for local authorities in Wales.

5.3.8 This additional funding is intended to help cover increased costs, manage loss of income pressures, and to fund additional cleaning requirements for schools in response to the coronavirus crisis. With the real possibility of further peaks during the autumn and winter months this investment provides local authorities with the confidence to prepare their budgets for a potential second wave. The funds will continue to be allocated on a claims basis and further details are awaited of the specific terms and conditions attached to the funding.

5.4 Projected Outturn for 2020/21 (Month 3)

5.4.1 During July and early August budget monitoring reports were prepared based on financial information available for the first quarter of the financial year. It is important to stress that these reports and the associated year-end projections were prepared in advance of the £264m additional funding announcement by WG on the 17th August 2020.

5.4.2 As already outlined, the additional costs associated with Covid-19 are being captured on distinct holding codes for each Directorate and are not therefore included in the year-end revenue budget projections. At the time of preparing the month 3 budget monitoring reports this presented a significant financial risk as no new WG funding had been announced at that stage. However, the recent £264m funding announcement has to a large extent mitigated this risk albeit that the position will need to be closely monitored as we progress through the remainder of the financial year.

5.4.3 The month 3 budget monitoring reports do include assumptions and projections on income loss that are included in the year-end projections. The projections include the following: -

- Actual income loss for quarter 1.
- Projected income loss for the remainder of the financial year.
- WG funding for quarter 1 only.

5.4.4 Based on the above the projected revenue budget overspend for the 2020/21 financial year is £4.597m as summarised in Appendix C. This position will significantly improve because of the new WG funding announcement and the impact of this will be reflected in the budget monitoring reports that will shortly be prepared based on the month 5 position. It is important to note that the current projections for Education & Lifelong Learning exclude a forecast outturn position for schools.

5.4.5 The following paragraphs summarise some of the key issues in the month 3 budget monitoring reports.

Education & Lifelong Learning (Projected Overspend of £85k)

5.4.6 A net overspend of £85k is currently forecast for Education & Lifelong Learning. The main variances in excess of £50k are the following: -

Service Area	Projected Underspend / (Overspend) £000's
Relief Supply Cover (SRB's / Maternity)	(311)
Home to School / College Transport	376
Vulnerable Learners	(429)
Early Years Central Team	149

5.4.7 Due to the unpredictability of maternity absences across all school sectors, it is very difficult to project the position for the year. Based on current data and reviewing spend on maternity in prior years the current projection is an overspend of £311k. This budget funds the maternity absence of staff in schools, with the schools funding the replacement teacher costs.

5.4.8 The position with transport is particularly challenging at the moment. Early in the pandemic it was agreed across Wales that transport contract values would be supported to the level of 75% (April to August 2020), with a real concern that operators would go out of business without support and not be available when schools and colleges reopen. There have only been a small number of contracts that have continued during the pandemic, relating to pupils who have accessed the Trinity Fields Hub. On a budget of circa £7m the current projected underspend is £376k. However, uncertainty with regards to many issues could easily change this position, most notably: -

- Guidance with regards to social distancing, numbers on vehicles, use of taxis, multiple trips, staggered runs etc. may impact on contract values.
- Despite payments being made at 75% of contract values, Covid-19 has affected cashflow and profitability for many operators e.g. through the lack of school trips and coach holidays. This could still result in some providers becoming financially unsustainable leading to increased costs through sourcing alternative provision from a limited pool of providers.

5.4.9 The most significant cost pressure within the Directorate continues to be in relation to services for vulnerable learners, in particular Education Other Than at School (EOTAS) provision and additional support spend. There is currently a projected overspend of £429k. The EOTAS Strategy was approved by Cabinet on the 30th July 2020 and further work will now be undertaken in respect of a financial model to support the strategy.

5.4.10 The projected underspend against the Early Years Central Team is due to the success of the team in accessing specific grant funding to support staff related costs. This grant funding relates to a number of WG grants e.g. Flying Start and Childcare. At this stage the continuation of some of this grant funding remains uncertain for future years.

5.4.11 As previously mentioned, it is important to note that the current projections for Education & Lifelong Learning exclude a forecast outturn position for schools. There are a number of issues that will require further consideration moving forward, most notably: -

- The impact of the confirmed 3.1% Teachers' pay award from September 2020. The 2020/21 budget assumed a pay award of 2% which means that there will be a potential shortfall of circa £800k. It remains to be seen whether WG will provide any additional funding to meet this additional cost
- There will be significant additional cleaning costs in schools, albeit that an element of the £264m additional funding announced by WG will be targeted at this area.
- There could be additional staffing costs arising from guidance and risk assessments that may result in some staff being unable to be physically present in schools.
- There will be an additional cost in respect of face coverings for pupils and staff.

Social Services (Projected Overspend of £996k)

5.4.12 Information available as at month 3 suggests a projected year-end overspend of £996k for the Directorate of Social Services.

5.4.13 A net overspend of £1.616m is projected for the Children's Services Division with the most significant areas of projected overspend being in relation to Residential Care and Fostering & Adoption.

5.4.14 Despite significant investment in the Residential Care budget due to increasing demand, the committed cost of placements still exceeded the budget available at the start of the current financial year by circa £300k. At that time, it was felt that this over-commitment could be managed down through the repatriation of some placements into the new in-house residential home, Ty Isaf. Unfortunately, this has not been possible due to the delayed opening of the home. Demand for residential care has continued to increase throughout the first quarter of

the financial year and an overspend of £1.208m is forecast as a result of supporting additional placements.

- 5.4.15 There has been a 13.5% increase in demand for foster placements since the 2020/21 budget was approved, contributing to a projected overspend of £243k in respect of Fostering & Adoption costs. However, it has been possible to accommodate this additional demand with relative carers or Caerphilly's in-house foster carers, which is less expensive than placements made through independent fostering agencies. If this had not been possible and the additional demand had been accommodated with independent agencies, then the potential overspend in this area would be in excess of £1.25million.
- 5.4.16 The Adult Services Division is currently projected to underspend its budget by £476k. There are a range of offsetting overspends and underspends across the Division and the position will be closely monitored as we progress through the remainder of the financial year.
- 5.4.17 Significant additional costs are being incurred by Social Services as a direct consequence of Covid-19, totalling £3.23m for the period March to July 2020. As already explained, these additional costs are captured on distinct holding codes pending claims against the WG Hardship Fund and are not therefore included in the year-end revenue budget projections. At the time of preparing the month 3 budget monitoring report these additional costs presented a significant financial risk for the Directorate moving forward but the £264m WG funding announcement has now mitigated this risk to a large extent.

Communities (Projected Overspend of £4.274m)

- 5.4.18 The projected outturn position for the Communities Directorate is an overspend of £4.274m. This is the area where income loss as a direct consequence of Covid-19 is most keenly felt. As outlined in paragraph 5.4.3 the current projection assumes the following: -
- Actual income loss for quarter 1.
 - Projected income loss for the remainder of the financial year.
 - WG funding for quarter 1 only.
- 5.4.19 The £264m additional funding that was announced by WG since the month 3 budget monitoring reports were prepared will have a positive impact on updated projections moving forward. The impact of this will be reflected in the budget monitoring reports that will shortly be prepared based on the month 5 position.
- 5.4.20 The Regeneration & Planning Division is projecting an overspend of £562k, primarily linked to lost income in tourism venues due to Covid 19, and shortfalls in income in relation to industrial properties, planning and building control fees and search fees. This is partly offset by underspends in other services, such as tourism events as the events have been cancelled due to the pandemic.
- 5.4.21 The Infrastructure Division is projecting a net overspend of £705k on its £19.92m budget. A significant element of this is a projected overspend of £484k in Transportation Engineering which is mainly due to reduced income linked to Covid 19 in a number of service areas, including car parking, civil parking enforcement and road safety and transport grants.
- 5.4.22 The Community & Leisure Services Division is projecting a net overspend of £2.397m. The most significant element this relates to the closure of Leisure Centres and the associated loss of income of circa £220k per month. This is compounded by the fact that staffing costs are still being incurred and a large element of other operating expenditure is fixed in nature and cannot easily be reduced while the centres are closed.
- 5.4.23 Leisure Centres are reopening on a phased basis from September 2020, which will result in some income being generated. However, the income levels are very difficult to predict given that the phased approach will include the unlocking of more activity and increasing user

numbers across a number of months. For now, the month 3 projections assume that income generation will be circa 22% of normal levels for the remainder of the financial year. This position will, however, change significantly given the £264m additional funding announced by WG and a more positive projection will be reflected in the month 5 budget monitoring reports.

- 5.4.24 The Public Protection Division is projecting an overspend of £610k, which is primarily due to Catering and the impact of Covid 19 on income generation and free school meal provision.
- 5.4.25 The Catering Service is currently receiving no cash income due to schools being closed. It is assumed that this will continue to be the case until at least November 2020, and it is difficult to predict what income levels will be thereafter. The staff restaurant at Ty Penallta is also closed and is likely to be for the foreseeable future. An improved position will be reported for month 5 based on the WG £264m funding announcement.

Corporate Services (Projected Underspend of £237k)

- 5.4.26 The Directorate of Corporate Services is currently projecting a net underspend of £237k. One area of concern is Private Sector Housing where a projected overspend of £235k is anticipated at this stage, largely due to shortfalls in fee income. This income is generated from charges for works carried out, which are typically capital in nature such as the WHQS programme, Home Repair Grants and Loans and Adaptations. Unfortunately, due to the Covid-19 restrictions, officers have been unable to progress with any works (other than emergencies), and as such there has been a sharp reduction in fee income. Further monitoring of this service is necessary now that some operations are starting to return to normal, and the impact can then be more accurately measured.

Miscellaneous Finance (Projected Underspend of £520k)

- 5.4.27 A net underspend of £520k is projected for budgets in Miscellaneous Finance.
- 5.4.28 Members may recall that as part of the 2020/21 approved budget it was proposed to redirect £20m of our current investments into long-term investments (a property fund, an equity fund and a bond fund). This £20m investment would have been locked in for a minimum of 3 to 5 years but there would be a significant improvement on returns estimated at £718k per annum. Due to the pandemic and the associated economic impact these proposed investments are currently on hold. Furthermore, we are seeing a reduction in returns on our wider investment portfolio resulting in a projected total shortfall against budget of £918k. However, this has been offset by a projected underspend on debt interest payments due to no new borrowing being undertaken in the year to date.
- 5.4.29 A meeting has been scheduled with our Treasury Advisors (Arlingclose) to review our current investment with a view to securing an improved return during these difficult times.

Housing Revenue Account (HRA)

- 5.4.30 A net underspend of £36k is projected for the HRA. However, since this projection was prepared confirmation has been received from WG that Covid-19 additional costs and lost income for the HRA will not be funded from the Hardship Fund or from the newly announced funding of £264m.
- 5.4.31 Additional costs and lost income totalled circa £297k during the first quarter of the financial year. This will now need to be funded within the HRA along with further additional costs and lost income during the remainder of the financial year.
- 5.4.32 As a result of the pandemic there has also been an increase in the level of rent arrears. All tenants have been contacted by phone, text or letter during lockdown and offered support. Those that we have been unable to contact, or have not maintained payment plans, are being

sent letters requesting contact and reminding them that court action/eviction processes will recommence after the 20th September 2020.

5.4.33 An updated position will be provided in the month 5 budget monitoring report.

Brexit

5.4.34 A further consideration for the 2020/21 budget and beyond is the impact of Brexit. Since the first “no deal deadline” of the 29th March 2019 there have been a series of intensive Brexit discussions at a UK/EU level. This resulted in the Brexit Withdrawal Agreement being signed in January 2020, but little concrete progress has been made since that time.

5.4.35 The 21-month transition period, that was agreed will end on the 31st December 2020, is fast running out. Negotiations have been ongoing but to date there appears to have been little progress. This means that we will approach a new “no deal cliff edge”. The UK Government did not apply for an extension to the transition period by the deadline of the 30th June 2020, so we are now facing a heightened risk that the UK will leave the EU without a deal at the end of December 2020.

5.4.36 The ongoing uncertainty surrounding the UK’s exit from the European Union is inevitably creating challenges for the Council and the communities that we support. Despite this high level of uncertainty, it is important that the Council is taking steps to prepare for the potential impacts arising from Brexit, particularly leaving in a “no deal” scenario. It is also important to ensure that funding is set aside to meet any potential short to medium-term financial implications.

5.4.37 An internal Brexit Working Group has been established to ensure that appropriate actions are taken to help mitigate the risks of Brexit. Key risks have been identified in respect of: -

- potential disruption to the supply chain;
- potential increases in prices for goods and services;
- potential impact on the supply of labour, particularly for commissioned services; and
- potential negative impacts on small businesses in the short to medium-term, along with the potential for a lack of inward investment in the longer-term.

5.4.38 This list is not exhaustive, and the Brexit Working Group will continue to meet during the coming months to ensure that all potential impacts are considered and that appropriate mitigating actions are identified wherever possible.

5.4.39 Given the high level of uncertainty and the potential negative impacts of Brexit the Council has agreed to set aside one-off funding of £1m to meet any financial implications that may arise.

5.5 Financial Outlook for Future Years

5.5.1 It is too early to fully understand the financial impact of Covid-19 in the medium to longer-term and there is significant uncertainty around the level of funding that local authorities will receive for 2021/22 and beyond.

5.5.2 The UK Government is currently undertaking a Comprehensive Spending Review (CSR), the details of which will be announced in the autumn. As a consequence of this we are not likely to receive the 2021/22 Provisional Local Government Financial Settlement until December 2020. In a normal year this would be received in October. It is also likely that the CSR will focus on one financial year only and will not provide indicative budgets for future years.

5.5.3 The financial challenges that we face are unprecedented and it is inevitable that some very difficult decisions will need to be made. Even before the emergence of Covid-19 it was widely accepted that the Council cannot continue as it is, and an acknowledgement that we need to

examine the way in which we use our resources to deliver the services required by our communities across the county borough.

- 5.5.4 Members will recall that at its meeting on the 12th June 2019 the Cabinet approved the Future Caerphilly Transformation Strategy, **Team Caerphilly – Better Together**. This Strategy sets out details of a major transformation programme to examine how services are prioritised, how they can become more business efficient, to explore opportunities for greater customer focus and digital delivery, and to consider alternative delivery models and seek out commercial opportunities. Furthermore, to enable the Council to continue providing high quality value for money services in an environment that will require new approaches and new skills, the strategy acknowledged that a new relationship will need to be built with staff and communities.
- 5.5.5 Good progress was made during the 2019/20 financial year in implementing the Strategic Action Plan that underpins the Transformation Strategy. The emergence of Covid-19 and the required response has accelerated the pace of change in some areas and we will now seek to build on this moving forward to ensure that we can offer cost effective, resilient services that meet the needs of our communities through these challenging times and in the medium to longer-term.
- 5.5.6 The learning that the Council has developed through its response to COVID-19 has helped reshape and expand the transformation programme. At its meeting of the 16th July, Cabinet endorsed the inclusion of ten corporate reviews within the TeamCaerphilly programme, all of which expand on or embed further many of the positive changes implemented in response to Covid-19. The Corporate Reviews are as follows: -

1	Walk in Services Review	OneCouncil	Learning Organisation
2	Remote Contact Review		
3	Front Line Delivery Review		
4	Support Services Review		
5	Information, Insight and Intelligence Review		
6	Flexible Working Review	Workforce & Resources	
7	Sustainable Financial Planning Review		
8	Workforce Development Review		
9	Corporate Volunteering & Community Partnership Review		
10	Decision-Making Review		

- 5.5.7 The Council's Medium-Term Financial Plan (MTFP) will be updated during the coming months and this will be the subject of a further report for Cabinet and Council.

Conclusion

- 5.5.8 Despite the ongoing challenges faced by the Council the financial position was well managed during 2019/20. The current pandemic is presenting significant new financial challenges for the 2020/21 financial year and beyond and this is being closely monitored. Further detailed budget monitoring reports will be prepared for periods 5, 7 and 9 and these will be scheduled for consideration by Scrutiny Committees. Overarching reports will also be prepared for Cabinet and Council.
- 5.5.9 A separate report will also be presented to Cabinet and Council in due course providing details of an updated Medium-Term Financial Plan (MTFP).

6. ASSUMPTIONS

- 6.1 A number of initial assumptions were made in the preparation of the month 3 budget monitoring reports in respect of WG funding for Covid-19 related additional costs and lost income. These will be revisited in light of the subsequent £264m funding announcement by WG and updated projections will be incorporated into the month 5 budget monitoring reports.

7. LINKS TO RELEVANT COUNCIL POLICIES

- 7.1 Effective financial planning and maintaining expenditure within approved budgets supports the following Well-being Goals within the Well-being of Future Generations Act (Wales) 2015: -

- A prosperous Wales.
- A resilient Wales.
- A healthier Wales.
- A more equal Wales.
- A Wales of cohesive communities.
- A Wales of vibrant culture and thriving Welsh Language.
- A globally responsible Wales.

8. WELL-BEING OF FUTURE GENERATIONS

- 8.1 Effective financial planning and the management of expenditure within approved budgets are key elements in ensuring that the Well-being Goals within the Well-being of Future Generations Act (Wales) 2015 are met.

9. EQUALITIES IMPLICATIONS

- 9.1 There are no direct equalities implications to this report in terms of the financial information presented.

10. FINANCIAL IMPLICATIONS

- 10.1 As detailed throughout the report.

11. PERSONNEL IMPLICATIONS

- 11.1 There are no direct personnel implications arising from this report.

12. CONSULTATIONS

- 12.1 There are no consultation responses that have not been reflected in this report.

13. STATUTORY POWER

- 13.1 Local Government Act 1972.

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Consultees: Corporate Management Team
Cllr Eluned Stenner, Cabinet Member for Finance, Performance and Planning
Mike Eedy, Finance Manager, Communities
Dave Roberts,
Andrew Southcombe, Finance Manager, Corporate Finance
Jane Southcombe, Financial Services Manager, Education & Lifelong Learning
Mike Jones, Interim Financial Services Manager, Social Services
Lesley Allen, Principal Accountant, Housing
Rob Tranter, Head of Legal Services & Monitoring Officer

Background Papers:

- Brexit (Council 22/01/19).
- Future Caerphilly Transformation Strategy - #TeamCaerphilly – Better Together (Cabinet 12/06/19).
- Budget Proposals for 2020/21 and Medium-Term Financial Outlook (Council 20/02/20).
- Provisional Outturn for 2019/20 (Cabinet 01/07/20).
- Strengthening TeamCaerphilly (Cabinet 22/07/20).

Appendices:

Appendix A - Provisional Outturn Summary 2019/20.

Appendix B - Movement on General Fund.

Appendix C – Summary of Projected 2020/21 Outturn (Month 3).

PROVISIONAL OUTTURN 2019-20**SUMMARY**

SERVICE AREA	UNDERSPEND (OVERSPEND) £m	TAKE TO GENERAL FUND £m
Education & Lifelong Learning	(0.660)	0.000
Social Services	3.996	1.978
Communities	(0.643)	0.000
Corporate Services	1.459	0.341
Miscellaneous Finance	2.315	2.315
Council Tax Surplus	1.305	1.305
TOTALS	7.772	5.939

OTHER	UNDERSPEND (OVERSPEND) £m	TAKE TO GENERAL FUND £m
Housing Revenue Account (HRA)	6.701	N/A
Schools	(1.251)	N/A
OVERALL TOTAL SURPLUS	13.222	5.939

Service area surpluses are subject to a 50% take to General Fund balances after specific agreed earmarking of funds.

Miscellaneous Finance has been subject to specific previously agreed earmarking of funds prior to transfer to working balances.

Council Tax surpluses are transferred in total to General Fund balances.

School and HRA balances must be ring-fenced to those service areas. The underspend for the HRA will be carried forward and utilised to support the WHQS Programme.

MOVEMENT ON GENERAL FUND

	£m	£m
Opening Balance 01/04/2019		15.090
Use of Funds as Previously Agreed by Council: -		
Outturn Contribution to Capital 2018-19	(2.380)	
Budget Strategy Contribution 2019-20	(1.050)	
Contribution to Capital – Place Shaping Agenda 2019-20	(2.577)	
Total Funds Taken In-Year		(6.007)
Funds Transferred into General Fund: -		
Social Services & Housing, - 50% of 2019-20 Underspend	1.978	
Corporate Services – 50% of 2019-20 Underspend	0.341	
Miscellaneous Finance – 2019-20 Underspend	2.315	
Council Tax Surplus 2019-20	1.305	
Total General Fund Contribution 2019-20		5.939
Total In-Year Movement		(0.068)
Closing Balance 31/03/2020		15.022
2020-21 Commitments Previously Agreed by Council: -		
2019-20 Council Tax Surplus to Support 2020-21 Budget Savings	(1.050)	
		(1.050)
Anticipated Closing Balance 31/03/2021		13.972

Summary of Projected 2020/21 Outturn (Month 3)

Directorate/Service Division	Revised Estimate	Projected Outturn	Variance (Over)/Under
	£000's	£000's	£000's
Education & Lifelong Learning			
- Schools Related	118,513	118,381	131
- Education	16,591	16,805	(214)
- Lifelong Learning	3,799	3,801	(2)
Sub-Total: -	138,903	138,988	(85)
Social Services			
- Children's Services	25,143	26,759	(1,616)
- Adult Services	65,962	65,486	476
- Service Strategy & Business Support	2,131	1,988	143
Sub-Total: -	93,236	94,233	(996)
Communities			
- Director's Office	175	175	0
- Regeneration & Planning	2,214	2,777	(562)
- Infrastructure	19,917	20,621	(705)
- Community & Leisure Services	21,673	24,070	(2,397)
- Public Protection	7,450	8,060	(610)
Sub-Total: -	51,429	55,703	(4,274)
Corporate Services			
- Chief Executive & Director	359	336	23
- Corporate Finance	1,864	1,963	(99)
- Digital Services	5,845	5,736	109
- Legal & Governance	3,199	3,156	43
- Business Improvement Services	1,328	1,178	150
- People Services	2,837	2,866	(30)
- Property Services	4,903	4,672	231
- Housing Services	1,628	1,817	(189)
Sub-Total: -	21,962	21,725	237
Miscellaneous Finance	50,599	50,078	520
Grand Total: -	356,130	360,727	(4,597)