



POLICY AND RESOURCES SCRUTINY COMMITTEE – 23RD FEBRUARY 2021

**SUBJECT: WHOLE-AUTHORITY REVENUE BUDGET MONITORING REPORT
(PERIOD 9)**

**REPORT BY: CORPORATE DIRECTOR FOR EDUCATION AND CORPORATE
SERVICES**

1. PURPOSE OF REPORT

- 1.1 To provide details of projected whole-authority revenue budget expenditure for the 2020/21 financial year, including an update on the funding received from the Welsh Government (WG) in respect of the financial implications of the ongoing Covid-19 pandemic.
- 1.2 To propose the use of reserves for specific purposes detailed within the report.

2. SUMMARY

- 2.1 The report provides details of the current position regarding funding received from WG in respect of additional costs incurred and income lost as a direct consequence of the ongoing Covid-19 pandemic.
- 2.2 The report also provides details of the 2020/21 projected revenue budget outturn position based on information available as at month 9 of the current financial year. Commentary is also provided throughout the report on the more significant variations against budget.
- 2.3 The report also includes proposals for the use of reserves in specific areas and the Scrutiny Committee is asked to consider these prior to the proposals being presented to Cabinet at its meeting on the 24th February 2021.

3. RECOMMENDATIONS

- 3.1 It is recommended that the Scrutiny Committee: -
 - 3.1.1 Notes the content of the report.
 - 3.1.2 Supports the proposed use of reserves totalling £648k as detailed in Section 5.3 of the report.

4. REASONS FOR THE RECOMMENDATIONS

- 4.1 To ensure that the Scrutiny Committee is aware of the projected revenue budget outturn position for the 2020/21 financial year and also has the opportunity to consider the proposed use of reserves prior to Cabinet consideration.

5. THE REPORT

5.1 Coronavirus Pandemic (Covid-19)

- 5.1.1 Members will be aware that the Authority has incurred significant additional costs due to the pandemic and is also losing income in several key areas. Additional costs of £10.846m have been incurred for the period March to December 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.
- 5.1.2 At an early stage a decision was made 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 WG. It also ensures that there is a clear evidence base to substantiate the costs.
- 5.1.3 From the outset of the pandemic WG has provided funding to Local Authorities for additional costs through the Covid-19 Hardship Fund. The £10.846m additional costs incurred between March and December 2020 have been claimed from the Hardship Fund and the table below provides a summary of the current position: -

Month	Claim £000's	Paid £000's	Disallowed £000's	Pending £000's
March	13	13	0	0
April	439	366	73	0
May	1,270	1,189	21	60
June	2,589	2,333	316	(60)
July	1,004	955	48	1
August	1,174	1,017	158	0
September	1,049	880	37	132
October	1,036	939	7	90
November	1,088	1,067	20	0
December	1,184	1,040	44	100
TOTALS: -	10,846	9,799	724	323

- 5.1.4 Members will note from the above that WG have reimbursed £9.799m of the total costs claimed to date, with £724k being disallowed and therefore not funded. The most significant elements of disallowed expenditure relate to the Housing Revenue Account (HRA), certain expenditure in schools and only 50% of IT equipment purchases being funded. The bulk of the pending figure of £323k relates to Free School Meals expenditure which is still under consideration by WG.
- 5.1.5 The additional cost figures do not include further financial pressures arising from an increase in applications for Council Tax support through the Council Tax Reduction Scheme (CTRS). WG has provided further funding for this and Caerphilly CBC's share for the 2020/21 financial year totals £331k.
- 5.1.6 WG has also provided funding to compensate Local Authorities for income losses arising from the pandemic. For Caerphilly CBC, claims for income losses total £4.451m for the period March to December 2020 with key areas being Leisure Centres, Catering, Tourism Venues and Private Sector Housing. To date WG has paid £4.371m of the sums claimed with £53k being disallowed and £27k pending due to additional information being requested.

- 5.1.7 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 to the end of January 2021 are 2.2% (£1.666m) lower than for the same period last year, albeit that WG has recently announced funding of £1.122m to help mitigate the shortfall in Council Tax receipts.
- 5.1.8 Members will recall that at its meeting on the 10th September 2020, Council approved a recommendation to transfer £2.713m into an earmarked reserve to meet potential unfunded additional costs arising from Covid-19. To date there have been no calls on this funding but as part of the year-end process for the 2020/21 financial year any disallowed Covid-19 additional costs and income losses will be funded from this earmarked reserve.
- 5.1.9 Whilst the various packages of Covid-19 WG funding are of course very welcomed there is currently only a confirmed commitment for this funding until the 31st March 2021. The UK Government has allocated £766m to WG in respect of the ongoing financial impact of Covid-19 for the 2021/22 financial year but this is far below the levels of funding that have been allocated in 2020/21. This presents a significant financial risk and the position will be closely monitored as we move into the new financial year.

5.2 Projected Revenue Budget Outturn for 2020/21 (Month 9)

- 5.2.1 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.
- 5.2.2 Members will be aware that detailed budget monitoring reports are prepared for Scrutiny Committees throughout the financial year. This report is intended to provide a high-level summary position highlighting some of the key variations against budget. Based on information available as at month 9 the projected 2020/21 net year-end revenue budget underspend is £3.980m. A summary is provided by Directorate in the table below with further details provided in Appendix 1.

	Original Estimate 2020/21 £000's	Revised Estimate 2020/21 £000's	Projected Outturn 2020/21 £000's	Projected (Overspend)/ Underspend £000's
Education & Lifelong Learning	138,903	139,001	137,713	1,288
Social Services & Housing	94,864	95,194	92,801	2,393
Communities	51,429	51,727	52,602	(875)
Corporate Services	20,335	20,378	19,296	1,082
Miscellaneous Finance	50,599	49,829	49,738	91
Totals: -	356,130	356,130	352,150	3,980

- 5.2.3 The following paragraphs summarise some of the key issues in the month 9 budget monitoring reports.

Education & Lifelong Learning (Projected Underspend of £1.288m)

- 5.2.4 A net underspend of £1.288m is currently forecast for Education & Lifelong Learning. The most significant variances are the following: -

Service Area	Projected (Overspend)/ Underspend £000's
Relief Supply Cover (Maternity - Schools)	(241)
Retirement Pension Costs – School Based Staff	290
Home to School/College Transport	386
EOTAS/Additional Support/Out-of-County	236

- 5.2.5 Due to the unpredictability of maternity absences across all school sectors, it is very difficult to project the position for the year. This budget funds the maternity absence of staff members in schools with the schools funding the replacement teacher costs. Based on current data and reviewing spend on maternity in prior years the current prediction is a projected overspend of £241k for the year. In recent years this budget has also been overspent (2018/19 £153k overspend, 2019/20 £187k overspend) so a growth bid has been included in the 2021/22 Draft Budget Proposals to address this trend.
- 5.2.6 A projected underspend of £290k on the pension costs of school-based staff follows a more favourable budget position for schools in 2020/21 alongside the challenge of progressing any staff changes in schools during the end of academic year 2019/20 due to Covid-19.
- 5.2.7 Early on in the pandemic it was agreed across Wales that transport contract values would be supported to the level of 75% (April to August), with a real concern that operators would go out of business without support and not be available when schools and colleges return. There were only been a small number of contracts that have continued during the early months of the pandemic, relating to some of our pupils who accessed the Trinity Fields Hub. On a budget of circa £7m the current predicted underspend is estimated at £386k. The projection includes an estimate for the potential of two terms costs to contractors for additional cleaning and Personal Protective Equipment (PPE) linked to Covid-19.
- 5.2.8 An underspend of £236k is projected for provision to our most vulnerable learners (EOTAS/Additional Support/Out-of-County). This is due in part to additional growth approved in the 2020/21 budget but is also due to delays in some spend linked to the pandemic and new practices linked to pupil support. Budgets in this area are under review as part of the Education Other Than At School (EOTAS) Strategy.

Social Services & Housing (Projected Underspend of £2.393m)

- 5.2.9 Information available as at month 9 shows a projected year-end underspend of £2.393m for Social Services and Housing.
- 5.2.10 A net overspend of £825k is projected for the Children's Services Division. The most significant areas of overspend are £1.288m in Residential Care and £521k in Fostering & Adoption. These overspends are partially offset by underspends of £788k in Management, Fieldwork & Administration, £94k in Aftercare Support and a net underspend of £101k on other Children's Services budgets.
- 5.2.11 The Adult Services Division is currently projected to underspend its budget by £2.048m (inclusive of a projected underspend of £171k on Social Services transport costs which are managed by the Integrated Transport Unit in the Communities Directorate).
- 5.2.12 There are a range of offsetting overspends and underspends across the Division. The most significant projected overspends are £470k in Homecare and £559k in Other Domiciliary Care. Demand for Homecare has continued to grow throughout the current financial year, much of which can be attributed to restrictions on residential care admissions and avoidance of hospital admissions as a result of Covid-19. Demand for supported living placements and shared lives placements has contributed to the projected overspend in Other Domiciliary Care.

- 5.2.13 The most significant projected underspends in the Adult Services Division are £688k in Own Residential Care & Supported Living, £436k in Own Day Care, £560k in External Residential Care and £540k in External Day Care.
- 5.2.14 A significant element of the projected underspend of £688k in Own Residential Care & Supported Living relates to delays in recruiting to posts in some facilities, and the level of staff vacancies and absence cover across residential homes, respite care and supported living homes. Much of the absence cover has been provided through the redeployment of day care staff at no additional cost.
- 5.2.15 The £436k underspend forecast against our Own Day Care services can be attributed to the closure of day care facilities in response to Covid-19, as some posts will have remained vacant during the closures.
- 5.2.16 The main elements of the projected underspend of £560k in External Residential Care are £438k in respect of long-term residential care for older people and £171k for people with learning disabilities. These underspends are partially offset by increased demand for long-term placements for people with physical disabilities and people with mental health problems.
- 5.2.17 The projected underspend of £540k in respect of External Day Care provision is largely due to the temporary suspension of some services in response to Covid-19.
- 5.2.18 Within Service Strategy & Business Support there is a projected underspend of £1.053m, much of which is attributed to funding received through the WG Covid-19 Hardship Fund. Circa £562k has been claimed through this grant scheme up to December 2020 to support in-house service provision and a further £450k is expected to be claimed between January and March 2021. While some additional in-house costs due to Covid-19 are easily identifiable (e.g. Covid-19 testing in care homes) most of the additional costs are less identifiable such as sickness cover provided by existing staff and lost income due to reduced occupancy. These less identifiable costs are captured within the Adult Services projected year-end outturn position whilst the grant funding has been captured within Service Strategy & Business Support.
- 5.2.19 For Housing Services there is a projected year-end underspend of £117k.

Communities (Projected Overspend of £875k)

- 5.2.20 The projected outturn position for the Communities Directorate is an overspend of £875k.
- 5.2.21 The Regeneration & Planning Division is projecting an underspend of £90k. Shortfalls in fee income continue to be experienced in Planning Services, continuing the trend experienced in recent years. The 2021/22 Draft Budget Proposals seek to address this through realigning income budgets to reflect the actual levels of income being received. The overall net projected underspend for the Regeneration & Planning Division is largely due to additional fee income generated through supporting grant funded projects and one-off income for the administration of business grants linked to Covid-19.
- 5.2.22 The Infrastructure Division is projecting a net overspend of £427k on its £19.97m budget. The most significant element of this is an overspend of £504k in Transportation Engineering, which is mainly due to reduced income of £612k linked to car parking and the suspension of charges during the pandemic. At this stage Network Contracting Services (NCS) is anticipating a deficit of £489k with an underachievement in the income targets primarily linked to a significantly reduced workload due to Covid-19 operational issues. However, this is partially offset by projected underspends in the main highway maintenance budgets due to delays in schemes that NCS would normally be undertaking.
- 5.2.23 The Community & Leisure Services Division is projecting a net overspend of £677k. A significant element of this relates to Leisure Centres which have been closed for long periods due to Covid-19 with no income being generated. Whilst some funding has been provided by WG to partially

offset the income losses the service has elements of operating expenditure that are fixed in nature and cannot easily be reduced while the Centres have been closed. There are significant variations across budget headings within Waste Management & Cleansing due to the impact of Covid-19 but overall a net overspend of £210k is projected for these services. Caerphilly Adventures is reporting an overspend of £251k due to a significant reduction in income from schools during the pandemic. This internal income is not eligible for WG funding.

5.2.24 The Public Protection Division is projecting a net overspend of £137k.

Corporate Services (Projected Underspend of £1.082m)

5.2.25 The Directorate of Corporate Services is currently projecting a net underspend of £1.082m. This underspend is across a range of service areas and is due in the main to delays in filling vacant posts, one-off grant income and delays in fully implementing agreed restructures in some areas.

Miscellaneous Finance (Projected Underspend of £91k)

5.2.26 A net underspend of £91k is projected for budgets in Miscellaneous Finance.

5.2.27 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 have been delayed. Furthermore, we are seeing a reduction in returns on our wider investment portfolio resulting in a projected total shortfall against budget of £918k. Following recent discussions with our Treasury Advisors, Arlingclose, we will shortly be making new longer-term investments which will improve the returns moving forward. The shortfall in investment returns for the current year has been offset by a projected underspend on debt interest payments due to no new borrowing being undertaken in the year to date.

5.3 Proposed Use of Reserves

5.3.1 Proposals have been received for the use of reserves totalling £648k as follows: -

- Match-funding for Sports Wales Grant - £224k.
- Conversion of Ty Isaf into Children's Residential Facility - £140k.
- Development of Regional Hub to accommodate Gwent MyST - £100k
- Care Home Visiting and Lateral Flow Testing - £184k.

5.3.2 In order to satisfy the conditions of a Sport Wales grant of £300k towards the cost of replacing the Artificial Training Pitch (ATP) at Sue Noakes Leisure Centre and developing a Hockey Hub, and to create a 3G pitch at Idris Davies 3-18 school, the Council needs to make available £224k of match-funding. Members are asked to endorse a recommendation to Cabinet that this match-funding requirement is funded from Corporate Capital Earmarked Reserves.

5.3.3 The Children's Services Division within Social Services has secured £820k of Integrated Care Fund (ICF) grant to enable the purchase and conversion of a new residential facility for children. During March 2019 this funding was used to purchase the Ty Isaf property in Llanbradach at a cost of around £652k leaving £168k available to convert the property. A further £50k was earmarked within the Social Services capital budget to convert the garage at the property to move on accommodation for care leavers and a programme of work was agreed within the budget available. However, once work had commenced a serious fault was uncovered which required the rebuilding of the gable end wall and a further £55k was earmarked within the Social Services capital budget to fund this. A number of other faults and safety issues have been identified during the refurbishment of the property adding a further £140k to the cost of the project which cannot be absorbed within the Social Services capital budget. Members are asked to endorse a recommendation to Cabinet that the additional funding requirement of £140k is

met from Corporate Capital Earmarked Reserves.

- 5.3.4 Similarly, Integrated Care Fund (ICF) grant of £705k was secured for the development of a regional hub to accommodate the Gwent MyST (which is an intensive foster care support service) in Bargoed High Street. Initial tenders for this project were received between £1million and £1.3million so a re-scoping of the scheme was undertaken resulting in an estimated cost of around £805k. Therefore, a further £100k of funding was earmarked within the Social Services capital budget for 2020/21. However, a more recent estimate has identified a potential cost of £905k so a further £100k of funding is required to ensure the completion of the project and to protect the grant funding. Members are asked to endorse a recommendation to Cabinet that the additional funding requirement of £100k is met from Corporate Capital Earmarked Reserves.
- 5.3.5 The proposed use of reserves totalling £184k for care home visiting and lateral flow testing is for eight fixed-term 28 hours per week posts for an initial period of nine months. £10k is also included in this total for equipment. Feedback from other Local Authorities is that this is very time intensive in respect of Lateral Flow Devices as everything has to be logged on a system to link to Track, Trace & Protect (TTP). It is a significant logistical exercise as kits have to be ordered, stored and distributed to all registered domiciliary care agencies in the borough. This will then be expanded to include supported living and frontline Social Workers and Occupational Therapists. Care Homes will order their own kits, but the administrative burden will be significant. There is also a weekly reporting requirement for WG. In respect of Care Home visits there will need to be a booking system to coordinate visits across the council's six Care Homes 7 days a week so staff time is required to identify the designated visitor and explain and plan visits, which will vary depending on alert levels e.g. window, pod indoor etc. Members are asked to endorse a recommendation to Cabinet that the £184k funding requirement is met from Social Services Retained Underspend Reserves.

5.4 Conclusion

- 5.4.1 Despite the ongoing challenges faced by the Council the financial position is being well managed during the current financial year with a projected revenue budget underspend of £3.980m based on information available at month 9.
- 5.4.2 The Covid-19 WG funding is of course very welcome but there is currently only a confirmed commitment for this funding until the 31st March 2021. The UK Government has allocated £766m to WG in respect of the ongoing financial impact of Covid-19 for the 2021/22 financial year but this is far below the levels of funding that have been allocated in 2020/21. This presents a significant financial risk and the position will be closely monitored as we move into the new financial year.

6. ASSUMPTIONS

- 6.1 A wide range of assumptions are made in the preparation of budget monitoring reports based on information available for the relevant reporting period.

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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Appendices:

Appendix 1 – Whole-Authority Revenue Budget Monitoring Report 2020/21 (Period 9)
(Summary by Directorate/Service Division)

Background Papers:

- Budget Proposals for 2020/21 and Medium-Term Financial Outlook (Council 20/02/20).
- Financial Outlook (Council 10/09/20).