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Tuesday, 28 September 2021

Notice of Reports Received following Publication of Agenda.

Strong Communities Select Committee

Wednesday, 6th October, 2021 at 10.00 am,
County Hall, Usk - Remote Attendance

(Pre-meeting for Committee Members at 9.30am)

Attached are reports that the committee will consider as part of the original agenda but were submitted to democratic services following publication of the agenda.

Item No	Item	Pages
5.	Budget Monitoring - Month 2	1 - 28

Paul Matthews
Chief Executive

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SUBJECT:	REVENUE & CAPITAL MONITORING 2021/22 FORECAST OUTTURN STATEMENT – MONTH 2
MEETING:	Strong Communities Select Committee
DATE:	30th September 2021
DIVISION/WARDS AFFECTED:	ALL

1. PURPOSE:

- 1.1 The purpose of this report is to provide Select Members with information on the forecast revenue and capital outturn position of the Authority, accommodating capital slippage and approved reserve usage.
- 1.2 The financial information appropriate to this Select Committee is outlined in **Appendix 5**, with the remainder of this report being included for completeness, and following the format presented to Cabinet on the 28th July 2021.
- 1.3 This report is also to be considered by Select Committees as part of their responsibility to:
 - assess whether effective budget monitoring is taking place;
 - monitor the extent to which budgets are spent in accordance with agreed budget and policy framework;
 - challenge the reasonableness of projected over or underspends, and;
 - monitor the achievement of predicted efficiency gains or progress in relation to savings proposals

2. RECOMMENDATIONS (TO CABINET):

- 2.1 That Cabinet recognises an overall net revenue forecast deficit at month 2 of £9.02m, which can be attributed to forecast deficit of £6.48m that is directly associated with the extraordinary financial pressures attached to Covid-19, with a further £2.53m relating to the pressures on the Council's core service delivery.
- 2.2 That the forecast deficit on core service delivery of £2.53m is managed through an immediate budget recovery plan recognising the risk that targeted and planned cost reductions will be challenging in the current operating environment and given that the Council will as always look to minimise impact on service delivery.
- 2.3 That Cabinet can be reasonably assured based on continued dialogue with Welsh Government and the funding received since the outbreak of the pandemic, that all Covid-19 associated cost pressures and income losses eligible to be met by the Welsh Government Covid-19 Hardship fund will be funded to the end of September 2021.

- 2.4 That Cabinet note that there remains significant Covid-19 related cost pressures and income losses forecast after the end of September 2021 of approximately £2.5m which presently have no funding commitment from Welsh Government. The Council prudently set aside reserve funding at the end of 2019/20 and 2020/21 totalling £2.6m for specific Covid-19 related pressures which were yet to materialise and in the event that funding commitments from Welsh Government fall short of meeting the additional expenditure and income losses incurred. Given the Councils comparatively low level of reserve cover, and the financial challenges over the medium term and beyond, recourse to this funding should be seen as an absolute last resort after exhausting all other alternative possibilities.
- 2.5 Whilst the Council is grateful for the funding commitments made to date by Welsh Government through the Covid-19 Hardship fund to the end of September 2021, Cabinet will look to make strong representations to Welsh Government for further clarity on funding for the ongoing pressures post September both in the form of continuing to respond to the direct impact of the pandemic but just as importantly, the wider and longer lasting indirect impact of the pandemic on Council services, particularly where this is now becoming evident in the areas of Homelessness, Children's services, Adult social care and Children's additional learning needs.
- 2.6 That Cabinet recognise the ongoing risk of the awaited outcome of pay negotiations for both teaching and non-teaching staff and that this will present a further pressure if pay awards are over and above the 1% budgeted for. Current indications are that we will see at the very least a 1.75% increase in pay for teachers with effect from September 2021, and a full year effect of at least a 1.5% increase in non-teaching staff. Welsh Government have been clear that no compensating funding is anticipated and given that the Minister confirmed via the final settlement that this already took into account any subsequent pay award.
- 2.7 Cabinet recognises the extraordinary nature of the current Council operating environment as a result of the pandemic and accepts that it will be some time until the wider and lasting impact on service delivery fully establishes itself.
- 2.8 That Members note the forecast 95% delivery of the budgeted mandated savings as detailed in **appendix 3** and as agreed by full Council previously and the implicit remedial action/savings included in the financial outturn to compensate for circa 5% savings (£229k) reported as delayed or unachievable by service managers.
- 2.9 Cabinet notes the extent of forecast movements in Schools reserve usage contained in **appendix 1** which is informed and driven by the school investment plans that were supported by the significant and unprecedented late grant support provided by Welsh Government to schools at the end of 2020/21.
- 2.10 Cabinet considers the forecast capital outturn spend of £79.2m as outlined in **appendix 1**, noting the difficulties in forecasting capital expenditure plans so early in the financial year and the probability that slippage will materialise as the year progresses due to the ongoing restrictions and impact in relation to Covid-19.

2.11 That Cabinet approve the Capital budget revisions as listed in **appendix 4** to this report resulting from the notification of external capital grant awards to the value of £3.58m.

3. KEY ISSUES:

3.1 Assessing the financial impact of the pandemic on the Council

3.2 The 2021/22 budget was set against the backdrop of an unprecedented period of uncertainty, both in Local Government and in the wider context. The Covid-19 pandemic continues to have a major impact on all local authorities and wider public services across Wales. From a financial perspective, the response to the pandemic has required the Council to incur significant additional expenditure, for example, costs relating to infection control measures, safeguarding the public and employees and support for elderly and vulnerable residents. In addition, income losses have also been substantial, during the period where services either have been closed or have experienced significant reductions in demand or footfall due to restrictions in place.

3.3 The Council has been given clear commitments of the proposed Welsh Government support to meet the Covid-19 pressures and significantly the announcement of further funding for local authorities via the Local Government Covid-19 hardship fund to the end of September 2021. Cabinet can be reasonably assured that all such Covid-19 related pressures will be funded during this period.

3.4 **Table 1** below indicates a total forecast net over spend for the Council at year end of £9.02m and how this variance is broken down into that due to core service delivery and that relating directly to the response to the pandemic.

Table 1: Council Fund 2021/22 Outturn Forecast as at Month 2

Directorate	Total forecast variance at Month 2	Of which due to core service delivery:	Of which due to Covid-19 Expenditure Increase:	Of which due to Covid-19 Income Loss:
Children & Young People	832	832	0	0
Social Care, Health & Safeguarding	1,665	1,665	0	0
Enterprise	2,469	267	1,248	954
Monlife	3,010	0	0	3,010
Chief Executives Unit	52	52	0	0
People & Governance	(7)	(7)	0	0
Resources	1,108	208	628	272
Corporate Costs & Levies	21	21	0	0
Appropriations	0	0	0	0
Financing	(130)	(500)	370	0
Total forecast	9,020	2,538	2,246	4,236
WG funding expected to end of Sep-21 but not included above	(3,916)		(1,057)	(2,859)

Pressure to be managed for the year based on current WG C-19 funding commitments	5,104	2,538	1,189	1,377
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- 3.5 The forecast comprises expected additional costs of £2.246m and income losses of £4.236m directly related to the impact of Covid-19 on the Council, alongside a forecast 2.538m forecast over spend on core Council service delivery.
- 3.6 It is important to note that the combined forecast overspend of £6.482m relating specifically to the Covid-19 impact is presented on a prudent basis in so much that it displays a worst case scenario that does not take into account any of the further Welsh Government Hardship funding anticipated to partially meet the additional costs or reimbursement of income losses that have equally resulted.
- 3.7 The Council can be reasonably assured based on continued dialogue with Welsh Government and their current funding commitments, that all Covid-19 associated cost pressures and income losses eligible to be met by the Welsh Government Covid-19 Hardship fund will be funded to the end of September 2021. This would represent further funding of circa £3.916m, meaning a risk that a forecast sum of £2.566m would potentially need to be met by core Council funding if, as expected, Covid-19 related costs and income losses continue during the second half of the financial year.

Table 2: Projected shortfall in income to fund Covid-19 pressures

	£000
Forecast expenditure directly attributable to Covid- 19 for 2021/22	2,246
Forecast shortfall in income due to Covid-19 impact for 2021/22	4,236
Total forecast pressure due to Covid-19 impact for 2021/22	6,482
Expected funding from WG Hardship fund to end of September 2021	(3,916)
Projected shortfall in funding to meet Covid-19 pressures	2,566

- 3.8 Whilst the Council is grateful for the funding commitments made to date by Welsh Government through the Covid-19 Hardship fund, it is imperative that the Council will look to make strong representations for further clarity on funding for the ongoing Covid-19 pressures post September 2021. As Covid-19 restrictions continue to ease some of these pressures are expected to fall away quickly, others will take some time to unwind and stabilise, whilst others will be of a more permanent nature brought about by strategic policy change enacted by Welsh Government.
- 3.9 The Council prudently set aside reserve funding at the end of 2019/20 and 2020/21 totalling £2.6m for specific Covid-19 related pressures which were yet to materialise, and in the event that funding commitments from Welsh Government fall short of meeting the additional expenditure and income losses incurred post September, this reserve funding will be available to mitigate the impact. Given the Councils comparatively low level of

reserve cover, and the financial challenges over the medium term and beyond, recourse to this funding should be seen as an absolute last resort after exhausting all other alternative possibilities. Therefore, it remains of critical importance that services manage budgets and expenditure tightly and take all opportunities to maximise income generation and bear down on cost. It is important that services do not become reliant upon WG support and develop strategies that allow them to emerge from the pandemic on a firm financial footing.

3.10 Just as importantly as managing the direct impacts of the pandemic on the Council, the wider and longer lasting indirect impact on Council services need to be considered, particularly in the areas of Homelessness, Children's services, Adult social care and Children's additional learning needs. There remains significant latent demand in these areas as a result of the ongoing societal impacts of the Covid-19 response and restrictions, and some of these impacts will take a significant period of time to unwind and the Council therefore needs to engage in careful discussions with Welsh Government around the management of this in the medium term. Alongside this Council services need to prepare to be adaptable and innovative in their response to these pressures materialising and not simply rely on traditional methods of mitigation or solely place reliance on further funding coming forward.

3.11 **Financial assessment of core service delivery**

3.12 As the Council continues to transition from the response phase of the pandemic it is important that Cabinet is kept informed as impacts are being assessed. The Council had already faced significant financial challenges in setting a balanced budget for 2021/22 and the pandemic has only accentuated the challenge. The budget round saw £10.3m of budget pressures accommodated, notably:

- In full, all pay and pension-related spending pressures in our schooling system;
- The increasing demand placed on children's social care services, adult social care and our children with additional learning needs budgets;
- Significant service pressures within the passenger transport unit and within recycling and waste and that look to ensure that the Council supports and sustains key service delivery;
- Investment that ensures that homeless people are provided adequate support, advice and accommodation in their time of need;
- An ongoing commitment to recognise and value the contribution made by the workforce and ensuring that local government staff are paid no less than the minimum wage set by the Living Wage Foundation. And that as a result of the Cabinet decision in January 2021 is also extended to apprenticeship roles within the Council.

3.13 Despite accommodating the above pressures into the 2021/22 budget, at month 2 there are already significant in year core service pressures forecast of £2.54m, with many of these pressures developing in the same key areas that have been provided additional support in the budget. The principal pressures are within the areas of:

- **Children’s services £1,127k** – Despite stabilisation in Children looked after numbers, new children have required high cost residential placements, as opposed to those leaving which have been more in the lower cost fostering/kinship/family placements. A recent legal case has also led to the need to pay kinship carers in line with foster carer rates, along with the increase in payment to foster carers due to increasing skills training.
- **Adults Services £536k** – largely as a result of additional carer recruitment to our in house care at home service, and increased care packages in the South of the County.
- **Transport & Passenger Transport Unit (PTU) £470k** - The cost of maintaining the authority’s fleet has exceeded available budget and within PTU pressures remain that continue to be worked on as part of the PTU review and where implementation has been impacted by the pandemic.
- **Additional Learning Needs £830k** – primarily due to a reduction in income from other LAs (£197k), additional support for pupils attending our own schools (£223k), and placement costs outside of our own schools (£373k).
- **Landlord services £158k** - a shortfall against additional commercial income targets as an indirect consequence of the impact of Covid-19 and the current level of market and economic uncertainty.

These pressures are in part mitigated by out-performance of budgeted Council tax collection of £500k and importantly the overall outturn position continues to be supported by £2.2m of identified eligible expenditure to be funded from capital receipts under the flexible use of capital receipts directive. Reliance on these mitigations is a short term measure only and is clearly not sustainable over the medium term.

- 3.14 As the financial year progresses there will inevitably be further forecast budget savings identified and added to the budget forecast to mitigate those pressures outlined above. **Appendix 2** provides an analysis of both the significant forecast pressures and savings already identified at month 2.
- 3.15 It is important to note that the majority of the savings identified during the year to assist the in-year budget recovery are one-off savings and will not bring any further benefit to future year’s budgets. Conversely, the majority of those pressures highlighted above are recurrent pressures and will need to be considered as part of the wider budget process for 2022/23 and beyond.
- 3.16 As we look to the remainder of the financial year, the key financial risk and uncertainty continues to be the amount of compensatory Welsh Government funding that the Council will receive for Covid-19 pressures. However, alongside this the outcome of pay negotiations for both teaching and non-teaching staff are awaited and will present a further pressure if pay awards are over and above the 1% budgeted for. Current indications are that we will see at the very least a 1.75% increase in pay for teachers with effect from September 2021 and a full year effect of at least a 1.5% increase in non-teaching staff. Welsh Government have been clear that no compensating funding is anticipated and given

that the Minister confirmed via the final settlement that this already took into account any subsequent pay award.

3.17 To that end the Senior Leadership Team will immediately look to implement a budget recovery plan recognising the risk that targeted and planned cost reductions will be challenging in the current operating environment and given that the Council will as always look to minimise impact on service delivery. As such, the early implementation of the recovery plan will be critical in enabling the Council to reduce the overall forecast deficit especially in light of the challenging budgetary position it finds itself in leading into 2022/23.

3.18 Progress against mandated savings

3.19 The 2021/22 budget included mandated savings totalling £4.734m and the progress against these is summarised in **table 3** below and in more detail in **appendix 3**.

Table 3: Progress against mandated savings

Directorate	2021/22 Budgeted Savings £0	Saving achieved £0	Delayed Savings £0	Savings Unachievable £0	% Achieved
Children & Young People	(1,510)	(1,313)	(197)	0	87%
Social Care & Health	(874)	(874)	0	0	100%
Enterprise	(821)	(821)	0	0	100%
Monlife	(100)	(80)	0	(20)	80%
Resources	(165)	(165)	0	0	100%
Chief Executives Unit	(32)	(20)	(12)	0	63%
Corporate Costs & Levies	(1,508)	(1,508)	0	0	100%
Appropriations	275	275	0	0	100%
Total	(4,734)	(4,506)	(209)	(20)	95%

3.20 It is pleasing to note the forecast 95% delivery of mandated savings, especially in light of the ongoing challenges faced by services in the current operating conditions. Finance officers will continue to work with services to ensure that these savings are fully delivered as the year progresses and to look at options for delivering on savings indicated as delayed.

3.21 School balances

3.22 From a financial perspective, 2020/21 was an unprecedented year for schools who received several significant Welsh Government grants to support them and their pupils during a period of significant disruption to learning, and alongside this sustained periods of enforced closure during the financial year resulted in spending on core budgets being significantly curtailed. This resulted in the majority of schools bringing forward significant surplus balances into the 2021/22 financial year.

3.23 The Authority required schools carrying significant surplus balances that were above levels guided by Welsh Government (£50k for a Primary, £100k for a Secondary) to provide investment plans setting out how they intended to spend the significant balances being held. These plans have subsequently been completed and assessed and has informed the budget monitoring process for month 2, with schools forecasting to draw on £1.782m of balances during the year, as shown in **table 4** below.

Table 4: Forecast movement school balances for 2021/22

Draft Council Fund Outturn 2021/22 – School Balances Summary outturn position at Month 2	Opening Reserves (Surplus) / Deficit Position 2021/22 £000's	Draw / (Contribution) from / (to) School Balances @ Month 2 £'000	Forecast Reserve Balances at 2021/22 Outturn £'000
Cluster			
Abergavenny	(1,158)	309	(849)
Caldicot	(1,091)	539	(552)
Chepstow	(349)	516	167
Monmouth	(794)	457	(338)
Special	(26)	(39)	(65)
Total	(3,418)	1,782	(1,636)

3.24 Irrespective of the significant one-off funding given to schools at the end of 2020/21, it is clear that the inherent structural budget deficits that have led to a significant number of schools being in deficit over the past few years remain and these will require resolution regardless. It is expected that the additional funding made available to those schools will allow a period of transition and as to allow those underlying budgetary issues to be rectified without impacting on educational standards.

3.25 Capital outturn forecast

3.26 The capital expenditure outturn detailed in **appendix 1** shows a balanced budget with currently no under or over spends being forecast mainly due to expenditure plans still needing to be refined given the early stage in the financial year. Given the significant budget of £79.2m there is clearly a risk of slippage in the programme as the year progresses. This risk is enhanced by a change in Senior Management positions within the Property Management structure and continuing delays in contracting work due to Covid-19 restrictions which are expected to have an impact on investment plans during the year, however this will take some time to become apparent.

3.27 The forecast movement in capital receipts balances for the year is shown below. Whilst overall balances on the face of it are healthy, there remains the risk that forecast receipts

for 2022/23 onwards are at comparatively low levels, and combined with the fact that receipts are continuing to be used to subsidise the revenue budget through capitalisation direction means that the scope for further capital investment will be limited.

Table 5: Forecast movement in capital receipt balances

	2021/22	2022/23	2023/24	2024/25	2025/26
	£000	£000	£000	£000	£000
Balance as at 1st April	9,581	15,550	15,162	14,076	12,989
Capital receipts used for financing	(2,059)	(684)	(684)	(684)	(684)
Capital receipts used to support capitalisation direction	(2,208)	(2,208)	(507)	(507)	(507)
Capital receipts Received or Forecast	10,236	2,504	104	104	104
Forecast Balance as at 31st March	15,550	15,162	14,076	12,989	11,902

4 OPTIONS APPRAISAL

- 4.1 This report provides an update on the current financial situation and the challenges facing the Council now and over the medium term. It has been prepared at a time of great uncertainty as the Council still transitions from the emergency response phase of the Covid-19 pandemic towards a period of recovery.
- 4.1 The outturn forecast that has been prepared for consideration is predicated on assumptions that have been independently assessed by budget holders and subsequently reviewed as part of the budget monitoring process. These assumptions don't look to represent a policy position that Cabinet is looking to take on when services are re-opening, either fully or in a more limited capacity, or how services are looking to respond to the changing demands. Rather they represent a reasoned assessment of the impact on services in year based on known information, anticipated future changes and estimates.
- 4.2 By far the greatest uncertainty that exists is the level of Welsh Government funding to be received to offset additional costs incurred in responding to the Covid-19 emergency response and the significant income losses that have resulted where services have ceased as a result of the lockdown restrictions in place. Current funding commitments from Welsh Government are due end in September 2021 and the council will continue to will look to make strong representations for further clarity on funding for the ongoing Covid-19 pressures for the remainder of the financial year.

5 EVALUATION CRITERIA

- 5.1 This forecast outturn report represents an assessment of the forecast for the 2021/22 financial year based on only two months of data. More so than ever the combination of the impact of the Covid-19 pandemic and the fact that it is only part way through the financial year, and combined with the uncertainties on the level of Welsh Government funding support, means that a level of risk uncertainty should be attributed to the forecast.

- 5.2 There is an increased level of comfort that Welsh Government funding will meet additional costs and losses of income brought about by the response to and the impact of the pandemic to the end of September 2021. However, this continues to represent a risk that will only be mitigated by monthly and quarterly submissions to Welsh Government being agreed. And furthermore and beyond those impacts resulting from Covid-19 there exists a number of significant cost pressures that need to be managed regardless.
- 5.3 The Council has traditionally maintained formal reporting to Cabinet at month 2, month 5 and outturn, with more frequent budget monitoring information being undertaken at a departmental level and reported to management and the Strategic Leadership Team. More regular formal reporting to Cabinet is considered necessary only where circumstances necessitate it. Therefore, and as a result of the continuing significant financial challenges facing the Council as a result of the pandemic, there will be more frequent reporting of the in-year revenue and capital outturn forecast. Formal reporting will take place at months 2, 5, 7, 9 and outturn. There will be no formal reporting of the month 11 outturn forecast as the financial year-end will have already taken place by the time the report has been prepared.
- 5.4 The update of the Medium Term Financial Plan (MTFP) and the development of the budget proposals for 2022/23 and the medium term are expected to be significantly challenging. There remains funding uncertainty given that the UK Government has only undertaken a one-year Comprehensive Spending Review which consequently does not enable Welsh Government to provide any additional certainty around indicative budget settlements for Welsh local authorities in future years.
- 5.5 The Council will also need to consider the wider and longer lasting indirect impact on Council services, particularly in the areas of Homelessness, Children's services, Adult social care and Children's additional learning needs. There remains significant latent demand in these areas as a result of the ongoing societal impacts of the Covid-19 response and restrictions, and some of these impacts will take a significant period of time to unwind and the Council therefore needs to engage in careful discussions with Welsh Government around the management of this in the medium term.

6 REASONS:

- 6.1 To ensure that the gravity of the financial challenges facing the Council are understood and that reasonable actions are being taken to safeguard the ongoing financial sustainability of the Council.
- 6.2 To provide a timely update on the current financial circumstances and challenges resulting from the Covid-19 pandemic and that will in turn lead to the Council needing to plan and plot a revised course to ensure it remains financially sustainable into the future.

7 RESOURCE IMPLICATIONS:

- 7.1 The resource implications of the current in-year forecast outturn are contained in this report and the attached appendices. At its worst the forecast outturn exhibits an over spend of £9.02m. However Welsh Government Covid-19 support funding is expected to cover a significant amount of this although it remains unclear as to how far that will extend.

- 7.2 The financial challenges facing the Council and resulting from the Covid-19 pandemic are significant in the current year and will undoubtedly be a feature of the next 4 years of the MTFP. Not just for this Council but all councils across Wales and the UK. The Council is having to incur significant costs in its response effort and this will continue as it transitions towards recovery. Furthermore and resulting from the restrictions that UK Government and Welsh Government have had to put in place to contain the spread of the virus we are suffering significant shortfalls in our income levels. Some of these will return more quickly than others as services are able to be safely turned back on.
- 7.3 In terms of how the Council will respond to the challenges faced in the current year and over the medium term this will very much depend on the level of compensating funding received from Welsh Government and the flexibilities afforded to Welsh local authorities to spread the impact over more than one financial year.
- 7.4 The Council is working on the basis that it will be fully funded by Welsh Government. However, there is clearly a risk that this will not happen and beyond this there are significant non Covid-19 pressures being managed.
- 7.5 The more immediate step will be to engage a budget recovery plan recognising the risk that targeted and planned cost reductions will be challenging in the current operating environment and given that the Council will as always look to minimise impact on service delivery. As such, the early implementation of the recovery plan will be critical in enabling the Council to reduce the overall forecast deficit especially in light of the challenging budgetary position it finds itself in leading into 2022/23.
- 7.6 There are resultant consequences for the MTFP and the budget process for 2022/23 and these will be developed in parallel and feed into the normal budget cycle and process.

8 EQUALITY AND FUTURE GENERATIONS EVALUATION (INCLUDES SOCIAL JUSTICE, SAFEGUARDING AND CORPORATE PARENTING):

- 8.1 This report provides Members with information on the forecast revenue and capital outturn position of the Authority and carries no decisions. There are therefore no equality of future generations' implications directly arising from this report.
- 8.2 Any such impacts will be fully considered subsequently when Council receives details the budget recovery plan and revised budget proposals.

9 CONSULTEES:

Senior Leadership Team
Cabinet

10 BACKGROUND PAPERS:

Appendix 1 – Detailed revenue and capital forecast outturn statement – month 2

Appendix 2 – Service variance analysis

Appendix 3 – Progress against budgeted savings

Appendix 4 – Capital external financing budget revisions

Appendix 5 – Select Committee summary

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SCOMM SELECT

Overall Revenue Position

Table 1: Council Fund 2021/22 Outturn Forecast Summary Statement at Month 2

Service Area	Original Budget 2021/22	Budget Adjustments Months 1-2	Revised Annual Budget	Forecast Outturn	Forecast (Under) / Over Spend @ M2
	'000's	'000's	'000's	'000's	'000's
Social Care, Health & Safeguarding	52,825	(182)	52,643	54,308	1,665
Children & Young People	56,526	23	56,549	57,381	832
Enterprise	21,852	(206)	21,646	24,115	2,469
MonLife	3,951	17	3,968	6,978	3,010
Chief Executives Unit	2,745	(105)	2,640	2,692	52
People & Governance	3,359	(11)	3,348	3,341	(7)
Resources	7,457	(453)	7,004	8,112	1,108
Corporate Costs & Levies	23,415	823	24,238	24,259	21
Net Cost of Services	172,130	(94)	172,036	181,186	9,150
Appropriations	5,836	94	5,930	5,930	0
Expenditure to be Financed	177,966	0	177,966	187,116	9,150
Financing	(177,966)	0	(177,966)	(178,096)	(130)
Net General Fund (Surplus) / Deficit	0	0	0	9,020	9,020

Table 2: Council Fund 2021/22 Outturn Forecast Detailed Statement at Month 2

Service Area	Original Budget 2021/22	Budget Adjustments Months 1-2	Revised Annual Budget	Forecast Outturn	Forecast (Under) / Over Spend @ M2
	'000's	'000's	'000's	'000's	'000's
Adult Services	8,341	(34)	8,307	8,596	289
Children Services	16,147	(138)	16,009	17,136	1,127
Community Care	24,386	(73)	24,313	24,711	398
Commissioning	1,431	(2)	1,429	1,295	(134)
Partnerships	436	0	436	436	0
Public Protection	1,524	18	1,542	1,543	1
Resources & Performance	560	47	607	591	(16)
Social Care, Health & Safeguarding	52,825	(182)	52,643	54,308	1,665

Service Area	Original Budget 2021/22	Budget Adjustments Months 1-2	Revised Annual Budget	Forecast Outturn	Forecast (Under) / Over Spend @ M2
Individual Schools Budget	46,488	43	46,531	46,531	0
Resources	1,167	(21)	1,146	1,149	3
Standards	8,871	1	8,872	9,701	829
Children & Young People	56,526	23	56,549	57,381	832
Enterprise & Community Animation	2,837	72	2,909	4,052	1,143
Facilities & Fleet Management	5,487	(54)	5,433	5,984	551
Neighbourhood Services	11,233	(180)	11,053	11,398	345
Placemaking, Highways & Flood	2,295	(44)	2,251	2,681	430
Enterprise	21,852	(206)	21,646	24,115	2,469
Countryside & Culture	1,422	0	1,422	1,476	54
Finance & Business Development	1,735	(1)	1,734	1,734	0
Leisure, Youth & Outdoor Adventure	794	18	812	3,768	2,956
MonLife	3,951	17	3,968	6,978	3,010
Policy, Scrutiny & Customer Service	2,745	(105)	2,640	2,692	52
Chief Executives	2,745	(105)	2,640	2,692	52
People & Governance	3,359	(11)	3,348	3,341	(7)
People & Governance	3,359	(11)	3,348	3,341	(7)
Finance	3,526	(130)	3,396	4,152	756
Information, Communication Technology	3,136	(387)	2,749	2,749	0
Commercial & Corporate Landlord	795	64	859	1,211	352
Resources	7,457	(453)	7,004	8,112	1,108
Precepts & Levies	21,362	0	21,362	21,375	13
Coroner's	147	0	147	147	0
Archives	182	0	182	182	0
Corporate Management	339	0	339	315	(24)
Non Distributed Costs (NDC)	643	0	643	675	32
Strategic Initiatives	(836)	823	(13)	(13)	0
Insurance	1,578	0	1,578	1,578	0
Corporate Costs & Levies	23,415	823	24,238	24,259	21

Service Area	Original Budget 2021/22	Budget Adjustments Months 1-2	Revised Annual Budget	Forecast Outturn	Forecast (Under) / Over Spend @ M2
Net Cost of Services	172,130	(94)	172,036	181,186	9,150
Fixed Asset Disposal Costs	30	0	30	30	0
Interest & Investment Income	(134)	0	(134)	(134)	0
Interest Payable & Similar Charges	3,736	0	3,736	3,736	0
Charges Required under Regulation	6,404	0	6,404	6,404	0
Other Investment Income	0	0	0	0	0
Borrowing Cost Recoupment	(3,619)	0	(3,619)	(3,619)	0
Contributions to Reserves	163	0	163	163	0
Contributions from reserves	(744)	94	(650)	(650)	0
Appropriations	5,836	94	5,930	5,930	0
Expenditure to be Financed	177,966	0	177,966	187,116	9,150
General Government Grants	(69,465)	0	(69,465)	(69,465)	0
Non Domestic Rates	(32,017)	0	(32,017)	(32,017)	0
Council tax	(83,636)	0	(83,636)	(84,136)	(500)
Council Tax Benefit Support	7,152	0	7,152	7,522	370
Financing	(177,966)	0	(177,966)	(178,096)	(130)
Net General Fund (Surplus) / Deficit	0	0	0	9,020	9,020

DIRECTORATE – DIVISION VARIANCE COMMENTS

ENTERPRISE	Month 2	Month 5	Month 7	Month 9	Outturn
Deficit / (Surplus) £'000s	2,470	0	0	0	

ENTERPRISE DIRECTOR'S COMMENTARY:

The Enterprise Directorate is forecasting a £2.47m adverse variance at month 2. The impacts of COVID are still having a pronounced effect upon the services provided within Enterprise along with increased demand for services across the portfolio. Both a projected loss of income and additional costs incurred continue to feature at this time and are currently forecast at £2.2m.

Each service area sets out the detail behind these projections within the next sections of the report and the key financial issues, risks and implications are described.

Across all Service Area's we are looking to ensure that all eligible additional costs and income losses will be claimed against any Welsh Government funding being made available.

FACILITIES & FLEET MANAGEMENT

Outturn Forecast	Month 2	Month 5	Month 7	Month 9	Outturn
Deficit / (Surplus) £'000s	551	0	0	0	0

Facilities & Fleet management are forecasting a £551k overspend, due to :-

- **Schools Catering** - £81k overspend, covid restrictions are impacting on meal uptake and current levels are 30% of 19-20 numbers, this is affecting turnover. We will be claiming the lost income from the WG income loss fund upto end of September, we are hopeful that restrictions will be eased in the new academic year and uptake will improve.
- **Building Cleaning** - £25k overspend – the requirement to replace and repair essential equipment has pushed the supplies budget overspent. The unit will look to mitigate this as we go through the year.
- **Passenger Transport** – £181k overspend :-
 - **Home to School Transport** - The section is forecasting to overspend by £69k due to an increase in vehicle finance costs of £57k (due to the need to upgrade ageing vehicles to ensure they remain safe and efficient) along with increased staffing costs.
 - **External Commissioning** - The section is forecasting to overspend by £74k due to lower than anticipated income from concessionary and post 16 fares of £31k and increased contract prices.
 - **Private Hire** - The section is forecasting a deficit in private hire income of £38k due to a reduction in external school contracts from September.

Fleet Maintenance - £263k overspend – The cost of maintaining the authority's fleet has exceeded available budget, current forecasts predict a £256k shortfall. In addition the number of members of the car salary sacrifice scheme have reduced meaning savings are below budgeted levels by £6k

NEIGHBOURHOOD SERVICES

Outturn Forecast	Month 2	Month 5	Month 7	Month 9	Outturn
Deficit / (Surplus) £'000s	346	0	0	0	0

Neighbourhood Services are forecasting to overspend by £346k, this is due to :-

- **Highways, Swtra & Streetlighting** – Break-even budget reported.
- **Waste & Street Scene** - £346k overspend – this is due to additional staffing and vehicles required in waste to ensure we adhere to social distancing guidelines, it is anticipated that these costs will be covered by WG Covid-19 grant.

PLACEMAKING, HIGHWAYS & FLOOD

Outturn Forecast	Month 2	Month 5	Month 7	Month 9	Outturn
Deficit / (Surplus) £'000s	576	0	0	0	0

Highways & Flood is forecasting to overspend by £576k, this is as a result of :-

- **Car Parks** - £719k overspend – Covid-19 restrictions are impacting on parking and enforcement income and early indications are that we will could see a pressure of £670k in 21-22 - in addition there are overspends in expenditure primarily transport, premises & software costs. We will be claiming back part of the lost income from WG grant but if support ends in September, there could be a shortfall of £359k that will need to be managed.
- **Highways dev & flooding** - £143k underspend – Staffing underspend and improved income

CHIEF EXECUTIVES UNIT	Month 2	Month 5	Month 7	Month 9	Outturn
Deficit / (Surplus) £'000s	52	0	0	0	

CEO DIRECTOR'S COMMENTARY:

The Policy, Scrutiny and Customer Experience division is forecasting a £52K overspend. This is partly due to the inability to deliver income targets in community hubs, which include the library service in all towns and Usk Post Office. The over spend has been partly offset by posts which have been held vacant during the pandemic but which need to be filled to maintain the service as we re-open. The contact centre is also forecasting an overspend resulting from the need to bring in temporary staff to cope with a sustained increase in phone calls, primarily dealing with a high volume of enquiries for waste and recycling, and in particular HWRC bookings. Community Education is presently forecasting a break-even position. However, there remains a high degree of uncertainty in this area as grant provider may require clawback of income as the service has been unable to achieve learner targets due to the pandemic.

POLICY, SCRUTINY & CUSTOMER EXPERIENCE

Outturn Forecast	Month 2	Month 5	Month 7	Month 9	Outturn
Deficit / (Surplus) £'000s	52	0	0	0	0

Policy, Scrutiny & Customer service is forecasting a £52k overspend, mainly due to :-

- **Community Hubs** - £21k overspend – shortfall in income due to unachievable income budgets.
- **Contact Centre** - £7k overspend – Increase in staff costs to cope with increase in customer demand.
- **Corporate CEO** - £9k overspend – due to inability to meet staff vacancy factor saving and an increase in license costs.

SLT Support - £12k overspend – staff costs have exceeded available budget due to an increase in hours within the team.

PEOPLE & GOVERNANCE	Month 2	Month 5	Month 7	Month 9	Outturn
Deficit / (Surplus) £'000s	(7)	0	0	0	

People & Governance DIRECTOR'S COMMENTARY:

People & Governance is reporting a £7k underspend, this is due to :-

- £4k overspend in **Democratic services** due to the inability to make staff vacancy savings.
- £11k underspend in **Land Charges** – this is due to staff savings from a vacant post.

All other services are reporting break-even.

RESOURCES	Month 2	Month 5	Month 7	Month 9	Outturn
Deficit / (Surplus) £'000s	1,080	0	0	0	

RESOURCES DIRECTOR'S COMMENTARY:

The Resources Directorate is showing signs of early budget pressure. Departments will now redouble their efforts to reduce or contain pressures and to identify cost savings that can be achieved by ceasing non-essential spend and where this is practicable and does not have an unacceptable impact on core service delivery.

The pressures across the directorate of £1.107m are represented by:

- £207k of non-COVID net pressure and notably relate to income losses in markets; anticipated early projections on B&B housing benefit claims that cannot be recovered via housing benefit subsidy or through Welsh Government's COVID Hardship Fund; offset by staff vacancies caused by a delay in restructure proposals being implemented.

- b) Full year forecast pressures of £900k relating to COVID and that have previously been recovered in full from Welsh Government's COVID Hardship Fund. £628k of this relates to cost pressures relating to B&B housing benefit claims that cannot be recovered via DWP and the housing benefit subsidy mechanism. The remaining £272k relates to income losses relating to COVID and that relate to income losses in relation to investment properties, markets and summons income.

The risk relates to Welsh Government not bringing further funding forward post 30th September, and where funding commitments currently extend to, to meet anticipated pressures contained in b) above and that relate to the last six months of 2021/22 and beyond. In a worst-case situation this could result in £392k of pressures not funded by Welsh Government. And that when added to the £207k forecast non-COVID pressures above would represent a £599k pressure to be managed in year.

FINANCE

Outturn Forecast	Month 2	Month 5	Month 7	Month 9	Outturn
Deficit / (Surplus) £'000s	756	0	0	0	0

Finance is forecasting to overspend by £756k, this is due to :-

- **Revenues** - £888k overspend, this is due in the main to :-
 - **Housing Benefits** - £756k overspend - It is too early in the financial year to provide an accurate forecast for this volatile budget. What is clear is that the budget pressure that emerged last year through the pandemic remains. £627k of this can be linked to Homeless B&B placements made as a result of the Covid-19 crisis (for which we are unable to claim Housing Benefit subsidy) e. We are able to claim some of these costs back through Welsh Government's hardship scheme. However currently this scheme only runs until September 2021, with no certainty of funding for the second half of the financial year so there could be a £314k pressure here to be managed post September. The remaining £128k over spend relates to a £55k increase in the bad debt provision (likely to improve as the year progresses) and £73k resulting from a general increase in caseloads and awards made.
 - **Council Tax** - £146k overspend – This is due to a £60k over spend against salary costs caused by the movement of budget to Finance as part of Resources restructure (this has been offset by a corresponding underspend within Finance). Also, a £79k anticipated shortfall in summons income. We are still awaiting confirmation of court dates for this year and therefore it is currently unclear how much we will be able to recover/process this way. Last year we received funding from Welsh Government to offset some of this lost income. However, it is unclear whether this funding will also be available into 2021/22.
 - **Debtors and Charity relief** - £13k underspend – mainly due to staff savings in debtors and grant income from Welsh Government for the ongoing administration of Business Support Grants.
- **Finance** - £122k underspend – This is a result of senior management vacancies, we are anticipating that these positions will be filled from September.
- **Systems & Cashiers** – a net £11k underspend – we have seen an over spend in Cashiers, our budget includes a £20k saving that was brought in for the implementation of a scheme to remove cheques from the authority's day –to--day business. The roll-out of the new system has been delayed due to the covid-19 pandemic so we have incurred a budget pressure. In addition, we have seen a £6k increase in card handling fees as more people are paying online for services. This has been offset by a £37k underspend in Revenues & Systems Support due to savings in systems development.
- **Payroll Systems & Support** – On Budget

INFORMATION, COMMUNICATION & TECHNOLOGY

Outturn Forecast	Month 2	Month 5	Month 7	Month 9	Outturn
Deficit / (Surplus) £'000s	0	0	0	0	0

ICT is forecasting a break-even budget.

COMMERCIAL & CORPORATE LANDLORD

Outturn Forecast	Month 2	Month 5	Month 7	Month 9	Outturn
Deficit / (Surplus) £'000s	352	0	0	0	0

Commercial & Corporate Landlord is forecasting to overspend by £352k :-

- **Investment Properties** - £50k overspend. Newport Leisure Park is forecasting to return a £350k surplus but this is £50k below budgeted level, the shortfall can be attributed to the effects of the Covid-19 pandemic. Castlegate Business Park is reporting a break-even position.

- **Landlord Services** - £97k overspend. This is due to an estimated £142k shortfall in income as we have lost rental income of £77k from the vacant spaces in our Magor office and a £65k loss of service charge, in addition there is a £14k overspend in supplies & services. This has been off-set by a £51k saving in staff costs due to vacant posts only being filled part way through the year. We are anticipating that some of the lost income can be claimed via the WG through the income loss grant scheme, but this will only be to September so there will be a pressure to manage later in the year.

- **Markets** - £205k overspend. This is due to an increase in waste disposal costs (£35k) and a forecast shortfall in income of £170k, this has been caused by 2 things, reduced charges due to disruption caused by Market Hall refurbishment (£92k) and reduced numbers of stalls imposed by Covid-19 restrictions (£78k). An element of lost income due to Covid-19 can be reclaimed up to end of September.

- All other services are reporting a break-even position.

CORPORATE COSTS & LEVIES	Month 2	Month 5	Month 7	Month 9	Outturn
Deficit / (Surplus) £'000s	21	0	0	0	

PRECEPTS & LEVIES

Outturn Forecast	Month 2	Month 5	Month 7	Month 9	Outturn
Deficit / (Surplus) £'000s	13	0	0	0	

National parks levy notified after budget produced - increase in levy of circa 10% based on increased staff and project work required

CORONERS SERVICES

Outturn Forecast	Month 2	Month 5	Month 7	Month 9	Outturn
Deficit / (Surplus) £'000s	0	0	0	0	

No variance at month 2

CORPORATE MANAGEMENT

Outturn Forecast	Month 2	Month 5	Month 7	Month 9	Outturn
Deficit / (Surplus) £'000s	(24)	0	0	0	

Small unbudgeted surpluses on Creditors refunds, apprenticeship levy

NON DISTRIBUTED COSTS

Outturn Forecast	Month 2	Month 5	Month 7	Month 9	Outturn
Deficit / (Surplus) £'000s	32	0	0	0	

Additional pension strain costs notified since the budget has been set

STRATEGIC INITIATIVES

Outturn Forecast	Month 2	Month 5	Month 7	Month 9	Outturn
Deficit / (Surplus) £'000s	0	0	0	0	

No variance at month 2

INSURANCE

Outturn Forecast	Month 2	Month 5	Month 7	Month 9	Outturn
Deficit / (Surplus) £'000s	0	0	0	0	

No variance at month 2

APPROPRIATIONS	Month 2	Month 5	Month 7	Month 9	Outturn
Deficit / (Surplus) £'000s	0	0	0	0	

FIXED ASSET DISPOSAL COSTS

Outturn Forecast	Month 2	Month 5	Month 7	Month 9	Outturn
Deficit / (Surplus) £'000s	0	0	0	0	

No variance at month 2

INTEREST & INVESTMENT INCOME

Outturn Forecast	Month 2	Month 5	Month 7	Month 9	Outturn
Deficit / (Surplus) £'000s	0	0	0	0	

No variance at month 2

INTEREST PAYABLE & SIMILAR CHARGES

Outturn Forecast	Month 2	Month 5	Month 7	Month 9	Outturn
Deficit / (Surplus) £'000s	0	0	0	0	

No variance at month 2

CHARGES REQUIRED UNDER REGULATION

Outturn Forecast	Month 2	Month 5	Month 7	Month 9	Outturn
Deficit / (Surplus) £'000s	0	0	0	0	

No variance at month 2

OTHER INVESTMENT INCOME

Outturn Forecast	Month 2	Month 5	Month 7	Month 9	Outturn
Deficit / (Surplus) £'000s	0	0	0	0	

No variance at month 2

BORROWING COST RECOUPMENT

Outturn Forecast	Month 2	Month 5	Month 7	Month 9	Outturn
Deficit / (Surplus) £'000s	0	0	0	0	

No variance at month 2

FINANCING	Month 2	Month 5	Month 7	Month 9	Outturn
Deficit / (Surplus) £'000s	(130)	0	0	0	

COUNCIL TAX BENEFIT SUPPORT

Outturn Forecast	Month 2	Month 5	Month 7	Month 9	Outturn
Deficit / (Surplus) £'000s	370	0	0	0	

As with the last financial year this budget is under particular pressure as a direct result of the Covid-19 pandemic. Late last financial year, the Welsh Government agreed funding to cover the majority of these additional costs. However, we have yet to receive confirmation of similar support for this year.

COUNCIL TAX

Outturn Forecast	Month 2	Month 5	Month 7	Month 9	Outturn
Deficit / (Surplus) £'000s	(500)	0	0	0	

Currently the overall position for council tax income looks healthy. We continue to see new properties being added to the tax base, a review of exemptions and discounts has seen a drop in the number awarded and despite Covid-19 collection rates remain relatively strong. The position will be monitored closely, especially the potential impact of court availability which may affect recovery in later months.

2. SCHOOLS

- 2.1. A Board of Governors who are responsible for managing the school's finances directly governs each of the Authority's Schools. However, the Authority also holds a key responsibility for monitoring the overall financial performance of schools. Below is a table showing the outturn forecast Schools' balances position based on month 2 projections for each Educational Cluster.

Draft Council Fund Outturn 2021/22 – School Balances Summary outturn position at Month 2	(A) Opening Reserves (Surplus) / Deficit Position 2021/22	(B) Draw / (Contribution) from / (to) School Balances @ Month 2	(C) Draw / (Contribution) from / (to) School Balances @ Month 5	(D) Draw / (Contribution) from / (to) School Balances @ Month 7	(E) Draw / (Contribution) from / (to) School Balances @ Month 9	(A+B) Forecast Reserve Balances at 2021/22 Outturn
Cluster	£000's	£'000	£'000	£'000	£'000	£'000
Abergavenny	(1,158)	309				(849)
Caldicot	(1,091)	539				(552)
Chepstow	(349)	516				167
Monmouth	(794)	457				(338)
Special	(26)	(39)				(65)
Total	(3,418)	1,782				(1,636)

- 2.2. Collective School Balances at the beginning of the financial year amounted to a £3,418,120 surplus. The Schools month 2 forecast anticipated draw on reserves is £1,781,648, which results in a forecast surplus balance of £1,636,472. (The majority of the surplus balance brought forward is due to two grants being awarded to schools at 2020/21 year end; the Schools Revenue Maintenance Grant and Recruit, Recover and Raise Standards).
- 2.3. The movement of individual schools forecast to be in deficit since the start of the financial year is shown below:

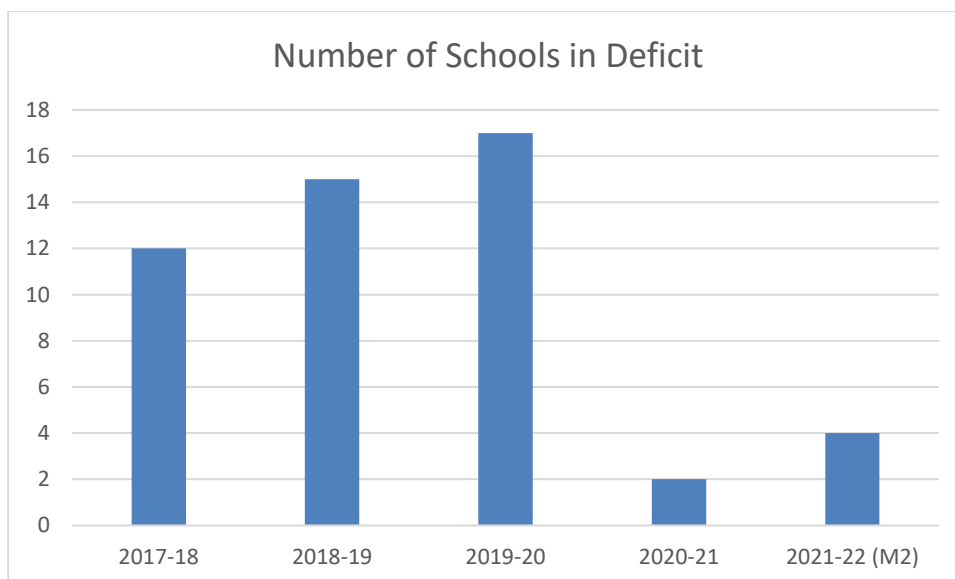
Start of year	Month 2 (Forecast)
2	4
Chepstow Comprehensive	Chepstow Comprehensive
Llandogo Primary	Llandogo Primary
	Ysgol Gymraeg Y Fenni
	Ysgol Gymraeg Y Ffin

- 2.4. All schools in a deficit budget have, or are in the process of agreeing recovery plans. These recovery plans will be confirmed with both the Local Education Authority and each School's Governing Body. Once finalised the schools with significant deficits will be monitored by the Cabinet member for Children and Young People and Resources on a termly basis.

2.5. Total schools balances have been exhibiting a fluctuating trend with some schools showing a continuing reduction in schools balances, which is of concern, and others a more balanced trend. However, as previously advised, grants awarded to schools at 2020/21 year end has resulted in a large increase in school balances.

Financial Year-end	Net level of School Balances
2014-15	(1,140)
2015-16	(1,156)
2016-17	(269)
2017-18	(175)
2018-19	232
2019-20	435
2020-21	(3,418)
2021-22 (Forecast)	(1,636)

2.6. The increase in school balances has resulted in a reduction in the number of schools in deficit, as illustrated in the following table:-



3 CAPITAL OUTTURN

3.1 The summary forecast Capital position at Month 2 is as follows:

Forecast Capital Outturn Position 2021/22 at Month 2

Select Portfolio	Slippage B/F	Original Budget	Budget Adjustments	Provisional Slippage	Revised Budget 2021/22	Forecast	Variance
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Expenditure							
Children & Young People	15,381	14,423	1,261	0	31,065	31,065	0
Economic & Development	19,244	546	606	0	20,396	20,396	0
Adult	5,964	0	0	0	5,964	5,964	0
Strong Communities	8,554	11,545	1,708	0	21,807	21,807	0
Total Expenditure	49,143	26,514	3,575	0	79,232	79,232	0
Financing							
Supported Borrowing	0	(2,431)	0	0	(2,431)	(2,431)	0
General Capital Grant	0	(2,438)	0	0	(2,438)	(2,438)	0
Grants and Contributions	(19,096)	(13,160)	(3,575)	0	(35,831)	(35,831)	0
S106 Contributions	(711)	0	0	0	(711)	(711)	0
Unsupported Borrowing	(27,031)	(4,094)	0	0	(31,125)	(31,125)	0
Earmarked Reserve & Revenue Funding	(241)	0	0	0	(241)	(241)	0
Capital Receipts	(2,064)	(2,891)	0	0	(4,955)	(4,955)	0
Leasing	0	(1,500)	0	0	(1,500)	(1,500)	0
Total Financing	(49,143)	(26,514)	(3,575)	0	(79,232)	(79,232)	0

3.2 The capital expenditure forecast outturn at month 2 shows a balanced budget as currently no under or over spends are being forecast mainly due to expenditure plans still needing to be refined given the early stage in the financial year. A change in Senior Management positions within the Property Management structure and continuing delays in contracting work due to Covid-19 restrictions are expected to have an impact during the year, however this will take some time to become clear.

3.3 Useable Capital Receipts Available

3.4 In the table below, the effect of the changes to the forecast capital receipts on the useable capital receipts balances available to meet future capital commitments are illustrated.

2021/22	2022/23	2023/24	2024/25	2025/26
£000	£000	£000	£000	£000

Balance as at 1st April	9,581	15,550	15,162	14,076	12,989
Capital receipts used for financing	(2,059)	(684)	(684)	(684)	(684)
Capital receipts used to support capitalisation direction	(2,208)	(2,208)	(507)	(507)	(507)
Capital receipts Received or Forecast	10,236	2,504	104	104	104
Forecast Balance as at 31st March	15,550	15,162	14,076	12,989	11,902

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