

## REPORT

<b>SUBJECT</b>	<b>REVENUE &amp; CAPITAL MONITORING 2019/20 FORECAST OUTTURN STATEMENT – MONTH 7</b>
<b>DIRECTORATE</b>	<b>Resources</b>
<b>MEETING</b>	<b>Cabinet</b>
<b>DATE</b>	<b>8<sup>th</sup> January 2020</b>
<b>DIVISIONS/ WARD AFFECTED</b>	<b>All Authority</b>

### 1. PURPOSE

- 1.1 The purpose of this report is to provide Members with information on the revenue and capital outturn position of the Authority, accommodating capital slippage and approved reserve usage.
- 1.2 This report will also 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 PROPOSED TO CABINET

- 2.1 That Members consider a net revenue forecast of £3.99m deficit, and the one off adjustments designed to return a balanced position (£245k surplus) prior to the end of March 2020.
- 2.2 That Members note the 85% delivery of the budget setting savings agreed by full Council previously and a need for remedial action/savings in respect of circa 15% savings (£994k) reported as delayed or unachievable by service managers.
- 2.3 That Members consider the capital outturn spend of £39.38m, introducing a £384k anticipated underspend, and the presumptions made around net financing consequences as per para 4.4.
- 2.4 Members note the extent of movements in reserve usage, including individual budgeted draws on school balances, and their effect on current prudent financial planning assumptions.(para 5.2 onwards).

### 3. REVENUE MONITORING ANALYSIS

3.1 Increasingly Scrutiny Committee feedback is that monitoring reports are getting more involved, detailed and as a result more difficult to follow. This isn't particularly unusual in periods of increasing service overspends and pressures and the consequential need for remedial savings to compensate for agreed savings not likely to be made. Further clarification has been requested to understand how best monitoring could be enhanced, but as an interim step, the ordering of the report has been altered in an attempt to provide a clearer holistic revenue and overall savings position and better organise Scrutiny Committee portfolio matters within the commentary for each Committee.

### 3.2 Overall Revenue Position

Table 1: Council Fund 2019/20 Outturn Forecast Summary Statement at Month 7 (Period 2)

Service Area	Initial 2019-20 Annual Budget	Virements to budget Mth2	Virements to budget Mth 3-7	Revised Annual Budget	Revised Forecast Outturn	Forecast Over/ (Under) @ Outturn based on Month 7 Activity	Forecast Over/ (Under) @ Outturn based on Month 2 Activity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	(+ net exp,-net income)	(+ net exp, -net income)	(+ net exp, -net income)	(+ net exp, - net income)	(+ net exp, -net income)	(+ deficit, - surplus)	(+ deficit, - surplus)
Adult Services	7,644	0	17	7,661	7,872	211	186
Children Services	11,937	0	22	11,959	14,733	2,774	2,296
Community Care	22,610	0	32	22,642	23,318	676	2
Commissioning	1,604	0	74	1,678	1,626	-52	1
Partnerships	418	0	0	418	418	0	0
Public Protection	1,458	0	0	1,458	1,482	24	6
Resources & Performance	573	0	-42	531	532	1	-3
<b>Total Social Care &amp; Health</b>	<b>46,244</b>	<b>0</b>	<b>103</b>	<b>46,347</b>	<b>49,981</b>	<b>3,634</b>	<b>2,488</b>
Individual School Budget	44,508	0	125	44,633	44,495	-138	0
Resources	1,252	0	0	1,252	894	-358	-359
Standards	5,429	0	0	5,429	6,796	1,367	701
<b>Total Children &amp; Young People</b>	<b>51,189</b>	<b>0</b>	<b>125</b>	<b>51,314</b>	<b>52,185</b>	<b>871</b>	<b>342</b>
Business Growth & Enterprise	1,590	0	126	1,716	1,659	-57	-7
Operations	15,498	0	999	16,497	16,745	248	77
Planning & Housing	2,193	0	-244	1,949	2,262	313	4
Tourism Life & Culture (Monlife)	3,324	0	141	3,465	3,574	109	260

<b>Total Enterprise</b>	<b>22,605</b>	<b>0</b>	<b>1,022</b>	<b>23,627</b>	<b>24,240</b>	<b>613</b>	<b>334</b>
Legal & Land Charges	701		0	701	763	62	20
Governance, Democracy and Support	3,952	0	-16	3,936	3,984	48	10
<b>Total Chief Executives Unit</b>	<b>4,653</b>	<b>0</b>	<b>-16</b>	<b>4,637</b>	<b>4,747</b>	<b>110</b>	<b>30</b>
Finance	2,630	0	-73	2,557	2,510	-47	-123
Information Communication Technology	2,640		185	2,825	2,780	-45	-68
People	1,647	0	60	1,707	1,713	6	2
Future Monmouthshire	-14		-20	-34	145	179	207
Commercial and Corporate Landlord Services	622	0	187	809	811	2	-124
<b>Total Resources</b>	<b>7,525</b>	<b>0</b>	<b>339</b>	<b>7,864</b>	<b>7,959</b>	<b>95</b>	<b>-106</b>
Precepts and Levies	19,240	0	0	19,240	19,060	-180	-181
Coroners Service	117			117	145	28	29
Archives Service	182			182	182	0	0
Corporate Management (CM)	158	0		158	162	4	54
Non Distributed Costs (NDC)	595	0	0	595	675	80	62
Strategic Initiatives	442	0	0	442	0	-442	-442
Borrowing Cost Recoupment	-1,455		1,455	0	0	0	0
Insurance	1,400	0	-17	1,383	1,432	49	0
<b>Total Corporate Costs &amp; Levies</b>	<b>20,679</b>	<b>0</b>	<b>1,438</b>	<b>22,117</b>	<b>21,656</b>	<b>-461</b>	<b>-478</b>
<b>Net Cost of Services</b>	<b>152,895</b>	<b>0</b>	<b>3,011</b>	<b>155,906</b>	<b>160,768</b>	<b>4,862</b>	<b>2,610</b>
Fixed Asset disposal costs	119	0	-28	91	91	0	0
Interest and Investment Income	-206	0	0	-206	-318	-112	-34
Interest payable & Similar Charges	4,130	0	84	4,214	4,062	-152	-153
Charges required under regulation	5,202	0	512	5,714	5,687	-27	49
Borrowing Cost Recoupment			-3,425	-3,425	-3,425	0	
Contributions to Reserves	444	0	-103	341	341	0	0
Contributions from Reserves	-789	0	-51	-840	-840	0	0
<b>Appropriations</b>	<b>8,900</b>	<b>0</b>	<b>-3,011</b>	<b>5,889</b>	<b>5,598</b>	<b>-291</b>	<b>-138</b>
General Government Grants	-62,548		0	-62,548	-62,548	0	0
Non Domestic rates	-30,682		0	-30,682	-30,682	0	0

Council Tax	-75,124	0	0	-75,124	-75,591	-467	0
Council Tax Benefits Support	6,559		0	6,559	6,442	-117	-58
<b>Financing</b>	<b>-161,795</b>	<b>0</b>	<b>0</b>	<b>-161,795</b>	<b>-162,379</b>	<b>-584</b>	<b>-58</b>
<b>Net Council Fund (Surplus) / Deficit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,987</b>	<b>3,987</b>	<b>2,414</b>

- 3.3 This outturn forecast presents a significant and increased overspend. The pressure areas remain those that have been highlighted in previous reports e.g. additional learning needs, social care generally and children's services specifically, passenger transport, car parking, Monlife and authority wide savings held against Future Monmouthshire no longer anticipated to be apportioned to services to deliver.
- 3.4 A comparison of the Net Council fund line against previous years activity indicates the significance of the variance,

Net Council Fund Surplus	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15
	£'000	£'000	£'000	£'000	£'000	£'000
Period 1	2,414 deficit	379 deficit	164 deficit	1,511 deficit	867 deficit	219 deficit
Period 2	3,987 deficit	766 surplus	62 deficit	839 deficit	1,066 deficit	116 deficit
Period 3				79 surplus	162 deficit	144 deficit
Outturn		49 surplus	652 surplus	884 Surplus	579 surplus	327 surplus

- 3.5 Discussion amongst SLT has identified a limited opportunity for immediate in year recovery action and any such action is already factored into the forecast, so their focus has been upon mitigating the bottom line effect. The Council anticipates one off windfalls in respect of vat receipt from HMRC, an in year grant contribution from WG, and has received guidance from WG concerning a capitalisation directive and the ability to have flexible use of capital receipts to meet the costs associated with service reform.

### Explanation of Capitalisation Directive eligibility

- 3.6 The direction correspondence reminds that local authorities cannot borrow to finance the revenue costs of service reform. Local authorities can only use capital receipts from the disposal of property plant and equipment assets received in the years in which this flexibility is offered.
- 3.7 Welsh Ministers believe that individual authorities and groups of authorities are best placed to decide which projects will be most effective for their areas. The key criterion to use when deciding whether expenditure can be funded by the capital receipts flexibility is that it is forecast to generate ongoing savings or reduce revenue costs or pressures over the longer term to an authority, or several authorities, and/or to another public body.

3.8 Welsh Government guidance indicates a wide range of projects that could generate qualifying expenditure and the list below is not prescriptive. Examples of projects include:

- Preparatory work necessary to support local authority mergers as part of the programme to reform local government in Wales;
- Sharing back-office and administrative services with one or more other council or public sector body;
- Investment in service reform feasibility work, e.g. setting up pilot schemes;
- Collaboration between local authorities and central government to free up land for economic use;
- Funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation;
- Sharing Chief Executives, management teams or staffing structures;
- Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible;
- Aggregating procurement on common goods and services where possible, either as part of local arrangements or using the National Procurement Service, Crown Commercial Services or other central purchasing bodies which operate in accordance with the Wales Procurement Policy Statement;
- Improving systems and processes to tackle fraud and corruption in line with the Local Government Fraud and Corruption Strategy – this could include an element of staff training;
- Setting up alternative delivery models to deliver services more efficiently and bring in revenue (for example, through selling services to others); and
- Integrating public facing services across two or more public sector bodies (for example children's social care, trading standards) to generate savings or to transform service delivery.
- Investment which supports economic growth projects which are also designed to reduce revenue costs or pressures over the longer term, across one or more local authorities and/or other public sector bodies.

3.9 Officers have drawn up the following draft list of expenditure that accords with Welsh government guidance

		£'000	Justification
<b>Children &amp; Young People</b>			
Mounton House Recoupment Income reduction caused by reduced demand for service following anticipated closure		300	Service reconfiguration
Preparing for new ALN bill		121	Service reform
Revision to Education Psychology service to cover early years and wellbeing in schools		40	Service reconfiguration
SEND ALN portal costs		17	Driving a digital approach
<b>Social Care &amp; Health</b>			
Joint Local authority working (GWICES, Sc. 33, Frailty, regional safeguarding board, Gwent foster fee		113	Integrated services

harmonisation & care home pooling			
IT scheme costs		50	Driving a digital approach
"Turning World Upside Down" on boarding		183	Service reconfiguration
<b>Chief Executives and Resources</b>			
Redundancy costs associated with Council Tax service redesign and merger with TCBC provision		26	Service restructuring
Atebion Procurement Review		16	Investment in service reform feasibility work
Digital programme office – recharge time to facilitate new Wales wide Social Care IT system		38	Driving a digital approach
Market Hall Income loss whilst facility being renovated		56	Service/facility transformation
Shared Chief internal Auditor provision		36	Shared staffing structure
Provision of My Mon app, chat bot and contact Centre refinements		25	Driving a digital approach
Digital programme office recharge in respect of improving efficiency of local authority services		305	Driving a digital approach
<b>Enterprise</b>			
City Deal 10 authority collaboration, annual revenue contribution		62	Integrated services
Project Gwrdd residual waste partnership contribution		35	Integrated services
Facilitating waste polypropylene bag roll out		10	Service reconfiguration
Apprentice, graduate, intern coordinator post		14	Service reconfiguration
Highways restructure redundancy cost		39	Service restructuring
Car parking redundancy cost		30	Service restructuring
Waste recycling review – agency, vehicle hire, additional staff costs		249	Service reconfiguration
Waste – HWRC permit introduction facilitation		40	Service reconfiguration

Introduction of Waste re-use shop		30	Service reconfiguration
Waste officer recharge in respect of facilitating above		80	Service reconfiguration
Shared PTU management with Newport bus		38	Shared staffing structure
Staff costs of PTU core strategic board		69	Service reconfiguration
TOTAL		2,022	

- 3.10 The addition of such costs to the capital programme still requires full Council approval. This approval will be requested as part of the revenue outturn and accounts closure process. Their effect together with other use of one off funding to mitigate the bottom line position would illustratively provide the following revised forecast outturn.

		£'000
Net Council Fund forecast in year deficit		3,987
<b>Less</b> WG ad hoc contribution to afford pay, already provided for in full.		(310)
<b>Less</b> one off VAT receipt – Ealing judgement, decision to exempt Leisure services income, claims cover period Jan 07 – Mar 19 and total £2.1m, and settlement range is anticipated to be between £1.7m -£2.1m		(1,900)
<b>Less</b> capitalisation directive		(2,022)
Revised Surplus		(245)

### 3.11 Overall 2019/20 Budget Savings Progress

This section monitors the specific savings initiatives and the progress made in delivering them during 2019-20 as part of the MTFP budgeting process.

In summary they are as follows,

<b>Disinvestment by Directorate 2019-20</b>	<b>2019/20 Budgeted Savings</b>	<b>Value of Saving forecast at Month 7</b>	<b>Delayed Savings</b>	<b>Savings deemed Unachievable YTD</b>
<b>REVENUE MONITORING 2019-20</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Children &amp; Young People</b>	<b>(1,234)</b>	<b>(1,208)</b>	<b>0</b>	<b>(26)</b>
<b>Social Care &amp; Health</b>	<b>(1,246)</b>	<b>(1,115)</b>	<b>(90)</b>	<b>(41)</b>
<b>Enterprise</b>	<b>(1,480)</b>	<b>(930)</b>	<b>(152)</b>	<b>(399)</b>
<b>Resources</b>	<b>(1,342)</b>	<b>(1,236)</b>	<b>(106)</b>	<b>0</b>
<b>Chief Executives Units</b>	<b>(106)</b>	<b>(46)</b>	<b>(60)</b>	<b>0</b>
<b>Corporate Costs &amp; Levies</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Appropriations</b>	<b>(282)</b>	<b>(162)</b>	<b>0</b>	<b>(120)</b>
<b>Financing</b>	<b>(756)</b>	<b>(756)</b>	<b>0</b>	<b>0</b>
<b>DIRECTORATE Totals</b>	<b>(6,446)</b>	<b>(5,453)</b>	<b>(408)</b>	<b>(586)</b>

- 3.12 Anticipated mandated saving performance has changed materiality from month 2 and is running at 85% of budgeted levels (down 3%), largely the consequence of anticipated delayed savings £408k (was £39k at month 2), being more significant than the favourable movement in those savings deemed unachievable, month 7 indicates £586k being deemed potentially unachievable (was £709k at month 2).
- 3.13 The emphasis of reporting savings is based on whether saving is forecast to be achieved, even if not manifest in Directorate management reports yet. Consequently the savings appendix (appendix 5) also has a traffic light system to indicate whether savings are likely to be achieved or have justifiable reasons explaining delayed implementation.
- 3.14 In a new attempt to give practical effect to an aspiration of Scrutiny Committee members to derive a simpler presentation that only captures their portfolio area, appendix 1 to 4 provides a more detailed commentary of the main pressures and underspends organised by Select portfolio.

- Appendix 1 Stronger Communities Select Revenue Monitoring
- Appendix 2 Economy & Development Select Revenue Monitoring
- Appendix 3 Adult Select Revenue Monitoring
- Appendix 4 Children & Young People Select Revenue Monitoring

However the situation is by definition complicated and will not be balanced within Select portfolios appreciating the overall budget is managed holistically, and it is necessary to give Select members the same quality of information as Cabinet to be able for them to take an informed view on the robustness of Cabinet budget management activities which remains a fundamental purpose of the report.

## 4 CAPITAL POSITION

4.1 The summary forecast Capital position at outturn is as follows,

MCC CAPITAL BUDGET MONITORING 2019-20 at Month 7 by SELECT COMMITTEE						
SELECT PORTFOLIO	Forecast Spend at Outturn	Slippage Brought Forward	Total Approved Budget 2019/20	Forecast Capital Slippage to 2020/21	Revised Capital Budget 2019/20	Capital Expenditure Variance
	£000	£000	£000	£000	£000	£000
Children & Young People	3,267	2,219	3,852	201	3,651	(384)
Economy & Development	18,495	465	18,495	0	18,495	0
Adult	319	0	490	171	319	0
Strong Communities	17,297	7,165	18,697	1,400	17,297	0
<b>Capital Schemes Total 2019-20</b>	<b>39,378</b>	<b>9,849</b>	<b>41,534</b>	<b>1,772</b>	<b>39,762</b>	<b>(384)</b>

4.2 Capital expenditure at month 7 is forecast to underspend by £384k at month 7 primarily at Caldicot (£208k) and Monmouth (£176k) 21c Schools due to Asbestos environmental removal costs being lower than expected as well as reduced snagging expenditure.

### Slippage to 2020/21

4.3 Total Provisional Slippage at Month 7 is £1,772k (an increase of £633k since month 2). This comprises,

- Car Park redevelopment costs of £1,000k including the County Hall car park £688k; Granville Street Car Park £162k and £150k for general car park upgrades delayed due to a County wide car park review.
- Crick Road Care Home project exhibits £171k slippage following a review of the construction timescales
- £365k slippage is evident in S106 schemes due to £164k worth of contract delays in the Clydach Gorge, Environmental surveys and Planning considerations
- The deferral of new ALN Provision at Overmonnow School (£201k) due to the schemes' project costs being under review.
- It is anticipated that costs in respect of following schemes will also fall into 2020-21; Abergavenny Community Hub (£124k), Property Maintenance schemes (£99k) and £13k for an IT improvement scheme within financial systems.

## Capital Financing and Receipts

4.4 Given the anticipated capital spending profile reported in para 4.1, the following financing mechanisms are expected to be utilised.

MCC CAPITAL FINANCING BUDGET MONITORING 2019-20 at Month 7 by FINANCING CATEGORY						
CAPITAL FINANCING SCHEME	Annual Financing	Slippage Brought Forward	Total Approved Financing Budget 2019/20	Provisional Budget Slippage to 2020/21	Revised Financing Budget 2019/20	Forecast Capital Financing Variance 2019/20
	£000	£000	£000	£000	£000	£000
Supported Borrowing	2,403	0	2,403	(0)	2,403	0
General Capital Grant	3,681	0	3,681	0	3,681	0
Grants and Contributions	2,169	0	2,194	(25)	2,169	0
S106 Contributions	1,321	1,316	1,662	(341)	1,321	0
Unsupported borrowing	24,784	6,956	26,299	(1,131)	25,168	(384)
Earmarked reserve & Revenue Funding	343	169	447	(104)	343	0
Capital Receipts	3,010	1,409	3,181	(171)	3,010	0
Interest Free Financing	1,667	0	1,667	0	1,667	0
<b>Capital Financing Total 2019-20</b>	<b>39,378</b>	<b>9,850</b>	<b>41,534</b>	<b>(1,772)</b>	<b>39,762</b>	<b>(384)</b>

## Useable Capital Receipts Available

- 4.5 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 is shown. The table also models the anticipated use of capitalisation directive in current year and next year (captured from 2020-21 capital budget proposals). Both of which still require endorsement by Members.

Movement in Available Useable Capital Receipts Forecast at outturn

<b>TOTAL RECEIPTS</b>	<b>2019/20 £000</b>	<b>2020/21 £000</b>	<b>2021/22 £000</b>	<b>2022/23 £000</b>
Balance b/f 1 <sup>st</sup> April	4,581	6,531	10,224	10,865
<b>Add:</b>				
Receipts received in year	1,468			
Receipts forecast received	5,416	6,713	1,098	1,300
Deferred capital receipts	98	100	102	104
<b>Less:</b>				
Receipts to be applied	(3,010)	(1,704)	(559)	(559)
Anticipated capitalisation directive application	(2,022)	(1,416)		
Set aside	0	0	0	0
<b>Predicted Year end receipts balance</b>	<b>6,531</b>	<b>10,224</b>	<b>10,865</b>	<b>10,710</b>

- 4.6 At Month 7, a total of £171k of Capital receipts will be slipped which relates to the new Crick Road Care Home project due to the contractors starting later in this financial year due to a delay in awarding the contract.. This project has a 3 year project timeframe ending 2020-21, and condenses a very significant build programme into last financial year. Much of the project spend is underpinned by grant funding which disappears if not drawn down in full by end of next financial year. This places additional significance upon the quality and extent of project management within the Social Care Directorate to ensure sufficient eligible expenditure is incurred within necessary timescales.

## 5 RESERVES

- 5.1 The Council has unallocated reserves in the form of Council fund balance and school reserves. Realistically the level of surplus/deficit affecting Council Fund will commonly fluctuate before the end of the year, but for estimating purposes we will commonly presume services' activities will be influenced to avoid material adverse effect. It also has earmarked reserves that are created for a specific purpose.
- 5.2 Revenue and Capital monitoring reflects an approved use of reserves. A specific analysis is undertaken at every formal periodic monitoring exercise to establish whether reserve cover conveyed to services by members will be fully utilised within the financial year. Where it is apparent this is not the case, both the reserve movement budget in appropriations budget and the expenditure within service directorate is adjusted. This is to prevent any imbalance in the bottom line position for net cost of services.

The table overleaf provides summary analysis of reserve balances based on approvals and progress anticipated through the revenue and capital monitoring exercise.

Account	Balance brought forward	Slippage usage from 2018-19	2019-20 anticipated net movements	Balance carried forward
	(-surplus)/ deficit			(-surplus)/ deficit
Council Fund (Authority)	-7,111,078		0	-7,111,078
School Balances	232,404		650,241	882,645
<b>Sub Total Council Fund</b>	<b>-6,878,674</b>	<b>0</b>	<b>650,241</b>	<b>-6,228,433</b>
<b>Earmarked Reserves:</b>				
Sub-Total Invest to Redesign	-1,083,167	0	-73,113	-1,156,280
Sub-Total IT Transformation	-479,139	129,675	62,143	-287,321
Sub-Total Insurance and Risk Management	-1,018,744	0	0	-1,018,744
Sub-Total Capital Receipt Generation	-278,880	24,735	118,566	-135,579
Sub Total Treasury Equalisation	-990,024	0	0	-990,024
Sub-Total Redundancy and Pensions	-332,835	0	88,038	-244,797
Sub-Total Capital Investment	-643,337	0	15,999	-627,338
Sub-Total Priority Investment	-405,000	0	300,000	-105,000
	<b>-5,231,127</b>	<b>154,410</b>	<b>511,633</b>	<b>-4,565,083</b>
<b>Other Earmarked Reserves:</b>				
Museums Acquisitions Reserve	-52,885		0	-52,885
Elections Reserve	-83,183		-35,000	-118,183
Grass Routes Buses Reserve	-151,084		-5,000	-156,084
Youth Offending Team	-150,000		0	-150,000
Building Control trading reserve	-14,490		0	-14,490
Outdoor Education Centres Trading Reserve	0		0	0
CYP maternity	-135,795		135,795	0
Plant & Equipment reserve (Highways)	-33,541		0	-33,541
Homeless Prevention Reserve Fund	-49,803		0	-49,803
Solar Farm Maintenance & Community Fund	-41,000		-23,000	-64,000
Newport Leisure Park Reserve	-61,899		0	-61,899
Castlegate Reserve	-79,500		0	-79,500
Local Resilience Forum Reserve (Gwent PCC Tfr)	-115,090		0	-115,090
Rural Development Plan Reserve	-413,190		0	-413,190
<b>Sub-Total Other Earmarked Reserves</b>	<b>-1,381,460</b>	<b>0</b>	<b>72,795</b>	<b>-1,308,665</b>
<b>Total Earmarked Reserves</b>	<b>-6,612,587</b>	<b>154,410</b>	<b>584,428</b>	<b>-5,873,748</b>
<b>Total useable revenue reserves</b>	<b>-13,491,261</b>	<b>154,410</b>	<b>1,234,669</b>	<b>-12,102,182</b>

## **Schools Reserves**

- 5.3 Each of the Authority's Schools is directly governed by a Board of Governors, which is responsible for managing their school's finances. However, the Authority also holds a key responsibility for monitoring the overall financial performance of schools.

The net effect of an individual school's annual surplus or deficit is shown in a ring-fence reserve for the particular school. Details of which for each school are included in Appendix 6 based on their latest anticipation supplementing their statutory section 52 budget submissions at end May 2019.

- 5.4 In summary form the anticipated outturn school balances are predicted to be,

	<b>Opening Reserves 2019-20 (surplus)/deficit</b>	<b>Forecast year 2019-20</b>	<b>in usage</b>	<b>Forecast outturn position 2019- 20</b>
<b>Combined balance</b>	<b>£232,404</b>	<b>£650,241</b>		<b>£882,645</b>

In the last forecasting period (month 2) the use of reserves was £618,034, the current forecast indicates that this will increase to £650,241, leaving a deficit balance of £882,645.

- 5.5 15 schools started 2019-20 year in deficit. 14 were anticipated to end the year in deficit at month 2. Indications are 16 schools will end the year in deficit based on month 7 forecasts, with Pembroke Primary and Overmonnow primary schools no longer anticipating coming out of deficit. The deficit position remains particularly acute for the 4 secondary schools. Monmouth Comprehensive is particularly significant at forecast £480k, however there is an agreed recovery plan in place and the school is following this. King Henry is currently developing a sustainable recovery plan and this will be agreed in the New Year. Chepstow School had a recovery plan previously, and this saw the school return to a surplus budget. The school is currently in a deficit budget, but has recently agreed a further recovery plan. Caldicot School also has agreed a recovery plan and are meeting the balances agreed.
- 5.6 The local authority has funded teachers' pay award for last 2 years and recent teachers' pensions fund rate changes has been afforded by WG grant. School balances have been declining over a number of years and for the year end 2018-19, balances were in a collective deficit. This forecast deficit has increased in the current financial year which is a concern. Schools are working closely with the Local Authority to minimise any overspends and agree recovery plans. Details of any individual schools movements are provided in the movement on reserve shown in appendix 6. The current arrangement allows for deficit budget planning irrespective of the collective position where an appropriate recovery plan was provided and agreed at the same time as a deficit budget. Five schools are in the process of agreeing recovery plans, in the majority of cases a slightly extended period of time has been allowed for this due to changes in the leadership or where the deficit is not material or improving.
- 5.7 This position is a concern to the Local Authority, if the deficit balances for schools continue to increase this could over time have an impact on the overall reserves for MCC. To help manage this situation Cabinet is considering the offer of a loan to schools as part of the

draft budget proposals for 2020-21. Should it be approved there will be strict criteria around the offer, including the criteria that schools who take a loan cannot enter a deficit position and must be able to manage the repayments from the funding delegated to the school.

- 5.8 Members should maintain a heightened focus around those schools exhibiting red in the traffic light assessment in appendix 6. Irrespective of the actions of the Executive, Scrutiny functions (CYP Select and Audit) to ensure that school maintain balances which are within the tolerance agreed in a recovery plan.

## **6 REASONS**

- 6.1 To improve budget monitoring and forecasting information being provided to Senior Officers and Members.

## **7 RESOURCE IMPLICATIONS**

- 7.1 The Council's operating model particularly around social care isn't a sustainable model. That isn't unique to Monmouthshire, but is perhaps more acute given poor annual settlement awards. Management have addressed such pressures and unachievability of savings through their 2020-21 budget proposals, and accommodation of circa £9.7m pressures.
- 7.2 In the short term to avoid the Council fund balance falling below acceptable financial planning parameters (4-6% of net expenditure), the Council is intent to utilise one-off funding to assist with its bottom line outturn position in the form of additional WG grant, use of capital receipts and VAT recovery from HMRC from the implementation of Ealing ruling to treat previously standard rated services as an exempt supply.
- 7.3 It will be increasingly difficult to find additional remedial savings through the year in addition to those required to allow a balanced budget to be established every February. This volatility risk would be traditionally mitigated by a heightened accountability culture whereby service managers are reminded of the need to comply within the budget control totals established by members, and are more responsible for any variances to SLT and Cabinet and equally for Select Committees to exhibit a more focussed reflection upon the adequacy of budget monitoring being applied. Members may wish to re-enforce such accountabilities and review any remedial action proposed by service managers to resolve adverse situations.

## **8 EQUALITY AND SUSTAINABLE DEVELOPMENT IMPLICATIONS**

- 8.1 The decisions highlighted in this report have no equality and sustainability implications.

## **9 CONSULTEES**

Strategic Leadership Team  
All Cabinet Members  
All Select Committee Chairs  
Head of Legal Services

## **10 BACKGROUND PAPERS**

None

## **11 AUTHOR**

Mark Howcroft – Assistant Head of Finance

Dave Jarrett – Senior Accountant Business Support

## **12 CONTACT DETAILS**

Tel. 01633 644740

e-mail. [markhowcroft@monmouthshire.gov.uk](mailto:markhowcroft@monmouthshire.gov.uk)

### **Appendices (attached below)**

- Appendix 1 Stronger Communities Select Revenue Monitoring
- Appendix 2 Economy & Development Select Revenue Monitoring
- Appendix 3 Adult Select Revenue Monitoring
- Appendix 4 Children & Young People Select Revenue Monitoring
- Appendix 5 Mandated Savings Progress Report
- Appendix 6 School Reserves

## **Stronger Communities Select Portfolio Revenue Monitoring Commentary**

### **(£1,131k net underspend, an improvement of £381k since month 2)**

#### 1.1 Chief Executives Unit (£110k overspend)

**Legal division** exhibit a £62k overspend, the increase on previous shortfall in land charges income, and unanticipated software costs has been caused by anticipation of extra Social care legal costs. **Governance, democracy and support** estimate an increased net £48k deficit due to additional staff costs at Contact centre to resolve teething issues with revised waste arrangements.

#### 2.1 Resources Directorate (£95k overspend)

**Finance Division predict an underspend of £47k**, predominantly net predicted savings in Revenues and Exchequer sub division caused by vacancies and merchant card and cash fees being less than anticipated. **IT** predicts an **£45k underspend**, due to laptop purchases being capitalised being more significant than the deficit introduced by the shortfall in annual SRS contribution and the social care system replacement project costs needing to be met. **People services** predicts **£6k deficit**, the net effect of an under recovery in Raglan Training external income (there are extra costs associated with HR/payroll system being retendered which are currently compensated by underspends in corporate training and extra capacity introduced by Resources Directorate restructure that evidence an underspend as posts haven't yet been filled). **Corporate Landlord division** exhibited a net **£2k deficit** which hides large variances within monitoring, savings accrue from delay in staffing restructure, extra income from solar farm, and capitalisation of building maintenance costs, which compensate for pressures in cemeteries, industrial units, and county farms. Also income from commercial investments is less than budgeted due to void levels currently. **Future Monmouthshire** exhibits a **£179k deficit**, being the proportion of digitisation, travel and agency cost savings not yet attributable to particular services.

#### 2.2 The 2019-20 budget process assigned £1.34m savings to Resources Directorate. All are anticipated to be achieved, other than the following exceptions.

- A shortfall (£56k) in the extent of income from Commercial investments returns against the amount presumed in revenue budget.
- The 2019-20 budget process attributed a further 10% saving in travel costs (£50k) to be facilitated and apportioned by Future Monmouthshire colleagues. This hasn't been achieved to date.

#### 2.3 Resources Director's Perspective

Whilst the directorate has endeavoured to contain and reduce expenditure to support the overall Authority's overspend position a number of in-year challenges are being faced and that has seen a forecast £106k under spend at month 2 adversely swing to a forecast £95k over spend at month 7.

The main variances are outlined in 2.1 above. The transparency of the forecast has not been aided by the implementation of the directorate restructure that was approved by Cabinet in September. With regards to the restructure a delay in additional income and fee generation has only been partially offset by vacancy savings from new posts not being filled. Work is continuing to reduce a forecast income shortfall resulting from void lettings at Innovation House of £144k.

The solar farm has seen previously reported and forecast increased income over budget of £100k reduced to £25k as a result of one-off in-year issues with productivity and performance that have now been resolved.

In terms of commercial income, Newport Leisure Park is outperforming the £400k saving target by £48k. However, Castlegate is reporting a shortfall against budget income of £56k as a result of vacant units. However, this should be seen as part of a balance portfolio that is already contributing in excess of £600k of net income to the Authority.

An income shortfall at Raglan Training Centre of £51k results from reduced external course income. Work is being undertaken to mitigate this loss and a review is currently being undertaken to put the centre on a profitable footing going forward.

Services across the directorate continue to press down on cost and non-essential spend and it is hoped that the over spend can be managed down by the end of the financial year. However, at this stage it not prudent to offer a more optimistic outlook and the in-year position remains challenging.

### 3.1 Corporate (£461k underspend)

The net effect of the unutilised redundancy budget (£442k) and additional Fire pension costs being borne by central government (£180k) compensating for addition pension strain costs, extra coroners staffing, loan brokerage fees and 2019-20 uplift in insurance premia costs caused by 2018-19 activity. Please note the cost of redundancies unless subject to the traditional 2 stage approval process agreed with members show as overspends within service budgets.

### 4.1 Appropriations (£291k underspend)

Reserve usage is traditionally adjusted in both Appropriations and service Directorates to avoid any artificial variances. This tends to be the main source of adjustment since the previous monitoring period. The Treasury budget underspend is a mixture of circumstances, interest returns and related cash balances being greater than anticipated, delays in capital projects resulting in reduced minimum revenue provision costs which accrue generally from the year after assets become operational, and reduced net interest costs due to recurrent short term borrowing rates being less than longer rates.

### 4.2 With regards to budget savings performance

- The interest receivable saving has been outperformed
- But as part of 2019-20 budget deliberations, it was also planned to set aside sufficient receipts to reduce minimum revenue provision payments by £120k. However the Crick Road element of the receipts balance (£2.7m) is effectively fettered from use by a negotiated condition that compels, upon request, the Council to repay the receipt back to Melin should it not be in a position to facilitate a workable and affordable drainage solution for the site. Consequently it would be imprudent to set aside that balance or use it to afford capital expenditure until that condition has fallen away. As a result, the related net saving of £120k from receipts being used to replacing borrowing in affording purchase of short life assets and avoid resulting minimum revenue provision is no longer appropriate.

### 5.1 Financing (£584k underspend)

This results from an anticipation of an increased Council tax base due to new housing above budget (£467k), together with an estimate that Council tax benefit budget will be undersubscribed (£117k benefit) based on 7 months activity payments.

**Economy & development Select Portfolio Revenue Monitoring Commentary**  
**(£719k net overspend)**

1.1 Enterprise Directorate (£695k net overspend)

**Business growth and enterprise** predict a net **£56k underspend**, being caused by net vacancy savings. The forecast presumes no variance to Events or Borough theatre activities, but please note there is still no formal Events strategy to indicate how events income will contribute a holistic benefit in sustaining services. This remains similar to the Borough Theatre situation.

**Planning & Housing (net £312k overspend)** – the large movement in adverse variance since month 2 is caused predominantly by Highways development and car parking moving into this division. There is a deficit to car parking of £413k, which has been mitigated by staff savings within the service of £163k, to result in a net cost of £250k. The remainder of the deficit results from planning development income being less than budgeted, and declining renovation grant referrals resulting in less income for the housing service.

**Tourism, leisure & culture - Monlife (£109k overspend)** – The net imbalance is predominantly caused by deficiencies within Outdoor Education Service in the form of inadequate income and £40k redundancy costs.

**Operations forecast a collective £247k overspend.** The position for each of main Operations areas is as follows, Transport Garage and Cleaning breakeven, Catering £50k surplus, Passenger Transport £405k deficit, Waste and Streetscene £61k deficit, and Highways £169k surplus (the net result of redirecting revenue expenses to be afforded by additional capital funding, a mild winter prediction, and lighting column replacement programme reducing costs).

1.2 The 2019-20 budget process assigned £1.48m savings to Enterprise Directorate. All are anticipated to be achieved, other than the following exceptions.

- Delays to the implementation of budget proposals introduces shortfall against savings of £61k.
- Shortfall in car parking savings (£91k) comes in the form of reduced (9 month) income as uplifted charges haven't yet taken effect from changes to car parking arrangements and 10 months saving in respect of civic amenity savings agreed.
- The savings agenda within PTU were significant and wide ranging and involved significant officer time outside of core PTU team. Latest anticipation from a current retendering exercise still suggests a £194k shortfall against savings expectations.
- Monlife reported net £264k savings as a result of outsourcing service, £205k of which are reported as undeliverable by the service as a result of the decision to retain Monlife within Council structures.

1.3 Enterprise Director's Perspective

Enterprise and Monlife is forecasting to overspend by £611,709. The position could change before the end of the financial year as further consideration is given to the displacement of costs to our capital programme. Departmental performance is as follows:

Our main areas of concern continue to be Car Parks and Passenger Transport Unit (PTU) who are both overspending by £412, 857 and £405,211 respectively.

Car Park income continues to be an issue where pay & display income is down against the budget. Delays in implementing the 2019-2020 price increases (they will not come into effect until January) mean that the MTFP mandate savings will not be met in full. Our civil parking enforcement income target has also not been met, a lack of staffing on the ground in the early part of the financial year has meant that penalty notice income is down, this coupled with cash collection duties, increased costs of staffing, software, monitoring fees to RCT, equipment and uniforms means we will not meet our budget this year. The CPE unit is now near operating at full capacity and cash collection duties have been reallocated. The team is working very hard between now and year end to limit losses. In addition, the service has also had to incur £30k of redundancy costs.

The passenger transport unit is in adverse position due to a number of factors. The authority has set up an officer programme board to review all aspects of PTU provision in order to improve the service position. The operational arm of home to school section is forecast to overspend by £105k due to its inability to achieve the DPS Tendering savings built into the 19-20 MTFP. ALN transport is forecast to overspend by £148k this relates to increased external contract prices along with additional pupils intake during September 2019. The external schools contract is forecast to overspend by £85k. This overspend relates to increased pupil numbers from 18-19 to 19-20 however this has been partly offset through route optimisation which reduced 20 contracts. The private hire service is forecast to under recover income against its income target by £67,000. Work will continue within this section to look at its internal fleet and work force to maximise efficiency but these savings are unlikely to be delivered in this financial year.

Development Management is projecting to overspend by £57,801. It is forecasting an estimated shortfall in income. Recent Welsh Government decisions and policy direction mean that a number of applications expected at M2 are now unlikely to be submitted. The income shortfall has been offset partly from a small saving in supplies and services and part savings from two senior posts.

Highways Development & Flooding is forecasting to underspend by £163,000. This is mainly due to staff savings, where additional posts added as part of a recent restructure have been held vacant to mitigate the income pressures elsewhere in the service. There is also increased income from road closures and capital fees. These have been offset by overspends in flooding as a reduced grant has caused a pressure and in addition the service has also had to incur £47k of redundancy costs.

It is good to see that business growth and enterprise are forecasting to return an under spend. These are due to grant windfalls and staff vacancies which have assisted the overall portfolio position.

MonLife is predicted to be overspent by £108,547 this financial year. The bulk of this overspend lies within the Outdoor Education Service (150k) which is currently under review. The service withdrew from one site in 2019 and the resultant restructuring has resulted in a one-off redundancy payment of 42k. The loss of NCS as a key client has serious implications for the service for both now and for future years and there is a general decline in the number of users days as austerity has had an impact on bookings.

A series of measures are being undertaken to reverse this decline with action plans in place and assistance and advice sought from Outdoor Activity Specialists. The results of the review and its recommendations will form the basis of a future report to Cabinet in 2020.

The initial budget also included a £205,000 saving from outsourcing the service but the decision to keep the service in house and the adoption of the Ealing ruling now means that

the VAT benefit for the year is likely to be an extra £272,000 resulting in a net benefit of £67,000. Some of this benefit will be used to fund the new posts within this financial year for which future funding has been secured by the approval of the 98k funding in next year's MTFP.

Other areas of overspend have occurred where the service has not been able to deliver the 2% vacancy factor which has proven difficult in front line services such as Leisure Centres where it is essential to replace staff who absent through sickness or annual leave.

## 2.1 Social Care & Health (£24k overspend)

**Public Protection (£6k overspend)** – predominantly the net effect of a static establishment and inability to derive the inherent 2% vacancy efficiency/saving built into budget.

**Adult Select Portfolio Revenue Monitoring Commentary**  
**(Net £836k overspend)**

1.1 Social Care & Health

**Adult Services (£211k overspend)** – resulting from net staffing pressures at Severn View, a reduced demand for Community meals, and pressure within domiciliary care market that necessitates a greater degree of Council provided service, both of which are compensated in part by management savings and savings to individual support services arrangements and Budden Crescent costs.

**Community Care (£676k overspend)** – net effect of adult disability services that was compensated by adhoc WG grant at month 2, but now introduces £536k net pressure, alongside a £140k continuing health care case that service colleagues anticipate won't now be afforded by Health budget..

**Commissioning (£52k underspend)** – caused predominantly by staff vacancies.

**Resources (£1k overspend)** – minor adhoc costs.

1.2 The 2019-20 budget process assigned £1.2m savings to Adult related social care. All are anticipated to be achieved, other than the following exception.

- Colleagues had volunteered recovery of additional costs through subsequent property sales. They are currently obtaining legal counsel opinion about such and record the saving as delayed.

1.3 Social Care & Health Director's Perspective

We are predicting a £3.635M overspend, after accounting for a one off £738K Social Care Workforce and Sustainability Grant from Welsh Government, use of Intermediate Care Funding to the tune of £234K and savings deducted from the budget totalling £1.246M as part of the budget setting process. In real terms the overspend position, if not for this one off funding, would be £4.7M.

The Adult Services division is forecast to overspend by £837K, with continued demand for domiciliary care placing pressure on Care at Home services and an emerging pressure of £1.2M within the Adult with Disabilities service. At the 31<sup>st</sup> October 2019, 773 weekly care hours were awaiting brokerage from reablement which presented a reduced spend on the domiciliary care budget, but hides the additional need for residential and nursing placements, especially with the increased capital threshold limit, and that domiciliary care is being accommodated within the internal care at home division. The Adults with Disabilities budget, which caters for younger adults with learning and physical disabilities, have seen an increased need for placements, with 8 this year and in total 36 in excess of £1,000 per week. The demand on the Adults with Disabilities services stems from a variety of reasons such as an ageing carer population now requiring the cared for person to have services, a move towards independence and demand for residential and/or college placements, coupled with transitional movement of clients from Children's to Adults as they move through the care system. The largest bulk of the directorate budgeted savings have been

levied against the Adults budget which, at this early stage of the financial year, are mainly predicted to be met.

At month 2 Children's Services are forecasting a £2.774M overspend, experiencing significant demands placing pressure on the placement budget, plus the knock on effect in the associated legal and transport provision to support care packages and the need to cover internal staff shortages. Since the start of this financial year there has been a 14% increase in LAC numbers, increasing from 173 to 197 at the end of October 2019. With the increased demand comes added pressures on other services such as legal and transport provision, contact and staffing, with extended reliance on agency staffing as a consequence.

Public Protection continues to strive to remain within its budget allocation, predicting a £24K overspend at month 7, mainly as a result of an inability to meet the 2% staff efficiency saving on its employee budgets.

### **Children & Young People Select Portfolio Revenue Monitoring Commentary** **(Net £3,610k overspend)**

#### 1.1 Social Care & Health (£2.774m overspend)

This can be a fairly volatile area to manage budget wise, with individual placements potentially having a significant effect. In comparison to 2018-19 activity which was £1.45m overspend, the 2019-20 forecast indicates a worsening position. The service concludes pressures resulting from a greater volume of placements and related staff and transport costs. To assist members in more detailed understanding of the forecast the comparative volume of placements between 2018-19 and 2019-20 is,

<b>2019/20</b>					
<b>Service Area</b>	<b>Current Activity M7</b>	<b>Current Cost to M7</b>	<b>Average Annual Cost of Support</b>	<b>Assumed Activity</b>	<b>Year End Forecast</b>
		£	£		£
In-house Fostering LAC	83	609,497	12,443	83	1,032,807
External Placements LAC	65	2,560,479	78,283	68	5,323,248
External Placements Non LAC	4	279,503	110,284	4	441,135
YP Accommodation - LAC	18	293,389	25,760	18	463,677
CAOs/SGOs Non LAC	56	262,599	7,990	56	447,434
<b>2018/19</b>					
<b>Service Area</b>			<b>Average Annual Cost of Support</b>	<b>Activity at year end</b>	<b>Year End Outturn</b>
			£		£
In-house Fostering LAC			13,187	61	804,426
External Placements LAC			73,791	55	4,058,498
External Placements Non LAC			74,837	3	224,511
YP Accommodation - LAC			27,135	23	624,094
CAOs/SGOs Non LAC			7,439	53	394,281

This suggests the main reasons for increased costs are a forecast increase in the volume of looked after children placements (up 35 cases on 2018-19 outturn but with limited variation in average unit costs between years), and in respect of non-looked after placements, there is more limited case volume volatility but a far higher average unit cost in 2019-20.

However the range of annual unit costs incurred per case can be highly variable depending upon the complexity of the presentation. To provide some context to the average unit costs table above, the range of unit costs per service activity is also provided as comparison for 2019-20.

2019/20		
<u>Service Area</u>	Annual Equivalent - Individual Placement Cost Range (Lowest/Highest)	Notes
	£	£
In-house Fostering LAC	11,752	33,800
External Placements LAC	31,652	308,508
External Placements Non LAC	49,017	138,922
YP Accommodation - LAC	7,320	171,600
CAOs/SGOs Non LAC	577	14,508
		Costs are after deduction of child-related benefits
2018/19		
<u>Service Area</u>	Annual Equivalent - Individual Placement Cost Range (Lowest/Highest)	
	£	£
In-house Fostering LAC	12,150	33,800
External Placements LAC	31,565	308,056
External Placements Non LAC	48,950	136,037
YP Accommodation - LAC	3,219	199,892
CAOs/SGOs Non LAC	4,773	12,096
		Costs are after deduction of child-related benefits

**Youth offending team partnership (breakeven)** – this partnership is managed as a “trading entity such that any over or underspends accrue to a specific earmarked reserve. No variation in revenue budget activity is foreseen at month 2.

- 1.2 The 2019-20 budget process calculated that Children's services would receive £41k from Welsh Government disaggregating £2.3m of additional resourcing notified by WG ministers. To date the service reports not having received such. Colleagues have been requested to confirm directly with Welsh Government whether such resourcing will be forthcoming.
- 1.3 Social Care & Health Director's Perspective

We are predicting a £3.635M overspend, after accounting for a one off £738K Social Care Workforce and Sustainability Grant from Welsh Government, use of Intermediate Care Funding to the tune of £234K and savings deducted from the budget totalling £1.246M as part of the budget setting process. In real terms the overspend position, if not for this one off funding, would be £4.7M.

The Adult Services division is forecast to overspend by £837K, with continued demand for domiciliary care placing pressure on Care at Home services and an emerging pressure of £1.2M within the Adult with Disabilities service. At the 31<sup>st</sup> October 2019, 773 weekly care hours were awaiting brokerage from reablement which presented a reduced spend on the domiciliary care budget, but hides the additional need for residential and nursing placements, especially with the increased capital threshold limit, and that domiciliary care is being accommodated within the internal care at home division. The Adults with Disabilities budget, which caters for younger adults with learning and physical disabilities, have seen an increased need for placements, with 8 this year and in total 36 in excess of £1,000 per week. The demand on the Adults with Disabilities services stems from a variety of reasons such as an ageing carer population now requiring the cared for person to have services, a move towards independence and demand for residential and/or college placements, coupled with transitional movement of clients from Children's to Adults as they move through the care system. The largest bulk of the directorate budgeted savings have been

levied against the Adults budget which, at this early stage of the financial year, are mainly predicted to be met.

At month 2 Children's Services are forecasting a £2.774M overspend, experiencing significant demands placing pressure on the placement budget, plus the knock on effect in the associated legal and transport provision to support care packages and the need to cover internal staff shortages. Since the start of this financial year there has been a 14% increase in LAC numbers, increasing from 173 to 197 at the end of October 2019. With the increased demand comes added pressures on other services such as legal and transport provision, contact and staffing, with extended reliance on agency staffing as a consequence.

Public Protection continues to strive to remain within its budget allocation, predicting a £24K overspend at month 7, mainly as a result of an inability to meet the 2% staff efficiency saving on its employee budgets.

## 2.1 Children and Young People (net £871k overspend)

Service colleagues report a surplus within **Schools budget division** caused by an excess of ad hoc WG funding to assist with Teacher pension funding totalling **£138k surplus**. Similarly **Resources division** indicates **£247k surplus** reflecting a reduced use of the schools redundancy budget (£100k surplus) and an adhoc release of reserve funding back into the main revenue budget activity (£135k benefit). These savings are not sufficient to compensate **Standards division overspend of £1.37m**, up £646k since month 2. The overspend is the consequence of reduced recoupment income for Mounton House (£300k shortfall), A shortfall in breakfast club activities caused by increase in cost and reduction in income (£120k), increased out of county placement costs (£380k) and additional support to schools (£531k). The pressure on ALN budgets is set to continue given impending widened statutory definition of additional learning needs.

## 2.2 The 2019-20 budget process assigned £1.2m savings to Children & Young people Directorate. All are anticipated to be achieved, other than the following exception.

- Children and Young people Directorate colleagues reported a £26k shortfall in anticipated income from breakfast club income.

## 2.3 Children & Young People Director's Perspective

The Directorate's Month 7 position is a forecasted overspend of £870,892 against the budget, which is an increase on the month 2 forecast overspend of £479,689.

The majority of this additional overspend is due to the Additional Learning Needs (ALN) Budget, which continues to remain under significant pressure and has an increased overspend of £626,625 on the Month 2 position. This is largely due to the following:-

- School Action Plus: £306,065 of the overspend relates to early identification of additional needs, as a result of the ALN Act. This continues to challenge the Welsh Government's assumption that the Act is cost neutral.
- Independents: £310,915 of the overspend is due to increased placement costs.








We have identified areas within the Directorate where we have been able to make savings, which has reduced the overall overspend. This includes £113,000 for Post 16 Pension grant














from Welsh Government and £51,000 relating to teachers pay award. Both of the above have already been funded via the Medium Term Financial Plan. An additional £100,000 for School based redundancies, taking the total saving to £200,000 in year. This is due to lower than anticipated redundancy costs.












Where appropriate all schools requiring a recovery plan have met to agree a plan. These plans will be closely monitored to ensure that the actions are taken to meet the requirements of the plan.









**Savings Matrix**






<b>Disinvestment by Directorate 2019-20</b>	<b>2019/20 Budgeted Savings</b>	<b>Value of Saving forecast at Month 7</b>	<b>Delayed Savings</b>	<b>Savings deemed Unachievable YTD</b>
<b>REVENUE MONITORING 2019-20</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Children &amp; Young People</b>	<b>(1,234)</b>	<b>(1,208)</b>	<b>0</b>	<b>(26)</b>
<b>Social Care &amp; Health</b>	<b>(1,246)</b>	<b>(1,115)</b>	<b>(90)</b>	<b>(41)</b>
<b>Enterprise</b>	<b>(1,480)</b>	<b>(930)</b>	<b>(152)</b>	<b>(399)</b>
<b>Resources</b>	<b>(1,342)</b>	<b>(1,236)</b>	<b>(106)</b>	<b>0</b>
<b>Chief Executives Units</b>	<b>(106)</b>	<b>(46)</b>	<b>(60)</b>	<b>0</b>
<b>Corporate Costs &amp; Levies</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Appropriations</b>	<b>(282)</b>	<b>(162)</b>	<b>0</b>	<b>(120)</b>
<b>Financing</b>	<b>(756)</b>	<b>(756)</b>	<b>0</b>	<b>0</b>
<b>DIRECTORATE Totals</b>	<b>(6,446)</b>	<b>(5,453)</b>	<b>(408)</b>	<b>(586)</b>

	Children & Young People	2019/20 Budgeted Savings £000	Value of Saving forecast at Month 7 £000	Delayed Savings £000	Savings deemed Unachievable £000	Traffic Light based Risk Assessment £000	ASSESSMENT of Progress
CYP 1	Federated school model	(23)	(23)				Saving achieved
CYP 3	Investigate options to revise running and budgeting of Gwent Music - Schools	(40)	(40)				Close working with Gwent Music has identified where the savings can be achieved
CYP 4	Fees and charges - Before School Club - Schools. Residual effect of 2018-19 budget proposal, reflecting 5 months activity at £1 pd	(72)	(46)		(26)		Lower take up of paid childcare element has resulted in a shortfall on the income
CYP 6	Continuation of inclusion review (incl Mounton Hse)	(275)	(275)				Full savings have been achieved
CYP 7	Nursery Provision, double counting topped up schools Jan 19 - March, already provided every Sept	(40)	(40)				Full savings have been achieved
CYP 11	Teachers Pension Scheme - increased rates - prudent assumption of funding from WG at 60%	(475)	(475)				Grant income has been received to offset this
CYP 11	Teachers Pension Scheme - increased rates - prudent assumption of funding from WG at 40%	(309)	(309)				Grant income has been received to offset this
	<b>CHILDREN &amp; YOUNG PEOPLE Budgeted Savings Total 2019-20</b>	<b>(1,234)</b>	<b>(1,208)</b>	<b>0</b>	<b>(26)</b>		










	Social Care & Health	2019/20 Budgeted Savings  £000	Value of Saving forecast at Month 7 £000	Delayed Savings  £000	Savings deemed Unachievable  £000	Traffic Light based Risk Assessment  £000	ASSESSMENT of Progress
SCH 1	Practice change- continue the transformation of practice. Early help, reablement, better life planning and realigning provision to meet personal outcomes .	(536)	(536)				
SCH 2	Fairer charging weekly threshold increases from £70 to £80 generating income following means test	(129)	(129)				
SCH 3	Respite Care - income generation from Fairer charging threshold.	(9)	(9)				
SCH 4	Increase income budget for Mardy Park to reflect additional income from new sc33 agreement	(36)	(36)				
SCH 5	Adults transport budget realignment as people use own transport solutions	(15)	(15)				
SCH 6	Realign Drybridge Gardens budget , based on M5 underspend position	(11)	(11)				
SCH 7	Reduce Individual support service (ISS) staffing costs following end of current two year detriment	(6)	(6)				
SCH 8	Efficient rota management @Budden Crescent following recent review	(20)	(20)				
SCH 9	Continuing Health Care (CHC) Adult - Health recoupment	(100)	(100)				
SCH 10	Budget to represent care home fee income from property sales	(160)	(160)				
SCH 11	Additional charges recovered from property	(90)	0	(90)			Awaiting Counsel direction
SCH 12	Children, Welsh government (WG) additional grant funding for Looked after children (LAC)	(41)	0		(41)		Due to extra demand and the cost involved £41K goes very little way if any to
SCH 13	Discretionary fees & charges uplift	(93)	(93)				
	<b>SOCIAL CARE &amp; HEALTH Budgeted Savings Total 2019-20</b>	<b>(1,246)</b>	<b>(1,115)</b>	<b>(90)</b>	<b>(41)</b>		






	Enterprise	2019/20 Budgeted Savings  £000	Value of Saving forecast at Month 7 £000	Delayed Savings  £000	Savings deemed Unachievable  £000	Traffic Light based Risk Assessment  £000	ASSESSMENT of Progress
18-19	OPS Grounds/waste - 1 year freeze of Head of waste p	40	40				Achieved
18-19	OPS Highways - displace core costs with grant	200	200				Achieved
ENT001	PLANHOUS – Development Mgt – Increased income from discretionary services	(13)	(13)				Achieved
ENT002	PLANHOUS - Development Mgt Press notice savings	(5)	(5)				Achieved
ENT003	OPS - Waste - Move to Re-usable bags for recycling. V	(45)	0	(45)			Cabinet decision to phase in this change so this saving is not achievable this year.
ENT004	OPS - Waste - Move to plastic bags instead of starch for food waste £30k per annum. Bags are going into Energy from Waste (EfW) regardless and contractor wants us to use plastic as easier to reprocess	(30)	(30)				Achieved
ENT005	Household waste recycling centre Day closures – Usk 2 days, Troy 2 days, Llanfoist 1 day, Five Lanes 1 day, circa £72k consequence	(72)	(60)	(12)			Only 10 out of 12 mths savings achieved due to delays
ENT008	OPS - Waste - Issue “Tax Disc” style permits to all residents with council tax to reduce cross border traffic of waste	(24)	(20)	(4)			Only 10 out of 12 mths savings achieved due to delays
ENT009	OPS Grounds/waste - Head of waste post, permanent removal from base.	(40)	(40)				Achieved
ENT010	OPS - Car Parks - Increase in charges - 10%	(90)	(30)	(60)			Only 3 months of savings currently achievable due to the length of consultation processes.
ENT014	OPS - Car Parks - Identifying additional car parking sites. Severn Tunnel Junction (requires investment)	(15)	0	(15)			The plans for Severn Tunnel Junction have changed dramatically so this income will not be achievable this year.



	Enterprise	2019/20 Budgeted Savings  £000	Value of Saving forecast at Month 7 £000	Delayed Savings  £000	Savings deemed Unachievable  £000	Traffic Light based Risk Assessment  £000	ASSESSMENT of Progress
ENT015	OPS - Car Parks - changing charging times 08.00-18:00	(3)	(1)	(2)			Only 3 months of savings currently achievable due to the length of consultation processes.
ENT016	OPS - Car Parks - Charging On a Sunday	(20)	(6)	(14)			Only 3 months of savings currently achievable due to the length of consultation processes.
ENT010-017	First year implementation costs of car parking proposals	106	106				Achieved
ENT018	OPS - Releasing spare budget funding from 18-19 Pay	(30)	(30)				Achieved
ENT019	OPS - Highways - Generate additional turnover through expansion of workforce to undertake more private/grant work. Would require additional investment.	(50)	(50)				Achievable
ENT020	OPS – Highways – Review of disposal of Highways arisings	(25)	(25)				Still undertaking review into proposal to achieve this. Delay could affect ability to fully meet target, although Highways will look at other means to manage shortfall.
ENT021	OPS - Streetlighting - rearranging of the funding of previous LED SALIX Loans	(38)	(38)				Achieved
ENT022	OPS - PTU Dynamic purchasing system (DPS) Retendering Savings.	(194)	0		(194)		Early indications are that the changes required to make this saving will happen too late in the year to have any benefit in 19/20




	Enterprise	2019/20 Budgeted Savings  £000	Value of Saving forecast at Month 7 £000	Delayed Savings  £000	Savings deemed Unachievable  £000	Traffic Light based Risk Assessment  £000	ASSESSMENT of Progress
ENT023	ECO - Community & Pships - Staff and Supplies & servi	(30)	(30)				Achieved
ENT024	ADM/MONLIFE savings	(205)	0		(205)		Net saving based on benefits gained by Mon Life moving into charity status (NNDR/Gift Aid/Vat), as this is no longer going ahead the savings are unachievable.
ENT025	ADM/MONLIFE fees & charges uplift	(59)	(59)		0		Achieved
ENT025	Discretionary fees & charges uplift	(27)	(27)				Achieved
ENT026	Headroom to capitalise Highways expenditure	(812)	(812)				Achieved
	<b>ENTERPRISE Budgeted Savings Total 2019-20</b>	<b>(1,480)</b>	<b>(930)</b>	<b>(152)</b>	<b>(399)</b>		



	Chief Executive's Unit	2019/20 Budgeted Savings  £000	Value of Saving forecast at Month 7 £000	Delayed Savings  £000	Savings deemed Unachievable  £000	Traffic Light based Risk Assessment  £000	ASSESSMENT of Progress
CEO001	GOVDEMSUP - Releasing budget saving on Wales local government association (WLGA) Subscription	(3)	(3)				Achieved
CEO002	GOVDEMSUP - Reduction in annual grant provided to Monmouth CAB (1k), releasing budget saving (3k)	(1)	(1)				Achieved
CEO003	GOVDEMSUP - Additional Income from Caldicot Hub - Desk Leasing Scheme	(2)	(2)				Achieved
CEO004	GOVDEMSUP - Policy - Net Staff Savings from not filling admin post	(3)	(3)				Achieved
CEO005	GOVDEMSUP - Community Hubs - Cross-subsidy with new income from Com Ed external	(25)	(25)				Achieved
CEO006	GOVDEMSUP – Contact Centre – Integrated Customer Communications	(60)	0	(60)			Delays in restructuring the service and increases in calls have meant that any potential savings have been negated by the requirement to bring in agency staff to cover staff sickness and vacant posts. This saving will not be made this financial year
CEO007	GOVDEMSUP - Members - Chairman's charity - Reduce/remove MCC Subsidy	(8)	(8)				Achieved
CEO008	GOVDEMSUP – Make wider use of Chairmans car to enable a release of a pool car within MCC	(3)	(3)				Achieved
CEO009	Discretionary fees & charges uplift	(1)	(1)				Achieved
	<b>CHIEF EXECUTIVES' UNIT Budgeted Savings Total 2019-20</b>	<b>(106)</b>	<b>(46)</b>	<b>(60)</b>	<b>0</b>		

	Resources	2019/20 Budgeted Savings  £000	Value of Saving forecast at Month 7 £000	Delayed Savings  £000	Savings deemed Unachievable  £000	Traffic Light based Risk Assessment  £000	ASSESSMENT of Progress
RES001	CORPLORD Estates RE-FIT Energy Savings (net after funding repayments)	(25)	(25)				Achieved
18-19	RES (Procurement - supplementary duplicate payment review) - one off saving in 18-19 - needs to come back out	25	25				Achieved
RES002	Central Services Recharge to Monlife (gross, £143k pressure accomodated in 2018-19 budget)	(704)	(704)				As MonLife is now staying in-house this has been offset with an opposite pressure so nil effect.
RES003	Commercial property income - additional acquisitions - rental income above borrowing and other costs	(400)	(400)				Achieved
RES004	Commercial property income - Castlegate - create sinking fund through wider reserve replenishment from one-off VAT savings to afford release of annual net income to revenue account	(170)	(114)	(56)			Saving assumed 100% rental, currently we have some vacant units that are not producing any income so an element of saving will be delayed until we fill all our units.

	Resources	2019/20 Budgeted Savings £000	Value of Saving forecast at Month 7 £000	Delayed Savings £000	Savings deemed Unachievable £000	Traffic Light based Risk Assessment £000	ASSESSMENT of Progress
RES005	Further Travel cost reduction (10%) to be allocated via Future Mon	(50)	0	(50)	0		<p>Total saving forecast be achieved by 31st March 2020.</p> <p>Measures currently being implemented to reduce travel expenses across the authority comprise:</p> <p>Accommodation Review including reallocation of Social Care from Magor to Usk</p> <ul style="list-style-type: none"> <li>• Accommodation rationalisation</li> <li>• Area based working</li> <li>• Route optimisation</li> <li>• Pool car review</li> <li>• Digital enabling for members and officers, including, Skype, laptops, smart phones, tablets, mobile apps etc.</li> <li>• Refocus on agile working and the ability to work seamlessly from any location.</li> </ul>
RES006	Discretionary fees & charges uplift	(18)	(18)				Achievable
	<b>RESOURCES Budgeted Savings Total 2019-20</b>	<b>(1,342)</b>	<b>(1,236)</b>	<b>(106)</b>	<b>0</b>		

	Corporate Costs & Levies	2019/20 Budgeted Savings £000	Value of Saving forecast at Month 7 £000	Delayed Savings £000	Savings deemed Unachievable £000	Traffic Light based Risk Assessment £000	ASSESSMENT of Progress
		0					
	<b>CORPORATE COSTS Budgeted Savings Total 2019-20</b>	0	0	0	0		
	Appropriations	2019/20 Budgeted Savings £000	Value of Saving forecast at Month 7 £000	Delayed Savings £000	Savings deemed Unachievable £000	Traffic Light based Risk Assessment £000	ASSESSMENT of Progress
APP001	Interest Receivable	(162)	(162)				
APP002	Minimum revenue provision (MRP) savings from capital receipts set aside - to be confirmed	(120)	0		(120)		The proposal involved use of Crick Road receipt, however legal agreement fetters its use until drainage solution secured
	<b>APPROPRIATIONS Budgeted Savings Total 2019-20</b>	(282)	(162)	0	(120)		
	Financing	2019/20 Budgeted Savings £000	Value of Saving forecast at Month 7 £000	Delayed Savings £000	Savings deemed Unachievable £000	Traffic Light based Risk Assessment £000	ASSESSMENT of Progress
FIN001	Council tax base increase - further increase anticipated beyond CT1 taxbase	(40)	(40)				
FIN001	Council Tax Reduction Scheme activity saving	(110)	(110)				
FIN002	Anticipated "floor" change to Aggregate external funding (AEF) (0.5% improvement)	(468)	(468)				
FIN003	Final "floor" change to 0.3%	(138)	(138)				
	<b>FINANCING Budgeted Savings Total 2019-20</b>	(756)	(756)	0	0		

Appendix 6

**Individual Schools Reserves**

		Opening	Estimated	Forecast		Recovery	
		Balance	usage	Closing		Plan	
		2019-20	based on	Balance		Yr end	
		(surplus)/	Month 7	2019-20		Target	
		deficit	(surplus)/	(surplus)/		2019-20	
		deficit	deficit	deficit		(surplus)/	
						deficit	
<b><u>Abergavenny cluster</u></b>							
E003 King Henry VIII Comprehensive		82,797	136,804	219,601		71,901	
E073 Cantref Primary School		(88,391)	(412)	(88,803)			
E072 Deri View Primary School		(80,000)	7,056	(72,944)			
E035 Gilwern Primary School		(55,251)	(9,228)	(64,479)			
E037 Goytre Fawr Primary School		(2,737)	(24,932)	(27,669)			
E093 Llanfoist Fawr Primary School		(14,342)	(7,522)	(21,864)			
E044 Llantillio Pertholey CiW Primary School (VC)		9,643	15,542	25,185		25,185	
E045 Llanvihangel Crucorney Primary School		(34,341)	(2,003)	(36,344)			
E090 Our Lady and St Michael's RC Primary School (VA)		14,170	(28,628)	(14,458)			
E067 Ysgol Cymraeg Y Fenni		(51,306)	48,616	(2,690)			

		Opening	Estimated	Forecast		Recovery	
		Balance	usage	Closing		Plan	
		2019-20	based on	Balance		Yr end	
		(surplus)/	Month 7	2019-20		Target	
		deficit	(surplus)/	(surplus)/		2019-20	
		deficit	deficit	deficit		(surplus)/	
						deficit	
<b>Caldicot cluster</b>							
E001 Caldicot School		65,013	120,372	185,385		188,407	
E068 Archbishop Rowan Williams CiW Primary School (VA)		(73,406)	(10,903)	(84,309)			
E094 Castle Park Primary School		23,772	(26,923)	(3,150)		(1,422)	
E075 Dewstow Primary School		(108,642)	20,258	(88,384)			
E034 Durand Primary School		(29,087)	16,493	(12,594)			
E048 Magor CiW Primary School (VA)		54,651	(15,949)	38,702		13,348	
E056 Rogiet Primary School		(20,015)	19,982	(33)			
E063 Undy Primary School		129,534	3,008	132,542		126,424	
E069 Ysgol Cymraeg Y Ffin		32,979	30,280	63,259		Pending	

		Opening	Estimated	Forecast		Recovery	
		Balance	usage	Closing		Plan	
			based on	Balance		Yr end	
		2019-20	Month 7	2019-20		Target	
		(surplus)/	(surplus)/	(surplus)/		2019-20	
		deficit	deficit	deficit		(surplus)/	
						deficit	
<b><u>Chepstow cluster</u></b>							
E002 Chepstow School		(50,661)	216,054	165,393		165,393	
E091 Pembroke Primary School		13,239	(989)	12,250		(209)	
E057 Shirenewton Primary School		(132,093)	41,810	(90,283)			
E058 St Mary's Chepstow RC Primary School (VA)		63,593	(6,463)	57,130		Pending	
E060 The Dell Primary School		(16,389)	(3,560)	(19,949)			
E061 Thornwell Primary School		53,722	(48,779)	4,943		(645)	

		Opening	Estimated usage	Forecast Closing		Recovery Plan	
		Balance	based on	Balance		Yr end Target	
		2019-20	Month 7	2019-20		2019-20	
		(surplus)/ deficit	(surplus)/ deficit	(surplus)/ deficit		(surplus)/ deficit	
<b>Monmouth cluster</b>							
E004 Monmouth Comprehensive		538,326	(58,749)	479,577		487,767	
E032 Cross Ash Primary School		(54,150)	11,616	(42,534)			
E092 Kymin View Primary School		(5,607)	(23,245)	(28,852)			
E039 Llandogo Primary School		83,516	94,142	177,658		(1,141)	
E074 Osbaston CiW Primary School (VC)		(6)	27,411	27,405		Pending	
E051 Overmonnow Primary School		18,473	602	19,075		Pending	
E055 Raglan CiW Primary School (VC)		108,451	(59,955)	48,496		64,622	
E062 Trellech Primary School		(71,983)	29,864	(42,119)			
E064 Usk CiW Primary School (VC)		(9,911)	(22,096)	(32,007)			

		Opening	Estimated	Forecast		Recovery	
		Balance	usage	Closing		Plan	
		2019-20	based on	Balance		Yr end	
		2019-20	Month 7	2019-20		Target	
		(surplus)/	(surplus)/	(surplus)/		2019-20	
		deficit	deficit	deficit		(surplus)/	
		deficit				deficit	
<b>Special Schools</b>							
E020 Mounton House Special School		(141,505)	66,950	(74,555)		4,947	
E095 PRU		(19,652)	93,717	74,065		Pending	