

## REPORT

<b>SUBJECT</b>	<b>2019/20 REVENUE &amp; CAPITAL OUTTURN STATEMENT</b>
<b>DIRECTORATE</b>	<b>Resources</b>
<b>MEETING</b>	<b>Cabinet</b>
<b>DATE</b>	<b>17th June 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 based on capital slippage and reserve usage & deferment.

### 2 RECOMMENDATIONS

- 2.1 That Members consider the net revenue outturn deficit explained in section 3 of the report of £3.76m and the one off items offsetting this deficit to provide an overall net surplus to the revenue account of £1.8m.
- 2.2 That members endorse the use of the revenue surplus for the year of £1.8m to increase the Council fund balance to allow the Authority maximum flexibility to respond to and mitigate the financial risks surrounding the ongoing COVID19 situation.
- 2.3 Members note the extent of movements in individual budgeted draws on school balances as shown in section 8 of the report and the further review to be undertaken as part of month 5 budget monitoring report.
- 2.4 That Members note the 84% delivery of the budgeted mandated savings agreed by full Council previously and the implicit remedial action/savings included in the financial monitoring to compensate for circa 16% savings (£1.03m) reported as delayed or unachievable by service managers.
- 2.5 That Members consider the capital outturn spend of £24.0m, introducing an underspend of £1.55m primarily due to underspending of specific grant related schemes and accepts slippage requests of £24.8m being endorsed (listed in Appendix 2) along with the related presumptions made around financing consequences as per section 6.

### 3 MONITORING ANALYSIS

#### 3.1 Revenue Position

#### Revenue Outturn Position 2019-20

Table 1: Council Fund 2019/20 Revenue Outturn

Service Area	Original Budget	Budget Adjustments	Revised Budget	Actual Outturn	Forecast (under) / overspend @ Outturn	Forecast (under) / overspend @ Mth7	Variance Mth7 to Outturn
	'000's	'000's	'000's	'000's	'000's	'000's	'000's
Adult Services	7,341	319	7,659	7,814	155	211	(56)
Children Services	11,937	21	11,959	15,238	3,280	2,774	506
Community Care	22,640	(10)	22,631	23,014	383	676	(293)
Commissioning	1,604	72	1,676	1,588	(88)	(52)	(36)
Partnerships	418	0	418	418	0	0	0
Public Protection	1,458	0	1,458	1,480	23	24	(1)
Resources & Performance	573	(42)	531	534	3	1	2
<b>Total Social Care &amp; Health</b>	<b>45,971</b>	<b>361</b>	<b>46,332</b>	<b>50,087</b>	<b>3,755</b>	<b>3,634</b>	<b>121</b>
Individual School Budget	44,280	354	44,633	44,272	(361)	(138)	(223)
Resources	1,215	125	1,340	961	(379)	(358)	(21)
Standards	5,431	(1)	5,429	6,650	1,220	1,367	(147)
<b>Total Children &amp; Young People</b>	<b>50,926</b>	<b>477</b>	<b>51,403</b>	<b>51,883</b>	<b>480</b>	<b>871</b>	<b>(391)</b>
Business Growth and Enterprise	5,536	(3,886)	1,649	1,613	(36)	(57)	21
Operations	15,490	957	16,447	17,454	1,007	248	759
Planning & Housing	1,807	(147)	1,659	1,791	131	313	(182)
Tourism, Life & Culture (MonLife)	0	3,454	3,454	3,518	64	109	(45)
<b>Total Enterprise</b>	<b>22,833</b>	<b>378</b>	<b>23,211</b>	<b>24,376</b>	<b>1,165</b>	<b>613</b>	<b>552</b>
Governance, Democracy & Support	3,773	179	3,952	4,013	61	48	13
Legal & Land Charges	697	4	701	722	21	62	(41)
<b>Total Chief Executives Unit</b>	<b>4,470</b>	<b>183</b>	<b>4,654</b>	<b>4,735</b>	<b>82</b>	<b>110</b>	<b>(28)</b>
Commercial, Corporate & landlord Services	(138)	947	809	547	(262)	2	(264)

Service Area	Original Budget	Budget Adjustments	Revised Budget	Actual Outturn	Forecast (under) / overspend @ Outturn	Forecast (under) / overspend @ Mth7	Variance Mth7 to Outturn
	'000's	'000's	'000's	'000's	'000's	'000's	'000's
Finance	2,559	(33)	2,526	2,235	(291)	(47)	(244)
Future Monmouthshire	0	(34)	(34)	176	210	179	31
Information Communication Technology	2,591	89	2,680	2,609	(70)	(45)	(25)
People	1,635	(12)	1,623	1,624	1	6	(5)
<b>Total Resources</b>	<b>6,647</b>	<b>957</b>	<b>7,603</b>	<b>7,191</b>	<b>(413)</b>	<b>95</b>	<b>(508)</b>
Precepts and Levies	19,218	23	19,240	19,060	(180)	(180)	(0)
Coroners	117	0	117	145	28	28	0
Gwent Joint Records	182	0	182	182	0	0	0
Corporate Management (CM)	158	(5)	153	(4,778)	(4,931)	4	(4,935)
Non Distributed Costs (NDC)	595	0	595	705	110	80	30
Strategic Initiatives	1,436	(994)	442	0	(442)	(442)	0
Insurance	1,398	68	1,466	1,098	(368)	49	(417)
<b>Total Corporate</b>	<b>23,104</b>	<b>(908)</b>	<b>22,196</b>	<b>16,412</b>	<b>(5,783)</b>	<b>(461)</b>	<b>(5,322)</b>
<b>Net Costs of Services</b>	<b>153,951</b>	<b>1,448</b>	<b>155,398</b>	<b>154,685</b>	<b>(714)</b>	<b>4,862</b>	<b>(5,576)</b>
Fixed Asset Disposal Costs	108	(61)	47	47	0	0	0
Interest & Investment Income	(205)	0	(205)	(506)	(301)	(112)	(189)
Interest Payable & Similar Charges	3,398	797	4,195	4,095	(100)	(152)	52
Charges Required under Regulation	4,611	1,094	5,705	5,677	(28)	(27)	(1)
Capital Expenditure Financing	0	11	11	0	(11)	0	(11)
Borrowing Cost Recoupment	0	(3,402)	(3,402)	(3,402)	(0)	0	(0)
Contributions to Reserves	444	173	617	617	0	0	0

Service Area	Original Budget	Budget Adjustments	Revised Budget	Actual Outturn	Forecast (under) / overspend @ Outturn	Forecast (under) / overspend @ Mth7	Variance Mth7 to Outturn
	'000's	'000's	'000's	'000's	'000's	'000's	'000's
Contributions from reserves	(535)	(37)	(572)	(572)	0	0	0
<b>Total Appropriations</b>	<b>7,821</b>	<b>(1,425)</b>	<b>6,396</b>	<b>5,967</b>	<b>(429)</b>	<b>(291)</b>	<b>(138)</b>
<b>Total Cost to be Financed</b>	<b>161,772</b>	<b>23</b>	<b>161,794</b>	<b>160,652</b>	<b>(1,143)</b>	<b>4,571</b>	<b>(5,714)</b>
General Government Grants	(62,548)	0	(62,548)	(62,548)	0	0	0
Non Domestic Rates Redistribution	(30,682)	0	(30,682)	(30,682)	0	0	0
Council Tax	(75,101)	(23)	(75,124)	(75,628)	(504)	(467)	(37)
Council Tax Reduction Scheme	6,559	0	6,559	6,410	(149)	(117)	(32)
<b>Total Financing</b>	<b>(161,772)</b>	<b>(23)</b>	<b>(161,794)</b>	<b>(162,447)</b>	<b>(653)</b>	<b>(584)</b>	<b>(69)</b>
<b>Net Council Fund (Surplus) / Deficit</b>	<b>(0)</b>	<b>0</b>	<b>(0)</b>	<b>(1,796)</b>	<b>(1,796)</b>	<b>3,987</b>	<b>(5,783)</b>

- 3.2 The revenue outturn shown in table 1 indicates an overall net surplus on the revenue account of £1.8m. This surplus has arisen due to the application of two one off items which mitigate a net deficit on services of £3.76m.

	£'000
Net Cost of services deficit	4,840
Financing & Appropriations	(1,082)
Net Council Fund deficit prior to mitigation	<b>3,758</b>
Less one off VAT receipt – Ealing judgement, decision to exempt Leisure services income, claims cover period Jan 07 – Mar 19	(2,304)
Less capitalisation directive	(3,250)
Revised Council Fund Surplus	<b>(1,796)</b>

- 3.3 Throughout the year the Council's periodic financial monitoring reports have highlighted and reported to Cabinet an increasingly difficult monitoring position. This has enabled some specific one-off action to be taken towards the end of the financial year in halting non-essential spend which has contributed to the deficit position in the Net cost of services remaining broadly similar to the Period 2 forecast:

	Period1	Period 2	Outturn
Net cost of services Deficit (£000's)	2,610	4,862	4,840*

\*Prior to one-off mitigations

3.4 However this position should not distract from the underlying financial challenges that have to be addressed. 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, waste, car parking and Monlife activities.

3.5 Further explanation of these variances along with the relevant Chief Officer commentary is contained within Section 4 of this report.

### 3.6 **One-off mitigations**

3.7 At its meeting on 19<sup>th</sup> September 2019 Cabinet agreed the submission of retrospective VAT claims to HMRC in respect of the Ealing judgement which determined that certain supplies of sporting services made by local authorities can be treated as exempt from VAT. The claim was successful and the revenue outturn includes the beneficial effect of £2.3m in one-off VAT receipts covering the claims period January 2007 to March 2019.

3.8 During the year £3.25m of one-off costs have been identified as meeting the criteria to be capitalised under the guidance issued by the Welsh Government in respect of capitalisation direction and the associated flexible use of capital receipts.

3.9 These costs are listed and Appendix 1 to this report and in summary relate to:

- Sharing back-office and administrative services with one or more other council or public sector body;
- Investment in service reform feasibility work;
- Funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation;
- Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible;
- Sharing Chief Executives, management teams or staffing structures;
- Setting up alternative delivery models to deliver services more efficiently and bring in revenue

### 3.10 **Recommended use of 2019/20 Revenue surplus**

3.11 The Authority even prior to the ongoing COVID19 crisis was already facing significant financial challenges heading into the 2020/21 financial year:

- The increasing costs and pressures in Children's Services and other cost pressures that have resulted and since the budget was set in early March (e.g. Passenger transport)
- The further savings to be achieved and as a consequence of the decision by Welsh Government not to introduce a funding floor (£359k of efficiencies still to be found)
- The fact that the pay award for Local government is still to be finalised and has the potential to be over and above the level budgeted
- The fact that the COVID19 situation will impact on the delivery of savings plans
- The consequences of the flooding events both in terms of the additional costs needing to be met in the response phase but also the consequential impact in recovery.

3.12 The ongoing COVID19 crisis presents its own additional financial challenges and uncertainty both in terms of additional cost and significant loss of income across services.

Some of these impacts are difficult to model and will potentially only manifest themselves once a degree of normality returns to service delivery.

3.13 It is inevitable that service delivery and operating models will look significantly different as we move out of this phase of the crisis, for example:

- New services have been created, some services have been stopped, staff redeployed and new working practices are in place, many of these changes may need to continue beyond this phase of the crisis;
- Supply chains are likely to be radically altered;
- The impact of continuing social distancing on service operations;
- The financial impact on the most vulnerable members of the County and the ongoing and additional support this may require;
- There has been an increased focus on digital solutions to the issues faced, some of these may replace traditional methods of service delivery;
- The prominence of agile working and the shift in culture and its impact on future office space requirements

3.14 There is currently uncertainty around Welsh Government funding to Local authorities as a result of the COVID19 impact, in terms of the full consequential funding being passed through; how that funding will be passed through (on a claims basis or allocation); and whether there will be further funding announced by UK Government which will allow Welsh Government to make further commitments.

3.15 The length of time that social distancing restrictions remain in place and how long it will take to return back to some degree of normality will significantly impact the financial situation of the Authority. It is also important to recognise that the economy will be in recession and UK and global economies have been hit hard by the pandemic which will considerably impact future public spending.

3.16 Given the significant risk of a situation developing where funding is not sufficient to offset the losses, additional costs and other financial impacts on the Authority of the response to the COVID19 crisis, and given the fact there is limited reserve and capital receipt capacity to meet these demands, the Authority will look to undertake a detailed financial sustainability assessment and draft budget recovery plan which will re-evaluate financial commitments and funding forecasts.

3.17 Considering the above it is proposed that the revenue surplus generated during 2019/20 of £1.8m is used to increase the Council fund balance to allow the Authority the maximum flexibility to respond to and mitigate the financial risks surrounding the ongoing COVID19 crisis. Further evaluation of the Authority's reserves will be carried out as part of the financial sustainability assessment which will be reported to members in due course.

#### 4 DIRECTORATE – DIVISION OUTTURN COMMENTS

Service Area	Original Budget	Budget Adjustments	Revised Budget	Actual Outturn	Forecast (under) / overspend @ Outturn	Forecast (under) / overspend @ Mth7	Variance Mth7 to Outturn
	'000's	'000's	'000's	'000's	'000's	'000's	'000's
Social Care & Health	45,971	361	46,332	50,087	3,755	3,634	121
<b><u>SOCIAL CARE &amp; HEALTH DIRECTOR'S COMMENTARY AT OUTTURN</u></b>							

At year end the directorate closed the 2019/20 financial year with an overspend of £3.755M, 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. Compared to the last forecast at month 7, the overspend increased by £121K as we moved into the winter months and had a further influx of looked after children.

The Adult Services division closed the year with an overspend of £453K, with continued demand on the Adult with Disabilities service. The Adults with Disabilities budget, which caters for younger adults with learning and physical disabilities, have seen an increased need for placements, with 17 this year and in total 47 in excess of £1,000 per week, closing with a £1.459M overspend. 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 had been levied against the Adults budget totalling £1.205M and were largely met. A concerted effort was made since month 7 by all managers to limit spend against budgets as much as possible, and look to maximise any external funding to come in, as much as possible within budget, despite having 700 number of weekly hours in brokerage and increased demand for residential and nursing placements.

Children's Services has experienced during 2019/20 an unprecedented increase in demand within its Looked After Children, with 219 at 31<sup>st</sup> March 2020. At the start of the financial year, the numbers of Looked After Children opened at 173, and closed the year at 219, an increase of 46, or 27% in a year, leading to an overspend on the budget of £3.280M. Since the last forecast at month 7 the LAC numbers experienced the largest increase from 197 to 219. However, the service has made great efforts to review cases and strengthen its links with providers and reviewing contracts and costs to try and contain the overspend since month 7. 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, closing the year with a £22K overspend mainly as a result of an inability to meet the 2% staff efficiency saving on its employee budgets. The year-end position has been predicted throughout the year and continued efforts by staff has helped to limit the overspend to just this small amount.

#### ADULT SERVICES

Outturn Forecast £'s	Month 2	Month 7	Actual Outturn	Variance to Month 7
deficit / (surplus)	186,000	211,000	155,000	(56,000)

The main pressure is within our own care home Severn View, which had an overspend of £149,000. There are a number of factors that contributed to the overspend such as not being in a position to meet the 2% staff efficiency saving, additional staff payments and increased food costs.

#### CHILDREN SERVICES

Outturn Forecast £'s	Month 2	Month 7	Actual Outturn	Variance to Month 7
deficit / (surplus)	2,296,000	2,774,000	3,280,000	506,000

Continued increase in demand with the Looked After Children numbers rising from 173 at the start of the year and closing at 219, an increase of 46 children, or 27%. The increase has placed pressure on the need for fostering and external placements, and support services such as transport requirements, legal, staffing, contact etc.

#### COMMUNITY CARE

Outturn Forecast £'s	Month 2	Month 7	Actual Outturn	Variance to Month 7
deficit / (surplus)	2,000	676,000	383,000	(293,000)

The main pressure is within our Adults with Disabilities budget which closed with a £1.459M overspend. A number of one off funding streams have helped to offset a large element of the overspend, along with underspends in Frailty and not being able to broker some care hours to the external domiciliary care market.

#### COMMISSIONING

Outturn Forecast £'s	Month 2	Month 7	Actual Outturn	Variance to Month 7
deficit / (surplus)	1,000	(52,000)	(88,000)	(36,000)

On-going post vacancy within the Commissioning team

#### PUBLIC PROTECTION

Outturn Forecast £'s	Month 2	Month 7	Actual Outturn	Variance to Month 7
deficit / (surplus)	6,000	24,000	22,000	(2,000)
Due to not being able to fully meet the 2% staff efficiency saving				
<b>RESOURCES &amp; PERFORMANCE</b>				
Outturn Forecast £'s	Month 2	Month 7	Actual Outturn	Variance to Month 7
deficit / (surplus)	(3,000)	1,000	3,000	2,000
Due to not being able to fully meet the 2% staff efficiency saving				

Service Area	Original Budget	Budget Adjustments	Revised Budget	Actual Outturn	Forecast (under) / overspend @ Outturn	Forecast (under) / overspend @ Mth7	Variance Mth7 to Outturn
	'000's	'000's	'000's	'000's	'000's	'000's	'000's
Children & Young People	50,926	477	51,403	51,883	480	871	(391)

#### CYP DIRECTOR'S COMMENTARY AT OUTTURN

The Directorate's year-end position is overspent by £480,000 against the budget, which is a decrease on the month 7 forecast overspend of £391,000.

The majority of this variance relates to grant funding for the teacher pay award (£310,000) has already be afforded to schools in full. At month 7 this was reported as a central saving, for the year-end this has been reported CYP. In addition to this there has been a small saving in the Additional Learning Needs budget this is detailed in the standards section of the report.

The schools opened the year with a deficit balance of £234,000 this has increased to £434,000 at the year end, this is an improvement of £448,000 on the month 7 forecast. At the year end there are 17 schools in a deficit this is an increase of 2. The school in a deficit are the 4 secondary schools and the pupil referral unit, the primary schools in a deficit are: Llandogo, Llantilio Pertholey, Magor, Overmonnow, Raglan, Rogiet, St Mary's, Thornwell, Undy, Ysgol Gymraeg Y Fenni and Ysgol Gymraeg Y Ffin. All schools in a deficit are working with the Local Authority to improve their financial situation.

#### INDIVIDUAL SCHOOL BUDGETS

Outturn Forecast £'s	Month 2	Month 7	Actual Outturn	Variance to Month 7
deficit / (surplus)	0	(138,000)	(361,000)	(223,000)

At month 7, the teacher pay award grant of £310k was reported as a central saving, it has now been agreed that CYP will report it as a saving. Overall this does not affect the year-end financial position of the Local Authority.

#### RESOURCES

Outturn Forecast £'s	Month 2	Month 7	Actual Outturn	Variance to Month 7
deficit / (surplus)	(359,000)	(358,000)	(379,000)	(21,000)

Lower than anticipated school based redundancy costs. For previous forecast it was agreed that the maternity reserve would be reduced by £88k at year end this is reported in a central cost centre and therefore the underspend has reduce for CYP.

#### STANDARDS

Outturn Forecast £'s	Month 2	Month 7	Actual Outturn	Variance to Month 7
deficit / (surplus)	701,000	1,367,000	1,220,000	(147,000)

£119k less spend regarding ALN, than expected:-

- £34k more income
- £42k additional / 1:1 support not required
- £48k Leavers
- £12k pupils not attending
- £12k saving on 18/19 accruals
- £10k extra cost , additional support for schools
- £19k extra cost, legal



The £47k budget for MEAG was all grant funded, there were £26k of vacancy savings, £12k saving regarding Early Years and the Primary School Breakfast Initiative received more income and less catering costs than expected, resulting in a £21k positive variance.

Service Area	Original Budget	Budget Adjustments	Revised Budget	Actual Outturn	Forecast (under) / overspend @ Outturn	Forecast (under) / overspend @ Mth7	Variance Mth7 to Outturn
	'000's	'000's	'000's	'000's	'000's	'000's	'000's
<b>Enterprise</b>	<b>22,833</b>	<b>378</b>	<b>23,211</b>	<b>24,376</b>	<b>1,165</b>	<b>613</b>	<b>552</b>

#### **ENTERPRISE DIRECTOR'S COMMENTARY AT OUTTURN**

The final outturn for Enterprise and Monlife presents an overspend of £1.167m against the annual budget. The service areas that have been of particular concern throughout the financial year are key components within this final outturn position with Car Parks and the passenger transport unit having both overspent by £423k and £901k respectively.

In summary, the Car Park income has been affected by delays in implementing the 2019-20 price increases. Also there is decrease in pay & display income across many of the sites but in particular within Abergavenny. Our civil parking enforcement income target has not been met, a lack of staffing on the ground in the early part of the year has meant that penalty notice income is down, this coupled with increased costs of staffing, software, monitoring fees to RCT, equipment and uniforms have all lead to the overspend. Income has also been affected late on in the year as a result of the Covid19 lockdown.

The passenger transport unit is in an adverse position due to a number of key reasons. ALN transport provision has seen both an increase in pupil numbers and a change in service provision to meet specific needs. External transport provision as increased due to an increase in contract costs and additional pupil numbers. The internal service has had to increase its staff costs due to an operator going out of business and our internal service picking up the service runs. The service were unable to achieve all of the DPS tendering budget saving target that had been built into the 19/20 MTFP and there was a shortfall in income from the private hire service and training.

There are a number of favourable and adverse variations across the portfolio that are set out in more detail within this section which provide more context and narrative regarding the final positions for 2019/20. There are a number of service areas that have been presenting deficit trends in 2019/20 and the impact of the recent flooding events and the ongoing pandemic with COVID-19 are likely to exacerbate these in 2020/21 unless further changes to service provision or investment can be made.

#### **MONLIFE Commentary:**

MonLife has returned an overspend of £64k, a reduction of £45k from that previously reported at month 7 following a rigorous review process being established in November 2019 which restricted spend to only items of essential expenditure in order to contain and reduce the deficit as much as possible.

The Outdoor Education service overspend was £171k and the reasons for this were detailed in a separate report to cabinet in February 2020. The situation worsened in March when schools withdrew bookings before the service finally closed on 20th March. This resulted in further income losses as all fees were refunded. Prior to this, the service underwent an independent review and action plans were being developed to revitalise and develop new and existing markets. The service is now unable to implement recovery plans and will have to rethink future service provision in order to re-establish itself and rebuild confidence within the sector.

One other area of overspend was within the Museums service (20k), mainly as the result of the upgrade of the existing PSBA lines into Abergavenny and Chepstow Museums. The service was experiencing difficulties in utilising some of the Council's key systems because of restricted bandwidth and therefore it was necessary to upgrade the lines. This also will assist with the future digitalisation plans for the service.

Other areas of overspending, included attractions (30k) where income had been less than budgeted mainly due to the impact of road closures on business at Tintern Old Station and a reduction in private events at both Shirehall and Caldicot Castle.

The 2019/20 budget included savings of 205k 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 was circa £276k and has which resulted in further savings of £71k.

Other savings were within Leisure Services where the loan repayment for the Monmouth Leisure Centre capital project has been phased over three years resulting in a one off saving of 70k. Memberships of Leisure Centres at mid-March were at our highest ever levels and have resulted in 16k additional income however since the closure of the Leisure Centres on 21st March, whilst we have retained most of our memberships we have had over 700 cancellations which the service will need to work hard to re-engage. The anticipated loss is equivalent to 210k per annum.

### BUSINESS GROWTH & ENTERPRISE

Outturn Forecast £'s	Month 2	Month 7	Actual Outturn	Variance to Month 7
deficit / (surplus)	(7,000)	(57,000)	(36,000)	21,000

The Borough Theatre has overspent by £53,000. The service has been greatly affected by 2 major issues in 19-20.

1) The redevelopment of the Market Hall Building - this has impacted on turnover as shows have had to be cancelled to accommodate building works so ticket income is down, in addition extra expenditure has been incurred in ensuring site safety when shows have been able to go ahead. 2) The recent Covid19 outbreak has meant the theatre has been closed from the start of March so all shows have had to be cancelled. The £43,000 negative swing from Month 7 relates to the full impact on income of building delays and Covid19 not being known in October.

Business Growth & Enterprise has underspent by £27k. This is due mainly to staff savings where a post has only been filled part way through the year, this has been offset by redundancy costs and an outstanding contribution to Blaenau Gwent regarding the Circuit of Wales. This is the main reason for variance from Month 7.

Communications has over spent by £18k. This is due to a reduction in fee income against budgeted target. The bottom line relies heavily on external fees but the unit struggles to meet these requirements as resource is taken up with providing marketing and graphic design services to internal corporate services some of which cannot necessarily be recharged.

Community & Partnership development has underspent by £37k. The Majority of the underspend relates to a staff saving due to a part time vacant post.

Enterprise Management has underspent by £60,000 – the main reason for this a one-off grant windfall that has allowed us to fund all our Regeneration Team staff costs from grant (£47k) and staff savings of £27k due to a post only being filled part way through the year, offset by £14k overspend on professional fees and tribunal costs. This is a positive swing from month 7 of £51k and is mainly attributed to the grant windfall not being known in October.

The Events budget has overspent by £17k. Unfortunately the fireworks event in October did not return a profit, the bad weather we had leading up to the event affected ticket sales and we also incurred additional site safety costs, the result of this led to a £2,500 loss. This is unfortunate but if we had had to cancel the event then the losses would have been far greater. Our ability to offset these losses with external income took a further hit when both our event organisers left the authority effectively stopping all operations in December. This impacted on our ability to generate external income to offset overheads so we were unable to mitigate the overspend by year end and is the reason for the £17k negative swing to Month 7.

### OPERATIONS

Outturn Forecast £'s	Month 2	Month 7	Actual Outturn	Variance to Month 7
deficit / (surplus)	77,000	248,000	1,007,000	759,000

School Catering has underspent by £101k. The service has performed very well this year with meal uptake remaining consistent throughout the year - this has enabled us to exceed our income targets. In addition, the budget has benefited from lower than anticipated staff & equipment costs and the service hasn't seen the expected impact of Brexit on operational running costs to date and is the main reason for the £51k positive swing from month 7.

Highways and Streetlighting has overspent by £13k, the main reasons being :-

- A £75k underspend in Streetlighting as a result of energy savings from LED lamp replacement programme.
- Highways Operations underspending by £9k due to increased capital income as the unit were able to displace core costs against our capital maintenance programme. This has been offset by additional repair costs incurred with Storm Dennis, and is the reason for the £105k negative swing from month 7.
- Highways External Clients overspending by £41k - The service has returned a surplus but not enough to cover the external income target set within the budget. The SWTRA collaboration partnership has come in on budget as this is a cost recovery model.

Building Cleaning has underspent by £58k due to an increase in contract income, the unit has acquired 2 additional school sites and J Block in 19-20 pushing income over budgeted targets, the level of which was not known at Month 7.

Passenger Transport has overspent by £901k. The main reasons for this are :-

- We have seen an increase in the cost of ALN transport provision of £307k, this is due to both an increase in actual pupil numbers since September and a change in service provision to match specific needs.
- An £85k increase in External School Transport provision due to £41k of increased contract costs and £44k due to additional pupil intake.
- £100k additional spend in internal Home to school transport where we have had to take on additional drivers and escorts to fill a gap left by an operator going out of business, in addition we have seen increased hire costs to cover vehicles that are off the road being repaired.
- A £156k shortfall in DPS tendering budget saving target built into the 19/20 MTFP.
- An unbudgeted vehicle financing cost of £56k.
- A combined shortfall of Private Hire and training income of £194k.

This is a £496,000 negative swing from month 7 and the main reasons for variance is that the extent of additional ALN costs, Capital Financing costs and reduction in income were not fully known in October.

Fleet Maintenance has overspent by £55k, this is due to increased premises costs of £21,000 due to the refurbishment of the new depot in Caldicot and vehicle damage repair costs increasing to £79,000 These have been off-set by savings in a staff vacancy which hasn't been filled as yet. The variance from month 7 is due to a discrepancy in forecasting where we built in the full effect of WG gritter income in M7 and hadn't built in all related costs.

Waste & Street Scene has overspent by £187k. Despite being able to passport some in-year operational costs against a recycling capital grant the collapse of the recycling market following Brexit and the C19 epidemic coupled with increased reprocessing costs and income shortfall in Grounds Maintenance has meant the service has not been able to come within budget. This is a £114k negative swing from M7 and is due to the full impact of Brexit and C19 not being known in October.

#### PLANNING & HOUSING

Outturn Forecast £'s	Month 2	Month 7	Actual Outturn	Variance to Month 7
deficit / (surplus)	4,000	313,000	131,000	(182,000)

Planning & Building Control has overspent by £17k, this is due in the main to a shortfall in planning application income, offset partly from a small saving in supplies and services and staff savings from two senior posts. The £41k positive variance from month 7 is due to income picking up through the latter part of the year.

Planning Policy has underspent by £33k. This is due to a one-off staff saving from the new Head of Planning post due to the delay in appointment and a saving in Professional and Specialist Fees as not all of the LDP budget was spent in 19-20.

The Housing department has underspent by £124k. The majority of the underspend is due to increased income via our careline service and to a change in designation of some accommodation which has led to increased rental income, an ability to claim some staffing costs from grant funding and one off grant funding allowing equipment to be purchased from the grant rather than from core budget In addition the year end bad debt adjustment saw a reduction of £93k which benefited the budget. This has been offset by overspends in B&B requirements, major repair works at the Hostel and a reduction in fee income against disabled facilities grants. The main reason for variance from month 7 is increased income and the positive year end bad debt adjustment, the extent of which was not known in October.

Car Parking has overspent by £423k. Delays in implementing the 19-20 price increases have led to the MTFP savings not being met in full. Also the Morrisons issue of free parking in Abergavenny Town has led to a decrease in pay & display income. Our civil parking enforcement income target has not been met, a lack of staffing on the ground in the early part of the year has meant that penalty notice income is down, this coupled with increased costs of staffing, software, monitoring fees to RCT, equipment and uniforms have all lead to the overspend. Income will also have been hit late on in the year as a result of the Covid19 lockdown. In addition, the service has also had to incur £30k of redundancy costs.

Highways Development & Flooding has underspent by £147k, this is mainly due to staff savings, where additional posts added as part of a recent restructure have not yet been filled. There is also increased income from road closures and capital fees. These have been offset by overspends in flooding as reduced ESD grant has caused a pressure and £47k worth of redundancy costs.

#### (MONLIFE) TOURISM, LIFE & CULTURE

Outturn Forecast £'s	Month 2	Month 7	Actual Outturn	Variance to Month 7
deficit / (surplus)	260,000	109,000	64,000	(45,000)

Countryside & Culture has overspent by £31,000, the main reason is an overspend in Museums where Broadband improvement works and investment in the Clarity system has pushed the service over budget.

Finance & Business Development has overspent by £62,000, the main areas of overspend are :-

- Attractions has overspent by £37k, this is due to loss of income from private events at Caldicot Castle and Shirehall, impact of road closures at Old Station Tintern. One off costs of coffee machine purchase at Chepstow TIC (7k).
- Leisure Services overspending by £14k due to additional staff costs from the employment of a Project Officer to oversee major schemes such as redevelopment of Caldicot Leisure Centre.

Leisure, Youth and Outdoor Adventure has underspent by £29k, this is due to :-

- A £165k underspend in Leisure as a result of a delay in a loan repayment (£77k) and improved income position (£71k) from the impact of Ealing vat ruling, the extent of both was not known in October so is the main reason for the £109k positive swing from month 7.
- Sports development has underspent by £35,000 due to decision to restrict spend to only essential items as part of service recovery plans.
- Outdoor Education has overspent by £170k, this is due to loss of further income streams for Outdoor Education - 3 weeks' worth following schools withdrawing from service early March and then closures of the sites mid March for COVID19. £42k of this figure also relates to a redundancy payment.

Service Area	Original Budget	Budget Adjustments	Revised Budget	Actual Outturn	Forecast (under) / overspend @ Outturn	Forecast (under) / overspend @ Mth7	Variance Mth7 to Outturn
	'000's	'000's	'000's	'000's	'000's	'000's	'000's
Chief Executives Unit	4,470	183	4,654	4,735	82	110	(28)

#### **CEO DIRECTOR'S COMMENTARY AT OUTTURN**

##### **Legal & Land Charges (Officer Matt Phillips)**

The dominating factor throughout the year has been the increasing demand in the Children Services work combined, earlier in the year, with legacy information management systems, which resulted in the need for some work to be sent externally and agency staff to be brought in to counter that trend. The implementation of the new IS and successful completion of the recruitment campaign from the previous budget, combined with moving early to recruit on the basis of the 20/21 budget plan, has had a clear impact on this situation, with the £30k variance to the good the financial result of this move.

The Land Charges income has been depressed throughout the Brexit years owing to a sector wide lack of confidence owing to the elongated debate and uncertainty. The Election in December and subsequent clarity started to show signs of the market picking up, before CV19 completely took the legs from that recovery. As the housing market in Wales is effectively shut down currently, the impact of this is going to be felt into the next FY.

##### **Policy, Governance & Support (Officer Matt Gatehouse)**

The Policy and Governance division incurred a £60K overspend. The significant part of this resulted from the inability to deliver a £60K budgeted saving in the contact centre. Overspends also occurred from additional costs associated with the operation of the Post Office in Usk Community Hub and staffing costs associated with the delays consolidating services in the refurbished Abergavenny Town Hall. These were offset by better than anticipated performance in Community Education resulting from increased income.

#### **LEGAL & LAND CHARGES**

Outturn Forecast £'s	Month 2	Month 7	Actual Outturn	Variance to Month 7
deficit / (surplus)	20,000	62,000	21,000	(41,000)

Legal has overspent by £11,000, this is due increased agency costs to support children services and additional Software costs. This has been part offset by staff savings due to a member of staff finishing in December. The variance from Month 7 relates to improved income and staff vacancy, both of which were not known at Month 7.

Land charges has overspent by £10,000. This is due to income coming in below budgeted target as a result of a reduction in the number of residential and commercial searches due to uncertainty around Brexit and more recently Covid19. Improvement from month 7 relates to server hardware costs that have been delayed until 20-21.

#### **GOVERNANCE, DEMOCRACY & SUPPORT**

Outturn Forecast £'s	Month 2	Month 7	Actual Outturn	Variance to Month 7
deficit / (surplus)	10,000	48,000	61,000	13,000

Community Education has underspent by £65,000. This is due to increased income generation from the Skills at Work programme and the ability to claim core salary costs against the programme, in addition Coleg Gwent franchise funding was better than anticipated and is the main reason for the £35k improvement from Month 7.

Community Hubs has overspent by £49,000, this is due to a number of significant developments this year such as the opening of Usk Post Office and the redevelopment of Abergavenny and Caldicot sites, this has led to increased staff hours in places - in addition the service has also had to incur additional IT costs over and above budget. This is a £25,000 negative swing from Month 7 and can be attributed to increased IT costs, Caldicot Hub furniture replacement and additional staff hours that were not known in October.

The Contact Centre has overspent by £82,000. This is mainly due to the inability to meet a MTFP saving target built into the 19/20 budget. Despite introduction of the chatbot and a vacancy freeze savings are being diminished as we are seeing an increase in demand on services rather than a decrease, for example when MCC changed its waste & refuse provision calls went up 55% compared to the same quarter last year. This has led to backfilling of posts with agency staff. There is also a shortfall in software budget of approx £28k.

Democratic Services has overspent by £6,000. The main reason for the overspend is an increase in staffing costs due to the additional general election. This is a £26,000 negative swing from month 7 and is due to the extent of additional staffing not being known.

Policy & Partnerships has underspent by £5,000, this is due to a saving from a vacant post offset in part by increased Welsh translation costs. This is a £12,000 negative swing from Month 7 and can mainly be attributed to increased translation costs that were not known at Month 7.

SLT Support has underspent by £12,000, this is due to staff savings from a vacant post.

Service Area	Original Budget	Budget Adjustments	Revised Budget	Actual Outturn	Forecast (under) / overspend @ Outturn	Forecast (under) / overspend @ Mth7	Variance Mth7 to Outturn
	'000's	'000's	'000's	'000's	'000's	'000's	'000's
<b>Resources</b>	<b>6,647</b>	<b>957</b>	<b>7,603</b>	<b>7,191</b>	<b>(413)</b>	<b>95</b>	<b>(508)</b>

#### **RESOURCES DIRECTOR'S COMMENTARY AT OUTTURN**

I am pleased and from a Chief Officer perspective to be able to report a notable improvement in the outturn position and from that reported at month 7. The under spend at outturn amounts to £413k and a positive swing from month 7 of £508k.

Finance has continued to see staff savings from senior vacancies held, though this is not sustainable and will be addressed through a recruitment process that will recommence shortly. Savings have also resulted from an under spend in discretionary business rate relief and which was subsequently reviewed as part of the 20/21 budget process. Finally savings have resulted from system development being delayed.

The laptop replacement budget (£99k) had been released in-year and funded from capital to assist with the in-year budget recovery plan and was offset in part by a small over spend against the SRS core budget (£29k).

An over spend in Raglan Training resulting from a drop off in external course income (£77k). This has however been offset by staff vacancy savings and targeted savings against supplies and services budgets.

The Future Monmouthshire budget has over spent consistently through the year and in respect of cross-cutting savings that were unable to be achieved. Adjustments were made as part of the 20/21 budget process to ensure that the pressure did not carry forward.

Commercial and Corporate Landlord Services have seen a £264k surplus at outturn and driven almost entirely by changes from month 7. Of note £176k of savings against corporate building maintenance budgets result from WG funding received during the year and the solar farm generating £169k of savings. Furthermore commercial investments in Castlegate and Newport Leisure Park have performed well as a portfolio returning in line with budgeted savings and income. Notable savings have been offset by redundancy costs in property services from the restructure and market income being impacted adversely towards the end of the year.

#### **FINANCE**

Outturn Forecast £'s	Month 2	Month 7	Actual Outturn	Variance to Month 7
<b>deficit / (surplus)</b>	<b>(123,000)</b>	<b>(47,000)</b>	<b>(291,000)</b>	<b>(244,000)</b>

Finance & Improvement has underspent by £156k, this is mainly due to staff savings as a result of 2 senior finance staff vacancies. In addition, we have seen increased income as we were able to recharge staff time to the CSC

foundry and underspends in supplies & Services (both of which were not factored in at Month 7 and is the reason for £35k positive swing)

Revenues has underspent by £50k, due in the main to an underspend in charity relief of £101k as the authority did not spend the business rate support budget, this has been offset by an overspend in Council Tax of £55k where we have seen a reduction in budget as a result of the Resources Restructure. This is a positive swing from Month 7 of £169k and is due to the Charity Relief underspend not being known in October and pension costs included in Council Tax overspend at month 7 being funded from Corporate.

Systems & Exchequer has underspent by £83k. This is due to underspends in staffing due to part year vacancies and a reduction in system development costs as upgrades have been delayed or project work has been undertaken in-house rather than use consultants. This is a £38k improvement from month 7 and is mainly due to system development spend coming in below Month 7 estimates.

#### INFORMATION, COMMUNICATION & TECHNOLOGY

Outturn Forecast £'s	Month 2	Month 7	Actual Outturn	Variance to Month 7
deficit / (surplus)	(68,000)	(45,000)	(70,000)	(25,000)

ICT has underspent by £70,000, this is due to an underspend in our Digital Programme office of £99k mainly as a result of passporting in-year laptop spend into capital. This has been offset by a £29k overspend in SRS where our final annual contribution exceeded available budget. The positive swing from Month 7 relates to a reduction in SRS overspend as were able to move project officer costs into Social Services.

#### PEOPLE

Outturn Forecast £'s	Month 2	Month 7	Actual Outturn	Variance to Month 7
deficit / (surplus)	2,000	6,000	1,000	(5,000)

Customer Relations has underspent by £13k due to a reduction in the number of complaints that required investigating and a conscious effort by the team to reduce spend.

Emergency Planning has underspent by £6k due to savings in Supplies & Services.

People Services has overspent by £22k, this is due to :-

- An overspend in Payroll of £7k mainly due to system development works
- An overspend in Raglan Training Centre of £77k due to a drop off in external course income.
- An underspend in Corporate Training of £26k due to a staff vacancy saving.
- An underspend in People Management of £14k due to staff savings.
- An underspend of £23k in Occupational Health due to a reduction in external costs.

#### FUTURE MONMOUTHSHIRE

Outturn Forecast £'s	Month 2	Month 7	Actual Outturn	Variance to Month 7
deficit / (surplus)	207,000	179,000	210,000	31,000

Future Monmouthshire has overspent by £210k due to cross-cutting savings relating to Digital £78k, Travel £50k, and Agency £80k being built into the MTFP savings, these have not been achieved. There are salary savings from officer secondment from Nov 2019 being offset by budget virements in relation to the resource restructure.

#### COMMERCIAL & CORPORATE LANDLORD

Outturn Forecast £'s	Month 2	Month 7	Actual Outturn	Variance to Month 7
deficit / (surplus)	(124,000)	2,000	(262,000)	(264,000)

Property Services & Facilities Management has underspent by £176,000, this is due to :-

- Property Services has overspent by £72k. This is mainly due to £105k of redundancy costs as a result of a service restructure. These have been offset by the net effect of staff vacancy savings and a reduction in capital fee income. This is a £46,000 negative swing from month 7 and is mainly due to the impact of redundancy not being known in October.
- Corporate Building Maintenance has underspent by £176k. This is due to additional funding being provided in the capital programme to allow us to move spend across from revenue, in addition we were able to move school related spend to the WG Schools Refurbishment Grant. Both funding streams have created an in-year benefit to the revenue budget. The school grant was not made available until after M7 and is the main reason for the £176k variance.
- Property Accommodation has underspent by £42,000. This is mainly due to underspends in utility costs and premises repair budgets across our portfolio of buildings, the extent of which was not known at Month 7.
- Office Services & Telephony has underspent by £26k. This is due to underspends in call charges, supplies & services and computer consumables. This has been part offset by a staff redundancy as a result of service restructure.

Asset Management has underspent by £96,000, the main variances are :-

- Sustainability has underspent by £47k as a result of solar panel income coming in higher than anticipated and is the reason for the variance from Month 7.

- The Solar Farm has underspent by £169k. This is due to income increases from higher ROC tariffs, a £72K reduction in cost of maintenance contract as compensation for performance issues and £18k saving on inverter replacement. The variation from month 7 relates to the maintenance rebate which was not known at M7 and higher ROC income than originally forecast.
- Newport Leisure Park has underspent against budget by £95k. This is due to a reduction in professional fees (tenants pay some of the fees directly to Alder King, which was unknown earlier in the year) and a saving in financing as our loan repayment was lower than originally forecast. This is a £45k positive swing from Month 7 and relates to the reduction in professional fees not being known at month 7.
- Castlegate has generated a £125k surplus in 2019-20. This is £85k below our expected target so we have an overspend against budget. The main reasons for this are reduced rental income due to vacant units (10 vacant units Feb 20) and increased maintenance costs to cover dilapidation works in certain units. This was due to be covered by the dilapidations reserve but the decision has been made not to draw on it in 19-20 and roll it forward to 20-21 and is the main reason for the £28k negative swing from month 7.
- Markets has overspent by £58k, this is due to a shortfall in stall rental due to the disruption caused by the Market Hall refurbishment project and the complete closure in March as a result of the Covid 19 lockdown. This is a £30k negative swing from Month 7 as the impact on income by further building delays was not known in October.

Service Area	Original Budget	Budget Adjustments	Revised Budget	Actual Outturn	Forecast (under) / overspend @ Outturn	Forecast (under) / overspend @ Mth7	Variance Mth7 to Outturn
	'000's	'000's	'000's	'000's	'000's	'000's	'000's
Corporate	23,104	(908)	22,196	16,412	(5,783)	(461)	(5,322)

#### CORPORATE MANAGEMENT

Outturn Forecast £'s deficit / (surplus)	Month 2	Month 7	Actual Outturn	Variance to Month 7
	54,000	4,000	(4,931,000)	(4,935,000)

The large movement since month 7 is explained by the mitigations outlined in section 3 of this report:

**Capitalisation Direction £3,250k:** Costs eligible for capitalisation and outlined in Appendix 1 of this report have been shown as removed from the Corporate budget line as opposed to adjusting all other service budget lines. This means that the variance in actual spend since month 7 can be isolated and explained here as opposed to creating offsetting variances across all other services which would have proved difficult to explain in the individual budget commentaries.

**HMRC VAT refund relating to Ealing judgement £2.1m:** This refund was received in March 2020, and although it was known about at the month 7 monitoring period it was not included in the revenue forecast as there was a large degree of uncertainty surrounding the value and timing of any such claim.

#### INSURANCE

Outturn Forecast £'s deficit / (surplus)	Month 2	Month 7	Actual Outturn	Variance to Month 7
	0	49,000	(368,000)	(417,000)

Underspend of £250k due to a reduction in the provision for future claim settlement costs based on the latest data surrounding claims received at 31<sup>st</sup> March 2020 but not settled. This estimate is based on year end data from Insurers and as such is difficult to forecast during in year monitoring periods.

Claim costs settled in year totalling 70k have been covered from the Insurance reserve rather than the in-year budget as they relate to claims taken account of in the last actuarial review in 2016 where money was set aside in the reserve to cover future potential costs.

There are further savings in year against premium (£27k) due to additional recoupment since month 7 and professional fees of £24k due to planned work being delayed.

#### PRECEPTS & LEVIES

Outturn Forecast £'s deficit / (surplus)	Month 2	Month 7	Actual Outturn	Variance to Month 7
	(152,000)	(152,000)	(152,000)	0

Underspend on Fire Authority precept of £180k due to late confirmation that central government would fund part of the increased employer's pension contributions they were facing.

Offset by £28k increased contribution to the Coroners service due to increased workload and staffing requirements.

#### NON DISTRIBUTED COSTS

Outturn Forecast £'s deficit / (surplus)	Month 2	Month 7	Actual Outturn	Variance to Month 7
	62,000	80,000	110,000	30,000

Overspend primarily due to additional pension strain costs relating to redundancies agreed after the budget was set. Strain costs relate to staff who retire before their normal pension age and where the employer is required to top up the pension fund to cover the shortfall in contributions.

#### STRATEGIC INITIATIVES

Outturn Forecast £'s	Month 2	Month 7	Actual Outturn	Variance to Month 7
deficit / (surplus)	(442,000)	(442,000)	(442,000)	0

Primarily due to the central redundancy cost budget not being called upon during the year due to services incurring the costs within their own services.

Service Area	Original Budget	Budget Adjustments	Revised Budget	Actual Outturn	Forecast (under) / overspend @ Outturn	Forecast (under) / overspend @ Mth7	Variance Mth7 to Outturn
	'000's	'000's	'000's	'000's	'000's	'000's	'000's
Appropriations	7,821	(1,425)	6,396	5,967	(429)	(291)	(138)

#### INTEREST & INVESTMENT INCOME

Outturn Forecast £'s	Month 2	Month 7	Actual Outturn	Variance to Month 7
deficit / (surplus)	(34,000)	(112,000)	(301,000)	(189,000)

The Surplus is comprised of £83k Interest element on the HMRC VAT rebate; A £68k extra Interest receipt on the deferred income received in year relating to the Crick Road land disposal that was unbudgeted.

Also £76k - the Pooled Investment funds have returned an average of 4.31% in 2019/20 financial year compared to the 1.43% budgeted for the longer term holding of investments.

£40k – as Short-term cash deposits have been invested at a considerably higher balance level than originally budgeted for at the beginning of the financial year.

£33k – unbudgeted Wayleaves and Easements receipts and other Capital Receipts under £10k, which are classified as revenue income.

#### INTEREST PAYABLE & SIMILAR CHARGES

Outturn Forecast £'s	Month 2	Month 7	Actual Outturn	Variance to Month 7
deficit / (surplus)	(153,000)	(152,000)	(100,000)	52,000

The underspend of £100,000 is mainly made up of a saving of £85k as a treasury charge was made to the Newport Leisure Park service area for a long term loan taken out but already budgeted within appropriations;

An underspend of £61k due to a lower than budgeted interest rate being payable to the PWLB for the Authority's variable rate loan ;

Offset by;

£27k - Higher levels of borrowing than budgeted including interest paid to small parties whose cash we hold (not specified at previous reporting months)

£19k - Budget returned to Leisure as overcharged for borrowing costs

#### CHARGES REQUIRED UNDER REGULATION

Outturn Forecast £'s	Month 2	Month 7	Actual Outturn	Variance to Month 7
deficit / (surplus)	49,000	(27,000)	(28,000)	(1,000)

A budgeted reduction in MRP of £120k did not occur, as capital receipts were not set aside as planned at the end of 2018/19.

This has been more than offset by:

The budget for 21C schools, DFGs and Sewerage Works improvements not being required until 20/21 - £36k;

The effect of the MRP profile increasing over the life of the assets (e.g. £4.2m of Waste vehicles) where modelled in equal instalments - £36k;



Part of the Newport Leisure Park capital was not spent in 18/19 but a charge made to the service for the total - £13k;

The Interest component of the charge to the service for borrowing costs for Monmouth LC was included in MRP & so surplus - £37k;

Other small savings like City Deal capital reduced, J Block/Carpark refurbishment deferred, DFG financing adjustment - £25k

Service Area	Original Budget	Budget Adjustments	Revised Budget	Actual Outturn	Forecast (under) / overspend @ Outturn	Forecast (under) / overspend @ Mth7	Variance Mth7 to Outturn
	'000's	'000's	'000's	'000's	'000's	'000's	'000's
<b>Financing</b>	<b>(161,772)</b>	<b>(23)</b>	<b>(161,794)</b>	<b>(162,447)</b>	<b>(653)</b>	<b>(584)</b>	<b>(69)</b>
<b>COUNCIL TAX</b>							
<b>Outturn Forecast £'s</b>	<b>Month 2</b>	<b>Month 7</b>	<b>Actual Outturn</b>		<b>Variance to Month 7</b>		
<b>deficit / (surplus)</b>	0	(467,000)	(504,000)		(37,000)		
The trend of increasing council tax discounts continued through 2019/20 to outturn, although not to the extent of last year. A healthy number of new properties came into our tax base during 2019/20 and finished ahead of the tax base that was set.							
<b>COUNCIL TAX REDUCTION SCHEME</b>							
<b>Outturn Forecast £'s</b>	<b>Month 2</b>	<b>Month 7</b>	<b>Actual Outturn</b>		<b>Variance to Month 7</b>		
<b>deficit / (surplus)</b>	(58,000)	(117,000)	(149,000)		(32,000)		
This under spend position at year-end reflects the number of awards made throughout the year. Caseloads have fallen during 2019/20, but are expected to increase in 20/21 with the impact of the Covid-19 Pandemic.							

## 5 2019/20 BUDGET SAVINGS OUTTURN

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

Disinvestment by Directorate 2019/20	2019-20 Budgeted Savings	Month 2 Forecast	Month 7 Forecast	Actual Saving at Outturn	Delayed Savings into 2020-21	Savings deemed unachievable
	'000's	'000's	'000's	'000's	'000's	'000's
Children & Young People	(1,234)	(1,208)	(1,208)	(1,208)	0	(26)
Social Care & Health	(1,246)	(1,205)	(1,115)	(1,115)	0	(131)
Enterprise Resources	(1,480)	(969)	(930)	(930)	(152)	(399)
Chief Executive's Unit	(1,342)	(1,303)	(1,236)	(1,207)	(135)	0
Appropriations	(106)	(96)	(46)	(46)	(60)	0
Financing	(282)	(162)	(162)	(162)	0	(120)
	(756)	(756)	(756)	(756)	0	0
<b>Total</b>	<b>(6,446)</b>	<b>(5,669)</b>	<b>(5,453)</b>	<b>(5,424)</b>	<b>(347)</b>	<b>(676)</b>

5.2 Mandated saving performance has not changed materially from the month 7 forecast and 84% of budgeted savings have been achieved during the year. Savings deemed unachievable have increased by £90k since month 7 due to the saving budgeted for

recovery of additional residential care charges from service user property sales not being deemed as achievable.

- 5.3 A full list of the progress against savings mandates can be found at Appendix 3 to this report.

## 6 CAPITAL OUTTURN

- 6.1 The summary forecast Capital position at outturn is as follows:

### Capital Outturn Position 2019/20

Select Portfolio	Slippage B/F	Original Budget	Budget Adjustments	Slippage C/F	Revised Budget 2019/20	Actual	Variance
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b>Expenditure</b>							
Children & Young People	2,219	840	1,878	(1,245)	3,692	3,236	(456)
Economic & Development	465	16,977	1,489	(17,496)	1,435	1,418	(17)
Adult	0	300	316	(300)	316	316	0
Strong Communities	7,165	8,854	9,900	(5,801)	20,118	19,044	(1,074)
<b>Total Expenditure</b>	<b>9,850</b>	<b>26,971</b>	<b>13,583</b>	<b>(24,842)</b>	<b>25,561</b>	<b>24,014</b>	<b>(1,547)</b>
<b>Financing</b>							
Supported Borrowing	0	(2,403)	0	0	(2,403)	(2,403)	0
General Capital Grant	0	(2,275)	0	0	(2,275)	(2,275)	0
Grants and Contributions	0	(975)	(6,024)	393	(6,606)	(5,310)	1,296
S106 Contributions	(1,316)	0	(688)	1,052	(952)	(952)	1
Unsupported Borrowing	(6,956)	(18,852)	(2,188)	22,546	(5,450)	(6,270)	(820)
Earmarked Reserve & Revenue Funding	(169)	(16)	(340)	239	(286)	(297)	(11)
Capital Receipts	(1,409)	(950)	(4,342)	612	(6,089)	(5,910)	179
Leasing	0	(1,500)	0	0	(1,500)	(598)	902
<b>Total Financing</b>	<b>(9,850)</b>	<b>(26,971)</b>	<b>(13,583)</b>	<b>24,842</b>	<b>(25,561)</b>	<b>(24,014)</b>	<b>1,547</b>

- 6.2 The capital expenditure outturn shows a net underspend of £1.5m against budget which can largely be attributed to specific grant funded schemes which have not progressed during the year (£990k) due to delays in planning, design and consultation across various schemes. Below is a breakdown of the significant schemes which did not fully spend the allocated grant budget during 2019/20 and as such the full amount of grant will not be claimed. There will be no adverse impact on capital budget in 2020/21 as the funding will either not be required or the funding has already been rolled forward and into grant allocations.

<b>Scheme</b>	<b>Underspend against grant budget</b>
LTF Active Travel Mapping	£126,249
LTF – Abergavenny Town Centre Public Realm	£116,321
LTF – Caldicot Regeneration Scheme	£77,729
ATF - Abergavenny Town Centre	£300,000
LTF Severn Tunnel Junction Improvements 2019/20	£304,967

- 6.3 Alongside this finalisation of works at Monmouth and Caldicot schools have come in within budget (£385k).
- 6.4 Capital financing variances primarily follow the reasons for the above expenditure variances with grants showing a variance of £1.3m as the related expenditure was not incurred. There is a related variance within unsupported borrowing and leasing where it was more financially beneficial to the Authority to finance vehicle purchases from borrowing instead of leasing as initially budgeted.
- 6.5 Capital slippage totals £24.8m and is shown in detail in Appendix 2 to this report. A significant amount of the delay (£21.9m) was outside of the control of the Authority with one scheme (Asset Investment Fund) accounting for two thirds of the total slippage. Member are asked to endorse this budget being slipped into the 2020/21 financial year to allow works to continue to progress to a conclusion.
- 6.6 **Useable Capital Receipts Available**
- 6.7 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. This is also compared to the balances forecast within the 2019/23 MTFP capital budget proposals.

	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance as at 1st April	4,414	2,812	8,656	8,896	9,337
Capital receipts used for financing	(2,660)	(2,046)	(859)	(859)	(859)
Capital receipts used to support capitalisation direction	(3,250)	(1,416)	0	0	0
Capital receipts Received or Forecast	4,309	9,307	1,098	1,300	100
<b>Forecast Balance as at 31st March</b>	<b>2,812</b>	<b>8,656</b>	<b>8,896</b>	<b>9,337</b>	<b>8,579</b>
Forecast Balance 2019/23 MTFP	8,144	14,001	14,766	14,531	-
<b>Variance compared to 2019/23 MTFP</b>	<b>(5,332)</b>	<b>(5,345)</b>	<b>(5,870)</b>	<b>(5,194)</b>	<b>8,579</b>

- 6.8 The balances forecast to be held at the end of each financial year are lower than forecast in the 2019/23 MTFP. Ignoring timing differences in the realisation of receipts this can largely be attributed to the use of receipts under the capitalisation direction outlined in section 3 and detailed in Appendix 1 of this report. The actual use of £3.25m in 2019/20 and budgeted use of £1.4m in 2020/21 was not planned in the 2019/23 MTFP.

## **7 RESERVES**

- 7.1 The Council has unallocated reserves in the form of the Council Fund balance and School balances. It also has Earmarked Reserves that are created for a specific purpose.
- 7.2 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 them 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 the appropriations section and the expenditure budget within service directorate is adjusted. This is to prevent any imbalance in the bottom line position for net cost of services.
- 7.3 During the financial year Audit committee receive periodic updates as part of their delegated responsibility to evaluate the adequacy and use of reserves.
- 7.4 A summary of in-year reserve movements is shown below. Reserve contributions have only been agreed where necessary in relation to their intended use and where supported by decision or appropriate evidence.

Reserve	Balance B/F 01/04/2019	Contributions To	Contributions From	Balance C/F 31/03/2020
Council Fund (Authority)	(7,110,869)	(1,795,914)	0	(8,906,783)
School Balances	232,404		202,724	435,128
<b>Total Council Fund</b>	<b>(6,878,465)</b>	<b>(1,795,914)</b>	<b>202,724</b>	<b>(8,471,655)</b>
Invest to Redesign	(1,083,167)	(278,313)	233,024	(1,128,456)
IT Transformation	(479,139)	0	225,304	(253,835)
Insurance and Risk Management	(1,018,744)	0	83,412	(935,331)
Capital Receipt Generation	(278,880)	0	97,648	(181,232)
Treasury Equalisation	(990,024)	0	0	(990,024)
Redundancy and Pensions	(332,835)	0	88,038	(244,797)
Capital Investment	(643,337)	0	15,999	(627,338)
Priority Investment	(405,000)	0	0	(405,000)
Museums Acquisitions Reserve	(52,885)		0	(52,885)
Elections Reserve	(83,183)	(35,000)	0	(118,183)
Grass Routes Buses Reserve	(151,084)	(5,000)	0	(156,084)
Youth Offending Team	(150,000)		0	(150,000)
Building Control trading reserve	(14,490)		13,168	(1,322)
CYP maternity	(135,795)		88,453	(47,342)
Plant & Equipment reserve (Highways)	(33,541)	(75,000)	0	(108,541)
Homeless Prevention Reserve Fund	(49,803)	0	0	(49,803)
Solar Farm Maintenance & Community Fund	(41,000)	(23,000)	0	(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)	(84,360)	1,809	(197,641)
Rural Development Plan Reserve	(413,190)	(116,317)	0	(529,507)
<b>Total Earmarked Reserves</b>	<b>(6,612,587)</b>	<b>(616,990)</b>	<b>846,856</b>	<b>(6,382,720)</b>
<b>Total Useable Revenue Reserves</b>	<b>(13,491,052)</b>	<b>(2,412,904)</b>	<b>1,049,580</b>	<b>(14,854,375)</b>

## 8 SCHOOLS RESERVES

8.1 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.

8.2 In Educational Cluster summary form, the outturn School Balances are:

School Reserve Balances by Educational Cluster	Opening Reserves 2019/20 (surplus)/deficit (£'s)	In year net usage 2019-20 (£'S)	Outturn Position 2019/20 (surplus)/deficit (£'S)
Abergavenny Cluster	(219,758)	101,875	(117,884)
Caldicot Cluster	74,800	84,873	159,673
Chepstow Cluster	(68,589)	92,702	24,113
Monmouth Cluster	607,109	(88,755)	518,354
Special Schools	(161,157)	12,029	(149,128)
<b>Total</b>	<b>232,405</b>	<b>202,724</b>	<b>435,129</b>

8.3 15 schools started 2019/20 financial year in deficit compared to 17 schools finishing the year in deficit. Within this the following movements in/out of deficit occurred:

Into Deficit	Out of Deficit
Chepstow Comprehensive	Our Lady and St Michael's RC Primary
Rogiet Primary	Castle Park Primary
Ysgol Gymraeg Y Fenni	Pembroke Primary
Osbaston Primary	
Pupil Referral Unit	

8.4 The local authority has funded teachers' pay award for the last 2 years and recent teachers pensions increases has been afforded by WG grant, so the use of reserves is borne by other factors. The budgets are closely monitored by the directorate finance team to ensure that spend remains in line with budgets where possible.

8.5 Whilst any extraordinary funding from WG and beneficial revisions to budgeted draw on reserves will sustain the reserve situation for longer than is often predicted, all schools reporting a deficit must have a recovery plan that brings the school into a surplus within 3 years. Should this need to be extended to 5 years this needs to be agreed with the relevant Cabinet members. In addition to this from the financial year 2020/21 schools can access an interest free loan from the Authority with a repayment period of up to 10 years.

8.6 The deficit position within the secondary area (£931k) remains particularly acute and increasing for the four secondary schools. Monmouth Comprehensive is particularly significant at a £463k deficit, King Henry Comprehensive has not met their recovery target, however at all stages the school have kept the LA informed of progress. Relevant Cabinet members and senior officers are content that variances are management and in line with expectations.

8.7 Select members are advised to review the assessment in Appendix 4 where progress against their recovery plans is shown. The evaluation criteria reflects whether they are in deficit and the extent of such and whether they are within tolerance of an agreed recovery plan. Where schools move from their recovery plan they may be asked to meet with

relevant Cabinet Members to evaluate any issues and in addition to this Scrutiny Committees can call Heads and Chairs of Governors to account for any movements.

8.8 Schools have been reminded of the recovery plan process and the requirement to agree any deficit with the Chief Officer so that the appropriate challenge can be put in place. Further consideration is being given to further changes that need to be made to ensure that robust budget management arrangements are in place.

8.9 In light of the COVID-19 pandemic the impact on school finances and budgets are being reviewed for 2020-21 and this will be reported back to Cabinet as part of the month 5 budget monitoring report.

## **9 OPTIONS APPRAISAL**

9.1 Not applicable

## **10 EVALUATION CRITERIA**

10.1 Not applicable

## **11 REASONS**

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

## **12 RESOURCE IMPLICATIONS**

12.1 As reported in the body of this report.

## **13 WELLBEING OF FUTURE GENERATIONS (INCORPORATING EQUALITIES, SUSTAINABILITY, SAFEGUARDING AND CORPORATE PARENTING):**

13.1 There are no implications directly arising from the recommendations and decisions highlighted in this report.

## **14 CONSULTEES**

Strategic Leadership Team  
All Cabinet Members  
Head of Legal Services

## **15 APPENDICES**

Appendix 1 – Capitalisation schedule  
Appendix 2 – Capital slippage schedule  
Appendix 3 – Budget savings matrix  
Appendix 4 – Schools reserve balances

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