

<b>SUBJECT:</b>	<b>2020/21 REVENUE &amp; CAPITAL OUTTURN STATEMENT</b>
<b>MEETING:</b>	<b>Strong Communities Select Committee</b>
<b>DATE:</b>	<b>29<sup>th</sup> July 2021</b>
<b>DIVISION/WARDS AFFECTED:</b>	<b>ALL</b>

## 1. PURPOSE:

- 1.1 The purpose of this report is to provide Select Committee Members with information on the revenue and capital outturn position of the Authority based on capital slippage and reserve usage & deferment.
- 1.2 The financial information appropriate to this Select Committee is outlined in **Appendix 6**, with the remainder of this report following the format presented to Cabinet on the 9<sup>th</sup> June 2021.
- 1.3 This report is to be considered by Select Committees as part of their responsibility to,
  - assess whether effective budget monitoring is taking place,
  - monitor the extent to which budgets are spent in accordance with agreed budget and policy framework,
  - challenge the reasonableness of projected over or underspends, and
  - monitor the achievement of predicted efficiency gains or progress in relation to savings proposals.
- 1.4 To provide an update on the financial impact of the Covid-19 pandemic on the Council.

## 2. CABINET RECOMMENDATIONS:

- 2.1 That Cabinet recognises a balanced net revenue budget position at outturn after accounting for transfers to earmarked reserves that represents a significant improvement of £5.15m from the overall deficit reported at month 9, primarily as a result of:
  - Receipt of £5.29m of Welsh Government Covid-19 hardship funding since month 9 to compensate the Council to support its enhanced costs of service delivery and loss of income as a direct result of Covid-19 impact;
  - Receipt of significant unbudgeted Welsh Government grants that were communicated to and received by the Authority late in the financial year and that have offset core budget funding;
  - Underspends across many service areas as a result of the pandemic and where services have been reduced or stopped, travel requirements have reduced, office and buildings have remained closed and substantial staff vacancies have remained unfilled.

- 2.2 That Members acknowledge the extent that the Welsh Government Covid-19 Hardship Fund has covered all Covid-19 related additional costs directly incurred during the financial year of £11.25m together with compensation for loss of income of £8.38m.
- 2.3 That Members note the 85% delivery of the service specific budgeted mandated savings as detailed in **Appendix 2** and as agreed by full Council previously and the implicit remedial action/savings included in the financial outturn to compensate for circa 15% savings (£734k) reported as delayed or unachievable by service managers.
- 2.4 That Members endorse the strategy applied to replenish earmarked reserves as noted within the report to support future financial challenges and ensure financial resilience during a period of significant uncertainty as we continue to recover from the pandemic and as the delivery of our services change in light of a severely altered socio-economic landscape, and as wider policy commitments, both locally and nationally begin to take shape.
- 2.5 In taking the approach set out above, Cabinet recognises the extraordinary nature of the 2020/21 financial year and accepts that there remains significant recurring service pressures and risks in 2021/22 and over the medium term.
- 2.6 Cabinet notes the unprecedented improvement in Schools reserve balances of £3.85m as contained in **Appendix 1** that has resulted in 15 of the 17 schools entering the year in deficit returning to a surplus balance. This reflects the significant levels of grant support from Welsh Government that was notified late in the financial year primarily relating to Schools Revenue Maintenance Grant and Recruit, Recover and Raise Standards.
- 2.7 That Cabinet endorses the requirement for schools carrying significant surplus balances that are above levels guided by Welsh Government to provide investment plans setting out how they intend to spend their significant surplus balances, whilst also appreciating that the inherent structural budget deficits that have led to 17 schools being in deficit at the start of the year remain and require resolution irrespective of additional funding received.
- 2.8 That Members consider the capital outturn spend of £19.0m, introducing an underspend of £3.18m primarily due to underspending of the capitalisation directive budget and specific grant related schemes and that this subsequently releases £1.08m of capital receipts back to reserve for future capital investment.
- 2.9 That Members note the slippage requests of £49.92m as listed in **Appendix 5** along with the related presumptions made around financing consequences as detailed in **Appendix 1**, and accept that officers will make a further assessment of the justification for scheme slippage and make recommendations back to Cabinet for final approval as part of the month 2 financial monitoring for 2021/22.

### **3. KEY ISSUES:**

- 3.1 Since entering 2020 the Council had faced significant and unprecedented challenges, notably the flood response and recovery resulting from Storms Ciara and Dennis in February 2020 and the subsequent Covid-19 pandemic and the impact of the lockdown restrictions that were put into effect on 23<sup>rd</sup> March 2020.

3.2 In parallel to this the Council had faced a hugely challenging budget round which saw a significant set of service pressures needing to be considered and accommodated within the budget, notably:

- Pressures within Children’s Services relating to a continued increase in the number of looked after children (LAC) cases carrying over from 2019/20 and after the budget was approved.
- The 2.75% pay award being much higher than the original 1% budget assumption built into the budget and where it had been expected that Welsh Government funding would be forthcoming.
- Pressures remaining within the Passenger Transport Unit (PTU) and that continue to be worked on as part of the PTU review and where implementation has been impacted by the pandemic.
- Pressures in waste & recycling as a result of delays in the rollout of waste reconfiguration and changes.
- Income pressures relating to Civil parking enforcement where savings targets cannot be met.
- A shortfall against additional commercial income targets as a consequence of the impact of Covid-19 and the current level of market and economic uncertainty.
- As result of the late receipt of the final settlement from Welsh Government and the disappointment of there being no funding floor introduced, the remaining efficiency savings that were left to be identified during the financial year.

3.3 All of the above pressures continue to draw significantly on the Council’s resources, both in terms of capacity and finances and continues to place an unprecedented strain on the Council. That all said, by month 9, the previously reported non-Covid-19 related over spend had moved into a forecast £142k saving. This largely resulted from the action taken during the financial year in curtailing non-essential expenditure, through cost reductions recognising the significant and continued financial pressure on the Authority as a result of the pandemic and through Covid-19 enforced reductions in normal service delivery.

### 3.4 Outturn position

**Table 1: Overall Revenue outturn position**

	Overall Outturn	Overall Variance to Month 9	Variance due Hardship funding	Variance due to other factors
	£000s	£000s	£000s	£000s
Social Care, Health & Safeguarding	811	(497)	0	(497)
Children & Young People	75	(11)	(7)	(4)
Enterprise & Monlife	(498)	(4,328)	(3,610)	(718)
Chief Executives Unit	(141)	(137)	(20)	(117)
Resources	(847)	(1,234)	(1,492)	258
Corporate Costs & Levies	(2,569)	(2,581)	0	(2,581)
Appropriations	3,574	3,838	0	3,838
Financing	(405)	(196)	(159)	(37)

Total	0	(5,146)	(5,288)	142
-------	---	---------	---------	-----

- 3.5 Since the month 9 forecast the Council has benefited from a further £5.29m of Welsh Government Covid-19 hardship funding to compensate the Council to support its enhanced costs of service delivery and loss of income as a direct result of Covid-19 impact.
- 3.6 Further to this a number of Welsh Government funding announcements were made late in the financial year that have resulted in additional specific revenue grant awards related to the continuing Covid-19 impact and also awards specific to service area pressures. These grant awards have had a direct impact in improving the revenue outturn position by offsetting core funding requirements.
- 3.7 During the financial year the continued impact of the pandemic has significantly altered the Authorities normal course of service delivery and additional savings have been realised where services have been reduced or stopped, travel requirements have reduced, office and buildings have remained closed and substantial staff vacancies have remained unfilled.
- 3.8 The analysis outlined in **Table 2** below reconciles the movement in the outturn position since the month 9 forecast was reported to Cabinet.

**Table 2: Reconciliation of Revenue outturn from month 9**

	£'000
<b>Month 9 non-Covid-19 surplus</b>	<b>(142)</b>
Unbudgeted grant support since Month 9 - Covid-19 specific	(3,070)
Unbudgeted grant support since Month 9 - Service specific	(803)
Reduction in budgeted use of capitalisation directive	1,080
Refinement of service outturn positions	(1,184)
<b>Year-end surplus prior to earmarked reserve replenishment</b>	<b>(4,119)</b>
Replenishment of earmarked reserves	4,119
<b>Revised Council Fund Surplus</b>	<b>0</b>

### 3.9 Mandated savings and budget mitigations

**Table 3: Progress against mandated savings**

Directorate	2020/21 Budgeted Savings	Saving achieved	Delayed Savings	Savings Unachievable	Of which due to Covid-19	Of which not Covid-19 Related	% Achieved
	£000	£000	£000	£000			

Children & Young People	(648)	(648)	0	0	0	0	100%
Social Care & Health	(1,058)	(792)	0	(266)	166	100	75%
Enterprise	(569)	(392)	(20)	(158)	178	0	69%
Resources	(418)	(198)	(220)	0	220	0	47%
Chief Executives Unit	(163)	(93)	(10)	(60)	70	0	57%
Corporate Costs & Levies	(1,479)	(1,479)	0	0	0	0	100%
Appropriations	(605)	(605)	0	0	0	0	100%
<b>Sub-total - Services</b>	<b>(4,940)</b>	<b>(4,207)</b>	<b>(250)</b>	<b>(484)</b>	<b>634</b>	<b>100</b>	<b>85%</b>
Financing	(5,397)	(5,397)	0	0	0	0	100%
<b>Overall Total</b>	<b>(10,336)</b>	<b>(9,604)</b>	<b>(250)</b>	<b>(484)</b>	<b>634</b>	<b>100</b>	<b>93%</b>

3.10 The 2020/21 budget was set based on the requirement for £10.3m of mandated savings to be achieved, with some £4.9m of these to be made directly by service areas. Given the challenging operating environment that services have performed under during 2020/21 it is pleasing to note their performance in achieving 85% of budgeted savings. This increases to 93% when taking into account savings attributable to increasing financing streams.

3.11 There has been a delay in the implementation of £250k of budget savings proposals as a direct result of staff resources being diverted to respond to the pandemic. A further £484k of savings are now deemed unachievable with £384k of these as a direct result of the pandemic.

3.12 A full list of the progress against savings mandates can be found at **Appendix 2** to this report.

3.13 The 2020/21 budget included the use of a Capitalisation direction of £2.09m where one-off costs are eligible to be capitalised under the guidance issued by the Welsh Government in respect of the flexible use of capital receipts. Given the reduced service activity during the year only £1.01m of the budgeted use was utilised resulting in £1.08m remaining in the capital receipts reserve for future use.

Those costs capitalised are listed and **Appendix 4** to this report and in summary relate to:

- Sharing back-office and administrative services with one or more other council or public sector body;
- 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;
- Integrating public facing services across two or more public sector bodies to generate savings or to transform service delivery.

### 3.14 Covid-19 Impact

- 3.15 The financial challenges facing the Council and resulting from the Covid-19 pandemic were hugely significant during 2020/21 and will continue to be over the medium term as the economy recovers and demands on local services transform in line with the social changes that the pandemic has brought about.
- 3.16 The Council continues to incur significant costs in its response effort and this will continue as it transitions towards recovery. Furthermore and resulting from the restrictions that UK Government and Welsh Government have had to put in place to contain the spread of the virus we are suffering significant shortfalls in our income levels. Some of these will return more quickly than others as services are able to be safely turned back on.
- 3.17 We are grateful to Welsh Government for the emergency hardship funding that has been provided to Welsh Councils to cover the costs and income losses to date and alongside this, the Covid-19 specific grant funding notified in the latter stages of the financial year. The extent of this support is outlined in **Table 4** below.

**Table 4: Direct Grant funding received to aid in Covid-19 pressures**

	£000s
Welsh Government Covid19 Hardship Fund - Additional costs incurred	11,254
Welsh Government Covid19 Hardship Fund - Compensation for loss of service income	8,382
Council Tax Income Collection shortfalls	1,059
Council Tax Reduction Scheme - to assist with increased demand	348
Digital Transformation funding	658
Savings unachieved funding	658
Business Grants - administration costs	347
<b>Total</b>	<b>22,706</b>

- 3.18 As the financial year progressed the Council was given clearer commitments of the proposed Welsh Government support and significantly the announcement made of further funding for local authorities in August 2020 to supplement funding that had already been provided to assist with meeting income losses and additional costs brought about by the pandemic. A further announcement of funding to cover the first six months of the 2021/22 financial year is welcomed and continues to recognise the unprecedented impact on the Council in managing the response to the pandemic.
- 3.19 In working with all parts of the Welsh Public Sector the Welsh Government provided significant one-off support to all areas through numerous funds which have been administered by the Council during the year. This has ranged from support to local businesses via Business Support Grants, payments made to care workers and specific Freelancer and Start up grants. The extent of the support administered during the financial year is detailed in **Table 5** below:

**Table 5: Welsh Government support funds administered in year**

<b>Support fund</b>	<b>£000s</b>
Business Support Grants	39,468
Care Workers £500 Payments	1,367
Covid-19 Freelancer Grant	440
Covid-19 Start Up Grant	143
<b>Total</b>	<b>41,418</b>

3.20 It is inevitable that the Council will face significant financial challenges as we move into the recovery phase of the pandemic as demands on services change in light of a severely altered socio-economic landscape. Alongside this there will continue to be risks associated with Welsh Government support funding being reduced or stopped. It is therefore important that the Council looks to replenish earmarked reserves to strengthen ongoing financial resilience.

### 3.21 **Recommended use of 2020/21 Revenue surplus**

3.22 Irrespective of the ongoing Covid-19 pandemic the Authority is already dealing with underlying service pressures which have resulted in £10.3m of pressures being accommodated within the 2021/22 budget, primarily consisting of:

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

3.23 The ongoing Covid-19 pandemic 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 as enforced restrictions diminish.

3.24 It is inevitable that service delivery and operating models will look significantly different as we move out of the emergency phase of the pandemic, 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;



- The pandemic has brought about Welsh Government policy change, significantly in the area of Homelessness;
- Supply chains continue 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

3.25 There remains uncertainty around the continued Welsh Government emergency hardship funding to Local authorities as a result of the Covid-19 impact, in terms of the full consequential funding continuing to be passed through and whether there will be further funding announced by UK Government which will allow Welsh Government to make further commitments beyond 30<sup>th</sup> September 2021.

3.26 It is also important to recognise that the economy will likely be in recession and UK and global economies have been hit hard by the pandemic which will considerably impact future public spending and Local Government settlements.

3.27 Given all of these uncertainties it remains difficult to identify the timing and quantum of investment required into the Council's key corporate priorities moving forward and also in responding to the wider national policy agenda commitments, notably but not exclusively:

- The Climate emergency declaration and commitment to deliver a low carbon economy
- Support for mental health provision
- Homeless support and provision
- Food policy agenda

3.28 In considering all of the above and in apportioning the outturn position the future financial stability of the Council was considered, alongside the potential additional unknown costs that could occur in dealing with post Covid-19 recovery, whilst also giving financial resilience to service areas to deal with service pressures and the wider policy commitments that will shape future service delivery. In this regard the revenue surplus is proposed to be allocated to the following reserves:

**Table 6: Reserves balances and proposed replenishment**

Reserve	31st March 2020	31st March 2021	Proposed replenishment	31st March 2021
	£000	Draft £000	£000	Final £000
Council Fund (Authority)	(8,907)	(8,907)		(8,907)
Council Fund (School)	435	(3,418)		(3,418)



Balances)				
<b>Sub Total Council Fund</b>	<b>(8,472)</b>	<b>(12,325)</b>	<b>0</b>	<b>(12,325)</b>
<b>Earmarked Reserves:</b>				
Invest to Redesign	(1,128)	(1,156)	(200)	(1,356)
IT Transformation	(254)	(254)	(600)	(854)
Insurance and Risk Management	(935)	(935)		(935)
Capital Receipt Generation	(181)	(116)	(300)	(416)
Treasury Equalisation	(990)	(590)		(590)
Redundancy and Pensions	(245)	(157)	(700)	(857)
Capital Investment	(627)	(627)		(627)
Priority Investment	(405)	(405)	(1,500)	(1,905)
Covid19 Hardship Fund Equalisation Reserve	0	0	(819)	(819)
Other Earmarked Reserves	(1,618)	(2,312)		(2,312)
<b>Total Earmarked Reserves</b>	<b>(6,383)</b>	<b>(6,552)</b>	<b>(4,119)</b>	<b>(10,671)</b>
<b>Total useable revenue reserves</b>	<b>(14,855)</b>	<b>(18,877)</b>	<b>(4,119)</b>	<b>(22,996)</b>

## 4 SCHOOLS BALANCES

- 4.1 In a similar manner to the general revenue activities of the Council, Schools have also benefitted from Welsh Government hardship funding to compensate for additional general Covid costs incurred (e.g. PPE, staff cover due to self-isolation, enhanced cleaning) and income lost totalling circa £1.24m and this is included within the figures outlined in **Table 4** above.
- 4.2 In terms of the overall movement in school balances, 2020/21 has been an unprecedented year. Schools have received several specific Welsh Government grants totalling £1.77m to further support them and their pupils and these have predominately displaced core budgets in 2020/21 or been committed for use in 2021/22 in line with the grant terms. Furthermore, due largely to the sustained periods of enforced closure during the financial year spending on budgets areas such as staff cover, premises, supplies & services and examination fees, were significantly curtailed and produced savings totalling £2.08m.
- 4.3 These factors mean that the overall level of the school reserves has increased by £3.85m as at the 31<sup>st</sup> March 2021, taking schools collectively out of a net deficit of £435k to an overall surplus of £3.42m. The movements in individual school balances are outlined in **Appendix 4** to this report. As a result of this 15 of the 17 schools entering the year in deficit have returned to a surplus balance.
- 4.4 The Authority requires schools carrying significant surplus balances that are above levels guided by Welsh Government (£50k for a Primary, £100k for a Secondary) to provide investment plans setting out how they intend to spend the significant surplus balances being held. It is also clear that the inherent structural budget deficits that have led to a

situation of 17 schools being in deficit at the start of the year remain and require resolution irrespective of additional funding received.

- 4.5 In particular and in specific relation to Chepstow Comprehensive, when the windfall Welsh Government grants are disregarded, it masks a significant in-year budget deficit that has been brought about significantly due to the curtailing of any staff redundancies during the pandemic and that were pivotal to their recovery plans. This leaves the school in a comparably weaker position than they would have been in if they had executed their recovery plans as intended, and where they do not now have the level of surplus balances that the other three comprehensive schools now have to strategically invest over the medium term.

## 5 CAPITAL OUTTURN

- 5.1 The capital expenditure outturn detailed in **Appendix 1** shows a net underspend of £3.18m against budget which can largely be attributed to specific grant funded schemes which have not progressed during the year (£1.92m) due to a combination of late notification of the grant awards, a lack of resources available to complete eligible works and a shortage of appropriate schemes that fit within the grant criteria stipulated. This under spend does not release any capital financing for future use as the grant actually paid matches the overall expenditure.
- 5.2 Alongside this there has been reduced usage of the Capitalisation Directive budget by £1.08m following clarification of the revenue outturn position. This subsequently releases capital receipts back to the capital receipts reserve to utilise for future capital investment.
- 5.3 Capital financing variances primarily follow the reasons for the above expenditure variances with grants showing a variance of £1.7m and capital receipts £1.08m, as the related expenditure was not incurred. There is a variance within unsupported borrowing and leasing where it was more cost-effective to the Authority to finance vehicle purchases from borrowing instead of leasing as initially budgeted.
- 5.4 Capital slippage totals £49.92m and is shown in detail in **Appendix 5** to this report. The vast majority of the slippage requested is due to the delays encountered relating to the impact of Covid-19 and was very much outside of the control of the Authority with two schemes (Asset Investment Fund and Abergavenny 3-19 School) accounting for two thirds of the total slippage.
- 5.5 Members are asked to note the slippage requests of £49.92m as listed in **Appendix 5** along with the related presumptions made around financing consequences as detailed in **Appendix 1**. A further assessment of the justification for scheme slippage will be undertaken and recommendations made back to Cabinet for final approval as part of the month 2 financial monitoring for 2021/22.
- 5.6 **Useable Capital Receipts Available**

- 5.7 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 2020/24 MTFP capital budget proposals.

**Table 7: Useable Capital receipts forecast**

	2020/21	2021/22	2022/23	2023/24	2024/25
	£000	£000	£000	£000	£000
Balance as at 1st April	3,040	9,210	14,136	12,544	11,452
Capital receipts used for financing	(31)	(3,341)	(684)	(684)	(684)
Capital receipts used to support capitalisation direction	(1,011)	(2,208)	(2,208)	(508)	(508)
Capital receipts Received or Forecast	7,212	10,475	1,300	100	100
<b>Forecast Balance as at 31st March</b>	<b>9,210</b>	<b>14,136</b>	<b>12,544</b>	<b>11,452</b>	<b>10,360</b>
Forecast Balance 2020/24 MTFP	9,904	10,245	10,791	10,136	10,136
<b>Variance compared to 2020/24 MTFP</b>	<b>(694)</b>	<b>3,891</b>	<b>1,753</b>	<b>1,316</b>	<b>224</b>

- 5.8 Capital receipts used to support the capitalisation direction were £1.08m less than budgeted for 2020/21, however this was offset by an overall delay in generating some receipts into 2021/22 and beyond and therefore results in a slightly reduced balance of receipts compared to the original budget.
- 5.9 Forecast receipts to be generated in future years have increased since the 2020/21 budget was set and this is demonstrated in the expected overall increase in receipt balances after affording additional capitalisation direction approved as part of 2021/22 budget setting.

## 6 OPTIONS APPRAISAL

- 6.1 This report provides an update on the current financial situation and the challenges facing the Council now and over the medium term. It has been prepared at a time of great uncertainty as the Council still transitions from the emergency response phase of the Covid-19 pandemic towards a period of recovery.
- 6.2 The outturn that has been prepared for consideration is predicated on assumptions that have been independently assessed by budget holders and subsequently reviewed as part of the budget monitoring process. These assumptions don't look to represent a policy position that Cabinet is looking to take on when services are re-opening. Rather they represent a reasoned assessment of the impact on services in year based on known information, anticipated future changes and estimates.
- 6.3 By far the greatest uncertainty that existed during the year was the level of Welsh Government hardship funding to be received to offset additional costs incurred in responding to the Covid-19 emergency response and the significant income losses that have resulted where services have ceased as a result of the enforced lockdown

restrictions in place. This risk diminished during the year as a result of Welsh Government announcements of significant funding to support Councils in Wales and this support currently extends to the 30<sup>th</sup> September 2021.

## **7 EVALUATION CRITERIA**

- 7.1 The uncertainty around Welsh Government funding of additional costs and losses of income brought about by the response to and the impact of the pandemic has diminished during the year. However, this continues to represent a risk moving into 2021/22 that will only be mitigated by monthly and quarterly submissions to Welsh Government being agreed. And furthermore and beyond those impacts resulting from Covid-19 there exists a number of significant cost pressures that need to be managed regardless.
- 7.2 The Council has traditionally maintained formal reporting to Cabinet at month 2 (period 1), month 7 (period 2) and outturn, with more frequent budget monitoring information being undertaken at a departmental level and reported to management and the Strategic Leadership Team. Only where circumstances necessitate it is more frequent formal reporting to Cabinet required.
- 7.3 As a result of the significant financial challenges facing the Council there has been a more frequent reporting of the in-year revenue and capital outturn forecast. Formal reporting has taken place at months 2, 5, 7, 9 and outturn.
- 7.4 The update of the Medium Term Financial Plan (MTFP) and the development of the budget proposals for 2021/22 and the medium term were challenging. Circa £10.3m of pressures were accommodated in the budget and provides a huge challenge to services to bear down on cost to mitigate these.
- 7.5 There is also further uncertainty given that the UK Government has only undertaken a one-year Comprehensive Spending Review which consequently does not enable Welsh Government to provide any additional certainty around indicative budget settlements for Welsh local authorities in future years.

## **8 REASONS:**

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

## **9 RESOURCE IMPLICATIONS:**

- 9.1 The resource implications of the revenue and capital outturn are contained in this report and the attached appendices. The overall surplus on the revenue budget has enabled a

strategy of reserve replenishment which ensures a degree on financial resilience as we move into a further period of significant financial and economic uncertainty.

- 9.2 The financial challenges facing the Council and resulting from the Covid-19 pandemic will be significant over the next 4 years of the MTFP. Not just for this Council but all councils across Wales and the UK. The Council is having to incur significant costs in its response effort and this will continue as it transitions towards recovery. Furthermore and resulting from the restrictions that UK Government and Welsh Government have had to put in place to contain the spread of the virus we are suffering significant shortfalls in our income levels. Some of these will return more quickly than others as services are able to be safely turned back on and this clearly represents a funding risk in the medium term.
- 9.3 The more immediate steps during the year were to curtail non-essential expenditure. Going forward more targeted and planned cost reductions will be challenging and the Council will as always look to minimise impact on service delivery. Though this cannot be guaranteed and is expected if Welsh Government funding falls short of expectations.
- 9.4 The Council continues to work on the basis that it will be fully funded by Welsh Government. However, there is clearly a risk that this will not happen and beyond this there are significant non-Covid-19 pressures being managed. Options to mitigate these risks are limited with recourse to draw on the Council Fund, specific earmarked reserves and useable capital receipts. Replenishment of these reserves as part of the outturn is therefore critical to the ongoing financial sustainability of the Council.

## 10 **EQUALITY AND FUTURE GENERATIONS EVALUATION (INCLUDES SOCIAL JUSTICE, SAFEGUARDING AND CORPORATE PARENTING):**

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

### **CONSULTEES:**

Senior Leadership Team  
Cabinet

### **BACKGROUND PAPERS:**

- Appendix 1** – Revenue and capital outturn report including school balances  
**Appendix 2** – Progress made against mandated savings  
**Appendix 3** – Capitalisation directive schedule 2020/21  
**Appendix 4** – Movement in individual school balances  
**Appendix 5** – Capital slippage schedule

**AUTHORS:**

Peter Davies, Deputy Chief Executive (Chief Officer Resources)

Jonathan Davies, Acting Assistant Head of Finance (Deputy S151 officer)

**CONTACT DETAILS:**

**Tel:** 01633 644294 / 07398 954828

**E-mail:** [peterdavies@monmouthshire.gov.uk](mailto:peterdavies@monmouthshire.gov.uk)

**Tel:** 01633 644114

**E-mail:** [jonathandavies2@monmouthshire.gov.uk](mailto:jonathandavies2@monmouthshire.gov.uk)