

**SUBJECT: REVENUE & CAPITAL BUDGET MONITORING 2022/23  
– MONTH 9 FORECAST**

**MEETING: PERFORMANCE AND OVERVIEW SCRUTINY COMMITTEE**

**DATE: 27<sup>th</sup> February 2023**

**DIVISION/WARDS AFFECTED: ALL**

**1. PURPOSE:**

- 1.1 To provide Committee members with information on the Authority's financial forecasts for the 2022/23 financial year in respect of the revenue budget, capital programme, and associated reserves position.
- 1.2 This report is being considered for pre-decision scrutiny by the Performance and Overview Committee 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 the agreed budget and policy framework;
  - challenge the reasonableness of variances to budget, and;
  - consider the progress in relation to mandated budget savings proposals for the year.
- 1.3 Feedback from this Committee will be considered by Cabinet when they receive this report at their meeting on the 1<sup>st</sup> March 2023.

**RECOMMENDATIONS TO PERFORMANCE AND OVERVIEW SCRUTINY COMMITTEE**

- i. That the Performance and Overview Scrutiny Committee perform pre-decision scrutiny on the Authority's Month 9 financial forecasts for the 2022/23 financial year in respect of the revenue budget, capital programme, and associated reserves position.
- ii. That the Committee as part of their role assesses whether effective budget monitoring is in place; the extent to which budgets have been spent within the agreed budget and policy framework, including the reasonableness of the explanation for variances and; consider the achievement of progress in meeting mandated budget savings targets.
- iii. That Committee feedback is provided to Cabinet who will receive this report at their meeting on the 1<sup>st</sup> March 2023.

**2. RECOMMENDATIONS TO CABINET**

- 2.1. That Cabinet recognises a net improvement of £1.62m since the previous revenue budget forecast that results in a forecast over spend at month 9 of £7.53m.

- 2.2. That Cabinet note that this is driven primarily by incorporating the budget recovery plan into forecasts at month 9, along with substantial unbudgeted grant funding notified in respect of Children's services that is significantly offset by further costs within the service.
- 2.3. That Cabinet note that the overall revenue budget outturn as currently forecast would need to be subsidised by £3.4m of capital receipts which are being used to fund identified eligible expenditure under the flexible use of capital receipts directive.
- 2.4. That Cabinet notes the update to the budget recovery plan as outlined in **table 3**. This projects that a draw on revenue reserves of £6.06m will now be required to ensure a balanced outturn position is achieved; representing an increase of £1.06m in the contribution anticipated to support the budget recovery plan from month 6.
- 2.5. That Cabinet recognise:
- the implication of drawing on the level of useable revenue reserves to this degree in 2022/23,
  - the usage also being proposed to assist the 2023/24 budget,
  - the trend of budgetary over spends in high cost service areas, and wider economic uncertainty.
- 2.6. That Cabinet note the financial risk represented by the current volatile environment in Adult's and Children's services require the respective Chief Officers and the Responsible Financial Officer to continue to closely monitor and manage operational and financial performance to ensure that all possible remedial action is taken to constrain cost and that this is reported to the Cabinet Portfolio Holder regularly.
- 2.7. That Cabinet require the Responsible Financial Officer to make consideration of strengthening the reporting of budget forecasts and savings progress during 2023/24.
- 2.8. Cabinet considers the forecast capital outturn spend of £61.8m as outlined in **appendix 1** that currently indicates a forecast over spend of £183k, noting the continuing difficulty in delivering capital projects to their allocated budget in the current challenging economic environment.
- 2.9. That Cabinet note the forecast 100% delivery of the budgeted mandated savings as detailed in **appendix 2** and as approved as part of the budget set by full Council.
- 2.10. Cabinet notes the extent of forecast movements in Schools reserve usage contained in **table 6**, and **appendices 1 & 3** which highlight the possibility of a further nine schools entering a deficit reserve position by the end of the financial year.

### 3. KEY ISSUES:

#### Context

- 3.1. In setting the 2022/23 budget there was an expectation that the Council would see a gradual return to a more stable operating environment relative to the last two years, with the direct impacts of the pandemic potentially set to ease.
- 3.2. There was a known and accepted risk that the Welsh Government Hardship fund would end and that the challenges experienced in achieving historic income levels would continue, and that the permanent change in national policy initiative around the needs of the homeless would not be adequately funded by Welsh Government.
- 3.3. The budget round therefore saw £10.1m of budget pressures accommodated, notably around the expected levels of pay; Additional learning needs demands; increasing demand and complexity of Children's care cases; increasing demands upon adult social services and; significant service pressures within the passenger transport unit and within recycling and waste.
- 3.4. It was therefore disappointing that despite accommodating the above pressures into the 2022/23 budget, that significant further in year service pressures had materialised during the year, with many of these pressures developing in the same key areas that have been provided additional support in the budget.
- 3.5. The first budget forecast of the year carried out at the end of July 2022 saw an unprecedented forecast over spend against budget of £8.8m. The most concerning aspect was the combined speed and scale that these cost pressures had developed following a balanced budget being set just four months earlier.
- 3.6. Whilst officers rightly revisited the robustness of the budget process undertaken, what became apparent from the outset of the financial year was the immediate and significant impact that the deterioration in the wider economic environment was placing upon Council services. Record price rises on goods and services, supply chain disruption, soaring energy costs, increased interest rates, and recruitment challenges immediately placed unprecedented pressures upon the demand and cost of service delivery.
- 3.7. With the Cost of living crisis having a significant impact on our communities, there has been a growing demand for additional Council services, a reduced call on income generating services, and impacts upon debt recovery. The wider and longer lasting impact of the pandemic has continued to be felt in the areas of Homelessness, Children's services, Adult social care and Children's additional learning needs.
- 3.8. Against this backdrop, Cabinet immediately required Chief Officer's to develop a range of appropriate budget recovery measures to look to arrest the over spend position, whilst noting that the ongoing operating environment and complex external dynamics in place would severely restrict the options available.
- 3.9. To this end, the month 6 report at the end of September 2022 put forward a package of budget measures to combat what was now an updated forecast over spend of £9.15m. These measures relied upon driving service efficiencies, maximising income levels, and extending the flexible use of capital receipts to support the revenue budget. Where all of

these service based measures were exhausted, the subsequent deficit was then forecast to be met from useable revenue reserves.

### **Month 9 forecast**

3.10. **Table 1** below summarises a forecast £7.5m net over spend against the Council's revenue budget for the year.

**Table 1: 2022/23 Revenue budget forecast as at Month 9**

Directorate	Total budget for the year	Total forecast expenditure / (income)	Total forecast variance to budget	Variance as a % of budget
	£000's	£000's	£000's	%
Social Care, Health & Safeguarding	58,557	64,335	5,778	9.9%
Children & Young People	59,416	60,343	927	1.6%
Communities & Place	24,017	23,410	(607)	-2.5%
Monlife	5,074	5,326	251	5.0%
Chief Executive Unit	3,190	2,965	(225)	-7.1%
People & Governance	4,936	5,014	79	1.6%
Resources	7,973	8,308	335	4.2%
Corporate	23,603	25,480	1,877	8.0%
Appropriations	5,933	5,486	(447)	-7.5%
Financing	(192,699)	(193,136)	(437)	0.2%
<b>Total</b>	<b>0</b>	<b>7,531</b>	<b>7,531</b>	

3.11. The updated forecast at month 9 represents a net improvement of £1.62m since the previous revenue budget forecast. However, this is driven primarily by incorporating the service budget recovery plan that had been identified at month 6 into the forecast at month 9 which has improved the overall forecast by £1.83m.

3.12. When disregarding the inclusion of the service recovery plan, it is important to note that there has been a further deterioration in service forecasts between month 6 and month 9 of £202k due to:

- A further net increase in expenditure of £67k within Children's Services where costly emergency arrangements continue despite stable overall numbers of looked after children. It is important to note that this net position is after allowing for unbudgeted grant of £1.1m that has been notified since month 6, and therefore the gross deterioration in overall cost is £1.167m.
- £240k additional ALN transport pressures due to increased operator costs. This is a combination of agreed contract uplifts to cover pay and fuel inflation (average 8%) plus increases as a result of operator hand-backs pushing up prices on re-tendering due to market forces.

- A shortfall of £360k against the identified service recovery target of £2.185m, with the deficit primarily falling within the Social Care directorate.

- 3.13. The deteriorating position is again disappointing and predominated by the continuing concerning position within Social Care which is subject to complex internal and external dynamics in respect of Children's care placements, the complexity and demand of Adults care needs, the interplay with Health, and the well documented market issues that are both leading to difficulty recruiting and retaining care staff, and increasing external provider costs.
- 3.14. The volatility of Social care costs continues to present a significant ongoing risk to the final outturn position for the year. Forecast costs for the year have increased at every reporting period and have been masked at month 9 by the notification of substantial unbudgeted grants in relation to Children's services of £1.1m. Overall, within Children's services there has been a gross deterioration in cost of circa £1.167m since month 6 with further fee increases and new children coming into care into costly placements. The volatility within children's services and reliance on emergency arrangements continue to provide a high level of risk to further levels of over spend developing through to year end. Further work is being undertaken to identify potential future risk of cost within Children's Services (e.g. placement breakdown or deterioration in family safeguarding arrangements).
- 3.15. Immediate arrangements have been put in place to closely manage and constrain cost wherever possible, whilst having regard to the challenging parameters that have been documented above. In the short term, in Children's services this centres itself around reviewing and planning packages of care with a view to progressing care plans using less costly arrangements, whilst in Adults services the steps in place to re-focus our internal teams to reable clients is intended to avoid the need for more costly care packages.
- 3.16. It is however recognised that the ability to constrain costs within such a complex operating environment and where strict statutory responsibilities are designated upon the Council is challenging when looking beyond simple value for money considerations. The detailed work to understand, manage and transform service delivery into a model that meets service needs within a reduced cost envelop will take time, and, will be subject to many interlinking external factors that are sometimes beyond the Council's immediate control and influence.
- 3.17. As we look across other service areas, the wider economic and inflationary environment continues to impact service delivery, both in respect of cost, volatility, supply chain disruption, and in presenting continued recruitment challenges.
- 3.18. Importantly, the overall outturn position as noted within this report continues to be supported by £3.4m of identified eligible expenditure to be funded from capital receipts under the flexible use of capital receipts directive. These measures are intended to allow for a period of service transformation which delivers service efficiencies over the longer term. As capital receipts forecast to be generated by the Council start to fall away after 2022/23, the reliance upon this measure will need to be carefully weighed against the other pressing capital pressures and wider capital investment aspirations of the Council.
- 3.19. In considering all the above, at month 9, this continues to represent a unique and unprecedented operating environment for the Council, and one which severely curtails the

immediate ability of the Council to influence its primary expenditure and income drivers, and therefore its ability to be able to bear down further on cost or increase income to any significant degree without resorting to more extreme measures.

- 3.20. As we look to the remainder of the financial year the key financial focus now centres itself on closely monitoring and managing operational and financial performance, specifically in relation to Social Care, but also in all other service areas, to ensure that all possible remedial action is taken to constrain cost. This will be vital to ensuring that the Council ends the year in a financially sustainable position.
- 3.21. When looking beyond this financial year, it is important to note that many of the savings that will assist the in-year budget recovery are one-off or temporary in nature and will not necessarily bring any further benefit to future year's budgets. Conversely, the majority of those pressures highlighted above are demand driven and recurrent in nature and have been scrutinised for consideration as part of the final budget process for 2023/24.
- 3.22. A full breakdown of the variances forecast by services at Month 9 is contained within **appendix 1**, however at a summary level the principal pressures and mitigating savings forecast are within the areas of:

**Table 2: Summary of principal pressures and savings forecast at Month 9**

Pressure/Saving	£000's	Description
<b>Children's services</b>	4,423	Children looked after numbers have decreased by 1 since month 6, however there continue to be increasing numbers of high cost placements, including extremely costly emergency arrangements for children where there is no regulated placement. Alongside this there is continued use of agency staff to fill vacancies. £1.1m of grant received since month 6 has offset further over spend.
<b>Adults Services</b>	1,490	Older Adults budgets have seen a dramatic influx of clients requiring services as we move out of the pandemic, with continued pressures from hospitals to discharge patients into the social care sector, and some clients requiring more intense services due to delayed health care during the pandemic. Some in-house services are currently undergoing reviews, with in year savings being used to partially offset over spends.
<b>Additional Learning Needs</b>	720	Due to placement costs outside of our own schools (£313k), a reduction in income from other Councils for out of County pupils attending our schools (£115k), additional support for pupils attending our own schools (£51k), and additional transport cost (£240k).
<b>Housing</b>	1,276	Primarily due to national policy change impacting upon the service and where our housing costs in relation to the needs of the Homeless are not attracting full funding. £1.374m of costs where emergency accommodation placements do not allow the Council to claim full housing benefit subsidy, offset by an under spend of £98k in the cost of provision following receipt of further grant.
<b>MonLife</b>	251	Due to the sections inability to generate the expected income targets in relation to Leisure and Outdoor education services.
<b>Passenger Transport Unit (PTU)</b>	291	Increased pay, fuel and repair costs have meant that operators have handed back contracts resulting in re-negotiated external prices or increased in-house provision required. Receipt of £72k of grant since month 6 has improved the position.
<b>Non-teaching pay award</b>	2,049	An allowance is made within the forecast for the result of pay award negotiations over and above the 3.5% budgeted for. Negotiations have

Pressure/Saving	£000's	Description
		concluded between local government employer's representatives and trade unions which resulted in an overall average award of approximately 6.25%.
<b>Car Parks &amp; Civil Parking Enforcement</b>	266	Parking enforcement fines will not hit budgeted targets and in addition there are over spends in expenditure primarily in transport, premises and software costs.
<b>Markets</b>	127	The number of traders has dropped off considerably since Covid-19 and this has meant the service is struggling to meet income targets alongside increases in waste disposal costs.
<b>Council tax</b>	(437)	Out-performance of budgeted Council tax collection. This has reduced since month 6 as the amount of discounts being awarded has increased.
<b>Net Borrowing costs</b>	(446)	A reduction in net budgeted borrowing costs reflective of a lower than budgeted interest rate environment at the start of the year, and significant capital slippage at the end of 2021/22 delaying borrowing need.
<b>Staff vacancies</b>	(1,420)	Significant staff vacancies being carried in the establishment.
<b>Rental income</b>	(172)	Recovery of the rental of Innovation House from the Ukrainian grant funding scheme.
<b>Property</b>	(322)	Passporting of qualifying spend from revenue to available capital funding creating a £322k under spend.
<b>Solar Farm &amp; Sustainability</b>	(175)	Improved income from our Solar Farm and PV installations caused by the increased market rates for energy.
<b>Neighbourhood services</b>	(200)	Primarily due to the improvement gained from the installation of LEDs in our street-lighting over and above budgeted levels and passporting qualifying costs to capital (£200k), and Grounds maintenance savings of £147k resulting from increased income.

### Assessment of identified budget mitigation measures

3.23. The updated budget recovery plan is outlined in **table 3** below and projects that a draw on revenue reserves of £6.06m will now be required to ensure a balanced outturn position is achieved, with this representing an increase of £1.06m in the contribution anticipated to support the budget recovery plan from month 6.

3.24. Alongside the efforts to deliver on the overall service budget recovery plan developed at month 6, it should be noted that the month 9 forecast includes a variety of additional measures that services have identified in efforts to arrest the over spend position and in moderating cost or exploring additional funding. This has resulted in significant forecast savings offsetting the increases in cost.

**Table 3: Summary of budget mitigation measures identified at Month 9**

Recovery measure	Comment	Forecast usage Month 6	Forecast usage Month 9
<b>Revenue Reserves</b>	<ul style="list-style-type: none"> <li>Revenue reserves have been replenished by approximately £11m over the past two years, with particular focus at the end of 2021/22 in providing protection against some the budget risks now manifesting (In particular Social care, Homelessness, Leisure income, and Pay).</li> </ul>	£5m	£6.06m

Recovery measure	Comment	Forecast usage Month 6	Forecast usage Month 9
	<ul style="list-style-type: none"> <li>• However reserve projections based on month 9 and the proposed final 23/24 budget take us to significantly lower position in terms of reserve cover at the end of 23/24 – with the £15.6m projected representing just 8.3% of the revenue budget.</li> <li>• Further to this, £1m of the 15.6m projected reserve balance relates to funds held as sinking funds (Commercial investments, Solar farm) or are held under joint service arrangements (YOS, LRF).</li> </ul>		
<b>Capitalisation directive</b>	<p>Identification of further revenue costs, over and above the £2.65m already budgeted, that can be categorised as enabling service transformation, and that can be legitimately funded from capital receipts under the regulations.</p> <p>This has reduced since Month 6 following a review of the levels of spend in areas which meet the criteria for capitalisation.</p>	£1.27m	£0.76m
<b>Funding</b>	<p>Further unbudgeted grant funding becoming available during the remainder of the year.</p> <p>It is currently estimated based on current trends that there is a possibility that £700k of Social care workforce sustainability grant could be released to aid in budget recovery. This will be dependent upon winter pressures, availability of care provision, and the need for additional care and support to facilitate hospital discharge.</p> <p>There is also potential recoupment of a forecast surplus on the Regional Integration Fund within Social care where it is expected that there will be further slippage around the Winter Programmes planned.</p>	£0.7m	£0.7m
<b>Cost moderation / Reduction in services</b>	<p>Non-pay cost reduction in supplies and services, third party, premises, and transport budgets.</p> <p>A total of £1.83m has been indicated as achievable and is now included within service forecasts at month 9. A list of progress against individual proposals is shown as <b>appendix 4</b>.</p>	2.185m	Now included in overall forecast
<b>Total</b>		<b>9.155m</b>	<b>7.53m</b>

### Progress against mandated service savings

3.25. The original 2022/23 budget included mandated service savings totalling £2.129m and the progress against these is summarised in **table 3** below and in more detail in **appendix 2**.

**Table 5: Progress against mandated savings**



Directorate	2022/23 Budgeted Savings £000	Savings forecast £000	Delayed Savings £000	Savings Unachievable £000	% Achieved
Social Care & Health	(120)	(120)	0	0	100%
Communities & Place	(959)	(959)	0	0	100%
Resources	(300)	(300)	0	0	100%
Chief Executives Unit	(33)	(33)	0	0	100%
Corporate Costs & Levies	(717)	(717)	0	0	100%
<b>Total</b>	<b>(2,129)</b>	<b>(2,129)</b>	<b>0</b>	<b>0</b>	<b>100%</b>

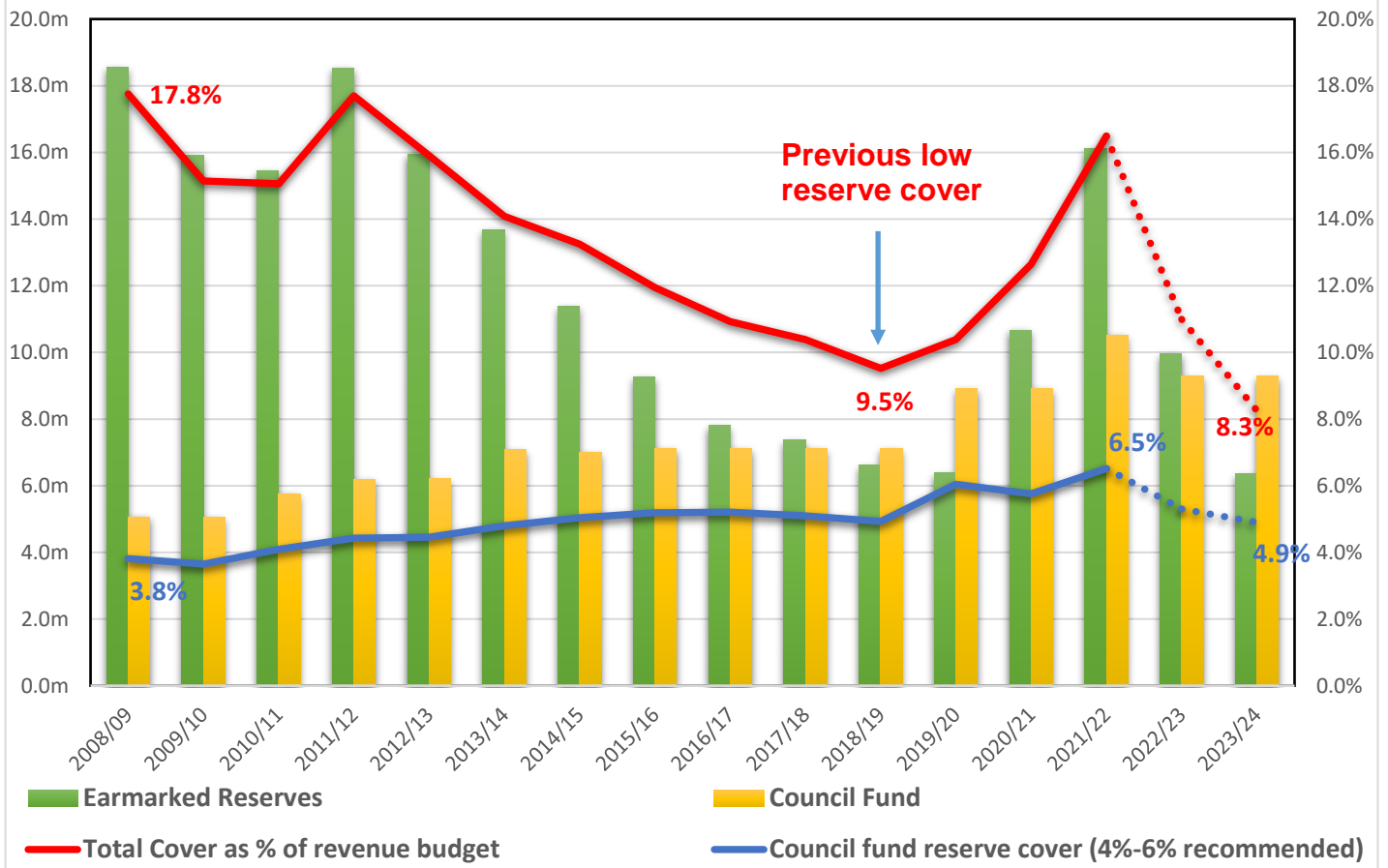
- 3.26. It is pleasing to note the forecast 100% delivery of mandated savings, especially in light of the ongoing challenges faced by services in current operating conditions. Finance officers will continue to work with services to ensure that these mandated savings are fully delivered as well as identifying any further areas of service efficiency which may deliver additional savings.
- 3.27. Budgetary discipline will be paramount as we move through the remainder of this financial year, next year and over the medium-term. Cabinet will expect more regular budget monitoring and scrutiny, and with the deliverability risk of service savings acknowledged, the monitoring and reporting of service savings will need to be strengthened

### **Usable revenue reserve levels**

- 3.28. Usable revenue reserves (excluding schools) have been replenished by approximately £11m over past two financial years and stand at £26.6m at the start of 2022/23.
- 3.29. Reserves have been able to be replenished as above through the pandemic as a result of significant Welsh Government hardship funding and one-off grants. This reversed a continuing trend of depleting balances since 2011/12 through a period of financial austerity and challenging budget rounds for Councils generally.
- 3.30. Reserves are an integral part of the Council's financial strategy and are used to create long-term budgetary stability and act as contingency against known and unknown risks. As well as being available to fund unexpected funding pressures, they enable the Council to manage organisational change without undue impact on council tax payers and can also be an important funding source to support 'invest to save' initiatives designed to reduce the ongoing cost of providing services.
- 3.31. **Chart 1** below outlines the trend in revenue reserves levels over time and includes a projection based upon drawing on £6.06m of revenue reserves as outlined in the above budget recovery plan and allowing for the potential draw on reserves based on the final 2023/24 budget proposals being presented to Council.

### **Chart 1: Revenue reserve trend and projection**

## Revenue reserves trend & projection £m's



- 3.32. Despite the replenishment in reserves over the past three financial years, balances remain at the lower end of the scale on an all-Wales comparison when comparing reserve balances as a percentage of the Council's net revenue budget.
- 3.33. If reserve usage continues in line with current forecasts, the level of reserves as a percentage of net revenue budget would fall to 8.3%, or £15.6m by the end of 2023/24.
- 3.34. It is however important to note that £1m of reserves have been set up as sinking funds or relate to joint service arrangements, and when these are disregarded, it brings the level of useable reserves forecast at the end of 2023/24 below £15m. In isolation this could still be considered to provide a sufficient level reserve cover for a Council of Monmouthshire's size, however this needs to be considered within the context of escalating costs and service demand, a trend of budgetary over spends in high cost service areas, and wider economic uncertainty.
- 3.35. The more medium-term consequence of a reduction in earmarked reserves is that any up-front investment required to drive service transformation will likely need to be funded from the capital receipts reserve. Any such investment will therefore need to be carefully weighed against capital investment aspirations, or, more likely, mean that future capital investment aspirations outside of the core programme will need to be met from borrowing.

## School balances

- 3.36. From a financial perspective, 2021/22 was another unprecedented year for schools who continued to receive several significant Welsh Government grants to support them and their pupils during and following a period of significant disruption to learning. This resulted in all but one of our schools bringing forward a surplus balance into the 2022/23 financial year, with the vast majority carrying significant surplus balances above those guided by Welsh Government school funding regulations (£50k for a Primary, £100k for a Secondary or Special school).
- 3.37. The Authority requires schools carrying balances above those levels guided by Welsh Government to provide investment plans setting out how they intended to spend the excess balances being held. These plans informed the budget process for 2022/23.
- 3.38. At month 9, the forecast is for an overall contribution from school balances of £4.65m, resulting in a forecast surplus at year-end of £2.3m.

**Table 6: Forecast movement in school balances for 2022/23**

Cluster	(A) Opening Reserves (Surplus) / Deficit Position 2022/23 £000's	(B) Draw / (Contribution) from / (to) School Balances @ Month 4 £'000	(C) Draw / (Contribution) from / (to) School Balances @ Month 6 £'000	(D) Draw / (Contribution) from / (to) School Balances @ Month 9 £'000	(A+D) Forecast Reserve Balances at 2022/23 Outturn £'000
Abergavenny	(2,145)	1,181	1,272	1,237	(908)
Caldicot	(2,165)	1,570	1,284	1,204	(961)
Chepstow	(695)	863	899	827	131
Monmouth	(1,869)	1,425	1,353	1,211	(658)
Special	(82)	106	91	174	92
<b>Total</b>	<b>(6,956)</b>	<b>5,145</b>	<b>4,900</b>	<b>4,653</b>	<b>(2,304)</b>

- 3.39. The budget for 2022/23 made allowance for a pay award for schools staff up to a threshold of 3%, with any award agreed above this level to be funded from schools balances. The above forecast is predicated upon a further pressure of 2% over and above the 3% budgeted based upon the pay award currently in place. This accounts for £1.2m of the overall £4.65m forecast draw upon school balances this year.
- 3.40. The investment plans enacted by schools look to deliver the best learning outcomes for pupils in line with the purpose of the grant funding provided over the past two financial years. **Appendices 1 & 3** outline the forecast movement in individual school balances for the year, and whilst it is clear that the investment plans enacted will bring many school balances more in line with those levels guided by Welsh Government, it is disappointing to note that a further nine schools are now forecast to move into deficit by year-end.

3.41. There remains significant concern from a financial perspective that the inherent structural budget deficits that led to a significant number of schools being in deficit pre-pandemic in some cases remain. Whilst the current economic climate is severely challenging, school balances are designed to provide a level of financial resilience to mitigate and smooth such risks and are not expected to fund ongoing day-to-day expenditure. Officers will continue to work closely with those schools of concern and look to aid the return to a more sustainable budget plan over the medium term.

### **Capital outturn forecast**

3.42. The capital expenditure forecast detailed in **appendix 1** indicates a net forecast over spend of £183k, with numerous pressures presenting themselves totalling £1.897m as detailed below. These have been offset by the identification of a number of under spends totalling £1.714m which have materialised due to a wide range of reasons.

<b>Scheme Category</b>	<b>Scheme</b>	<b>Over / (Under) spend £000's</b>	<b>Comment</b>
Capitalisation directive	Capitalisation directive	760	A planned measure to mitigate pressure on the revenue budget through identification of further revenue costs, over and above the £2.65m already budgeted, that can be categorised as enabling service transformation, and that can be legitimately funded from capital receipts under regulations.
Development Schemes Over £250k	Crick Road Care Home	151	Additional costs in fitting-out equipment required for resident's privacy. An additional bid has been submitted to ABuHB for additional RIF funding to offset the overspend.
Development Schemes Over £250k	Property Acquisition for Children and Young People with Complex Needs	114	Additional refurbishment costs over and above original cost projection. A bid has been made to the Regional Integration Fund and we are waiting for a decision to offset the forecasted overspend.
Development Schemes Over £250k	Abergavenny borough theatre refurbishment	390	Increase over and above original construction cost projection due to unforeseen lighting costs and over-run charges from contractor. If funding cannot be found within programme, the service will borrow as per Cabinet report.
Infrastructure	Tintern Wireworks Bridge	148	The refurbishment of the Tintern Wireworks Bridge at Tintern in conjunction with Gloucestershire County Council is currently forecast to overspend by £148k, due to the complexity of restoring this listed structure and the increased cost of materials.
Specific Grant Funded	Siltbuster	76	The Siltbuster project is forecast to be £76k overspent due to increased costs. This will be funded from additional borrowing which will be funded by the Highways revenue budget.
Leasing	Leasing	258	Vehicle requirements are above the budget set and will be financed via leasing or borrowing dependent upon the options appraisal towards year end.

Scheme Category	Scheme	Over / (Under) spend £000's	Comment
Development Schemes Over £250k	Usk County Hall J Block Major Refurb	(759)	The scheme of works originally planned has changed following evolving accommodation needs in a post pandemic era.
Disabled Facilities grants	Disabled Facilities grants	(439)	An under spend due to a delay in works over the pandemic period that means the overall budget available is more than can be reasonably carried out given capacity. The increase in referrals since Month 6 has reduced the projected under spend, including a £96k vat adjustment.
Specific Grant Funded	Grant –Match Funding Support Allocation	(300)	A lower than expected requirement to match fund grant bids.
Infrastructure	Penyrhiw Sewage Treatment Works	(100)	Scheme not proceeding in current form.
Development Schemes Under £250k	Access for All	(61)	Under spend - current projections are showing a spend of £200k on access schemes for this year.
Maintenance Schemes - General	School Refurbishment Grant	(55)	Funding to be earmarked for upgrade of Capita One system in 2023/24.

- 3.43. Finance officers will continue to work with the project managers concerned to seek budget mitigation measures for any projected over spends, either through cost reduction measures or through the alternative funding mechanisms identified above.
- 3.44. As outlined in **appendix 1**, numerous schemes are indicating delays, with £8.9m forecast slippage following revisions to project timescales. Previous year's trends would indicate that this will increase substantially as the year progresses, and as more certainty becomes available both in terms cost and contract delivery timescales.
- 3.45. The current economic environment continues to have a significant impact on the overall capital programme with cost inflation and supply chain issues continuing to present a challenge to project delivery. Whilst every effort is being made by project managers to work within the budgetary plans and timescales set, it is inevitable as the year progresses that further cost pressures will materialise. This will in turn limit the scope of project delivery, especially in the areas of property maintenance and Infrastructure works where less schemes can be delivered within the overall budget allocated.
- 3.46. The forecast movement in capital receipts balances for the year is shown below. Whilst overall balances on the face of it are healthy, there remains the risk that forecast receipts receivable for 2023/24 onwards are at comparatively low levels, and combined with the fact that receipts are continuing to be used to subsidise the revenue budget through capitalisation direction means that the scope for further capital investment funded via receipts will be limited.

**Table 7: Forecast movement in capital receipt balances**

Month 9 update	2022/23	2023/24	2024/25	2025/26	2026/27
	£000's	£000's	£000's	£000's	£000's
Balance as at 1st April	8,773	9,891	7,106	6,009	4,511
Capital receipts used for financing	(3,975)	(1,731)	(1,194)	(1,094)	(1,094)
Capital receipts used to support capitalisation direction	(3,410)	(3,008)	(508)	(508)	(508)
Capital receipts used for redundancies	0	(1,000)	0	0	0
Capital receipts received	7,072	0	0	0	0
Capital receipts forecast	1,430	2,954	604	104	104
<b>Forecast Balance as at 31st March</b>	<b>9,891</b>	<b>7,106</b>	<b>6,009</b>	<b>4,511</b>	<b>3,014</b>

#### 4. RESOURCE IMPLICATIONS:

- 4.1. The report itself covers the resource implications of the entirety of the revenue and capital budget activity during the year. There are no further resource implications as a result of the recommendations in this report.

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

- 5.1. This report provides Members with information on the forecast revenue and capital outturn position of the Authority and carries no decisions. There are therefore no equality of future generations' implications directly arising from this report.

#### 6. CONSULTEES:

Strategic Leadership Team  
Performance & Overview Scrutiny Committee  
Cabinet

#### 7. BACKGROUND PAPERS:

**Appendix 1** – Detailed outturn forecasts and directorate commentaries

**Appendix 2** – Progress against mandated budget savings

**Appendix 3** – Forecast movement in individual school balances

**Appendix 4** – Progress against service budget recovery plan

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