

CYNGOR SIR POWYS COUNTY COUNCIL.

**CABINET EXECUTIVE
22nd February 2022**

REPORT AUTHOR: County Councillor Cllr Aled Davies
Portfolio Holder for Finance

REPORT TITLE: Financial Forecast for the year ended 31st March 2022
(as at 31st December 2021)

REPORT FOR: Decision

1. Purpose

1.1 To provide Cabinet with the revenue budget outturn forecast for the 2021-22 financial year. This includes information on the additional hardship funding received from Welsh Government and the impact on the projected position both in the current year and for 2022-23.

2. Background

2.1 The ongoing demands of the pandemic continue to have a financial impact upon the Council, and the funding from Welsh Government remains essential in supporting the Council's financial position. Additional costs and lost income continue to be claimed and this support is in place until 31st March 2022.

2.2 We must continue to monitor our financial position carefully as we progress through the final quarter of the year and ensure that we react quickly if the position changes.

2.3 Table 1 below summarises the projected full year underspend position of £1.155 million across the Council's services including HRA and delegated schools (September position £30,000 deficit).

Table 1 – Forecast Position

Revenue Budget	£'000
Base Budget	279,808
Cost Pressures	6,046
Cost Underspends	(9,618)
Cost Reductions Shortfall	3,061
WG Future Support	(644)
Forecast Outturn	278,653
Surplus	1,155

2.4 Appendix A provides a breakdown of the financial position for each service, broken down into categories covering cost pressures, cost underspends, service reductions and covid hardship funding from Welsh Government expected to date. A projected underspend of £579k is reported for the Councils General fund when you exclude Schools Delegated and the HRA.

2.5 The improved position is mainly due to:

- Highways, Transport and Recycling £0.67 million, improvement attributable to the use of grant that was rolled forward from last year and Welsh Government have allowed the use of it to fund this years unachieved savings
- Education £0.298 million deterioration due to an overspend on schools property repair and maintenance budget, steps are being taken to try and minimise the impact through the rest of the year.
- Housing and Community Development £0.09 million. This improvement is attributed to staffing underspends and the receipt of grant funding. The Service has been very successful bidding for grant funding this financial year.
- Economy and Digital £0.36 million. Although the service still shows a deficit due to delivered savings on service digitalising projects (that are being written off as part of budget setting 2022-23). The service has endeavoured to meet this gap through management of controllable spend, delayed recruitment and maximising grant income.
- Legal £0.011 million. Improvement partly due to the improved prediction for registration fees income and gaining funding for a solicitor that was unbudgeted.
- Corporate £0.434 improvement million due to the continued reprofiling of capital programme and the reduction in borrowing requirement.

2.6 The current underspend includes a £0.81 million surplus achieved from pension contributions that will be transferred to the pension reserve at year end to support the actuarial valuation in 2023. In addition, the cost of borrowing - interest and Minimum Revenue Provision (MRP) to support the capital programme remains underspent by £1.5 million, it was previously agreed that the council may use the underspend to make a voluntary revenue provision or overpayment on top of the budgeted MRP and can be reclaimed in later years if deemed necessary or prudent. If this takes place the Council would require a contribution from reserve of £1.731 million at year end to balance the financial position.

2.7 Services that are projecting an overspend position must act now to recover their forecasted position and deliver within budget, if necessary, completing and submitting virements for consideration to realign budgets. Childrens services have had a virement approved for £1.8 million to cover the projected costs for Childrens services outturn. This is not currently included as a draw on reserves as this is currently being managed within the overall projected budget position.

2.8 Further detail about each service area is provided in Appendix B, with Heads of Service setting out their individual narrative that explains their financial position. This includes their activities being undertaken to deliver cost reductions and mitigate shortfalls, the level of pressures and if any that are being managed “at risk” are likely to materialise significantly.

3. Cost Reductions

3.1 Cost reductions of £13.397 million were approved as part of the Councils budget for this year and the delivery of these is required to achieve a balanced budget in year. These include undelivered reductions from 2020-21 of £1.569 million that have been carried forward.

- 3.2 The summary at Table 2 shows that 61% or £8.133 million have been delivered and a further 16% £2.204 million are assured of delivery by Services. £3.061 million, 23% are unachieved and are at risk of delivery in this year. £1.317 million of those undelivered cost reductions are proposed to be written out as part of the 2022-23 budget setting, the remainder will roll forward to be delivered next year.
- 3.3 The budget set by Council included the provision of a risk budget to manage the risk of delivery, together with potential additional service pressures and this will be drawn upon to support the budget gap .

3.3 Table 2 – Cost Reductions

	£'000	To Be Achieved	Actually Achieved	Assured	Un-achieved	% Achieved
Adult Services		5,091	4,111	880	100	81%
Childrens Services		3,184	2,212	972	-	69%
Commissioning - Adults & Children		-	-	-	-	-
Economy and Digital Services		1,167	92	49	1,026	8%
Education		381	381	-	-	100%
Schools Delegated		39	39	-	-	100%
Finance		324	300	24	(0)	93%
Central Activities		(175)	(175)	-	-	100%
Highways Transport & Recycling		1,745	267	66	1,411	15%
Housing & Community Development		310	235	-	75	76%
Legal & Democratic Services		298	135	7	156	45%
Transformation and Communications		57	57	-	-	100%
Property, Planning & Public Protection		818	470	201	147	57%
Transformation and Communication		-	-	-	-	-
Workforce & OD		160	10	5	145	6%
Total		13,397	8,133	2,204	3,061	61%
			61%	16%	23%	

4. Welsh Government Support

- 4.1 The Welsh Government budget confirmed that the Hardship fund will continue until 31st March 2022 but expect the value of claims to reduce as councils bear the cost of new working and custom and practice that become the norm. This fund continues to support additional costs arising from the pandemic associated with external providers of Social Care, Homelessness, PPE, Free School Meals, limited general additional expenses, and the Mortuary Facility. The fund also continues to support the net effect of lost income.
- 4.2 Thus far this year the council has submitted cost claims totalling £7.4 million, of which £3.6 million directly supports the adult care providers and £0.58 million reclaims costs for self-isolation payments. Lost income has been claimed totalling £0.852 million.

5. Transformation

- 5.1 The transformation fund is funded from capital receipts, under a capitalisation directive from Welsh Government which ceases on the 31st March 2022. Qualifying expenditure is expenditure that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery in a way that reduces costs or demand for services in future years for the Authority or any of the delivery partners. This includes investment which supports economic growth projects which are also designed to reduce revenue costs or pressures over the longer term. Within

this definition, it is for individual local authorities to decide whether a project qualifies for the flexibility.

- 5.2 Transformation funding under the capitalisation directive funds both transformational projects and redundancy costs across all services within the authority.
- 5.3 Table 3 confirms the total budget allocated to transformational funding in 2021-22 is £4.013m, thus far the projected outturn is £3.018mm, the underspend will allow unused capital receipts to remain available to support the future capital programme.

Table 3 Transformation Summary

Transformation Costs 21-22	Forecast Outturn	Budget	Variance
	£,000	£,000	£,000
Transformation Projects to be capitalised	2,618	3,013	395
Organisational Transformation	400	1,000	600
	3,018	4,013	995

6. Reserves

- 6.1 The Reserves position at Table 4 sets out the reserve forecast as at 31st December 2021. The current general fund balance is forecast at £9.34 million which represents 4.7% of the Councils net revenue budget (excluding delegated schools and Housing Revenue Account (HRA)).
- 6.2 Both the Transport and HRA reserves are primarily used to fund capital schemes such as vehicle and ICT purchase and building council house stock.

Table 4 – Reserves Table

Summary	Opening Balance (1st April 21) Surplus / (Deficit)	Forecast Addition / (Use) of Reserves	Forecast (Over) / Under Spend	Projected Balance (31st March 22) Surplus/ (Deficit)
General Fund	13,634	(4,294)	0	9,340
Budget Management Reserve	4,330	0	0	4,330
Specific Reserves	15,651	2,472	(426)	17,697
Transport & Equipment Funding Reserve	11,282	(8,558)	0	2,724
Total Usable	44,897	(10,380)	(426)	34,091
Schools Delegated Reserves	3,251	(693)	9	2,567
School Loans & Other Items	(371)	7	0	(364)
Housing Revenue Account	4,481	(2,404)	567	2,644
Total Reserves	52,258	(13,470)	150	38,938

- 6.3 The schools reserve position presents a minimal use of reserves, although some schools may have a significant call on their reserve. There is funding from Welsh Government to support schools, as can be seen in section 7, through the rest of this financial year and these grant allocations may help the current forecasts improve.

7. Grants and Virements – for 2021-22

- 7.1 There have been additional school grants received this quarter from Welsh Government (unless otherwise specified) and now form part of the financial position:

7.2 Education:

- £371,801 – Post 16 Learner Recovery and Progression funding in recognition that learners will have experienced disruption because of COVID-19.
- £456,474 – LA Education Grant (variation 2) – To alleviate the immediate pressures associated with the teachers' pay award, support the emotional and mental wellbeing of learners and school staff, reimbursing home schooled learners for those obtaining a centre determined grade during the summer 2021 exam series and delivering induction placement schemes for NQTs during September – December 2021.
- £58,973 – Supporting Music Services in Wales
- £31,620 – Musical Winter of Wellbeing supporting music activities that will be accessible to learners, across the age range, within a school or setting.
- £27,000 - Supporting Service Children in Education focusing on sustainability of best practice, building capacity, and considering local needs and requirements,
- £496,896 - Professional Learning to meet the demands of the new National Approach.
- £255,876 - Teachers Pay Award – to fund additional 0.75% award in Sept 21. This grant covers the period Sept 21 to March 22 and will be allocated to Schools delegated budget based on real teachers pay award.

7.3 Children

- £25,000, Pathfinder – Welsh Government Early Years Integration Transformation Programme Grant. To be used to commission consultant support to undertake scoping and mapping of Early Years services in Powys.
- £11,986, Additional Child Development Fund allocation. – Welsh Government Grant To respond to the needs of families impacted the most by the Covid 19 pandemic through the implementation of small grant schemes to services and community groups to provide a wide range of opportunities, activities, and training for 0–5-year-olds and their families in their communities The revenue allocation is being used on resources and staffing to allocate and distribute the capital element.
- £239,227, Additional All Wales Play Opportunities Grant allocation- Winter of Wellbeing. To enable Powys to meet some of the actions within your 2021 – 2022 Play Sufficiency Assessment (PSA) Action Plan and to build on the success of the Summer of Fun and provide more opportunities for children and young people aged 0-25 to develop their social, emotional, and physical well-being outside of the school day.
- £14,500, Young Care ID Card Grant. Welsh Government Grant to Progress the work at local authority level for development, trialling and local area launches of a young carers ID card. This will enable each local authority to test what works to promote awareness of young carers' issues with schools, organisations, and businesses; feedback their experiences to Carers Trust Wales so that both the LA and CTW can disseminate learning to the LA learning clusters; and to promote take up and use of the card by individual young carers. This Grant will be fund resources and staffing.
- £1,606, Additional Youth Justice Grant allocation from the Youth Justice Board. The aims and objectives of the Grant is to reduce the number of children in the

youth justice system, reduce reoffending by children in the youth justice system, improve the safety and wellbeing of children in the youth justice system; and improve outcomes for children in the youth justice system.

- £21,250, Additional allocation of The Out of Court Parenting Support Welsh Government Grant. The grant is in relation to the provision of parenting support because of an out of court disposal issued to an individual by the police. This is funding a parenting office to undertake the work required.
- £797,106 Additional Social Care Recovery. The purpose of the grant is to support appropriate recovery of social care services in local authority areas across Wales, aligning with the priority areas set out in the Social Care Recovery Framework in respect of Children Service pressures and unpaid carers.

7.4 Regeneration

- £36,250. COP29 Domestic Campaign 2021/22. Objectives of the grant
 - better understand and collect supporting evidence of impacts of funding spent on Net Zero by Local Authorities (LAs) including national, local, and commercial funding;
 - understand better the work done by community groups on net zero and the impacts this has;
 - understand barriers to further work by these two sectors to support the Net Zero strategy;
 - understand better the SME landscape including opportunities for DIT for both inward investment and export advice for emerging and existing Net Zero businesses including supply chain.
- £125,000, Levelling Up Fund Capacity and Resource Grant to assist with the costs of developing a bid for the future rounds of the Levelling up Fund
- £20,000, Community Renewal Fund, capacity funding to invite bids locally and appraise

7.5 The following grants came into the Authority during December 2021 and the Service are working through the detail of the terms and conditions of the grants to ensure that they are utilised as effectively as possible, these have not yet been built into forecasts:

- £545,173, Additional Regional Consortia School Improvement Grant – To strengthen delivery of Foundation Phase, support Wales collaborative for Learning Design, deliver additional professional learning, deliver the national pedagogy project and Centre determined grades.
- £2,667,190, LA Education Grant (variation 3) – To deliver the Winter of Wellbeing programme, provide high quality support for children and young people with ALN to deal with the impacts of COVID-19, fund online solutions for Individual Development Plans (IBP) as part of the ALN transformation programme, prepare for the phased commencement and full implementation of the ALN Act, training for trauma informed approach, enhancing attendance support, additional Recruit Recover Raise standards funding, extending PDG Access to Years 2,4 and 6 for uniforms, sports kit and IT equipment and funding for preparation for changes to Free School Meals.

- £1,807,241, Revenue Maintenance funding to alleviate pressures for caretaking, cleaning and planned maintenance costs not covered by the hardship fund.

7.6 The Finance service has received additional funding to support the delivery of the Business Grant work on behalf of Welsh Government. As a result of this the service is projecting an underspend this year. This was considered when transformation bids across the Council were being approved. To limit the pressure on the revenue budget it was proposed that the service use this underspend to fund the posts delivering the finance transformation work and a request is now submitted to set up a specific reserve to manage this.

8. Financial Risks

8.1 The greatest financial risk remains in our ability to deliver a balanced budget over the medium and longer term. The updated Medium Term Financial Strategy recently proposed by Cabinet continues to show a significant budget gap across the 4 years of the strategy to 2026/27. We continue to plan in a challenging and uncertain time and will update our projections as more information becomes available.

8.2 Treasury Management, maintaining the Councils cash flow to meet liabilities, continues to be monitored daily. We must ensure that the Council has sufficient liquidity to meet its immediate costs such as salaries and wages, HMRC taxation, and maintaining payment to suppliers and precepting authorities. The current position remains stable with additional borrowing recently being undertaken taking advantage of the reduced borrowing rates.

8.3 The Council remains under borrowed as we continue to utilise our cash reserves to underpin our cashflow. We can borrow both in the short to medium or long term, our approach is regularly updated and explained as part of the Treasury Management report.

9 Resource Implications

The Head of Finance (Section 151 Officer) has provided the following comment:

9.1 The projected position has improved during the last quarter, but some services continue to project overspends for the year. Action must be taken now to recover the projected overspends wherever possible. Any service that cannot manage the additional financial pressures within their existing budget are requested to submit a report explaining the situation. Cabinet can then consider the wider action that may need to be taken.

9.2 Maintaining appropriate levels of useable reserves is an important safety net to support financial sustainability and has been a key consideration in the development of the budget now proposed for 2022/23.

9.3 Delivery of the financial savings included in the budget is also a key aspect of ensuring ongoing financial sustainability, full delivery of the savings approved in the current year cannot be achieved and the resetting of the base budget for 2022/23 puts an additional pressure £1.3 million within the budget proposed.

9.4 We must consider the continuing implications of the pandemic and how these impact on the Council and embed this into our planning and new ways of working. The additional costs and reductions in our income have been considered and factored into our budget plans.

9.5 As we move into the final quarter of the current financial year we must take any opportunities that arise to strengthen our financial sustainability as we move into 2022/23. Setting aside unused revenue MRP budget to support the future capital programme and setting aside funds to reduce specific risks facing us over the next few years will improve our resilience over the medium term.

10. Legal implications

10.1 Legal: the recommendations can be accepted from a legal point of view

10.2 The Head of Legal and Democratic Services (Monitoring Officer) has commented as follows: “ I note the legal comment and have nothing to add to the report”.

11. Data Protection

11.1 There are no data protection issues within this report.

12. Comment from local member(s)

12.1 This report relates to all service areas across the whole County.

13. Impact Assessment

13.1 No impact assessment required.

14. Recommendation

14.1 That Cabinet note the current budget position and the projected full year forecast to the end of March 2022.

14.2 That the grants set out in section 7 of the report are noted.

14.3 The virement set out in section 7.6 is approved.

14.4 That where additional in year financial pressure cannot be accommodated within existing budget, a detailed report is requested to give clear explanation of projected overspend before action is taken by Cabinet to address the projected deficit.

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Appendix A – Forecast to year end as at 31st December 2021

		FORECAST FOR THE YEAR ENDED 31ST MARCH 2022 AS PER CP/LEDGER DECEMBER 2021					ADJUSTMENTS FROM HEADS FOR ASSUMPTIONS OUTSIDE LEDGER				
		Add	+ / -	Less	Add	Revised	+ / -	Less	Less	Final	
£'000	2021/22 Base Budget	Cost Pressures	Staff Redeployment	Cost Underspends	Cost Reductions not delivered (unachieved)	Outturn	WG Hardship not yet recovered to offset position	Cost Reductions not yet delivered but assured	Use of Risk Reserve to cover unfunded Pressures	Outturn Position 2021/22	Dec Variance
Adult Services	67,309	1,184	63	(778)	980	68,758	(100)	(880)	(420)	67,358	(49)
Children's Services	25,987	2,598	0	(623)	972	28,934		(972)	(187)	27,775	(1,788)
Commissioning	3,290		0	(165)	0	3,125		0		3,125	165
Education	9,480	356	0	(233)	0	9,603	0	0		9,603	(123)
Highways Transport & Recycling + Director	28,173	892	(8)	(2,051)	1,478	28,484	(139)	(66)	(57)	28,222	(49)
Property, Planning & Public Protection	4,717	162	(554)	(203)	348	4,470		(201)		4,269	448
Housing & Community Development	5,277	567	(6)	(248)	75	5,665	(405)	0	0	5,260	17
Economy and Digital Services	4,288	0	(8)	(646)	1,075	4,709		(49)		4,660	(372)
Transformation & Communication	1,509	0	(9)	(32)	0	1,468		0		1,468	41
Workforce & OD	2,031	57	(11)	(275)	150	1,952		(5)		1,947	84
Legal & Democratic Services	3,087	83	(41)	(191)	163	3,100		(7)		3,093	(6)
Finance & Insurance	6,099	348	0	(96)	24	6,375		(24)		6,351	(252)
Corporate Activities	35,534	463	565	(3,491)	0	33,071		0		33,071	2,463
Total	196,781	6,710	(9)	(9,032)	5,265	199,714	(644)	(2,204)	(664)	196,202	579
Housing Revenue Account	0			(567)		(567)				(567)	567
Schools Delegated	83,027			(9)		83,018				83,018	9
Total	83,027	0	0	(576)	0	82,451	0	0	0	82,451	576
Total	279,808	6,710	(9)	(9,608)	5,265	282,165	(644)	(2,204)	(664)	278,653	1,155
						(2,357)				1,155	

Appendix B Head of Service Commentary

		FORECAST FOR THE YEAR ENDED 31ST MARCH 2022 AS PER CP/LEDGER DECEMBER 2021					ADJUSTMENTS FROM HEADS FOR ASSUMPTIONS OUTSIDE LEDGER			
		Add	+ / -	Less	Add	Revised	+ / -	Less	Less	Final
£'000	2021/22 Base Budget	Cost Pressures	Staff Redeployment	Cost Underspends	Cost Reductions not delivered (unachieved)	Outturn	WG Hardship not yet recovered to offset position	Cost Reductions not yet delivered but assured	Use of Risk Reserve to cover unfunded Pressures	Outturn Position 2021/22
Adult Services	67,309	1,184	63	(778)	980	68,758	(100)	(880)	(420)	67,358
										Dec Variance
										(49)

Adult Social Care Overview

Cost Pressures

(a) Current Pressures - Included in the forecast outturn at quarter 3

- £63k re staff redeployed from other services within the Council following business continuity being invoked, so there should be corresponding underspends in other departments. Otherwise, this would be a balanced budget.
- £190k regarding loss of income due to Covid-19 and services not occurring e.g. meals at Older Day Centres, which is anticipated will be reclaimed from the Welsh Government Covid 19 Hardship fund.
- £200k to cover the increase in 'unpaid Carer' breakdown following the lockdown and the need for additional 'Home Based' respite.
- £374k in relation to community based services following the risk assessment to not open Older Day Centres and Day Bases and alternative community based service delivery, in the main due to double running costs e.g. having to run and maintain empty buildings and vehicles/fleet ordinarily utilised for service delivery and fund current reprovision. Additionally, in relation to frontline staff previously furloughed to 30th September who are still shielding and unable to deliver care within a two metre radius.
- £420k due to increase in Domiciliary Care hours in line with the additional 'front door' presentations and service user frailty due in part to the wider impacts of Covid 19, as older adults engage in more physical activity as lockdown restrictions are lifted. Likewise, as a result also of the lack of and reduction in Health preventative services/treatments during the pandemic.

(b) Future pressures - Not included in the forecast outturn

- Unknown future impact of Covid 19 on services, are not included in the forecast and only clarity from Welsh Government (WG) re Hardship funding to March 2022 in the current format. This relates to support to local authorities to maintain their commissioned and in-house adult social care placements.

- Winter pressures and potential demand on home-based care and interim bed options, future demand is unknown and so further cost pressures may arise.
- Stability of commissioned providers. There are currently 2+ providers who may be at risk of failure.
- Future demography.
- Additional and backdated costs for “Sleep-ins” following the outcome of the judicial review, possibly backdated to November 2011. Awaiting judgement and liability to be calculated by the payroll team for the in-house service and legal direction.

Cost Underspends

- £151k as the service has only been recruiting in respect of frontline services, which has resulted in staff slippage due to vacancies and a reduction in travel as face to face meetings have reduced.
- £610k regarding services not occurring due to Covid 19 restrictions and contract reductions following outcomes of mini-UK Government Policy note PPN02/20 & PPN04/20, undertaken in line with guidelines.

Cost Reductions

- **Assured**
The original target of £5.091 million is currently on target to achieve delivery, of which £4.111 million (80.7%) of the original target to date achieved and included in the forecast outturn. There is assurance of delivery of a further £0.880 million, but a risk on delivery if Covid continues and referrals continue at the current levels.
- **Undeliverable**
£0.1 million of the original target set is at this point unachievable due to business continuity being invoked and capacity to undertake management of change. The budget pressure will be carried forward to 2022/23 and be part of the Finance Resource model (FRM).

WG Funding not yet claimed

- £100k regarding loss of income which is anticipated will be reclaimed from the Welsh Government Covid 19 Hardship fund.

Other mitigating actions to deliver a balanced budget.

- Maximisation/utilising of any grant underspends, if within the grant terms and conditions for previously budgeted and funded baseline costs.
- Strength based approach to care assessments to mitigate pressures.

		FORECAST FOR THE YEAR ENDED 31ST MARCH 2022 AS PER CP/LEDGER DECEMBER 2021				ADJUSTMENTS FROM HEADS FOR ASSUMPTIONS OUTSIDE LEDGER					
		Add	+ / -	Less	Add	Revised	+ / -	Less	Less	Final	
£'000	2021/22 Base Budget	Cost Pressures	Staff Redeployment	Cost Underspends	Cost Reductions not delivered (unachieved)	Outturn	WG Hardship not yet recovered to offset position	Cost Reductions not yet delivered but assured	Use of Risk Reserve to cover unfunded Pressures	Outturn Position 2021/22	Dec Variance
Children's Services	25,987	2,598	0	(623)	972	28,934		(972)	(187)	27,775	(1,788)

Children's Services Overview

Cost Pressures

a) **Current Pressures** - Included in the forecast outturn

- £2.25m relates to the increased expenditure which is a combination of the costs associated with the new children who are becoming looked after and the increasing costs in relation to meeting the complexity of need of the current cohort of Children Looked After (CLA). This is in the context of a national shortage of placements for looked after children across the UK.
- £196k increased demand for short breaks due to the pressures on families as an indirect result of the pandemic.
- £72k budget pressure in regards to Section 21, for families in need of care and support following the lockdown and trying to keep children with their families wherever it is safe and in their best interests to do so.

b) **Future pressures** - Not included in the forecast outturn

- The situation for families due to the pandemic makes predicting future pressures even more uncertain. We are working hard to keep children with their families wherever it is safe and in their best interests and have so far brought into care fewer children than in the same period last year. The numbers of children in care has reduced this quarter, this may change moving forward.
- The national shortage of placements is making it more difficult to find suitable placements that meet children's needs, this is particularly for children with the most complex needs. There is likely to be a further pressure on placement costs, but it is impossible to forecast at this point.
- The sustained increased demand at Front Door and Early Help means additional staff have been required. This has been covered by the Welsh Government Covid recovery fund to date. If demand continues to grow this will create an ongoing budgetary pressure. It is critical to respond as early as possible to prevent escalating need and avoid the accompanying costs.

Cost Underspends

All budget underspends are currently being utilised to mitigate the overall budget overspend.

Cost Reductions

a) Assured

The original target of £3.2 million is currently on target to achieve delivery, of which £2 million (62%) of the original target to date achieved and included in the forecast outturn. There is assurance of delivery of the £1.2 million balance outstanding.

b) Undeliverable

Work to ensure shared costs for continuing care for children and young people continues with very limited success.

c) Mitigations being delivered

We expect to over-deliver on our 'closer to home' work to mitigate the above.

WG Funding not yet claimed

Other mitigating actions to deliver a balanced budget.

- Maximisation/utilising of any current grant underspends, if within the grant terms and conditions for previously budgeted and funded baseline costs.
- Children's Services usually receives additional grant funding later in the year and we always try to maximise this to deliver a balanced budget.

		FORECAST FOR THE YEAR ENDED 31ST MARCH 2022 AS PER CP/LEDGER DECEMBER 2021					ADJUSTMENTS FROM HEADS FOR ASSUMPTIONS OUTSIDE LEDGER			
		Add	+ / -	Less	Add	Revised	+ / -	Less	Less	Final
£'000	2021/22 Base Budget	Cost Pressures	Staff Redeployment	Cost Underspends	Cost Reductions not delivered (unachieved)	Outturn	WG Hardship not yet recovered to offset position	Cost Reductions not yet delivered but assured	Use of Risk Reserve to cover unfunded Pressures	Outturn Position 2021/22
Commissioning	3,290		0	(165)	0	3,125		0		3,125
										Dec Variance
										165

Commissioning Overview

There is a service budget overspend due to staff slippage and reduction in travel as face to face contract monitoring not occurring. In the last quarter previously utilised base budget costs have been utilised to maximise grant utilisation, if within the terms and conditions. The service is working with children's services and adults' services to deliver efficiencies within those areas.

		FORECAST FOR THE YEAR ENDED 31ST MARCH 2022 AS PER CP/LEDGER DECEMBER 2021				ADJUSTMENTS FROM HEADS FOR ASSUMPTIONS OUTSIDE LEDGER					
		Add	+ / -	Less	Add	Revised	+ / -	Less	Less	Final	
£'000	2021/22 Base Budget	Cost Pressures	Staff Redeployment	Cost Underspends	Cost Reductions not delivered (unachieved)	Outturn	WG Hardship not yet recovered to offset position	Cost Reductions not yet delivered but assured	Use of Risk Reserve to cover unfunded Pressures	Outturn Position 2021/22	Dec Variance
Education	9,480	356	0	(233)	0	9,603	0	0		9,603	(123)

Education overview

Cost Pressures

Current Pressures £356k - The main reasons for this is the overspend Property plus - The Property Plus budget is forecasted to be overspent during 2021/22 due to insufficient budget allowance for repairs and maintenance in school budgets. To minimise the overspend, works are prioritised to undertake emergency, urgent, statutory compliance remedial works and environmental health works only. This has been the case since October 2019 and the effects of the spending restriction will have an ongoing detrimental impact on the backlog maintenance costs of the school estate. The forecast is subject to review and may increase if inclement weather is experienced during the winter months. Contributing to the increased overspend has been significant increases in external material, labour, and fuel costs The Service is also dealing with a backlog of maintenance work following the closure of school during the COVID pandemic in 2020 due to access to school sites and resourcing works

Other mitigating actions to deliver a balanced budget.

The school service budget remains in an overspend position, vacant posts and additional grant funding has helped to offset the pressures that the service is facing. Efficiencies are yet to be achieved regarding the ALN strategy because of Covid, but work is ongoing to achieve this on a permanent basis. This year they have been covered by underspends in the service. Larger underspends are for:

- £147k underspend on ALN strategy – staffing underspends including Educational Psychology service and sensory team.
- £126k underspend Asset Management –. The overall underspend is due to rates rebates of £277k, offsetting some overspends in remedial works on schools.

		FORECAST FOR THE YEAR ENDED 31ST MARCH 2022 AS PER CP/LEDGER DECEMBER 2021					ADJUSTMENTS FROM HEADS FOR ASSUMPTIONS OUTSIDE LEDGER			
		Add	+ / -	Less	Add	Revised	+ / -	Less	Less	Final
£'000	2021/22 Base Budget	Cost Pressures	Staff Redeployment	Cost Underspends	Cost Reductions not delivered (unachieved)	Outturn	WG Hardship not yet recovered to offset position	Cost Reductions not yet delivered but assured	Use of Risk Reserve to cover unfunded Pressures	Outturn Position 2021/22
Schools Delegated	83,027			(9)		83,018				83,018
										Dec Variance
										9

Schools Delegated Overview

Officers continue to work with Schools in deficit to bring budget plans back to a balanced in year position. The Council has also received a substantial amount of grant funding just before the Christmas period. Schools service and finance officers are working through the detail of the terms and conditions of the grants to ensure that they are utilised as effectively as possible. Finance officers will work with schools once the grant allocations have been distributed to ensure spend is accounted for within their budget plan.

There are several schools under warning and of concern and the service is working closely to ensure they deliver their recovery plans

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£'000	2021/22 Base Budget	Cost Pressures	Staff Redeployment	Cost Underspends	Cost Reductions not delivered (unachieved)	Outturn	WG Hardship not yet recovered to offset position	Cost Reductions not yet delivered but assured	Use of Risk Reserve to cover unfunded Pressures	Outturn Position 2021/22	Dec Variance
Highways Transport & Recycling + Director	28,173	892	(8)	(2,051)	1,478	28,484	(139)	(66)	(57)	28,222	(49)

Highways Transport & Recycling Overview

In summary the overall deficit has reduced to £49,000 compared to £663,000 in Qtr.2. The main areas of overspend are in Highway Operations and Waste Collection Services, but this is offset by underspends in other service areas within HTR, as set out below.

Current Pressures

Highways Operation - A forecast over-spend of £147k against budget is reported at end of November, principally due to £130k unachieved savings for the reduction in winter maintenance service.

Waste Collection - Forecasting £664k overspend, through increased labour and plant costs because of the shuttling service to adhere to the social distancing requirements. However, the service has now reverted to three in a cab, so these costs will reduce. There is also lack of income on Trade Waste creating a deficit of £265k, and similarly with green waste which is showing a deficit of £158k

Cost Underspends

- Waste & Recycling Strategy forecast a £182 k Underspend, through improvements in the sale of recycling.
- Integrated Transport reporting an underspend of £99k
- Home to school transport a £58 k underspend; and
- Highways Technical forecast a £484k underspend – big improvement in StreetWorks income where more applications are coming in for road closures etc from the utility companies.

WG Funding

HTR are expecting a total of £9.7 Million in revenue grant funding and £3.9 million of capital grant allocation.

Other mitigating actions to deliver a balanced budget.

All non-essential spend to seize during Qtr.4 to reduce any overspends particularly around stock.

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Property, Planning & Public Protection	4,717	162	(554)	(203)	348	4,470		(201)		4,269	448

PPPP Overview

Cost Pressures

Current Pressures:

- Trading Standards are forecasting an overspend of £102K. This is because of unachievable income targets. Work is ongoing to identify ways to address this forecast overspend.
- Planning application fee income has recently been below monthly predicated levels. This trend is being carefully monitored and mitigating measures are currently being considered by the service area.

Cost Reductions

a) Assured:

Savings of £818k are targeted for this financial year with £304k achieved to date and £366k of savings assured.

b) Undeliverable:

The full savings identified by PCC exiting building (£141K) is not achievable given the costs of running alternative buildings. This has resulted in a shortfall of £51K.

c) Mitigations being delivered

Strategic Property are currently not on target to achieve income targets related to commercial buildings and offices. New tenants are however in the process of signing leases and salary underspends and better than expected results from other Strategic Property savings exercises (Business rate reviews) are likely to offset any shortcomings.

Other mitigating actions to deliver a balanced budget.

- Officers continue to apply for available grants and funding to support the services wherever appropriate

		FORECAST FOR THE YEAR ENDED 31ST MARCH 2022 AS PER CP/LEDGER DECEMBER 2021					ADJUSTMENTS FROM HEADS FOR ASSUMPTIONS OUTSIDE LEDGER				
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£'000	2021/22 Base Budget	Cost Pressures	Staff Redeployment	Cost Underspends	Cost Reductions not delivered (unachieved)	Outturn	WG Hardship not yet recovered to offset position	Cost Reductions not yet delivered but assured	Use of Risk Reserve to cover unfunded Pressures	Outturn Position 2021/22	Dec Variance
Housing & Community Development	5,277	567	(6)	(248)	75	5,665	(405)	0	0	5,260	17

Housing and Community Development Overview

- a) **Assured** - Savings delivered/income generation on track across Arts, the Housing General Fund, Archives and Information Management, Sport Powys, and the Cleaning Service.
- b) **Undeliverable** - The libraries service had a saving to achieve of £150k. £75k has been achieved this financial year, delays have been caused due to the focus on business-critical work. However, under spends are mitigating the £75k saving not achieved. Libraries are forecast to underspend by £16k.
- c) **Mitigations being delivered** - Continue to take action to reduce void times to minimise rent lost because of empty properties.

Other mitigating actions to deliver a balanced budget.

The Service is forecasting an underspend for the year end, due in part to staff vacancies and the successful award of grant funding.

WG Funding not yet claimed

The cost of Free School Meal payments in relation to COVID-19 are continuing to be supported by Welsh Government. Until the end of March the expectation is that the income lost because of COVID-19 will still be recovered through the lost income hardship claim. Some furlough income has been received which offsets the lost income. The Service hopes to return to normal meal delivery in High Schools as soon as possible, which would have a significant impact on income. However, this will be dependant on covid restrictions and decisions made by individual schools. Income will continue to be monitored carefully by the Service and Finance Business Partners.

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£'000	2021/22 Base Budget	Cost Pressures	Staff Redeployment	Cost Underspends	Cost Reductions not delivered (unachieved)	Outturn	WG Hardship not yet recovered to offset position	Cost Reductions not yet delivered but assured	Use of Risk Reserve to cover unfunded Pressures	Outturn Position 2021/22
Housing Revenue Account	0			(567)		(567)				(567)
										Dec Variance
										567

HRA – The HRA is ring fenced and forms part of its own trading account, any surpluses and deficits are contained within a ring fenced reserve. There have been some staff vacancies, which are being addressed through the Housing restructure. Some challenges in terms of the supply of goods and services. Income, including rent, is currently forecast to overachieve the target.

- a) **Current Pressures**
- b) **Future pressures** - Not included in the forecast outturn.

Cost Underspends

Cost Reductions

- a) **Assured**
- b) **Undeliverable**
- c) **Mitigations being delivered**

WG Funding not yet claimed

Other mitigating actions to deliver a balanced budget.

		FORECAST FOR THE YEAR ENDED 31ST MARCH 2022 AS PER CP/LEDGER DECEMBER 2021					ADJUSTMENTS FROM HEADS FOR ASSUMPTIONS OUTSIDE LEDGER				
		Add	+ / -	Less	Add	Revised	+ / -	Less	Less	Final	
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Economy and Digital Services	4,288	0	(8)	(646)	1,075	4,709		(49)		4,660	(372)

Economy & Digital Overview

- a) **Current Pressures** – The service work over the past year has focussed on supporting innovative solutions to aid the Council's response to Covid including the re-deployment of staff to support business critical services. This has meant delays in delivery of digital transformation savings from last year added to further savings this year. Some savings are also waiting to be confirmed before being moved to other service budgets.
- b) **Future pressures** - Not included in the forecast outturn.

Cost Underspends

Current cost underspends due to vacant posts are being used to off-set current undelivered cost reductions.

Cost Reductions

- a) **Assured** - only a small proportion of savings have been assured due to the delays with transformational change and final transformation projects are confirmed for 21/22 a virement request will be considered to seek approval for the deficit.
- b) **Undeliverable** - the savings for Regeneration remain very challenging and have been covered in the previous year by grant income. The service will continue to look for these opportunities in the current year, but this puts a strain on limited resources and effects the organisations' ability to maximise economic recovery a virement request will also be considered for approval for this deficit.
- c) **Mitigations being delivered** - a review of the regeneration service is being undertaken to ensure future establishment is in line with Vision 2025 priorities and due to be implemented early in the 2022/23.

WG Funding not yet claimed

All grant funding for Regeneration is currently unknown as many initiatives are launched throughout the financial year.

Other mitigating actions to deliver a balanced budget.

Recruitment to posts are being carefully considered to help bridge the current gap in funding.

		FORECAST FOR THE YEAR ENDED 31ST MARCH 2022 AS PER CP/LEDGER DECEMBER 2021					ADJUSTMENTS FROM HEADS FOR ASSUMPTIONS OUTSIDE LEDGER			
		Add	+ / -	Less	Add	Revised	+ / -	Less	Less	Final
£'000	2021/22 Base Budget	Cost Pressures	Staff Redeployment	Cost Underspends	Cost Reductions not delivered (unachieved)	Outturn	WG Hardship not yet recovered to offset position	Cost Reductions not yet delivered but assured	Use of Risk Reserve to cover unfunded Pressures	Outturn Position 2021/22
Transformation & Communication	1,509	0	(9)	(32)	0	1,468		0		1,468
										Dec Variance
										41

Transformation and Communication Overview

a) Current Pressures

b) **Future pressures** - Not included in the forecast outturn. Future pressures are emerging around the potential cessation of external funding to support Communications. Work to continue with finance and a discussion ensued with Executive Management Team in respect to of the operating model.

Cost Overspends – additional income received rather than a cost underspend and a Director vacancy attributes to the £41k.

Cost Reductions

- a) **Assured – 100% of savings for 2021/22 are achieved.**
- b) Undeliverable
- c) Mitigations being delivered

WG Funding not yet claimed

Other mitigating actions to deliver a balanced budget.

Budget will be balanced.

		FORECAST FOR THE YEAR ENDED 31ST MARCH 2022 AS PER CP/LEDGER DECEMBER 2021					ADJUSTMENTS FROM HEADS FOR ASSUMPTIONS OUTSIDE LEDGER			
		Add	+ / -	Less	Add	Revised	+ / -	Less	Less	Final
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Workforce & OD	2,031	57	(11)	(275)	150	1,952		(5)		1,947
										Dec Variance
										84

Workforce and OD Overview

- a) **Current Pressures** – minimal cost pressures have been identified which will be more than offset by cost underspends
- b) **Future pressures** - not included in the forecast outturn.

Cost Underspends

The service is underspending by £275k against other budgetary lines (mainly staffing costs), which will help to mitigate the undeliverable costs reductions identified below.

Cost Reductions

- d) **Assured** - £10k of the cost reductions have been achieved and are therefore assured
- e) **Undeliverable** – the balance of cost reductions of £150k have been reviewed and will not be fully deliverable. This comprises £120k in relation to an apprenticeship programme which is not achievable and £30k in lieu of a salary sacrifice additional voluntary contribution pension arrangement, which is being rolled out from Q3. Given that this opportunity is being offered to staff, the service is forecasting that it will achieve £5k of this savings during the current year, and the full £30k saving from 2022-23 onwards.
- f) **Mitigations being delivered** – as can be seen from the above analysis, the service is more than mitigating the value of the costs reductions not achieved, through underspending £275k against other budgetary lines (mainly staffing costs), providing for an overall forecast variance of (£84k).

WG Funding not yet claimed - not applicable

Other mitigating actions to deliver a balanced budget - the service is forecast to underspend against the base budget.

		FORECAST FOR THE YEAR ENDED 31ST MARCH 2022 AS PER CP/LEDGER DECEMBER 2021					ADJUSTMENTS FROM HEADS FOR ASSUMPTIONS OUTSIDE LEDGER				
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£'000	2021/22 Base Budget	Cost Pressures	Staff Redeployment	Cost Underspends	Cost Reductions not delivered (unachieved)	Outturn	WG Hardship not yet recovered to offset position	Cost Reductions not yet delivered but assured	Use of Risk Reserve to cover unfunded Pressures	Outturn Position 2021/22	Dec Variance
Legal & Democratic Services	3,087	83	(41)	(191)	163	3,100		(7)		3,093	(6)

Legal Overview

a) **Current Pressures** - minimal cost pressures have been identified which can be dealt with in the existing budget

b) **Future pressures** - Not included in the forecast outturn.

Cost Overspends – annual forecast overspend of £6k against budget (116k forecast overspend in September), considering assured savings of £7k . The principal reasons for the improvement in forecast outturn since reporting in September is an improvement of £35k in forecast Registrar’s income, £8k improvement in forecast spend on Registrars staffing costs, a £36k contribution from corporate budget to support agency staff employed to cover a maternity within the Solicitor team and £30k general improvements on other costs

Cost Reductions

a) Undeliverable - £98k of these cost reductions are undeliverable and will be removed as part of budget setting 2022-23

b) £7k Assured

c) Mitigations being delivered include using underspends in the service to bridge the gap for this year only

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£'000	2021/22 Base Budget	Cost Pressures	Staff Redeployment	Cost Underspends	Cost Reductions not delivered (unachieved)	Outturn	WG Hardship not yet recovered to offset position	Cost Reductions not yet delivered but assured	Use of Risk Reserve to cover unfunded Pressures	Outturn Position 2021/22	Dec Variance
Finance & Insurance	6,099	348	0	(96)	24	6,375		(24)		6,351	(252)

Finance Overview

Current Pressures – £12k relates to procuring expert insurance analysis in readiness for the insurance tender, £265k relates to the likely overspend on cost of insurance claims in year, whilst the balance is from additional resource required to support Pensions work, which gets funded by the pension scheme.

Cost Underspends

There are some savings from unused budgets such as travel and slippage on staffing

Cost Reductions

a) **Assured** – all savings are expected to be achieved

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		Add	+ / -	Less	Add	Revised	+ / -	Less	Less	Final	
£'000	2021/22 Base Budget	Cost Pressures	Staff Redeployment	Cost Underspends	Cost Reductions not delivered (unachieved)	Outturn	WG Hardship not yet recovered to offset position	Cost Reductions not yet delivered but assured	Use of Risk Reserve to cover unfunded Pressures	Outturn Position 2021/22	Dec Variance
Corporate Activities	35,534	463	565	(3,491)	0	33,071		0		33,071	2,463

Corporate Overview

Pressures

- a) **Current Pressures** - it is forecast that we will have increased demand on the need for discretionary housing payments, especially when furlough ceases in addition the benefit received for managing homelessness does not cover the cost, in total we are forecasting £363k overspend. The forecast also includes £56k budgeted for the profit/dividend expected from Howps that is unlikely to be achieved and a shortfall on precepts of £45k due to higher than anticipated inflation uplifts that were not budgeted for.
- b) **Future pressures** - Not included in the forecast outturn. - none

Cost Underspends

- a) There is an underspend on the cost of borrowing budget, forecast at £1.5 million due to the reprofiling of the capital programme, which has reduced the plan for 2021/22, and consequently less borrowing required. This underspend is expected to be allocated to Voluntary MRP as agreed previously at cabinet and set aside to be used for the future capital programme.
- b) There is a forecast £800k surplus re over collection of the pension fund contributions which will be transferred to specific reserve at year end and used to reduce the pension fund deficit when the actuarial review takes place, with the aim to mitigate the need to increase future contributions and reduces the call on future budgets.
- c) A £800k surplus on council tax collection is forecast based on the collection of council tax premiums (empty and second homes) in previous years, assuming we will have a similar level this year.