



Cyngor Castell-nedd Port Talbot  
Neath Port Talbot Council

## CABINET

2 SEPTEMBER 2020

### REPORT OF THE DIRECTOR OF FINANCE & CORPORATE SERVICES

#### Matter for Decision

#### Wards Affected – All Wards

#### BUDGET UPDATE AND MONITORING REPORT 2020-21

##### Purpose of Report

- 1 This report prepared as at the end of July 2020 provides Members with an overview of the financial implications of COVID19 on the Council's Financial Resources and 2020/21 Budget.
- 2 From paragraph 15 onwards the report sets out for some specific service areas the amount/value that they are projected to **overspend or underspend** compared to their net budget (i.e. budgeted expenditure less income). These figures represent the projected position to the end of the financial year based on various factors and assumptions including:
  - the actual cumulative expenditure and income position to the end of July 2020
  - assumptions for cost savings or additional expenditure to the end of the financial year,
  - assumed collectible income or income loss for the rest of the year,
  - additional cost of council tax support for the remainder of the year together with council tax collection projections to 31 March 2021,
  - Additional funding announcements provided by the Welsh Government.

Members will note that in some instances the “overspend” is due to or mainly due to loss of income in that particular service area, whilst for others the cause is due to additional costs. The Welsh Government has announced £78m to be made available to cover loss of income for the first quarter i.e. April to June 2020, of which £2.329m has been received, and we are awaiting WG confirmation relating to a further £1. It is unlikely that all the income loss will be recoverable but the report assumes that we will receive a further £400k to cover income loss for the first quarter of the financial year.

- 3 These projections and assumptions will be regularly updated and reported to Members during the year so that appropriate consideration and action can be taken to mitigate consequences on the Council’s bottom line financial position.

### **Authority Summary and Background**

- 4 The COVID19 pandemic has had a significant impact on Council services, the costs incurred and income generated.
- 5 The projections included in the report are based on costs/income to the end of July, and include assumptions regarding the time scales within which services will resume as lockdown restrictions are lifted.
- 6 It is extremely difficult to accurately project the year end position given the highly volatile nature of the circumstances surrounding the pandemic. The assumptions are subject to ongoing review, in light of any further announcements regarding the easing of lockdown arrangements, associated service costs and Welsh Government funding announcements.
- 7 On an all Wales basis the Welsh Government has made available additional funding of £188.5m via a Local Authorities Hardship Fund in response to the pressures arising from the lockdown for the period to the end of June 2020.  
Whilst claims have been made amounting to £4.133m for additional expenditure incurred to the end of July, Welsh Government have agreed to reimburse £3.316m, and we are awaiting a decision in respect £251k social services costs and £409k free school meal

costs. The balance of £156k has not been funded as WG will not fund costs arising from local decisions (discretionary allowances paid to foster carers), since May will only fund 50% of ICT hardware/software costs, and since June will only fund 25% of communications media and marketing costs.

A claim has been submitted for £4.146m loss of income for the period April – June 2020, and to date WG have confirmed that they will fund £2.329m; relating to parks (£618k), leisure centres (£300k), libraries (£17k), theatres (£155k), school meals (£595k), trade waste (£189k) and parking (£420k), plus other (£35k), and this income is included in the directorate figures reported.

However, WG have not yet confirmed if funding will be provided for the remaining £1.8m loss of income which relates to schools (lettings, leisure use and other income - £220k), Hillside (£467k), rental income (£412k), income from capital projects (£304k), liability order receipts (£75k) and various other (£339k).

This report assumes that at this stage £400k of this £1.8m will be reimbursed by WG.

- 8 At present the WG have not confirmed whether any additional funding will be available to offset the reduction in Council Tax collection rates or any increased cost from new Council tax support claimants (CTRS), that have arisen as a consequence of the lockdown. The report currently provides for increased costs arising from CTRS of £529k over budget but this could increase to £1m plus during the remainder of 2020/21.
- 9 The position will be subject to ongoing review but if WG funding is not made available then it will place a further pressure on the budget of circa £5m shortfall in council tax receipts. This is a mid-range estimate where the best case scenario shows a shortfall in council tax receipts of £2.7m, increasing to £8m or more should taxpayer incomes be significantly affected by the COVID19.
- 10 As mentioned above this is currently the mid-range estimate and the council tax shortfall could reduce by some £2m or increase by £4m or more depending upon the length and impact of the pandemic on our resources and income generating capability. The Council will continue to work with the Welsh Government to deliver essential services and look for additional funding or as a minimum a capitalisation direction to help smooth the impact of the pandemic on our Budget and future year service provision.

- 11 Members should note that these financial projections will be monitored and updated regularly during the year as changes in demand, service delivery, income received, council tax support costs and receipts and WG funding announcements are received. The next report in respect of 2020/21 will be submitted for members' scrutiny and review in October 2020.
- 12 The Net Authority budget is currently projected to overspend by £10.131m, after receipt of various COVID19 grant reimbursements from Welsh Government. Unless the financial position and activity improve over the remainder of the year or Welsh Government provides additional funding this projected overspend will have to be funded from Reserves.
- 13 As members are aware when the 2020/21 Budget was set on the 5 March 2020 the projected General Reserve position at 31 March 2021 was £17.9m including an approved reserve use of £1.65m. Utilising the reserve to fund an estimated overspend of £10.131m will have a major impact on the Council's financial position by reducing the projected general reserve balance to £8m. Details of the general reserve position are included in Appendix 3.

### **Additional Welsh Government Funding**

- 14 Members should note that this report was initially prepared before the Welsh Government announcement of 17<sup>th</sup> August 2020 which detailed an additional £264m of funding for Local Authorities to mitigate against the financial impact of Covid-19.

At present there are no details as to how this funding is to be allocated apart from £25m of it relates to school cleaning. It is anticipated that this Council will receive at least an additional £5m which will decrease the overspend referred to in paragraph 13 above from £10.1m to c£5m.

## Directorate Updates

15 The attached Directorate reports indicate the service areas where significant projected variances to the end of March 2021 against the net budget are projected.

### 16 Education Leisure and Lifelong Learning

- **Teachers Pay Award September 2020 - £190k.** The Minister for Education has started formal consultation to provide a pay award for Teachers ranging from an 8.48% increase for new starters, 3.75% for Teachers on the Main Pay Range and 2.75% for those on Leadership pay, resulting in an average pay award of 3.1% resulting in a budget pressure of £190k. Consultation takes place until the end of September and clarity is being sought if WG will provide additional funding for this extra cost, otherwise this will have a negative impact on school budgets and their reserves. This extra cost has not been built into the projected £10.1m Council overspend for 2020-21 as it is expected that it will be funded by WG.
- **Delegated Schools Budgets loss of income - £354k.** WG have confirmed that they will fund the net loss of school meal income in Secondary and Middle schools for April – June (£262k). However an overspend is projected as it is not clear if WG will fund the loss of income from lettings (£158k) and any subsequent loss of school meal income - net of savings on food costs (£196k). The school meal income shortfall assumes a 33% reduction in the number of meals provided Sept to Dec, and a 10% reduction from Jan to March.
- **Education Learning Resource Service £78k overspend**  
The overspend is due to loss of income during the lock down (service closed April to August), and a reduction in the number of schools accessing the service.
- **Primary School Meals Service £338k overspend**  
The school meals budget is made up as follows:-

|                           |              |
|---------------------------|--------------|
|                           | <b>£'000</b> |
| Staff costs               | 2,396        |
| Food                      | 741          |
| Other supplies & services | 742          |
| <b>Gross Cost</b>         | <b>3,879</b> |
| Meal income               | (1,280)      |
| Other income              | (474)        |
| <b>Net Budget</b>         | <b>2,125</b> |

The overspend is due to a loss of meal income due to the closure of schools as a result of the pandemic. The loss of income is partly offset by savings on food purchases, although staff and other fixed costs continue to be incurred.

WG have confirmed funding for the loss of income for April to June (£333k).

The projected overspend assumes that school meals income will resume in September at a reduced rate of 67%, rising to 90% from January 2021. It also includes a pressure to reflect the anticipated increase (10% - £85k) in entitlement to free school meals, as a consequence of the economic impact of the pandemic.

Payments of £19.50 per child per week are being made until the end of August 2020 to all children entitled to free schools meals which is being funded (net of food savings) from the WG COVID19 LA Hardship Fund. £1.628m has been paid out and £1.409m re-claimed (net of food savings) from WG for the period 6th April to end of July.

WG have indicated that payments should continue for the first 2 weeks in September i.e. until September 11th (£197k), but it has not been yet confirmed if WG will fund these additional payments. If WG don't fund these payments this will increase the projected overspend to £535k.

- **Home to School Transport**

Although the need for transport has reduced following the closure of schools due to COVID19, the Welsh Government has instructed that all operators are paid at least 75% of their contracted value for all service that are not operating, in order to support the bus industry and taxi operators. Full payment was reinstated for journeys undertaken from 29 June to 17 July (end of summer term).

It is not known what the actual demand for transport will be when schools re open in September and so it is assumed that any savings to date on contractor payments will be offset by future additional costs arising due to social distancing and the loss of income from the purchase of spare seats from September onwards.

- **Margam Park £300k overspend**

The projected overspend has reduced since the last report as WG have confirmed funding for the net loss of income (£515k) for the period April to June, together with changes arising from the lifting of lockdown restrictions

The park was initially closed and all events at the park and Orangery were cancelled or postponed due to the COVID19 lockdown. The park re-opened to the public on 4th June, and parking charges were re-introduced from August. The projected overspend assumes that the Orangery will remain closed until the end of the financial year. The projection for Charlottes Pantry income has been reviewed to reflect the increase in activity since the park reopened and Ivy cottage has also re-opened for lettings.

The projected net loss of income is made up as follows:-

|                     |              |
|---------------------|--------------|
| Margam park         | £115k        |
| Orangery catering - | £79k         |
| Charlottes Pantry   | £15k         |
| Park shop           | £41k         |
| Ivy cottage         | £2k          |
| Commercial - events | £48k         |
| <b>TOTAL</b>        | <b>£300k</b> |

The overspend includes the cost (£79k) to refurbish the spillway and culvert at Furzemill Reservoir. The total cost of the project is estimated to be £158k, with 50% being funded from the Capital Programme. The original budget assumed that the cost would be funded from additional income generated in the park, but which has not been possible due to lockdown restrictions. The original budget included provision for works (£100k) to be undertaken on the train to be funded from reserves. However some of these works were completed in 2019/20, and therefore

it is proposed that the planned transfer from reserves in 2020/21 is reduced by £23k to £77k.

- **Pontardawe Arts Centre £67k overspend**

WG has confirmed that it will fund the net loss of income for the period April to June (£76k).

The overspend assumes that the centre will remain closed for the financial year, resulting in a loss of income that is only partly offset by savings on costs of food and alcohol.

- **Princess Royal Theatre £79k overspend**

WG has confirmed that it will fund the net loss of income for the period April to June of £79k.

The overspend assumes that the theatre will remain closed for the financial year, resulting in a loss of income which is partly offset by savings on purchases of food and alcohol.

- **External Leisure contract £1.5m overspend**

The council has committed to pay Celtic Leisure £180k for 3 months to fund the top up costs of furloughed staff. It is also anticipated that the Leisure sector will be one of the hardest hit sector by COVID19. Recovery and income levels will take some time to increase due to reduced demand following COVID19 and additional costs incurred to implement social distancing. External classes recommenced during July, and internal facilities are due to re-open mid-August

**The Education Leisure and Lifelong Learning budget is currently projected to overspend by £2.794m including the additional impact on Delegated Schools Budgets (after proposed reserve transfers).**

## 17 Social Services Health & Housing

- **Children & Family – Social Work £157k underspend**

The underspend is due to savings on staff costs and a reduction in car allowances.

- **Children & Family – Residential care £372k overspend**

The original budget is based on placements for 9 children. An overspend is projected as there are currently 12 children in placements, with a provision for 1 further new placement this year.



The three new placements since the start of the year are as a direct result of COVID19, and it is estimated that these children will remain in residential care for 6 months, at a cost of £306k.

The budget also includes an income target of £200k for contributions toward the health cost of existing placements, from Swansea University Health Board. However due to changes to placements since the budget was set, there is currently a £80k shortfall against this target. 3 further cases are currently being referred for funding, to address this shortfall.

- **Hillside - £803k overspend**

Hillside has a block contract with the Youth Custody Service (YCS) which guarantees payment for 6 beds, and the remaining 12 welfare beds are available for use by other Local Authorities.

Due to the pandemic there has been a block on new placements, and as a consequence only 7 of the 12 welfare beds were occupied during April and July, resulting in a loss of income to date of £604k.

The projected loss to the end of the year is £918k and is based on a net increase of 1 placement from September, which is partly offset by savings on staff costs.

WG have not yet confirmed if funding will be allocated for the loss of income for the period April – June (£467k).

- **Day Care – External Provision £70k underspend**

The underspend is due to savings on staff costs in the integrated family support service.

- **Internal fostering service £86k underspend**

The underspend is largely due to savings on staff costs (£113k) and car allowances (£27k), which is partly offset by additional placement costs (£49k).

£50k of the staff savings relates to a post deleted as a result of ERVR, and a further £30k due to reduced activity during lockdown.

- **Adoption service £170k underspend**

The joint service has reported a £225k underspend for quarter 1, and it is therefore anticipated that the NPT contribution to make to the Joint service will be £200k less than the budget provision. The saving is partly offset by an anticipated increase in adoption allowances.

- **Youth Offending Service £79k overspend**

The overspend is largely due to the additional cost of 3 remand placements (£203k), of which £110k has been refunded from the

LA Hardship fund for the period April to June. No further funding from WG is anticipated.

- **Community Care – Social Work £127k underspend**  
The underspend is due to savings on staff costs and car allowances.
- **Business Support Services £124k underspend**  
The underspend is due to savings on staff costs and general office expenses.
- **Community Resource Team £110k underspend**  
The underspend is due to savings on staff costs and car allowances.
- **Physical Disability £97k underspend**  
The underspend is due to delays in the commencement of new placements.
- **Community Independence service £80k underspend**  
The team have been operating a reduced service during lockdown and the underspend is due to grant income being used to fund a post, and savings on weekend and overtime costs

**The Social Services Budget is projected to overspend by £214k (after proposed virements).**

## 18 Environment

- **Highways Maintenance Work programme £55k overspend** – the overspend is due to loss of income relating to the Capital Works Programme, as staff were unable to carry out works for 3 months due to the lockdown.
- **Parking £914k overspend** – the suspension of parking charges during the lockdown resulted in a loss of income of £420k for the period April to June which has been funded from WG. Charges have now been reinstated and the projected overspend is based on a 25% reduction in income at beach car parks, a 60% reduction in other car parks, and since parking penalties are being re-introduced on a phased basis, an 80% reduction in income from penalties for August to October, and a 40% reduction from November to March.
- **Refuse collection £187k overspend** – WG have funded the loss of income for the period April to June (£210k), and a virement is proposed to fund the cost of additional staff transferred from Parks

& Open spaces and Neighbourhood services to ensure continuity of service during the lockdown.

The net overspend is due to the anticipated ongoing additional costs of delivering the service during the pandemic, for which WG have not yet confirmed funding.

- **Building Services £306k overspend** – Works were suspended during the lockdown, and it was not possible to generate income from external clients to fund the fixed costs (including staffing).
- **Markets £81k overspend** – the overspend is due to the loss of external rental during lockdown. The market re-opened in July.
- **Streetcare Services £62k overspend** – the projected overspend is due to anticipated additional costs of PPE and hand sanitizer for the period July to September, as it is unclear if these additional costs will continue to be funded by WG.
- **Building Control £74k overspend** – the projected overspend assumes a reduction in income for the first 6 months of the year, due to reduced activity during the lockdown.
- **Industrial Workshops £473k overspend** - the overspend is based on the loss of external rental income for 4 months due to the lockdown, and further reduction in income due to the difficulties recovering income from tenants due to the financial impact on businesses following the lockdown.

### **Other**

Enabling Natural Resources and Wellbeing Grant - £84k grant income is included in the budget which funds fixed salary and vehicle hire costs. We are still waiting confirmation of the grant and should it not be received this will result in a budget pressure.

**The Environment budget is projected to over spend by £2.452m, (after proposed virements and reserve transfers).**

### **Waste Disposal, Civic Amenity Site and Wood Recycling**

**Budgets** – during COVID19 there has been an increase in the amount of waste collected from domestic households and disposed. In addition, the Civic Amenity sites were closed for some time during the lockdown and no invoices have been received to date from the service provider as to any additional compensatory costs. New tender prices for CA site operation have been received which are significantly higher than current costs, and clarification is being sought to reduce the costs. However, it is likely that additional costs

will be incurred in 2020-21 and will need base budget provision for future years.

## 19 Corporate Services

- **Council Tax £65k overspend** - As a result of COVID19 it is anticipated that it will only be possible to generate 75% of liability order receipt income, resulting in a £75k overspend, which is partly offset by savings on staff costs.

**The Corporate Services Directorate is projected to over spend by £40k (after proposed reserve transfers).**

## 20 Central Budgets

- **Council Tax Support £529k** – additional claims have been made due to the financial pressures arising from the lockdown restrictions. The overspend is based on claims made to the end of July. It is anticipated that the overspend could further increase to circa £1m due to an increase in the number of people claiming Universal Credit. WG have not yet confirmed if they are prepared to fund this pressure.
- **Contingency** – the balance remaining in the contingency (£497k) is being used to offset the pressures arising from COVID19.
- **Contingency for pay award** – a provision of £1.3m is included in the budget to fund any additional costs of the national pay award for staff. Agreement has now been reached on a pay award of 2.75% to Local Government 'Green Book' Staff, Chief Officers, Chief Executives and Soulbury staff. It is assumed that all of this provision will be needed to fund the additional cost and will be allocated to Schools and Directorates as appropriate.
- **Council Tax recovery £5m shortfall** – a range of measures has been introduced to support residents facing financial difficulties, in paying their council tax, during the lockdown. As a consequence the collection of council tax income for April and July has reduced by approximately £900k and is predicted to generate a shortfall of at least £3m in year.  
The £5m shortfall reported is the mid-range estimate with the best option improving this position by some £2m whilst the worst case,

(which would arise if a second surge or significant loss of employment) may further increase to £8m or more by the end of the year.

The Welsh Government have not yet confirmed if funding will be available to offset this shortfall.

The position will be subject to ongoing review but should council tax receipts continue to fall or additional WG funding is not made available then it will impact on the 2020/21 accounts and £5m has been included in the projection for this year.

- **COVID19 Safe & Well** - the service was established to support vulnerable residents who were shielding during the pandemic. Costs of £168k have been incurred from March to the end of June 2020 which are being funded from the WG LA Hardship Fund. However WG have not yet confirmed if they will fund costs of £47k incurred in July – these costs are currently included in the reported overspend. Shielding ended on the 16 August and arrangements have been made to reduce this service and to enable people to use local delivery services.
- **COVID19 Llandarcy Field Hospital** - The Council has undertaken the works required to convert the Llandarcy Sports Academy into a Field hospital on behalf of the Swansea Bay University Health Board. Payments of £1.65m have been made to the end of July, which has been reimbursed by the Health board. The total cost of conversion works being estimated to be £2.2m, including in due course £300k for re-instatement work, all of which will be reimbursed by Swansea University Health Board.
- **COVID19 Test, Trace & Protect service** - the service commenced on 1<sup>st</sup> June, with staff re-deployed from other council services. WG has announced funding of £45m across Wales, of which £6.1m has been allocated to the Swansea Bay University Health board Region, covering the Health board, NPT and Swansea Councils. Funding is for additional costs only, as redeployed staff will continue to be funded from the council base budget. Additional costs of £95k (staff overtime, additional pay and IT Kit) have been incurred to the end of July, for which funding will be drawn down via SBUHB.
- **COVID19 – Grants to Business** – funding of £30m has been received from WG to support businesses experiencing financial

difficulty due to the lockdown, of which £27.8m has been paid out to the end of July.

- **COVID19 Start up Grants** – Funding of £207k has been allocated by WG.

### **Financial Summary**

- 21 The Net Authority budget is projected to over spend by £10.131m after proposed virements and reserve transfers. This position will be reviewed and updated on a regular basis as the potential for a large variance to this projected overspend is high, as the economy, businesses and services move into recovery mode.

### **Virements**

- 22 The Council's constitution requires the prior approval of any virement that does not involve a significant variation in the level or nature of the delivery of service agreed by Council in the Revenue Budget as follows:-

Less than £100,000 – Corporate Directors  
 More than £100,000 but less than £500,000 – Cabinet  
 More than £500,000 – Council

The following virements are proposed for approval by Cabinet

| <b><u>Value</u></b> | <b><u>Dir</u></b> | <b><u>Service</u></b>    |
|---------------------|-------------------|--------------------------|
| -£275,000           | SSHH              | Elderly Residential Care |
| £275,000            | SSHH              | Elderly Domiciliary Care |

The following virements have been approved by Corporate Directors

| <b><u>Value</u></b> | <b><u>Dir</u></b> | <b><u>Service</u></b>  |
|---------------------|-------------------|------------------------|
| -£25,000            | ENVT              | Neighbourhood services |
| £25,000             | ENVT              | Dog & Litter Wardens   |
| -£8,494             | ENVT              | Estates                |

|          |      |  |
|----------|------|--|
| £17,735  | ENVT | Management Support   |
| -£5,130  | ENVT | Policy   |
| -£632    | ENVT | Environmental Health   |
| -£3,479  | ENVT | Food & Health & Safety                                       |
|          |      |  |
| £57,120  | SSHH | Children - Social Work                                       |
| £4,450   | SSHH | Internal Fostering Service                                   |
| £7,390   | SSHH | Domiciliary Care   |
| £13,840  | SSHH | Other Community Care - Direct Payments                       |
| -£21,230 | SSHH | Other Community Care - WILG                                  |
| -£46,270 | SSHH | Learning disability Residential Care - Trem<br>y Mor Respite |
| £46,270  | SSHH | Learning disabilities Day Opportunities -<br>Complex Needs   |
| -£61,570 | SSHH | Learning Disability - other community care                   |
| -£8,445  | ENVT | Estates  |
| 17,686   | ENVT | Management support   |
| -5,130   | ENVT | Policy   |
| -632     | ENVT | Environmental Health   |
| -3,479   | ENVT | Food , Health & Safety                                       |

### **Reserve movements**

- 23 The following Reserve movements are proposed for approval by Cabinet

| <b>Value</b> | <b>Reserve</b>                                | <b>Explanation</b>   |
|--------------|---|--|
| £10,000      | Winter Maintenance Emergency Response Reserve | Transfer from reserve to fund the cost of culvert work undertaken at Caenant Skewen. |
| £4,250       | Environment Equalisation Reserve              | Utilise funds transferred to reserve in 1920 to fund coastal protection works        |

|           |  |   |
|-----------|--|---|
| -£20,000  | Corporate Equalisation Reserve         | Transfer base budget saving to reserve, following receipt of additional City deal income.   |
| -£24,477  | Building Capacity Reserve              | The planned contribution from the reserve is no longer required due to savings identified.  |
| -£163,374 | Schools ICT Equalisation (HWB) Reserve | The planned contribution from the reserve is no longer required due to additional income received from WG. The reserve will be required to ensure compliance with WG IT for Schools Strategy. |
| £9,000    | Corporate Equalisation Reserve         | Utilise funds transferred to reserve in 19/20 to fund one off costs incurred.   |
| -£23,000  | Education Equalisation Reserve         | Planned contribution from Reserve for work on the train at Margam park is not required in full.   |
| £13,000   | General Reserve                        | Transfer from reserve to fund additional community grants   |

## 24 Additional grants awarded

- **COVID19 Adult Social Care Funding**

The Welsh Government initially provided £40m to support Local Authorities to maintain their commissioned and in-house adult social care services during the pandemic, and has subsequently allocated a further £22.7m for the period July to September. The funding is intended to provide continued support for in-house and commissioned domiciliary care, residential care and supported living. The funding provides for a flat rate uplift for local authority commissioned adult social care and in house provision of £50/week for residential care, £1/hour for domiciliary care, and £37/week for supported living.

The funding is also to support providers to address market stability pressures eg voids, exceptional, unpredictable, emergency expenses. Reimbursement will be claimed from WG monthly in arrears.

- **COVID19 Payments to Carers**



WG have announced that £40m grant has been made available across Wales for the payment of £500 to carers. Work is being undertaken to identify those carers who are eligible to receive the payment both within the Council and for those who worked for external service providers. The Council will be responsible for coordinating the reimbursement of this grant to service providers.

- **COVID19 Schools funding** – WG have announced that £29m is being made available across Wales to fund additional costs incurred in re-opening schools for all pupils in September, but have not yet confirmed the basis upon which funding will be allocated.
- **Education Improvement grant** - £6.125m – the allocation to the council has now been confirmed.
- **Summer Activities for children and young people from economically deprived areas** - £46k
- **LA Education Grant** - £554k has been awarded which is allocated £231k PDG access, £28k Elective Home Education, £125k Wellbeing, £169k Minority ethnic, and gypsy traveller learners.

Plus a further variation in funding has been awarded re:

- Operation of schools – additional cleaning supplies £35k
- Accelerated Learning programme £761k

- **Cultural Resilience Fund for Libraries** - £5k
- **ICF Working Together Project** – £400k has been allocated to NPT from the regional fund.
- **IT Infrastructure in Schools £132k** – to fund ICT staff to assist schools with the installation of new ICT infrastructure.
- **Bus Operators Grant**  
The Council has paid 75% of the contract value for school and other contracted local passenger services that were not operating during the lockdown, to ensure that the industry remained viable in the short term, while longer term measures for the sustainability of services are developed.

In order to further support the industry WG continue to pay the Bus Services Support Grant, the My-travel Pass scheme, together with any payments made in connection with the Mandatory Concessionary Fares scheme, in advance at pre COVID19 levels – (£609k received re Qtr 1 and July payment confirmed at £248k). This funding is being paid over to bus operators monthly, in recognition of the severe hardship facing the bus industry and the need to maintain the public service.

### **Integrated Impact Assessment**

- 25 There is no requirement to undertake an integrated impact assessment as this report summarises the Council's financial position in relation to its net expenditure, income and grants.

### **Valleys Communities Impacts**

- 26 All parts of the County Borough have been affected by COVID19. The Council continues to provide support to the most vulnerable as best as we can across the Valleys, Towns and the whole of the County Borough.

### **Workforce Impacts**

- 27 All employees have been affected by COVID19. The Council has worked with Trade Unions to develop new safe systems of working during the pandemic and will continue to work with Staff and Trade Unions as we move through the Recovery stage for service delivery. Some staff have been redeployed to higher priority roles within the Council including Safe and Well, Trace, Test and Protect, front line Social care, School Hubs, etc

### **Legal Impacts**

- 28 The Council has been ensuring that it complies with new regulations and directions issued by the UK and Welsh Governments during the COVID pandemic. Service provision has been stopped, repurposed or developed to comply with the new rules. Further changes are expected as we move through the Recovery stage.

## **Risk Management Impact**

- 29 COVID19 has impacted significantly on the Council, its services and activities since the UK Government Lockdown announcement which commenced on 23 March 2020.
- 30 Some services have continued with some adaptations to operate with social distancing or use of PPE including residential care homes, home care, waste collection and disposal services. Some new services have been developed to safeguard vulnerable people such as those shielded i.e. safe and well, schools operating as Hubs for vulnerable and key worker children, new systems developed to work from home, pay grants to businesses and families of children entitled to Free School Meals. Some services have stopped and staff have been redeployed into such as the Track, Trace and Protect service.
- 31 Governance arrangements have also had to be updated to operate under new arrangements.
- 32 The consequences of actions and activity undertaken are reflected in this report and the Council will continue to regularly review and update its financial predictions for 2020/21 and report them to Members. The Council will also ensure that Welsh Government and our external auditor are sighted on operational and financial implications and we will continue to strive for additional funding to minimise adverse impact on taxpayers and service users in future years

## **Consultation**

- 33 There is no requirement for external consultation on this item

## **Recommendation**

- 34 It is recommended that:
  - Members approve the proposed reserve movements and budget virements
  - Members note the operational and financial issues set out in this report

- That the Council will continue to work with Welsh Government and in line with legislation, regulations and directions to deliver services during these challenging times.
- Note the additional grants received
- The Council continue to seek additional funding from Welsh Government to cover COVID19 consequences of increased expenditure, loss of income, increased cost of Council Tax Support and council tax collection shortfalls that adversely impact on Council funding and activity.

### **Reason for Proposed Decision**

- 35 To update the Council's Budget for 2020/21 and inform Members of the financial risks arising from COVID19.

### **Implementation of Decision**

- 36 The decision is proposed for implementation after the three day call in period.

### **Appendices**

- Appendix 1 – Budget Summary
- Appendix 2 – Specific Reserves
- Appendix 3 – General Reserve

### **List of Background Papers**

Budget Update Working Papers

### **Officer Contact**

For further information on this report item, please contact:

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## Appendix 1

| <b>Summary 2020-21</b>                             | <b>Original</b>     | <b>Virements</b> |                  |                  | <b>Revised</b>      | <b>Projected</b>    | <b>Variance</b>   |
|--|---------------------|------------------|------------------|------------------|---------------------|---------------------|-------------------|
| <b>at 30th July 2020</b>                           | <b>Budget</b>       | <b>Quarter 1</b> | <b>Quarter 2</b> | <b>Quarter 3</b> | <b>Budget</b>       | <b>Outturn</b>      |                   |
|  | <b>2020/21</b>      |                  |                  |                  | <b>2020/21</b>      | <b>2020/21</b>      | <b>2020/21</b>    |
|  | <b>£</b>            |                  |                  |                  | <b>£</b>            | <b>£</b>            | <b>£</b>          |
| Education, Leisure and Lifelong Learning - Schools | 90,137,000          | 0                | 0                | 0                | 90,137,000          | 90,491,000          | 354,000           |
| Education, Leisure and Lifelong Learning - Other   | 25,882,000          | 0                | 0                | 0                | 25,882,000          | 28,321,643          | 2,439,643         |
| Social Services Health & Housing                   | 83,281,000          | 0                | 0                | 0                | 83,281,000          | 83,495,430          | 214,430           |
| Environment  | 39,525,000          | 239,100          | 0                | 0                | 39,764,100          | 42,215,792          | 2,451,692         |
| Corporate Services                                 | 18,208,000          | 46,000           | 0                | 0                | 18,254,000          | 18,295,180          | 41,180            |
| <b>Directly Controlled Expenditure</b>             | <b>257,033,000</b>  | <b>285,100</b>   | <b>0</b>         | <b>0</b>         | <b>257,318,100</b>  | <b>262,819,045</b>  | <b>5,500,945</b>  |
| Swansea Bay Port Authority                         | 47,000              |                  |                  |                  | 47,000              | 46,637              | -363              |
| Fire Authority                                     | 7,890,164           |                  |                  |                  | 7,890,164           | 7,890,164           | 0                 |
| Margam Crematorium                                 | 1,000               |                  |                  |                  | 1,000               | 553                 | -447              |
| Archives   | 96,000              |                  |                  |                  | 96,000              | 95,600              | -400              |
| Magistrates Court                                  | 12,000              |                  |                  |                  | 12,000              | 11,264              | -736              |
| Capital Financing                                  | 19,282,000          |                  |                  |                  | 19,282,000          | 19,282,000          | 0                 |
| Council Tax Support                                | 18,748,000          |                  |                  |                  | 18,748,000          | 19,276,921          | 528,921           |
| Pay & Pension Provision                            | 1,300,000           |                  |                  |                  | 1,300,000           | 1,300,000           | 0                 |
| Contingency  | 822,453             | -285,100         |                  |                  | 537,353             | 40,072              | -497,281          |
| Management of change                               | 500,000             |                  |                  |                  | 500,000             | 500,000             | 0                 |
| Loss of income from WG                             |                     |                  |                  |                  |                     | -400,000            | -400,000          |
| Cont from General Reserve                          | -1,650,000          |                  |                  |                  | -1,650,000          | -1,650,000          | 0                 |
| <b>Net Budget Requirement</b>                      | <b>304,081,617</b>  | <b>0</b>         | <b>0</b>         | <b>0</b>         | <b>304,081,617</b>  | <b>309,212,256</b>  | <b>5,130,639</b>  |
| RSG  | -177,352,786        |                  |                  |                  | -177,352,786        | -177,352,786        | 0                 |
| NNDR   | -49,408,800         |                  |                  |                  | -49,408,800         | -49,408,800         | 0                 |
| Discretionary rate relief                          | 386,684             |                  |                  |                  | 386,684             | 386,684             | 0                 |
| Council Tax  | -77,706,715         |                  |                  |                  | -77,706,715         | -72,706,715         | 5,000,000         |
| <b>Total Funding</b>                               | <b>-304,081,617</b> |                  | <b>0</b>         | <b>0</b>         | <b>-304,081,617</b> | <b>-299,081,617</b> | <b>5,000,000</b>  |
| Overspend / (underspend)                           |                     |                  |                  |                  |                     |                     | <b>10,130,639</b> |

Specific Reserves

Appendix 2

| Description   | Reserve at<br>1st April<br>2020 | Original<br>Net<br>Reserve<br>Movements<br>2020/21 | Changes<br>already<br>approved | Proposed<br>changes<br>in Period | Estimated<br>Reserve<br>Bal at 31<br>Mar 2021 |
|---|---------------------------------|--|--------------------------------|----------------------------------|---|
|   | £000                            | £000   | £000                           | £000                             | £000  |
| <b>EDUCATION, LEISURE &amp; LIFELONG LEARNING</b>         |                                 |  |                                |                                  |   |
| <i>Delegated Schools Cash Reserves</i>                    |                                 |  |                                |                                  |   |
| ERVR Primary  | Cr 8                            | 0  | 0                              | 0                                | Cr 8  |
| Primary Schools Reserve                                   | Cr 636                          | 0  | 0                              | 0                                | Cr 636  |
| Secondary Schools Reserve                                 | Cr 109                          | 0  | 0                              | 0                                | Cr 109  |
| Special Schools Reserve                                   | 305                             | 0  | 0                              | 0                                | 305   |
| Middle Schools reserves                                   | 1,074                           | 0  | 0                              | 0                                | 1,074   |
| Repairs and Maintenance Reserve                           | Cr 161                          | 0  | 0                              | 0                                | Cr 161  |
|   | 465                             | 0  | 0                              | 0                                | 465   |
| <i>Education, Leisure and Lifelong Learning</i>           |                                 |  |                                |                                  |   |
| Margam Discovery Centre - Building<br>Maintenance Reserve | Cr 48                           | Cr 50  | 0                              | 0                                | Cr 98   |
| Equalisation Account-Education                            | Cr 1,373                        | 200  | 16                             | Cr 23                            | Cr 1,180                                      |
| Home to School Transport                                  | Cr 111                          | 0  | 0                              | 0                                | Cr 111  |
|   | Cr 1,532                        | 150  | 16                             | Cr 23                            | Cr 1,389                                      |
| <b>Total Education Leisure &amp; Lifelong Learning</b>    | <b>Cr 1,067</b>                 | <b>150</b>   | <b>16</b>                      | <b>Cr 23</b>                     | <b>Cr 924</b>                                 |
| <b>SOCIAL SERVICES, HEALTH &amp; HOUSING</b>              |                                 |  |                                |                                  |   |
| Homecare ECM Equipment Reserve                            | Cr 73                           | Cr 10  | 0                              | 0                                | Cr 83   |
| Community Care Transformation Reserve                     | Cr 108                          | 102  | 0                              | 0                                | Cr 6  |
| Social Services Equalisation                              | Cr 940                          | 321  | 0                              | 0                                | Cr 619  |
| Hillside General Reserve                                  | Cr 274                          | 0  | 0                              | 0                                | Cr 274  |

## Specific Reserves

## Appendix 2

| Description  | Reserve at<br>1st April<br>2020 | Original<br>Net<br>Reserve<br>Movements<br>2020/21 | Changes<br>already<br>approved | Proposed<br>changes<br>in Period | Estimated<br>Reserve<br>Bal at 31<br>Mar 2021 |
|--|---------------------------------|--|--------------------------------|----------------------------------|---|
|  | £000                            | £000   | £000                           | £000                             | £000  |
| Youth Offending Service - Equalization             | Cr 153                          | 0  | 0                              | 0                                | Cr 153  |
| Adoption service                                   | Cr 100                          | 0  | 0                              | 0                                | Cr 100  |
| <b>Total Social Services Health &amp; Housing</b>  | <b>Cr 1,648</b>                 | <b>413</b>   | <b>0</b>                       | <b>0</b>                         | <b>Cr 1,235</b>                               |
| <b>ENVIRONMENT</b>                                 |                                 |  |                                |                                  |   |
| Concessionary Fare - Bus Pass Replacement Reserve  | Cr 152                          | 60   | 0                              | 0                                | Cr 92   |
| Asset Recovery Incentive Scheme                    | Cr 126                          | 0  | 0                              | 0                                | Cr 126  |
| Local Development Plan                             | Cr 181                          | 106  | 0                              | 0                                | Cr 75   |
| Economic Development                               | 0                               | 0  | 0                              | 0                                | 0   |
| Winter Maintenance Reserve                         | Cr 754                          | 0  | 0                              | 10                               | Cr 744  |
| Baglan Bay Innovation Centre -Dilapidation Reserve | Cr 78                           | 0  | 0                              | 0                                | Cr 78   |
| BSSG Grant reserve                                 | 0                               | 0  | 0                              | 0                                | 0   |
| Renewable Energy Reserve                           | Cr 11                           | 0  | 0                              | 0                                | Cr 11   |
| Environmental Health - Housing Equalization        | Cr 137                          | 137  | 0                              | 0                                | 0   |
| Workways NPT Reserve                               | Cr 159                          | 0  | 0                              | 0                                | Cr 159  |
| Environment Equalization Reserve                   | Cr 715                          | 182  | 0                              | 4                                | Cr 529  |
|  | Cr 2,313                        | 485  | 0                              | 14                               | Cr 1,814                                      |
| <b>Operating Accounts</b>                          |                                 |  |                                |                                  |   |
| Operating Accounts Equalization                    | Cr 36                           | 0  | 0                              | 0                                | Cr 36   |
| Vehicle Tracking                                   | Cr 92                           | 47   | 0                              | 0                                | Cr 45   |
| Operating Accounts -Vehicle Renewals               | Cr 1,906                        | 149  | 0                              | 0                                | Cr 1,757                                      |
|  | Cr 2,034                        | 196  | 0                              | 0                                | Cr 1,838                                      |

## Specific Reserves

## Appendix 2

| Description                                 | Reserve at<br>1st April<br>2020 | Original<br>Net<br>Reserve<br>Movements<br>2020/21 | Changes<br>already<br>approved | Proposed<br>changes<br>in Period | Estimated<br>Reserve<br>Bal at 31<br>Mar 2021 |
|---|---------------------------------|--|--------------------------------|----------------------------------|---|
|   | £000                            | £000   | £000                           | £000                             | £000  |
| <b>Total Environment</b>                    | <b>Cr 4,347</b>                 | <b>681</b>   | <b>0</b>                       | <b>14</b>                        | <b>Cr 3,652</b>                               |
| <b>FINANCE AND CORPORATE SERVICES</b>       |                                 |  |                                |                                  |   |
| Elections Equalisation Fund                 | Cr 240                          | Cr 15  | 0                              | 0                                | Cr 255  |
| Health & Safety / Occupational Health       | Cr 41                           | 0  | 0                              | 0                                | Cr 41   |
| Development Fund for Modernisation          | Cr 115                          | 0  | 0                              | 0                                | Cr 115  |
| IT Renewals Fund                            | Cr 843                          | 445  | 0                              | Cr 163                           | Cr 561  |
| Corporate Equalisation Reserve              | Cr 535                          | 465  | 0                              | Cr 11                            | Cr 81   |
| Building Capacity                           | Cr 197                          | 75   | 0                              | Cr 24                            | Cr 147  |
| Voluntary Organisation Reserve              | Cr 13                           | 0  | 0                              | 0                                | Cr 13   |
| <b>Total Finance and Corporate Services</b> | <b>Cr 1,984</b>                 | <b>970</b>   | <b>0</b>                       | <b>Cr 198</b>                    | <b>Cr 1,213</b>                               |
| <b>COUNCIL RESERVES</b>                     |                                 |  |                                |                                  |   |
| Insurance Reserve                           | Cr 6,651                        | 0  | 0                              | 0                                | Cr 6,651                                      |
| Swansea Bay City Deal                       | Cr 113                          | 0  | 0                              | 0                                | Cr 113  |
| Income Generation Reserve                   | Cr 654                          | 104  | 0                              | 0                                | Cr 550  |
| Member Community Fund                       | Cr 391                          | Cr 100   | 0                              | 0                                | Cr 491  |
| Community Resilience fund                   | Cr 2,000                        | 0  | 0                              | 0                                | Cr 2,000                                      |
| Housing Warranties                          | Cr 220                          | 0  | 0                              | 0                                | Cr 220  |
| Fire Authority Reserve                      | 0                               | 0  | 0                              | 0                                | 0   |
| Pantteg Landslip Reserve                    | Cr 500                          | 0  | 0                              | 0                                | Cr 500  |
| Waste Reserve                               | Cr 393                          | 0  | 0                              | 0                                | Cr 393  |
| LAWDC Contingency Reserve                   | Cr 1,012                        | 0  | 0                              | 0                                | Cr 1,012                                      |



## Specific Reserves

## Appendix 2

| Description                              | Reserve at<br>1st April<br>2020 | Original<br>Net<br>Reserve<br>Movements<br>2020/21 | Changes<br>already<br>approved | Proposed<br>changes<br>in Period | Estimated<br>Reserve<br>Bal at 31<br>Mar 2021 |
|--|---------------------------------|--|--------------------------------|----------------------------------|---|
|  | £000                            | £000   | £000                           | £000                             | £000  |
| Schools IT Equalisation (HWB)            | Cr 250                          | 163  | 0                              | 0                                | Cr 87   |
| Corporate Contingency                    | Cr 2,269                        | 48   | 0                              | 0                                | Cr 2,221                                      |
| Treasury Management Equalisation Reserve | Cr 7,639                        | 0  | 0                              | 0                                | Cr 7,639                                      |
| ERVR - Transitional Reserve              | Cr 4,536                        | 0  | 16                             | 0                                | Cr 4,520                                      |
| Accommodation Strategy                   | Cr 2,274                        | 250  | 0                              | 0                                | Cr 2,024                                      |
| <b>Total Council Reserves</b>            | <b>Cr 28,902</b>                | <b>465</b>   | <b>16</b>                      | <b>0</b>                         | <b>Cr 28,421</b>                              |
| <b>JOINT COMMITTEES</b>                  |                                 |  |                                |                                  |   |
| Workways Regional Reserve                | Cr 93                           | 0  | 0                              | 0                                | Cr 93   |
| Environment Legacy Reserve (SWTRA)       | Cr 60                           | 0  | 0                              | 0                                | Cr 60   |
| Substance Misuse Area Planning Board     | Cr 41                           | 0  | 0                              | 0                                | Cr 41   |
| WB Safeguarding Board Reserve            | Cr 92                           | 0  | 0                              | 0                                | Cr 92   |
| Intermediate Care Pooled Fund            | Cr 28                           | 0  | 0                              | 0                                | Cr 28   |
|  | <b>Cr 314</b>                   | <b>0</b>   | <b>0</b>                       | <b>0</b>                         | <b>Cr 314</b>                                 |
| <b>TOTAL ALL REVENUE RESERVES</b>        | <b>Cr 38,261</b>                | <b>2,679</b>                                       | <b>32</b>                      | <b>Cr 208</b>                    | <b>Cr 35,757</b>                              |

General Reserve

Appendix 3

|  | Original Estimate 2020/21 | Revised Estimate 2020/21 | Difference 2020/21 |
|--|---------------------------|--------------------------|--------------------|
|  | £'000                     | £'000                    | £'000              |
| <b>Opening balance 1st April</b>                 | <b>Cr 19,128</b>          | <b>Cr 19,921</b>         | <b>Cr 793</b>      |
| Council Tax increased income                     | Cr 1,300                  | Cr 1,300                 | 0                  |
| Capital - Phase II Accommodation financing costs | 170                       | 170                      | 0                  |
| Doubtful Debt Provision                          | 200                       | 200                      | 0                  |
| Contributions to the Economic Development Fund   | 200                       | 200                      | 0                  |
| Community Councils Grant Scheme                  | 25                        | 38                       | 13                 |
| Member Community Development Fund                | 300                       | 300                      | 0                  |
| Estimated budget shortfall as at 31st July 2020  | 0                         | 10,131                   | 10,131             |
| Contribution from /to revenue                    | 1,650                     | 1,650                    | 0                  |
| <b>Estimated Closing balance 31st March*</b>     | <b>Cr 17,883</b>          | <b>Cr 8,532</b>          | <b>Cr9,351</b>     |

\* Does not include any share of the additional £260m announced by WG on 17<sup>th</sup> August 2020