

## **Appendix 2 – Directorate Commentaries Month 4 2023/24**

### **Corporate Management (£40,000)**

1. The projected outturn position for Corporate Management Team at Month 4 against the net controllable budget of £29.347 million is a £40,000 underspend for Senior Management (£15,000) and Corporate Management Other Costs (£25,000).

### **Economic Development +£1.800 million**

2. The Economic Development Directorate is forecasting a £1.800 million overspend at month 4 against the net controllable budget of £10.990 million.
3. Within this position, Culture, Venues and Events are forecasting an overall potential deficit of £1.900 million. This is made up largely of income shortfalls at St David's Hall (£850,000), Cardiff Castle (£186,000), City Hall Functions (£568,000) and Functions Catering (£316,000).
4. Whilst it is currently assumed that St David's Hall will transfer to an external operator during the financial year, a prudent position has been taken that there will be no financial savings within 2023/24 until there is certainty as to next steps in respect of this building and service.
5. Castle admissions income is projected to be circa £500,000 higher in 2023/24 (£2.65 million) than 2022/23 (£2.14 million), with £257,000 additional income generated in the first 4 months of the year. However, whilst this is an improvement on 2022/23 actuals, income generation has still not returned to pre-Covid levels and remains short of the 2023/24 budgeted income targets. The increased deficits forecast for Functions Hire at City Hall / County Hall and reduced Functions Catering income are a direct result of the core office programme changes in November 2023, where it is assumed that City Hall will be closed for events from November until the end of the financial year.
6. Property Services are projecting an overspend of £512,000. This includes a shortfall of £103,000 in relation to the Capital Receipts fee target, a £167,000 shortfall for the Investment and Non-operational Estate income as well as the Tennis Centre (£154,000).
7. The Youth Foods division is reporting an overspend of £170,000, primarily relating to increased agency costs and income shortfalls and reflecting a similar trend to 2022/23.
8. City Centre Management is projecting an £80,000 overspend, mainly due to Activity Site income projection falling short of target.
9. Sport, Leisure and Development is reporting a potential £184,000 overspend. Energy price increases at the Cardiff International White Water (CIWW) are impacting on this location with electricity prices doubling after the previous fixed price contract ended in March 2023. Whilst income generation is

projected to be higher than in 2022/23, it still remains lower than pre pandemic levels.

10. Facilities Management is forecasting an overall underspend of £1.056 million. This position includes a surplus for the Building Services trading unit of £922,000, derived from estimated fees based on higher volumes and contract values. FM buildings is reporting an underspend of £87,000 despite significant pressures estimated to be in the region of £831,000. These are assumed to be mitigated by savings from the planned changes at the three core office buildings but dependent on these being implemented on the scheduled dates. Based on the previous year's usage it is estimated savings of £756,000 could be achieved on energy. In addition, the planned termination of the lease at Wilcox House on 31 December should deliver further savings of £135,000 on rent and cleaning. Both the Cleaning and Security Services are currently anticipated to recover their costs and achieve balanced positions, whilst Pest Control is reporting an income shortfall of £66,000. Staff resources for this service are now at full complement so the position should improve as the year progresses.
11. Shared Regulatory Services is reporting a £17,000 overspend linked to the new SLA for out of hours calls handling by C2C.
12. Major Projects are projecting a £225,000 overspend at month 4 linked to unbudgeted holding costs (NNDR rates, security etc) at the Toys R Us building with potential lease discussions ongoing for an interim tenant.
13. All other divisions within Economic Development are projecting balanced or underspend positions for 2022/23.
14. The 2023/24 efficiency savings target for Economic Development was £1.204 million. At month 4, £905,000 of these efficiency savings are projected to be achieved (circa 75%), with the remaining £299,000 (£25%) considered unachievable in 2023/24. The service change savings target for Economic Development was £582,000. At month 4, only £32,000 of these service change savings are projected to be achieved. The remaining £550,000 linked to the proposed transfer of St David's Hall and CIWW to external operators are not assumed to be achieved at this stage. Whilst it is currently assumed that St David's Hall will transfer to AMG during the course of the financial year, a decision has been taken for monitoring purposes to remain prudent and assume no financial saving within 23-24 until timelines of the transfer are confirmed, and the subsequent financial reconciliations have been completed. It is not currently assumed that CIWW will transfer to a third party in 2023/24.
15. A total of £600,000 was allocated for specific FRM items in 2023/24. At month 4 it is projected that full spend will be incurred against these items.

## **Recycling & Neighbourhood Services +£0.200 million**

16. Recycling & Neighbourhood Services are projecting a net overspend of £0.200 million against the net controllable budget of £39.161 million, after assuming a drawdown from the Waste earmarked reserves, grant maximisation and curtailment of expenditure as appropriate.
17. The Collection Service is projecting an overspend of £390,000, reflecting the further expansion of the segregated collection scheme scheduled for November and includes recurring operational and one-off set up costs.
18. The Street Cleansing service is projecting an overspend of £521,000 which predominantly reflects higher vehicle charges, estimated at £490,000 over budget. Increased staff costs, due to secondments and short-term trials into the service to provide experience of a supervisory role to officers from within the service amount to £56,000. The weed control contract, transferred from the Parks Service in 2022/23, brought with it an historical £36,000 budget deficit. Increased income of £61,000 from events and ad-hoc work has partly mitigated the pressures.
19. Recycling Treatment is projecting an overspend of £347,000. This includes increased staff costs of £211,000 at the Recycling Centres and MRF due to staff cover for sickness, suspensions, and overtime, plus a delayed saving against planned operational changes. There are further pressures of £169,000 from higher vehicle charges and a shortfall of £74,000 from the sale of recycling materials reflecting market prices. The pressures are partly mitigated by anticipated savings of £107,000 on external processing costs.
20. The Environmental Enforcement division is forecasting an overspend of £12,000 caused by an income shortfall of £63,000 partially offset by a £51,000 saving against staffing because of not filling vacant posts pending the Neighbourhood Services restructure. The cost of trialling covert CCTV cameras for fly tipping is £52,000 and it is proposed to fund these from reserves.
21. Waste Disposal is projecting an underspend of £151,000. This includes a saving of £215,000 from the contractual arrangement with Project Gwyrdd (PG) in relation to tonnage banding and the Performance Measurement Framework. A further saving of £10,000 is anticipated against Cardiff's contribution to the PG Contract Team. Processing costs are projecting a £59,000 overspend and income from the sale of landfill gas is projecting a shortfall of £15,000.
22. There is a small underspend of £4,000 in Management & Support whilst the Waste Strategy team is projecting a balanced position.

23. The Trade Service is reporting a balanced position after assuming a drawdown of £170,000 from the Waste Management reserve. Income projections are showing a shortfall of £389,000, caused by the reduction in rates to incentivise existing customers to separate their waste streams in readiness for changes to legislation due in January 2024. There has also been a re-focus of the service to prioritise and maximise recycling rates which has resulted in a loss of a key customer and a downsizing of the skip hire service. Expenditure projections are showing an underspend of £219,000 primarily due to staffing and disposal costs.
24. The FRM allocation of £60,000 to fund cleansing initiatives is projecting to be fully spent.
25. Budgeted efficiency savings totalled £291,000 and are forecast to be achieved. However, the service change saving of £60,000, in respect of reduced opening times at the Recycling Centres, is unlikely to be achieved until the proposed service restructure has been approved.

#### **Education and Lifelong Learning +£1.900 million**

26. The outturn position for the Education & Lifelong Learning Directorate reflects an overspend of £1.900 million. Schools Transport is projecting an overspend of £0.551 million reflecting the full year effect of 2022/23 new routes and price increases, along with known and anticipated increases in ALN routes in 2023/24, and the extraordinary contractor price increases expected. The position is net of a £700,000 contribution from earmarked reserve to meet the continuing demand and cost pressures within the service.
27. Services to Schools includes an overspend of £0.2 million overspend in Schools Catering. A projected increase in food expenditure due to price inflation and staff costs to implement Universal Free School meals in primary schools is not offset by income contributions from paid and Universal Free School meals and requires a drawdown from reserve of £1 million. Due to service changes, price inflation and uncertainty on income recoupment the accounts monitoring position could change materially over the course of the year.
28. Out of Maintained Schools educational placements is £714,000 overspent due to an increase in the provision requirement from 276 to 293 pupils in total. The increase in placements is due to the continuing trend of ALN placements demand outstripping the authorities educational setting provision, despite significant investment to increase capacity.
29. Budgeted savings in Education Services for 2023/24 totalled £1.419 million and it is currently projected that £0.806 million of these will be delivered in the current financial year.

## **Housing and Communities - Balanced**

30. Housing & Communities is reporting a balanced position against the net controllable budget of £48.864 million after assuming budgeted drawdowns estimated at £2.776 million from Housing and Communities reserves. In addition, a further unbudgeted drawdown of £384,000 is assumed to address pressures within Homelessness.
31. The position comprises overspends totalling £716,000 across Homelessness (£293,000), Hubs and Community services (£269,000), Business Support (£134,000) and Housing Strategy (£20,000). These are partly offset by underspends of £716,000 across all other areas of the service.
32. Homelessness and Hostels are reporting an overspend of £293,000 largely due to storage costs for Homeless person's furniture and utility costs at the Gypsy and Traveller sites. These are partly offset by grant maximisation, leasing income and savings within temporary accommodation voids. All associated costs linked to the unprecedented demand on Homeless services are expected to be met from Welsh Government No one Left Out and Discretionary Homeless Prevention grants and a drawdown from the Homelessness reserve.
33. Hubs and Community services are reporting an overspend of £269,000 across the divisions. Overspends of £151,000 within Day centres are attributable to unachieved vacancy provisions and an overspend of £119,000 within Learning for Life is linked to a shortfall in projected tuition fee income at Llanover Hall. These are partly offset by employee savings and grant maximisation across the service.
34. The Business Performance and Support overspend of £134,000 relates to unbudgeted PPE distribution costs across the authority. PPE continues to be provided free of charge by Welsh Government but the Directorate does not have related budget for the administration and delivery of the service. Work is ongoing to reduce related expenditure.
35. Housing Strategy overspend of £20,000 is linked to overtime and supplies and services above budget.
36. Underspends of £221,000 within Neighbourhood Regeneration relate to additional grant income across the service.
37. Housing Projects are reporting an underspend of £112,000 due to vacancy savings within the division.

## **Performance & Partnerships (£50,000)**

38. An underspend of £50,000 is reported at Month 4 which relates mostly to an anticipated overachievement of external income in Bilingual Cardiff.

## **Children's Services +£2.975 million**

39. Children's Services is currently projecting a £2.975 million overspend, following full utilisation of the Children Services contingency of £2.175 million, and a drawdown of £3.248 million from reserve. The reserve drawdown is to fund ongoing cost pressures from cost differential between agency staff and establishment staff and high-cost support and placement packages.
40. The overspend is primarily due to placement costs for the authority's children looked after cohort as sustained demand pressures and price increases are resulting in costs exceeding budget.
41. Placements costs include a £6.353 million overspend relating to residential placements. Ongoing placement numbers have increased over the year from 106 active placements at the start of the year to 122 current active placements, with also average price uplift request of 8% on 30 placements. The external fostering budgets are reporting a £1.475 million underspend as placement numbers are less than planned and decreasing from 306 at the start of the year to 286 currently. The underspend has been partially eroded as price uplifts for fostering arrangements has seen 223 price uplifts at an average of 8%.
42. Children's Services are required to commission additional bespoke placement and support packages due to the complexity of needs and a shortage of placements spaces available. These costly arrangements are included in the position as an overspend against budget of £2.2 million, which is being offset by an earmarked reserve contribution of £2.1 million. During the financial year, there have been 51 of these packages to date, of which 21 are currently active.
43. A national trend of a challenging recruitment market, with difficulties in recruiting permanent qualified social workers and care workers is resulting in a reliance on external employment agency to fulfil statutory duties. The cost differential between permanent staff and agency staff led to a staffing overspend of £1.1 million within Assessment and Care Planning division, which is currently being funded from earmarked reserves in its entirety. Service redesign steps have been taken by the division and there is a reduction in the number of external agency workers.
44. Budgeted savings in Children Services for 2023/24 totalled £1.925 million and it is currently projected that £1.254 million of these will be delivered in the current financial year.

## **Adult Services (Balanced)**

45. Adult Services is projecting a balanced position, after a £771,000 contribution from the Adult Services contingency budget. The underlying overspend of £771,000 comprises a £2.662 million overspend on commissioned care, offset by a £1.891 million underspend on internal services.

46. The position on commissioned care comprises overspends in Older People (£1.351 million), Physical Disabilities (£1.030 million) and Learning Disabilities (£0.361 million). These are partially offset by projected underspends of £69,000 and £11,000 respectively in commissioned care for Mental Health and for Substance Misuse.
47. The largest contributory factor to the position on Older Peoples' Services are overspends on domiciliary care (£0.703 million) and residential and nursing budgets (£0.721 million). These, together with smaller overspends on respite and other areas of care, are offset by an underspend on direct payments. The overspend on domiciliary care reflects a significant increase in weekly domiciliary care hours over recent weeks (c£750 per week). The overspend on residential and nursing reflects an increase in placement numbers in general, together with a significant shift in existing placements from general residential to more costly residential dementia placements.
48. The largest contributory factors to the position on Physical Disabilities commissioned care are similar, with overspends on domiciliary care (£0.497 million), residential and nursing care (£0.325 million) and supported living arrangements (£0.187 million). The domiciliary care position reflects a significant increase in hours of care while the residential, nursing and supported living overspends reflect placements numbers. Residential and nursing placements are around 30% (9-10 places) higher than the average of the last three years; many in the 60+ age category.
49. The overspend on Learning Disabilities is mainly due to residential and nursing placements (£0.741 million) and this is partially offset by underspends in other areas, including the Adult Placement Scheme and Direct Payments. The overspend on residential and nursing reflects placements numbers as well as the impact of delayed delivery of a 2023/24 budget saving proposal.
50. The underspend on Internal Services is a combination of Assessment and Care Management (£618,000), Reablement and Independent Living (£528,000), Support & Performance Management (£685,000) and Internal Day Care (£120,000). These are offset by an overspend of £60,000 on Internal Supported Living Services linked to the delayed delivery of a 2023/24 savings proposal.
51. The underspends in all other areas of Internal Services reflect a level of vacancies and the fact that funds allocated for restructures are only estimated to be partly used in the current financial year.
52. Budgeted savings in Adult Services for 2023/24 totalled £1.669 million and it is currently projected that £1.021 million of these will be delivered in the current financial year. Further detail is included in Appendix 2.

### **Planning, Transport & Environment +£200,000**

53. Planning, Transport and Environment are forecasting an overspend of £200,000 after assumptions of accelerated use of Commuted Sums, maximisation of grant drawdown and curtailment of spend as appropriate.

Significant pressures are evident across the directorate particularly within Highway Infrastructure, Transport, Planning and Building Control and Civil Parking Enforcement. These are partly mitigated by a large surplus in Energy Management.

54. Transport is forecasting an overspend of £439,000 reflecting contract increases on the CCTV and Intelligent Transport Systems. There are increased operational costs at the Traffic Control Room and unbudgeted costs for the Traffic Management of sporting events where costs are borne by the Authority.
55. Highway Infrastructure is forecasting an overspend of £271,000 reflecting a funding shortfall for the Winter Maintenance programme partly due to the increased cost of salt, vehicle charges and the impact of the 20 mph zones requiring 2 extra vehicles and addition staffing for redesigned gritting routes.
56. An anticipated shortfall in planning fees is forecast to result in an overspend of £313,000 caused by the general economic impact on major planning applications.
57. A reduction in the income from residents parking permits is considered likely to generate a shortfall of £345,000 against the target within Civil Parking Enforcement. The fees were increased as part of the 2023/24 budget but current data indicates this will not be achieved.
58. The Bereavement, Registration & Dogs Home services are reporting an overall deficit of £26,000 reflecting increased operational costs in Bereavement and the Dogs Home, partly mitigated an increase in Registration income.
59. Energy Management are forecasting a surplus of £469,000 reflecting a significant increase in income generated by the Lamby Way Solar Farm which is offsetting the continued lower performance at the Radyr Weir Hydro facility. In addition, there are employee savings whilst the recruitment process takes place.
60. Further savings of £9,000 are forecast in Management and Support Services from increased recharges to various grants and income funded activities.
61. The FRM allocations, to assist with the delivery of One Planet Cardiff objectives are projected to be fully committed.
62. The efficiency, income, and service change savings target are £1.857 million. It is currently forecast £1.518 million will be achieved leaving a shortfall of £339,000. This includes income from residents parking permits and Business Support restructure due to a short delay in the voluntary severance.



## **Governance & Legal Services +£537,000**

63. The Governance and Legal Services forecast overspend of £537,000 relates to unbudgeted locum solicitor costs of £439,000 and an overspend of £99,000 within Electoral Services for printing and postages. These variances are offset by an underspend within Democratic Services due to delays in backfilling of vacant posts.

## **Resources (£65,000)**

64. An overall underspend of £65,000 is projected at month 4 with underspends within Human Resources, Commissioning Procurement and Finance partly offset by an overspend within the Chief Digital Officer division.
65. Vacant posts are the primary contributors to the underspends within Finance and Procurement, £90,000 and £97,000 respectively, while surplus income within Occupational Health and linked to the Additional Voluntary Contributions to Pensions and Cycle to Work schemes is the reason for the £200,000 underspend within Human Resources.
66. The Chief Digital Officer overspend of £323,000 relates to increased licensing and software costs within ICT which is partly offset by an underspend in Customer Services due to vacant posts.
67. The Central Transport Service is reporting a balanced position which includes a contribution to reserve.

## **Cardiff Harbour Authority**

68. For the current year, the Council worked with the Welsh Government to identify budget pressures around increases in material costs, contractors and energy prices as well as historical shortfalls in service level agreement budgets. In addition, work has been carried out to identify future obsolescence and compatibility issues with existing systems and equipment requiring upgrades or replacement. These budget pressures are partly offset by savings due to increased income streams and reduced accommodation costs against the approved Fixed Costs budget of £5.621 million. This allocation includes the 2022/23 pay award shortfall, any employee incremental pay progression and the 2023/24 pay award yet to be agreed. The Asset Renewal funding requirement for non-critical assets is £457,000, giving an overall budget for the Cardiff Harbour Authority (CHA) of £6.078 million, which is an increase of 2.6% on the final award total for the 2022/23 financial year.
69. The forecast at the end of quarter one indicates a funding requirement of £6.078 million, representing a full spend of budget.

<b>Heading</b>	<b>Budget £'000</b>	<b>Projected Out-turn £'000</b>	<b>Variance £'000</b>
Expenditure	6,786	6,853	67
Income	(1,165)	(1,232)	(67)
<b>Fixed Costs</b>	<b>5,621</b>	<b>5,621</b>	<b>0</b>
Asset Renewal	457	457	0
<b>TOTAL</b>	<b>6,078</b>	<b>6,078</b>	<b>0</b>

70. The position includes increased costs on building overheads and barrage maintenance, largely due to further significant cost price pressures on contractor supplies and works, offset by reduced expenditure on facilities management and environmental areas. Increased income against target is projected on car parking and harbour dues. This forecast will be updated as more information becomes available over the coming months.
71. The Asset Renewal budget is currently indicating a full spend in line with the revised approved schedule of work, including barrage sails decking, water quality sondes and cables, graving docks boardwalk, Roald Dahl Plas post and rail replacement, plus additional scheme to complete the Senedd boardwalk.
72. The CHA maintains a Project and Contingency Fund, which is used to support projects and provides a contingency for situations where the approved budget is exceeded. The Fund receives contributions from a combination of receipts from the sale and disposal of land and a share of past year underspends on the Fixed Cost budget. The balance on 31 March 2023 was £130,000 and this is in line with the amendments to the Deed of Variation as agreed in May 2023.

### **Civil Parking Enforcement**

73. Civil Parking Enforcement (CPE) manages parking, parking enforcement and moving traffic offences throughout the city. The income from these activities is used to support the operational costs with the surplus being transferred to the Parking and Enforcement Reserve.
74. The budget was set using various assumptions and scenarios. The table below provides a summary of the budget and projected outturn position.

	<b>Budget £'000</b>	<b>Projected Outturn £'000</b>	<b>Variance £'000</b>
<b>Income</b>			
On street car parking fees	4,956	4,850	106
Off street car parking fees	1,428	1,464	(36)
Resident's parking permits	911	511	400
Penalty charge notices	2,350	2,350	0
Moving Traffic Offences (MTO's)	3,687	3,687	0
Camera Car	708	708	0
Other Income	20	39	(19)
<b>Total Income</b>	<b>14,060</b>	<b>13,609</b>	<b>451</b>
<b>Expenditure</b>			
Operational costs, parking & permits	634	648	14
Enforcement service including TRO	6,437	6,317	(120)
<b>Total Expenditure</b>	<b>7,071</b>	<b>6,965</b>	<b>(106)</b>
<b>Annual Surplus / (Deficit)</b>	<b>7,019</b>	<b>6,674</b>	<b>345</b>

75. The current projection indicates an annual trading surplus of £6.674 million. This is £345,000 lower than the budget reflecting lower than anticipated income from residents parking permits and on-street parking fees partly offset by reduced operating costs.
76. Income is forecast at £13.609 million which is £451,000 lower than budgeted. Reduced activity partly caused by road closures to facilitate city centre events and delays in project implementation will result in lower car parking fees, although there is an anticipated increase in the income generated from PCN's and MTO's.
77. Expenditure is forecasting a variance of £106,000 reflecting the reduction in loan repayments for invest to save schemes following full repayment in the previous financial year.
78. The surplus of £6.674 million is transferred to the Parking and Enforcement Reserve and available to support highway, transport and environmental improvements.
79. The table below illustrates the forecast position in the reserve:

<b>Parking &amp; Enforcement Reserve</b>	<b>£'000</b>
<b>Balance 1<sup>st</sup> April 2022</b>	<b>1,022</b>
Contribution from CPE	6,674
<b>Total Available</b>	<b>7,696</b>
Contribution to support revenue budget	(6,418)
Project support and initiatives	(600)
<b>Balance 31<sup>st</sup> March 2024</b>	<b>678</b>

80. The brought forward balance in the reserve is £1.022 million. The CPE forecast indicates a surplus of £6,674 million. The contribution to the revenue budget to fund infrastructure maintenance and improvements is £6.418 million. A further £600,000 will support various initiatives such as Active Travel, LDP transport monitoring and a provision for various transport scoping works such as the Metro. The year-end balance is forecast at £678,000.

### **Housing Revenue Account - Balanced**

82. The Housing Revenue Account (HRA) is projecting a balanced position after an assumed drawdown from the Housing Repairs and Building Maintenance earmarked reserve of £1.191 million.
81. Within this position, the Housing Repairs Account is forecasting a £1.445 million overspend made up of responsive repairs overspends estimated at £1.691 million due to the current backlog of works, void property repair overspends of £300,000 and overspends within management and administration of £145,000. These variances are partly offset by underspends of £385,000 for external painting and £306,000 for electrical testing. The Disabled Facilities grant budgets indicate balanced budgets at this time.
84. An anticipated £52,000 underspend on capital financing costs is due to lower than anticipated interest charges. Employee savings across the functions of £47,000 are also included within the overall position.
85. Based on week 13 statistics, standard rent and service charge income are forecasted at £115,000 above target. This is mainly in relation to a lower than budgeted void rent loss. Hostels and other accommodation income are forecasted at £235,000 above target. This is due to a number of factors including lower than budgeted void rent loss, the availability of additional units/bed spaces at some projects and an assumed extension to the period of time that service charges will be received for food services at Ty Ephraim.
86. The balance of the overall variance is mainly due to premises overspends in relation to tipping charges, hostels security and Council Tax charges.

87. The Month 4 position includes a 6% pay award assumption in line with the budget. The outcome of the settlement in relation to the current pay negotiations will be reflected in future monitoring reports.
88. There are other forecasts which due to the nature of the spend and income and the number of variables are subject to change and will need to be reviewed in detail over the coming months.