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**Budget Monitoring 2020/21 - Month 4**

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**Reason for the Scrutiny**

1. To provide Members with an update on the Council's financial monitoring position at Month 4 of 2020/21. This report is going to Cabinet at its meeting on 17 September 2020.

**Background**

2. The Policy Review and Performance Scrutiny Committee's Terms of Reference includes responsibility for monitoring the overall Council budget, both Revenue and Capital budgets, as well as responsibility for monitoring specific service areas. For Revenue budget monitoring purposes, those services fall within the *Corporate Management, Economic Development* (Corporate Landlord, Strategic Estates, Facilities and Operational Management), *Communities & Housing* (Performance & Partnerships), *Governance & Legal Services*, and *Resources* (Finance, Digital Services, Customer Services, Human Resources, Commissioning & Procurement) budgets.

**Structure of the Papers**

2. To facilitate the scrutiny the following appendices are attached to this report:

**Appendix A – Cabinet report – Budget Monitoring – Month 4**

- Appendix 1 – Revenue position
- Appendix 2 – Directorate Commentaries
- Appendix 3 – 2020/21 Budget Savings Position
- Appendix 4 – Capital Programme Summary
- Appendix 5 – Capital Schemes Updates

3. The report to Cabinet has a different format to usual, to enable the pressures arising from the ongoing Covid-19 pandemic to be set out. The financial impact of the crisis is outlined, in terms of additional expenditure and reduced income generation and the Welsh Government (WG) funding response to these. The unfunded impacts of Covid-19 are also set out in the overall revenue position.

### **Impact of Covid-19 Pandemic**

4. **Points 3-12** of the report to Cabinet detail the financial impacts resulting from the pandemic, up to end of July 2020. This includes additional expenditure such as the procurement of personal protective equipment (PPE), social distancing and infection control measures, support for providers and suppliers, support for vulnerable citizens, and staffing costs to provide cover for employees who have had to shield or self-isolate. It also includes income losses due to closed venues, unused car parks and services, such as school catering and trade waste, not being in operation.
5. These points provide the following information:
  - a Points 4-5 – WG funding overview
  - b Points 6-8 – Council claims for expenditure and results of these claims
  - c Points 9- 10 – Council claim for loss of income
  - d Points 11-12 – Estimate of further Covid related costs.
6. These show that the Council submitted expenditure claims to WG totalling **£25.842 million**, up to the end of July 2020. As at the end of June 2020, out of £21.374 million revised claims, the Council will receive **£19.594 million**.
7. With regard to the Council claim for loss of income, **£8.712 million** is being reimbursed in full, with the claim for Arts venues being redirected to the recently established Arts Council of Wales scheme.
8. **Points 11-12** set out that any additional expenditure or income losses not funded by WG will need to be met from existing Council resources. The Month 4 report

sets these out within the projected directorate outturn positions. Members are asked to note that these do not incorporate other potential Covid19-related pressures that may occur during the remainder of the year. Instead, a table provides an indication of the financial impact that may result, which shows an estimated **£34.163 million** overall additional costs, were the Council to have to meet 100% of these costs.

## **Revenue budget**

9. Attached at **Appendix A** is the 2020/21 month 4 budget monitoring report. The Committee will note that, at this point, a net overspend of **£1.982 million** on the revenue account is projected for the end of the 2020/21 financial year. Directorate budgets are projected to overspend by **£5.082 million**, with Covid costs of **£1.677 million** that are not funded by WG are included in this total. In-year savings of **£3.130 million** have been achieved as at Month 4. The projection includes a balanced position for Council Tax collection, as set out at **Point 21**.
10. The service areas predicting the most significant overspends are Social Services (£3.238 million), and Education & Lifelong Learning (£1.521 million). There is also an overspend of £300,000 on the Capital Financing budget, with details of this provided at **Point 20**. These are partly offset by projected underspends in other service areas, the £3 million general contingency fund provided within the 2020/21 budget and a £400,000 underspend on the Summary Revenue Account.
11. Members may wish to note the table at **point 15** of the report to Cabinet that shows the Directorate positions, including Covid costs not funded by WG, unachieved savings and other overspends; underspends are reported in brackets. Further details are provided in **Appendix 2**.

## **Savings**

12. An overall shortfall of **£4.276 million** is currently anticipated against the **£8.557 million** directorate savings target; more details are provided in **Appendix 3** of the report to Cabinet. The report states that *'In some cases, these shortfalls are the*

*direct consequence of COVID-19, such as proposals centred on increased income generation at venues that have been closed during the period of lockdown. In other cases, there have been indirect consequences of the pandemic, such as the lockdown period making it challenging to progress staffing restructures, for example’ (point 18).*

13. The report to Cabinet highlights that the majority of efficiency savings are projected to be achieved, with £3.233 million out of a target of £3.841 million. The income generation and service change savings are more significantly affected, with shortfalls of £1.643 million (target £2.541 million) and £2.025 million (target £2.175 million) respectively.

### **Contingency**

14. **Point 22** sets out that, in response to increased claims resulting from the financial hardship caused by the pandemic, £3.042 million has been transferred from the Council Tax Reduction Scheme (CTRS) contingency budget. £2.175 million has been transferred into the Children’s Services budget to meet the additional costs arising from external placements. An updated position on contingency budgets will be included in the Month 6 monitoring report.

### **Capital**

15. The adjusted 2020/21 Capital Programme (General Fund and Public Housing) is £182.387 million. Within this, the projected outturn for the General Fund of £125.612 million at month 4 is **£101.706 million** resulting in a variance of **£23.906 million**, which is predominantly slippage. Capital expenditure at month 4 is **£12.379 million**, with several large expenditure items due later this year. The Public Housing element of the capital programme is forecasting an overall slippage of £3.992 million. Members will find detail of the Council’s Capital Programme in **Appendices 4 and 5** of the papers.

16. The impact of Covid-19 pandemic on the Capital Programme has varied according to the nature of the capital project, as set out in **Points 33-36**, including

details of WG capital funding available for pandemic related projects, such as increased homelessness provision and transport infrastructure projects.

17. Directorates have been reminded of the need to set achievable profiles of expenditure and to identify slippage at an early stage.

### **Response to Emerging Financial Position**

18. **Points 24 -28** outline the measures taken by the Council to deal with the emerging financial position. These include:

- a. Financial Issues Log
- b. Furloughing some staff from income generating areas, including School Catering, Storey Arms Outdoor Pursuits Centre, Cardiff Castle, Venues, St David's Hall and New Theatre
- c. Directorate review of in-year budgets to identify in-year savings
- d. Internal review and monitoring of variance against planned spend
- e. Review of earmarked reserves and other corporate funding sources.

### **Way Forward**

19. Councillor Chris Weaver, Cabinet Member, Finance, Modernisation and Performance, Christopher Lee, Corporate Director Resources, and Ian Allwood, Head of Finance, will be in attendance to present the report and answer Members' questions.

### **Legal Implications**

20. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct legal implications. However, legal implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any legal implications arising from those recommendations. All decisions taken by or on behalf the Council must (a) be within the legal powers of the Council; (b) comply with any procedural

requirement imposed by law; (c) be within the powers of the body or person exercising powers of behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. Scrutiny Procedure Rules; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances.

## **Financial Implications**

21. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct financial implications at this stage in relation to any of the work programme. However, financial implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any financial implications arising from those recommendations.

## **RECOMMENDATION**

15. The Committee is recommended to:

- i. note the 2020/21 budget monitoring month 4 report;
- ii. consider whether it wishes to make any comments to the Cabinet; and
- iii. consider whether it wishes to use information contained in the report to inform future scrutiny items.

**DAVINA FIORE**

Director, Governance & Legal Services

**9 September 2020**