
Budget Monitoring Report 2020/21 - Month 6

Reason for the Scrutiny

1. To provide Members with an update on the Council's financial position at Month 6 of 2020/21, allowing the Committee an opportunity to monitor the position prior to the November 2020 Cabinet meeting.

Background

2. The Terms of Reference of the Policy Review and Performance Scrutiny Committee include overarching responsibility for monitoring the whole of the Council's budget, both *revenue* and *capital* budgets. In addition it has 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) Directorates.

Structure of the Papers

3. To facilitate the scrutiny the following appendices are attached to this report:
 - Appendix A** – Cabinet report – Budget Monitoring Report– Month 6 2020/21
 - Appendix 1** – Revenue Monitoring Position
 - Appendix 2** – Directorate Commentaries
 - Appendix 3** – 2020/21 Budget Savings Position

Appendix 4 – Capital Programme Summary

Appendix 5 – Capital Schemes Updates

4. The report to Cabinet continues in a format that enables the pressures arising from the ongoing Covid-19 pandemic to be clearly set out. The financial pressures arising from responding to the crisis are explained separately from those relating to operational service delivery. The financial impact is outlined in terms of *additional expenditure, 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.

Financial Impact of Covid-19 Pandemic

5. The financial impact of Covid-19 on the Council up to September 2020 is set out in **points 3-11** of the Cabinet report attached at **Appendix A**. 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 operating.
6. Specifically, the month 6 report provides the following information:
 - WG funding of **£511m** is available through the Local Government Hardship Fund, access to which requires the Council to submit monthly expenditure claims and quarterly income claims. The Council's expenditure peaked in June 2020 and to date the Council has submitted claims to WG totalling **£32.049m** (see points 4-5)
 - An overview of the Council's expenditure claims to September 2020 can be found at point 5, and the status of claims to August 202 at point 6.
 - An overview of the Council's claims for lost income totalling **£13,351m** can be found at point 8.

- WG has reimbursed income in three tranches
 - T1 - an early payment in relation to income issues being commonly experienced across all local authorities
 - T2 & 3 - income losses more specific to individual councils
7. It remains unclear what percentage cover WG will provide for both ongoing additional expenditure and loss of income, therefore the projected directorate positions included within the Cabinet report do not incorporate the potential Covid-19 related pressures that may occur during the remainder of the year. A table at point 10 indicates the projected costs and loss of income based on WG support at 25%, 50%, 75% and 100%. The worst case scenario estimates that the Council could face additional costs of **£28,886m** if it has to meet 100% of these costs itself.

Revenue budget

8. The 2020/21 month 6 budget monitoring report (**Appendix A**) sets out the revenue position (points 12-22). At month 6 a net overspend of £ **£1.133m** is projected for the end of the 2020/21 financial year. This position is detailed in **Appendix 1 to Appendix A** and sets out a **total directorate net overspend of £4.233m** and a projected overspend of £300,000 in relation to Capital Financing, **partially offset by the £3m general contingency budget** and an overall underspend of £400,000 within the Summary Revenue Account. This position reflects **an improvement of £849,000 on the position reported at Month 4** and is primarily due to significant improvements in relation to Children's Services and Education & Lifelong Learning.
9. The report states that Covid-19, in terms of unrecoverable costs and income losses, has added £1.937m to the overall overspend with particular pressures evident in Children's Services, Corporate Management, Education & Lifelong Learning, Adult Services, Governance & Legal Services and Central Transport Services (point 15).
10. Directorate specific overspends and underspends are detailed in **Appendix 2 to Appendix A**. The main pressures relate to the additional cost and number of

residential and internal fostering placements within Children's Services, as well as additional expenditure in relation to agency staffing within that directorate.

Education is experiencing pressures in relation to Out of County Placements and School Transport; Adult Services with the Older Peoples' budget, and Governance and Legal Services continuing need to purchase external legal services. Central Transport Services has experienced lower income, and disallowed claims against the WG Hardship Fund has resulted in a Corporate Management overspend.

Savings

11. An overall shortfall of **£4.301m** is currently anticipated against the **£8.557m** directorate savings target for 2020/21; more details are provided in **Appendix 3** of the report to Cabinet.

12. When the 2020/21 budget was set savings proposals were split into three categories, *efficiencies*, *income generation* and *service change*. In the case of efficiency proposals, the majority are projected to be achieved, with an overall shortfall of £608,000 against the target of £3.841m currently being reflected. However, in the case of income and service change proposals, the level of achievement has been more significantly impacted, with shortfalls of £1.668m (against a target of £2.541m) and £2.025m (against a target of £2.175m), respectively.

13. The pandemic has had the indirect impact of directorates not being able to fully deliver on savings proposals. Recognising that WG financial support was unlikely to cover the entire impact, the Council has taken a number of steps to minimise the impact. This includes furloughing staff from income generating services, (£1.709m) and asking directorates to review in-year budgets and identify savings, resulting in £3.130m of savings being incorporated in the month 6 monitoring report. Officers also continue to review earmarked reserves.

14. In terms of Council Tax Collection, a balanced position is currently being reported. This is because there continues to be a significant amount of uncertainty regarding likely collection rates throughout the remainder of the year

Contingency

15. Members should note that certain contributions from contingency budgets have been incorporated in the directorate positions. These include:
- a. a transfer from the Council Tax Reduction Scheme (CTRS) contingency of £3.042m, to meet the increasing demand from residents for financial support.
 - b. a £2.175m contingency in Children's Services to meet the additional costs arising from external placements

Ring fenced grant funded accounts

16. In respect of ring fenced grant funded accounts:
- a. The Housing Revenue Account (HRA) is projecting an in-year surplus of approximately £2.2m;
 - b. The Civil Parking Enforcement (CPE) reflects an in-year trading loss of £268,000, compared to the budgeted surplus of £8.022m
 - c. The Harbour Authority is projecting an overall deficit of £63,000.

Capital

17. Members will find detail of the Council's Capital Programme in **Appendices 4 and 5** of the papers The General Fund and Public Housing Capital Programme for 2020/21 have been revised from **£194.304m** to **£181.447m**. The projected outturn for the General Fund is currently **£102.341m** against a total programme of £124.672m, a variance of £22.331m, which is predominantly slippage. Capital expenditure at month 4 is **£29.839m**, with several large expenditure items likely to progress later this year. The Public Housing element of the capital programme is forecasting an overall slippage of **£1.802m**.

18. A number of specific WG grants in relation to the Covid-19 response have either been included in the programme or approved in principle, pending formal confirmation. These are for projects such as homelessness and transport infrastructure improvements.
19. Capital receipts contribute significantly to the Capital Programme. The annual property plan will highlight the impact of Covid-19 on the property market. The target was £41m, the forecast for receipts in 2020/1 was £7m from the disposal of land, of which £50,000 has been realised to date.

Recommendations to Cabinet

20. In considering this month 6 monitoring report the Cabinet is recommended to:
- Note the Covid-19 financial impact at Month 6 and the ongoing response to the emerging financial position.
 - Note the projected revenue financial outturn based on the projected position at Month 6 of the financial year.
 - Note the capital spend and projected position at Month 6 of the financial year.
 - Reinforce the requirement for all directorates currently reporting overspends, as identified in this report, to deliver against action plans to reduce their projected overspends.

Previous Scrutiny

21. The Committee considered the financial position at month 4 of 2020/21, following which Members raised the following concerns with the Cabinet:

- The importance of governance processes in place to ensure WG claims are fit for purpose, noting that the accountancy service is providing advice to service areas to ensure claims are worded appropriately and that there are discussions at an all-Wales level to ensure consistency across local authorities.
- That the three largest claims not reimbursed from the Covid-19 funding routes are: claims relating to the Council's Leisure Services partners, GLL and Parkwood; claims for funding the Legionella tests required to reopen schools and other public buildings safely following closure for several months; and a claim relating to Cardiff Bus, which is being pursued via alternative funding routes.
- That at month 4 £608,000 efficiency savings may not be achieved despite officers working hard to identify part-year savings and alternative in-year savings. Members were concerned that the savings achieved to date, some of which rely on vacancy savings, would put additional pressures on staff and services already stretched from responding to the Covid-19 pandemic. The committee emphasised the vital importance for the organisation, and accountable individuals within it, of achieving agreed budgets and targeted savings and efficiency goals, at a time of unprecedented economic and financial pressures.
- The importance of monitoring budget trends, monthly monitoring of Covid-19 related costs and monthly reports to Directors.
- Requested that any significant changes or overspends be brought to the attention of this committee and all Members.

Way Forward

22. 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

23. 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

24. 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

The Committee is recommended to:

- i. note the 2020/21 budget monitoring month 6 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

4 November 2020