

**OUTTURN 2020/21**

**FINANCE, MODERNISATION & PERFORMANCE (COUNCILLOR  
CHRIS WEAVER)**

**AGENDA ITEM:7**

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*Appendix 8 of this report is not for publication as it contains exempt information of the description in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972.*

**Reason for this Report**

1. This report provides Cabinet with an assessment of the Council's financial position in respect of the year ending 31<sup>st</sup> March 2021.

**Background**

2. The report compares the outturn for the financial year ending 31<sup>st</sup> March 2021 with the budget for the year, for both revenue and capital expenditure. The report also provides a summary Treasury Management Statement in respect of investments and borrowing. All figures are subject to external audit as part of the Statement of Accounts preparation and publication process.
3. The 2020/21 financial year should be set against the backdrop of the global COVID-19 pandemic, which significantly impacted the final outturn position being reported. This impact included additional expenditure incurred, income lost and a change in the nature of Welsh Government (WG) grant income received. Because of the extent of this impact, the report begins by setting out the way in which the pandemic has affected the Council's finances during the year, including the Council's response to the challenges that emerged. The report then summarises the final revenue position, including the position in relation to earmarked reserves, before providing details of the final position in relation to the Capital Programme.

**Issues**

4. An overall summary of the position indicates:
  - A balanced position has been achieved in 2020/21, following transfers to and from earmarked reserves.

- Overall, the level of general fund earmarked reserves have increased by £47.609 million, to a level of £102.503 million. Contained within this figure is an increase in school balances totalling £16.397 million, with the total balance now standing at £21.714 million.
- The Housing Revenue Account (HRA) recorded a net surplus of £6.519 million, which was transferred to the HRA Revenue Balance, and remains available for HRA expenditure only.
- The Council spent £165.709 million on capital expenditure compared to a budget of £213.108 million, with the variance primarily relating to the slippage of schemes into 2021/22, again in part impacted by the COVID-19 pandemic.

## **COVID-19 Pandemic**

5. The COVID-19 pandemic had a major impact on all local authorities across Wales throughout 2020/21. From a purely financial perspective, the response to the pandemic required the Council to incur additional expenditure, including, for example, spend relating to infection control measures, measures to safeguard the public and employees, support for vulnerable citizens and supplier relief. In addition, income losses have also been substantial, during the period where services either have been closed or have experienced significant reductions in demand or footfall. The Council also played a leading role in coordinating, on behalf of WG, financial support for local business and regional responses to the pandemic, such as the Track, Trace and Protect (TTP) programme and measures to respond to excess deaths in the region. As well as supporting local businesses, the Council has also had to consider its response to challenges experienced by its own traded services, including access to the UK Government's Job Retention Scheme. Every directorate and almost every service of the Council has been financially impacted by the pandemic in some way, and the report will seek to highlight some of the key issues faced.
6. In recognition of the pressures being experienced by local authorities, WG made various funding streams available, either through a COVID-19 general Hardship Fund or grants for specific purposes. In total, £557 million was made available to Welsh local authorities, some of which was earmarked for specific purposes, such as homelessness, adult social care, free school meal provision, excess deaths and school cleaning. In addition, WG channelled funding for supporting citizens who were self-isolating or in receipt of only statutory sick pay via the Hardship Fund, to be administered by local authorities. Within the £557 million total, £198 million was earmarked specifically for addressing lost and delayed income issues in relation to local authority services. As a requirement of accessing this element of the fund, local authorities were required to demonstrate that compensatory savings, made whilst services were inactive, were being offset against claims for lost or delayed income, as well as accessing all other avenues for reducing the level of lost income, such as the Job Retention Scheme.

7. As well as utilising savings made before submitting claims, the expectation from WG was that local authorities would explore all other avenues for financial support. Therefore, early in the financial year, and in response to the emerging financial position at Month 4, the Council took a number of steps to minimise the level of support required from WG. These steps included utilisation of the Job Retention Scheme, in connection with income generating areas that were not operational at certain times of the year. These areas included St David's Hall and New Theatre, Cardiff Castle, the School Catering function and the Storey Arms Outdoor Pursuits Centre. As a result, a number of staff were furloughed for all or part of the year, on a full time or part time basis, with the Council receiving a total of £3.374 million of reimbursements from the scheme.
8. Access to the Hardship Fund, which covered both additional expenditure and lost income, was facilitated via a claims process. Expenditure claims were submitted on a monthly basis and income claims on a quarterly basis, with both being considered by a WG panel. The table below provides an overview of expenditure claimed by the Council in 2020/21:

<b>Expenditure Type</b>	<b>Total (£000)</b>
PPE	6,477
Free School Meals	7,842
Body Storage Costs	3,136
Homelessness	3,713
Adult Social Care	13,963
Waste	2,845
Supplier Relief	1,505
Self-Isolation	823
Other	10,545
<b>Total</b>	<b>50,849</b>

9. As can be seen from the table above, a total of £50.849 million was claimed by the Council from the Hardship Fund. However, as illustrated in the table that follows, the monthly amount claimed varied significantly, with a peak in June, following the height of the pandemic. The table that follows also provides the overview of amounts actually reimbursed by WG and, consequently, the value of expenditure to be met from Council resources. At the time of writing this report, a response to the March claim has not been provided and the final accounts assume that the claim will be reimbursed in full. Should the claim not be reimbursed in full, the costs arising will be managed via the use of earmarked reserves during 2021/22.

<b>Month</b>	<b>Original Value of Claim (£000)</b>	<b>Withdrawn / Funded via Other Source (£000)</b>	<b>Reimbursed by WG (£000)</b>	<b>Rejected Items to be funded by LA (£000)</b>
April	5,201	(376)	(4,784)	41
May	4,527	(125)	(4,260)	142
June	12,639	(526)	(10,551)	1,562
July	3,475	(4)	(3,233)	238
August	2,583	0	(2,504)	79
September	3,624	0	(3,600)	24
October	2,478	0	(2,457)	21
November	3,244	0	(3,237)	7

December	3,233	0	(3,233)	0
January	3,906	0	(3,906)	0
February*	2,894	0	(2,894)	0
March**	3,045	0	(3,045)	0
<b>Total</b>	<b>50,849</b>	<b>(1,031)</b>	<b>(47,704)</b>	<b>2,114</b>

\*It is assumed that an amount of £7,000 held from the February claim will be reimbursed.

\*\*It is assumed the March claim will be reimbursed in full.

10. As the table above shows, the claims submitted to WG have largely been agreed in full. The exception to this is the June 2020 claim, where a total of £1.562 million was rejected. This rejected amount was largely due to a £1 million supplier relief payment being deemed ineligible, coupled with £412,000 in relation to ICT, where WG asked that local authorities contributed towards 50% of costs incurred, arguing that the benefit of such investment would last beyond the pandemic. A similar principle was adopted in relation to communications costs, where, in a number of cases, WG required local authorities to fund 75% of costs arising. It should also be noted that the Council ultimately withdrew some initial claims because alternative funding streams became available.
11. In addition to the expenditure claims, the Council has also submitted quarterly claims for lost or delayed income. The table below provides an overview of the claims made in 2020/21.

	<b>Q1 (£000)</b>	<b>Q2 (£000)</b>	<b>Q3 (£000)</b>	<b>Q4 (£000)</b>	<b>Total (£000)</b>
Total value lost income	16,554	10,419	8,036	10,238	<b>45,247</b>
Savings on lost income	(3,203)	(1,559)	(747)	(694)	<b>(6,203)</b>
<b>Net income lost</b>	<b>13,351</b>	<b>8,860</b>	<b>7,289</b>	<b>9,544</b>	<b>39,044</b>
Withdrawn and pursued via alternative funding route:					
Art Venues	(889)	0	0	0	<b>(889)</b>
<b>Balance of income claim to WG</b>	<b>12,462</b>	<b>8,860</b>	<b>7,289</b>	<b>9,544</b>	<b>38,155</b>

Breakdown of lost income reimbursed:					
Parking	(3,517)	(1,558)	(1,742)	(1,932)	<b>(8,749)</b>
Venues	(1,820)	(1,423)	(1,284)	(1,308)	<b>(5,835)</b>
School Catering	(1,749)	(1,208)	(1,809)	(2,158)	<b>(6,924)</b>
Sport & Leisure	(1,216)	(1,971)	(577)	(1,573)	<b>(5,337)</b>
Waste Services	(767)	(426)	(252)	0	<b>(1,445)</b>
Highways & Transport	(536)	(200)	(212)	(177)	<b>(1,125)</b>
Disabled Facilities Grants	(440)	0	0	0	<b>(440)</b>
Music Service	(356)	(218)	(254)	(267)	<b>(1,095)</b>
Schools	(324)	(242)	0	(550)	<b>(1,116)</b>
Property	0	(473)	(226)	(380)	<b>(1,079)</b>
Other	(1,737)	(1,141)	(933)	(1,199)	<b>(5,010)</b>
<b>Balance rejected by WG</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

12. As can be seen from the table above, the claims submitted were agreed in full, including the final claim for the year, which was submitted in advance of the financial year-end. In relation to arts venues, it should be noted that an alternative fund, managed via the Arts Council for Wales, became available during the year and local authorities were directed to this as a primary funding route. The Council was successful in applying for funding, meaning that losses in relation to St David's Hall and New Theatre were primarily covered via that funding source, with any balances reimbursed via the Hardship Fund.
13. The total value of claim items rejected from the Hardship Fund resulted in the Council having to fund £2.114 million of COVID-19 related expenditure from within its own resources. As outlined in the table below, this was done via the use of capital resources, where appropriate, or via the revenue budgets of the relevant directorates. Overall, it proved possible for the Council to absorb these costs and income losses, as evidenced by the balanced position referenced in paragraph 4 of this report and detailed in later sections that follow.

Directorate	Expenditure Items Rejected (£000)
Corporate Management	4
Economic Development:	
Economic Development	83
Recycling & Neighbourhood Services	58
Education & Lifelong Learning (inc schools)	184
People & Communities:	
Housing & Communities	32
Performance & Partnerships	1
Social Services	125
Planning, Transport & Environment	148
Resources:	
Governance & Legal Services	0

Resources	47
<b>Total Directorate</b>	
Met from Capital Resources	117
Summary Revenue Account	1,218
Housing Revenue Account	97
<b>Total Value of Rejected Items</b>	<b>2,114</b>

14. In addition to accessing external funding sources, the Council also took steps to review its own financial position, particularly in response to the emerging financial position at Month 4 and conscious of the emergency position faced given the pandemic. As part of this, directorates were asked to review their respective budgets and identify in-year savings that could be achieved by reducing or holding back spend for all or part of the year. Specific attention was also given to new budget allocations made as part of the 2020/21 budget process, particularly those made as part of the Capital Ambition Policy budget allocations or the Financial Resilience Mechanism (FRM). All savings identified have been incorporated within the final positions reported for each directorate.

### Revenue Position

15. As outlined in paragraph 4 and summarised at Appendix 1, the final revenue position reflects an overall balanced position, that is, the Council has contained its spending within the £656.186 million budget approved for the year, after transfers to and from earmarked reserves. This position comprised a net directorate overspend of £191,000, a Capital Financing overspend of £418,000, a Council Tax surplus of £1.016 million and a net overspend of £3.407 million against the Summary Revenue Account, offset by the £3 million general contingency budget. It should be noted that the overall position has improved throughout the year, as greater clarity was gained in relation to the ongoing impact of the pandemic, but also as WG funding announcements were made. In particular, at year-end significant amounts of additional grant funding was made available to local authorities. This grant funding enabled a number of directorates to report improved positions and provided an opportunity to increase the overall level of earmarked reserves, which will be key to supporting the financial resilience of the Council moving forward.
16. Further detail of the individual directorate variances that comprise the £191,000 net directorate overspend can be found as part of Appendix 2. The main variances include overspends of £629,000 in relation to Social Services, £586,000 in relation to Governance & Legal Services and £275,000 in relation to Education & Lifelong Learning. As reported in monitoring reports throughout the year, the pressures within Social Services primarily related to Children's Services and the level of expenditure connected to agency staffing, with increased expenditure on substitute family care largely offset by external grant funding. In the case of Governance & Legal Services, continued pressures in relation to complex children's cases, resulting in the need to engage external legal support, were the main reasons for the overspend. The Education overspend was due to a combination of various factors, including

additional expenditure on Out of County Placements and School Transport.

17. As well as the overspends outlined in the previous paragraphs, underspends were recorded against the budgets for Economic Development, Resources, Housing & Communities and Performance & Partnerships. These underspends amounted to £508,000, £397,000, £285,000 and £179,000, respectively. The Economic Development underspend was the product of in-year saving across various budget headings, including staffing budgets and one-off allocations made from the Council's Financial Resilience Mechanism (FRM). In the case of the other directorates, the reported underspends were mainly the result of in-year staffing savings and the opportunity to offset base funded costs with in-year grant funding. Other directorates not already referenced reported minor variances or balanced positions.
18. Overall, the Capital Financing budget was overspent by £418,000. This budget supports the Council's Capital Programme and treasury management activities, including external interest payable, prudent provision for the repayment of any debt in line with Council policy, as well as interest earned on temporary investments. The position against the budget is impacted by a number of variables such as interest rates, the level of investment balances, share of interest chargeable to the HRA, the need for and timing of external borrowing, as well as performance in achieving capital expenditure projections. The overspend included a lower share of interest payable by the HRA, as well as interest receivable from investments being £215,000 lower than assumed, given the significant reduction in investment deposit rates as a result of COVID-19.
19. The overall Council Tax collection position was a surplus of £1.016 million. Earlier reports contained an assumed balanced position due to the uncertainty regarding the impact of the pandemic on the Council Tax collection rates. However, at year-end, a reassessment of collection rates concluded that Council Tax recovery had been delayed, rather than lost, albeit in-year collection levels were still lower than might have been expected, had it not been for the pandemic. Therefore, this meant that the bad debt provision held for potential losses did not have to be increased as much as was assumed previously. This contributed £1.321 million to the overall surplus position, with the offsetting balance relating to a final net Council Tax debit that was less than budgeted. The overall tax base was also impacted by the pandemic in respect of delays in new properties either being built or being added to the Valuation Office database.
20. The overall position for the Summary Revenue Account (SRA), which consolidates the overall revenue position for the Council and includes non-directorate specific items and other adjustments, was a net overspend of £3.407 million. This position included underspends against contingency budgets held for purposes such as Children's placements, Council Tax Reduction Scheme (CTRS) and materials recycling income. In most cases, these underspends were the result of additional grant funding being used to displace base funded costs. In addition, the Council received grant funding from WG at the end of the financial year totalling £7.088 million.

This grant funding, which was not anticipated or planned for, was awarded to cover the impact of unachieved savings, initially projected Council Tax income losses and for investment in digital transformation and new ways of working. Partly offsetting these underspends and grant allocations were exceptional directorate expenditure items, such as those relating to prior years, transfers to specific provisions and an overall increase in the Council's bad debt provision.

21. The final main components of the SRA position were transfers to earmarked reserves totalling £13.212 million. These transfers were largely enabled by the late grant awards from WG and the non-utilisation of the £3m general contingency and have enabled increases to reserves such as the Strategic Budget Reserve, Insurance Reserve and Inspectorate Support Reserve. As well as this, the transfers facilitated the creation of new reserves such as the Corporate Recovery Risk Reserve, City Events & Recovery Reserve, CTRS Reserve and Digital Transformation Reserve. The increased value of existing reserves, and creation of new reserves, will be critical in supporting the ongoing financial resilience of the Council, particularly in light of a challenging medium term outlook. In addition, there remains considerable uncertainty regarding the longer-term financial impact of the pandemic. These uncertainties include the cost of service recovery, the level and timing uncertainty of ongoing WG financial support, the emergence or increase of particular pressures because of the pandemic and the wider impact on public finances. The existence of these reserves will assist the Council in responding to emerging pressures and managing the impact over the medium term, noting that they are one off in nature.

#### Achievement of Savings Proposals

22. Contained within the overall revenue position were savings shortfalls, against proposals approved as part of the 2020/21 Council budget, totalling £4.477 million (against a target of £8.557 million). However, as detailed in Appendix 3, a large proportion of this shortfall related to income generation proposals and service change proposals within Social Services. The non-achievement of these savings was, in the main, a direct result of the pandemic, with services either being unable to operate, and therefore generate additional income. As well as this, the need to respond to emerging issues prevented the implementation of wider transformational change. In the case of efficiency proposals, over 80% were achieved, meaning that directorates were largely successful in implementing the operational changes underpinning these proposals. In the majority of cases, this was because steps had already been taken to ensure successful delivery of these proposals before the first effects of the pandemic were evident.
23. The overall directorate position reflects the fact that the Council was broadly successful in mitigating any savings shortfalls. This was through a range of measures, including offsetting savings against expenditure budgets, use of grant funding to displace base funded costs and access to the WG's Hardship Fund to cover income shortfalls. Going forward, the



Council anticipates that over the course of the financial year the majority of these savings will be achieved. However, in the case of income generation proposals in particular, this does rely on services being able to fully reopen and have patronage levels returning to that experienced prior to the onset on the pandemic, as a minimum.

#### Earmarked Reserves, School Balances and General Fund Balance

24. As reported in earlier parts of this report, and detailed in Appendix 4, the overall Council position included the net effect of transfers to and from reserves, many of which were budgeted for and anticipated. In addition, a favourable improvement in the net directorate position, plus the receipt of WG additional grant funding at the end of the financial year, provided an opportunity to increase the level of earmarked reserve balances and improve the Council's overall level of financial resilience. The overall level of General Fund earmarked reserves, as at 31<sup>st</sup> March 2021, stands at £102.503 million, representing an increase of £47.609 million on the balance carried forward from the 2019/20 financial year. It should be noted that, within that balance, is £21.714 million in relation to school balances, which itself has increased by £16.397 million on the balance carried forward from the previous financial year. The General Fund balance, which continues to stand at £14.255 million, has been reviewed by the Council's Section 151 Officer and is considered to remain prudent, despite the uncertain operating context, given the overall increase in earmarked reserves.
25. A number of existing earmarked reserves have seen significant net increases in the value of balances held. Included within this is the Strategic Budget Reserve, which has increased by a net £3.167 million, inclusive of the budgeted £750,000 to support the overall Council budget. This increase in balance can specifically be used to assist with reducing the overall budget gap over the medium term, as well as providing general support for financial resilience and emerging issues going forward. In addition, the Treasury Management Reserve has been increased by a further £4.3 million, as budgeted, in a continuation of the practice commenced in the previous financial year. As reported in the 2019/20 Outturn Report, the balance held in this reserve will assist the Council with strengthening financial resilience and mitigating future risks in respect of capital expenditure and treasury management activities.
26. As reported in earlier paragraphs, both the Insurance and Inspectorate Support reserves have been increased in value, by £1.274 million and £800,000, respectively. Again, these reserve balances will assist with financial resilience and assist the Council is dealing with uncertain insurance and regulatory environments. The other existing reserve that has been significantly increased is the School Formula Funding Reserve, which assists with managing year to year fluctuations in school spending, especially in relation to expenditure that is a shared school financial responsibility, such as redundancies. This reserve balance has increased by £1.865 million as part of closing the accounts.

27. As well as increasing the value of existing reserves, a number of new reserves have been created, including reserves that have been reactivated, having held nil balances for one or more financial years. The reasons for these specific reserves having been created or reactivated vary, with further detail available as part of Appendix 4. However, in summary, a number are the result of the award of grant funding at the end of the financial year. This, in turn, has facilitated base budget funding to be carried forward, having used grant funding to displace expenditure already incurred (where allowable within specific grant terms and conditions), or is the direct result of unexpected grant streams having been awarded, as outlined previously. The new or reactivated reserves are outlined below:
- Adult Social Care - £1.182 million
  - Children's Services - £950,000
  - Central Transport Service - £177,000
  - City Events & Recovery - £1 million
  - Corporate Recovery Risk - £2.250 million
  - CTRS - £2 million
  - Digital Transformation - £3.203 million
  - Family Guarantor - £339,000
  - Roads Maintenance - £1.033 million
28. The balances held by individual schools have increased by £16.397m, taking the total balances held to £21.714 million. Included within this total figure is a surplus of £614,000 in relation to the Mutual Supply Fund (MSF), which recovered during 2020/21, by virtue of reduced absence levels, from the deficit position carried forward from the 2019/20 financial year. Once the MSF balance is excluded, balances held collectively by schools amount to £21.100 million. Within this total are deficit balances totalling £754,000, in relation to two secondary schools one of which related to a school that significantly eroded a long-standing deficit during the year.
29. Although the level of school balances held increased significantly on the previous financial year, it should be noted that a large proportion of this is attributable to the fact that WG grants, totalling £9.796 million, were distributed to schools at the end of the financial year. These grants were to cover costs associated with pay awards, school maintenance and recovery programmes for pupils. Because of schools receiving late notification of these grants, it could not be reasonably expected that these grants would have been utilised by the end of the financial year. However, even after excluding these grants, there is an overall increase, with the majority of schools increasing their surplus balance or reducing their deficit balance. This increase is, in most cases, a direct consequence of the pandemic and the two periods of school closure, resulting in schools making in-year savings, whilst being able to access the WG Hardship Fund to cover income losses and additional expenditure, where this couldn't be absorbed within the respective school budget.
30. In recent years, the Council has taken steps to manage school balances, which has resulted in a number of schools being directed to utilise their balances, once they had exceeded locally agreed thresholds for three

consecutive years. In addition to this, ten schools, who had continued to exceed the thresholds, had excess balances clawed back during the 2020/21 financial year. These balances, which initially totalled £467,000 are currently being held within the School Formula Funding Reserve and are available to those schools to reclaim within a defined timeframe, with some schools having already reclaimed all or part of their balance. In terms of the balances held at the end of the 2020/21 financial year, it is anticipated that the majority of schools will substantially reduce their balances during 2021/22, due to being able to progress works and schemes that were delayed during the pandemic or simply to balance their budget for the year. Therefore, consideration is being given to thresholds and claw back requirements in 2021/22 and arrangements will be confirmed to schools in the near future.

### Housing Revenue Account, Harbour Authority & Civil Parking Enforcement

31. Further detail in relation to the final positions for the Housing Revenue Account (HRA), Harbour Authority and Civil Parking Enforcement (CPE) is provided as part of Appendix 2. These accounts are either ring-fenced or fully grant funded and, therefore, have no impact on the overall final revenue position of the Council. In summary, the HRA recorded a surplus of £6.519 million, which has been transferred to the HRA Fund Balance. In addition, HRA earmarked reserves have been increased by £2.822 million. These transfers to balances and reserves were largely the product of reduced capital financing charges, reduced repairs costs and a reduction in the bad debt provision. The Harbour Authority final position was an overall underspend of £63,000, which WG agreed could be retained within the Harbour Authority Project & Contingency Fund, rather than being returned. In the case of Civil Parking Enforcement, a net trading loss of £498,000, compared to a budgeted surplus of £8.022 million, was reported. However, this loss was fully offset by reimbursements from the WG Hardship Fund and the Job Retention Scheme. In addition, a reimbursement from the Hardship Fund in relation to March 2020 facilitated a transfer of £547,000 to the Parking Reserve.

### **Capital & Treasury Outturn**

32. Expenditure of £165.709 million was incurred across a range of services with £53.632 million of this in relation to Public Housing (HRA).
33. The delivery of capital projects is complex and influenced by a number of external and internal factors. Whilst some slippage is unavoidable, as a result of the receipt of external grants later in the year, directorates are regularly reminded of the need to set achievable expenditure profiles and to identify potential slippage of projects at an early stage. It should be noted that some of the delays experienced during 2020/21 were, in part, attributable to the impact of the COVID-19 pandemic.
34. Key highlights and issues during the year included:

- Success in attracting external grants including – Homelessness / COVID-19 Recovery / Electric Vehicles / Circular Economy Fund / Green Recovery / Children’s Play / TRIP / Schools Maintenance.
- Delay in expenditure on schemes compensated by bringing forward expenditure planned in future years and new grant funded schemes.
- Delay in expenditure across many areas including annual sums and specific schemes such as – Parks / ICT / Non-schools property asset renewal / Highway Infrastructure / Neighbourhood Renewal. Some as a result of COVID-19, but not in all cases.
- Late grant awards and requirement to use external grant by the end of the year resulted in requirement to displace Council funded expenditure, which will be carried forward.
- Significant expenditure in year on property acquisitions during the year.

35. The paragraphs below summarise the outturn position of the Capital Programme for both the General Fund and Public Housing, with further detail on schemes attached at Appendices 6 and 7.

#### General Fund Expenditure and Funding

36. Expenditure was £112.077 million, with a variance of £44.256 million against the approved programme. This is represented by a net overspend of £1.302 million together with slippage of £45.558 million. The main items of expenditure during the year are set out in the table below:

<b>Schemes</b>	<b>Detail</b>	<b>£m</b>
Business and City Development	Town Centre Loan and acquisition of regeneration sites in Butetown as well as to support the Atlantic Wharf Masterplan.	8.4
Parks, Leisure and Venues	Parks play areas and infrastructure, Leisure buildings maintenance; Play Opportunities and Green Recovery, castle lighting and museum of Cardiff equipment.	3.1
Recycling and Waste Management	Recycling glass waste containers, site and depot infrastructure including new control room and fleet car park and a range of grant funded circular economy schemes.	2.7
Education & Lifelong Learning	21 <sup>st</sup> Century schools band B including new Fitzalan High School and acquisition of site for replacement of Willows High; investment in the condition and suitability of school buildings; schemes for Welsh medium expansion; reducing infant class sizes and Schools ICT.	46.2
Neighbourhood Regeneration, Hubs and Private Housing	Disabled adaptation grants, allowing people to live independently in their homes; environmental improvements; Tudor street commercial improvements; Completion of Whitchurch and Rhydypenau Hubs, transfer of grant.	9.9
Highways & Transportation	Road and footpath reconstruction and resurfacing; public transport and road safety improvements; cycling strategy implementation and expansion of cycle hire and moving traffic offences schemes; investment in active travel and safe routes in	24.5

Schemes	Detail	£m
	communities; design works for city centre air quality measures.	
Corporate	Contribution to City Deal projects, works to relinquish leased buildings and acquisition of equity in Cardiff Bus as part of a financial support package.	8.6
Other	Modernising ICT to improve business process; harbour asset renewal; new burial site at Thornhill; completion of Lamby Way solar farm, property asset renewal works and vehicle replacement.	8.7
<b>Total</b>		<b>112.1</b>

37. The expenditure was paid for from a number of sources as shown in the table below and included external grants and contributions, proceeds from the sale of assets and by borrowing. Expenditure incurred without a specific funding source increases the capital financing requirement and must ultimately be paid for by borrowing. This and any associated interest costs must ultimately be repaid from the existing and future income of the Council.

General Fund - Funding Source for 2020/21 Capital Expenditure	Amount £000	Percentage of Funding (%)
WG General Capital Funding - Supported Borrowing	8,704	7.77
WG General Capital Funding - Grant	8,727	7.79
WG and other external grants	60,228	53.74
Additional Unsupported Borrowing	15,776	14.07
Invest to Save Unsupported Borrowing	12,633	11.27
Revenue and Reserves	972	0.87
Capital Receipts	4,098	3.65
External Contributions	939	0.84
<b>Total</b>	<b>112,078</b>	<b>100.00</b>

38. The Council received a base allocation of General Capital Funding from Welsh Government of £17.431 million in 2020/21. This was made up of capital financing support within the revenue budget settlement to undertake £8.704 million of supported borrowing and a cash grant of £8.727 million.
39. In addition to the above, the Council has undertaken unsupported borrowing which has to be fully met through the revenue budget in future years. In 2020/21, the Council used unsupported borrowing of £28.409 million to support General Fund expenditure. Of this, £15.776 million of borrowing was required to balance Capital Programme commitments and £12.633 million was for 'Invest to Save/Earn' borrowing, repayable from future Directorate revenue budgets. The timing and availability of external grants remained uncertain, with some approvals received late during the year, making long term planning difficult.

## General Fund Capital Receipts

40. The Capital Programme approved by Council in February 2018 set a target for non-earmarked General Fund Capital receipts of £40 million, with a subsequent increase of £1 million to this target in 2019/20, after making a deduction for eligible revenue costs of disposal. Receipts of £6.887 million have been generated in the two years to 31<sup>st</sup> March 2020 towards this target. The forecast receipts when setting the 2020/21 resources was £7 million, from the disposal of land as well as a number of retail parades. The cash receipts received during 2020/21 are shown in the following table:

	<b>£000</b>
<b>General Fund – Non Earmarked</b>	
121-131 Bishopston Road	288
Land adjacent to Beacon Centre	311
Fishguard Road Shops	285
Other sales of land / release of covenants	90
<b>Total</b>	<b>974</b>

41. Earmarked capital receipts received during the year are to be used to repay initial expenditure or ring-fenced for specific projects such as the Investment Property Strategy.

	<b>£000</b>
<b>General Fund - Earmarked for Specific Capital Schemes</b>	
Dumballs Road	11,700
Sale of equity from previous SME support schemes	171
Investment Property Estate	32
<b>Total</b>	<b>11,903</b>

42. Updates on the property disposal strategy will be included in the Corporate Property Strategy 2021-2026 report to be considered by Cabinet in July.

## Public Housing (HRA) Expenditure and Funding

43. Expenditure in 2020/21 on Public Housing schemes was £53.632 million only after allowing for expenditure brought forward for site acquisition and additional grants received during the year. Slippage into 2021/22 will be re-prioritised as part of the 2021/22 budget. Investment was made in estate regeneration, housing stock remodelling, the fabric of dwellings, disabled adaptations and in the development of new Council housing and delivering the Council's future service model in response to COVID-19 for homelessness.
44. The table below shows how HRA capital expenditure was paid for:-

<b>Public Housing - Funding Source for 2020/21 Capital Expenditure</b>	<b>Amount £000</b>	<b>Percentage of Funding (%)</b>
Major Repairs Allowance (WG grant)	9,511	17.73
Additional Unsupported Borrowing	24,534	45.75
WG and other external grants	12,274	22.89
Revenue and Reserves	2,400	4.47
Capital Receipts	2,357	4.39
External Contributions	2,556	4.77
<b>Total</b>	<b>53,632</b>	<b>100.00</b>

#### Public Housing Capital Receipts

45. Capital Receipts of £110,000 were generated from the sale of Council dwellings still eligible under the now ceased Right to Buy scheme. A further £2.144 million was generated from the sale of various freeholds, retained equity held from previous Council and developer home ownership support schemes as well as share of land sale proceeds from the Cardiff Living scheme.

#### Treasury Management

46. The Council's Treasury Management activities were undertaken in accordance with the strategy approved at Council in February 2020. During the year, periodic reports on Treasury Management were submitted and reviewed by the Council's Audit Committee as well as at Cabinet and Council meetings. Attached at Appendix 8 is the Treasury Management Performance report as at 31<sup>st</sup> March 2021, which is a report also provided to Audit Committee periodically to highlight the Treasury position.

#### Investments

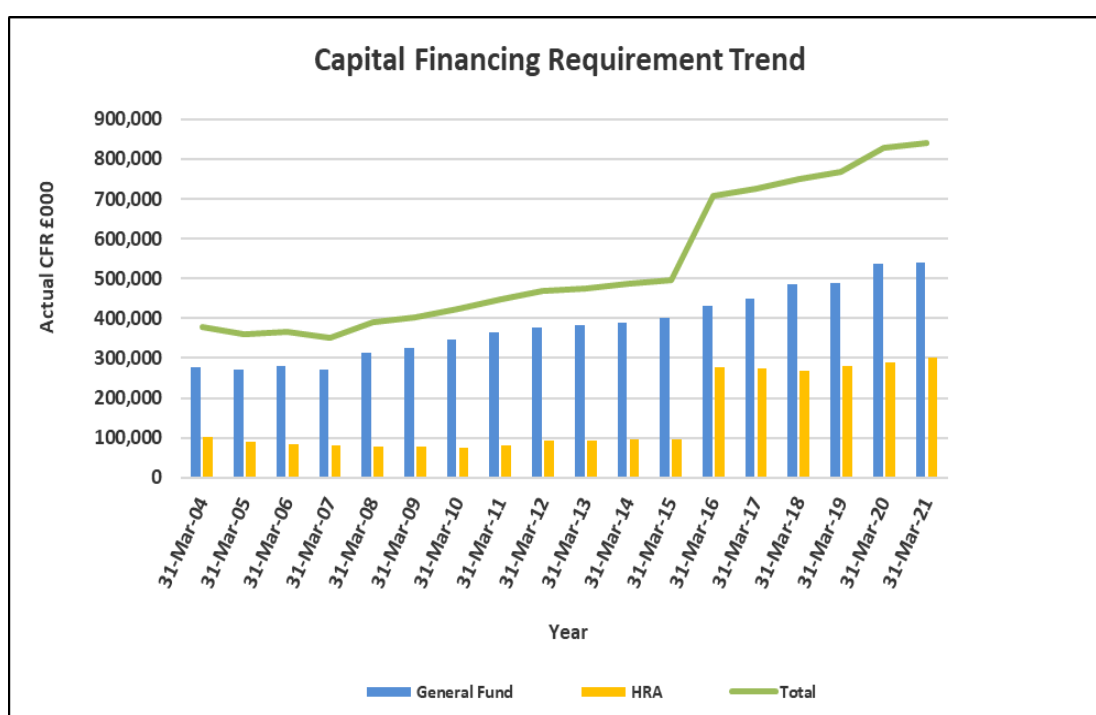
47. At 31<sup>st</sup> March 2021, investments arising from temporary cash balances stood at £141.4 million. The balance of investments is at a point in time and will fluctuate daily depending on the timing of receipts and payments in the Council's bank account e.g. payments to suppliers, receipt of grants and capital receipts. The organisations with whom the Council invests were set out in the Council's Investment Strategy for 2020/21 and where possible, investments were diversified across organisations.
48. The overall level of interest receivable from treasury investments reflected the significant reduction in deposit interest rates. After allowing for interest on balances held on behalf of others, interest receivable for the general fund totalled £0.250 million with the average rate achieved during 2020/21 being 0.22%, which compares favourably against the 7 day LIBID rate of -0.02% and the 3 Month LIBID rate of 0.00%.

## Borrowing

49. At the 31<sup>st</sup> March 2021, the Council's total external borrowing was £810.7 million. This was predominantly made up of fixed interest rate borrowing from the Public Works Loan Board (PWLB) payable on maturity.

31 <sup>st</sup> March 2020			31 <sup>st</sup> March 2021	
£m	Rate (%)		£m	Rate (%)
698.9		Public Works Loan Board	698.9	
51.0		Market (Lender Option Borrower Option)	51.0	
20.6		Welsh Government	22.5	
58.3		Local Authority	38.3	
<b>828.8</b>	<b>4.11</b>	<b>Total External Debt</b>	<b>810.7</b>	<b>4.17</b>

50. The average rate on the Council's borrowing increased during the year from 4.11% to 4.17%, primarily due to the maturity of lower rate short-term borrowing. Total interest payable was £34.020 million, of which £12.658 million was charged to the Housing Revenue Account (HRA). All borrowing is in the name of the Council and a single pool of debt is maintained rather than having separate loans for the HRA.
51. The Council's Capital Financing Requirement (CFR) at 31<sup>st</sup> March 2021 i.e. capital expenditure incurred but not yet paid for (Borrowing Requirement) is estimated to be £840 million, £539 million for the General Fund and £301 million for the Housing Revenue Account. The trend in the CFR since 2004 is shown in the following chart, with the increase in 2015/16 including the subsidy exit payment of £187 million made by the Housing Revenue Account.





52. Whilst borrowing rates remained higher than investment rates in 2020/21, the Council was 'internally borrowed' which means it was using temporary cash balances in the short term rather than undertaking external borrowing. In addition to the short-term financial savings, this approach reduced exposure to credit risk.
53. During 2020/21, the Council repaid £21.207 million of maturing loans. Interest free loans totalling £3.111 million were received from the Welsh Government in respect of Town Centre loan scheme and energy efficiency schemes.
54. Subject to audit, the outcome of the above transactions, coupled with the performance of expenditure during the year on capital programme, the Council's total external borrowing (£811 million) is lower than the borrowing requirement as defined by the Capital Refinancing Requirement (£840 million) at 31<sup>st</sup> March 2021, indicating that the level of internal borrowing is £39 million.
55. A full Treasury Management Outturn Report will be considered by Council in October 2021.

### **Scrutiny Consideration**

56. The Policy Review and Performance Scrutiny Committee considered this item on 9 June 2021. The letter from the Chair is attached at Appendix 9.

### **Reason for Recommendations**

57. The report is for information and serves to complete the financial monitoring processes for 2020/21.

### **Financial Implications**

58. In summary, this report outlines a balanced revenue outturn position for the financial year 2020/21. This represented an improvement on the net overspend positions reported throughout the year and was largely due to the receipt of additional external grant funding towards the end of the financial year. The final net directorate position reflected a net overspend of £191,000, and overspends against the Summary Revenue Account and Capital Financing budgets, which were fully offset by the general contingency budget and a surplus in relation to Council Tax collection. Contained within the position were savings shortfalls totalling £4.477 million and unfunded costs connected to responding to the COVID-19 pandemic amounting to £1.9 million. Further COVID-19 costs amounting to £214,000 were rejected from the WG Hardship Fund, however these were met from the HRA and capital programme. All income losses experienced by the Council, as a consequence of the pandemic, were funded via the Hardship Fund.

59. The final overall balanced position means that the level of General Fund Balance remained at £14.255 million. In addition, mainly as a consequence of the significant grant funding allocations from WG at the end of the financial year, general fund earmarked reserves increased by £47.609 million, to a total value of £102.503 million. As well as providing an opportunity to increase the value of existing reserves, and increasing the Council's financial resilience in the process, the year-end position allowed for the creation of a number of new earmarked reserves. The results of which will support the Council in the recovery from the impact of the pandemic, whilst also contributing towards the overall resilience of the authority, both in the immediate future and over the medium term.
60. Whilst the final position is a welcome outcome, there remain areas of significant concern and risk going forward, particularly as we emerge from the pandemic. These include the level of unachieved savings being carried forward into 2021/22, with steps needing to be taken to achieve these savings, or mitigate shortfalls. In addition, there remains longer-term concern regarding the financial support that will be forthcoming from WG in relation to the financial impact of the pandemic, both in terms of expenditure and income. Currently, the WG Hardship Fund is only set to continue until September 2021, meaning that local authorities need to be in a position to withstand the ongoing impact, particularly in relation to the recovery of income generating services. Therefore, it remains of critical importance that directorates manage budgets and expenditure tightly and take all opportunities to maximise income generation. It is important that directorates do not become reliant upon WG support and develop strategies that allow them to emerge from the pandemic on a firm financial footing.
61. In relation to the 2020/21 Capital Programme, a final variance of £47.399 million was reported, including £3.143 million in relation to Public Housing. This final position represented an increase on the figure reported at Month 9, with the majority of the variance relating to slippage of schemes. Concerns regarding the overall level of slippage were reported in earlier reports and directorates were asked to take steps to ensure this was minimised. However, the final figures suggest that was not achieved as anticipated, due, in part, to delays arising because of the pandemic. Therefore, this means that there will be a significant challenge during 2021/22 for the Council to be able to deliver its full programme, when considering the level of catch up required in relation to schemes originally planned for 2020/21. In order to achieve this, directorates will need to exhibit discipline in relation to programme and project management and retain a clear focus on delivery, ensuring that issues arising are escalated as a priority. In addition, programme-related risks will need to be identified and managed, including those relating to funding streams underpinning the programme, such as capital receipts, if the overall affordability of the programme is to be maintained.

## **Legal Implications**

62. The report is submitted for information as part of the Authority's financial monitoring process. The Council's constitution provides that it is a Council responsibility to set the budget and policy framework and to approve any changes thereto or departures there from. It is a Cabinet responsibility to receive financial forecasts including the medium term financial strategy and the monitoring of financial information and indicators.

## **Generic advice**

63. In considering the matters set out in this report regard should be had, amongst other things, to:
- (a) The Welsh Language (Wales) Measure 2011 and the Welsh Language Standards,
  - (b) Public sector duties under the Equalities Act 2010 (including specific Welsh public sector duties). Pursuant to these legal duties Councils must in making decisions have due regard to the need to (1) eliminate unlawful discrimination, (2) advance equality of opportunity and (3) foster good relations on the basis of protected characteristics. Protected characteristics are : a. Age; b. Gender reassignment; c. Sex; d. Race – including ethnic or national origin, colour or nationality; e. Disability; f. Pregnancy and maternity; g. Marriage and civil partnership; h. Sexual orientation; i. Religion or belief – including lack of belief, and
  - (c) The Well - Being of Future Generations (Wales) Act 2015

## **Well Being of Future Generations (Wales) Act 2015**

64. The Well-Being of Future Generations (Wales) Act 2015 ('the Act') places a 'well-being duty' on public bodies aimed at achieving 7 national well-being goals for Wales - a Wales that is prosperous, resilient, healthier, more equal, has cohesive communities, a vibrant culture and thriving Welsh language, and is globally responsible.
65. In discharging its duties under the Act, the Council has set and published well-being objectives designed to maximise its contribution to achieving the national well - being goals. The well - being objectives are set out in Cardiff's Corporate Plan 2019-22:
- <http://cmsprd.cardiff.gov.uk/ENG/Your-Council/Strategies-plans-and-policies/Corporate-Plan/Documents/Corporate%20Plan%202018-21.pdf>
66. When exercising its functions, the Council is required to take all reasonable steps to meet its well-being objectives. This means that the decision makers should consider how any proposed decision will contribute towards meeting the well-being objectives and must be satisfied that all reasonable steps have been taken to meet those objectives.
67. The well-being duty also requires the Council to act in accordance with a 'sustainable development principle'. This principle requires the Council to act in a way which seeks to ensure that the needs of the present are met

without compromising the ability of future generations to meet their own needs. Put simply, this means that Council decision makers must take account of the impact of their decisions on people living their lives in Wales in the future. In doing so, the Council must:

- Look to the long term
- Focus on prevention by understanding the root causes of problems
- Deliver an integrated approach to achieving the 7 national well-being goals
- Work in collaboration with others to find shared sustainable solutions
- Involve people from all sections of the community in the decisions which affect them

68. In regards to any decision going forward, the decision makers must be satisfied that any proposed decision accords with the principles above; and due regard must be given to the Statutory Guidance issued by the Welsh Ministers, which is accessible using the link below:

<http://gov.wales/topics/people-and-communities/people/future-generations-act/statutory-guidance/?lang=en>

### **HR Implications**

69. There are no HR implications arising from this report.

### **Property Implications**

70. The report is submitted for information as part of the Authority's financial monitoring process. The Strategic Estates Department continues to work with the Finance Department to monitor the ongoing impact of COVID-19 on the Council's estate-related revenue and capital budget. There are no further specific property implications to report.

## **RECOMMENDATIONS**

Cabinet is recommend to:

1. Approve the report and the actions taken in respect of the Council's accounts for 2020/21.
2. Note that this report will form an appendix to the Financial Statements report to be considered at a Council meeting in the autumn of 2021.

<b>SENIOR RESPONSIBLE OFFICER</b>	<b>CHRISTOPHER LEE</b> Corporate Director Resources
	11 June 2021

*The following appendices are attached:*

- Appendix 1 – Revenue Position
- Appendix 2 – Directorate Commentaries
- Appendix 3 – 2020/21 Budget Savings Position
- Appendix 4 – Earmarked Reserves
- Appendix 5 – Housing Revenue Account
- Appendix 6 – Capital Programme
- Appendix 7 – Capital Schemes Update
- Appendix 8 – Treasury Management Performance Report (Confidential)
- Appendix 9 - Letter from the Chair of Policy Review and Performance Scrutiny Committee