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**Budget Monitoring 2021/22 - 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 2021/22. This report is going to Cabinet at its meeting on 23 September 2021.

**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. Those services include *Corporate Management, Economic Development* (Corporate 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 2021/22,  
Attached to this report are the following appendices  
Appendix 1 – Revenue Monitoring Position  
Appendix 2 – Directorate Commentaries  
Appendix 3 – Directorate Budget Savings Position  
Appendix 4 – Capital Schemes Update  
Appendix 5 – Capital Programme Summary

3. The report to Cabinet continues the format of setting out the pressures arising from the ongoing Covid-19 pandemic separately from those relating to operational service delivery. 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 3-10** of the report to Cabinet detail the financial impacts resulting from the pandemic, up to end of July 2021. Specifically, Members can read about:
  - Welsh Government Covid-19 funding support (*points 3-4*)
  - Council claims for expenditure and results of these claims (*points 5-7*)
  - Council claims for loss of income (*points 8- 9*)
  - Estimate of further Covid related costs the Council will need to meet from existing resources. (*Point 10*)
5. These show that the Council submitted expenditure claims to WG totalling **£8.497 million**, up to the end of July 2021, of which **£7.404 million** has been reimbursed, **£1.075 million** held and **£17,000** disallowed.
6. With regard to the Council claim for loss of income, in quarter 1 **£5.009million** has been claimed and **£4.068million** reimbursed in full, with **£941,000** pending clarity later in the year on the amount of income lost versus delayed in areas such as planning and licensing.
7. **Point 10** 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 indicates that the maximum impact should the council have to fund 100% of additional costs is **£7 million**.

## Revenue budget

8. The 2021/22 month 4 budget monitoring report attached at **Appendix A** states that, at this point, a net overspend of **£1.442 million** on the revenue account is projected for the end of the 2021/22 financial year. This is comprised of Directorate projected budget overspends of **£4.042million** and a projected Capital Financing overspend of **£400,000**, partially offset by the **£3 million** general contingency budget.
9. The service areas predicting the most significant overspends are Children's Services (£1.215 million), Economic Development (£1.863 million), Education & Lifelong Learning (£595,00). Notably the majority of Directorates are highlighting adverse financial positions.
10. Members may wish to note the table at **point 13** of the report to Cabinet that shows the Directorate positions, underspends are reported in brackets. Further details are provided in **Appendix 2**.

## Savings

11. An overall shortfall of **£733,000** is currently anticipated against the **£5.554 million** directorate savings target; more details are provided in **Appendix 3** of the report to Cabinet.

## Capital Financing

12. The Capital Financing outturn is forecast to be **£400,000** in excess of budget. 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.

13. On a positive note, a balanced position is being reported in relation to Council Tax Collection. Performance to date suggests that collection rates are at a level at least comparable to 2020/21.

### **Contingency**

14. **Point 19** sets out that the Directorate positions reported include **£3.788 million** 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.

### **Capital**

15. Members will find detail of the Council's Capital Programme in **Appendices 4 and 5** of the papers. The Council's Capital Programme is currently **£279.125 million** for 2021/22 including an indicative programme to 2025/26.

16. The projected outturn for the year is currently **£168.599 million** against a total programme of **£192.385 million** with a variance of £23.786 million, which is predominantly slippage. Expenditure at Month 4 was £26.334 million which represents **16% of the projected outturn**, however there are a number of large expenditure items which are subject to progress during the latter part of the year.

17. **Points 25-33** of the report present a picture of progress on Capital Schemes, stressing the essential role that the Council's capital investment programme plays in both stimulating the local economy and delivering local services during the post Covid-19 recovery period. Directorates are reminded of the need to allocate sufficient capacity and resource to ensuring projects progress in the timescales intended and consider opportunities to bring forward expenditure where possible. Similarly, the need to utilise grants bid for and awarded in approved timescales is a risk to be managed by directorates in the remainder of the year.

18. **Points 34-37** remind members that in February 2018 the Council set a target of **£40 million** non-earmarked General Fund Capital receipts. As at March 2021

**£7.861million** had been received. Income for 2021/22 was forecast at £6 million, receipts to date are £165,000. Members may wish to note that the Annual Property Plan for 2021/22, due to be presented to Cabinet and scrutinised by this committee shortly, will update current forecasts and will be key in determining the affordability of the Capital Programme update to be considered as part of 2022/23 budget strategy work to take place shortly.

19. At **points 38-48** Members will find details of the Housing Revenue Account position. This budget covers *estate regeneration schemes* (community safety, defensible space, and waste storage and courtyard improvements to blocks of flats); *planned investment* in the refurbishment of Council dwellings; *disabled adaptations* and expenditure on *the development of new housing* and other development projects. Slippage of £6.504 million on building improvements and notably delays to a major work scheme due to Covid and new legislation means £917,000 spend is projected against an in-year budget estimate of £5.750 million.
20. The position in respect of capital projects to support the Council's agreed service model for Homelessness is set out at points 45-47, including new-build temporary accommodation and the purchase of a YHA Hostel for **£6.5million**. The report explains the Council submitted a number of grant bids to Welsh Government covering Covid-19 related homelessness recovery plans and secured over **£12 million** of funding.

### **Way Forward**

21. 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**

22. 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**

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 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 month 4 2021/22 budget monitoring 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 of items.

**DAVINA FIORE**

Director, Governance & Legal Services

**15 September 2021**