
Budget Monitoring – Month 6 2021/22

Reason for the Scrutiny

1. To update Members on the Council's financial monitoring position at Month 6 of 2021/22, in preparation for pre-decision scrutiny of the report to be considered by Cabinet at its meeting on 18 November 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 the budgets for Corporate Management, Economic Development (*County Property & Estates, Facilities and Operational Management*), People & Communities (*Performance & Partnerships*), Governance & Legal Services (*Legal Services, Members Services, Democratic Services and Scrutiny*), 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 6 2021/22,
Attached to this report are the following appendices
 - Appendix 1 – Revenue Monitoring M6 Position
 - Appendix 2 – Directorate Commentaries
 - Appendix 3 – Directorate Budget Savings M6 Position
 - Appendix 4 – Capital Programme M6 Summary

Appendix 5 – Capital Schemes M6 Update

3. The report to Cabinet acknowledges that the financial and economic impact of the pandemic will remain with local authorities for the foreseeable future. It therefore 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 September 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 **£13,781 million**, up to the end of September 2021, of which **£9,092 million** has been reimbursed, **£2,507 million** is held and **£17,000** was disallowed.
6. With regard to the Council claim for loss of income, a table at **point 9** provides an overview of the status of the Q1 income claim, alongside the claims for Q2 including details of the most significant income losses experienced. However a table at **point 10** highlights the risk that not all additional expenditure and income loss will be fully reimbursed by the WG Hardship Fund arrangements. If there is no further reimbursement the financial impact on the Council is an additional **£7 million**.

Revenue budget

7. The 2021/22-month 6 budget monitoring report attached at **Appendix A** states that, at this point, a net overspend of **£0.397 million** on the revenue account is projected for the end of the 2021/22 financial year. This is an improved position since the month 4 (£1.442 million) report. The overspend is comprised of Directorate projected budget overspends of **£3,147million** and a projected Capital Financing overspend of **£250,000**, partially offset by the **£3 million** general contingency budget.
8. The service areas predicting the most significant overspends are Children's Services (£1,414 million compared with £1.215 million at month 4), Education & Lifelong Learning (£1,045 million compared with £595,00 at month 4) and Economic Development (£827,000 compared with £1.863 million at month 4). Planning Transport & Environment (£289,000) and Governance & Legal Services (£157,000) report smaller overspends.
9. For a quick review of Directorate positions at month 6 Members are directed to the table at **point 13** of the report to Cabinet that lists all positions, note that underspends are reported in brackets. Further details are provided in the Directorate commentaries in **Appendix 2**.
10. The main financial pressures the Council faces at month 6 are:
 - Children's Services - the additional cost and number of residential and internal fostering placements.
 - Children's Services - the additional expenditure in relation to agency staffing.
 - Education - pressures in relation to Out of County Placements, both in terms of cost of individual placements and the overall number of pupils requiring specialist provision.
 - Education - underlying pressures evident within School Transport due to the number of pupils with additional learning needs requiring transport.

- Economic Development - the level of uncertainty facing the income generating services and reflects the level of risk if WG are not able to support fully the impact on services

Savings Delivery

11. An overall shortfall of **£663,000** 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 General Fund financing outturn is forecast to be **£181.981 million** of the **£201.229 million** programme. 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. Expenditure at the end of Month 6 was **£51.894 million** which represents 29% of the projected outturn, halfway through the financial year

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 Budgets

14. **Point 19** sets out that the Directorate positions reported at month 6 include a number of transfers from contingency budgets, as follows:

- £3.360 million transferred from the Council Tax Reduction Scheme (CTRS) contingency budget.
- £500,000 transferred from the £2.175 million Children's Services contingency budget to meet the additional costs arising from external

placements. Note that it is anticipated that this contingency will be required in full by the end of the year as additional placements occur.

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 **£244.353 million** for 2021/22 including an indicative programme to 2025/26.

16. The projected outturn for the year is currently **£181.981 million** against a total programme of **£201.229 million** with a variance of £19.248 million, which is predominantly slippage. Expenditure at Month 6 was £51.894 million which represents **29% of the projected outturn** halfway through the financial year.

17. **Points 25-29** of the report present a picture of progress on **Capital Schemes**, stressing that the Council's capital investment programme is influenced by both external and internal factors. Directorates are again reminded of the need to allocate sufficient capacity and resource to ensuring projects progress in the timescales intended and to identify slippage at an early stage. The key challenge listed appears to be inflation and supply chain challenges with increases in tender prices likely impacting on costs of works, which in turn is likely to impact on managing within estimated budgets. This may require re-prioritisation of schemes to be undertaken including changes in specification where this allows the same outcomes to be met.

18. **Points 30-33** remind members that in February 2018 the Council set a target of **£40 million** for non-earmarked General Fund Capital receipts. As at March 2021 **£7.861 million** had been received. The report then forecasts income towards the target during 2021/22 is £6 million. Receipts to date total £388,000, with the Annual Property Plan for 2021/22 set to update Members on the forecast of receipts during this financial year and for future years.

19. At **points 34-43** Members will find details of the **Housing Revenue Account** position. This **£86.740 million** budget covers *estate regeneration schemes* - £3.150 million (community safety, defensible space, and waste storage and

courtyard improvements to blocks of flats); *planned investment* - £19.250 million in the refurbishment of Council dwellings; *disabled adaptations* - £3.350 million and expenditure on *the development of new housing* - £41.450 million and other development projects.

20. Cabinet considered in July 2020 a **future service model for Homelessness** and set out a range of schemes to offer long-term and sustainable housing options for homeless families and single people. Two sites were identified to deliver new-build temporary accommodation, Hayes Place which completed in February 2021 and the Gasworks site, Grangetown which will provide 50 flats as temporary accommodation for homeless families. Specialist supported accommodation for homelessness was proposed at Adams Court. To support the costs of these three projects, the Council submitted a number of grant bids to Welsh Government and over £12 million pounds of funding was approved. Current risks to the programme are a shortage of materials and labour, recognised nationally as a source of concern for the development industry. As a result, the implementation of some schemes could be delayed until early 2022 and therefore the new build programme is projected to have slippage of £19.540 million.

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 6 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.

DAVINA FIORE

Director, Governance & Legal Services

11 November 2021