

Appendix 2 – Directorate Commentaries

Corporate Management Balanced

1. The overall position for Corporate Management is a balanced position and the 2021/22 savings target of £63,000, in relation to past service pension contributions, is currently projected to be achieved in full.

Economic Development +£680,000

2. The Economic Development Directorate is forecasting a £680,000 overspend against the net controllable budget of £7.956 million; an improvement of £148,000 compared to the month 6 report. Changes in assumptions regarding the potential loss of income recovery as part of the claims to WG are partly offset by other increased spends above budget.
3. In previous forecasts, it had been assumed income losses and additional spend directly linked to Covid 19 would be fully reimbursed from the WG Hardship Fund for quarters 1 and 2, whilst only 75% of income losses would be reclaimable in quarters 3 and 4. Current forecasts are based on the more optimistic assumption that claims may be fully reimbursed for October to March. This is still subject to review and agreement by WG and any change will significantly impact on the position.
4. Culture Venues and Events are reporting a potential underspend of £128,000 predicated on full recovery of increased net income losses across the venues and functions estimated at £5.46 million. The surplus relates to part year vacancy savings, underspends within Commercial Activities and cost savings within the Events function.
5. The Sport, Leisure and Development function is now projecting a potential overspend of £222,000. There are outstanding approvals for income loss reimbursement in relation to supplier relief and capital charges. This position takes the cautious approach that these may not be approved. The rest of the division reports a balanced position on the assumption that net income losses and unfunded supplier relief payments in the region of £3.816 million will be fully reimbursed.
6. A £24,000 underspend on supplies and services is reported for Service Management and Support. The Parks division is reporting a potential £51,000 surplus with staff vacancies partly offset by increased vehicle charges.
7. Facilities Management is reporting an improved potential underspend of £87,000 due to reduced expenditure on cleaning and utilities and an improved income forecast for Building Services. These are partly offset by a deficit within Pest Control. Health & Safety are reporting an overspend of £33,000 with an unachieved vacancy provision and income below target (relating to asbestos training not possible due to COVID restrictions).

8. The Project Design and Development service forecasts a trading deficit of £210,000 in line with a detailed review of existing schemes and projects to financial year end and an analysis of projects on hold and at risk. In addition, an increased £284,000 overspend is forecast for the Major Projects division for unbudgeted spend above budget in respect to various projects.
9. Property Services are reporting an increased overspend of £442,000. As previously reported, the position includes delays in a number of property transactions that were previously assumed to be completed by the end of the financial year. The change in the forecast reflects the inclusion of a prudent 10% bad debt provision for rental income assumed to be deferred but considered high risk due to the ongoing impact of Covid on tenants and related businesses. This forecast also includes vacancy savings offset by overspends in relation to disposals and shortfalls against related income targets for the Old Library.
10. The Business and Investment functions are reporting a potential surplus of £126,000 due to an improved position on advertising income.
11. The 2021-22 savings target for Economic Development is £916,000. Savings of £686,000 have been identified as achievable, leaving a balance of £230,000 considered unachievable by financial year end. This potential shortfall relates to savings in respect to St David's Hall and cost reductions across all expenditure headings – £200,000 and cost efficiencies at the Cardiff Castle Café (£30,000). Enforced closure of both venues as a result of the pandemic and related restrictions has impacted throughout the year and has resulted in these targets being considered unachievable.

Education & Lifelong Learning +£948,000

12. The Month nine position for the Education & Lifelong Learning directorate reflects an overspend of £948,000. The main pressures within the position include: Achievement, £537,000 overspent due to income targets yet to be achieved in Client Services and an overspend on Youth Services due to employee costs no longer covered by grant funding. Education Other than At School, £283,000 overspent as a result of non-recoupable teacher costs due to pupils with Statements of SEN being placed on the community teaching program instead of special school provision. In addition, Schools Transport £504,000 overspend due to the cost of additional routes since the start of the school year and projected uplift requests in relation to price increases as a result of staff retention and inflationary cost rises.
13. Partially offsetting this overspend are savings within Out of County Placements (£137,000) due to a balance of additional funding and the managing of placements and an underspend in Non-delegated Schools (£402,000) in relation to budget held for redundancies unlikely to be utilised this financial year.

14. Traded Services is projected to be a balanced position on the assumption that 100% of the WG lost income funding will be awarded in respect of Catering Services. A balanced position is being projected for the Music Service due to covid loss of income funding, alongside additional Welsh Government grant received for this year only.
15. The 2021-22 savings target for Education is £288,000. Savings of £228,000 have been identified as achievable, leaving a balance of £60,000 considered unachievable by financial year-end. This potential shortfall relates to a saving proposal on business support changes with other mitigations being explored.

Housing & Communities (£528,000)

16. The Housing & Communities directorate is reporting an overall underspend of £528,000 at Month 9. This comprises overspends totalling £32,000 across Housing Strategy (+£17,000) and Neighbourhood Regeneration (+£15,000), offset by underspends totalling £560,000 across all other areas of the service.
17. The £17,000 Housing Strategy and Service Development overspend is due to ongoing delays in a planned restructure, with a partial offset from vacancy savings. Neighbourhood Regeneration overspend of £15,000 is linked to legislative changes.
18. In Advice and Benefits, a £86,000 underspend is projected overall after assuming a £477,000 draw down from earmarked reserves. Within Advice and Benefits, a balanced outturn is anticipated in relation to the Housing Benefit (HB) Systems and Subsidy budgets. Many factors can change the level of Housing Benefit payments and subsidies receivable by the financial year-end. Any surplus or deficit will be managed through the Welfare Reform earmarked reserve set aside for this purpose.
19. In Homelessness and Hostels, a £141,000 underspend is projected after assuming a drawdown of £168,000 from earmarked reserves and utilisation of £100,000 from Empty Homes premiums to support homelessness pressures. The underspend is due to the ongoing recruitment to vacant posts at the Housing Options Centre partly offset by security costs at Shirenewton. With continued Welsh Government support, new Hostel units are now operational and it is expected that all associated costs will be fully recovered.
20. Within Independent Living Service, an underspend of £224,000 relates to employee savings across its divisions. The shortfall in Disabled Facility grant fee income of £110,000 to 30th of September has been recovered in full from the Welsh Government. The £5,000 underspend in relation to Housing Projects is a result of employee savings within the Rehousing Solutions Division.
21. Early Help underspend of £12,000 is due to in year vacancies. The division incorporates the Family Gateway service funded by a combination of base budget and grant income. Parenting, Flying Start and Childcare are also within this division and are all currently projecting balanced positions.

22. Hubs and Community Services which now include Day centres are reporting an underspend of £78,000 overall due to employee savings across the divisions. Lost income of £165,000 within Learning for Life has been recovered from Welsh Government.

Performance & Partnerships - Balanced Position

23. Performance & Partnerships is reporting a balanced position having considered all staffing matters within the directorate. The two budget savings proposals in this directorate for 2021/22 totalling £142,000, are projected to be fully achieved.

Recycling and Neighbourhood Services – Balanced Position

24. The Month 9 position shows a balanced position, after assumed partial use of the contingency provision for fluctuations in volumes and material type. It also reflects the recovery of lost income and additional expenditure from the Local Government Hardship Fund. This is in line with the position reported at Month 6. The service is also projected to achieve the full £350,000 budget savings. The position highlights significant pressures within Collections with further overspends in Waste Disposal, Environmental Enforcement and Waste Strategy but, there is a substantial underspend in Recycling Treatment and savings in Management & Support., with Street Cleansing projecting a balanced position.
25. The Collections overspend is £1,477,000 and reflects the decision to employ an additional five crews to address operational staff resource issues, the uptake of the extra annual leave carried forward from the previous year and higher than budgeted sickness rates along with increased vehicle costs.
26. Waste Disposal costs are forecast to exceed the budget by £226,000 reflecting an increase in the volume of residual waste and a shortfall in landfill gas income. The overspend in Environmental Enforcement is £169,000 caused by a short-term extension to temporary staff contracts and a reduction of financial penalty notice income.
27. The underspend of £1.542 million in Recycling Treatment reflects an increase in the price received from the sale of recyclable material following operational improvements made at the HWRC's and market prices. The market is very open to price volatility and this projection is based on existing income levels and likely scenarios for the remaining four months.

Adult Services (£100,000)

28. Adult Services is projected to underspend by £100,000 at Month 9. This is a slight improvement reported on the Month 6 position. The £100,000 comprises of a £22,000 overspend on commissioned care, which is offset by a £122,000 underspend on Internal Services.

29. The position on commissioned care varies by division of service. Overspends are projected in relation to Physical Disabilities (+£502,000) and Substance Misuse (+£8,000). However, these are largely offset by underspends in relation to Older People (-£268,000) and Mental Health (-£161,000) and Learning Disabilities (-£59,000). The overspend in Physical Disabilities reflects additional domiciliary care costs linked to an increase in the number and average cost of packages. Other contributory factors include increased supported living costs, together with a new college placement. The underspend in Learning Disabilities reflects additional contributions towards care packages from Health together with lower than anticipated college placement costs from September 2021. The underspend in Mental Health commissioned care reflects a small reduction in residential placements during the year together with further cost savings resulting from 2020/21 proposals.
30. The underspend on Older People commissioned care is largely attributable to an underspend on direct payments. The Older People's position reflects the assumption that additional costs will be incurred during the year following the financial assessment of a number of self-funded placements with likelihood of financial responsibility will falling to the Local Authority. Whilst general turnover in placements may assist in accommodating some of these costs, there is likely to be a net financial impact, and estimates will be kept under review as assessments are completed. The position also assumes that the impact of the Discharge to Assess arrangements in year will be fully funded by grant. The point at which permanent care placements are made following assessment will be carefully tracked, as ongoing placement costs will fall to the Council. Given the advanced stage that we are already at in the current financial year, this is not expected to have a material impact in 2021/22 but is an important factor in budgetary planning for 2022/23.
31. The £122,000 net underspend on internal services is a combination of a £152,000 overspend on Internal Support Living offset by underspends in assessment & care management, business support and reablement. The overspend on Internal Supported Living is linked to the delayed achievement of savings in the current financial year whilst areas of underspend reflect a combination of grant funding and vacant posts.
32. The directorate is currently projected to achieve £413,000 of the £667,000 savings proposed in 2021/22. The main saving that is not anticipated to be fully achieved in 2021/22 relates to the Internal Support Living Service, where £160,000 of the £300,000 saving is anticipated to be unachieved due to the delay in closure of one of the schemes. Other areas of under-achievement relate to use of technology in care provision (£94,000).

Children's Services +£950,000

33. Children's Services is currently projecting an overspend of £950,000. An overspend of £225,000 is anticipated in relation to court assessments and undertaken due to capacity issues within the localities teams. Additional pressure on CHAD budgets as a result of increased placements has contributed to the overspend position (£650,000) in relation to domiciliary care. Projected agency expenditure above base budget includes £443,000 in Intake and Assessment, £280,000 in localities and £172,000 in Child Protection and Safeguarding. In addition a vacancy provision of £423,000 is unachieved. This position is partially offset by additional Covid Recovery Fund from WG . The outturn projection also includes use £230,000 of additional St David's Day Funds and £200,000 of Families First Grant for supported lodgings for care leavers and staff agency costs respectively.
34. The number of external residential placements has fluctuated during the year with a total of 92 places at the end of month nine, with an average full year cost of new placements at £221,000. The fostering agency carers division is projected to be overspent by £608,000, due to difficulties in sourcing fostering placements (both internal and external). The overall substitute family care position is balanced prior to the use of the corporate contingency reserve fund of £2.175 million which if not used will be able to taken to next financial year.
35. Savings targets in relation to additional Step Down provision (£319,000) and Young Persons Gateway places (£410,000) have been assumed in the budget position. Two units have opened creating an additional eight step down places for the Gateway, with cost avoidance savings in the region of £875,000. With two further units (eight beds) are planned to open before year end.

Planning, Transport & Environment +£165,000

36. The Month 9 position for Planning, Transport & Environment forecasts an overspend of £165,000. This is an improvement of £124,000 compared to the position reported at Month 6 reflecting a re-profiling of the loan repayment following the delay to the completion of the Private Wire connection at the Lamby Way Solar Farm.
37. The revised Energy Management overspend comes to £227,000 and is primarily due to shortfalls in renewable income sources. Essential repairs at the Radyr Weir Hydro Plant have reduced the optimum capacity for some periods of the year. Contractual delays to the Private Wire connection at the Lamby Way Solar Farm have had an adverse impact. In addition, there is a further shortfall against a generic renewable income target.

38. The Bereavement, Registration & Dogs Home continue to forecast a balanced position. Planning & Building Control also anticipate a balanced position, although this is dependent upon future applications remaining upwards over the next few months and approval of lost income claims from the Hardship Fund. Highways Infrastructure is anticipating an underspend of £49,000 following the award of a specific grant for highway maintenance which has provided an opportunity to reprofile spend. There are some pressures particularly on tunnel maintenance, but this can be largely funded using commuted sums. Management and Support have reviewed their support functions, enabling a further recovery of £61,000 in staff costs. Transport Strategy is projecting an overspend of £48,000 reflecting reduced income from Street Works and Asset Licensing not claimable from the Hardship Fund.

Resources

Governance & Legal Services +£586,000

39. At Month 9, the year-end projected position for Governance and Legal Services is a £586,000 overspend. This comprises primarily of a £555,000 overspend in relation to Legal Services which is based on a projection that the level of legal costs incurred in the last few months will continue at that same rate to the end of the financial year.
40. The Legal Services position is a combination of overspending on external legal fees of £350,000, core costs as such as Law Library, Case Management and Subscription services of £145,000 and employees of £60,000 due to increased agency spend Locum Solicitors.

Resources Balanced Position

41. Overall, the Resources directorate is projecting a balanced position with overspends in 24/7 services, costs for telephony and software and Finance being offset by vacant posts throughout the directorate. Central Transport Services currently continues to report an overall balanced position.

Cardiff Harbour Authority

42. For the current year, the Council worked with the Welsh Government to identify achievable efficiencies, service reductions and savings against the approved Fixed Costs budget to the same level as 2020/21 of £4.961 million. The Asset Renewal funding requirement for non-critical assets in 2021/22 is £460,000 with no requirement identified within the ten-year asset management programme to replace any critical assets. This gives an overall budget for the Cardiff Harbour Authority (CHA) of £5.421 million, which was an increase of 3.8% on the total for the 2020/21 financial year. In October 2021 an additional allocation of £100,000 was awarded to cover increased costs on the wheeled loader and boardwalk decking asset renewal schemes.

43. The forecast at the end of quarter two indicates a funding requirement of £5.521 million, representing a full spend of budget.

Heading	Budget £'000	Projected Out-turn £'000	Variance £'000
Expenditure	5,991	5,843	(148)
Income	(1,030)	(882)	148
Fixed Costs	4,961	4,961	0
Asset Renewal	560	560	0
TOTAL	5,521	5,521	0

44. Income shortfalls against target are forecast in all areas, including car parking, the water activity centre and harbour dues. The shortfall in income is anticipated to be mitigated by a number of managed underspends across a range of areas, including Facilities Management and Overheads. Increased costs on Barrage Maintenance and Waste Management are offset by underspends on other Environmental areas. This forecast will be updated as more information becomes available over the coming months.
45. The Asset Renewal budget is now indicating a full spend to budget, since the award of additional allocation to cover price increases on the two specific schemes mentioned above. Upon agreement with Welsh Government, the first £25,000 will be funded from the Project & Contingency Fund thus maintaining the £100,000 balance in the fund as stated in Clause 16.16 (g) of the Deed of Variation of 18 March 2021.
46. The CHA maintains a Project and Contingency Fund, which is used to support projects and provides a contingency for situations where the approved budget is exceeded. The Fund receives contributions from a combination of receipts from the sale and disposal of land and a share of past year underspends on the Fixed Cost budget. The balance at 31 March 2021 was £125,000 and this is in line with the amendments to the Deed of Variation as agreed in March 2021.

Civil Parking Enforcement

47. Civil Parking Enforcement (CPE) manages parking, parking enforcement and moving traffic offences throughout the city. The income from these activities is used to support the operational costs with the surplus being transferred to the Parking and Enforcement Reserve.

48. The pandemic has had a profound impact on all parking income streams with significant reductions in the use of on street and off-street parking and subsequent penalty charges notices. In addition, lower traffic volumes, particularly in the city centre, has meant lower penalties from MTO's.
49. The budget was reset using various assumptions and scenarios. The table below provides a summary of the budget and projected outturn position.

	Budget £000	Projected Outturn £000	Variance £000	M6>M9 Change £000
Income				
On street car parking fees	3,957	3,101	856	60
Off street car parking fees	922	727	195	(28)
Resident's parking permits	412	425	(13)	(11)
Penalty charge notices	1,422	1,880	(458)	(80)
Moving Traffic Offences (MTO's)	3,539	3,386	153	(100)
Other Income	46	33	13	6
Total Income	10,298	9,552	746	(152)
Expenditure				
Operational costs, parking & permits	611	733	122	(66)
Enforcement service including TRO	5,946	6,061	115	49
Total Expenditure	6,557	6,794	237	(17)
Annual Surplus / (Deficit)	3,741	2,758	983	(135)
Hardship Fund Reimbursement	0	983	983	101
Revised Annual Surplus / (Deficit)	3,741	3,741	0	(34)

50. The current projection indicates an annual trading surplus of £2.758 million. This is a reduction of £983,000 against the budget but an improvement of £135,000 compared to month 6 reflecting higher traffic volumes resulting in increased penalty charge notices and parking fees.
51. The restrictions that were still in place during April and May have contributed to lower income from car parking fees and MTO's of £746,000. The increased costs of £237,000 include additional vehicles needed to maintain social distancing, digitalisation of the traffic regulation order process and reduced recharging opportunities
52. Claims from the Local Government Hardship Fund for lost income are forecast to total £983,000 and this has already been approved. This will produce a revised annual surplus of £3.741 million.

53. The surplus is transferred to the Parking and Enforcement Reserve and available to support highway, transport and environmental improvements.
54. The table below illustrates the forecast position in the reserve:

Parking & Enforcement Reserve	£000
Balance 1st April 2021	4,536
Contribution from CPE	3,741
Total Available	8,277
Contribution to support revenue budget	(5,935)
Project support and initiatives	(694)
Balance 31st March 2022	1,648

55. The brought forward balance in the reserve is £4.536 million. The CPE position indicates a surplus of £3.741 million. The contribution to the revenue budget to fund infrastructure maintenance and improvements is £5.935 million. A further £694,000 will support various initiatives such as Active Travel, LDP transport monitoring, the Bus Incentive Scheme that operated in December 2021 and match-funding towards the bollard removal scheme in St. Mary Street. The year-end balance is forecast at £1.648 million.

Housing Revenue Account – Balanced

56. The Housing Revenue Account (HRA) is projecting an overall balanced position.
57. The major variance is an anticipated £1.6 million underspend on capital financing costs due to delays to the programme. Other variances include vacancy and other employee savings across the functions, estimated at £1.8 million. Difficulties are being experienced in the recruitment to vacant posts with limited applications, compounded by unavoidable recruitment delays as a result of the ongoing restrictions due the pandemic.
58. The Housing Repairs Account is currently forecasting an underspend of £763,000. This position includes underspends on the external painting programme estimated at £450,000, electrical testing of £186,000, void property repairs of £75,000 and Disabled Facilities Grant of £48,000. In addition, a £345,000 underspend against the management and administration budgets. These are partly offset by a responsive repairs overspend of £341,000.
59. Based on week 40 statistics, standard rent and service charge income are estimated at £735,000 above target. This includes a significant underspend in relation to bad debt provision based on assumed year end arrears and write off levels and reflecting various rent rescue and support schemes which have assisted tenants during the year with rent arrears.

60. Insurance forecasts are largely based on the 2020/21 outturn and are currently forecasting an overspend of £155,000. Actual costs will depend on the number and value of claims which will not be clear until later in the financial year.
61. The balance of the variance is due to underspends on general premises and transport costs offset by overspends on supplies and services and support costs.
62. Any underspends on capital financing costs and other savings (currently estimated to be in the region of £4.433 million) are anticipated to transfer to the Housing Repairs and Building Maintenance Reserve to fund future costs of the high-rise over-cladding scheme, hence the balanced position reported. This will be subject to review and agreement with the Corporate Director for People and Communities and will improve the ability to deal with future budget pressures including capital works postponed to future years and provide more flexibility for any unavoidable commitments in the new financial year.