

CABINET MEETING: 23 JUNE 2022

BUDGET MONITORING - OUTTURN REPORT 2021/22

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

AGENDA ITEM: 2

Appendix 7 of this report is not for publication as it contains exempt information of the description in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972.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. To provide the Cabinet with details of the 2021/22 financial outturn position for the authority compared with the budget approved by Council on 4th March 2021. This report includes an assessment of the financial impact arising from the response to the COVID-19 crisis and the level of financial support provided by Welsh Government.

Background

2. The changing nature of the pandemic continued to provide a level of uncertainty throughout 2021/22. This monitoring report will continue to set out the pressures arising from responding to the crisis separately from those relating to operational service delivery. As such, the first part of the report addresses the financial impact of the crisis, both in terms of additional expenditure and reduced income generation, as well as the Welsh Government (WG) funding response to this. The report then provides details of the overall revenue position, including any unfunded impacts of COVID-19 and any emerging operational issues that have arisen for reasons other than the pandemic. An outline of the actions taken by the Council in response to the emerging financial position is then provided, followed by an update on the position in relation to the Capital Programme.

Issues

COVID-19 Financial Impact

3. The COVID-19 pandemic has throughout the year had a significant financial impact on the Council. This is evidenced through both additional expenditure pressures and reduced income generation across services as fluctuations in the incidence of Covid cases occurred and any interventions determined by the Welsh Government (WG) were implemented. These additional

expenditure pressures have varied in nature but have included both the need to change the way services are delivered and the requirement to react to additional and different demand pressures being faced. In relation to income, losses have been experienced in several directorates and these were tracked closely against budget as the year progressed.

4. For the financial year 2021/22, the Council submitted expenditure claims to WG totalling £34.389 million, with the table below providing an overview of claims made.

Expenditure reimbursed	QTR 1 - £'000	QTR 2 - £'000	QTR3 - £'000	QTR 4 - £'000	Total - £'000
Adult Services	3,493	3,088	1,847	1,324	9,752
Childrens Services	453	692	666	-	1,811
Infection Control	162	174	240	413	989
FSM	529	1,996	942	342	3,809
Homelessness	184	228	566	1,164	2,142
SIPS	192	865	2,120	3,897	7,074
Winter Fuel Payments	0	0	0	4,606	4,606
Delegated Schools	585	568	1,006	1,291	3,450
Other	391	182	83	100	756
Total	5,989	7,793	7,470	13,137	34,389

5. Adult Services continued to be a significant recipient of Hardship Support with most of the Covid-19 related expenditure within this service taking the form of financial support to Providers. As previously reported, there were delays in approval on free school meals provision, but all payments have been received and that some items were retrospectively withdrawn from the Council's claim, because alternative funding sources became available.
6. As previously reported, in addition to the expenditure claims submitted, the Council was required to submit claims for lost income, net of any expenditure savings made. All claims contained information on any income that may have been delayed in its receipt, but not permanently lost.
7. The table below provides an overview of the four quarterly claims which total £14.011 million and which have now all been reimbursed.

Lost Income Claims - Reimbursed £000	QTR 1 - £'000	QTR 2 - £'000	QTR3 - £'000	QTR 4 - £'000	Total - £'000
Parking	- 964	- 181	-	-	- 1,145
Property	- 523	- 141	- 92	- 55	- 811
Schools Income	- 130	- 123	- 8	- 35	- 296
Schools Catering and Traded Services	- 136	- 1,597	- 831	85	- 2,479
Sport & Leisure	- 619	- 1,596	- 950	- 305	- 3,470
Venues	- 1,858	- 1,013	- 1,032	- 605	- 4,508
Other	- 575	- 277	- 310	- 140	- 1,302
Total	- 4,805	- 4,928	- 3,223	- 1,055	- 14,011

Revenue Position

8. The overall revenue position reported in the paragraphs that follow comprises of variances that have arisen irrespective of the pandemic, combined with COVID 19-related items of additional expenditure or lost income that WG have indicated were not be funded through the COVID-19 Hardship Fund. In addition, these variances include shortfalls against 2021/22 budget savings proposals and any savings or efficiencies that have been identified during the year.
9. The overall monitoring position, as at the year-end reflects a balanced position. This position is detailed in Appendix 1 and includes a total directorate net underspend of £254,000 and an overspend of £123,000 in relation to Capital Financing,.
10. The table below provides a summary of the overall position and outlines the component parts of each directorate's total variance.

Directorate	Directorate Position
	(£000)
Corporate Management	0
Economic Development:	
Economic Development	(54)
Recycling & Neighbourhood	0
Education & Lifelong Learning	476
People & Communities:	
Housing, & Communities	(762)

Performance & Partnerships	(128)
Adult Services	(121)
Children's Services	0
Planning, Transport & Environment	0
Resources:	
Governance & Legal Services	430
Resources	(95)
Total Directorate Position	(254)
Capital Financing	123
General Contingency	(3,000)
Summary Revenue Account	3,131
Total Council Position	0

11. The table above highlights pressures primarily in Governance & Legal Services and Education.
12. The specific overspends and underspends within each directorate's position are outlined in more detail within Appendix 2. In summary, Education is experiencing pressures in relation to both Out of County Placements, both in terms of cost of individual placements and the overall number of pupils requiring specialist provision. There are also underlying pressures evident within School Transport due to the number of pupils with additional learning needs requiring transport. As reported previously, there remain significant pressures in respect of the additional cost and number of residential and internal fostering placements within Children's Services. However, additional Grant income received at the end of the year from Welsh Government alleviated the financial overspend for 2021/22. In addition, the Economic Development position improved due to WG being able to support fully the impact on services
13. As well as these specific pressures, there are pressures in directorates arising from not being able to fully deliver the savings proposals agreed as part of the 2021/22 budget. As outlined in Appendix 3, there is an overall projected shortfall of £604,000 (11%) against the target of £5.554 million. For those 2020/21 savings proposals, the position is that 65% of the savings have been achieved against the £2.147 million carried forward with the remaining proposals being predominantly income related and have faced subsequently remained difficult to achieve in 2021/22.
14. The Capital Financing outturn is forecast to be £123,000 overspend at the end of the financial year. 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 several variables which may change during the year such as interest rates, the level of investment balances, share of interest chargeable to the Housing Revenue Account (HRA), the need for and timing of external borrowing, as well as performance in achieving capital expenditure projections. Whilst there are delays in some capital projects resulting in a lower borrowing requirement during the year, factors combining in determining the current projection include the HRA picking up a lower share of overall external interest costs, lower levels of

interest recoverable from directorates in relation to invest to save schemes expected to be completed during 2021/22 and a higher provision for prudent repayment of historic capital expenditure than assumed for 2021/22.

15. In considering an appropriate level of bad debt provision in respect of Council tax and having due regard to the collectability of the Council Tax an underspend of £690,000 is being reported.
16. As part of the reported directorate positions, contributions from contingency budgets have been incorporated where appropriate. These include a transfer from the Council Tax Reduction Scheme (CTRS) contingency, of £2.834 million, to meet both the impact of the Council Tax increase together with the increasing demand from residents for financial support. In looking forward, a contribution has been allocated to earmarked reserves of £2.153 million to reflect the potential additional eligible claims due to the economic climate challenges facing families and individuals. In addition, the Children's Services position took no contribution from the £2.175 million contingency held for meeting the additional costs arising from external placements.
17. In addition to the general fund directorate positions, ring-fenced and grant funded accounts are outlined in more detail as part of Appendix 2. In summary, the position on the Housing Revenue Account (HRA) is balanced with capital financing cost savings being used to improve the ability to deal with future budget pressures including capital works postponed to future years and to provide more flexibility for any unavoidable commitments in the new financial year. The Civil Parking Enforcement position reflects an in-year surplus of £2.759 million compared to the budgeted surplus of £3.741million. The Harbour Authority is projecting a balanced position having considered the financial contribution payable to WG because of delays in asset renewal spend.

Capital

18. Expenditure of £217.832 million was incurred across a range of services with £61.396 million of this in relation to Public Housing (HRA).
19. The delivery of capital projects is complex and influenced by several external and internal factors. Directorates are regularly reminded of the need to set achievable expenditure profiles and to identify potential slippage of projects at an early stage. Whilst some slippage is unavoidable because of delays in projects, the impact of any variances classified as slippage arising from displacement of Council funding for projects to secure eligible additional Welsh Government grant funding has been significant.
20. Highlights during the year include:
 - Continued success in attracting external grants including – Covid-19 Recovery / Transport schemes / Electric Vehicles / Circular Economy Fund / Play Opportunities.
 - Delay in expenditure across many areas including annual sums and specific schemes such as – Parks / ICT / Non schools property asset renewal / Highway Infrastructure and Neighbourhood Renewal. Some

delay because of continued covid impacts and supply chain issues, but not in all cases.

- Late grant awards and requirement to use external grant by the end of the year resulted in the requirement to displace Council funded expenditure which will be carried forward to meet the purposes set out in the additional grant awards. Such grants included remediation of identified fire safety defects in social housing residential buildings of 11 metres+, a range of intermediate care fund schemes, promotion of independent living and to increase electric bus fleet use in the city.
- Significant expenditure in year on property acquisitions during the year including the acquisition of the Ty Glas site in Llanishen, Hostel and new social housing sites and the first phase of land acquisition at the International Sports Village.

21. The paragraphs below summarise the outturn position of the Capital Programme for both the General Fund and Public Housing, with further detail on schemes provided in Appendix 5 and 6.

General Fund Expenditure and Funding

22. Expenditure was £156.436 million, with a variance of £55.628 million against the approved programme. The main items of expenditure during the year are set out in the table below:

Schemes	Detail	£m
Business and City Development	Town Centre Loans; acquisition of regeneration sites at international sports village and for Atlantic Wharf Masterplan and balance of payment for Red Dragon Centre.	20.7
Parks, Leisure and Venues	Parks play areas, open space and infrastructure; Play Opportunities; Leisure and venues buildings maintenance; Roath Park dam scheme design and Harbour asset renewal.	5.3
Education & Lifelong Learning	21 st Century schools Band B including new Fitzalan High School construction. Acquisition of Ty Glas site Llanishen; investment in the condition and suitability of school buildings and ICT.	61.5
Neighbourhood Regeneration and Private Housing	Disabled adaptation grants, allowing people to live independently in their homes; environmental and shop front improvements at Tudor street, Cowbridge Road East and housing estate environmental improvements, Maelfa games area; Lisvane Community Hall and Infirmary Chapel Hub.	11.3
Highways & Transportation	Road and footpath resurfacing; LED lighting in residential areas and replacement of decking on Millennium Walkway; Coastal erosion and flood mitigation; public transport and road safety improvements; cycling strategy implementation; investment in active travel and safe routes in communities; city centre air quality measures including Wood Street and Canal Quarter.	34.3
Corporate, Technology and Vehicles	Works to relinquish leased buildings and acquisition of equity in Cardiff Bus as part of a financial support package; Modernising ICT; Replacement vehicle fleet	14.4

	including electric refuse collection vehicles and charging points.	
Energy Projects and Sustainability	Completion of Lamby Way solar farm; Energy retrofit of buildings and contribution to Cardiff Heat Network.	6.1
Other	Recycling depot infrastructure, Bereavement, Electric fleet charging infrastructure and a range of grant funded circular economy schemes; Property and Asset Management.	2.8
Total		156.4

23. The expenditure was paid for from several 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 be repaid from the existing and future income of the Council.

General Fund - Funding Source for 2021/22 Capital Expenditure	Amount £000	Percentage of Funding (%)
WG General Capital Funding - Supported Borrowing	8,727	5.58
WG General Capital Funding - Grant	8,868	5.67
WG and other external grants	92,467	59.11
Additional Unsupported Borrowing	3,702	2.37
Invest to Save Unsupported Borrowing	35,952	22.98
Revenue and Reserves	1,540	0.98
Capital Receipts	2,505	1.60
External Contributions	2,675	1.71
Total	156,436	100.00

24. The Council received a base allocation of General Capital Funding from Welsh Government of £17.595 million at the start of 2021/22. This was made up of capital financing support within the revenue budget settlement to undertake £8.727 million of supported borrowing and a cash grant of £8.868 million.
25. 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 2021/22, the Council used unsupported borrowing of £39.654 million to support General Fund expenditure. Of this, £3.702 million of borrowing was required to balance Capital Programme commitments and £35.952 million was for investment assumed to be repayable from future Directorate revenue budgets. The timing and availability of external grants remained uncertain, with approvals received late during the year, continuing to make long-term planning difficult.
26. In February 2022, the Council was allocated additional General Capital Funding of £6.972 million in the form of grant towards capital expenditure pressures such as escalating costs in the construction industry. This funding

is carried forward as an Earmarked Reserve to be prioritised for such pressures on existing projects and commitments.

General Fund Capital Receipts

27. 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. Up to 31 March 2021, a total of £7.861 million has been received against the overall receipts target. The corporate property strategy considered by Cabinet in December 2021 provided and update on the receipts target.
28. The timing of actual completion of receipt is uncertain and subject to ensuring legal processes are in place. Actual disposals represented by external sale capital receipts (£591,000) and land appropriations to the Housing Revenue Account (£1.608 million) which form part of the above target in 2021/22, total £2.199 million. Accordingly, total receipts against the target up to 31 March 2022 are £10.060 million.
29. Other land appropriations during 2021/22 to the Housing Revenue Account total £10.928 million and include the former Michaelston school site, land at James Street, and remaining former Rumney High School site.
30. Capital investment for 2021/22 also includes several major development projects which assume that future capital receipts will be received to pay towards expenditure incurred on those projects such as land acquisition at the International Sports Village. Expenditure incurred in advance of realisation of receipts represents a risk of both abortive costs and to the level of borrowing and should be reviewed regularly as part of the overall annual property plan and relevant project governance processes.

Public Housing (HRA) Expenditure and Funding

31. Expenditure in 2021/22 on Public Housing schemes was £61.396 million. In March 2022, additional grant of £12.920 million was awarded by Welsh Government to displace safety related expenditure undertaken in the year. Any Council funds displaced will be used in future years to develop a programme of works for fire safety remediation works where required for medium and high-rise residential buildings. With many new build sites being on site in the latter part of the year, slippage because of delay in respect of these projects will be re-prioritised as part of the 2022/23 investment programme.
32. Investment during the year 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.
33. The table below shows how HRA capital expenditure was paid for:-

Public Housing - Funding Source for 2021/22 Capital Expenditure	Amount £000	Percentage of Funding (%)
Major Repairs Allowance (WG grant)	9,557	15.57
Additional Unsupported Borrowing	23,848	38.84
WG and other external grants	23,677	38.56
Revenue and Reserves	2,400	3.91
Capital Receipts	1,276	2.08
External Contributions	638	1.04
Total	61,396	100.00

Public Housing Capital Receipts

34. Capital Receipts of £0.797 million were 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 Outturn 2021/22

35. The Council's Treasury Management activities were undertaken in accordance with the strategy approved at Council in March 2021. During the year, periodic reports on Treasury Management were submitted and reviewed by the Council's Governance and Audit Committee as well as at Cabinet and Council meetings. Attached at confidential Appendix 7 is the Treasury Management Performance Report as at 31 March 2022.

Investments

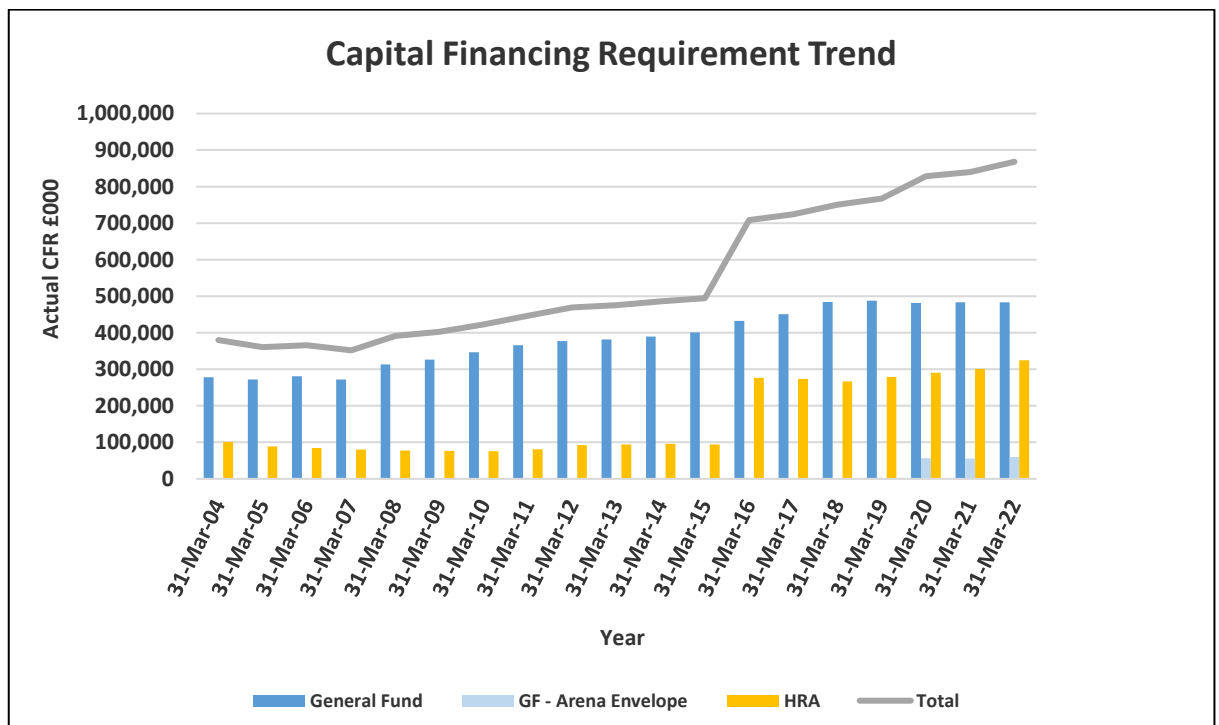
36. At 31 March 2022, investments arising from temporary cash balances stood at £226.4 million. This includes £66 million in respect to City Deal deposits held. The balance of investments is at a point in time and will fluctuate daily depending on the timing of receipts and payments in the Council's 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 2021/22 and where possible, investments were diversified across organisations.
37. The overall level of interest receivable from treasury investments reflected the low rate of deposit interest rates through most parts of the year. After allowing for interest on balances held on behalf of others, interest receivable for the general fund totalled £0.3 million with the average rate achieved during 2021/22 being 0.16%.

Borrowing

38. At the 31 March 2022 the Council's total external borrowing was £855.6 million. This was predominantly made up of fixed interest rate borrowing from the Public Works Loan Board (PWLB) payable on maturity.

31 March 2021			31 March 2022	
£m	Rate (%)		£m	Rate (%)
698.9		Public Works Loan Board	763.1	
51.0		Market (Lender Option Borrower Option)	51.0	
22.5		Welsh Government	23.2	
38.3		Local Authority	18.3	
810.7	4.17	Total External Debt	855.6	4.01

39. As a result of repayments and new borrowing undertaken in year, the average rate on the Council's borrowing decreased during the year from 4.17% to 4.01%. Total interest payable was £34.1 million, of which £13.2 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.
40. The Council's Capital Financing Requirement (CFR) at 31 March 2022 i.e., capital expenditure incurred but not yet paid for (Borrowing Requirement) is £868 million, £543 million for the General Fund and £325 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. As highlighted in the March 2022 budget report the CFR is assumed to increase significantly in future years.



41. Whilst borrowing rates remained higher than investment rates in 2021/22, 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.

42. During 2021/22 the Council repaid £27.6 million of maturing loans. New loans of £70 million were taken from the Public Works Loan Board and interest free loans totalling £2.5 million were received from the Welsh Government in respect of energy efficiency schemes.
43. Subject to external audit, the outcome of the above transactions, coupled with the performance of expenditure during the year on capital programme indicates that the Council's total external borrowing (£856 million) is lower than the borrowing requirement as defined by the Capital Financing Requirement (£868 million). Accordingly, at 31 March 2022, the level of internal borrowing is £12 million.
44. A full Treasury Management Outturn Report will be considered by Council in October 2022.

Reasons for Recommendations

45. The report is for information and serves to complete the financial monitoring processes for 2021/22

Legal Implications

46. 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.

HR Implications

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

Property Implications

48. The report is submitted for information as part of the Authority's financial monitoring process. As noted, the Corporate Property Strategy approved at Cabinet in December 2021 set out in detail in year progress against Capital Programme receipts targets and certain anticipated disposals and capital investments. 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.

Financial Implications

49. In summary, this report outlines a balanced revenue outturn position for the financial year 2021/22. 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 underspend of

£254,000 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.

50. The final overall balanced position means that the level of General Fund Balance remained at £14.255 million. In addition, mainly because of the significant grant funding allocations from WG at the end of the financial year, total general fund earmarked reserves (including Schools) increased by £46.085 million, to a total value of £147.889 million with Housing Revenue Account Earmarked Reserves increasing by £10.586 million. (see Appendix 4). 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 several new earmarked reserves. The results of which will support the Council both in the recovery from the impact of the pandemic and the financial challenges arising from economic uncertainty, whilst also contributing towards the overall resilience of the authority, both in the immediate future and over the medium term.
51. Whilst the final position is a welcome outcome, there remain areas of significant concern and risk going forward considering the challenging economic climate in the short / medium term. Some services continue to operate below anticipated pre-pandemic income levels whilst other services continued to have some level of reliance on WG Hardship grant. Whilst plans are in place to deliver individual services within budgets allocated it is likely that some levels of contingency will be required as the Council progresses through the financial year 2022/23.
52. In relation to the 2021/22 Capital Programme, a final variance of £95.212 million was reported, including £39.584 million in relation to Public Housing. This final position represented an increase on the figure reported at Month 9, both in respect to slippage but also in respect to Grants from Welsh Government being received late in the financial year. There does remain a significant challenge during 2022/23 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 2021/22. To achieve this, directorates will need to manage the cost challenges of supplier availability and inflationary pressures whilst retaining 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.

RECOMMENDATIONS

Cabinet is recommended to:

1. Note the report and the actions taken in respect of the Council's accounts for 2021/22.
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 2022.

SENIOR RESPONSIBLE OFFICER	CHRISTOPHER LEE Corporate Director Resources
	17 June 2022

The following Appendices are attached:

- Appendix 1 – Revenue Position
- Appendix 2 – Directorate Commentaries
- Appendix 3 – 2021/22 Budget Savings Position
- Appendix 4 – Earmarked Reserves
- Appendix 5 – Capital Programme
- Appendix 6 - Capital Schemes Update
- Appendix 7 - Treasury Management Dashboard