

## **Appendix 2 – Directorate Commentaries Month 4 2022/23**

### **Corporate Management (£6.474M)**

1. The Corporate management position is an offset of £6.463 million of pressures within the directorate position due to additional costs from the Cost of living crisis and prolonged impact of Covid pandemic on additional costs and loss of income. A further £11,000 budget in Corporate Management is offsetting the directorate position as this budget was allocated to Corporate Management due to last minute changes to the Local Government final settlement. Within the position £3.537 million is allocated to offset any emerging pressures as the impact of the Cost of living crisis evolves.

### **Economic Development +£2.860 million**

2. The Economic Development Directorate is forecasting a £2.860m million overspend at month 4 against the net controllable budget of £9.100 million.
3. The month 4 position for Culture, Venues and Events is forecasting a potential deficit of £1.594 million. This is made up largely of forecasted income shortfalls at Cardiff Castle (£735,000), City Hall Functions (£392,000), Functions Catering (£335,000) and St David's Hall (£110,000). Despite the ending of Covid restrictions, customer numbers and business confidence have not returned to the levels seen pre pandemic. Moreover, rising inflation and cost of living is also having an impact on consumer spending resulting in reduced attendances and spend at these facilities. For example, Castle admission and tour income is 35% down for April to July when compared to same periods in 2018 and 2019. In addition, several larger functions previously held at City Hall have not yet returned since the pandemic, which also has a knock-on effect to functions catering who would previously have catered for these large events. University exams have not returned to City Hall and are now being held in-house at universities instead, resulting in a further lost income.
4. The major financial risk for the Facilities Management budget is arising from the inflationary impact on energy prices across Council buildings. High level estimates indicate increased costs of circa £427,000 which have been reflected in Month 4 position, but this will need to be reviewed in detail with the service area as more information becomes available to further inform this position. Underspends against various other budgets reduces the overall overspend to £345,000.
5. Property Services are projecting an overspend of £606,000 at month 4. Primary areas of overspend/shortfalls include an £84,000 shortfall in fees in achieving capital receipts, £190,000 shortfall within investment and non-operational estate income (including £72,000 reduction in St Davids 2 rental income) as well as projected overspends on Old Library (£183,000) and Tennis Centre (£213,000).
6. Sport, Leisure and Development is reporting a potential £272,000 overspend. The largest factor is shortfall of income at CIWW, in some part due to the closure of the Flowrider on building safety issues, as well as increased energy costs, albeit

this overspend is partly offset by reduced staffing costs. An income shortfall at Channel View Centre is currently being offset by a projected underspend against policy growth item, with delayed recruitment of Youth Sport Inclusion officers resulting in a projected £50,000 underspend which is reflected within this position.

7. The Major Projects £217,000 overspend projection is linked to the NHS lease of Toys R Us building expiring in October (£117,000), after which the Council will be responsible for holding costs (NNDR rates, security etc) of the building in 2022/23, as well as circa £100,000 of unbudgeted expenditure projections relating to funding of a project manager post and internal support recharges agreed by Major Projects.
8. All other divisions within Economic Development are projecting balanced or underspend positions for 2022/23.
9. Against the £498k savings target with circa £306,000 of savings projected to be fully achieved, whilst savings of £192,000 in Building Maintenance efficiency (£82,000), reduction in agency and employee costs at Cardiff Castle (£30,000) and income targets in Property Estates (£80,000) are currently projected to be unachievable, leaving a total £192,000 shortfall against savings targets for 2022/23.
10. Full spend of £550,000 is currently forecast against two FRM items in 2022/23, whilst all policy growth proposals (£737,000) are progressing well, with £555,000 of growth proposals either in place or anticipated to be in place imminently, with a partial underspend of £192,000 in 2022/23 largely due to staff not being recruited to posts until part way through the year.

### **Recycling & Neighbourhood Services +£389,000**

11. The Recycling & Neighbourhood Services directorate is currently projecting an overspend estimated at £389,000.
12. The Policy Growth and FRM allocations to fund various waste and cleansing initiatives will be fully spent.
13. The Service is projected to achieve the full £262,000 budget savings for 2022/23.
14. Significant pressures are evident in Collections with a further overspend in Environment Enforcement. There is a substantial underspend in Recycling Treatment and Waste Disposal with further savings in Management & Support and Waste Strategy. Balanced positions are forecast in Cleansing and Trade Waste.
15. The Collections overspend is £1,662,000 and reflects higher staff costs caused by greater levels of sickness which requires agency cover and overtime to ensure service continuity. There is also increased vehicle costs, in particular the inflationary impact of fuel costs. In addition, there are additional costs associated with the evolving and proposed expansion of the segregated recycling trial.

16. The overspend in Environmental Enforcement is £105,000 caused by a short-term extension to temporary staff contracts until a proposed restructure is introduced.
17. Recycling Treatment is reporting an underspend of £975,000 reflecting an increase in the market price received from the sale of recyclable material and improved quality of material following improvements made at the Recycling Centres. The market is very open to price volatility and this projection is based on existing income levels and likely scenarios for the remainder of the year. There is a further underspend of £220,000 in Waste Disposal costs reflecting reduced volumes of residual waste and £183,000 in Management & Support and Waste Strategy due to the holding of vacant posts and an uncommitted project budget.

### **Education & Lifelong Learning +£5.424 million**

18. The month four position for the Education & Lifelong Learning directorate reflects an overspend of £5.424 million. Schools Transport is projecting an overspend of £2.593 million reflecting the full year effect of 2021/22 new routes and price increases, along with anticipated increases in ALN routes in 2022/23, and the extraordinary contractor price increases expected to be applied during 2022/23 in response to the recent fuel price increases. This position includes use of ALN covid grant (£484k) and 2021/22 WLGA grant funding (£594k).
19. Out of Area Placements is £839,000 overspent due to an increase in provision required from 245 to 276 pupils in total. Services to Schools includes an overspend of £1.422 million on Schools Catering Services due to price increases relating to food and transport costs as well as reduced income from paid school meals.

### **Housing & Communities (£317,000)**

20. The Housing & Communities directorate is reporting an overall underspend of £317,000 at Month 4. This comprises overspends totalling £399,000 across Business Performance & Support £217,000, Homelessness and Hostels £43,000, Housing Strategy and Service Development £61,000 and Hubs & Community Services £78,000, offset by underspends totalling £716,000 across all other areas of the service.
21. The Business Performance and Support overspend of £217,000 relates mainly to PPE distribution costs across the authority which are currently under review, partly offset by vacancy savings.
22. The £43,000 overspend within Homelessness and Hostels is due to premises costs at the Housing Options centre whilst Housing Strategy and Service Development overspend of £61,000 relates to ongoing delays in a planned restructure linked to a prior year saving.
23. Hubs and Community services overspend of £78,000 is linked to overspends of £222,000 within Day centres due to an unachieved vacancy provision now centres have fully reopened, additional CCTV costs due to break-ins and vandalism and

additional vehicle costs. Learning for Life is projecting an overspend of £19,000 due to a shortfall in income at Llanover Hall. These are partly offset by in year savings of £163,000 across Hubs and Day Opportunities relating to staff recharges and employee savings.

24. In Advice and Benefits, an underspend of £348,000 relates mainly to FRM funds awarded to support activity within Into Work Services as a result of grant fallout. Additional grant income for the Young Persons Gateway has since been allocated and is now supporting the activity, releasing £259,000 of the original FRM funding. In addition, £89,000 net administration income from various cost of living support schemes is projected after negating all associated expenditure.
25. Within Neighbourhood Regeneration an underspend of £158,000 is reported following delays to the planned restructure which is currently assumed to be in place by 1<sup>st</sup> October.
26. Housing Projects are reporting an underspend of £210,000 owing to delays in the planned restructure which is also expected to be in place by 1<sup>st</sup> October.
27. Early Help and Partnership and Delivery are both reporting a balanced position at month 4.

#### **Performance & Partnerships (£81,000)**

28. The Performance and Partnerships position comprises of underspends due to held vacancies and projected income exceeding targets in the Cabinet Office and Performance Management and Bilingual Cardiff divisions.

#### **Children's Services +£8.950 million**

29. Children's Services is currently projecting an £8.950 million overspend. The majority of this overspend (£5.961 million) relates to residential placements, which includes a net savings target of £2.643 million. Children within external residential placements has remained around 100 throughout the year to date and although work continues to step down placements where appropriate the additional demand has resulted in placement numbers remaining high. The external fostering budgets are reporting a £1.120 million underspend reflecting the complexity of need alongside a reduction in the independent fostering agency market.
30. Additional bespoke placements due to complexity of needs and limited spaces available in the residential market have created a further overspend within the directorate to the sum of £4.067 million. There have been 34 of these placements to date with 14 active cases. These projections are based on current numbers and costs assumed for the remainder of the year unless step down is guaranteed. It also includes an estimated £1.547 million of Health contributions. This area is monitored closely on a case-by-case basis and where possible and prioritised for step down when appropriate.

31. Further overspends include £1.295 million in relation to CHAD domiciliary care packages and £265,000 for legal disbursements.
32. The position at Month 4 assumes use of £1.180 million of Children's Contingency to deal with the cost differential of agency staff versus full time staff. This results in £1.320M of the corporate contingency remaining, along with £600,000 remaining in an earmarked reserve for Children's services staffing. Several external grants have been identified and bids have been made, if successful these will be brought into the monitoring position on receipt of grant award letters.

### **Adult Services (£123,000)**

33. Adult Services is projecting a £123,000 underspend at Month 4. This comprises a £1.049 million overspend on commissioned care, which is offset by a £1.172 million underspend on Internal Services.
34. The position on commissioned care comprises a £380,000 overspend on Older People, a £431,000 overspend on Mental Health and a £295,000 overspend on Substance Misuse. These are offset by a projected £57,000 underspend on Learning Disabilities, whilst Physical Disabilities is projecting a balanced position.
35. The largest contributory factors to the position on Older Peoples' Services are overspends on respite and domiciliary care. Respite costs are difficult to predict, and the position will be kept under review as the year progresses. The overspend on domiciliary care is a combination of additional care costs and lower than budgeted income. Increased numbers of residential and nursing placements are the main factor in Substance Misuse and Mental Health overspends, with the partial achievement of in-year savings a further factor in relation to the latter.
36. The £1.172 million underspend on Internal Services is a combination of a £479,000 underspend in Assessment and Care Management, a £311,000 underspend in Reablement and Independent Living and a £475,000 underspend in Support and Performance Management. These underspends are partially offset by a £93,000 net overspend in Internal Learning Disability Services, which is attributable to the delayed implementation of a 2021/22 saving proposal. The underspends in all other areas of Internal Services are attributable to a level of vacancies, and the fact that funds allocated to support restructure will only be partly used in the current year.

### **Planning, Transport & Environment +£430,000**

37. The Month 4 position shows a forecast overspend of £430,000.
38. The Policy Growth and FRM allocations to assist with the delivery of One Planet Cardiff, to fund infrastructure and community improvements and the funding for Taxi Grants are projected to be fully spent at this time.

39. The Service is projected to achieve the full £201,000 budget savings for 2022/23.
40. In-year pressures are evident within Highway Infrastructure, Transport and Planning & Building Control whilst Energy Management is forecasting a surplus. Bereavement, Registration, Dogs Home and Management and Support are showing balanced positions.
41. Highway Infrastructure is forecasting an overspend of £292,000 and includes inflationary increases for electricity and fuel. In addition, there is an inherent funding shortfall in the provision of the Winter Maintenance programme. The benefit from the installation of LED street lighting has helped to partly mitigate the pressures. Transport is forecasting an overspend of £214,000 reflecting the additional cost of providing Hostile Vehicle Mitigation measures and an income shortfall in Street Work activities. An anticipated shortfall in planning fees, partly offset by additional property search fees is forecast to result in an overspend of £162,000. Energy Management are forecasting a surplus of £238,000 reflecting a significant increase in income generated by the Lamby Way Solar Farm which is offsetting the continued lower performance at the Radyr Weir Hydro facility.

#### **Governance & Legal Services +£400,000**

42. The Governance and Legal position comprises of an overspend in Legal Services of £455,000, primarily due to projected locum solicitor costs of £375,000 as recruiting to short term vacancies continues to prove difficult, and unachieved legal income targets. The legal position is being partly offset by an underspend within Democratic Services due to the holding of vacant posts.

#### **Resources (£205,000)**

43. The Resources position comprises of an underspend in Human Resources of £300,000 and £40,000 in Finance and £10,000 in Commissioning and Procurement, primarily due to holding vacant posts for the remainder of the financial year. The Chief Digital Officer is reporting an overspend of £145,000 overspend is due to an under recovery of income that is partially offset by vacant posts within Customer Services, and increasing cost of supplies and services within ICT.

#### **Cardiff Harbour Authority**

44. For the current year, the Council worked with the Welsh Government to identify budget pressures around increases in material costs, contractors and energy prices as well as historical shortfalls in service level agreement budgets. In addition, work has been conducted to identify future obsolescence and compatibility issues with existing systems and equipment requiring upgrades or replacement. These budget pressures are partly offset by savings due to achievable efficiencies against the approved Fixed Costs budget of £5.374 million.

The Asset Renewal funding requirement for non-critical assets is £430,000, plus £117,000 from the ten-year asset management programme to replace any critical assets. This gives an overall budget for the Cardiff Harbour Authority (CHA) of £5.921 million, which is an increase of 2.6% on the final award total for the 2021/22 financial year.

45. The forecast at the end of quarter one indicates a funding requirement of £5.921 million, representing a full spend of budget.

	<b>Budget £000</b>	<b>Outturn £000</b>	<b>Variance £000</b>
Expenditure	6,332	6,369	37
Income	(958)	(995)	(37)
<b>Fixed Costs</b>	<b>5,374</b>	<b>5,374</b>	<b>0</b>
Asset Renewal	547	547	0
<b>Total</b>	<b>5,921</b>	<b>5,921</b>	<b>0</b>

46. The position includes increased costs on dredging and barrage maintenance, largely due to further significant cost price pressure on contractor supplies and works, offset by reduced expenditure on facilities management, community liaison and environmental areas. Increased income against target is forecast on car parking. This forecast will be updated as more information becomes available over the coming months.
47. The Asset Renewal budget is currently indicating a full spend in line with the revised approved schedule of work, including boardwalk replacement scheme and barrage Scada ABB control system upgrade.
48. 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 on 31 March 2022 was £104,000 and this is in line with the amendments to the Deed of Variation as agreed in March 2021.

### **Civil Parking Enforcement**

49. 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.
50. The budget was set using various assumptions and scenarios. The table below provides a summary of the budget and projected outturn position.

	<b>Budget £000</b>	<b>Outturn £000</b>	<b>Variance £000</b>
<b>Income</b>			
On street car parking fees	4,839	3,846	993
Off street car parking fees	1,092	1,042	50
Resident's parking permits	473	473	0
Penalty charge notices	1,933	2,289	(356)
Moving Traffic Offences (MTO's)	4,050	4,270	(220)
Other Income	48	48	0
<b>Total Income</b>	<b>12,435</b>	<b>11,968</b>	<b>467</b>
<b>Expenditure</b>			
Operational costs, parking & permits	597	608	11
Enforcement service including TRO	6,142	5,905	(237)
<b>Total Expenditure</b>	<b>6,739</b>	<b>6,513</b>	<b>(226)</b>
<b>Annual Surplus / (Deficit)</b>	<b>5,696</b>	<b>5,455</b>	<b>241</b>

51. The current projection indicates an annual trading surplus of £5.455 million. This is £241,000 lower than the budget reflecting lower income partly offset by reduced operating costs.
52. Income is forecast at £11.968 million which is £467,000 lower than budgeted. Reduced activity partly caused by road closures to facilitate city centre events and delays in project implementation will result in lower car parking fees although there is an anticipated increase in the income generated from PCN's and MTO's.
53. The lower expenditure of £226,000 reflects a reduction in loan repayments for invest to save schemes following full repayment in the previous financial year.
54. The surplus of £5.455 million is transferred to the Parking and Enforcement Reserve and available to support highway, transport and environmental improvements.
55. The table below illustrates the forecast position in the reserve:



<b>Parking &amp; Enforcement Reserve</b>	<b>£000</b>
<b>Balance 1<sup>st</sup> April 2021</b>	<b>1,985</b>
Contribution from CPE	5,455
<b>Total Available</b>	<b>7,440</b>
Contribution to support revenue budget	(5,935)
Approved project support and initiatives	(581)
Additional support	(183)
<b>Balance 31<sup>st</sup> March 2023</b>	<b>741</b>

56. The brought forward balance in the reserve is £1.985 million. The CPE position indicates a surplus of £5.455 million. The contribution to the revenue budget to fund infrastructure maintenance and improvements is £5.935 million. A further £581,000 will support various initiatives such as Active Travel and LDP transport monitoring approved in the budget plus an additional £183,000 towards match-funding for bollard removal scheme in St. Mary Street and Womanby Street and a provision for various transport scoping works such as the Metro. The year-end balance is forecast at £741,000.

### **Housing Revenue Account (£587,000)**

57. The Housing Revenue Account (HRA) is projecting a potential surplus of £587,000.

58. A major variance is in relation to premises costs overspends at the community hubs and hostels/other accommodation with increased forecasts for utility costs (estimated at £778,000 above budget) reflecting the current market and corporate purchasing arrangements.

59. An anticipated £688,000 underspend on capital financing costs is due to the impact on debt repayment and external interest charges of the 2021/22 reduced borrowing requirement. Other reported variances include rent and service charge income above target and employee savings across the functions of £342,000.

60. The Housing Repairs Account is forecasting an overall balanced position. Underspends include responsive repairs estimated at £211,000, electrical testing of £120,000 and management and administration vacancy savings of £96,000. These underspends are partly offset by estimated void property repairs overspends of £427,000. The external painting and disabled facilities grant budgets indicate balanced budgets at this time.

61. Based on week 13 statistics, standard rent and service charge income are forecasted at £619,000 above target. This is mainly in relation to a lower than budgeted void rent loss as well as a reduced bad debt provision requirement and rental and service charge income above target. Hostels and other accommodation income forecasts include a shortfall of £128,000 in relation to rents. Some delay has been experienced in terms of the planned timings for letting of units at a new build housing project and there is a Housing Support Grant shortfall of £185,000.

62. The balance of the overall variance is mainly due to underspends on supplies and services.
63. There are a number of forecasts which due to the nature of the spend and income and the number of variables is subject to change and will need to be reviewed in detail over the coming months.
64. The Month 4 position does not include any assumptions over and above the already budgeted pay award of 3% for 2022/23. Current pay negotiations are ongoing and the outcome of any settlement reached will be reflected in future monitoring reports.
65. The surplus is assumed at this stage to transfer to earmarked reserves as appropriate to further improve financial resilience and to offset future years budget pressures.