

## **Appendix 2 – Directorate Commentaries Month 6 2022/23**

### **Corporate Management (£6.424 million)**

1. The Corporate Management position brings in £6.463 million of the Covid-19 contingency budget to offset pressures included in the monitoring positions of other directorates, where these are linked to the cost-of-living crisis or the prolonged impact of the Covid-19 pandemic on additional costs and income loss. The position maintains £3.537 million of the Covid-19 budget in recognition of the risk of further emerging pressures, as the impact of the cost-of-living crisis continues to evolve. Setting the Covid-19 contingency budget aside, the position on Corporate Management has increased by £50,000 since month 4, linked to the recent notification of additional coroner contribution costs for 2022/23.

### **Economic Development +£2.618 million**

2. The Economic Development directorate is forecasting a net £2.618 million overspend. This includes pay award funding of £783,000 towards full costs estimated at £1.595 million.
3. The month 6 forecast exclusive of the pay award is an overspend of £1.806 million; an improvement of £1.054 million which includes additional in-year savings of £420,000.
4. Culture, Venues and Events functions report a potential deficit of £1.752 million. This is made up largely of income shortfalls at Cardiff Castle (£967,000), City Hall Functions (£352,000), 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 pre-pandemic levels with rising inflation impacting on consumer spending. Larger functions bookings that have a longer lead in time have not all rematerialised, plus university exams are being held within house, instead of using City Hall as before.
5. Property Services report an overspend of £529,000; an improvement of £77,000 compared to Month 4. This includes a £105,000 shortfall in disposal fees, a £103,000 shortfall within investment and non-operational estate income (including a £72,000 reduction in St David's 2 rental income) of £503,000. partially offset by underspends in employees and staffing recharges above target.
6. Sport, Leisure & Development is reporting a potential £141,000 overspend (an improvement of £131,000 since month 4). The largest factors remain income shortfalls at CIWW, in some part due to the closure of the Flowrider on building safety issues, and at the Channel View centre. These variances are partly offset by a £50,000 underspend in relation to the policy growth item for Youth Sport Inclusion officers (albeit now being delivered via Cardiff Met). In addition, income above target of £45,000 is reported for landscape design and at the Motocross site with savings at the now closed Canton Community Centre amounting to £39,000.

7. Within Major Projects, a £187,000 overspend is linked to the expiry in October of the NHS lease at the Toys R Us site, after which the Council will be responsible for 2022/23 holding costs of £117,000 (NNDR rates, security etc).
8. In addition, the position includes circa £70,000 of unbudgeted expenditure relating to funding of a project manager post and internal support recharges.
9. Facilities Management is reporting a substantial improvement compared to Month 4, reflecting the outcome of two comprehensive reviews. An assessment of existing and future contract values managed by Building Services are now estimated to yield a trading surplus of over £1 million which could increase depending on the delivery and completion of schemes. Offsetting this, energy costs are now forecasting an overspend of £826,000, an increase of £475,000.
10. All other divisions within Economic Development are projecting balanced or underspend positions for 2022/23.
11. The original 2022-23 savings target for Economic Development was £498,000. There is mixed progress to date with £388,000 considered achievable. Targeted savings of £110,000 are currently projected to be unachievable in 2022/23. These are linked to a reduction in agency and employee costs at Cardiff Castle (£30,000), whilst only £30,000 of the targeted £110,000 increase in Estates income is currently projected.
12. With regard to the additional in year savings proposals put forward by the directorate £420k are projected as achievable, with £17k of the Workshops increased income target now considered unachievable due to changes in tenancies.
13. A 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 £452,000 either linked to plans in place or anticipated to be in place imminently. A partial underspend of £292,000 in 2022/23 is largely due to delays in staff recruitment.

### **Recycling & Neighbourhood Services +£1.358 million**

14. This service is forecasting a net £1.358 million overspend. This includes pay award funding of £621,000 towards full costs estimated at £1.312 million.
15. The month 6 forecast exclusive of the pay award is an overspend of £667,000; a net deterioration in the position of £278,000 compared to month 4. This reflects a significant reduction in the forecast for income from the sale of recyclates, partly mitigated by a reduction in waste processing costs.
16. The position also includes additional in-year savings of £318,000 which the Directorate were asked to identify as part of the wider pressures on the Council's budget.

17. There are currently no assumptions within the position regarding recourse to the Waste Reserve or the use of the contingency provision for fluctuations in volumes and material type.
18. The Policy Growth and FRM allocations to fund various waste and cleansing initiatives will be fully spent.
19. The Service is projected to achieve the full £262,000 budgeted savings for 2022/23.
20. Significant pressures are evident in Collections with a further overspend in Environment Enforcement.
21. There are substantial underspends in Waste Disposal and Recycling Treatment with further savings in Waste Strategy, Management and Support and Street Cleansing. A balanced position is forecast in Trade Waste.
22. The Collections overspend is £1,608,000. This reflects several factors including higher staff costs caused by greater levels of sickness and overtime and increased vehicle costs, in particular the inflationary impact of fuel. In addition, there are further costs associated with the evolving and proposed expansion of the segregated recycling trial and increased costs of hiring diesel generators for the electric RCV's while the charging infrastructure is set-up- delays have led to an increase of £68,000 over the estimate.
23. The overspend in Environmental Enforcement is £101,000 caused by a short-term extension to temporary staff contracts until a proposed restructure is introduced.
24. Waste Disposal is forecasting an underspend of £534,000 reflecting lower processing costs because of reduced volumes of residual waste.
25. Recycling Treatment is reporting an underspend of £264,000 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 there is evidence of a significant downturn emerging particularly in the plastics and paper markets. This is having a detrimental impact on expected income levels which could worsen during the year and beyond. The current projection is based on existing income levels and likely scenarios for the remainder of the year.
26. There is a further underspend of £136,000 in Waste Strategy and £66,000 in Management & Support due to the holding of vacant posts and an uncommitted project budget. In addition, Street Cleansing is reporting an underspend of £42,000 reflecting increased income.

## **Education & Lifelong Learning +£6.224 million**

27. The month six position for the Education & Lifelong Learning directorate reflects an overspend of £6.224 million. This includes funding of £481,000 for the potential pay award (inclusive of £200,000 from the Catering earmarked reserve). The full cost of the pay award is currently estimated at £1.117 million, excluding grant funded and non-central posts.
28. The position exclusive of the pay award is an overspend of £5.588 million; a deterioration of £164,000 compared to the month 4 forecast and inclusive of £273,000 additional identified in year savings.
29. 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 in response to the recent fuel price increases. This position includes use of ALN covid grant (£484,000) and 2021/22 WLGA grant funding (£594,000).
30. Out of Area Placements are forecasting an overspend of £1.113 million due to an increase in provision required from 245 to 289 pupils in year, this position includes use of £848,000 ALN grant.
31. Services to Schools includes an overspend of £1.448 million on Schools Catering Services due to price increases relating to food and transport costs as well as reduced income from paid school meals.
32. The Music Service is projected to be overspent by £95,000 due to salary costs exceeding billable income. This position includes full utilisation of £1.6 million of grant funding.

## **Planning, Transport & Environment +£224,000**

33. Planning, Transport and Environment report an overspend of £224,000. This includes pay award funding of £494,000 towards a full cost estimated at £821,000.
34. The Month 6 position exclusive of the pay award is an underspend of £103,000. This is an improvement of £533,000 compared to Month 4 following the inclusion of £537,000 in-year savings which, the Directorate were asked to identify in response to the wider Council financial pressures.
35. 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.
36. The position includes the impact of inflation on energy and fuel estimated at £275,000.

37. Highway Infrastructure is forecasting an overspend of £193,000 reflecting inflationary increases for electricity and fuel plus a funding shortfall for the Winter Maintenance programme. The benefits from the installation of LED street lighting and additional commuted sums funding have helped to partly mitigate the pressures.
38. An anticipated shortfall in planning fees, partly offset by additional property search fees is forecast to result in an overspend of £229,000.
39. Transport is forecasting an overspend of £9,000 reflecting the additional cost of providing Hostile Vehicle Mitigation measures and an income shortfall in Street Work activities. These have been largely offset by a saving following the cessation of the Parking Sensors contract.
40. Energy Management are forecasting a surplus of £422,000 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.
41. Bereavement, Registration & Dogs Home are reporting a surplus of £47,000 reflecting an increase in Registration income.
42. Further savings of £65,000 are forecast in Management and Support Services through in-year and retention of vacant posts.

#### **Performance & Partnerships (£128,000)**

43. Performance and Partnerships is projecting an underspend of £128,000. This includes funding of £90,000 for the pay award towards an estimated full cost of £226,000.
44. The position exclusive of the pay award is an underspend of £264,000 which incorporates £105,000 additional in year savings and is an improvement of £183,000 compared to the reported month 4 position.
45. The underlying underspend within Performance and Partnerships relates to a level of in-year vacancies linked to the timing of a restructure, together with the over-achievement of income targets in areas such as the Cardiff Research Centre and Bilingual Cardiff.

#### **Housing & Communities (£764,000)**

46. The Housing & Communities directorate is reporting an underspend of £764,000. This position includes pay award funding of £497,000 towards the full costs currently estimated at £843,000.
47. The month 6 forecast exclusive of the pay award is an underspend of £1.110 million; an improvement of £793,000 on the position reported at month 4 and which includes in year savings of £542,000.

48. The position comprises overspends totalling £286,000 across Business Performance and Support (£210,000, Housing Strategy and Service Development (£54,000) and Hubs & Community Services (£22,000). These variances are offset by underspends totalling £1.396 million across all other areas of the service.
49. The Business Performance and Support overspend of £210,000 relates mainly to PPE distribution costs across the authority which are currently under review.
50. The £54,000 overspend within Housing Strategy and Service Development relates to earlier delays in a planned restructure which has now been completed.
51. A Hubs and Community services net overspend of £22,000 is linked to overspends of £209,000 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. These are partly offset by in year savings of £187,000 across Hubs and Day Opportunities and Learning for Life relating to staff recharges and employee savings.
52. Within Advice and Benefits, an underspend of £776,000 is reported which includes £215,000 in-year savings identified by the service area. The position also includes an underspend of £259,000 within Into Work Services following the award of the Young Persons Gateway grant as FRM funding allocated to support the original grant fallout is no longer required. The remaining £302,000 underspend relates mainly to net administration income from various cost of living support schemes, including the extended Free School Meal Holiday scheme and minor employee savings.
53. Homelessness and Hostels are reporting an underspend of £98,000 as a result of additional grant funding and a planned restructure at the gypsy & traveller sites and security savings at the Housing Options centre.
54. Within Neighbourhood Regeneration, an underspend of £184,000 is reported following delays to the planned restructure which is currently assumed to be in place by 1<sup>st</sup> October. This position includes a further in year saving of £37,000.
55. Housing Projects are reporting an underspend of £240,000 owing to delays in the planned restructure which is also expected to be in place by 1<sup>st</sup> October. This position includes a further in year saving of £64,000.
56. Early Help and Partnership and Delivery are both reporting underspends of £73,000 and £25,000 respectively as a result of the maximisation of available grant income realising additional in year savings.

### **Adult Services (£495,000)**

57. Adult Services is projecting an underspend of £495,000 at Month 6. This includes pay award funding of £892,000 towards the full costs which are estimated at £1.538 million.

58. The position exclusive of the pay award is an underspend of £1.141 million; an improvement of £1.017 million and which incorporates £915,000 additional in year savings.
59. An overspend of £235,000 on commissioned care is offset by a £1.376 million underspend on Internal Services.
60. The position on commissioned care comprises overspends in Older People (£129,000), Mental Health (£226,000) Substance Misuse (£280,000) and Physical Disabilities (£132,000). These are partially offset by a projected £532,000 underspend on Learning Disabilities. 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.
61. 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, Physical Disabilities and Mental Health overspends, with the partial achievement of in-year savings a further factor in relation to the latter.
62. The £1.376 million underspend on Internal Services is a combination of Assessment and Care Management (£535,000), Reablement and Independent Living (£423,000) and Support & Performance Management (£581,000). These variances are partially offset by a net £163,000 overspend in Internal Learning Disability Services, largely attributable to the delayed implementation of a 2021/22 saving proposal. The underspends in all other areas of Internal Services reflect a level of vacancies, grant maximisation and the fact that funds allocated to support the restructure will only be partly used in the current year.

### **Children's Services +£8.302 million**

63. Children's Services is currently projecting an £8.302 million overspend. This includes pay award funding of £827,000 towards full costs estimated at £1.552 million.
64. The position exclusive of the pay award is an overspend of £7.577 million; an improvement of £1.373 million compared to the month 4 report.
65. The majority of this overspend (£5.980 million) relates to residential placements, which includes a net savings target of £2.643 million. Currently there are 105 ongoing external residential placements, a reduction of 5 since the month 4 monitoring report. Work continues to step down placements where appropriate, but additional demand has resulted in placement numbers remaining high.
66. The external fostering budget is reporting a £1.050 million underspend. The number of current external fostering placements has reduced since month 4,

and the increase in projected outturn is due to fee uplifts and costlier new placements.

67. Children's Services are required to commission additional bespoke placements and support packages due to the complexity of needs and a shortage of spaces available in the residential market. These costly arrangements are included in the position as a further overspend within the directorate to the sum of £4.898 million; an increase of £814,000 since month 4. During the financial year, there have been 46 of these placements to date, of which 20 are currently active cases. Of the active cases, 9 have been commissioned since month 4 at a projected outturn of £0.599 million. These projections are based on current numbers and costs assumed for the remainder of the year unless step down is guaranteed. This area is monitored closely on a case-by-case basis and prioritised for step down when appropriate.
68. The position at Month 6 assumes the use of £1.280 million of Children's Services contingency budget to offset the cost differential of agency staff compared to permanent establishment staff, which are required due to ongoing difficulties in recruiting permanent staff members. A further £2.5million drawdown from reserves is assumed to fund agency staff, which are required due to continued pressures on the services deriving from the pandemic. Several external grants bids have been made and, if successful, related awards will be brought into the monitoring position as funding is confirmed.

### **Governance & Legal Services +£539,000**

69. Governance and Legal Services report an overspend of £539,000. This includes pay award funding of £147,000 towards full costs estimated at £219,000.
70. The position exclusive of the pay award is an overspend of £467,000; a £67,000 deterioration compared to the Month 4 report. An increased overspend in Legal Services (now £521,000) is primarily due to unbudgeted locum solicitor costs of £417,000 and unachieved external income targets. This is offset by an underspend within Democratic Services due to the holding of vacant posts.

### **Resources (£16,000)**

71. The Resources month 6 position indicates an underspend of £16,000. This includes pay award funding of £912,000 towards full costs estimated at £1.482 million.
72. The forecast exclusive of the pay award impact is an underspend of £586,000 which incorporates £213,000 of additional in-year savings and is an improvement of £381,000 when compared to Month 4.
73. Underspends are anticipated against Finance (£286,000), HR (£328,000) and Commissioning and Procurement (£5,000), primarily due to holding vacant posts for the remainder of the financial year.

74. The Chief Digital Officer is reporting a much reduced overspend position of £33,000 (£145,000 at Month 4) again through savings associated with vacant posts along with a reduction in forecast spend on ICT.

### Cardiff Harbour Authority - Balanced

75. For the current year, the Council worked with the Welsh Government to identify budget pressures around increases in material costs, contractor and energy prices as well as historical shortfalls in service level agreement budgets. In addition, work has been carried out to identify future obsolescence and compatibility issues with existing systems and equipment requiring upgrades or replacement.
76. 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.
77. The forecast at the end of quarter one indicates a funding requirement of £5.921 million, representing a full spend of budget.

Cardiff Harbour Authority	Budget £'000	Outturn £'000	Variance £'000
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>

78. 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.
79. The estimated additional impact of the proposed 2022/23 pay award, above the 3% budgeted amount, is anticipated to be accommodated within other underspends, although this will be subject to review once actual costs are known.
80. Increased income against target is forecast on car parking. This forecast will be updated as more information becomes available over the coming periods.

81. 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.
82. 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 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 +£325,000

83. 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.
84. The budget was set using various assumptions and scenarios. The table below provides a summary of the budget and projected outturn position.

Civil Parking Enforcement	Budget £'000	Outturn £'000	Variance £'000
<b>Income</b>			
On street car parking fees	4,839	3,970	869
Off street car parking fees	1,092	1,066	26
Resident's parking permits	473	470	3
Penalty charge notices	1,933	2,289	(356)
Moving Traffic Offences (MTO's)	4,050	4,200	(150)
Other Income	48	66	(18)
<b>Total Income</b>	<b>12,435</b>	<b>12,061</b>	<b>374</b>
<b>Expenditure</b>			
Operational costs, parking & permits	597	619	22
Enforcement service including TRO	6,142	6,071	(71)
<b>Total Expenditure</b>	<b>6,739</b>	<b>6,690</b>	<b>(49)</b>
<b>Annual Surplus / (Deficit)</b>	<b>5,696</b>	<b>5,371</b>	<b>325</b>

85. The current projection indicates an annual trading surplus of £5.371 million. This is £325,000 lower than the budget reflecting lower income from car parking fees, partly offset by reduced operating costs.
86. Income is forecast at £12.061 million which is £374,000 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.

87. The lower expenditure of £49,000 reflects a reduction in loan repayments for invest to save schemes following full repayment in the previous financial year. The position also reflects the assumed cost of the 2022/23 staff pay award.
88. The surplus of £5.371 million is transferred to the Parking and Enforcement Reserve and available to support highway, transport and environmental improvements.
89. 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	5,371
<b>Total Available</b>	<b>7,356</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>657</b>

90. The brought forward balance in the reserve is £1.985 million. The CPE forecast indicates a surplus of £5.371 million. The contribution to the revenue budget to fund infrastructure maintenance and improvements is £5.935 million.
91. 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 £657,000.

### **Housing Revenue Account (£656,000)**

92. The Housing Revenue Account (HRA) is projecting a potential surplus of £656,000, with underspends on housing repairs, capital financing costs and vacancy savings partly offset by inflationary pressures and other increased costs.
93. This position now includes the indicative impact of the proposed 2022/23 employee pay award, currently estimated at £1.1 million. The full impact of the award once agreed and implemented will be set out in future reports.
94. A major variance is in relation to premises costs overspends at the community hubs and hostels/other accommodation with forecasts for utility costs (estimated at £792,000 above budget) reflecting the current market and corporate purchasing arrangements.

95. 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.
96. Rent and service charge income is also assumed to be above target due to lower than forecast void rent loss.
97. Employee savings exclusive of the impact of the pay award across the functions are estimated at £473,000.
98. The Housing Repairs Account is now forecasting a £637,000 underspend. Contractor issues have resulted in an underspend estimated at £431,000 for external printing.
99. Electrical testing works are also forecasted to be underspent by £281,000 with the capitalisation of works here due to the extensive nature of the works required contributing to this position. Other variances include underspends on responsive repairs estimated at £273,000 and management and administration vacancy savings of £185,000. These underspends are partly offset by overspends on void property repairs estimated at £499,000 and disabled facilities grant works of £34,000.
100. Based on week 26 statistics, standard rent and service charge income are forecasted at £649,000 above target. This is mainly in relation to a lower than budgeted void rent loss, a reduced bad debt provision requirement and rental and service charge income above target.
101. Hostels and other accommodation income include a forecast above budget of £102,000. A Housing Support Grant shortfall of £185,000 is offset by additional and unbudgeted WG No-One Left Out grant funding.
102. The balance of the overall variance is mainly due to underspends on supplies and services.
103. The position currently assumes drawdowns from earmarked reserves in the region of £4.7 million to fund capital spend in year including a contribution towards the Lydstep Flats cladding scheme and the buybacks programme. This may change depending on the overall capital programme progress and availability of any grant funding.
104. There are a number of forecasts which are subject to change due to their nature and the number of variables. These will need to be reviewed in detail over the coming months.
105. The surplus is assumed at this stage to transfer to earmarked reserves as appropriate to further improve financial resilience and to offset future year' budget pressures.