

Appendix 2 – Directorate Commentaries Month 9 2022/23

Corporate Management (£3.377 million)

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. In addition, the corporate management position includes a £2.5 million contribution to schools as a part contribution to the pay awards for 2022/23 being in excess of the estimate. The position retains £800,000 of the Covid-19 budget in recognition of the risk of further emerging pressures for the last quarter. Setting the Covid-19 contingency budget aside, the position on Corporate Management has further increased by £100,000 since month 6, linked to the recent notification of increasing financial pressures on the regional coroner service for 2022/23.

Economic Development +£1.646 million

The Economic Development directorate is forecasting a £1.646 million overspend against the net controllable budget of £10.270 million. This is a comparative improvement of £0.974 million compared to the £2.618 million overspend forecast at month 6. This includes the impact of the 2022/23 employee pay award and the in-year savings of £437,000 which the Directorate were asked to identify and implement as part of the wider pressures on the Council budget. In addition, the position now reflects additional grant funding of £225,000 assumed in year.

Culture, Venues and Events is forecasting a potential deficit of £1.636 million. This is made up largely of forecasted income shortfalls at Cardiff Castle (£899,000), City Hall Functions (£329,000), Functions Catering (£287,000) and St David's Hall (£200,000). These shortfalls are only partially offset by underspends on Cardiff Events (£105,000) and at the Museum of Cardiff (£50,000). 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 pressures continue to impact on consumer spending. Larger functions that have a longer lead in time have not all rematerialised at City Hall and retained box office income at St David's Hall is lower than expected due to the late cancellation of some shows.

Property Services are projecting an overspend of £643,000; an increase of £85,000 compared to month 6. Primary areas of overspend include a £77,000 shortfall in disposal fees in relation to the 3.25% Capital Receipts target, a £363,000 overspend at the Tennis Centre (inclusive of a £150,000 increase in projected gas and electricity costs), a £187,000 overspend at the Old Library and a £70,000 shortfall of income for Central Market rent and service charges. These variances are partially offset by an improvement of rental income across the estate, further projected underspends on Investment and Non-Operational repairs and maintenance budgets as well as underspends on employees and staffing recharges above target.

The Major Projects £132,000 overspend is part linked to the NHS lease of Toys R Us that expired in October (£71,000). The Council is now responsible for ongoing holding costs (NNDR rates, security etc). In addition, there is circa £85,000 of unbudgeted expenditure projections relating to the funding of a project manager post and internal support recharges agreed by Major Projects.

The Facilities Management month 9 position shows a £677,000 forecast underspend; an improvement of £850,000 compared to Month 6 caused by a reduction in energy and building maintenance costs plus a lower cost of the pay award than previously anticipated. Building Services is currently forecasting a surplus of £1.006 million but this will be subject to review as the programme is confirmed. FM Buildings is reporting an overspend of £731,000; a decrease of £94,000. This reflects a revised forecast for energy costs following a detailed review undertaken to evaluate estimated usage and existing unit prices. Significant increases were identified for gas following the transfer of several high usage buildings to a larger unit charge in December 2021. Cleaning Services are currently forecasting a £43,000 overspend which reflects the increased staff costs as a result of the pay award settlement.

Shared Regulatory Services (SRS) report a forecast £65,000 overspend. This reflects the inclusion of a £50,000 in-year saving which should emerge following a part refund of the previous year underspend currently retained by the SRS. Historical overspends against the Licensing teams, the 22/23 pay award and additional expenditure on Stray Horses account for an offsetting £115,000 overspend.

Sport, Leisure & Development is reporting a potential £236,000 overspend. Deficits are primarily due to closure of the CIWW Flowrider on safety grounds and post Covid income downturn at both sites. Offsetting savings include a delayed start for the Youth Sport Inclusion officers, premises underspends due to the closure of Canton Community centre and additional income savings on landscape design.

All other divisions within Economic Development are projecting balanced or underspend positions for 2022/23.

The original 2022-23 savings target for Economic Development was £498,000. There is mixed progress to date, with £388,000 of savings projected to be achieved. In contrast, savings of £110,000 are currently projected to be unachieved. These are linked to a reduction in agency and employee costs at Cardiff Castle (£30,000) and an increase in Estates income (£80,000).

Full spend of £550,000 is currently forecast against the two FRM items in 2022/23. Of the £737,000 policy growth proposal items, roughly half (£372,000) are now either in place or anticipated to be spent by year end, with the remaining £375,000 no longer expected to be implemented in 2022/23. This is partially due to decisions being taken not to recruit to some of the posts in 2022/23 in light of the Council's budgetary position, whilst in other areas posts were not recruited to until later in the year than originally anticipated.

Recycling & Neighbourhood Services +£1.756 million

The service is forecasting a net overspend of £1.756 million representing an increase of £398,000 compared to Month 6. This is caused by increased agency costs, due to a rate increase in line with the pay award and higher vehicle recharges. These additional pressures are partly mitigated by a reduction in net waste processing costs and additional grant allocation received.

There is currently no recourse to the Waste Reserve to fund exceptional items and fluctuations in volumes and material type.

The Policy Growth and FRM allocations to fund various waste and cleansing initiatives will be fully spent and the Service is projected to achieve the full £262,000 budget savings for 2022/23.

The Collection Service is projecting an overspend of £2.190 million. This reflects several factors including higher staff costs caused by greater levels of sickness and overtime plus the impact of the pay award. In addition, there are further costs associated with the segregated recycling trial plus the cost of hiring diesel generators for the electric RCV's while the charging infrastructure is installed. Further pressures from fuel inflation are having a significant impact on vehicle costs. The service has partially offset the overall overspend, with in-year work to reduce PPE costs by changing suppliers and radio costs by moving to mobile phones as a means of communications with operatives.

The overspend in Environmental Enforcement is £110,000 caused by a short-term extension to temporary staff contracts until a proposed restructure is introduced.

Street Cleansing are forecasting an overspend of £398,000 caused by increased staffing costs due to the pay award plus increased vehicle charges.

Waste Disposal is forecasting an underspend of £645,000 reflecting lower processing costs because of reduced volumes of residual waste.

Recycling Treatment is reporting an underspend of £46,000 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. The current projection is based on existing income levels and likely scenarios for the remainder of the year.

There is a further underspend of £231,000 in Waste Strategy and £19,000 in Management & Support due to the holding of vacant posts, an uncommitted project budget and additional grant allocation.

Education & Lifelong Learning +£4.582 million

The month 9 position for the Education & Lifelong Learning directorate reflects an overspend of £4.582 million. This includes additional budget of £281,000 towards the impact of the 2022/23 pay award.

Schools Transport is projecting an overspend of £1.976 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 projected overspend has reduced by £617,000 since month 6 with inflation led price increases limited through contract reviews and levelling exercises. This position includes use of ALN covid grant (£484,000) and 2021/22 WLGA grant funding (£594,000).

Services to Schools include an overspend of £2.428 million on Schools Catering Services. The financial position has continued to deteriorate due to significant price increases for food and transport costs since the Month 6 projections, as well as a higher than anticipated impact from the pay award. As a result of these increased projections, funding from the catering earmarked reserve (£990,000) is to be utilised to offset these cost pressures in year. The net position including use of one-off reserves is projected to be a £1.438 million overspend.

Out of Area Placements are forecasting an overspend of £1.016 million due to an increase in provision required from 245 to 292 pupils in year. This position includes use of £484,000 ALN grant.

Planning, Transport & Environment (£2,000)

The Month 9 position shows a slight underspend of £2,000, representing an improvement of £226,000 compared to Month 6. This reflects the full cost of the pay award and the in-year savings of £537,000 the Directorate were asked to identify in response to the wider Council financial pressures.

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.

The position includes the impact of inflation on energy and fuel estimated at £171,000.

Highways Infrastructure is forecasting an overspend of £232,000 which reflects 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. In addition, Grant funding has provided £120,000 for Highway Asset Improvements which has displaced existing budgets.

An anticipated shortfall in planning fees, partly offset by additional property search fees is forecast to result in an overspend of £267,000.

Transport is forecasting an overspend of £67,000, 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 and increased staff recharges to external grants.

Energy Management are forecasting a surplus of £417,000 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. In addition, there are savings on staff costs following decisions to hold back on recruitment.

Bereavement, Registration & Dogs Home are reporting a surplus of £10,000 reflecting an increase in Registration income.

Further savings of £37,000 are forecast in Management and Support Services through in-year and retention of vacant posts.

Performance & Partnerships (£464,000)

Performance and Partnerships is projecting an underspend of £464,000; an improvement of £336,000 compared to the reported month 6 position. This is due to additional grant funding within the Community Safety area, holding posts vacant in the Cabinet Office/Performance and Insight area alongside increased external income projections for Bilingual Cardiff.

Housing & Communities (£2,378,000)

The Housing & Communities directorate is reporting a net underspend of £2.378 million which represents an increase of £1.268 million compared to the position reported at month 6. This is reflective of £890,000 grant maximisation and £375,000 employee savings following in-year recruitment restrictions across the directorate.

The position comprises overspends totalling £246,000 across Business Performance & Support, £217,000 and Housing Strategy and Service Development, £25,000 offset by underspends totalling £2.132 million across all other areas of the service.

The Business Performance and Support overspend of £217,000 relates mainly to PPE distribution costs across the authority which are currently under review.

The £25,000 overspend within Housing Strategy and Service Development relates to delays to a planned restructure which has now been completed.

Within the Advice and Benefits divisions, an underspend of £1.111 million is reported which includes £215,000 in-year savings identified by the service area. This position includes savings of £599,000 in relation to FRM funds allocated to support Into Work and Money Advice teams as alternative funding streams were identified. Further underspends of £252,000 reflect additional grant income received with the remaining underspend linked to net administration income from various cost of living support schemes and employee savings across the division.

Homelessness and Hostels are reporting an underspend of £76,000 as a result of additional grant funding and a planned restructure at the gypsy & traveller sites and security savings at the Housing Options centre. All associated costs as a result of the unprecedented demand on Homeless services are expected to be met from Welsh Government No one Left Out and Discretionary Homeless Prevention

grants. This includes the use of hotels for the provision of emergency temporary accommodation.

Hubs and Community services are reporting an underspend of £421,000 across the divisions. Overspends of £49,000 within Day centres due to additional CCTV costs following break-ins and vandalism and additional vehicle costs are offset by underspends of £464,000 across the service. These underspends relate to additional grant income and employee savings reflective of in-year recruitment restrictions.

Within Neighbourhood Regeneration, an underspend of £319,000 is reported following delays to the planned restructure previously assumed to be in place by 1st October.

Housing Projects also report a delay to the proposed restructure with an estimated impact of £298,000.

Early Help is reporting an overspend of £373,000 as a result of in-year savings and grant maximisation.

Partnership and Delivery are both reporting of £25,000 as a result of vacancy savings.

Adult Services (£1,820,000)

Adult Services is projecting an underspend of £1.820 million at Month 9. This is an increase in underspend of £1.325 million compared with the month 6 position. The position includes the full cost of the 2022/23 pay award and £915,000 of in-year savings. An overspend of £242,000 on commissioned care is offset by a £2.062 million underspend on internal services.

The position on commissioned care comprises overspends in Older People (£557,000), Substance Misuse (£389,000) and Physical Disabilities (£284,000). These are partially offset by projected underspends of £962,000 and £26,000 respectively for commissioned care in Learning Disabilities and Mental Health. The largest contributory factors to the position on Older Peoples' Services are overspends on respite and domiciliary care. These are partially offset by an underspend in relation to direct payments. Increased numbers of residential and nursing placements are the main factor in Substance Misuse and Physical Disability overspends. The underspend in Learning Disabilities is a combination of delayed impact of anticipated demand increases in this area, combined with additional income from Health towards the cost of care packages.

The £2.062 million underspend on Internal Services is a combination of Assessment and Care Management (£1.036 million), Reablement and Independent Living (£591,000) and Support & Performance Management (£532,000). These variances are partially offset by a net £97,000 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 restructure will not be fully used in the current year.

Children's Services +£6.577 million

Children's Services is currently projecting a £6.577 million overspend, an improvement of £1.767 million since the month 6 monitoring report inclusive of the pay award. The overspend is primarily due to external placements for Children Looked After, as continued demand pressure and increased prices have resulted in projected costs exceeding budgets.

Current cost projections for Residential Placements result in a £7.1 million overspend, which includes a net savings target of £2.643 million. Currently there are 105 ongoing external residential placements, a reduction of 1 since the month 6 monitoring report. The average price of these placements has increased by 5.4% since month 6. Retrospective price uplifts and costlier placements replacing elapsed placements are recognised in the position. Work continues to step down placements where appropriate but additional demand has resulted in placement numbers remaining high.

The external fostering budget is reporting a £881,000 underspend. The number of current external fostering placements has increased by 3 placements since month 6, and the average price of external fostering placement has increased by 3% due to retrospective price uplifts.

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 £4.310 million; a decrease of £588,000 since month 6. During the financial year, there have been 56 of these support packages to date, of which 13 are currently active. 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.

The position at Month 9 assumes the use of £1.268 million of Children's Services Contingency budget to offset the cost differential of agency staff compared to permanent establishment staff, which is required due to ongoing difficulties in recruiting permanent staff members. A further £2.000 million 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 grant bids have been successful and have been brought into the monitoring position as ongoing work by the directorate to target early intervention and reduce reliance on the external placement market is aligned with Welsh Government priorities and eligible for grant funding.

Governance & Legal Services +£620,000

Governance and Legal Services report an overspend of £620,000; an £81,000 deterioration compared to the Month 6 report.

An increased overspend in Legal Services (now £616,000) is primarily due to unbudgeted locum solicitor costs of £467,000 and unachieved external income targets. Added to this is an overspend of £55,000 within Electoral Services following a review of the required contribution to the Elections Reserve in respect of the likely costs of the 2027 Local Government Elections. These are offset by an underspend within Democratic Services due to the holding of vacant posts.

Resources (£56,000)

The Resources month 9 position indicates an underspend of £56,000; an improvement of £40,000 when compared to Month 6.

Underspends are anticipated against Finance (£30,000), HR (£237,000) and Commissioning and Procurement (£25,000), primarily due to holding vacant posts for the remainder of the financial year.

The Chief Digital Officer continues to report an overspend position, now estimated at £236,000, mainly as a result of agency costs within Customer Services (mitigated to some extent by overachievement of income targets in the same area) and underachievement of income against ICT.

Cardiff Harbour Authority - Balanced

For the current year, the Council worked with the Welsh Government to identify budget pressures for the Cardiff Harbour Authority including increases in material costs, contractors 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. 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.

The forecast at month 9 indicates a funding requirement of £5.921 million, representing a full spend of budget.

Heading	Budget	Outturn	Variance
	£'000	£'000	£'000
Expenditure	6,332	6,517	185
Income	(958)	(1,143)	(185)
FIXED COSTS	5,374	5,374	0
ASSET RENEWAL	547	547	0
TOTAL	5,921	5,921	0

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. Additional salary costs of the proposed 22/23 pay award, above the 3% budgeted amount, is also anticipated to be accommodated by the underspent areas, though this will be subject to review as months progress. Increased income against target is forecast for car parking, harbour dues and the aqua park.

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.

The CHA maintains a Project and Contingency Fund (the 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 Costs budget. Agreement has been reached with the Welsh Government to contribute £22,600 proceeds from the replaced patrol boat into the Fund. 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

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.

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

	Budget £000	Outturn £000	Variance £000
Income			
On street car parking fees	4,839	3,949	890
Off street car parking fees	1,092	1,115	(23)
Resident's parking permits	473	400	73
Penalty charge notices	1,933	2,310	(377)
Moving Traffic Offences (MTO's)	4,050	4,200	(150)
Other Income	48	87	(39)
Total Income	12,435	12,061	374
Expenditure			
Operational costs, parking & permits	597	666	69
Enforcement service including TRO	6,142	6,080	(62)
Total Expenditure	6,739	6,746	7
Annual Surplus / (Deficit)	5,696	5,315	381

The current projection indicates an annual trading surplus of £5.315 million. This is £381,000 below target reflecting lower income from car parking fees.

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.

Expenditure is forecasting a variance of £7,000 and reflects the cost of the staff pay award offset by a reduction in loan repayments for invest to save schemes following full repayment in the previous financial year.

The surplus of £5.315 million is transferred to the Parking and Enforcement Reserve and available to support highway, transport and environmental improvements.

The table below illustrates the forecast position in the reserve:

Parking & Enforcement Reserve	£000
Balance 1st April 2021	1,985
Contribution from CPE	5,315
Total Available	7,300
Contribution to support revenue budget	(5,935)
Project support and initiatives	(617)
Balance 31st March 2023	748

The brought forward balance in the reserve is £1.985 million. The CPE forecast indicates a surplus of £5.315 million.

The contribution to the revenue budget to fund infrastructure maintenance and improvements is £5.935 million. A further £617,000 will support various initiatives such as Active Travel, LDP transport monitoring, match-funding for the 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 £748,000.

Housing Revenue Account (£1.908 million)

The Housing Revenue Account (HRA) is projecting a potential surplus of £1.908 million; an improvement of £1.252 million compared to the month 6 position mainly due to reduced forecasts for capital financing charges and recharges for staff time as well as increased vacancy savings across the divisions. These are partly offset by a reduction in the Housing Repairs Account underspend.

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 £648,000 above budget) reflecting the current market and corporate purchasing arrangements.

An anticipated £890,000 underspend on capital financing costs is due to the impact on debt repayment and external interest charges of the 2021/22 reduced borrowing requirement.

Employee savings including the impact of the pay award across the functions are estimated at £114,000.

The Housing Repairs Account is now forecasting a £217,000 underspend. Contractor issues have resulted in an underspend estimated at £431,000 for external painting. Electrical testing works are also forecasted to be underspent by £228,000. The capitalisation of works here due to the extensive nature of the works required have contributed to this position. Management and administration vacancy savings of £114,000 are also included in the position. These underspends are partly offset by overspends on responsive repairs of £127,000, void property repairs estimated at £391,000 and disabled facilities grant works of £38,000.

Based on week 39 statistics, standard rent and service charge income are forecasted at £680,000 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.

Hostels and other accommodation rent and service charge income include a forecast above budget of £340,000. A Housing Support Grant shortfall of £185,000 is offset by additional and unbudgeted Welsh Government No-One Left Out grant funding.

The balance of the overall variance is mainly due to underspends on supplies and services.

There are a number of forecasts which are subject to change due to their nature and the number of variables.

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.