

**BUDGET MONITORING - MONTH 4 REPORT 2020/21**

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

**AGENDA ITEM: 6**

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**Reason for this Report**

1. To provide the Cabinet with details of the financial monitoring position for the authority as projected at the end of July 2020, and adjusted for any significant movements since that date, compared with the budget approved by Council on 27<sup>th</sup> February 2020. This report includes the financial impact arising from the ongoing response to the COVID-19 crisis.

**Background**

2. Due to the ongoing COVID-19 pandemic, the financial context within which the Council is operating is significantly different when compared to previous years. Because of this, this report takes a different format than usual, by setting 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 ongoing COVID-19 pandemic continues to have a significant financial impact on the Council. This is being evidenced through both additional expenditure pressures and reduced income generation across services. These additional expenditure pressures have varied in nature, but have included the procurement of personal protective equipment (PPE), social distancing and infection control measures, support for providers and suppliers, support for vulnerable citizens and staffing costs to provide cover for employees who have had to shield or self-isolate. In relation to income, losses have been experienced in a number of directorates, due to, for

example, venues being closed to the public, car parks not being used and services, such as school catering and trade waste, not being in operation.

4. In response to these financial pressures, the Welsh Government (WG) has made various funding commitments to local authorities across Wales. To begin with, a Local Government Hardship Fund was created, totalling £110 million, and covering the first three months of the financial year. Within this figure were earmarked sums for homelessness provision (£10m), free school meal provision (£40m) and adult social care support (£40m). The balance of funding was available to provide general support for local authorities. This fund was exclusively for expenditure pressures. Local authorities have been required to submit monthly expenditure claims to WG, in order to access the fund.
5. Subsequent to that commitment, WG made further funding available for adult social care, totalling £27.731 million, covering the period to the end of September 2020. In addition, £7 million was made available to cover the costs associated with excess deaths, a further £8 million was added to the general fund, £1.6 million was provided for summer holiday childcare provision for vulnerable children and a further £400,000 for free school meals. In terms of income, WG announced a fund totalling £78.1 million to assist local authorities with income losses experienced during the first quarter of the year. However, it was also stated that this fund was to be used by the sector to take advantage of opportunities for change, arising as a consequence of the pandemic, and, therefore, was not available solely for covering income losses. Furthermore, financial support has been confirmed in relation to additional costs arising, during the first quarter of the year, in connection with the Council Tax Reduction Scheme (CTRS). A more recent announcement has also been made, outlining a further £264.2 million for local government, to provide financial support for the remainder of the financial year. Specific details of this fund have not yet been made available. In overall terms, therefore, to date, just under £500 million of financial support has been committed by WG to support local authorities in Wales.
6. This financial year, to date, the Council has submitted expenditure claims to WG totalling £25.842 million, with the table below providing an overview of claims made to July 2020:

	<b>April (£000)</b>	<b>May (£000)</b>	<b>June (£000)</b>	<b>July (£000)</b>	<b>Total (£000)</b>
PPE	1,937	949	2,078	264	<b>5,228</b>
Free School Meals	721	1,220	785	629	<b>3,355</b>
Body Storage Costs	749	30	773	122	<b>1,674</b>
Homelessness	482	111	669	666	<b>1,928</b>
Adult Social Care	579	1,281	3,409	1,046	<b>6,315</b>
Waste	309	370	647	581	<b>1,907</b>
Supplier Relief	0	0	1,505	0	<b>1,505</b>
Other	424	566	2,773	167	<b>3,930</b>
<b>Total</b>	<b>5,201</b>	<b>4,527</b>	<b>12,639</b>	<b>3,475</b>	<b>25,842</b>

7. It can be seen from the table above that the expenditure incurred peaked during June 2020 and has decreased since then. This is partly due to the

Council moving beyond the crisis phase of the response, and some costs reducing as a consequence, but is also due, in part, to the WG reducing the scope of the general element of the Hardship Fund from July onwards. The table below provides an overview of the status of claims to June 2020, with the amounts reimbursed by WG. The July claim is excluded as feedback from WG has not yet been received.

	<b>April (£000)</b>	<b>May (£000)</b>	<b>June (£000)</b>	<b>Total (£000)</b>
Total value of original claim	5,201	4,527	12,639	<b>22,367</b>
Amendment to claim	(376)	0	(505)	<b>(881)</b>
Funded via alternative source	0	(112)	0	<b>(112)</b>
<b>Revised claim</b>	<b>4,825</b>	<b>4,415</b>	<b>12,134</b>	<b>21,374</b>
Amounts currently held by WG	0	(17)	(21)	<b>(38)</b>
Amounts disallowed by WG	(41)	(55)	(1,150)	<b>(1,246)</b>
LA Contribution (50% ICT)	0	(84)	(412)	<b>(496)</b>
<b>Total reimbursed to date</b>	<b>4,784</b>	<b>4,259</b>	<b>10,551</b>	<b>19,594</b>
<b>Potential amount to be funded by LA</b>	<b>41</b>	<b>156</b>	<b>1,583</b>	<b>1,780</b>

8. As can be seen from the table above, the claims for both April and May were largely paid in full, aside from some smaller items that were disallowed by WG, on the basis that these were items that did not fit within the scope of the fund. In addition, an agreement was reached with WG that local authorities would contribute towards the cost of any new ICT equipment purchased, on the basis that this equipment would provide a benefit to the Council beyond the period of crisis. The June claim contained more items that were ultimately disallowed by WG, including some supplier relief paid, which is being pursued via an alternative funding stream. Some smaller items are currently held by WG, pending requests for further information, and may be reimbursed in future months.
9. In addition to the expenditure claims submitted between April and July, the Council has also submitted a claim for lost income, net of any expenditure savings made, covering the first quarter of this financial year. The table below provides a breakdown of the income loss included within that claim. As well as this, WG requested details on any income that may have been delayed in its receipt, but not permanently lost.

<b>Income Source</b>	<b>Lost Income (£000)</b>	<b>Savings on Lost Income (£000)</b>	<b>Net Income Loss (£000)</b>	<b>Delayed Income (£000)</b>
Parking	3,872	(355)	<b>3,517</b>	
School Catering	3,021	(1,272)	<b>1,749</b>	
Waste Services	862	(95)	<b>767</b>	
Cultural Services	3,524	(845)	<b>2,679</b>	
Arts Venues	1,371	(482)	<b>889</b>	
Other	3,904	(154)	<b>3,750</b>	1,698
<b>Total</b>	<b>16,554</b>	<b>3,203</b>	<b>13,351</b>	<b>1,698</b>

10. To date, the Council has received confirmation that the claims made in relation to Parking, School Catering, Waste Services and Cultural Services (including recreational and sporting activities) will be reimbursed in full. This represents a total reimbursement of £8.712 million. In addition, confirmation has been provided that the claim made in relation to Arts Venues (St David's Hall and New Theatre) will be considered under a separate scheme being administered by the Arts Council for Wales.
11. Any additional expenditure or income losses that the WG has decided not to fund will need to be met from existing Council resources and the relevant amounts are reflected within the projected directorate outturn positions that are outlined later in the report. Despite the recent announcement that further funds will be made available to local authorities, there remains a significant degree of uncertainty as to what cover WG will provide for both ongoing additional expenditure and loss of income. Because of this, the projected directorate positions included within the report do not incorporate the potential COVID 19-related pressures that may occur during the remainder of the year. Instead, because of the range of potential scenarios that could occur, the table below has been prepared to provide an indication of the financial impact that may result. This position will continue to be kept under review and monitored closely.

	<b>Estimate Q2-Q4 (£000)</b>	<b>25% Council Cont (£000)</b>	<b>50% Council Cont (£000)</b>	<b>75% Council Cont (£000)</b>	<b>100% Council Cont (£000)</b>
Projected Cost	14,462	3,616	7,231	10,847	14,462
Projected Income Loss	19,701	4,925	9,851	14,776	19,701
<b>Total</b>	<b>34,163</b>	<b>8,541</b>	<b>17,082</b>	<b>25,623</b>	<b>34,163</b>

12. As can be seen from the table below, the decisions made by WG, in respect of the level of financial support to be provided, will have a significant impact on the overall Council financial position during 2020/21. Because of the large range in values between full WG financial support and zero WG support, it is not possible, with sufficient confidence, to be able to incorporate an absolute figure into the overall monitoring position at this time. However, as the year progresses, it will be possible to make projections with a greater level of confidence and this will be reflected in future monitoring reports.

### **Revenue Position**

13. The overall revenue position reported in the paragraphs that follow primarily reflect projected variances that have arisen irrespective of the pandemic. The only COVID 19-related figures within these projections are where it is already known that certain items of additional expenditure or lost income are not likely to be funded by WG. In addition, these variances include shortfalls against 2020/21 budget savings proposals and any in-year savings or efficiencies that have been identified at this point of the year.

14. The overall monitoring position, as at Month 4, reflects a total, net, overspend of £1.982 million. This position is detailed in Appendix 1 and is made up of a total directorate net overspend of £5.082 million and a projected overspend of £300,000 in relation to Capital Financing, partially offset by the £3 million general contingency budget and an overall underspend of £400,000 within the Summary Revenue Account.
15. The table below provides a summary of the overall position and outlines the component parts of each directorate's total variance.

<b>Directorate</b>	<b>COVID-19 Impact (£000)</b>	<b>Directorate Position (£000)</b>	<b>In-year savings (£000)</b>	<b>Total Variance (£000)</b>
Corporate Management	1,034	(21)	0	<b>1,013</b>
Economic Development	45	(150)	(399)	<b>(504)</b>
Education & Lifelong Learning	155	2,401	(1,035)	<b>1,521</b>
People & Communities:				
Housing & Communities	19	(432)	(536)	<b>(949)</b>
Performance & Partnerships	0	0	0	<b>0</b>
Recycling & Neighbourhood	6	(6)	0	<b>0</b>
Social Services	117	3,874	(753)	<b>3,238</b>
Planning, Transport & Env	134	(43)	(91)	<b>0</b>
Resources:				
Central Transport Services	0	327	0	<b>327</b>
Governance & Legal Services	0	512	(11)	<b>501</b>
Resources	167	73	(305)	<b>(65)</b>
<b>Total Directorate Position</b>	<b>1,677</b>	<b>6,535</b>	<b>(3,130)</b>	<b>5,082</b>
Capital Financing	0	300	0	<b>300</b>
General Contingency	0	(3,000)	0	<b>(3,000)</b>
Summary Revenue Account	0	(400)	0	<b>(400)</b>
<b>Total Council Position</b>	<b>*1,677</b>	<b>3,435</b>	<b>(3,130)</b>	<b>1,982</b>

16. From the table above, it can be seen that the impact of COVID-19, in terms of unrecoverable costs and income losses, has added £1.677 million to the overall overspend (\*it should be noted that the total held or disallowed by WG from the Hardship Fund includes £103,000 in relation to the Housing Revenue Account, which does not feature in the table above). It is, however, clear that non COVID-19 related issues are the main drivers behind the overall net overspend, with particular pressures evident in Children's Services, Education, Adult Services, Governance & Legal Services and Central Transport Services. Partly offsetting these pressures and overspends are in-year savings amounting to £3.130 million. These savings have been identified following a request for directorates to review their budgets and implement measures to reduce expenditure and increase income, wherever possible.
17. The specific overspends and underspends within each directorate's position are outlined in more detail within Appendix 2. However, the main pressures relate to the additional cost and number of residential and internal fostering placements within Children's Services, as well as additional expenditure in

relation to agency staffing within that directorate. In addition, Education is experiencing pressures in relation to Out of County Placements, again both in terms of cost of individual placements and the overall number of pupils requiring specialist provision. In addition, there are underlying pressures evident within School Transport, due to the number of pupils with additional learning needs requiring transport, and Services to Schools, where certain traded services are demonstrating underlying deficits, irrespective of the impact of the pandemic. Within Adult Services, pressures are evident against the Older Peoples' budget, reflecting the inability to take forward savings proposals, increasing costs with respite care and previous reliance upon grant funding. The main reason for the overspend within Governance & Legal Services is the continued need for external legal services, particularly in relation to complex children's cases. In the case of Central Transport Services, the service is experiencing the knock on effects from COVID-19, including much lower vehicle usage and income recovery across services, and loss of external income during the period.

18. As well as these specific pressures, there are pressures in most directorates arising from not being able to fully deliver the savings proposals agreed as part of the 2020/21 budget. In some cases, these shortfalls are the direct consequence of COVID-19, such as proposals centred on increased income generation at venues that have been closed during the period of lockdown. In other cases, there have been indirect consequences of the pandemic, such as the lockdown period making it challenging to progress staffing restructures, for example. As outlined in Appendix 3, there is an overall projected shortfall of £4.276 million against the target of £8.557 million. At the time of setting the budget, the savings proposals were split into three categories (efficiencies, income generation and service change) and the level of performance varies significantly across the three categories. In the case of efficiency proposals, the majority are projected to be achieved, with an overall shortfall of £608,000 against the target of £3.841 million currently being reflected. However, in the case of income and service change proposals, the level of achievement has been more significantly impacted, with shortfalls of £1.643 million (against a target of £2.541 million) and £2.025 million (against a target of £2.175 million), respectively. These shortfalls are contained within each directorate's overall position and, in some cases, there will have been the opportunity to mitigate the impact via the COVID-19 Hardship Fund.
19. Although some directorates are presenting significant overspends, others are presenting underspends or balanced positions. The main underspends relate to Housing & Communities and Economic Development, who, once removing the potential impact of COVID-19 during the remainder of the year, are reporting sizeable underlying underspends. These positions are largely due to in-year savings against staffing budgets, due to vacancies, and anticipated underspends against one-off allocations made from the Financial Resilience Mechanism (FRM), as part of the 2020/21 budget. The Resources directorate is also projecting an underspend, again largely due to in-year staffing savings, as well as additional internal recharge income. Whilst other directorates, such as Planning, Transport & Environment, are reporting balanced positions, this is largely due to having managed

emerging pressures within their overall budget by identifying in-year mitigations.

20. As well as the individual directorate variances, there are also some corporate variances contained within the position. The first of these is the Capital Financing overspend of £300,000. 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 a number of variables such as interest rates, the level of investment balances, share of interest chargeable to the Housing Revenue Account (HRA), the need and timing of external borrowing, as well as performance in achieving capital expenditure projections. The projected overspend includes £200,000 of lower interest receivable on investments, given the significant reduction in the Bank of England base rate to 0.10%, as a result of COVID-19. The remainder of the overspend is the result of a number of factors, including the HRA picking up a lower share of projected external interest costs and lower levels of interest recoverable from directorates in relation to invest to save schemes expected to be completed during 2020/21.
21. In terms of Council Tax Collection, a balanced position is currently being reported. This is because there is a significant amount of uncertainty regarding likely collection rates throughout the remainder of the year. Until more time has elapsed, and the impact of the pandemic on collection rates becomes clearer, any variance in relation to Council Tax will not feature as part of the position. In addition, although Council Tax court cost income is also low at this point of the year, any variance against the budget will not be brought into the position until there is further clarity.
22. As part of the reported directorate positions, certain contributions from contingency budgets have been assumed. These include a transfer from the Council Tax Reduction Scheme (CTRS) contingency, of £3.042 million, to meet the increasing demand from residents for financial support, largely as a direct consequence of the pandemic and financial hardship that people are experiencing. In addition, the Children's Services position includes the £2.175 million contingency held for meeting the additional costs arising from external placements. The recommendations to this report seek Cabinet approval for these transfers. It should be noted that the position in relation to the CTRS contingency is likely to change significantly during the remainder of the year, particularly with WG funding now likely to be forthcoming in respect of the first quarter of the year, as a minimum. An updated position on this contingency will be incorporated within the Month 6 monitoring report.
23. In addition to the general fund directorate positions are the positions of ringfenced and grant funded accounts, in particular the Housing Revenue Account (HRA), Civil Parking Enforcement (CPE) and Harbour Authority. Further detail is provided on these accounts as part of Appendix 2. However, in summary, the position on the HRA is for an in-year surplus of approximately £2.2 million, which is due, primarily, to in-year savings against repairs and maintenance budgets. This surplus would be transferred

to the HRA General Balance at the end of the financial year. In the case of CPE, the current position reflects an in-year trading loss of £306,000, compared to the budgeted surplus of £8.022 million. However, this is an area that has been significantly affected by the COVID-19 pandemic and, as a result, financial support from WG has been available during the first quarter of the year. If this support continues to be available for the remainder of the year, the account will be in surplus and will not result in an overspend within the Planning, Transport & Environment directorate. In the case of the Harbour Authority, an overall deficit of £251,000 is projected, due to reductions in income received. This overspend will either be managed via additional funding from WG or through the Contingency & Projects Fund.

## **Response to the Emerging Financial Position**

24. As the magnitude of the pandemic became clear, and particularly once the UK Government's lockdown measures were introduced, it became evident that the financial impact on all local authorities was going to be significant. To ensure that the Council was able to keep track of the financial impact, a financial issues log (as outlined in the financial report received by Cabinet on 11<sup>th</sup> June 2020) was introduced, to capture all issues arising with the potential for a financial impact. Even at that early stage of the year, it was evident that there would be a wide-ranging financial impact, including direct impacts such as the aforementioned additional expenditure and income losses, but also indirect impacts, such as not being able to fully deliver on directorate savings proposals. Whilst, through close partnership working with WG, it was clear that financial support would be made available, it was always likely that this financial support would not have a wide enough scope to be able to cover the entire impact. Because of this, a number of steps have been taken by the Council in response to this financial crisis, with the aim of minimising that impact.
25. One of the measures taken by the Council was to explore the possibility of furloughing staff and recovering the cost via the UK Government's Job Retention Scheme (JRS). Whilst it was clear that the expectation was for local authorities not to access the scheme in relation to staff funded from public money, there was scope to participate in the scheme in relation to staff funded via external fee generation. This was also a view supported by WG. For that reason, the Council decided to furlough staff from income generating areas, once the opportunity to redeploy these staff to other parts of the Council, in the first instance, had been fully exhausted. This took effect from May 2020 and the services that have furloughed staff include School Catering (including individual school catering operations), Storey Arms Outdoor Pursuits Centre, Cardiff Castle, Venues (predominantly functions catering), St David's Hall and New Theatre. The amounts recovered via the JRS to date total £1.134 million in relation to May, June and July. It is the Council's intention to continue to furlough staff, where services have not restarted, until 31<sup>st</sup> October 2020, at which point the JRS ceases.
26. As well as considering external options, the Council has also looked at internal measures for reducing the overall impact arising from the pandemic. The first of these was to request each directorate to review their in-year



budgets and identify savings, or introduce measures to generate savings, which could assist with alleviating the overall overspend. Whilst each directorate was given a notional target, the intention was for the level of savings to be maximised. As referenced earlier in this report, a total of £3.130 million has been identified and incorporated within the Month 4 position. These savings can be classified as efficiency savings that have arisen in the normal course of business.

27. An internal review of the amounts allocated as part of the 2020/21 budget, in relation to the Financial Resilience Mechanism (FRM) and the Capital Ambition Policy, has been undertaken to ensure any variance against planned spend is being monitored closely. In addition to this exercise, officers are also coordinating a review of earmarked reserves and other corporate funding sources with the aim of identifying other amounts that could be released or repurposed to help mitigate the overall financial position.
28. Throughout the remainder of the year, the Council will continue to consider its options for mitigating the overspend position, particularly if the impact of COVID-19 related additional expenditure and lost income during the coming months results in a deterioration of the overall position. These options will include those listed in the previous paragraphs, as well as ensuring that the appropriate amounts are recovered from WG via the Hardship Fund. As well as this, officers will continue to ensure that any potential opportunities for improving the situation are identified during the year and factored into the position, as appropriate.

## **Capital**

29. The Council in February 2020 approved a new Capital Programme of £194.304 million for 2020/21 and an indicative programme to 2024/25. The budget for the General Fund and Public Housing has since been adjusted to £182.387 million to include actual slippage reported at outturn, incorporation of new grant approvals and confirmation of actual grant awards.
30. The sections below indicate a forecast position for 2020/21 for the General Fund and Public Housing.

## **General Fund**

31. The projected outturn for the year is currently £101.706 million against a total programme of £125.612 million, a variance of £23.906 million, which is predominantly slippage. Expenditure at the end of Month 4 was £12.379 million which represents only 12% of the projected outturn, a third of the way through the financial year. However, there are a number of large expenditure items which are likely to progress during the latter part of the year.

## Capital Schemes Update

32. Delivery of capital projects is complex, may span a number of years and is influenced by a number of external and internal factors, such as weather, statutory and non-statutory approval processes. Directorates continue to be reminded of the need to set achievable profiles of expenditure and to identify slippage at an early stage.
33. The impact of COVID-19 on the programme has been dependent on the nature of the works being undertaken. Following initial delays on schemes during lockdown, contractors are adapting to COVID-19 work restrictions, although issues with labour and materials still remain a risk as the winter period approaches. This had, and is likely to have, an impact on the costs of works which is likely to impact on managing within estimated budgets. This may require reprioritisation of schemes to be undertaken and new contracts being entered into have been amended to make allowance for COVID-19 restrictions, to mitigate the risk of compensations events and additional costs.
34. Capital expenditure can play an important part in helping to kick-start economic activity as well as making improvements and achieving the outcomes intended. Accordingly, it is important that directorates continue to allocate sufficient capacity and resource to ensuring that projects progress within the timescales intended and consider opportunities to bring forward expenditure wherever possible. Robust business cases continue to be essential, particularly where schemes are undertaken on the basis of generating income or savings.
35. A number of specific WG grants in relation to the COVID-19 response have either been included in the programme or approved in principle, pending formal confirmation. These are for projects such as homelessness and transport infrastructure improvements. The likelihood and precedent from previous years is that additional grants will be available during the year and very often late in the year. This may require the need to switch funding resources in order to ensure that such grants can be utilised in full, especially if they are subject to timescales for use. There are other projects, for example those assumed to be paid for from the Parking Reserve, which may need to be reprioritised due to loss of income in these areas, as referenced earlier in this report.
36. The level of capital receipts is a key assumption in the affordability of the capital programme. The annual property plan to be considered by Cabinet will highlight the impact of COVID-19 on the property market, as well as set out assumptions for capital receipts targets for 2020/21 and for future years.
37. Assumptions have been made about projected expenditure on a number of projects, but the programme does include a number of projects where future decisions to be taken will have a significant impact on the level of expenditure during the year. These will be updated as part of future monitoring reports.

38. Further detail on progress against significant capital schemes included in the programme is included in Appendices 4 and 5 to this report.

### Capital Receipts

39. The Capital Programme, approved by Council in February 2018 and in subsequent years, set a target for non-earmarked General Fund capital receipts of £41 million, after making a deduction for eligible revenue costs of disposal. Up to 31<sup>st</sup> March 2020, a total of £6.887 million has been generated against this target. The forecast for receipts when setting the 2020/21 resources was £7 million, from the disposal of land as well as a number of retail parades. No property receipts have been received in this reporting period. The Annual Property Plan for 2020/21 will update on the forecast of receipts during this financial year, and for future years, in order to determine the affordability of the Capital Programme, to be considered as part of future budget strategy.
40. In addition to the position outlined above, land appropriations to the Housing Revenue Account will take place for the development of affordable housing, with the main site being the former Michaelston Community College site, which was originally anticipated in 2019/20.
41. Sites to be disposed of during the year will be subject to Cabinet approvals where relevant, with proceeds from disposals such as Dumballs Road (subject to member approval) to be used to repay the initial investment in acquiring the site.

### Public Housing (Housing Revenue Account)

42. The 2020/21 capital programme for Public Housing is £56.775 million, with net overall slippage of £3.992 million currently forecast.
43. Expenditure of £3.186 million is forecast on a range of estate regeneration schemes to tackle issues of community safety, defensible space, waste storage and courtyard improvements to blocks of flats. Major schemes within the programme include the Roundwood Estate, Arnold Avenue and Bronte Crescent. Subject to contractor capacity, schemes may be brought forward from future years.
44. In respect to planned investment on Council dwellings, COVID-19 has resulted in a focus on the most urgent works, avoiding the requirement to enter properties. This has resulted in a delay to works, with slippage of £2.233 million currently anticipated, primarily in relation to flat roofs, tendered but to commence in 2020/21, window and door upgrades and works to BISF houses. Areas of expenditure forecast during the year include replacement boilers (£0.75 million), front door upgrades to flats following completion of testing for fire safety (£1 million) and a lift replacement programme at flats (£0.257 million). Expenditure of £1.5 million is forecast on the roof replacement programme, with opportunities to be considered to speed up the delivery of the programme. To ensure that Major Repairs Allowance grant funding for 2020/21 is utilised in full, options to bring

forward expenditure in line with contractor capacity will continue to be reviewed during the course of the year.

45. Expenditure on disabled adaptations for public housing is forecast to be £2.7 million. Due to COVID-19, demand in the first quarter has been weak, and the focus has been on the most critical cases. Assessments are now progressing as part of the service recovery plan.
46. Expenditure on the development of new housing over a number of sites during the year is estimated to cost £37.980 million in total. This includes completion of phase one living sites, preparation for future phases as well as specific developments, such as Caldicot Road, the former training and community centre sites in St Mellons, the paddle steamer, and the former Lansdowne Hospital site. The level of expenditure on specific sites to be developed by the Council is lower than initially planned, however additional expenditure on schemes identified below has enabled overall investment on new builds to be maintained at planned levels.
47. Cabinet, in June 2020, considered the impact of COVID-19 on the Council's housing delivery programme and agreed approval in-principle of a specific request from Wates Residential to the immediate purchase of a number of additional properties currently in development as part of the Phase 1 Cardiff Living programme. This estimated the acquisition of an additional 102 properties for Council homes or for Council approved assisted home ownership across 4 sites, namely Willowbrook, St. Mellons; Briardeane, North Road; Highfields, Heath and Llandudno Road, Rumney. To facilitate this, the level of open market buy backs of property over the medium term was to be curtailed, with £4 million expected to be spent in 2020/21 on completion of the buyback programme, for all but urgent cases and those facilitating comprehensive regeneration schemes such as at Channel View.
48. In March 2020, Cabinet agreed to acquire the freehold interest of the former Gas Works site at Ferry Road, Grangetown at a cost of over £10 million in order to deliver a Council led mixed tenure housing scheme. Budget has been brought forward from future years to pay for the acquisition and was completed in April 2020.
49. Cabinet considered in July 2020 a future service model for Homelessness and set out a range of schemes to offer long-term and sustainable housing options for homeless families and single people. COVID-19 has necessitated extreme urgency to deliver longer-term solutions for temporary accommodation to replace the leased hotels.
50. Two sites identified as suitable to deliver new-build temporary accommodation as a meanwhile use are Hayes Place, which will provide 19 new modular homes using the Beattie Passive 'Haus4studio' pods, and the Gasworks site, Grangetown which will provide 50 flats as temporary accommodation for homeless families.
51. Specialist supported accommodation for homelessness is proposed at Adams Court to create an integrated facility of approximately 103 self-

contained units with intensive support and an additional 49 flats for longer term more settled accommodation.

52. The Council submitted a number of grant bids to WG covering COVID-19 related homelessness recovery plans in order to support the costs of the above three projects, projects taken forward by partners as well as the development of affordable housing. Over £12 million of funding has been approved in-principle and subject to detailed terms and conditions. These will be included in the programme when confirmed and where schemes need to be underwritten prior to confirmation of funding, this will need to be managed within the existing HRA capital programme.

#### Section 106 Schemes and Other Contributions

53. The table below shows the Section 106 and other contributions forecast to be spent at the time of setting the budget. This has been reviewed by directorates and is reflected in the new projection at Month 4:

	<b>Budget</b>	<b>Projection at Month 4</b>	<b>Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Parks & Green Spaces	1,600	1,343	(257)
Traffic & Transportation	601	582	(19)
Strategic Planning & Regulatory	77	31	(46)
Neighbourhood Regeneration	1,093	478	(615)
Economic Development	138	88	(50)
Education & Lifelong Learning	465	364	(101)
Public Housing (HRA)	1,407	1,407	0
<b>Total</b>	<b>5,381</b>	<b>4,293</b>	<b>(1,088)</b>

54. Some of the schemes included in the profile above are:

- Parks and Green Spaces – Schemes are proposed to be undertaken in a number of areas and include Adamsdown Open Space, Cogan Gardens, Llandaff Fields, Shelley Gardens, Kitchener Gardens, Cemaes Crescent, Llanishen Park and cycle improvements along the Roath Park Corridor. Capacity to deliver schemes continues to be reviewed.
- Traffic & Transportation – Public transport improvements, junction improvements, bus stops and bus borders; installation of CCTV and real time information, telematics and transportation schemes including the provision of bus routes in the city and strategic transport initiatives.
- Strategic Planning & Regulatory – Air Quality Monitoring around the city.
- Neighborhood Regeneration – Provision of a Library Service within the Cardiff Royal Infirmary, improvement of community facilities at Penylan

Library and Community Centre, St Peters Community Hall, Lisvane Old School Rooms and Llanishen Street.

- Economic Development – Support for small to medium enterprises in Adamsdown, Butetown and Llanishen.
- Education & Lifelong Learning – Condition works at Llanishen High School and Cathays High School.
- Public Housing – Development of new Council housing.

### **Scrutiny Consideration**

55. The Policy Review and Performance Scrutiny Committee is due to consider this item on 15 September 2020. Any comments will be reported to the Cabinet Meeting

### **Reasons for Recommendations**

56. To consider the report and the actions therein that form part of the financial monitoring process for 2020/21.

### **Legal Implications**

57. 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**

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

### **Financial Implications**

59. In summary, this report outlines a projected Council overspend of £1.982 million at Month 4 of the 2020/21 financial year. This overspend reflects a net directorate overspend of £5.082 million, coupled with a Capital Financing overspend of £300,000. These overspends are partly offset by the general contingency of £3 million and a £400,000 underspend against the Summary Revenue Account. In the event that an overspend of this level exists at the end of the financial year, it would be offset against the Council Fund Balance. Currently, the Council Fund Balance is £14.255 million and would reduce to £12.273 million in such a circumstance. It is important to note that within the overall position are COVID-19 related costs, which have not been possible to recover from Welsh Government, totalling £1.677 million.
60. In response to the overspend and continued financial pressures, directorates were asked to identify in-year savings to mitigate the overspend and the reported position contains £3.130 million of such savings following that request. As the year progresses, it is essential that directorates maintain a focus upon both the delivery of identified savings and the

identification of further savings, wherever possible. Whilst, to date, the Council has been able to recover the majority of COVID-19 expenditure from Welsh Government, there remains a significant risk that this will not be possible during the remainder of the year. This is evidenced by the scenarios presented in the report, which outline the fact that, based on current estimates, the Council could be exposed to as much as £34.163 million in additional expenditure and lost income during the remainder of the financial year.

61. Although the Welsh Government have recently announced further funding for Local Government, in the absence of detail surrounding this commitment, it cannot be assumed that further costs, and losses of income, will be mitigated via further external funding. Therefore, the Council has to ensure that every opportunity is taken to manage the financial impact being experienced. This will require directorates to demonstrate tight financial control and exercise good judgement in relation to income generation. As well as risks directly connected to COVID-19, directorates will also need to manage underlying pressures and ensure that reported positions do not deteriorate later in the year.
62. In addition to directorate risks, there is also the potential for other pressures to emerge. One example is the Council Tax Collection position, which, at this early stage of the year and in the current context, is difficult to predict. Therefore, as outlined earlier in this report, it will be necessary for corporate solutions to be identified as well as directorate-led solutions. This will require a continual review of Council-wide issues and regular monitoring of the Council's balance sheet, including the debtors position and earmarked reserve levels.
63. In relation to the 2020/21 Capital Programme, a variance of £23.906 million is currently projected against the General Fund element, predominantly in relation to slippage against schemes. In terms of the Public Housing element of the programme, overall slippage of £3.992 million is currently forecast. Spend to date is also very low for this stage of the year and, therefore, there is a risk that the overall level of slippage could increase further. On that basis, it is critical that directorates take steps to minimise the risk of slippage and implement measures to ensure that budgets are utilised in a timely and appropriate manner. Where this is not possible, early reporting of emerging issues should take place and robust reprofiling of expenditure should be undertaken to inform the development of the overall programme for future years. This requirement is of even greater significance when considering externally funded schemes, as it is important to ensure that the opportunity to utilise such funding is not lost.
64. In addition to the traditional pressures that the Capital Programme would be exposed to, the situation in relation to COVID-19 presents a different range of challenges. For example, capital expenditure could be used as a way of kick-starting the economy and specific grants have already been made available to contribute towards particular issues, such as homelessness. As well as this, contractors are having to make allowances for specific challenges connected to COVID-19, such as implementing alternative working practices to ensure social distancing. It is of critical importance, in

light of this, that good contract management is undertaken and that issues that could give rise to cost increases or delays in schemes are identified and reported in a timely and appropriate manner. It will also be important to closely monitor the position in relation to capital receipts, as the programme is dependent upon particular targets being achieved in relation to this.

### **Property Implications**

65. The report is submitted for information as part of the Authority's financial monitoring process. The Strategic Estates Department continues to work with the Finance Department to monitor the on-going impact of Covid19 on the Council's estate related revenue and capital budget. There are no further specific property implications to report.

### **RECOMMENDATIONS**

The Cabinet is recommended to:

1. Note the COVID-19 financial impact at Month 4 and the ongoing response to the emerging financial position.
2. Note the projected revenue financial outturn based on the projected position at Month 4 of the financial year.
3. Note the capital spend and projected position at Month 4 of the financial year.
4. Note and approve the allocations from specific contingency budgets to the People & Communities - Housing & Communities and People & Communities - Social Services directorates, as set out in this report.
5. Reinforce the requirement for all directorates currently reporting overspends as identified in this report to put in place action plans to reduce their projected overspends.

<b>SENIOR RESPONSIBLE OFFICER</b>	<b>CHRISTOPHER LEE</b> Corporate Director Resources
	11 September 2020

The following Appendices are attached:

- Appendix 1 – Revenue Position
- Appendix 2 – Directorate Commentaries
- Appendix 3 – 2020/21 Budget Savings Position
- Appendix 4 – Capital Programme
- Appendix 5 – Capital Schemes Update