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The following report is an Information Item for the Policy and Resources Scrutiny Committee.

1. Corporate Services & Miscellaneous Finance 2020/21 Budget Monitoring Report (Period 3)



POLICY & RESOURCES SCRUTINY COMMITTEE – FOR INFORMATION

**SUBJECT: CORPORATE SERVICES & MISCELLANEOUS FINANCE 2020/21
BUDGET MONITORING REPORT (PERIOD 3)**

**REPORT BY: CORPORATE DIRECTOR FOR EDUCATION AND CORPORATE
SERVICES**

1. PURPOSE OF REPORT

- 1.1 To inform the Scrutiny Committee of projected revenue expenditure for the Directorate of Corporate Services and Miscellaneous Finance for the 2020/21 financial year.

2. SUMMARY

- 2.1 The report projects the anticipated final outturn for the Directorate of Corporate Services and Miscellaneous Finance based upon expenditure and income trends for the first three months of the financial year.

3. RECOMMENDATIONS

- 3.1 The Scrutiny Committee is asked to note the contents of the report.

4. REASONS FOR THE RECOMMENDATIONS

- 4.1 To ensure that Members are informed of the projected financial position for the Directorate of Corporate Services and Miscellaneous Finance.

5. THE REPORT

5.1 Corporate Services

- 5.1.1 The Directorate of Corporate Services is currently forecasting an underspend of £237k for the 2020/21 financial year, full details of which are provided in Appendix 1.
- 5.1.2 Members are advised that the projected outturn for Education & Lifelong Learning is a net overspend of £85k, consequently overall the projected outturn position for Education and Corporate Services is an underspend of £152k.
- 5.1.3 There is an anticipated underspend on Chief Executive and Director of Education & Corporate Services of £23k.
- 5.1.4 The anticipated net overspend of £99k in Corporate Finance relates in the main to delays finalising MTFP savings partially offset by in-year vacancies being held until the New Head of Corporate Finance has been appointed. This also takes into account the funding from

reserves for an apprentice.

5.1.5 There is an anticipated net underspend of £109k in Digital Services, after taking into account the agreed use of reserves. This consists of:-

- A projected underspend of £315k on Procurement which relates in the main to vacancies still to be filled, the recruitment has been delayed by Covid 19.
- Customer First – a net £79k overspend, after agreed use of reserves for apprentices. This is due in the main to the second year of an agreed contract for Thoughtonomy.
- IT Services - £127k overspend which is due in the main to vacancies still to be filled offset by the estimated costs of the contracts register.

5.1.6 Legal & Governance is projecting a net underspend of £43k after allowing for the following to be ring-fenced and transferred to earmarked reserves: -

- Projected underspend on Members related expenditure of £67k. This is due in the main to underspend on Members related Allowances which is partly off-set by increased costs on Members' superannuation costs.
- Projected underspend of £46k on Electoral Services. The Electoral Services underspends in non-election years are ring-fenced to fund overspends in election years.
- Agreed funding from reserves to fund an apprentice for a fixed term.

The net underspend of £43k for Legal & Governance is due in the main to staff not reaching the top of their pay scales and some temporary reduced hours, these are one off savings.

5.1.7 There is an anticipated £150k net underspend in Business Improvement Services after taking account of the following:-

- Management – Projected net underspend of £130k. The Head of Service post is anticipated to be unfilled this year pending an overall restructure.
- Projected net underspend of £37k in the Policy Team due partly to delays in filling a vacant post and some additional one off income after the agreed use of reserves to fund a Fleet review officer.
- Projected underspend of £30k in the Equalities and Welsh Language Team due in the main to some staff not reaching the top of scale in this year and reduced costs of external Translation services.
- Projected net underspend of £2k in the Performance Management Unit.
- Projected net overspend of £49k in the Transformation team after taking into account the agreed transfer of reserves to fund the two senior posts. This overspend will initially be funded from underspends across the wider service.

5.1.8 There is a projected net overspend of £30k for People Services mainly consisting of:-

- Human Resources projected net underspend of £20k due in the main to staff on maternity and career break offset with reduced income levels. The net underspend is after taking into account the agreed use of reserves.
- CMT Support underspend of £3k due in the main to staff temporarily reducing hours.
- Communications Unit is projecting a net overspend of £105k, due in the main to anticipated reduced levels of internal income due to reduced requirements due to Covid, offset by staff regradings after taking into account the agreed use of reserves for an apprentice. Income levels will be closely monitored in year.
- A projected net underspend of £45k for Health & Safety, which includes:-
 - Occupational Health underspend of £40k due in the main to salary savings due to delays in recruitment to the revised structure.
 - Health & Safety £5k underspend due in the main to salary savings due to delays in recruitment to the revised structure after taking into account the agreed use of reserves for fire officers and an apprentice. These are offset by reduced internal

training income due to Covid 19. There is also a forecast saving on food audits, which are managed by procurement, together with potential vehicle hire savings.

- A submission to WG for £7.2k has been submitted to cover the loss of external income to the H&S training section, it has been included in the outturn but it is unclear at present if this will be received.

5.1.9 For Property Services (who report to the Communities Director) there is a net projected underspend of £231k, consisting of the following: -

- Management - £38k underspend due to staff on temporary reduced hours and small non salary savings.
- Energy - £1k overspend.
- Estates - £34k underspend due mainly to staff vacancies/reduced hours which has been partially offset by a reduction in the anticipated level of fee income. This is after taking into account the agreed use of reserves for a member of staff. The income levels will be monitored closely in year.
- Non – operational Properties - £8k underspend mainly due to reduced utility costs being incurred.
- Corporate Facilities - £45k underspend mainly due to savings on utilities. A company has requested deferment of part of the rent due for the next two years due to the impact of Covid on their business. The request is still being considered but has the potential to have a significant negative impact on the Property Services end of year accounts.
- Maintenance – Projected £21k underspend due in the main to delay in filling vacant posts and increased fee income.
- Building Consultancy – Projected £86k underspend due in the main to delays in filling vacant posts.

5.1.10 There is a projected overspend of £189k on Housing Services (excluding HRA) which consists of the following:-

- General Fund Housing is expected to show a £45k underspend at this stage, although there are some offsetting over and underspends contributing to this position. The main reason for the saving however is from vacant posts within the service.
- This service area includes a statutory duty for Temporary Accommodation which is demand led and difficult to predict but trends are showing an annual increase in the need for this service evidenced by the increase in B&B accommodation over the past few years. This year however, B&B placements have increased further to address the government directive of ensuring all homeless people were accommodated during the Covid-19 pandemic. Currently this is on average 60 cases per month, together with accompanying security costs for the relevant establishments. For the first 3 months £122k has been claimed against the Welsh Government Covid -19 LA Hardship Fund for these client types, with a further £1m spend anticipated by the end of this financial year. Welsh Government, however, have indicated additional funding for the retention of those homeless clients placed into accommodation during the pandemic, and a bid is currently being negotiated with all 22 Local Authorities.
- The service received growth in the RSG settlement of £560k during 2017/18 & 2018/19 as a driver from Welsh Government to prevent homelessness however, about £220k (40%) of this growth is committed to pay Housing Benefits charges where some of our temporary accommodation does not meet full Housing Benefit eligibility unlike other supported temporary accommodation. This commitment is likely to increase as B&B placements continue to increase and clients are staying longer. Any underspend will be requested to be carried forward and retained for this service although MTFP requirements could affect this.
- The temporary accommodation for families at Ty Fesen is assumed to be fully financed but this includes a £20k renewal fund that will be transferred to earmarked balances at year end. A renewal fund for Ty Croeso also exists for future repairs and maintenance.

- Private Sector Housing is expected to show a £235k overspend at this stage which is as a consequence of under recovering the Agency Income Fee which remains a significant concern. Budget reductions to assist with the MTFP programme have increased the concern, together with the withdrawal of WG grant funding. The impact of the lockdown also means the MTFP contribution for 2020/21 (£52k) is unlikely to be achieved. The fee income has historically been generated from the private housing capital programme which has reduced substantially over the years. This budget relies on its fee income to be able to fund the service. Fee income is charged on works carried out which are typically capital in nature, such as historically, Area Renewal, Renovation Grants and more recently the WHQS programme, Home Repair Grants, Loans and Adaptations. Unfortunately, due to the Covid-19 restrictions, officers were unable to progress with any works, (other than emergencies) and as such have not been able to receive any significant fee income. At the point of writing this report, this is still the case. In addition, some staff were redeployed to more critical services such as the buddy scheme and contact tracing. Furthermore, a recent review of Home Repair Grants and the newly introduced loan scheme showed a slow take up last year which could mean a further reduction on this fee income when normal operations resume. If progressed, available fee income from the WG funded Valleys task Force empty home grant project is insufficient to meet the costs of providing the service. The WHQS programme was also due to be completed in June 2020, and although this is likely to be extended, it will not offer up a long-term income solution for this service. Further monitoring of this service is necessary now that some operations are starting to return to normal, and this impact can then be more accurately measured. The loss of fee income for this service has provisionally been identified on the WLGA loss of income forecasts.

5.1.11 The following table provides a summary of progress in delivering agreed 2020/21 savings for the Directorate of Corporate Services :-

Section	Agreed MTFP Savings £'000	Progress against Savings £'000	Variance £'000
<u>Corporate Services.</u>			
Corporate Finance	208.00	0.00	208.00
Corporate Policy	17.00	17.00	0.00
Director	19.00	19.00	0.00
Legal & Governance	32.00	32.00	0.00
Customer & Digital Services	10.00	10.00	0.00
	286.00	78.00	208.00
<u>Non-Corporate Services.</u>			
General Fund Housing	25.00	0.00	25.00
Private Housing	27.00	0.00	27.00
Property Services	243.00	243.00	0.00
	295.00	243.00	52.00
Grand Total	581.00	321.00	260.00

5.1.12 The variance of £208k for Corporate Finance is due to proposed vacancy management savings not being achieved at this stage. This shortfall will be largely offset by other in-year savings within Corporate Finance.

5.1.13 The variance of £25k for General Fund Housing is due to delays in WHQS adaptation work where fee income is generated. This shortfall is expected to be met by other in-year savings within General Fund Housing.

5.1.14 The variance of £27k for Private Housing is due to delays in a minor restructure. This shortfall is expected to be met by other in-year savings within Private Housing.

5.2 Miscellaneous Finance

5.2.1 There is an overall projected underspend of £520k in Miscellaneous Finance.

5.2.2 There is a projected net underspend of £213k on Capital Financing budgets which is due to the following:-

- £1,131k underspend on Interest Payments due to delays in borrowing requirements.
- £918k overspend due to reduced investment income combined with a delay in planned investments into pooled funds due to Covid-19.

5.2.3 There is a projected net overspend of £88k on the IT replacement strategy. There is a projected (£465k) overspend due in the main to Microsoft Office 365 licences, this will be part funded from the balance on the IT replacement reserve (£377k).

5.2.4 There is a projected overspend of £62k on the Trade Union budget. We are currently still in discussions with Trade Union colleagues to review and update our Facilities Agreement to ensure that equitable support arrangements are in place.

5.2.5 The remaining projected overspend in Miscellaneous Finance consist of the following:-

- £15k on the Class 1A NI savings, this is due in the main to a reduced take-up of the Tusker GASS car scheme.
- £130k on Counsel fees – due to increased childcare cases, this will be funded by the ringfenced reserve.

5.2.6 The remaining projected underspend for Miscellaneous Finance consists of the following: -

- Subscriptions - £8k
- Carbon Management Scheme - £246k, scheme ended in 2019-20.
- City Deal - £217k delay in borrowing requirements.

5.2.7 The following table provides a summary of progress in delivering agreed 2020/21 savings for Miscellaneous Finance:-

Section	Agreed MTFP Savings £'000	Progress against Savings £'000	Variance £'000
Miscellaneous Finance	1,404.67	636.67	768.00
Grand Total	1,404.67	636.67	768.00

5.2.8 The variance of £768k is due to the following:-

- £50k Counsel Fees – due to increased levels of funding needed for childcare cases,

- which will be funded by the ringfenced reserve.
- £718k on the Investment Strategy – Strategy not implemented due to Covid 19.

6. ASSUMPTIONS

- 6.1 Assumptions linked to this report were detailed in the budget report to Council on 20th February 2020.
- 6.2 The projected outturn position is based on actual income and expenditure details to the end of June 2020.
- 6.3 Forecasts have been made following discussions with Managers based on current information available.
- 6.4 All assumptions are linked to Covid 19 and the possible lifting of any restrictions that take place.
- 6.5 An exercise took place to advise WG of net external income losses for April to June 2020, in the context that these will be funded by WG, but no official confirmation has been received.

7. RELEVANT LINKS TO COUNCIL POLICIES

- 7.1 The contents of this report are in accordance with the Budget Strategy agreed by Council at its meeting on 20th February 2020.
- 7.2 Effective financial planning and financial control contribute to the following Well-being Goals within the Well-being of Future Generations (Wales) Act 2015: -
 - A prosperous Wales.
 - A resilient Wales.
 - A healthier Wales.
 - A more equal Wales.
 - A Wales of cohesive communities.
 - A Wales of vibrant culture and thriving Welsh Language.
 - A globally responsible Wales.

8 WELL-BEING OF FUTURE GENERATIONS

- 8.1 Effective financial management including the effective utilisation of external grant funding is a key element in ensuring that the Well-being Goals within the Well-Being of Future Generations (Wales) Act 2015 are met.

9. EQUALITIES IMPLICATIONS

- 9.1 This report is for information purposes, so the Council's Equalities Impact Assessment (EqIA) process does not need to be applied.

10. FINANCIAL IMPLICATIONS

- 10.1 As detailed throughout the report.

11. PERSONNEL IMPLICATIONS

11.1 There are no direct personnel implications arising from this report.

12. CONSULTATIONS

12.1 There are no consultation responses that have not been reflected in this report.

13. STATUTORY POWER.

13.1 Local Government Acts 1972 and 2003 and the Council's Financial Regulations.

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Appendices:

Appendix 1 Corporate Services & Miscellaneous Finance 2020/21 Budget Monitoring Report (Period 3).

CORPORATE SERVICES DIRECTORATE	Original Estimate 2020-21	Revised Estimate 2020-21	Anticipated Outturn 2020-21	Anticipated Variance 2020-21
SUMMARY				
CHIEF EXECUTIVE	206,353	206,353	201,611	4,742
DEPUTY CHIEF EXECUTIVE/DIRECTOR CORPORATE SERVICES & EDUCATION	152,556	152,556	134,660	17,896
Approved Use of Reserves - Leadership	0	0		0
CHIEF EXECUTIVE & DIRECTOR OF EDUCATION & CORPORATE SERVICES	358,909	358,909	336,271	22,638
CORPORATE FINANCE				
Financial services & Internal Audit	1,892,141	1,892,141	1,989,772	(97,631)
Approved Use of Reserves - Apprentice	(28,282)	(28,282)	(26,544)	(1,738)
	1,863,859	1,863,859	1,963,227	(99,368)
DIGITAL SERVICES				
IT Services	3,299,116	3,299,116	3,426,125	(127,009)
Procurement	1,290,509	1,290,509	975,392	315,117
Customer First	1,309,590	1,309,590	1,380,701	(71,111)
Approved Use of Reserves - Apprentices	(54,168)	(54,168)	(46,468)	(7,700)
Agreed Use of Reserves for Customer First (Abavus)				0
	5,845,047	5,845,047	5,735,750	109,297
LEGAL & GOVERNANCE SUPPORT				
Legal & Democratic Services	1,132,629	1,132,629	1,061,000	71,629
Approved Use of Reserves - Apprentice	(28,282)	(28,282)	0	(28,282)
Members Allowances	1,755,221	1,755,221	1,688,088	67,133
Ringfenced to Earmarked Reserves		0	67,133	(67,133)
Electoral Services	339,916	339,916	293,968	45,948
Ringfenced to Earmarked Reserves			45,948	(45,948)
	3,199,484	3,199,484	3,156,137	43,347
BUSINESS IMPROVEMENT SERVICES				
Management	130,163	130,163	0	130,163
Policy	611,414	611,414	567,259	44,155
Approved Use of Reserves - Fleet Review Officer	(45,162)	(45,162)	(37,751)	(7,411)
Transformation Team	193,176	193,176	180,383	12,793
Approved Use of Reserves - Transformation	(142,602)	(142,602)	(131,244)	(11,358)
Proposed Use of Reserves - Transformation	(50,574)	(50,574)	0	(50,574)
Equalities	406,078	406,078	376,278	29,800
PMU	225,522	225,522	223,405	2,117
	1,328,015	1,328,015	1,178,329	149,686
PEOPLES SERVICES				
Human Resources	1,564,197	1,564,197	1,535,220	28,977
Approved Use of Reserves - Managing Attendance Officer	(31,850)	(31,850)	(31,850)	0
Approved Use of Reserves - Transformation Management	(50,574)	(50,574)	(41,257)	(9,317)
Health & Safety	946,797	946,797	900,192	46,605
Approved Use of Reserves - Apprentice/Fire Officer	(70,559)	(70,559)	(68,857)	(1,702)
Communications Unit	368,788	368,788	448,973	(80,185)
Approved Use of Reserves - Apprentice	(24,622)	(24,622)	0	(24,622)
CMT Support	134,452	134,452	131,252	3,200
Possible loss of income funding for External Training April - June			(7,200)	7,200
	2,836,629	2,836,629	2,866,473	(29,844)
TOTAL CORPORATE SERVICES	15,431,943	15,431,943	15,236,188	195,755
PROPERTY SERVICES				
Management	369,297	369,297	331,421	37,876
Energy	143,167	143,167	144,369	(1,202)
Estates	143,726	143,726	102,398	41,328
Approved Use of Reserves - Asset Manager	(30,344)	(30,344)	(23,126)	(7,218)
Non Operational Properties	135,124	135,124	127,198	7,926
Facilities	2,182,658	2,182,658	2,137,187	45,471
Maintenance	2,139,718	2,139,718	2,118,812	20,906
Building Consultancy	(180,770)	(180,770)	(266,347)	85,577
	4,902,576	4,902,576	4,671,912	230,664
HOUSING SERVICES				
General Fund Housing	1,333,341	1,333,341	1,287,710	45,631
Private Housing	294,625	294,625	529,399	(234,774)
	1,627,966	1,627,966	1,817,109	(189,143)
TOTAL NON- CORPORATE SERVICES	6,530,542	6,530,542	6,489,021	41,521
TOTAL SERVICES	21,962,485	21,962,485	21,725,209	237,276

<i>MISCELLANEOUS FINANCE</i>	Original Estimate 2020-21	Revised Estimate 2020-21	Anticipated Outturn 2020-21	Anticipated Variance 2020-21
MISCELLANEOUS FINANCE				
Staff Related Costs				
Pension Contribution - Former Authorities Ongoing	1,155,689	1,155,689	1,155,689	0
Recharge to Education - Former Authorities	(179,629)	(179,629)	(179,629)	0
	976,060	976,060	976,060	0
Statutory Benefit Schemes				
Council Tax RS	15,439,702	15,439,702	15,296,615	143,087
Ringfenced to Earmarked Reserves	0	0	143,087	(143,087)
DHP Rent allowances	61,814	61,814	61,814	0
DHP Rent Rebates	556,327	556,327	556,327	0
DHP Income	(618,141)	(618,141)	(618,141)	0
General Rent Allowances	20,153,635	20,153,635	20,153,635	0
Rent Rebates	25,756,400	25,756,400	25,756,400	0
Rent Allowance War Widow Concessions	25,000	25,000	25,000	0
Housing Benefit Subsidy	(45,910,035)	(45,910,035)	(45,910,035)	0
	15,464,702	15,464,702	15,464,702	0
Levies Upon the Council				
Coroner	287,775	287,775	287,775	0
Archives	209,092	209,092	209,092	0
Fire Service Authority	8,871,593	8,871,593	8,871,593	0
	9,368,460	9,368,460	9,368,460	0
Capital Financing				
Debt Charges (Principal Repaid)	2,548,275	2,548,275	2,548,275	0
Debt Charges (Interest Payments)	8,828,506	8,828,506	7,697,564	1,130,942
Debt Charges (Debt Management Exp's)	48,815	48,815	48,815	0
Income from External Investments:	(1,518,333)	(1,518,333)	(600,000)	(918,333)
Rescheduling Discounts	0	0	0	0
Earmarked for specific funds/balances	812,500	812,500	812,500	0
CERA (Capital Expenditure funded from Revenue Account)	4,679,847	4,679,847	4,679,847	0
	15,399,610	15,399,610	15,187,001	212,609
Corporate and Democratic Core Costs				
Bank Charges	197,553	197,553	197,553	0
Income from HRA	(33,228)	(33,228)	(33,228)	0
Income from DLO/DSO	(14,184)	(14,184)	(14,184)	0
External Audit Fees	435,380	435,380	435,380	0
Actuarial Fees	1,832	1,832	1,832	0
Income from HRA	(73,537)	(73,537)	(73,537)	0
Income from DLO/DSO	(31,391)	(31,391)	(31,391)	0
Subscriptions	112,619	112,619	104,555	8,064
	595,044	595,044	586,980	8,064
Grants to Voluntary sector				
Assistance to Voluntary sector	186,759	186,759	186,759	0
	186,759	186,759	186,759	0
Private Finance Initiative				
PFI Schools	2,210,676	2,210,676	2,210,676	0
PFI SEW	3,686,817	3,686,817	3,686,817	0
	5,897,493	5,897,493	5,897,493	0
Other				
NNDR - Authority Empty Properties	0	0	0	0
Welsh Language	0	0	0	0
Free School Meal Grant	307,550	307,550	307,550	0
Counsel Fees	270,070	270,070	400,000	(129,930)
Use Of Counsel Fee Reserve	0	0	(129,930)	129,930
Careline	16,170	16,170	16,170	0
Carbon Management Scheme	3,910	3,910	3,910	0
Carbon Energy Tax	246,839	246,839	0	246,839
IT Replacement Strategy	135,108	135,108	600,096	(464,988)
IT Replacement Reserve	0	0	(377,280)	377,280
PV Panel Maintenance	2,083	2,083	2,083	0
PV Panels Income	(58,579)	(58,579)	(58,579)	0
Risk Management Contribution	(456,511)	(456,511)	(456,505)	(6)
Class 1A NI	(100,000)	(100,000)	(85,000)	(15,000)
City Deal	352,200	352,200	135,200	217,000
Matched Funding for Community Schemes	15,255	15,255	15,255	0
Targeted Rate Relief Scheme	225,189	225,189	225,189	0
Miscellaneous Items	873,737	873,737	873,737	0
Trade Union Facilities	28,485	28,485	89,964	(61,479)
PFI Review	849,000	849,000	849,000	0
	2,710,506	2,710,506	2,410,860	299,646
TOTAL MISCELLANEOUS FINANCE	50,598,634	50,598,634	50,078,315	520,319
EXPENDITURE TO DIRECTORATE SUMMARY	72,561,119	72,561,119	71,803,523	757,596