



POLICY AND RESOURCES SCRUTINY COMMITTEE – INFORMATION ITEM

**SUBJECT: CORPORATE SERVICES & MISCELLANEOUS FINANCE 2020/21
BUDGET MONITORING REPORT (PERIOD 9)**

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

1. PURPOSE OF REPORT

- 1.1 To inform members 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 nine months of the financial year.

3. RECOMMENDATIONS

- 3.1 Members are requested 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 £1.199m 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 underspend of £1.288m, consequently overall the projected outturn position for Education and Corporate Services is an underspend of £2.487m.
- 5.1.3 There is an anticipated underspend on Chief Executive and Director of Education & Corporate Services of £19k.
- 5.1.4 The anticipated net underspend of £156k in Corporate Finance relates in the main to in-year vacancies being held until the recently appointed permanent Head of Financial Services &

S151 Officer has reviewed the position, together with one-off additional income for administering Welsh Government Covid-19 Business Grants. The projected underspend also takes account of delays in delivering approved 2020/21 savings and the use of reserves to fund an apprentice post.

5.1.5 There is an anticipated net underspend of £315k in Digital Services, after taking into account the agreed use of reserves. This consists of: -

- A projected underspend of £118k for IT Services which is due in the main to delays in filling vacancies after a restructure offset by the estimated costs of additional leased Telephone lines, external consultants, agency staff offset with a reduction in income .
- A projected net underspend of £258k on Procurement which relates in the main to delays in filling vacant posts as a consequence of Covid-19.
- A net overspend of £61k for Customer First after the agreed use of reserves for apprentices and abavus. This is due in the main to vacant posts still to be filled due to secondments to the Track and Trace programme offset by additional project costs for a “Dashboard” and Complaints programmes being purchased to aid the authority’s processes.

5.1.6 Legal & Governance is projecting a net underspend of £97k after allowing for the following to be ring-fenced and transferred to earmarked reserves: -

- Projected underspend on Members related expenditure of £86k. This is due in the main to underspends on Members Allowances which is partly off-set by increased costs on Members superannuation costs.
- Projected underspend of £70k on Electoral Services. The Electoral Services underspends in non-election years are ring-fenced to fund overspends in election years.

The net underspend of £97k for Legal & Governance is due in the main to staff not reaching the top of their pay scales, some temporary reduced hours and savings associated with working from home. These are one-off savings.

5.1.7 There is an anticipated £154k net underspend in Business Improvement Services after taking account of the following: -

- Management – Projected net underspend of £131k due to a vacant Head of Service post.
- Projected net underspend of £50k in the Policy Team due to delays in filling a vacant post and some additional one-off income.
- Projected underspend of £31k in the Equalities and Welsh Language Team due in the main to some staff not reaching the top of pay scales in the current year.
- Projected small overspend of £3k in the Performance Management Unit.
- Projected net overspend of £55k in the Transformation Team after taking account of the agreed transfer of reserves. This overspend is initially being funded from underspends in other budgets across Business Improvement Services.

5.1.8 There is a projected net underspend of £135k for People Services mainly consisting of: -

- Human Resources projected net underspend of £67k due in the main to staff being on maternity leave and some temporary reductions in working hours, partially offset by reduced income levels. The net underspend is after taking account of the agreed use of reserves.
- A projected net underspend of £157k for Health & Safety, which includes: -
 - Occupational Health underspend of £39k due in the main to salary savings due to delays in recruitment.
 - Health & Safety underspend of £118k due in the main to salary savings arising from delays in recruitment after taking account of the agreed use of reserves for fire officers and an apprentice. These are offset by reduced internal training income due to Covid-19. There are also small forecast savings on vehicle hire.

- A grant claim has been submitted to WG for £7.45k of lost external training income for the H&S training section, but the funding has not yet been confirmed.
- The Communications Unit is projecting a net overspend of £91k, due in the main to reduced levels of internal income arising from Covid-19 after taking account of the agreed use of reserves for an apprentice. Income levels will be closely monitored in year. It is anticipated the lost internal income in this budget has resulted in savings in other service division's printing budgets.
- CMT Support overspend of £6k due to the addition of a new "Support Officer".

5.1.9 Although Property Services sits within the Communities Directorate, budget monitoring has traditionally been considered by the Policy and Resources Scrutiny Committee. For Property Services there is a net projected underspend of £206k, consisting of the following: -

- Management - £67k underspend due to staff on temporary reduced hours and various non-salary related expenditure savings due to Covid-19 restrictions.
- Energy - £5k overspend.
- Estates - £21k overspend due mainly to a reduction in the anticipated level of fee income which has been partially offset by staff vacancies/reduced hours. This is after taking account of the agreed use of reserves for a member of staff. The income levels will be monitored closely in year.
- Non – operational Properties - £31k underspend mainly due to reduced utility costs being incurred.
- Corporate Facilities - £39k underspend mainly due to savings on various non-salary related expenditure partially offset by increased electricity costs for Ty Penallta to comply with the Covid-19 guidance.
- Maintenance – Projected £59k underspend due in the main to delays in filling vacant posts and increased fee income.
- Building Consultancy – Projected £36k underspend due in the main to delays in filling vacant posts.

5.1.10 There is a projected underspend of £117k on Housing Services (excluding HRA) which consists of the following: -

- General Fund Housing is expected to show a £83k underspend at this stage, although there are some offsetting over and underspends contributing to this position.
- This service area includes a statutory duty for Temporary Accommodation which is demand led and difficult to predict, but trends show 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 (not including covid-19 related placements) have reduced. It is important to note, that this is as a consequence of the government embargo on evictions, which is currently in place until March 2021, and has therefore restricted the normal flow of homeless activity. The impact on this will obviously be felt when the restriction is lifted, and referrals requiring emergency housing will increase, so any underspend will be required to be carried forward to meet the impending increase in demand next financial year.
- However, the demand for B&B placements as a result of Covid-19 has been significant with on average 70 cases per month, together with accompanying security costs for the relevant establishments. For the first 9 months (and including March 2020) costs of £645k have been charged to this account of which approx. £500k relates to B&B costs (this has been offset by any eligible housing benefits received). To date £367k funding has been received from Welsh Government towards these costs and the expectation is that the majority of Covid-19 costs will be funded this financial year. The projected spend for the year is currently estimated at £800k
- In reaction to the issues facing this service, Welsh Government have confirmed additional funding for the retention of those homeless clients placed into emergency/temporary accommodation during the pandemic. After submitting several bids which include both revenue and capital related projects, we have received an indicative approval of approx.

£1m. As part of this funding, there is £80k available to private landlords with empty properties, to bring these back into use, and up to a required standard so that homeless persons can be satisfactorily accommodated for a prolonged period and our duty to them discharged. In order to carry out the work, private landlords require the funding in advance of the grant being claimed from WG. This will be funded initially from General Fund Housing reserves (£147k available) and then claimed back from the grant once the work has been completed. The risk to us has been secured via a property charge if any default.

- 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 of £26k also exists for future repairs and maintenance.
- Private Sector Housing is expected to show a £33k underspend at this stage. In previous reports there was concern regarding the under recovery of the Agency Income Fee which has historically been generated from the private housing capital programme. 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. There has also been a high level of recurring long term sickness absence within the department. In addition, some staff were redeployed to more critical services such as the buddy scheme and contact tracing. The WHQS programme was also due to be completed in June 2020, and although this is now extended, it will not offer up a long-term income solution for this service. Despite the recent temporary closure of home repair grants and loans to new enquiries the reduced activity during the pandemic has created a significant backlog of work which will need to be dealt with once restrictions have eased. The MTFP contribution earmarked for this year (£52k) is therefore unlikely to be achieved. Any underspend on the capital programme should therefore be earmarked as committed into the following financial year.
- Welsh Government have offered up a lost income financial assistance grant as a consequence of Covid-19, and the last 2 claims for this service have been successfully awarded. The budget therefore now assumes the reduction in lost income will be fully recovered this financial year. It is anticipated that lost income claims will be in the region of £645k based on the current activity of the team. This has ensured the budget remains in a manageable position for this financial year and the residual underspend of £33k is down to salary savings from a vacant post.

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	203.00	40.00
	295.00	203.00	92.00
Grand Total	581.00	281.00	300.00

Figure 1

- 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 met by other in-year savings within Corporate Finance. The £208k saving will be deliverable in the medium to longer-term.
- 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.
- 5.1.15 The variance of £40k for Property Services is due to additional costs on utilities in providing controls in line with government advice to reduce recirculation of air to an absolute minimum. This means more fresh air is being brought in and has to be warmed. An element of the shortfall is also attributable to savings on cleaning contracts not being achieved. The expected shortfall is expected to be off-set by other in-year savings in Corporate Property.

5.2 Miscellaneous Finance

- 5.2.1 There is an overall projected underspend of £91k in Miscellaneous Finance.
- 5.2.2 There is a projected net underspend of £213k on Capital Financing budgets which is due to the following: -
- £1.131m underspend on Interest Payments due to delays in borrowing requirements.
 - £918k overspend due to reduced investment income combined with a delay in investment into pooled funds because of Covid-19.
- 5.2.3 There is a projected overspend of £50k on the External Audit Fees budget. This is due to additional charges incurred of £125k to complete the audit of the 2019/20 Financial Statements. The Annual Accounts were approved by Council on the 24th November 2020 and

were subsequently signed-off by the Auditor General on the 26th November with an unqualified audit opinion which ensured that statutory deadlines were met.

5.2.4 There is a projected net overspend of £153k on the IT replacement strategy after utilising reserves from underspends in previous years.

5.2.5 There is a projected overspend of £65k 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.

5.2.6 The remaining projected overspends in Miscellaneous Finance consist of the following: -

- £20k on the Class 1A NI savings, this is due in the main to a reduced take-up of the Tusker GASS car scheme.
- £325k on Counsel fees due in the main to increased childcare cases and Operation Jasmine. This is almost fully offset by drawing on reserves from retained underspends in previous years.
- £286k – Additional funding of Teachers Pay award as agreed by Cabinet on 13th January 2021.

5.2.7 The remaining projected underspends for Miscellaneous Finance consists of the following: -

- Subscriptions - £8k
- Carbon Management Scheme - £247k (scheme ended in 2019-20).
- City Deal - £220k due to a delay in borrowing requirements
- £12k Community Schemes budget due to the cancellation of events.

5.2.8 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

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

- £50k Counsel Fees – due to increased costs in the current year as outlined in paragraph 5.2.6.
- £718k on the Investment Strategy – approved changes to the Strategy have been delayed due to Covid-19.

5.3 Virements

5.3.1 As agreed in the budget report to Council on 20th February 2020, the additional budget allocation for the 0.75% pay award, previously held corporately, has been reallocated to service areas. The net effect on these budgets is as follows: -

- Corporate Services additional budget allocation of £159k
- Miscellaneous Finance budget reduction of £868k

- 5.3.2 An agreed virement of £80k from Digital Services to Miscellaneous Finance to support MTFP savings in advance.

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 December 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 December 2020, in the context that these will be funded by WG.

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 Corporate Plan 2018-2023.

Effective financial planning and financial control contribute towards all the Corporate Well-being Objectives: -

Objective 1 - Improve education opportunities for all.

Objective 2 - Enable employment.

Objective 3 - Address the supply, condition and sustainability of homes throughout the county borough and provide advice, assistance or support to help improve people's well-being.

Objective 4 - Promote a modern, integrated and sustainable transport system that increases opportunity, promotes prosperity and minimises the adverse impacts on the environment.

Objective 5 - Creating a county borough that supports a healthy lifestyle in accordance with the sustainable development principle within the Wellbeing of Future Generations (Wales) Act.

Objective 6 - Support citizens to remain independent and improve their well-being

8. WELL-BEING OF FUTURE GENERATIONS

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

- 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

8.2 Effective financial management is also consistent with the five ways of working as defined within the sustainable development principle in the Act.

- Long Term – The importance of balancing short-term needs with the need to safeguard the ability of future generations to meet their long-term needs
- Prevention - How acting to prevent problems occurring, or getting worse, may help public bodies meet their objectives
- Integration – Considering how the public body’s well-being objectives may impact upon each of the well-being goals, on their other objectives, or on the objectives of other public bodies
- Collaboration – Acting in collaboration with any other person (or different parts of the body itself) that could help the body to meet its well-being objectives
- Involvement – The importance of involving people with an interest in achieving the well-being goals and ensuring that those people reflect the diversity of the area which the body serves.

9. EQUALITIES IMPLICATIONS

9.1 There are no potential equalities implications of this report and its recommendations on groups or individuals who fall under the categories identified in Section 6 of the Council's Strategic Equality Plan. There is no requirement for an Equalities Impact Assessment Questionnaire to be completed for this report.

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.

Author: D. Roberts, Principal Group Accountant, Financial Advice & Support
roberda@caerphilly.gov.uk Tel: 01443 863342

Consultees: R. Edmunds, Corporate Director for Education & Corporate Services.
 S. Harris, Head of Financial Services & S151 Officer.
 R. Tranter, Head of Legal Services & Monitoring Officer.
 L. Donovan, Head of People Services.

L. Lucas, Head of Customer & Digital Services.
C. Harrhy, Chief Executive.
L. Allen, Principal Accountant, Housing.
S. Couzens, Chief Housing Officer.
D. Street, Corporate Director, Social Services.
M. S. Williams, Interim Corporate Director, Communities.
M. Williams, Interim Head of Property.
S. Richards, Head of Education Planning and Strategy.
A. Southcombe, Finance Manager, Corporate Services.
J. Southcombe, Finance Manager, Education, Lifelong Learning and Schools.
Cllr E. Stenner, Cabinet Member for Finance, Performance & Customer Service.
Cllr C. Gordon, Cabinet Member for Corporate Services.
Cllr L. Phipps, Cabinet Member for Housing & Property.
Cllr J Pritchard, Chair of P&R Scrutiny.
Cllr G Kirby, Vice Chair of P&R Scrutiny.

Appendices:

Appendix 1 Corporate Services & Miscellaneous Finance 2020/21 Budget Monitoring Report
(Period 9).

Background Papers:

Council (20/02/20) – Budget Proposals for 2020/21 and Medium-Term Financial Outlook