



POLICY AND RESOURCES SCRUTINY COMMITTEE – INFORMATION ITEM

**SUBJECT: CORPORATE SERVICES & MISCELLANEOUS FINANCE 2020/21
BUDGET MONITORING REPORT (PERIOD 5)**

REPORT BY: CORPORATE DIRECTOR OF EDUCATION & 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 five 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 £309k 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 £98k, consequently overall the projected outturn position for Education and Corporate Services is an underspend of £211k.
- 5.1.3 There is an anticipated underspend on Chief Executive and Director of Education & Corporate Services of £15k.
- 5.1.4 The anticipated net overspend of £91k in Corporate Finance relates in the main to delays in delivering approved 2020/21 savings. This is partially offset by in-year vacancies being held until the recently appointed permanent Head of Financial Services & S151 Officer has reviewed the position. The projected position also takes account of funding from reserves for

an apprentice.

5.1.5 There is an anticipated net underspend of £163k in Digital Services, after taking into account the agreed use of reserves. This consists of: -

- A projected underspend of £293k on Procurement which relates in the main to vacancies still to be filled, with the recruitment being delayed by Covid-19.
- Customer First – a net £37k 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 - £92k overspend which is due in the main to vacancies still to be filled offset by the estimated costs of the IT contracts register.

5.1.6 Legal & Governance is projecting a net underspend of £45k after allowing for the following to be ring-fenced and transferred to earmarked reserves: -

- Projected underspend on Members related expenditure of £76k. 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 £41k 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 £45k 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 £136k net underspend in Business Improvement Services after taking account of the following: -

- Management – Projected net underspend of £130k due to a vacant Head of Service post.
- Projected net underspend of £43k 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 £15k 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 net breakeven position in the Performance Management Unit.
- Projected net overspend of £52k 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 overspend of £73k for People Services mainly consisting of: -

- Human Resources projected net underspend of £4k due in the main to staff on maternity and career break offset by reduced income levels. The net underspend is after taking account of the agreed use of reserves.
- CMT Support underspend of £4k due in the main to staff temporarily reducing hours.
- The Communications Unit is projecting a net overspend of £116k, due in the main to reduced levels of internal income arising from Covid-19. Staff re-gradings have also contributed to the projected overspend after taking account of the agreed use of reserves for an apprentice. Income levels will be closely monitored in year.
- A projected net underspend of £28k for Health & Safety, which includes: -
 - Occupational Health underspend of £22k due in the main to salary savings due to delays in recruitment to the revised structure.
 - Health & Safety £6k due in the main to salary savings arising from delays in recruitment to the revised structure 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 is also a forecast saving on food audits, which are managed by procurement, together with potential vehicle hire savings.

- A grant claim has been submitted to WG for £7.2k of lost income for the H&S training section, but the funding has not yet been confirmed.

5.1.9 For Property Services there is a net projected underspend of £189k, consisting of the following: -

- Management - £42k underspend due staff on temporary reduced hours and small non salary savings.
- Energy - £1k underspend.
- Estates - £50k 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 - £2k underspend mainly due to reduced utility costs being incurred.
- Corporate Facilities - £39k underspend mainly due to savings on utilities.
- Maintenance – Projected £71k underspend due in the main to delays in filling vacant posts and increased fee income.
- Building Consultancy – Projected £84k underspend due in the main to delays in filling vacant posts.

5.1.10 There is a projected overspend of £75k on Housing Services (excluding HRA) which consists of the following: -

- General Fund Housing is expected to show a £88k 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 and are expected to show a saving of some £100k by the end of the year. It is important to note, that this is because 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 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 continued to rise. Currently this is on average 60 cases per month, together with accompanying security costs for the relevant establishments. For the first 5 months (and including March 2020) £261k in total has been claimed against the Welsh Government Covid -19 LA Hardship Fund, of which £255k is for B&B placements and associated security costs. To date £34k funding has been received from Welsh Government towards these costs. Housing Benefit for these placements can be claimed (but up to the Local Housing Allowance rate), and this will be offset against this expenditure on the next claim. The projected spend for the year is currently estimated at £800k. 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 do not meet full Housing Benefit eligibility unlike other supported temporary accommodation. This commitment will see a reduction due to B&B placements being delayed but is likely to increase in line with the B&B placements when the eviction embargo is lifted. Any underspend will be requested to be carried forward and retained for this service.

- 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 £163k overspend at this stage which is mainly because of under recovering the Agency Income Fee which remains a concern. Budget reductions to assist with the MTFP programme have increased the concern. 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. 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. 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. 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 was identified on the Covid-19 loss of income claim to WG for the period April to June this year (£210k). The Quarter 1 claim has only recently been confirmed as eligible and is awaiting payment. The projected overspend is based on the worse-case scenario that no further financial assistance will be received from WG. Quarter 2 claim of £153k is pending awaiting a decision and will assist this budget significantly if eligible. An update will be provided to members at period 7.
- Cabinet recently agreed (9/9/20) separate funding to create an empty homes team within Private Sector Housing to support the delivery of Phase 2 Empty Property Grants via the Valleys Taskforce Initiative. This could not be progressed within current service resources as there is no dedicated staff resource to proactively progress the empty homes issues.

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 a proposed vacancy management not being achieved. This shortfall will be met 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 £511k 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 investment into pooled funds because of 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, which will be part funded from the balance on the IT replacement reserve (£377k).

5.2.4 There is a projected overspend of £66k 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 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.

- £130k on Counsel fees – due to increased childcare cases, this will be funded by the ringfenced reserve.

5.2.6 The remaining projected underspends 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 – approved changes to the Strategy have been delayed 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.

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.

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
 M. Eedy, Finance Manager
 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

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 5).

Background Papers:

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