

Councillor Chris Holley
Convenor
Service Improvement & Finance
Scrutiny Performance Panel

BY EMAIL

Please ask for: Councillor Rob Stewart
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Our Ref: RS/CM
Your Ref:
Date: 14th December 2020

Dear Councillor Holley

I thank you for your letter dated 25th November 2020.

I broadly concur with all that you have referred to in the letter. It is indeed the most unusual and challenging of years, finance wise, as well as for the wider stresses and strains placed upon the whole Council, our residents and communities and the country. Fortunately our financial strategy remains a sound one and has meant we came into 2020-21 in stronger shape, especially as a result of our significant outturn underspend, and the sums council has continued to prudently set aside for financing our ambitious medium term capital programme on the advice of the Chief Finance Officer.

As the Chief Finance Officer both explained in person at the meeting and within the report to Cabinet, and as the panel has graciously acknowledged, the reporting does, in my opinion get the right blend of forensic routine reporting, the high level ravages for our funding from the response to, and economic consequences of, the pandemic, demonstrates the considerable uncertainty we face both in the remainder of this financial year and the forthcoming budget rounds but equally makes clear that whilst draws from earmarked reserves in extremis look regrettably necessary, the Council has at present sufficient resources to cover all eventualities for the current year and waits with anticipation the forthcoming local government finance settlement on 22nd December following the Chancellors recent Spending Review. It is undoubtedly the case that challenges will remain going forward.

You asked two specific follow up matters and I respond as follows

Place directorate grants and assurance

Finance officers have compiled a useful extract of the overall revenue grants that the place directorate is reliant upon. I trust the panel will find it a really useful strategic summary.

As the panel has rightly noted the grants are a significant contribution to the overall directorate spend power and any material failure or clawback of grants would have a material bearing on the position for the directorate. The Director of Place and his Heads of Service have reviewed the grants and made an overarching assessment of likelihood of grant clawback and losses and report that they expect compliance with and achievement of these grant sums in full. That does rely on Welsh Government being pragmatic over performance based outcome targets in light of the operating restrictions caused by Covid 19.

PLACE 2020-21 Budgeted Grant income

Based on the 2020-21 RA Statistical return for Welsh Government

Roads and Transport		£000's
	Concessionary fares re-imbursement grant	-7,105
	Bus Services Support Grant	-4,668
	Local Transport Fund (formerly Local Transport Grant)	-546
	Road Safety Grant	-128
	Total Roads and Transport	-12,447

Housing		
	Housing Support Grant (formerly supporting people - housing)	-726
	Total Housing	-726

Other Local Services		
	Culture and Heritage (including CyMAL Innovation and Development Grants)	-151
	European community grants for other local services (objective 1, etc.)	-509
	Recreation and sport	-580
	Waste grant	-1,407
	Total Other Local Services	-3,324

Other Grants		
	Flood Risk Management	-111
	National Resources Wales	-222
	Heritage Lottery Fund	-162
	Environment & Sustainable Development	-109
	NPTCC - Workways	-508
	Fusion Grant : Cultural Strategy	-25
	Various Other Housing	-112
	Total Other Grants	-1,249

Total Budgeted Grants PLACE 2020-21

-17,746

Outline of the spend profile re 1st quarter position

As the report to Cabinet makes clear along with other responses that both Chief Officers and Members have given, the impact on our budget position has been unprecedented. The Chief Finance Officer has indicated that net revenue budgets have flexed by around a quarter of the whole year budget in first quarter alone. Whilst spending is not exactly evenly matched through the year in all cases, much of our spending (e.g. salaries accounting for around 40% of all spend alone) is and thus an impact for the year of 25% is magnified as an impact of more like 100% of the expected spend in first quarter in isolation. The impact on cash flow is even more pronounced for two reasons:

- The method used for reimbursing covid related costs is one where claims go in and are assessed in tranches which can take 2-3 months to fully resolve. This is because there are national limited pots which all authorities bid against rather than the more usual arrangements of firm and formal grant offers. This adds materially to uncertainty in the intervening period and has caused the delay of quarterly reporting cycles to Cabinet by 1 month
- Where there have been grant offers, particularly for the business grants and business reliefs, where Council is acting as rapid delivery agent for Welsh Government the grant offer is typically one of 50% cash up front, then two further tranches in arrears of 25%

To partly ameliorate this the Welsh Government have made some changes to and advanced some of our instalments of block grant (RSG) more rapidly than normal.

Fortunately as the Chief Finance Officer set out in his report on the Statement of Accounts and on Treasury Management the Council came into 2020-21 with "a wall of cash" to finance cash flow behind the scenes but the funding mechanism is undoubtedly causing increasing strain on cash flow. As well as financing major new activity there is a requirement to ensure normal business occurs and that includes meeting monthly pay roll, meeting supplier payment deadlines, meeting payments to HMRC etc.

The outlook remains incredibly uncertain for the year and indeed the second quarter report will imminently be before Cabinet on 17 December which will show continued containment of the overall pressures but increased need to flexibly apply budgets and spending across the piece and use planned substantial draws from earmarked reserves (cash backed ones) to manage through the immediate issues before looking beyond to next year and the medium term.

I am sure the Chief Finance Officer will forgive me for restating a phrase often used in the Council Chamber that there is an element of the dark arts to financing the overall complexities of any Council of this size and Councillors have repeatedly made clear we are grateful for the endeavours of all finance staff to enable Cabinet and Council to make appropriate interventions at the appropriate time with an absolute assurance that our

skilled and dedicated finance team will ensure, in collaboration with Cabinet, that issues are resolved to ensure a balanced budget position.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Rob Stewart', with a stylized, flowing script.

Y Cyngorydd/ Councillor Rob Stewart
Arweinydd/ Leader