



To:
Councillor Rob Stewart
Cabinet Member for Economy,
Finance and Strategy

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CC: Cabinet Members

Date
Dyddiad:

25th November 2020

BY EMAIL

Summary: This is a letter from the Service Improvement and Finance Scrutiny Performance Panel to the Cabinet Member for Economy, Finance and Strategy. The letter concerns the meeting on 9th November 2020 and the Revenue and Capital Budget Monitoring Report Q1 2020/21, the Review of Revenue Reserves and the Mid Term Budget Statement.

Dear Councillor Stewart,

On the 9th November, the Panel met to discuss the Revenue and Capital Budget Monitoring Report Q1 2020/21, the Review of Revenue Reserves and the Mid Term Budget Statement. The Panel are grateful to the Chief Finance Officer and Director of Resources for attending to discuss the report.

We heard that, overall, these reports are not typical due to the unprecedented impacts of Covid-19 and the uncertain nature of competitive bidding for funding from Welsh Government.

The Panel heard that the Revenue and Capital Budget Monitoring Report Q1 2020/21 tries to bridge the normal budget reporting style for Q1 and the wider challenges of Covid-19. Attention was immediately drawn to Recommendation 3 as it is unusual to draw such sums as £10m from reserves, however, this is consistent with accepted advice to Council.

The Panel asked questions about Council Tax arrears. We heard that Council Tax arrears at the end of 2019-20 was £4.7m and the cumulative total is nearer £10m. It was explained that this is an unusual capital debt that can remain open for a longer period. We are on course for a shortfall in Council Tax collection. Last year the shortfall was £100K with just one week of Covid-19. Expectations are for a £2.5m shortfall in Council Tax this financial year. We heard that it is anticipated that some people may choose to defer payments due to financial difficulty. It was felt appropriate to draw

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attention to the likelihood of substantial collection losses. The Panel heard that losses cannot be spread over the following 3 years as in England, so there is no flexibility in this respect.

Officers presented to the Panel an overall summary, which continues to be challenging and likely to be an unusual year ahead for Q2 and Q3. The Chief Finance Officer confirmed he is confident we are in a position to balance the overall budget at the end of this financial year.

The Panel queried the projected £16m over spend in the Place Directorate. This was due to 'Place' being a department where lots of discretionary activity is undertaken; for example, significant reduction in parking income. Officers described how Swansea Council is unusual in that it owns much of the city centre land following the Second World War, we are therefore the largest commercial landlord in the city centre. Some tenants are struggling to pay. Similarly, leisure and culture activities have been curtailed. The Place Directorate is therefore significantly affected by the impacts of Covid-19, in terms of footfall income and support received to keep venues solvent.

The Panel heard that business grants of £53m were distributed during Q1, and continue into Q2; there are also additional funds to expand business rate relief. There is a specific additional grant of £35m. Officers assured us that the £37.7m is therefore not an under spend, but rather a variation from budget due to the interaction between specific and block grants. Officers, in discussion with Audit Wales, suggest we are acting as an Agent for Welsh Government in the distribution of these grants and should therefore be able to record this as net neutral on the account. The Chief Finance Officer described how this is difficult to report in the usual way, whilst accurately reflecting distortions of Covid-19 effects. The distortions are complicated and there remains a need to draw (potentially) from reserves. Officers expect the Q2 report to indicate the service over spend is down, reflecting the realisation of more grants. In any event, Officers assure the Panel that they will balance this year's budget.

The Panel queried whether Welsh Government would cover the Council Tax shortfall (Q1) and the £10m over spend. Officers responded with their understanding that whilst Welsh Government is sympathetic to the situation, this factor remains the biggest inherent uncertainty. It is therefore likely that there will be a loss for the year. Council Tax is the most local of taxes and therefore losses usually fall to local authorities, however, this particular loss is not caused by local circumstances, but Ministers may yet decide not to meet this local tax in full or at all.

The Panel queried whether Welsh Government give a time scale for funding decisions. Officers explained it is difficult to keep track of the numerous and differing announcements and there is a time lag of claims within this competitive process. Cardiff University is keeping track of sums allocated via UK and Welsh Government funding streams for Welsh local government as a whole. The Panel noted that there seems to be an inherent uncertainty to the rest of the year.

The Panel queried whether the Council is at risk of any fines and penalties (for example over waste and recycling). Officers assured us that although there have been no relaxation to rules around obligations, and we are therefore exposed to penalties,

it is not to say these will be enforced. The Panel heard that (recycling) targets are legislative, so Welsh Government did not want to change legislation. Early indications are that they are sympathetic and unlikely to impose such fines but will look at it on a case by case basis.

The Panel drew attention to the Housing Revenue Account (HRA) not being adversely affected during Q1 and queried why not. Officers explained that we were expecting a less generous job support scheme. The furlough scheme is now extended and therefore likely to help this position, however overall economic performance for the economy is not looking positive. Unemployment will mean adjustment to living on benefits is likely to increase pressure on ability to pay. This is a national policy consideration and not directly relevant to this report; we recognise that this is a macro-economic and policy consideration for another time.

The Chief Finance Officer emphasised that general fund reserves, in his opinion, remain at the minimum safe level and are at the lowest they can be. The Panel understood that, thankfully, the Council had earmarked reserves to fall back on.

We are interested in any thoughts you may have on the contents of this letter. We would be grateful if you could please provide a written response to the following points by 16th December:

- We require a more detailed view of Place Directorate grants and the possible short fall.
- We would like an outline of the spend profile that has taken place over the 1st Quarter in relation to the budget position.

Yours sincerely,

Councillor Chris Holley

Convener, Service Improvement and Finance Scrutiny Performance Panel

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