

Minute Annex



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

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Date
Dyddiad:

12 October 2021

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 held on 20 September 2021 and the update regarding the Q1 Budget Monitoring Report 2021/22.

Dear Councillor Stewart,

On the 20 September, the Service Improvement and Finance Scrutiny Performance Panel met to discuss the Q1 Budget Monitoring Report 2021/22. The Panel are grateful to Ben Smith, Chief Finance Officer / S.151 Officer, for attending to discuss the report. Discussions focused on the following areas:

It was reported to the Panel that, other than projected variations on Directorate expenditure, it is still too early to confidently forecast final variations that may arise on some significant Corporate items. However, officers reported that, given the ongoing impact of COVID and based on the 2020-21 final position on collection an optimistic forecast is that there will be a shortfall in the region of £2m in 2021-22.

The Panel heard that within the Recovery Plan Service Transformation Programme, work continues to develop service delivery plans linked to savings targets and prioritisation of services.

We heard that monthly claims against additional COVID expenditure (April to July) and a first quarter claim for loss of income as a result of COVID in relation to the services, has been submitted to Welsh Government (WG).

Officers explained that Welsh Government have amended the eligibility criteria for 2021-22 to reflect the relevant easing of restrictions during the financial year. Based on last year, we heard that it is likely that the eligibility criteria will be further refined as the year progresses.

Officers outlined that the remaining additional cost forecast (after grants received), included under Resources, currently amounts to £6M in 2021/22.

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Officers reported to us that the contingency fund budgeted contribution was set at £3.621M contribution for 2021/22 as set out in the budget report approved by Council in March 2021. As a result of the favourable outturn position, this was added to on a one off basis, to bring the total available in 2021/22 to £13.621M.

The Panel heard that to date, some £4.8M has actually been received from Welsh Government in relation to additional costs and/or loss of income.

Officers explained that the economic impact of the Covid pandemic on rent collection rates is being closely monitored. We heard that during Quarter 1, collection rates have not been significantly affected however; officers reiterated that it is difficult to forecast the longer-term impact.

Members queried ongoing issues with Council Tax collection, referring to the £2M shortfall reported. Members questioned whether Welsh Government will meet this shortfall. Officers acknowledged this was an on-going issue, given the strain on people's finances and confirmed that Welsh Government continues to monitor this issue.

Members also queried if the Council Tax figures formed part of the forecast overspend of £21M. Officers explained to us that this was a separate figure.

Officers clarified to the Panel that there will be a substantial short fall in non-domestic rates due to reliefs at source again. However, no material impact is expected on the Authority, given Welsh Government adjustments to pooling.

The Panel requested an explanation regarding the £20M deficit in budget, and why this prediction had been made. Officers clarified that there was technically no deficit as funded temporarily by 2021-22 actions, but the longer-term implications and outlook will become clearer following the Mid-Term budget review.

Members queried the increase in National Insurance contributions and why this is, in real terms, costing more than the 1.5% increase. Officers explained that in effect it was actually a 10% increase (1% on a 10% tax).

The Panel requested a statement regarding the energy price increases, and the effect on Swansea Council. Officers undertook to provide a briefing note, which has now been received with thanks; appended to this letter for information purposes (Appendix A).

We are interested in any thoughts you may have on the contents of this letter but, in this instance, we require no formal written response.

Yours sincerely,

Councillor Chris Holley

Convener, Service Improvement and Finance Scrutiny Performance Panel

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Briefing Note on outlook for gas and energy costs

Following Service Improvement and Finance Scrutiny Performance on 16 September 2021, the S151 Officer undertook to provide a written briefing note following on from his verbal advice to questions raised. The advice was that short term the Council is protected from price rises but that soon market consolidation and pricing would catch up with us, as it will all users, be they household, commercial or public sector.

The Director of Place and his energy team have provided the following advice and assurance and estimation of risks to the S151 Officer.

The Council buys its energy from the Crown Commercial Service

- Energy markets have been rising since last November, with contracts for April 22 annual delivery now up around 90% in cost since then.
- Crown Commercial Service forward purchases earlier in the summer have protected budgets from the recent jump in April 22 delivery prices..
- Crown Commercial Service will commence purchasing for Apr 23 delivery contracts after 1st April 2022.
- Prices for next year expected to be up to 40% higher than current prices for all customers.
- All customers including Swansea Council will therefore need to consider materially reviewing all energy budgets costs for the following financial year.
- There is current concern regarding a significant number of smaller suppliers generally providing energy to domestic markets.
- The current underlying energy suppliers for both our electricity and gas contracts are very large suppliers ranked in the 'top 6'. The Crown Commercial Service will continue to monitor the situation closely.
- The Crown Commercial Service Supply of Energy Framework already provides for 'reserve' supplies. If either of our current suppliers were to fail then the Crown Commercial Service would appoint a reserve.

S151 Officer

20/9/2021