

Committee: Executive Committee
Date of meeting: 18 July 2019
Report Subject: Revenue Budget Monitoring -2018/2019,
Provisional Outturn
Portfolio Holder: Cllr Daniels – Corporate Services
Report Submitted by: Rhian Hayden – Chief Officer Resources
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Services

Reporting Pathway								
Directorate Management Team	Corporate Leadership Team	Portfolio Holder / Chair	Audit Committee	Democratic Services Committee	Scrutiny Committee	Executive Committee	Council	Other (please state)
	25/06/19				12/07/19	17/07/19		

1. **Purpose of the Report**

1.1 The purpose of the report is to update members on the provisional outturn against revenue budget for the financial year 2018/2019 across all portfolios.

2. **Scope and Background**

2.1 This report provides details on the following:

- Provisional outturn position at the end of 2018/2019
- Budget virements actioned in the period January 2019 to March 2019
- Details of significant adverse variances
- Provisional outturn for Fees & Charges
- Progress on the achievement of the Financial Efficiency Projects for 2018/2019

2.12 This report forms part of the quarterly financial reporting framework to Members.

3. **Options for Recommendation**

3.1 This report will be presented to the Joint Budget Scrutiny Committee on 12th July 2019 and any feedback will be presented verbally to the Executive Committee.

3.2 **Option 1 (Recommended Option)**

Members of the Executive Committee consider and approve the report and provide appropriate challenge to the financial outcomes in the report

3.3 **Option 2**

Do not accept the report.

4. **Evidence of how does this topic supports the achievement of the Corporate Plan / Statutory Responsibilities / Blaenau Gwent Well-being Plan**

4.1 This report supports the Council Priority, “Efficient Council”, as it is part of the financial planning and reporting arrangements which support the Council’s financial resilience.

5. **Implications Against Each Option**

5.1 **Impact on Budget**

5.1.1 The overall financial position across all portfolios at 31 March 2019, is an adverse variance of £0.07m (0.05%), against a total revenue budget of £145m. The figures are provisional and subject to external audit.

5.1.2 The outturn is an improvement on the forecast financial position at the end of December 2018, at which time the forecast was an adverse variance of £0.8m, as shown in the table below.

Across all Portfolios, the overall position is shown below:-

Portfolio/ Committee	2018/2019 Revised Revenue Budget	2018/2019 Provisional Outturn @ 31 March 2019	Favourable/ (Adverse) March 2019	Favourable/ (Adverse) Dec 2018	Append ref:
	£m	£m	£m	£m	
Underspending Portfolios					
Corporate Services & Financial Management & Strategy	14.78	14.58	0.20	0.02	2a
Social Services	44.15	43.93	0.22	(0.22)	2b
Economy	1.55	1.45	0.10	0.08	2d
Planning	1.12	1.03	0.09	0.03	2f
Sub Total (1)	61.60	60.99	0.61	(0.09)	

Overspending Portfolios					
Education	54.86	55.08	(0.22)	(0.40)	2c
Environment	28.86	29.32	(0.46)	(0.32)	2e
Licensing	0.07	0.07	0.00	0.00	2g
Sub Total (2)	83.79	84.47	(0.68)	(0.72)	
Total	<u>145.39</u>	<u>145.46</u>	<u>(0.07)</u>	<u>(0.81)</u>	

5.1.3 The table indicates that the provisional outturn is higher than the budget by £0.07m (across all services). This is after the application of £0.8m net drawings from specific reserves to address “one-off” in year planned expenditure, the most significant use of reserves being:

- Downsizing & Redundancy Reserve - £243,000
- Budget Contingency Fund - £165,700
- Regeneration General Contributions - £84,000
- Home to School Transport - £58,000
- Retaining Walls - £58,430

5.1.4 Whilst the Provisional Outturn indicates that the general reserve should reduce by £71,000, the Accounts will show an increase in the General Reserve of £0.412m to £5.89m at 31 March 2019, which maintains the reserve at 4.39% in line with the target. The reason for this difference is that figures reported in the Statement of Accounts are on the basis of the relevant accounting codes and standards and income received from Gwent Crematorium of £0.25m transferred to General Reserve in year.

5.1.5 The full impact the provisional outturn has had on reserves and balances for 2018/2019 are shown in the draft Statement of Accounts which will be presented to Audit Committee in June 2019. In addition there is an update report on Reserves and Balances on this agenda which will provide a summary of the impact on both the Council Fund (General) Reserve and specific reserves.

5.1.6 The provisional outturn of £71,000 adverse variance is a significantly improved position to the forecast at December 2018 of £810,000 adverse variance and the significant items contributing to the improved position are :

- Council Tax Reduction Scheme expenditure was lower than anticipated by £73,000 and the income on the Surplus on Collection was higher than anticipated by £81,000. (Corporate Services Portfolio)

- Net expenditure within Social Services Portfolio was much lower than forecast, with an improvement of £0.44m from £222,000 adverse variance to £220,000 favourable variance.
- Utilisation of the Welsh Government Capital Building Maintenance Grant received in the latter part of the financial year contributed £240,000, £120,000 within Education and £120,000 within Corporate Landlord.

5.1.7 **PORTFOLIO ANALYSIS**

5.1.8 There are three portfolios reporting adverse variances totalling £0.68m, which is £40,000 improvement when compared to the forecast outturn at December 2018.

5.1.9 There are a number of cost pressures identified across all portfolios, and Appendix 1 identifies those services where the adverse variance exceeds £15,000.

5.1.10 **Social Services - £220,000 favourable variance**

5.1.11 Social Services have a favourable variance of £220,000 against a budget of £44m.

5.1.12 The cost pressure within Children's Services continued to the end of the financial year and is reporting an adverse variance of £960,655, which is an improved position compared to the forecasts during the financial year. The improved position can be attributed to the movement within Placements and legal fees being lower than forecast. A number of preventative measures have been implemented including the Supporting Change Team, which supports children and families to prevent children coming into care, and the MYST project which commenced in 2019, to work with children with complex need to reduce the need for residential placements. Both these initiatives should have a positive impact on expenditure for 2019/2020.

5.1.13 The adverse variance within Children's Services has been offset by a favourable variance within Adults Services and Business Management (£1.18m), which is due to an underspend in:

- Community Care - £375,000 – the underspend represents 2.5% of the budget which is £14.5m. Since 2017/2018, the budget have increased by £1.4m to fund the cost pressure arising from the increase in care fees from private providers, following the implementation of the minimum living wage and actual costs were lower than anticipated.
- Internal Home Care - £111,000 which is due to vacant posts and grant funding.
- Assessment & Care Management - £350,000 which is also due to vacant posts and grant funding.

- Training - £92,000 and this is due to maximisation of grant funding.

5.1.14 The improved financial outturn position when compared to December 2018 is mainly the result of care fee income being higher than estimated, particularly for Adults over 65.

5.1.15 **Education - £216,000 adverse variance**

5.1.16 There are a number of adverse variances within the Portfolio, the most significant being Fees for Pupils attending out of county provision in independent school settings or other local authorities. This is due to the need within schools for alternative provision, and linked to the cost pressure within Children's Services as result of the increase in looked after children requiring placements, as these costs relate to the educational element of placements.

5.1.17 **Environment - £461,000 adverse variance**

5.1.18 Within Environment there were a number of underspending budgets including the contribution towards prudential borrowing which was not required, winter maintenance (as a result of the mild winter) and concessionary fares, which contributed to reducing the adverse variance to £144,000 at March 2019 from £323,000 at December 2018.

5.1.19 However, the adverse variance was increased by £317,000 due to the write off of street lighting obsolete stock.

5.1.20 **Fees & Charges**

5.1.21 The 2018/2019 portfolio estimates include income budgets in relation to fees & charges (excluding Council Tax) of £15.1m across all portfolios. Attached at Appendix 3 is an analysis of income received against budget for the financial year for individual portfolios.

5.1.22 Overall against the target of £15.1m, income generated is higher than the target by £297,000, the most significant being:

- Sale of recycle material - £121,757
- School Meal Income - £114,939
- Planning Applications - £140,295
- Continuing Health Care Income – £308,434

5.1.23 However, there are a number of budgets, where income is not achieving the target, including:

- Fees & Charges in respect of Care (Social Services)- £202,000
- Education – Age Weighted Pupil Unit Clawback - £81,136
- Markets - £64,459
- Road & Street Works Acts - £71,310

5.1.24 Whilst this analysis is useful, it should not be considered in isolation, as elements of any shortfall within Portfolios can be inextricably linked to underspends in expenditure within the same budget heading. Where this is the case, budget holders should action budget virements to ensure that the income targets reflect more accurately expected income. Likewise, any over achievement in income which offset overspends in expenditure within the same budget, should be treated in the same way.

5.1.25 **Budget Virements**

5.1.26 The Constitution requires budget virements in excess of £250,000 to be approved by the Executive.

5.1.27 A number of budget virements have been actioned during the period January to March 2019 within and between portfolios to reflect changed service needs and priorities, mitigate cost pressures and to reflect changes in portfolio responsibilities. Whilst the individual budget virements do not exceed £250,000 and therefore do not require Executive approval, details of all virements are attached at Appendix 4 for Members information.

5.1.28 **Financial Efficiency Projects (FEP)**

5.1.29 In setting the 2018/2019 budget, 70 Financial Efficiency Projects were approved to deliver savings of £3.78m. Of this target £3.45m (91%) has been achieved, with a shortfall of £0.3m, and this is mainly due to the savings proposal relating to the Reduction in Placements for Looked After Children (SSC002) for £214,000.

This shortfall forms part of the overall portfolio out turn position and a summary of the FEPs is attached at Appendix 5.

The Council continues to be successful in delivering the planned level of savings. In 2017/2018, 98% of the Financial Efficiency Projects were achieved and 100% in 2016/2017, this demonstrates the Council's ability to implement and achieve the savings proposals approved as part of the budget setting process.

5.2 **Risk including Mitigating Actions**

5.2.1 A number of the overspends identified in Appendix 1 have continued throughout the financial year despite Action Plans being developed and implemented, as the Action Plans have had limited impact given the scale of the financial challenges faced by a number of services, and it has been difficult to mitigate the cost pressures in year. There is a risk that they could continue into 2019/2020.

5.2.2 During the budget setting process for 2019/2020, £1.4m was built into the budget to address existing and new cost pressures and a number of the services reporting cost pressures were awarded additional funding.

5.2.3 As cost pressures are identified during 2019/2020, budget holders will be required to develop and implement Action Plans to mitigate the risk to the Council and these plans will be monitored and reported to the Joint Budget Scrutiny Committee, Executive Committee and the Cost Pressure Sub Group, as part of the Budget Monitoring and Reporting Framework.

5.3 Legal
N/A

5.4 Human Resources
N/A

6. **Supporting Evidence**

6.1 **Performance Information and Data**

6.1.1 A summary page for each portfolio is contained in Appendices 2a to 2g.

6.2 **Expected outcome for the public**

6.2.1 The report details the financial implications for the Council in providing services to the communities of Blaenau Gwent.

6.2.2 If overspends continue into the medium term, resources will be diminished and this may impact on the Council's ability to provide services to the public.

6.3 **Involvement (consultation, engagement, participation)**

CLT have considered the provisional financial outturn position for 2018/2019.

6.4 **Thinking for the Long term (forward planning)**

A number of the ongoing cost pressures incurred during 2018/2019 have been addressed as part of the budget setting process for 2019/2020.

For new and emerging cost pressures identified during 2019/2020, budget holders will be required to produce Action Plans which will address the cost pressure during the year. These Action Plans will form part of the quarterly budget reports and will be submitted to the Cost Pressure Sub Group for scrutiny, challenge and monitoring.

6.5 **Preventative focus**

6.5.1 The provisional outturn is an improved position when compared to the quarter 3 forecast financial position. As the adverse variance was forecast, actions were put in place across the council to assist in mitigating the overspend during the financial year including a freeze/delay in non-essential recruitment and expenditure.

6.5.2 Where it was identified that cost pressures would continue into 2019/2020 financial year, additional funding was awarded as part of the budget setting process.

6.6 **Collaboration / partnership working**

6.6.1 Accountancy works closely with budget holders during the financial year in producing the financial forecast, identifying cost pressures and in developing Action Plans.

6.7 *Integration(across service areas)*
N/A

6.8 **EqlA(screening and identifying if full impact assessment is needed)**

6.9 All Financial Efficiency Projects that were approved as part of the budget setting process had gone through the EqlA process.

7. **Monitoring Arrangements**

State how the work will be monitored e.g. through scrutiny or directorate performance management arrangements

7.1 Financial reporting to Joint Scrutiny and the Executive is carried out on a quarterly basis. Where services are reporting significant cost pressures, there will be a requirement for Budget Holders to develop and implement Action Plans these will be reported to the Cost Pressure Sub Group, on a quarterly basis.

Background Documents /Electronic Links

Appendix 1 – Summary of Main Forecast Adverse Variances

Appendix 2 – Summary of Portfolios

Appendix 3 – Fees and Charges

Appendix 4 – Virements

Appendix 5 – Financial Efficiency Projects