

Committee: **Executive Committee**
Date of meeting: **25th September 2019**
Report Subject: **Revenue Budget Monitoring - 2019/2020, Forecast
Outturn to 31 March 2020 (As at 30 June 2019)**
Portfolio Holder: **Cllr Daniels, Leader / Executive Member Corporate
Services**
Report Submitted by: **Rhian Hayden – Chief Officer Resources**

Reporting Pathway								
Directorate Management Team	Corporate Leadership Team	Portfolio Holder / Chair	Audit Committee	Democratic Services Committee	Scrutiny Committee	Executive Committee	Council	Other (please state)
	27/8/2019	11.09.19			16/9/2019	25/9/2019		

1. Purpose of the Report

- 1.1 The purpose of the report is to provide Members with the forecast financial outturn position across all portfolios for the financial year 2019/2020 (as forecast at 30 June 2019), and to review the actions taken forward to move towards a balanced out turn position.

2. Scope and Background

- 2.1 This report provides details on the following:

- Forecast financial position to the end of March 2020 across all portfolios
- Budget virements actioned in the period April 2019 to June 2019
- Details of significant adverse variances
- Forecast outturn for Fees & Charges
- Progress on the achievement of the Financial Efficiency Projects for 2019/2020
- Action Plans developed to address significant adverse variances

- 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 16th September 2019 and any comments / recommendations will be provided verbally the Executive Committee.

3.2 Option 1 (Recommended Option)

Members of the Executive consider and approve the report and

- Provide appropriate challenge to the financial outcomes in the report
- Consider the action plans attached at Appendix 4 developed to address the forecast adverse variances at the end of June 2019.

- Approve the budget virements attached at Appendix 5 which exceed £250,000.

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 In setting the Council budget for 2019/2020 financial year, financial efficiency projects totalling £3.35m were approved and £1.5m cost pressure funding was awarded across all portfolios, including £0.6m for environmental services and £0.67m to fund cost pressures which cut across all portfolios, including increases in employer’s pension contributions and pay scale realignment for APT&C Staff.

- 5.1.2 The forecast overall financial position across all portfolios at 31 March 2020, is an adverse variance of £0.15m (0.01%), against a total net revenue budget of £147m.

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

Portfolio/ Committee	2019/2020 Revised Revenue Budget	2019/2020 Forecast Outturn @ 31 March 2020	Favourable/ (Adverse) March 2020	Append ref:
	£m	£m	£m	
Underspending Portfolios				
Corporate Services & Financial Management & Strategy	14.80	14.70	0.10	2a
Social Services	44.88	44.65	0.23	2b
Economy	1.51	1.45	0.06	2d
Planning	1.06	1.05	0.01	2f

Sub Total (1)	62.25	61.85	0.40	
Overspending Portfolios				
Education	55.42	55.54	(0.11)	2c
Environment	29.53	29.98	(0.43)	2e
Licensing	0.07	0.08	(0.01)	2g
Sub Total (2)	85.02	85.60	(0.55)	
Total	<u>147.27</u>	<u>147.45</u>	<u>(0.15)</u>	

5.1.3 The table indicates that the provisional outturn is higher than the budget by £0.15m (across all services). This is after the application of £0.3m from specific reserves to address “one-off” in year planned expenditure, the most significant use of reserves being:

- Downsizing & Redundancy Reserve – £0.05m
- Contribution to Citizen’s Advice Bureau - £0.06m
- Aneurin Leisure Termination Costs - £0.15m

5.1.4 **PORTFOLIO ANALYSIS**

5.1.5 There are three portfolios forecasting adverse variances totalling £0.55m, however there are a number of cost pressures identified across all portfolios. Appendix 1 identifies those services where the adverse variance exceeds £15,000, and Action Plans to address these cost pressures are attached at Appendix 4.

5.1.6 **Social Services - £240,000 favourable variance**

5.1.7 Social Services are forecasting a favourable variance of £240,000 against a budget of £45m.

5.1.8 Children’s Services is currently forecasting a favourable variance of £34,000, and this is due to the Welsh Government Grant, Supporting Sustainable Social Services, for £762,000 which has contributed towards mitigating the cost pressure within Looked After Children.

5.1.9 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 works with children with complex need to reduce the requirement for residential placements.

Both these initiatives are having a positive impact on expenditure for 2019/2020.

5.1.10 **Education - £113,000 adverse variance**

5.1.11 The overall forecast adverse position is mainly attributed to 3 areas:

- Independent School Fees - £61,000
- AWPU Clawback - £81,000
- Home to School transport - £38,000

5.1.12 However, these adverse variances have been partly offset by a number of forecast underspends within the Portfolio.

5.1.13 **Environment - £434,000 adverse variance**

5.1.14 The Environment Portfolio is forecasting an overall adverse variance of £0.43m across a number of services areas, the most significant being Waste Services reporting £0.31m against a budget of £4.87m.

5.1.15 The annual charge for the Fire Levy precept is £132,000 lower than the budget due to the employer's pension contribution increase being fully funded by Welsh Government for 2019/2020. This underspend has been transferred to the General Reserve as per the protocol for the allocation of windfall payments agreed by Council.

5.1.16 **Fees & Charges**

5.1.17 The 2019/2020 portfolio estimates include income budgets in relation to fees & charges (excluding Council Tax) of £14.7m across all portfolios. Attached at Appendix 3 is an analysis of income received against budget for the financial year for individual portfolios, and current forecast indicates a shortfall against this target of £0.66m.

5.1.18 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.

5.1.19 **Budget Virements**

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

5.1.21 A number of budget virements have been actioned during the period April to June 2019 to mitigate cost pressures, which exceed £250,000 and require Executive approval and details are attached at Appendix 5.

5.1.22 **Financial Efficiency Projects (FEP)**

5.1.23 In setting the 2019/2020 budget Financial Efficiency Projects (FEPs) were approved to deliver savings of £3.34m. Of this target £3.26m (97%) is forecast to be achieved, with a shortfall of £80,630, and this is mainly due the increase in recycling income of £50,000 not forecasting to be achieved due to the delayed use of the baler.

5.1.24 This shortfall forms part of the overall portfolio out turn position and a summary of progress against the FEPs is attached at Appendix 6.

5.2 **Risk including Mitigating Actions**

5.2.1 (1) Grants form a significant element of the Council's income and support the delivery of priority services to the people of Blaenau Gwent. There is a risk that a reduction or cessation of grant funding will result in service levels reducing or services no longer being delivered.

5.2.2 A grants register have been developed and is being maintained and will be considered as part of the Medium term Financial Strategy.

5.2.3 (2) The Sustainable Social Services Grant of £762,000 may not be awarded in future years, creating a cost pressure for Children's Services.

5.2.4 This will be considered as part of the Medium Term Financial Plan when considering cost pressures, and a number of preventative measures have been introduced within Children's Services (Supporting Change Team and MYST) which are having a positive impact on expenditure for Looked After Children.

5.2.5 (3) Action Plans do not address the cost pressures identified.

5.2.6 The Action Plans will be monitored as part of the Budget Monitoring and Reporting Framework and the impact reported to the Joint Budget Scrutiny Committee, Executive Committee and the Cost Pressure Sub Group.

5.2.7 (4) There is a risk of increase costs for food, fuel and other essential goods and services following the ongoing situation regarding Brexit.

5.2.8 Brexit has been added as an organisational risk to the corporate risk register, whilst a separate, more detailed Brexit high level action plan has been developed and is being monitored by the Brexit Core planning Group.

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)**

6.3.1 CLT have considered the forecast financial position for 2019/2020 (as 30 June 2019).

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

6.4.1 For new and emerging cost pressures identified during the financial year, budget holders will be required to produce Action Plans which should 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.

6.4.2 Cost Pressures are also considered as part of the Medium Term Financial Plan.

6.5 **Preventative focus**

6.5.1 Budget holders have developed Action Plans which should mitigate the forecast adverse variance during the financial year. However, should the overall forecast variance continue, further action may need to be considered across the Council to limit/delay expenditure where possible, to prevent any unplanned draw from reserves at the year end.

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 **EqIA(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 EqIA process.

7. **Monitoring 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 2019/20

Appendix 2 – Portfolio Summary

Appendix 3 – Fees and Charges Forecast

Appendix 4 – Action Plan

Appendix 5 – Analysis of Virements

Appendix 6 – Financial Efficiency Projects (FEPs)