

Committee: **Executive Committee**

Date of meeting: **26 July 2021**

Report Subject: **Revenue Budget Monitoring - 2020/2021 Provisional Outturn**

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)
	24/06/21	14.07.21			26.07.21	26.07.21		

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 2020/2021 across all portfolios.

2. **Scope and Background**

2.1 This report provides details on the following:

- Provisional outturn position at the end of 2020/2021
- Details of significant adverse variances
- Provisional outturn for Fees & Charges
- Progress on the achievement of the Bridging the Gap Projects for 2020/2021

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

3. **Options for Recommendation**

3.1 **Option 1 (Recommended Option)**

Members of the Executive Committee (Budget Monitoring) consider the report and provide appropriate challenge to the financial outcomes in the report.

3.2 **Option 2**

Members of the Executive Committee (Budget Monitoring) 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 Corporate Plan proposed outcome statement 2020/2022 “An ambitious and innovative council delivering the quality services we know matter to our communities”.

## 5. Implications Against Each Option

### 5.1 Impact on Budget

5.1.1 The overall financial position across all portfolios at 31 March 2021, is a favourable variance of £2.639m (1.7%), against a total revenue budget of £152m. The figures are provisional and subject to external audit.

5.1.2 The outturn is a significant improvement on the forecast financial position at the end of December 2020, at which time the forecast was a favourable variance of £0.6m. The table below shows the provisional outturn across all Portfolios.

#### 5.1.3 Table 1- The Provisional Outturn

<b>Portfolio/ Committee</b>	<b>2020/2021 Revised Revenue Budget</b>	<b>2020/21 Provisional Outturn @ 31 March 2021</b>	<b>Favourable/ (Adverse) March 2021</b>	<b>Append ref:</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	
<b>Underspending Portfolios</b>				
Corporate Services & Financial Management & Strategy	16.730	15.408	1.322	1a
Social Services	45.352	44.231	1.121	1b
Education/Leisure	62.128	61.765	0.363	1c
Economy	1.215	1.195	0.020	1d
<b>Sub Total (1)</b>	<b>125.425</b>	<b>122.599</b>	<b>2.826</b>	
<b>Overspending Portfolios</b>				
Environment	25.532	25.644	(0.112)	1e
Planning	1.118	1.170	(0.052)	1f
Licensing	0.070	0.093	(0.023)	1f
<b>Sub Total (2)</b>	<b>26.72</b>	<b>26.907</b>	<b>(0.187)</b>	
<b>Total</b>	<b>152.145</b>	<b>149.506</b>	<b>2.639</b>	

- 5.1.4 The table indicates that the provisional outturn is lower than the budget by £2.639m (across all services). This is after an initial net contribution to specific reserves of £8.5m.
- 5.1.5 Reviewing the year end position, and in support of the Council's financial resilience, a further transfer to earmarked reserves of £1.2m has been made with the balance of £1.4m transferring to General reserves.
- 5.1.6 The potential for additional costs occurring in subsequent year(s) in dealing with the continuing response & recovery from the impact on the pandemic has been considered and as a result contributions to reserves have been made, the most significant being:-

Table 2 – Reserves

	<b>£'000</b>
General Reserve	1,421
Covid 19 Response & Recovery	2,000
Financial Planning & Resilience	2,500
ICT	1,104
Revenue Grants & Contributions unapplied (various)	2,391
<b>Total</b>	<b>9,416</b>

- 5.1.7 The full impact the provisional outturn has had on reserves and balances for 2020/2021 will be shown in the draft Statement of Accounts and the Provisional Outturn report on Reserves reported later on the agenda.
- 5.1.8 Welsh Government provided significant one-off financial support of £11.9m through the Emergency Hardship Fund for the additional costs and loss of income incurred by the Council, in meeting the costs of delivering services and additional demands and responsibilities arising from the implementation of the UK wide lockdown in March 2020 and subsequent behaviours including social distancing measures, increased infection control, free school meals provision whilst schools were closed, and additional financial support to commissioned social care service providers. The overall financial position in Table 1 includes the funding resources in respect of its own services and loss of income as follows:

Table 3 – Welsh Government Hardship Funding

	<b>£'000</b>
Emergency Hardship Funding – Additional Costs	7,480
Emergency Hardship Funding – Loss of Income	2,197
Council Tax Income Collection - Compensation	524
Council Tax Reduction Scheme – to assist with increased demand	312
Digital Transformation Funding	567
Savings Unachieved Funding	567
Business Grants – administration fees	245
<b>Total</b>	<b>11,892</b>

5.1.9 The Council also acted as an agent for Welsh Government in processing £29m of COVID-19 support payments across a number of schemes. The funding received during 2020/2021 was as follows:

Table 4 – Funding administered on behalf of WG

	<b>£'000</b>
Business Support Grants	27,120
Self-Isolation Payments / SSP Enhancement Payments	568
Care Workers £500 Payment	1,025
Freelance Grant	325
Start Up Grant	75
<b>Total</b>	<b>29,113</b>

5.1.10 The favourable variance has arisen for a number of reasons, the main reasons can be summarised as:-

- Receipt of Welsh Government Hardship funding of £9.6m which has compensated the Council for the additional costs incurred supporting enhanced service delivery in response to the Covid 19 pandemic and lost income (from Covid restrictions)
- Funding of £0.24m for the costs of delivering the Welsh Government support program to the wider community (administration fees)
- Reduced costs (£2.2m when compared to 2019/2020 expenditure when excluding the additional costs funded by the Hardship Fund), due to closure of buildings, staff mileage, delays in filling vacant post, general administration and service provision due to changes in working practices
- Underspends on cross cutting budgets (Commercial & Contract management - and Transformation Fund) not fully utilised of £0.92m.
- Receipt of unbudgeted grants (both un-hypothecated and hypothecated) that have offset core budget funding e.g. Unachieved Savings, Council Tax Collection & Digital Transformation and Winter Pressures.

5.1.11 The provisional outturn of £2.639m favourable variance is a significantly improved position to the forecast at December 2020 of £0.6m favourable variance, and individual Portfolio analysis is provided in the following paragraphs.

5.1.13 **PORTFOLIO ANALYSIS**

5.1.14 The provisional outturn per portfolio is detailed below.

5.1.15 **Social Services - £1,121,000 favourable variance**

5.1.16 The Portfolio has achieved a favourable variance of £1.1m against a budget of £45.4m.

5.1.17 **Children's Services** – Adverse Variance of £346,000

5.1.18 The most significant cost pressures within Children's Services are:

- Payments to Foster Parents - £125,000 overspend due to current demand, which is partially a result of the positive impact of bringing placements back in house and mitigating cost pressures previously encountered within Out of County Placements.
- Legal Costs - £718,000 overspend as a result of commissioning external legal advice to support the current demand.

5.1.19 The cost pressure within Children's Services has been mitigated by:-

- Grant funding of £256,000
- Backdated contributions from Education Department of £133,000 to the cost of CLA placements.
- Continuing Care Income of £189,000
- a number of preventative measures which were implemented during 2018/19 - including the Supporting Change Team and the MYST project. Both initiatives continue to have a proven positive impact on expenditure for 2020/2021.

5.1.20 **Adult Services & Business Management** – Favourable Variance £1.47m

5.1.21 The favourable variance within Adults Services and Business Management is a result of an underspend in:

- Older People aged 65 or over - £693,000 – the underspend is mainly due to ICF/Transformation Grant Funding, vacant posts and the subsequent Winter Pressure Grant.
- Adults aged under 65 with a Learning Disability - £287,000 underspend is due to vacant posts and the transport review undertaken within Community Options resulting in a reduction in the number of vehicles required (£64,000).
- Adults aged under 65 with Mental Health Needs - £75,000 underspend is mainly due to a supported living service being decommissioned, and the Authority contribution to the Deprivation of Liberty Safeguarding Service being lower than originally anticipated.
- Community Care – £235,000 – the underspend is mainly due to a reduction in placement numbers as a result of Covid 19 and winter pressures grant funding.
- Support Service and Management Costs - £164,000 is due to vacant posts, and maximisation of grant funding.

5.1.22 **Education & Leisure - £362,000 favourable variance**

5.1.23 There are four main favourable variances within the Portfolio:-

- Strategic Management £80,000 - End of year information provided by the Greater Gwent LGPS, has indicated that a lower level of contributions on behalf of school based staff, were required in 2020/2021.
- Supporting Special Education Needs – LEA budget £81,000. A secondment arrangement within the Psychology Service has generated income for the service and maintained service delivery.
- Home to College Transport £71,000. Arising from Covid-19 related lockdowns, assistance towards pupil transport costs has been significantly reduced.
- Departmental budget £92,000. The favourable variance has arisen from savings due to a staffing restructure, a delay in the appointment of the Head of School Improvement and Inclusion, a reduction in travelling expenses and the maximisation of specific grants.

5.1.24 There is one main adverse variance within the Portfolio: -

- Independent School Fees £114,000. The increasing cost and number of placements to specialist independent schools has continued throughout the year, albeit the out turn position has improved from the December 2020 forecast position.

5.1.25 It is uncertain at this stage if this adverse variance will continue into the 2021/2022 financial year.

#### 5.1.26 **School Budgets**

5.1.27 The provisional outturn indicates that school balances rose to £3.7m by 31 March 2021, with only one school currently in a deficit position.

#### 5.1.28 **Environment - £112,197 adverse variance**

5.1.29 There are four main favourable variances within the Portfolio;

- Catering £356,354 – The favourable variance is due to school closures and the reduced need for catering. This is offset by expenditure of £267,000 which was not funded through the Hardship Fund including £159,000 free school meals direct payment (offset by the catering underspend).
- Homelessness £111,804 – Temporary accommodation costs for homelessness was funded from the Welsh Government Emergency Hardship Grant.
- Environment Dept. – Corporate Division £144,519 – This is the result of a one off income receipt from CAPITA Gwent following the wind up of Capita Gwent Consultancy.
- Street Lighting £109,000 – this is mainly due to the final payment of the Salix Loan being lower than the budget.

5.1.30 The are 4 main adverse variances within the Portfolio:

- Waste Services £320,694 – this adverse variance was due to several factors including:
  - i. The cost of receptacle's exceeding the budget.
  - ii. A decrease in recycle income due to market fluctuations. This cost pressure has been partly mitigated by funding from the Hardship fund for loss of income.
  - iii. An increase in green waste recycling costs due to a contractor ceasing to trade and the need to implement contingency arrangements at short notice.
  - iv. The delay in the opening of the new HWRC due to the pandemic
- Environmental Health £106,754 – The significant increase in workload required to respond to the pandemic has resulted in the delay in implementing the staff restructure following the termination of the collaborative arrangements.
- Winter Maintenance £141,516 – The Winter Maintenance budget only provides for a minimum level of service and therefore any additional costs resulting from adverse weather will result in an adverse position.
- Unfunded Covid-19 expenditure – this is offset by the underspend on Catering, see comment above.

5.1.31 **Corporate Services - £1,321,987 favourable variance**

5.1.32 There are four main favourable variances within the Portfolio:-

- Departmental Budgets £513,266. The favourable variance is due to:
  - i. a delay in fully implementing the Commercial Services restructure,
  - ii. vacant posts/secondments and consequent delays in recruiting to these posts (i.e. secondments to TTP Service), maternity leave, staff on temporary reduced hours and
  - iii. the maximisation of grant funding.
- Council Tax Collection £222,420. The favourable variance mainly relates to an increase in the level of income recovered in respect of Surplus on Collection.
- Cross Cuttings Budget £918,930. This budget consists of two elements:
  - a) Commercial & Contract Management (£496,410) – This budget has been set up to fund contract price increases during 2020/2021, that cannot be managed within portfolio budgets. However, no requests for funding were submitted during 2020/2021.
  - b) Transformation Fund (£422,520) – This budget has been set up to progress and support the Bridging the Gap programme. However, due to the Council prioritising services to respond to the pandemic, this budget has not been fully utilised, the exception being the development of the business case for the Festival Park proposal.

5.1.33 There are two main adverse variances within the Portfolio: -

- ICT Service £149,302. This adverse variance is mainly a consequence of income previously built into the budget not materialising. The efficiencies were anticipated to be generated from the adoption/development of shared IT platforms. Attempts to try to mitigate this adverse variance have not been possible and as a result a cost pressure has been awarded for the financial year 2021/2022.
- Council Tax Reduction Scheme £244,515. The number of CTRS claimants increased significantly during the year many as a direct consequence of the Covid-19 pandemic. This has a significant impact on this budget, despite the funding (£312,089) received from Welsh Government. A cost pressure of £280,000 has been agreed for 2021/2022, however, it is uncertain at this stage whether the higher levels of claimant numbers will continue throughout 2021/22.

5.1.34 **Fees & Charges**

5.1.35 The 2020/2021 portfolio estimates include income budgets in relation to fees & charges (excluding Council Tax) of £14.8m across all portfolios. Attached at Appendix 2 is an analysis of income received against budget for the financial year for individual portfolios.

5.1.36 The Covid-19 pandemic has had an impact on the Fees & Charges received during the financial year, which is significantly lower (£2.25m) than in 2019/2020, due to the national lockdown imposed in March 2020 and the subsequent closure of services.

5.1.37 Welsh Government recognised the financial hardship facing Local Authorities arising from lost income and provided funding through the Hardship Grant of £2.2m to mitigate in year cost pressures.

5.1.38 **Bridging the Gap Programme (BtG)**

5.1.39 In setting the 2020/2021 budget, a number of strategic Business Reviews identified financial efficiencies of £1.47m. Of this £1.17m (80%) has been achieved, with a shortfall of £0.30m.

5.1.40 The Covid-19 pandemic had a significant impact on the Council's ability to progress a number of the Strategic Business Reviews:

- Industrial Units service review was delayed due to the impact of Covid-19 on the economy.
- Reduced Fees and Charges as a result of closure of services e.g. Day Care/Respite Services following the national lockdown in March 2020.
- Commercial Waste, there was a delay in implementing the new service change due to closure of businesses within the borough as a result of the national lockdown in March 2020.
- Delay in completing Community Asset Transfers.



5.1.41 Welsh Government provided funding of £0.57m un-hypothecated grant to mitigate cost pressures arising from savings not achieved during the financial year.

## 5.2 **Risk including Mitigating Actions**

5.2.1 Within the overall positive financial position for 2020/21 a number of overspends (identified in Appendix 1) have continued throughout the financial year despite Action Plans being developed and implemented. There is a risk that these could continue into 2021/2022.

5.4 Legal  
N/A

5.5 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 1a to 1g.

6.1.2 Table 5 below indicates a reduction of £2m in net expenditure for 2020/2021 compared to 2019/2020. The table below provides some examples of reductions in expenditure:

Table 5 – Expenditure Reductions

	<b><u>Reduction in expenditure of:</u></b> <b><u>£'000</u></b>
Agency Payments	598
Redundancy Payments	824
Utilities (Gas, Electricity & Water)	187
Officers Mileage	282
Other Hired Services	96
Printing, Paper, Stationery, Courses etc	78
<b>Total</b>	<b>2,065</b>

### 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 and identifies the financial impact of the Council's response to the Covid-19 pandemic.

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

CLT have considered the provisional financial outturn position for 2020/2021.

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

6.4.1 A number of the ongoing cost pressures identified during 2020/2021 have been addressed as part of the budget setting process for 2021/2022.

6.4.2 For new and emerging cost pressures identified during 2021/2022, 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.

6.5.2 Where it was identified that cost pressures would continue into 2021/2022 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**

6.8.1 All Strategic Business Reviews go through the EqlA 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 – Portfolio Summaries*
- *Appendix 2 – Fees and Charges*