

COUNTY BOROUGH OF BLAENAU GWENT

**REPORT TO: THE CHAIR AND MEMBERS OF THE JOINT
SCRUTINY COMMITTEE (BUDGET MONITORING)**

**SUBJECT: JOINT SCRUTINY COMMITTEE
(BUDGET MONITORING) – 26TH JULY, 2021**

REPORT OF: DEMOCRATIC & COMMITTEE SUPPORT OFFICER

PRESENT: COUNCILLOR M. COOK (VICE-CHAIR IN THE CHAIR)

Councillors D. Bevan
P. Baldwin
M. Cross
G.A. Davies
G.L. Davies
M. Day
L. Elias
P. Edwards
K. Hayden
J. Hill
L. Parsons
G. Paulsen
C. Meredith
J. Millard
M. Moore
H. McCarthy
K. Rowson
T. Smith
B. Summers
S. Thomas
H. Trollope
B. Willis
L. Winnett

WITH: Managing Director
Chief Officer Resources
Corporate Director Education
Corporate Director Social Services
Head of Community Services
Chief Officer Commercial & Customer
Service Manager Neighbourhood Services
Service Manager Accountancy

Scrutiny & Democratic Officer/Advisor

ITEM	SUBJECT	ACTION
No. 1	<p><u>SIMULTANEOUS TRANSLATION</u></p> <p>It was noted that no requests had been received for the simultaneous translation service.</p>	
No. 2	<p><u>APOLOGIES</u></p> <p>Apologies for absence were reported for Councillors S. Healy, J.C. Morgan, D. Wilkshire and T. Sharrem.</p>	
No. 3	<p><u>DECLARATIONS OF INTERESTS AND DISPENSATIONS</u></p> <p>The following declarations of interest were reported:-</p> <p>Councillor B. Summers – Item No. 7 - Revenue Budget Monitoring 2020/2021 Provisional Outturn (Silent Valley)</p> <p>Councillor M. Cook - Item No. 7 - Revenue Budget Monitoring 2020/2021 Provisional Outturn (Silent Valley)</p> <p>Councillor P. Edwards - Item No. 7 - Revenue Budget Monitoring 2020/2021 Provisional Outturn (Markets)</p>	
No. 4	<p><u>TIME OF FUTURE MEETINGS</u></p> <p>The Committee AGREED that future meetings of the Scrutiny Committee continue to be held at 10.00 a.m.</p>	
No. 5.	<p><u>JOINT SCRUTINY COMMITTEE (BUDGET MONITORING)</u></p> <p>The minutes of the Joint Scrutiny Committee meeting held on 15th March, 2021 was submitted.</p> <p>The Committee AGREED that the Minutes be accepted as a true record of proceedings.</p>	
No. 6	<p><u>ACTION SHEET – 15TH MARCH, 2021</u></p>	

The action sheet arising from the Joint Scrutiny (Budget Monitoring) Committee held on 15th March, 2021.

Festival Park

A Member referred to page 12 of the minutes of the previous meeting where the Corporate Director 'advised that the monies paid were part of a reverse lease arrangement'. The Member asked whether this arrangement was still ongoing.

The Head of Community Services undertook to investigate and report back to the next meeting.

Civil Parking Enforcement

A Member expressed concern regarding the level of income being generated from fixed penalty notices.

In response the Head of Community Services confirmed that the outcomes for the service in the first year followed the business case put forward in 2019 and the model adopted by the Council. However, a review of the past 12 months would be undertaken and reported to the relevant Scrutiny Committee towards the end of the year.

The Committee AGREED, subject to the foregoing, the Action Sheet be noted.

No. 7

**REVENUE BUDGET MONITORING 2020/2021
PROVISIONAL OUTTURN**

Consideration was given to report of the Chief Officer Resources.

The Chief Officer Resources presented the report which provided details on the:

- 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

The report formed part of the financial reporting framework to Members.

The Officer went through the report in detail and highlighted the key points contained therein. The overall financial position across all portfolios at 31st March 2021 was a favourable variance of £2.639m (1.7%), against a total revenue budget of £152m. However, the figures were provisional and subject to external audit. The outturn was 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 1 at section 5.1.3 of the report highlighted the provisional outturn across all Portfolios.

The Chief Officer reported that following a review of the year end position, and in support of the Council's financial resilience, a further transfer to earmarked reserves of £1.2m had been made with the balance of £1.4m transferring to General reserves.

A Member said this was the most favourable financial position he had seen since becoming an elected Member, and thanked his colleagues at Welsh Government for their support during the Covid pandemic. He said every facet of the budget had been put in place with the support of WG Hardship Funding. However, he pointed out the support received had highlighted the volatility of the Council, and without that financial support, he said the Council would be in a serious position.

He also questioned the political decisions taken within the Environment Portfolio which showed a significant adverse variance in light of the positive financial position of the Council.

The Member also questioned the need for a second HWRC, particularly in light of the shortfall in income expected in relation to the sale of recyclate materials. He said in his opinion, the concerns and pressures within the service should have formed the basis of the decision to open a second HWRC facility.

Another Member referred to the one-off financial support provided by Welsh Government highlighted at section 5.1.8 of the report, and asked whether any unspent monies in relation to social distancing signage would have to be returned to WG.

The Chief Officer Resources said she was unaware of the terms and conditions of the funding relating to social distancing signage. However, she explained that if the funding was hypothecated, any unspent monies would have to be returned, but if the funding was un-hypothecated it could be retained by the Council and spent elsewhere.

In response to a question raised by a Member regarding the £500 payment to care workers, the Chief Officer Resources said this payment would also be made to care workers within the private sector operating within Blaenau Gwent.

The Member then referred to section 5.1.30 and questioned the adverse variance within the winter maintenance budget.

The Service Manager Neighbourhood Services explained that part of adverse variance related to additional equipment that was required. He also pointed out that whilst snowfall during the winter was minimal, it was a cold winter, with the gritting team out sometimes twice a day, which increased standby payments and out of hours.

A Member referred to previous comments in relation to the need for a second HWRC facility, and pointed out that recycling was driven by targets set by WRAP and Welsh Government. The Council had responded, and to date had not incurred any financial penalties as a result of not achieving these targets. He said residents wanted an additional facility because the site at New Vale lacked capacity to cope with demand at the site, and when fully operational, the second HWRC would have a positive impact on the fly tipping currently being experienced within the Borough. He said the Council needed to ensure that residents had every opportunity to recycle in order to achieve its targets and prevent any potential fines being imposed.

In response a Member said the Council had to measure what was needed as a resource against what we could afford. He recalled that when a second HWRC was initially proposed during the previous administration a number of senior Officers were adamant there was no need for a second facility. He concluded that on the basis of the figures, in his opinion, one HWRC facility was sufficient.

A Member requested that additional information be provided in future reports on the level of WG Hardship Funding that had been received against each budget.

The Chief Officer Resources confirmed that this would be provided in future reports.

In response to a further question, the Chief Officer said 2020 was an unexpected year for everyone, and a pressured year for the Council in terms of delivering services. She had significant concerns at the beginning of the year around the financial impact of the pandemic, but due to the one-off financial support received from Welsh Government the Council were able to weather the storm, and along with other LA's, were able to set aside money to hopefully support our financial resilience moving forward, and enable us to deal with any unexpected pressures in short to medium term. However, the Chief Officer said she had longer term concerns as the UK Government had borrowed significant amounts of money to support its response to the pandemic, and that borrowing would have to be paid back at some point. As a result, potentially our future settlements from UK Government to Welsh Government may be impacted in the medium to longer term and may not be as positive as predicted, and therefore it was important to have sufficient reserves.

A brief discussion ensued regarding the cost of recycle materials when the Service Manager Neighbourhood Services explained that costs were driven by market forces and there had been a significant decrease in the value of all materials. There were still disposal costs associated with the materials which did not reduce in line with sales.

	<p>The Committee AGREED to recommend that the report be accepted provided the appropriate challenge to the financial outcomes in the report.</p>	
<p>No. 8</p>	<p><u>CAPITAL BUDGET MONITORING PROVISIONAL OUTTURN FOR 2020/2021 FINANCIAL YEAR (AS AT 31ST MARCH, 2021)</u></p> <p>Consideration was given to report of the Chief Officer Resources.</p> <p>The Chief Officer Resources presented the report which provided details on the provisional outturn financial position to 31st March 2021 across all portfolios, and details of any significant adverse and/or favourable variances. The report formed part of the quarterly financial reporting framework to Members.</p> <p>The Officer went through the report and highlighted points contained therein. The overall provisional financial position as at 31st March 2021 indicated a £161k underspend against a total in year capital budget of £17.78m. The overall position across all Portfolios was shown in the table at section 5.1.1 of the report.</p> <p>A Member asked whether any capital schemes had been significantly delayed due to the Covid pandemic.</p> <p>The Chief Officer Resources said she was not aware of any capital schemes that had been significantly delayed. The pandemic had impacted on costs, but not on implementation of projects.</p> <p>The Head of Community Services said the fact we were able to continue major contracts during the pandemic was credit to the Contractors and staff. He reported that moving forward into quarter 1 some of the overspends were less than envisaged and he anticipated a more favourable report during quarters 1 and 2.</p> <p>Members thanked staff within the Community Services section for their hard work throughout the pandemic.</p> <p>A Member requested an update on the final account for the Roseheyworth HWRC construction, and the Chief Officer</p>	

	<p>Resources confirmed that this would be reported to a future meeting of the Committee.</p> <p>The Committee AGREED to recommend that the report be accepted, and:</p> <ul style="list-style-type: none"> i. Provided appropriate challenge to the financial outcomes in the report; ii. Continue to support appropriate financial control procedures as agreed by Council; and iii. Noted the budgetary control and monitoring procedures in place within the Capital Team, to safeguard Authority funding be noted. 	
<p>No. 9</p>	<p><u>USE OF GENERAL AND EARMARKED RESERVES 2020/2021</u></p> <p>Consideration was given to report of the Chief Officer Resources.</p> <p>The Chief Officer Resources presented the report which outlined the draft outturn reserves position for 2020/2021 as at 31st March, 2021, subject to audit.</p> <p>The Officer went through the report and highlighted points contained therein. The level of the Council's general reserve disclosed in the statutory accounts for the financial year ended 31st March, 2020 was £6.399m which equated to 4.73% of net revenue expenditure (as reported in the 2019/2020 Revenue Outturn forms). The current 4% target level of general reserves was £5.414m.</p> <p>Appendix 1 provided details of the total earmarked reserves held at the start of the 2020/2021 financial year (£8.272m) with actual reserve movements to the end of quarter 4 (31st March 2021). The level of earmarked reserves was determined in accordance with the agreed reserves protocol. The level of earmarked reserves available to the Authority increased by £12.509m in 2020/2021.</p> <p>The Officer confirmed that for those reserves utilised to fund actual expenditure to 31st March, 2021 (£1.022m), details of the expenditure funded was provided in</p>	

Appendix 2, and details of additional amounts transferred to earmarked reserves (£13.687m) are provided at Appendix 3.

A Member asked whether the Council would be audited in the future on how we spent the Welsh Government Hardship Funding, and potentially criticised for putting money into reserves.

In response the Chief Officer said Audit Wales would look at our level of reserves as part of their review of the end of year accounts. She was confident that the funding received from Welsh Government was spent appropriately, and that the Council continued to respond and incur expenditure in relation to the Covid pandemic. However, she pointed out that was not the reason for determining the level of reserves.

A brief discussion ensued when a Member referred to Appendix 2 and asked why the Sports Council of Wales expenditure of £29,700k for refurbishment of the changing rooms at Abertillery Sports Centre had come out of reserves.

In response the Corporate Director for Education explained that this was a bid submitted by Aneurin Leisure Trust, and under the terms of the commissioning arrangement the funding came to the Council and was held by us. However, he confirmed that the project had been taken forward and the works were completed.

In response to a further question in relation to the expenditure for specialist commercial advice on Silent Valley, the Chief Officer Resources said it was felt prudent to establish a reserve whilst undertaking a review of Silent Valley and set aside some money for external independent advice whilst undertaking due diligence.

A Member referred Appendix 2, page 82 and questioned the definition around Section 106 Agreements.

The Head of Community Services explained Section 106 Agreements could be used to support any additional or upgrading of the existing highway infrastructure required as part of a new school development.

The Corporate Director of Education also pointed out that Section 106 Agreements could also be used to support the existing school estate, i.e. if there was a new housing development in a school catchment area, an element of Section 106 funding could be used to secure additional school infrastructure, buildings and capacity to accommodate extra pupils expected as a result of the new development. He confirmed that as part of the Education & Learning Scrutiny Committee FWP a report would be submitted outlining how education had benefitted from Section 106 Agreements.

In response to a further question regarding the £21k outlined in Appendix 2 for Section 106 Agreements, the Head of Community Services said this funding would have been awarded on the basis of specific works as laid out in the planning permission.

The Committee AGREED to recommend that the report be accepted and considered the use of general and earmarked reserves during 2020/2021 and:

- i. Noted the significant increase in general and earmarked reserves as a result of the exceptional circumstances in the 2020/2021 financial year;
- ii. noted that the draft outturn position of the General Reserve at £7.820m represented 5.78% of net revenue expenditure, above the 4% target level;
- iii. Considered the need for ongoing prudent financial management given the potential for future public spending restrictions required to fund the impact of Covid-19; and
- iv. Continue to challenge budget overspends and implement appropriate service Action Plans, where required.

Maintenance of usable reserves at an adequate level was crucial to the Council being able to meet future liabilities arising from risks for which specific provision has not been made.

No. 10

BRIDGING THE GAP (BTG) PROGRAMME 2021/2022

Consideration was given to report of the Chief Officer Resources.

The Chief Officer Resources presented the report which provided an update on the Strategic Business Reviews, including the provisional out-turn for 2020/2021 and latest assessment of the financial achievement for 2021/22 onwards.

The Officer then went through the report and highlighted points contained therein.

A Member referred to the railway improvement loan and asked whether the Minimum Revenue Provision (MRP) would apply.

In response the Chief Officer said if the railway investment and loan was agreed, it would impact on the MRP going forward. However, the income we expect to receive from Transport for Wales to fund the loan would mitigate the MRP increase going forward.

A Member expressed concern regarding the financial implications should the expected level of income not be generated.

The Chief Officer said she understood that in the event of insufficient fare income, part of Welsh Government responsibilities was to provide sufficient funding via TFW to enable them to fund the asset development fee to the full amount.

The Member asked whether this would include MRP, and the Officer confirmed that the impact on MRP would be same.

In response to a further question the Chief Officer confirmed all Bridging the Gap proposals would be subject to an impact assessment.

The Committee AGREED to recommend that the report be accepted and provided appropriate challenge to the Bridging the Gap programme.