

Committee: **Executive Committee**

Date of meeting: **10th November 2021**

Report Subject: **Revenue Budget Monitoring -2021/2022, Forecast
Outturn To 31 March 2022 (As At 30th June 2021)**

Portfolio Holder: **Cllr N 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)
	09/09/2021	20.10.21			27/9/2021	10.11.21		

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 2021/2022 (as forecast at 30th June 2021).

2. **Scope and Background**

- 2.1 This report provides details on the following:

- Forecast financial position to the end of March 2022 across all portfolios
- Budget Virements actioned during the period April to June 2021
- Forecast outturn for Fees & Charges

- 2.2 This report will inform the quarterly financial reporting framework to Members.

3. **Options for Recommendation**

3.1 **Option 1 (Recommended Option)**

Members to consider and:

- provide appropriate challenge to the financial outcomes in the report
- approve the virements detailed in paragraphs 5.1.4 to and 5.1.7.

3.2 **Option 2**

Members 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 forecast outturn as at June 2021, is a favourable variance of £2.494m, after the application of Welsh Government Hardship Funding.

5.1.2 The forecast overall financial position across all portfolios at 30th June 2021 (and before the inclusion of Covid-19 related expenditure) is shown in the table below:

Table 1 – Portfolio Summary

Portfolio/ Committee	2021/2022 Revised Revenue Budget £m	2021/2022 Forecast Outturn @ 30 June 2021 £m	Favourable/ (Adverse) To 31 March 2022 £m	Append ref:
Underspending Portfolios				
Corporate Services & Financial Management & Strategy	18.386	16.952	1.434	1a
Education & Leisure	63.868	63.646	0.222	1c
Social Services	46.366	45.194	1.172	1b
Planning	1.277	1.276	0.001	1f
Licensing	0.106	0.106	0.000	1f
Sub Total (1)	130.003	127.174	2.829	
Overspending Portfolios				
Economy	1.550	1.551	(0.001)	1d
Environment	26.479	26.802	(0.323)	1e
Sub Total (2)	28.029	28.353	(0.324)	

Total	<u>158.032</u>	<u>155.527</u>	<u>2.505</u>	
Covid-19 Costs				
Social Services		0.626	(0.626)	
Education		0.142	(0.142)	
Environment		0.597	(0.597)	
Sub Total – Covid19 spend		<u>1.365</u>	<u>(1.365)</u>	
WG Hardship funding			<u>0.728</u>	
WG SS Hardship funding			<u>0.626</u>	
Revised Total			<u>2.494</u>	

- 5.1.3 The forecast includes actual and estimated funding from the Hardship fund for April to June 2021 of £1.354m. A Claim has been submitted, in line with the set of principles issues by Welsh Government, for quarter 1 loss of income and £47,000 is included in the forecast for Social Services.

It has been confirmed that Welsh Government Hardship Funding will continue to March 2022.

5.1.4 **Budget Virements**

- 5.1.5 There have been a number of budget virements between and within Portfolios to realign budgets with forecast spend.

5.1.6 Social Services Portfolio: -

- £116,000 from Corporate Services to Children's Services for Legal Fees
- £379,000 from Adults Services (Learning Disabilities under 65) to Adult Services (Older People) (£172,000) and Children's Services for the Learning Disabilities Team restructure (£207,000). The Team has been disbanded and staff have transferred to other Teams within Adults and Children's.
- £143,000 from Business Management to Older People Adults for the newly created Safeguarding Team.

5.1.7 Education Portfolio: -

A virement between Active Living and the Environment Portfolio for £237,000 relating to the transfer of maintenance responsibilities from Aneurin Leisure Trust to the Corporate Landlord budget.

5.1.8 **PORTFOLIO ANALYSIS**

5.1.9 Within the total forecast favourable variance of £2.494m, the cross cutting budgets within Corporate Services account for 44% (£1.15m) of this forecast. The breakdown is as follows:-

- Transformation Fund - £0.16m
- Commercial & Contract Management - £0.5m
- Pay award contingency - £0.24m
- Contingency – Community Care - £0.25m

5.1.10 Portfolio summary pages can be found in Appendix 1.

5.1.11 Details of the variances greater than £50,000 within the Portfolios are included in the Portfolio Analysis section below.

5.1.12 Action plans to address cost pressures are attached at Appendix 3. A breakdown of the adverse variances contained within the action plans is summarised below:-

Table 2 – Significant Adverse Variances

Corporate Services	Council Tax Reduction Scheme	£82,000
Social Services	Legal Fees	£363,000
Environment	Waste Services	£334,000
Total		£779,000

5.1.13 **Portfolio Analysis**

5.1.14 **Corporate Services – £1,434,525 favourable variance**

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

5.1.16 ***Council Tax Reduction Scheme (CTRS) - £82,041***

5.1.17 As previously reported, this is likely to be due to an increase in the number of claimants resulting from the economic impact of the Covid-19 pandemic. As the information below illustrates the number of claims has now decreased when compared to the same period in 2020, however it is still higher than the same period in 2019:

Quarter 1 2019 - 8,683
Quarter 1 2020 - 9,341
Quarter 1 2021 - 9,023

- 5.1.18 The full year effect remains uncertain as the Autumn / Winter period will see an end to the UK furlough scheme with the potential for further increases in claimant numbers.
- 5.1.19 This adverse variance has been offset by two main favourable variances:-
- 5.1.20 ***Cross Cutting Budgets - £1,149,085***
- 5.1.21 Commercial & Contract Management (£496,410) – This budget was created to fund contract price increases during the year, that cannot be managed within portfolio budgets. However, no requests for funding have been received to date.
- 5.1.22 Transformation Fund (£165,000) - committed spend of £327,000 has been included in relation to the proposed Revenue Contribution to the Agile Working Operating Model.
- 5.1.23 Contingency – Pay Award / Community Care (£487,675) - This budget (£1.2m) has been established to cover a potential pay award for 2021/2022 of up to 2.0% for Council staff and increased costs within Community Care. The forecast includes a commitment of a 1.5% pay award for staff. Local authority employers have subsequently offered a higher pay award of 1.75%, which is currently being considered by trade unions. If agreed this will increase costs and reduce the predicted favourable variance by £118,383 to £368,837
- 5.1.24 ***Departmental Budgets - £265,761***
- 5.1.25 The forecast favourable variance mainly relates to reduced employee related expenditure due to delays in filling vacant posts, maternity leave, staff on temporary reduced hours and the utilisation of one-off grant funding. In addition, there is an increased level of income provided by Welsh Government for an admin grant for providing COVID-19 related support.
- 5.1.26 **Social Services – £1,172,404 favourable variance**
- 5.1.27 The forecast is made up of the following main variances: -
- 5.1.28 ***Children's Services – Favourable Variance of £541,000***
- 5.1.29 There is only one main adverse variance, Legal Fees of £363,000 which is mainly due to the continuing cost pressure in legal fees resulting from court proceedings in relation to Children Looked After.
- 5.1.30 This adverse variance has been completely offset mainly by two underspending areas:
- Residential Placements showing a favourable variance of £537,000 mainly due to the Sustainability Grant Funding and
 - Independent Fostering Agency Placements of £180,000 due to reducing placement numbers, with a number of placements being brought back in house.

5.1.31 ***Adult Services – Favourable Variance of £631,000***

5.1.32 The overall favourable variance of £631,000 is mainly due to the application of Sustainability Grant, ICF and Home First Grant funding for a number of established posts, a reduction in staffing cover costs within Provider Services and a reduction in the number of placements and packages of care.

5.1.33 **Education and Leisure – £222,738 favourable variance**

5.1.34 There are two main areas of favourable variances:-

- Strategic Management - £150,000 favourable variance – relating to lower pension contributions to the local government pension scheme for school based staff, and the delay in the appointment of the new Statutory ALN Officer.
- LEA Budget Supporting SEN £62,000 favourable variance, relating to income arising from the secondment of the Principal School Psychologist.

5.1.35 **Environment Portfolio – £322,931 adverse variance**

5.1.36 The forecast is made up of the following main adverse variances:-

5.1.37 **Recycling Collection - £138,485 adverse variance**

This is mainly due to the ongoing cost of receptacles and food waste bags. External funding for the purchase of food waste bags has ceased and therefore this now presents a cost pressure within this budget. The budget for receptacles is not sufficient to meet demand particularly with the increase in house building throughout the borough, for example the forecast includes the cost for receptacles and food waste bags for a further 387 properties for the new development/builds that will be required towards the end of the financial year.

5.1.38 **Disposal of Waste - £60,449 adverse variance**

This is mainly due to an increase in residual waste tonnages. This could potentially be partly offset by Welsh Government Hardship Funding for Quarter 1 dependent upon the current eligibility criteria. Also the forecast cost of leachate disposal at the Silent Valley site exceed the budget. However, this is based on last year's outturn. The weather has an impact on costs, so there is the potential for the forecast to change later in the year.

5.1.39 **Recycling Disposal - £136,432 adverse variance**

This is mainly due to an increase in the volume of food waste recycling and increased cost of aerosols recycling. However, there is currently a high demand for steel, plastics and aluminium and therefore it is likely that income will increase for these recyclates throughout the remainder of the year, which could improve the financial position. The forecast will be reviewed and updated during quarter 2 when data is known with more certainty.

5.1.40 **Fees & Charges**

5.1.41 The 2021/2022 portfolio estimates include income budgets in relation to fees & charges (excluding Council Tax) of £15m across all portfolios. Attached at Appendix 2 is an analysis of income received against budget for the financial year for individual portfolios, and current forecast indicates an adverse variance against this target of £1.7m, primarily relating to lost income: -

- from the sale of recyclate - £0.2m
- charges for Community Care & CHC income - £1.5m

5.1.42 Whilst the analysis of fees and charges 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.

5.1.43 **Reserves**

5.1.44 The 2020/21 draft outturn position, reported to the Joint Budget Scrutiny Committee in July 2021, was a balance of £7.820m for the Council's General Reserve and should the forecast underspend continue to the end of the financial year, the General reserve will increase to:

<u>Table 3 - General Reserve</u>	£m
Balance at 1 April 2021 (Provisional as subject to External Audit)	7.820
Funding for Highways Improvements	(0.3)
Forecast Underspend @ 31 March 2022	2.494
Planned increase as per agreed 2021/22 budget	0.200
Forecast General Reserve @ 31 March 2022	10.214

5.1.45 The 2020/21 draft outturn position, reported to the Joint Budget Scrutiny Committee in July 2021 for earmarked reserves was £20.781m (including School Balances). Significant elements of these earmarked sums relate to grant funding held in respect of specific projects or services that will be utilised in delivering the relevant service outcomes during the current and next financial year

5.1.46 At the quarter 1 position, there had been no use of the specific reserves.

5.2 **Risk including Mitigating Actions**

5.2.1 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 has been developed and is being maintained and will be considered as part of the Medium Term Financial Strategy.
- 5.2.3 There is a risk that Action Plans will not address the cost pressures identified.
- 5.2.4 Action Plans have been developed, identifying actions to mitigate the forecast cost pressures. 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.
- 5.2.5 There is a risk that Covid-19 will continue into the medium/long term, impacting on Council services and budgets. This risk can be mitigated by the continuation of processes that the Council has introduced since March 2020 eg prioritising services, redeployment of staff, home working.
- 5.2.6 There is a risk that Welsh Government will not provide Hardship funding/loss of income funding for all cost pressures identified. This risk can be mitigated by a continuing dialogue and lobbying with Welsh Government, through the WLGA and the continuing development of action plans by budget holders.
- 5.2.7 There is a risk of increase costs for food, fuel and other essential goods and services as a result of the ongoing situation regarding the U.K. Exiting the E.U.
- 5.2.8 The UK Exiting the EU has been added as an organisational risk to the corporate risk register, whilst a separate, more detailed high level action plan has been developed and is being monitored by the 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 1a to 1g.

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.

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

- 6.3.1 CLT have considered the forecast financial position for 2021/2022 (as 30th June 2021).

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 have produced 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 will continue to develop and monitor Action Plans for those services reporting forecast adverse variances which should address the cost pressure during the year

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 ***Decarbonisation and Reducing Carbon Emissions***

6.8.1 The Council is committed to the Decarbonisation Plan to achieve a carbon neutral public sector by 2030 and the Bridging the Gap programme includes a Strategic Business Review, Low Carbon.

6.9a ***Socio Economic Duty Impact Assessment***
N/A

6.9b **EqlA(screening and identifying if full impact assessment is needed)**

6.8.1 All Bridging the Gap Projects that were approved as part of the budget setting process had gone 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

Appendix 2

Appendix 3