

Committee: **Executive Committee**
Date of meeting: **15th December 2021**
Report Subject: **Revenue Budget Monitoring - 2021/2022, Forecast
Outturn to 31st March 2022 (as at 30th September
2021)**
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)
	04/11/2021	30.11.21			22/11/21	15.12.15		

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 September 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 July to September 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 The Joint Budget Scrutiny Committee supported Option 1 at its meeting on 22nd November 2021.

3.2 **Option 1 (Recommended Option)**

Members to consider and provide appropriate challenge to the financial outcomes in the report and to note the virements detailed in paragraphs 5.1.4 to 5.1.6.

3.3 **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 September 2021, is a favourable variance of £2.814m, after the application of Welsh Government Hardship Funding. There has been an increase in the favourable variance of £0.319m since the June 2021 forecast position (£2.495m).

5.1.2 The forecast overall financial position across all portfolios at 30th September 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	2021/2022 Forecast Outturn @ 30 Sept 2021	Favourable/ (Adverse) To 31 March 2022	Append ref:
	£m	£m	£m	
Underspending Portfolios				
Corporate Services & Financial Management & Strategy	18.425	17.171	1.254	1a
Education & Leisure	63.863	63.693	0.170	1c
Social Services	46.329	44.825	1.504	1b
Planning	1.274	1.274	0.000	1f
Licensing	0.106	0.106	0.000	1f
Sub Total (1)	129.997	127.069	2.928	

Overspending Portfolios				
Economy	1.551	1.568	(0.017)	1d
Environment	26.484	26.581	(0.097)	1e
Sub Total (2)	28.035	28.149	(0.114)	
Total	<u>158.032</u>	<u>155.218</u>	<u>2.814</u>	
Covid-19 Costs				
Social Services		1.487	(1.487)	
Education		0.277	(0.277)	
Environment		1.791	(1.791)	
Sub Total – Covid19 spend		<u>3.555</u>	<u>(3.555)</u>	
WG Hardship funding			<u>2.068</u>	
WG SS Hardship funding			<u>1.487</u>	
Revised Total			<u>2.814</u>	

- 5.1.3 The forecast includes actual and estimated funding from the Hardship fund for April to September 2021 of £3.555m. Claims have been submitted, in line with the set of principles issues by Welsh Government, for quarter 1 and quarter 2 loss of income and £104,000 is included in the forecast for Social Services.
- 5.1.4 It has been confirmed that Welsh Government Hardship Funding will continue to March 2022.
- 5.1.5 **Budget Virements**
- 5.1.6 During quarter 2, there have been a number of budget virements between and within Portfolios to realign budgets with forecast spend. These are in addition to those reported previously for quarter 1.
- 5.1.7 As agreed as part of the new operating model business case, an analysis of the mileage budgets was undertaken and a number of virements have been actioned between Portfolios to realign budgets to fund the Agile Working Allowances.

Table 2: Budget Virements

Portfolio	Virement
Corporate Services & Financial Management & Strategy	£38,500
Education & Leisure	(£5,000)
Social Services	(£37,000)
Environment	£5,000
Economy	£1,500
Planning	(£3,000)

5.1.8 **PORTFOLIO ANALYSIS**

5.1.9 Within the total forecast favourable variance of £2.814m, the cross cutting budgets within Corporate Services account for 28% (£0.865m) of this forecast. The breakdown is as follows:-

- Commercial & Contract Management - £0.5m
- Pay award contingency - £0.12m
- 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 3 – Significant Adverse Variances

Social Services	Legal Fees	£363,000
Environment	Waste Services	£208,684
Total		£571,684

5.1.13 **Portfolio Analysis**

5.1.14 **Corporate Services – £1,253,633 favourable variance**

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

5.1.16 ***Cross Cutting Budgets - £865,247***

5.1.17 Commercial & Contract Management (Budget £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, therefore this budget is showing a favourable variance of £496,410.

5.1.18 Contingency – Pay Award / Community Care (Budget £1.2m) - This budget 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 1.75% pay award for staff (£831,863). Local authority employers have subsequently rejected this offer with the decision to strike currently being considered by trade unions. At present this budget is showing a £368,838 favourable position.

5.1.19 ***Departmental Budgets - £307,611***

5.1.20 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 administration grant for providing COVID-19 related support.

5.1.21 **Social Services – £1,504,024 favourable variance**

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

5.1.23 ***Children’s Services – Favourable Variance of £769,000***

5.1.24 There is only one main adverse variance, Legal Fees of £363,000 which is mainly due to the continuing cost pressure as a result of using an external law firm resulting from court proceedings in relation to Children Looked After.

5.1.25 A cost pressure of £350,000 was awarded in 2021/2022 to partially address the cost pressure.

5.1.26 This adverse variance has been completely offset mainly by two underspending areas:

- Residential Placements showing a favourable variance of £745,000 mainly due to the application of Sustainability Grant Funding and
- Social worker Teams of £332,000 mainly due to vacant posts resulting from the issues experienced with recruitment and retention.

5.1.27 ***Adult Services – Favourable Variance of £735,000***

5.1.28 The overall favourable variance of £735,000 is mainly due to the application of Sustainability Grant, ICF and Home First Grant funding for a number of established posts. In addition, there are a number of vacant posts and a reduction in staffing cover costs within Provider Services (as Day Services provision is not fully operational as yet). There has been a reduction in the number of placements and packages of care since the pre-Covid-19 period. The service is experiencing an increase in demand and referrals, however, current staff capacity is having an impact on the placement process.

5.1.29 **Education and Leisure – £170,002 favourable variance**

5.1.30 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.

5.1.31 **Environment Portfolio – £97,139 adverse variance**

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

5.1.33 **Recycling Collection - £137,059 adverse variance**

Approximately 50% of the adverse variance relates 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 for replacement receptacles and food waste bags as requested by households and in addition new receptacles will need to be provided to the new development/builds that is ongoing within Blaenau Gwent.

5.1.34 **Disposal of Waste - £47,995 adverse variance**

This is mainly due to an increase in residual waste tonnages. This has been partly offset by Welsh Government Hardship Funding for Quarter 1 and quarter 2. Subsequently funding for the remainder of this year should have a positive impact on the adverse variance. Also the forecast cost of leachate disposal at the Silent Valley site exceeds 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.

5.1.35 **Recycling Disposal - £23,635 adverse variance**

There is currently a high demand for steel, plastics and aluminium and therefore the forecast income has increased for these recyclates, which has improved the financial position when compared to quarter 1.

5.1.36 **Planning Committee – balanced budget forecast**

5.1.37 **Planning – Dealing with Applications - £13,413 adverse variance**

The variance is due to a Planning Application Fee of £300,000 being received from Ciner Glass Ltd. Receipt of this large fee has assisted the Service to offset additional costs arising from:

- staff shortages (due to sickness and retirements of two of the Services Management Team), which has greatly impacted on the Service.
- Planning Application Appeals costs of £20,000 arising from Planning Committee declining applications.
- Upgrade to Planning IT Software to support agile working.

5.1.38 **Fees & Charges**

5.1.39 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 £1.1m, primarily relating to lost income: -

- from the sale of recyclate - £0.2m
- charges for Community Care & CHC income - £1.3m

5.1.40 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.

5.2 **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 September 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 have gone through the EqlA process.

7. **Monitoring Arrangements**

7.1 Financial reporting to Joint Budget 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 – Service Portfolios

Appendix 2 – Fees and Charges

Appendix 3 – Action Plans