

Committee: **Executive Committee**
Date of meeting: **16th March 2022**
Report Subject: **Revenue Budget Monitoring -2021/2022, Forecast
Outturn To 31 March 2022 (As at 31st December
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)
	24/02/2022	01.03.22			07/03/22	16/03/22		

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 31st December 2022).

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
 - 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.

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 December 2021, is a favourable variance of £4.65m, after the application of Welsh Government Hardship Funding. There has been an increase in the favourable variance of £1.835m since the September 2021 forecast position (£2.814m).

5.1.2 The forecast overall financial position across all portfolios at 31st December 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 @ 31 Dec 2021	Favourable/ (Adverse) To 31 March 2022	Append ref:
	£m	£m	£m	
Underspending Portfolios				
Corporate Services & Financial Management & Strategy	18.425	17.111	1.314	1a
Education & Leisure	63.863	63.697	0.166	1c
Social Services	46.329	43.059	3.270	1b
Planning	1.274	1.241	0.033	1f
Licensing	0.106	0.090	0.016	1f
Sub Total (1)	129.997	125.198	4.799	
Overspending Portfolios				
Economy	1.551	1.568	(0.017)	1d
Environment	26.484	26.617	(0.133)	1e

Sub Total (2)	28.035	28.121	(0.150)	
Total	<u>158.032</u>	<u>153.319</u>	<u>4.649</u>	
Covid-19 Costs				
Social Services		2.610	(2.610)	
Education		0.418	(0.418)	
Environment		2.008	(2.008)	
Sub Total – Covid19 spend		<u>5.036</u>	<u>(5.036)</u>	
WG Hardship funding			<u>2.426</u>	
WG SS Hardship funding			<u>2.610</u>	
Revised Total			<u>4.649</u>	

5.1.3 The forecast includes actual and estimated funding from the Hardship fund for April to December 2021 of £5.036m. Claims have been submitted, in line with the set of principles issues by Welsh Government, for quarters 1 to 3 loss of income and £130,000 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 **PORTFOLIO ANALYSIS**

5.1.6 Within the total forecast favourable variance of £4.65m, the cross cutting budgets within Corporate Services account for 19% (£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

5.1.7 Portfolio summary pages can be found in Appendix 1.

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

5.1.9 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
Education	Departmental Budget	£95,000
Environment	Waste Collection Services	£306,000
Total		£764,000

5.1.10 **Portfolio Analysis**

5.1.11 **Corporate Services – £1,313,874 favourable variance**

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

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

5.1.14 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.

5.1.15 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 are currently considering a way forward with trade unions. At present this budget is showing a £368,838 favourable position.

5.1.16 ***Departmental Budgets - £216,232***

5.1.17 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.

5.1.18 ***Council Tax Reduction Scheme - £163,687***

The forecast favourable variances relate to a reduction in the number of claimants since the start of the financial year, with the number of claimants now at pre pandemic levels. This is probably as a consequence of claimants returning to work following the end of furlough and COVID Lockdowns.

5.1.19 **Social Services – £3,270,472 favourable variance**

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

5.1.21 ***Children's Services – Favourable Variance of £1.09m***

5.1.22 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.

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

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

- Residential Placements showing a favourable variance of £852,000 mainly due to the application of Sustainability Grant Funding and
- Social worker Teams of £586,000 mainly due to vacant posts resulting from the issues experienced with recruitment and retention.

5.1.25 ***Adult Services – Favourable Variance of £2m***

5.1.26 The overall favourable variance of £2m, is mainly due to the application of Sustainability Grant, ICF, Home First and Social Services Recovery Grant. This has enabled a number of established posts to be funded from grant. 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.

5.1.27 ***Support Service and Management Costs - £177,000 favourable variance***

The overall favourable variance of £177,000 is mainly due to grant funding of established posts and a number of vacant posts.

5.1.28 **Education and Leisure – £165,956 favourable variance**

5.1.29 There favourable variance is due to:-

- Strategic Management - £190,000 favourable variance – relating to lower pension contributions to the local government pension scheme for school based staff (£111,000) and charging the costs of the Statutory Additional Learning Needs (ALN) Officer, to the ALN specific grant (£79,000).
- LEA Budget Supporting SEN £62,000 favourable variance, relating to income arising from the secondment of the Principal School Psychologist.

5.1.30 There is one main adverse variance:-

- Departmental budget - £95,000 adverse variance – relating to staffing costs for specific areas of work until March 2022 and maternity cover arrangements.

5.1.31 **Environment Portfolio – £133,162 adverse variance**

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

5.1.33 **Recycling Collection - £305,740 adverse variance**

One primary driver for 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. The second primary driver for the adverse variance relates to agency staff costs. This adverse variance is being reviewed as potentially some costs could be recovered from the Hardship Fund.

5.1.34 **Recycling Disposal - £123,430 favourable variance**

The cost per tonne has increased for paper, steel, plastics, cardboard and aluminium and therefore the income and forecast income has increased for these recyclates, mitigating the adverse variance.

5.1.35 **Fees & Charges**

5.1.36 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: -

- charges for Community Care & CHC income - £1.3m (This shortfall is offset by the overall underspend within the Social Services Portfolio).

5.1.37 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 has been mitigated through a continuing dialogue and lobbying with Welsh Government, through the WLGA and the continuing development of action plans by budget holders. The Hardship Fund will not continue into 2022/2023 and this risk has been mitigated by additional resources provided by Welsh Government through the Revenue Support Grant.
- 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 31st December 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**

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 – Portfolio Summaries

Appendix 2 – Fees and Charges

Appendix 3 – Action Plan