

Committee: **Corporate Overview and Performance Scrutiny Committee**

Date of meeting: **13th September 2022**

Report Subject: **Revenue Budget Monitoring - 2022/2023,
Forecast Outturn to 31st March 2023 (as at 30th June 2022)**

Portfolio Holder: **Cllr S Thomas – Leader of the Council & Executive
Member Corporate Overview & Performance**

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)
	25/08/22	05.09.22			13/09/22	14/09/22		

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 2022/2023 (as forecast at 30th June 2022).

2. **Scope and Background**
 - 2.1 This report provides details on the following:
 - Forecast financial position to the end of March 2023 across all portfolios
 - Budget virements actioned during the period April to June 2022
 - Forecast outturn for Fees & Charges
 - Forecast of Reserves to be applied during the period

 - 2.2 This report forms part of the Council’s 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.
 - Recommend Approval of the budget virements, detailed in paragraph 5.1.14 & Appendix 4, in excess of £250,000 in line with the constitution.
 - Note the application of reserves

 - 3.2 **Option 2**
Members do not accept the report and do not approve the budget virements.

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 (short and long term impact)*

5.1.1 The overall forecast outturn across all portfolios as at 30th June 2022, is an adverse variance of £0.57m before net transfers to specific reserves (of £0.62m) and a small favourable variance of £0.05m after net transfers to specific reserves.

5.1.2 The forecast overall financial position across all portfolios at 30th June 2022 is shown in the table below:

Table 1 – Portfolio Summary

Portfolio/ Committee	2022/2023 Revised Revenue Budget	2022/2023 Forecast Outturn @ 30 June 2022	Favourable/ (Adverse) Variance	Favourable/ (Adverse) Variance (after Net transfers to Specific Reserves)	Append ref:
	£m	£m	£m	£m	
Corporate Services & Financial Management & Strategy	17.92	17.79	0.13	0.39	1a
Social Services	49.94	49.88	0.06	0.31	1b
Education & Leisure	68.30	68.52	(0.22)	(0.22)	1c
Economy	1.79	1.85	(0.06)	(0.06)	1d
Environment	29.66	30.13	(0.48)	(0.38)	1e
Planning	1.44	1.44	0.00	0.00	1f
Licensing	0.13	0.14	0.00	0.00	1f
Total	169.19	169.76	(0.57)	0.05	

5.1.3 The forecast includes a number of assumptions, the main ones being:

- The proposed pay award of £1,925 on all pay points from 1 April 2022 for NJC & JNC officers
- 20% uplift to Home to School contractors will continue to March 2023
- The impact of inflation on prices will continue to March 2023

5.1.4 **Use of Reserves**

5.1.5 The net transfer from individual portfolios to specific reserves total £0.62m and this includes:

- £234,960 from the Supporting Additional Capacity Reserve (which includes additional resources for areas such as Health & Safety, Civil Contingencies, Payroll, Decarbonisation and Digital)
- £32,180 from the Community Safety & CCTV Reserve (to support a new Policy Officer for CCTV until the SLA with Caerphilly CBC is established)
- £56,298 from the Infrastructure Staffing Reserve (to support new Welsh Government Legislation requirements)
- £45,458 from the Homelessness Transitional Funding Reserve (to fund a specialist EHO for empty properties)
- £249,243 from Social Services Displaced Expenditure Reserve (relating to displaced grant expenditure and cost of living increases in excess of grant allocation in relation to Early Years Childcare)

5.1.6 **Pay & Pay Contingency**

5.1.7 The current local government employers pay proposal for 2022/23 is a £1,925 increase on all pay scales. If agreed this will result in pay increases ranging from 4% to 10%. The average increase will be 6.3%

5.1.8 The impact of the proposed pay award will increase costs (compared to 2021/22) by £3m. When compared to the Council's agreed budget of an assumed 4% increase there is a cost pressure of £1.15m relating to pay.

5.1.9 The pay award contingency has been reallocated to portfolios forecasting an overall adverse variance for the year.

5.1.10 With the exception of the use of reserves identified in 5.1.5, as the overall forecast is a small favourable variance, it has been assumed that the additional costs, related to the pay award (in excess of the agreed budget) and the impact being seen as a result of the cost of living crisis, is funded from within underspending budgets, and not specific reserves. Virements from underspending budgets have been actioned and where these are in excess of £250,000 they have been highlighted in section 5 and Appendix 4.

5.1.11 **Budget Virements**

5.1.12 Budget virements are actioned to address in year overspends, cost pressures or to realign budgets to reflect service needs.

5.1.13 The Constitution requires budget virements in excess of £250,000 between portfolios to be approved by the Executive, Table 2 details the virements actioned during the period April to June 2022 relating to the Pay Award contingency, with Appendix 4 identifying further budget virements actioned subject to approval.

5.1.14 Table 2 – Budget Virements – Pay Award Contingency

Portfolio	£	Reason
From: Corporate Services	877,540	Allocating pay award contingency budget to services to meet the cost of the expected pay award
To: Education	58,890	
Environment	739,110	
Economy	41,380	
Planning	31,310	
Licensing	6,850	

5.1.15 **Portfolio Analysis**

5.1.16 An analysis of significant adverse variances per Portfolio are detailed below.

5.1.17 **Corporate Services – Council Tax Collection (£0.305m adverse variance)**

5.1.18 There is currently a cost pressure on Council Tax Collection, due to forecasted increase in the provision for bad debts (at this point in time).

This cost pressure has been offset by a budget virement from the Council Tax Reduction Scheme (CTRS). The underspend on CTRS has arisen due to:-

- The budget incorporates as assumed increase on Council Tax Levels of 4% (in line with the MTFS assumptions) however the actual average Council Tax increase agreed by Council was approx.1% (in respect of Police & Community Councils precepts) and
- The number of claimants claiming CTRS reducing back to pre covid levels (although this will need to be monitored during the year as the Cost of Living Crisis could attract more claimants).

Date	Number of Cases
01/06/22	8,525
01/06/21	9,226
01/06/20	9,203
01/06/19	8,818

5.1.19 **Education – Home to School Transport (£0.502m adverse variance)**

5.1.20 The 20% temporary uplift currently being awarded to contractors as a result of the fuel crisis is currently forecast to cost £0.5m for the full financial year. Fuel prices are starting to reduce and the uplift will be reviewed in line with reductions in fuel costs, so this pressure may reduce over the remainder of the financial year.

It was previously agreed that the identified cost pressure would be funded from the inflation and service cost pressure reserve, however, given that the overall forecast position is favourable funding from specific reserves have not been applied at this time.

5.1.21 **Environment – Catering (£0.54m adverse variance)**

5.1.22 The cost of living crisis is having a significant impact on the cost of provisions for the school meals services, with forecast costs increasing by £965,406, (83%) when compared to 2021/2022.

The Council's largest food supplier is indicating significant cost increases in products e.g. some commodities have increased by as much as 54%, this coupled with increased fuel costs is impacting upon overall costs.

This variance does not take account of the anticipated increase in uptake from September when Universal Free School Meals (UFSM's) is rolled out to Nursery and Infant children. It has been assumed that this will be fully funded by Welsh Government.

5.1.23 **Fees & Charges**

5.1.24 The 2022/2023 portfolio estimates include income budgets in relation to fees & charges (excluding Council Tax) of £14m across all portfolios. Attached at Appendix 2 is an analysis of income against budget for the financial year for individual portfolios. The forecast provisional outturn is reporting an adverse variance of £0.70m, primarily relating to lost income: -

- Sale of properties £0.289m & Fees and charges in respect of Care £0.268m (This shortfall is being offset by the overall underspend within the Social Services Portfolio).

5.1.25 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 Corporate Overview & Performance Scrutiny Committee, Executive Committee and the Cost of Living Working 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 2022/23 (as at 30th June 2022).
 - 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 of Living Working 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 Existing, new and emerging cost pressures are considered as part of the annual budget setting process and additional funding awarded where it is likely that the cost pressure will continue into future years.
 - 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.

6.9 ***Integrated Impact Assessment***

No impact on the protected characteristics.

7. **Monitoring Arrangements**

7.1 Financial reporting to Corporate Overview and Performance Scrutiny and the Executive Committees 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 of Living Working Group, on a quarterly basis.

Background Documents / Electronic Links

Appendix 1a – Corporate Services and Financial Management Portfolio

Appendix 1b – Social Services Portfolio

Appendix 1c – Education Portfolio

Appendix 1d – Economy Portfolio

Appendix 1e – Environment and Infrastructure Portfolio

Appendix 1f – Planning and Licensing Committee

Appendix 2 – Fees and Charges

Appendix 3 – Summary of Reserves