

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

Date of meeting: **15th December 2022**

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

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

Report Submitted by: **Rhian Hayden – Chief Officer Resources**

Reporting Pathway								
Directorate Management Team	Corporate Leadership Team	Portfolio Holder / Chair	Governance Audit Committee	Democratic Services Committee	Scrutiny Committee	Cabinet	Council	Other (please state)
	x	08.12.22			15/12/22	18.01.23		

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 September 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
- 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.
- Note the forecast application of reserves

3.2 Option 2

Members do not accept the report.

4. **Evidence of how 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 high level priority “An ambitious and innovative council delivering quality services at the right time and in the right place”.

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 September 2022, is an adverse variance of £1.110m. Net transfers from specific reserves (of £0.791m) results in an overall adverse variance of £0.43m.

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

Table 1 – Portfolio Summary

Portfolio/ Committee	2022/2023 Revised Revenue Budget	2022/2023 Forecast Outturn @ 30 Sept 2022	Favourable/ (Adverse) Variance	Favourable/ (Adverse) Variance (after Net transfers from Specific Reserves) £m	Append ref:
	£m	£m	£m		
Corporate Services & Financial Management & Strategy	17.92	17.72	0.20	0.58	1a
Social Services	49.94	50.61	(0.67)	(0.38)	1b
Education & Leisure	68.31	68.52	(0.21)	(0.21)	1c
Economy	1.79	1.77	0.02	0.02	1d
Environment	29.66	30.22	(0.56)	(0.44)	1e
Planning	1.44	1.43	0.01	0.01	1f

Licensing	0.13	0.14	(0.01)	(0.01)	1f
Total	169.19	170.41	(1.11)	(0.43)	

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

- 20% uplift to Home to School contractors will continue to March 2023
- The impact of inflation on prices will continue to March 2023

In also includes the agreed pay award of £1,925 on all pay points from 1 April 2022 for NJC & JNC officers.

5.1.4 To minimise the forecast overspend the council has implemented a freeze on non-essential recruitment and spend.

Use of Reserves

5.1.5 Any adverse variance against the revenue budget will impact on the overall level of the Council's general and specific reserves.

5.1.6 The current forecast assumes a net transfer from specific reserves totalling £0.791m and 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)
- £110,329 from the Election Reserve to cover the cost of the May 2022 Local Elections
- £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)
- £48,455 from the Homelessness Transitional Funding Reserve (to fund a specialist EHO for empty properties)
- £287,535 from Social Services (relating to displaced expenditure and cost of living increase in excess of grant allocation in relation to Early Years Childcare)

5.1.7 Appendix 2 provides an analysis of all forecast use of specific reserves. The balance (£0.43m) will require a contribution from the Council's general reserve.

5.1.8 Portfolio Analysis

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

5.1.10 Corporate Services – Council Tax Collection (£0.324m adverse variance)

5.1.11 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 incorporated an 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
01/09/22	8,531
01/09/21	8,980
01/09/20	9,318
01/09/19	8,796

5.1.12 Education – Home to School Transport (£0.507m adverse variance)

5.1.13 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. However, during October / November a fairly consistent reduction in fuel prices has been seen and if this continues there is a potential for this increase to be removed from January 2023 reducing this cost pressure by the end of the financial year.

It was agreed that the cost pressure would be funded (if necessary) from the inflation and service cost pressure reserve, funding from this specific reserve has not been applied at this stage with directorate underspends funding approx. 50% of this pressure to date.

5.1.14 Environment – Catering (£0.46m adverse variance)

5.1.15 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 (UFMS's) is rolled out to Nursery and Infant children. It has been assumed that this will be fully funded by Welsh Government.

5.1.16 **Social Services (0.669m adverse variance)**

5.1.17 The forecast is made up of the following variances:-

5.1.18 **Children's Services - Legal Fees (£0.42m adverse variance)**

The 2022/23 forecast for Legal Fees is currently £1.2m this represents an increase of £437K since Quarter 1. Delay in receiving invoices from the external Legal team combined with the assumption that the alternative provider would result in reduced costs led to an underestimate at Quarter 1.

Costs are expected to reduce from 2023/24 following the resolution of current caseload of the external provider with new cases being managed by the new provider.

5.1.19 **Children's Homes (Residential Placements) (£0.25m adverse variance)**

The 2022/23 forecast adverse variance has increased as a result of one child transferring to secure accommodation and one new placement.

5.1.20 **Adults Services**

Whilst Adult Services is reporting a favourable variance overall there is a £282k pressure within Cwrt Mytton and Supported Living Bungalows resulting from the difficulties in recruitment and retention of staff and the need to utilise agency staff to deliver this provision.

5.1.21 **Fees & Charges**

5.1.22 The 2022/2023 portfolio estimates include income budgets in relation to fees & charges (excluding Council Tax) of £14m across all portfolios. Attached at Appendix 3 is an analysis of income against budget for the financial year for individual portfolios. The forecast provisional outturn is reporting an adverse variance of £0.71m, primarily relating to lost income: -

- Sale of properties £0.277m and Fees and charges in respect of Care (internal provision) £0.326m.
- Sale of Meals in respect of School Catering £0.119m (confirmation of grant funding is awaited)

5.1.23 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 are being 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, Cabinet 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 September 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 will produce Action Plans to 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 Strategy.

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***

N/A

7. **Monitoring Arrangements**

7.1 Financial reporting to Corporate Overview & Performance Scrutiny and the Cabinet 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 Portfolio

Appendix 1b – Social Services Portfolio

Appendix 1c – Education Portfolio

Appendix 1d – Economy Portfolio

Appendix 1e – Environment Portfolio

Appendix 1f – Planning and Licensing Committees

Appendix 2 – Summary of Reserve Movements 2022-23

Appendix 3 – Fees and Charges