

Committee: **Cabinet**
 Date of meeting: **19th April 2023**
 Report Subject: **Revenue Budget Monitoring - 2022/2023, Forecast
 Outturn to 31st March 2023 (as at 31st December 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)
	16/02/23	30.03.23			16/03/23	19/04/23		

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 31st December 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

The Corporate Overview and Performance Scrutiny Committee recommended Option 1 at its meeting on 16th March 2023.

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 31st December 2022, is an adverse variance of £1.568m. Net transfers from specific reserves (of £1.716m) results in an overall favourable variance of £0.148m.
- 5.1.2 The forecast overall financial position across all portfolios at 31st December 2022 is shown in the table below:

Table 1 – Portfolio Summary

Portfolio/Committee	2022/2023 Revised Revenue Budget	2022/2023 Forecast Outturn @ 31 Dec 2022	Favourable/ (Adverse) Variance	Favourable/ (Adverse) Variance (after Net transfers from Specific Reserves)	Append Ref:
	£m	£m	£m	£m	
Corporate Services & Financial Management & Strategy	17.92	16.77	1.15	1.65	1a
Social Services	49.94	51.01	(1.07)	(0.54)	1b
Education & Leisure	68.31	69.22	(0.91)	(0.37)	1c
Economy	1.79	1.76	0.03	0.04	1d
Environment	29.66	30.42	(0.76)	(0.64)	1e
Planning	1.44	1.45	(0.01)	0.01	1f
Licensing	0.13	0.13	0	0	1f
Total	169.19	170.76	(1.57)	0.15	

- 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
- 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 £1.716m and includes:

- £237,280 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
- £47,940 from the Community Safety & CCTV Reserve (to support a new Policy Officer for CCTV until the SLA with Caerphilly CBC is established)
- £30,000 from the Discretionary Housing Payments Reserve (to support payment of DHPs to residents in excess of the 2022/23 DWP allocation)
- £72,479 in relation to the Test, Trace and Protect Service (Environmental Health Officers) – part funded from balance on TTP Reserve £4,514 and £67,965 from Covid19 Response & Recovery Reserve
- £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)
- £523,418 from Social Services (relating to displaced grant expenditure, cost of living increases in excess of grant allocation in relation to Early Years Childcare and Legal Fees)
- £545,000 from the Inflation and Service Cost Pressure Reserve in respect of the 20% uplift in Home to School Transport.

5.1.7 Appendix 2 provides an analysis of all forecast use of specific reserves.

5.1.8 The General reserve is forecast to increase by £0.148m, the net impact of use of specific reserves.

Portfolio Analysis

5.1.9 Where a Portfolio is reporting an overall adverse variance an action plan has been developed and is attached at Appendix 4. An analysis of significant adverse variances per Portfolio are detailed below.

5.1.10 Corporate Services – Council Tax Collection (£0.320m 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 has reduced 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
01/12/22	8,389
01/12/21	8,786
01/12/20	9,263
01/12/19	8,884

5.1.12 **Education – Home to School Transport (£0.608m 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 £0.545m for the full financial year. Even though during October / November a fairly consistent reduction in fuel prices had been seen this was replaced by rising fuel costs again in December / January, the temporary uplift will remain until the end of the financial year. This together with additional routes for ALN Learners being required and prior year invoices being higher than expected have all contributed to the overall overspend of £1.153m.

The 20% temporary uplift on Home to School Transport contract prices will be funded from the Inflation and Service Cost Pressure reserve which reduces the cost pressure by £0.545m.

5.1.14 **Environment – Catering (£0.103m 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 to £761,214, (44%) when compared to 2021/2022 (£528,030).

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.

The adverse variance has reduced since the quarter 2 forecast and this is due funding from Welsh Government with regards to Universal Free School Meals (UFSM's) for Nursery and Infant children.

5.1.16 **Environment – Corporate Landlord (£0.104m adverse variance)**

- 5.1.17 The adverse variance is mainly due to forecast expenditure on buildings that have been subject to Community Asset Transfer (CATs) and non-operational buildings as no budget exists and it was assumed when the property was transferred there would be no further costs as the budget was put forward as savings.

5.1.18 **Environment – Waste Services (£0.499m adverse variance)**

5.1.19 This is mainly due to an increase in agency costs due to an increased number of staff required to collect the recycling after the increase in participation during the lockdown period continuing.

It is also due to an overspend on the treatment costs for disposal of residual waste where there is a new contract price which is a £8 per tonne increase, equating to £100,000.

5.1.20 **Social Services (£1.068m adverse variance)**

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

5.1.22 **Children’s Services - Legal Fees (£0.313m adverse variance)**

The 2022/23 forecast for Legal Fees is currently £1.5m this represents an increase of £296,000 since Quarter 2.

The cost pressure has been reduced by a £400,000 Contribution from the Legal Fees specific reserve. This reserve has now been fully utilised.

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.

5.1.23 **Children’s Homes (Residential Placements) (£0.745m adverse variance)**

The 2022/23 forecast adverse variance has increased by £496,000 since Quarter 2 as a result of two new placements.

5.1.24 **Adults Services**

Whilst Adult Services are reporting a favourable variance overall there is a £403,000 pressure within Cwrt Mytton and Supported Living Bungalows resulting from the difficulties in recruitment & retention of staff and the need to utilise agency staff to deliver this provision.

Fees & Charges

5.1.25 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 £0.527m, an improving position when compared to the quarter 2 forecast. The main areas not achieving their income targets are: -

- Sale of Meals in respect of School Catering £0.245m - due to the introduction of UFSM and the resulting reduction in paid meals from September. Grant funding has been received to mitigate this loss of income

- Sale of properties £0.244m & Fees and charges in respect of Care £0.172m partly offset by increased CHC income £0.092

5.1.26 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 and Cabinet.

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 31st December 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.

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.

6.9 ***Integrated Impact Assessment***

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 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 Portfolio

Appendix 1f – Planning Committee and Licensing Committee

Appendix 2 – Summary of Reserve Movements 2022/23

Appendix 3 – Fees and Charges

Appendix 4a – Social Services – Action Plan

Appendix 4b – Education – Action Plan

Appendix 4c – Environment – Action Plan

Appendix 5 – Detailed Analysis of Virements Actioned