

Committee: **Cabinet**
Date of meeting: **19th July 2023**
Report Subject: **Revenue Budget Monitoring 2022/2023 – Provisional Outturn**
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)
	08/06/23	29.06.23			05/07/23	19/07/23		

1. Purpose of the Report

- 1.1 The purpose of the report is to provide Members with the provisional financial outturn position across all portfolios for the financial year 2022/2023.

2. Scope and Background

- 2.1 This report provides details on the following:
- Provisional financial position to the end of March 2023 across all portfolios
 - Provisional outturn for Fees & Charges
 - Net use of Reserves applied during the financial year
- 2.2 This report forms part of the Council's financial reporting framework to members.

3. Options for Recommendation

- 3.1 The report will be considered by the Corporate Overview and Performance Scrutiny Committee on 5th July 2023, and any feedback will be provided verbally to Cabinet.

3.2 Option 1 (Recommended Option)

- Members to consider and provide appropriate challenge to the financial outcomes in the report.
- Note the net use of specific reserves.

3.3 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 provisional outturn across all portfolios as at 31 March 2023, is a favourable variance of £180,000 before net transfers from specific reserves (of £1.04m) and £1.2m favourable variance after net transfers from specific reserves.
- 5.1.2 The outturn position is provisional as it is subject to External Audit review.
- 5.1.3 The overall provisional financial position across all portfolios is shown in the table below:

Table 1 – Portfolio Summary

Portfolio/Committee	2022/2023 Revised Revenue Budget	2022/2023 Provisional Outturn	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	16.97	0.95	1.71	1a
Social Services	49.94	50.83	(0.89)	(0.24)	1b
Education & Leisure	68.31	67.84	0.47	0.04	1c
Economy	1.81	1.66	0.15	0.18	1d
Environment	29.63	30.44	(0.81)	(0.73)	1e
Planning	1.44	1.13	0.31	0.25	1f
Licensing	0.13	0.13	0	0	1f
Total	169.18	169.00	0.18	1.21	

- 5.1.4 The provisional favourable variance of £1.2m is mainly due to the cross cutting budgets within Corporate Services not being utilised during the financial year and the underspend against the Council Tax Reduction Scheme:

Table 2 – Significant Favourable Variances

	Provisional Favourable Variance £'000
Transformation Fund	500
Commercial & Contract Management	250
Contingency – Community Care	250

Council Tax Reduction Scheme	533
Total	1,533

- 5.1.5 Whilst overall the Council's outturn for the year is favourable, there are significant adverse variances across portfolios, and these are detailed in the Portfolio Analysis section below.
- 5.1.6 **Transfers To/From Reserves**
- 5.1.7 Any variance against the revenue budget will impact on the overall level of the Council's general and specific reserves.
- 5.1.8 Throughout the year, the forecast has indicated that a net draw from specific reserves to individual portfolios would be required. At the year end this is currently assessed to be £1.04m
- 5.1.9 The impact the provisional outturn has had on specific reserves is attached at Appendix 2 and reduces specific reserves (provisional) to £31.4m at 31 March 2023.
- 5.1.10 Based on the provisional outturn (including the movement of specific earmarked reserves), the Council's General reserve is forecast to increase by £1.2m. However, given the better than anticipated outturn position a further review of reserves will be undertaken as part of the statutory final accounts process and the full impact on reserves and balances will be shown in the 2022/2023 Statement of Accounts, which will be presented to the Governance & Audit Committee when finalised.
- 5.1.11 **Draw from Reserves**
- 5.1.12 The provisional outturn includes a draw from specific reserves totalling £2.73m, the most significant being:
- £685,000 for the Discretionary Cost of Living Scheme – grant funding received in 2021/2022 and utilised in 2022/2023.
 - £228,000 from the Supporting Additional Capacity Reserve (which includes additional resources for areas such as Health & Safety, Civil Contingencies, Payroll, Decarbonisation and Digital)
 - £110,300 from the Election Reserve to cover the cost of the May 2022 Local Elections
 - £48,690 from the Community Safety & CCTV Reserve (to support a new Policy Officer for CCTV until the SLA with Caerphilly CBC is established)
 - £72,480 in relation to the Test, Trace and Protect Service (Environmental Health Officers) – part funded from balance on TTP Reserve £4,514 and £67,970 from Covid19 Response & Recovery Reserve
 - £55,130 from the Infrastructure Staffing Reserve (to support new Welsh Government Legislation requirements)
 - £623,000 from Social Services (relating to displaced grant expenditure, cost of living increase in excess of grant allocation in relation to Early Years Childcare and Legal Fees)

- £450,000 from the Inflation and Service Cost Pressure Reserve in respect of the 20% uplift in Home to School Transport costs
- £235,000 from the ISB reserve to support school expenditure
- £147,500 from the Transport Oncost reserve to fund the cost pressure resulting from increased fuel costs.

5.1.13 New/Increases in Reserves

5.1.14 The provisional outturn includes an increase in specific reserves of £1.69m.

5.1.15 During the financial year, income/grant funding was received which either displaced the Council's in year budget or was awarded to fund expenditure in 2023/2024, therefore it has been necessary to establish/increase specific reserves to earmark this funding for use in 2023/2024 including:

- Education and Leisure Grants of £796,000 (Youth Service, LEA Grant, All Through Schools & Heads for Arts)
- Homes for Ukraine Scheme of £379,000

5.1.16 Other increases in specific reserves includes:

- £61,400 increase in the Re:Fit Loan Repayments charged to services in advance of the loan repayment
- £71,650 sink fund for Regional Fleet Vehicles
- £200,000 increase in the Education PRC Reserve relating to school contributions not being required during 2022/2023
- £852,600 increase in the Future Interest Rate reserve to mitigate future interest rate increases
- £865,550 interest received on the Rail loan – to be reinvested or potential repayment to WG.

5.1.17 School Balances

5.1.18 School balances have reduced by £1.3m to £4.88m at 31 March 2023, an improved outturn when compared to the in year forecasts.

5.1.19 Portfolio Analysis

5.1.20 An analysis of significant adverse variances above £100,000 is detailed below, and Appendices 1a to 1e shows all variances both favourable and adverse across all services.

5.1.21 Corporate Services – £1.71m favourable variance

5.1.22 **Council Tax Collection** - £225,500 adverse variance

The adverse variance is a result of the Surplus on Collection budget not achieving as estimated due to an increase in the level of irrecoverable debt requiring write off during the financial year.

5.1.23 The adverse position has been offset by an underspend within Council Tax Reduction Scheme and the cross cutting budgets as detailed in Table 2 in paragraph 5.1.4.

5.1.24 **Social Services - £0.24m adverse variance**

5.1.25 **Children's Services – Children Looked After** - £1,122,000 adverse variance

The adverse variance is due to Children's Homes, Payments to Foster Parents and Legal Fees.

Children's Homes – £816,000 adverse variance

Although the number of placements has remained relatively stable at an average of 12, there has been inflationary increases and the activity within placements has seen a rise in the length of individual placements resulting in the number of weeks of active placements increasing from 639 weeks in 2021/22 to 675 weeks for 2022/23, plus a secure placement for 26 weeks of the year.

In House Foster Carers & independent Fostering Agencies – £139,000 adverse variance

The overall number of Foster carers have remained relatively stable with Independent Fostering Agency placements increasing by 3 from March 2022 to March 2023. However, there has been an increase in activity of placements throughout the year, with the number of placement weeks increasing from 1,106 in 2021/2022 to 2,489 weeks during 2022/2023.

Legal Fees – £336,000 adverse variance (after applying £400,000 reserve funding)

Legal Fees is due to the requirement of using the external provider to finalise existing cases once these cases have been finalised all new cases will be dealt with by Caerphilly CBC and funded by the Service Level Agreement.

The adverse variances have been partially offset by the overall underspend within Adult Services, and Support Services.

5.1.26 **Adult Services**

Although adults are showing a favourable variance overall of £763,000, there are some adverse variances within adults as follows: -

Cwrt Mytton – £435,000 adverse variance

Supported Living Bungalows – £124,000 adverse variance

There are significant challenges in relation to vacant posts and sickness absences across both these budget areas. Staffing restructures and recruitment drives are ongoing within the service, to address the issues being encountered.

5.1.27 **Education – £0.04m favourable variance**

5.1.28 Assuring Access to Schools

Home to School Transport – £612,000 adverse variance

The adverse variance is as a consequence of the 20% uplift awarded to contractors as a result of the fuel crisis, additional routes being required for ALN learners and prior year invoices being higher than expected.

This overspend has been partially offset by an appropriation from the Inflation and Cost Pressure reserve of £450,000, with the balance being offset by underspends within the Education Portfolio.

5.1.29 **Environment – £0.73m adverse variance**

5.1.30 **Waste Services - £566,000 adverse variance**

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 the new contract price has increased by £8 per tonne and additional unexpected leachate costs.

5.1.31 **Winter Maintenance - £155,000 adverse variance**

Although it seems that the 2022/23 winter period was mild and produced little snow, the winter maintenance service was quite busy with an additional 22 mobilisations of the service for ice conditions on the same period in the previous year 2021/22.

This has resulted in

- Increased staff costs (also includes an uplift in standby payments following a review in 2021/22)
- 1500 tonne of salt delivered (1000t previous year)
- Salt costs have increased from £40 per tonne in 2021/22 (1000t = £40,000) to £48 per tonne (1500t = £72,000) in 2022/23
- Vehicle hire costs increased by 4%
- Fuel cost have increased by 35% (additionally the council has been paying a higher rate for fuel through the use of a local supplier)

5.1.32 **Cwmcrachen Caravan Site – £100,000 adverse variance**

The adverse variance is due to:

- an increase in water charges because of a water leak which went undetected for 12 months and then took a number of site excavations to identify the location of the leak. The leak has now been repaired and water usage is closely monitored.
- and an increase in maintenance costs due to a backlog of repairs following Covid and a flood coupled with an unprecedented tenancies turnover which has resulted in clean up costs and repairs to the amenity blocks.

5.1.33 **Fees & Charges**

5.1.34 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 actual income against budget for the financial year for individual portfolios. The provisional outturn is reporting a favourable variance of £0.4m, an improved position when compared to the quarter 3 forecast of £0.5m adverse variance.

5.1.35 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.

5.2.4 Within the overall positive financial position for 2022/2023, a number of overspends have continued throughout the financial year despite action plans being developed and implemented. There is a risk that these could continue into 2023/2024.

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 provisional outturn for 2022/23.

6.4 ***Thinking for the Long term (forward planning)***

6.4.1 A number of ongoing cost pressures identified during 2022/2023 have been addressed as part of the budget setting process for 2023/2024.

6.4.2 For continuing, new and emerging cost pressures identified during 2023/2024, budget holders will be required to produce Action Plans which will 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.

6.5 ***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*** (the screening template should be completed for any decisions to identify if a full integrated impact assessment (IIA) is needed. A full IIA will need to be completed if the decision is part of the socio-economic duty to consider how the decision might help to reduce the inequalities of outcome associated with socio-economic disadvantage).

7. **Monitoring Arrangements**

7.1 Financial reporting to Corporate & 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 1 – Portfolio Summary

Appendix 2 – Summary of Reserve Movements

Appendix 3 – Fees and Charges

