

Committee: **Cabinet**
 Date of meeting: **4th October 2023**
 Report Subject: **Revenue Budget Monitoring 2023/2024 Forecast
 Outturn to 31 March 2024 (As at 30 June 2023)**
 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)
	3/8/23				4/9/23 (briefing)	04.10.23		

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 2023/2024 (as forecast at 30th June 2023).

2. **Scope and Background**
 - 2.1 This report provides details on the following:
 - Forecast financial position to the end of March 2024 across all portfolios
 - Budget virements actioned during the period April to June 2023
 - 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.
 - Approve the budget virements detailed in paragraph 5.1.18 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 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)**

For 2023/24, the Council agreed an overall budget of £184.28m which included a planned draw from Specific reserves of £4.2m. Subsequently in July 2023, Council approved a supplementary budget of £0.3m to continue with the free school meals direct payment for eligible learners through the 6 weeks summer holiday. A contribution from the Council's General reserve will fund these costs.

5.1.1 The overall forecast outturn across all portfolios as at 30th June 2023, is a favourable variance of £0.2m before an expected transfer from specific reserves of £0.47m and £0.3m from the general reserve. This expected use of reserves will result in an increased favourable variance against budget of £0.97m. As a consequence, the £4.2m planned use of Specific Reserves originally agreed by Council is now forecast to be £3.23m.

5.1.2 The forecast overall financial position across all portfolios at 30th June 2023 is shown in the table below:

5.1.3 **Table 1 – Portfolio Summary**

Portfolio/ Committee	2023/2024 Revised Revenue Budget	2023/2024 Forecast Outturn @ 30 June 2023	Favourable / (Adverse) Variance	Favourable/ (Adverse) Variance (after Net transfers to Reserves)	Append ref:
	£m	£m	£m	£m	
Corporate Services & Financial Management & Strategy	18.07	17.10	0.97	1.11	1a
Social Services	54.40	54.92	(0.52)	(0.36)	1b
Education & Leisure	73.57	73.51	0.06	0.13	1c
Economy	1.98	2.10	(0.12)	(0.12)	1d
Environment	34.57	34.31	0.26	0.26	1e
Planning	1.54	1.69	(0.15)	(0.05)	1f
Licensing	0.15	0.15	0	0	1f

Sub-Total	184.28	183.78	0.50	0.97	
Free School Meals Direct Payment – School Holidays	0	0.30	(0.30)	0	
Total	184.28	184.08	0.20	0.97	

5.1.4 The overall forecast favourable variance is mainly due to the forecast underspend against a number of budget areas within Corporate Services:

5.1.5 Council Tax Reduction Scheme (CTRS) / Surplus on Collection – Overall forecast favourable variance of £0.4m

The number of residents claiming CTRS has reduced by 10% since July 2020 from 9,356 to 8,376 and is now lower than pre covid levels. As a result, forecasts for the CTRS budget is indicating a forecast favourable variance of £0.66m. This may be having an impact on Council Tax collection which is predicting an adverse variance of £0.25m.

5.1.6 Cross Cutting Inflation Budget – Forecast favourable variance of £0.56m

A contingency within the overall Council budget was established to mitigate in year cost pressures arising from inflationary increases which could not be managed from within existing budgets. A virement of £620,000 to Street lighting is proposed within this report to mitigate the in year cost pressure arising from increased energy costs, however currently there is no further request to utilise the remaining budget.

5.1.7 Offsetting the favourable forecasts above are:

5.1.8 ***Pay Award 2023/2024***

5.1.9 The current local government employers pay proposal for 2023/24 is a £1,925 increase on all NJC pay scales. If agreed this will result in pay increases ranging from 3.88% to 9.42% (depending on salary levels). The average increase will be 6.4%

5.1.10 When compared to the Council's agreed budget of an assumed 5% increase there is an estimated cost pressure of £0.6m relating to pay.

5.1.11 ***Utility Costs***

5.1.12 Energy costs are forecast to increase by around £2m for 2023/2024 (based on costs incurred April to June) compared to 2022/2023, averaging 125% increase for electricity and 138% for gas. With the exception of street lighting (see 5.1.6), the cost pressure awarded as part of the budget setting process, appears to be sufficient to fund these additional costs. Whilst utility prices are starting to reduce, it is unlikely that the Council will see reduced costs until April 2024 due to purchasing energy in advance.

5.1.13 **Use of Reserves**

5.1.14 The draw from specific reserves total £4m and this includes:

- £3.23m - In agreeing the 2023/2024 budget, Members agreed to utilise £4.2m of specific reserves (Financial Resilience Reserve, Future Interest Rates Reserve and Inflation & Service Cost Pressures Reserve) to balance the budget. Based on the current forecast, the draw from reserves will be £3.23m after taking into consideration the draw from alternative specific reserves (as detailed below).
- £300,000 from General Reserves for Free School Meals direct payment for the summer holidays
- £102,000 contribution from South East Wales Collaboration reserve
- £102,000 – displaced grant funding from 2022/2023
- £150,000 contribution from Supporting Capacity, Community Safety and Resettlement Reserve
- £64,000 – ICT Reserve towards costs for software for Planning
- £30,000 contribution from the Building Control Reserve

5.1.15 Except for the use of reserves identified in 5.1.14, as the overall forecast is a favourable variance, it has been assumed that the additional costs, related to the pay award (in excess of the agreed budget), is funded from within underspending budgets, and not specific reserves.

5.1.16 **Budget Virements**

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

5.1.18 The Constitution requires budget virements in excess of £250,000 between portfolios to be approved by Cabinet and the following table details the budget virements that have been actioned during the period April to June 2023 subject to approval.

5.1.19 **Table 2 – Budget Virements**

Portfolio	Virement from £	Virement to £	Reason
Corporate Services – Contingency for in year Inflationary increases	620,000		To fund the cost pressure of £620,000 arising from increased energy costs.
Environment – Street Lighting		620,000	
Social Services – Various budget headings	274,020	274,020	To realign a number of budgets to reflect planned spend within the portfolio

5.1.20 **In Year Cost Pressures**

5.1.21 Appendix 1a to 1f provides details of the favourable and adverse variances across services within each portfolio.

Where a portfolio is reporting an overall adverse variance and where a service is forecasting an adverse variance in excess of £50,000, Action Plans have been developed providing reasons and mitigating actions and these are attached at Appendix 2.

5.2 ***Risk including Mitigating Actions***

5.2.1 There is a risk that Action Plans will not address the cost pressures identified.

Action Plans will be monitored as part of the Budget Monitoring and Reporting framework and the impact reported to Cabinet. Continuing, new and emerging Cost Pressures will be considered as part of the Medium Term Financial Strategy and the Budget Setting process.

5.2.2 There is a risk that continued high inflation, the pay award and energy costs will be higher than the current forecast, increasing the cost pressures facing the Council.

Costs will continue to be monitored and reported and Action Plans developed to address the cost pressure in year.

5.3 ***Legal***

N/A

5.4 ***Human Resources***

N/A

5.5 ***Health and Safety***

N/A

6. **Supporting Evidence**

6.1 ***Performance Information and Data***

Performance information is detailed throughout this report and a summary page for each portfolio is attached at Appendices 1a to 1f.

6.2 ***Expected outcome for the public***

The report details the financial implications for the Council in providing services to the communities of Blaenau Gwent.

6.3 ***Involvement (consultation, engagement, participation)***

CLT have considered the forecast financial position for 2023/2024 (as at 30 June 2023).

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***
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***
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***
The Council is committed to the Decarbonisation Plan to achieve a carbon neutral public sector by 2030.
- 6.9 ***Integrated Impact Assessment (IIA)***
N/A
7. **Monitoring Arrangements**
- 7.1 Financial reporting 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 Summaries
Appendix 2 – Action Plans