

Committee: **Cabinet**
 Date of meeting: **21 February 2024**
 Report Subject: **Revenue Budget Monitoring 2023/2024 Forecast Outturn to 31 March 2024 (As at 31 December 2023)**
 Portfolio Holder: **Cllr S Thomas – Leader of the Council & Cabinet Member Corporate Overview & Performance**
 Report Submitted by: **Gina Taylor – Service Manager Accountancy**

Reporting Pathway								
Directorate Management Team	Corporate Leadership Team	Portfolio Holder / Chair	Governance Audit Committee	Democratic Services Committee	Scrutiny Committee	Cabinet	Council	Other (please state)
	01/02/24	07.02.24			20/02/24 (briefing)	21/02/24		

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 31st December 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
 - Forecast of Reserves to be applied during the period
 - Action Plans to address cost pressure areas
 - 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 application of reserves
 - Consider and challenge the Action Plans attached at Appendix 2
 - 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’s 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 forecast outturn across all portfolios as of 31 December 2023, is a favourable variance of £1.6m before an expected transfer from specific reserves. This favourable variance increases to £2.35m with the application of £0.46m and £0.31m from specific and general reserve respectively. As a consequence, the £4.2m planned use of Specific Reserves to balance the 2023/2024 budget (originally agreed by Council) is now forecast to be £1.85m.

5.1.2 The forecast overall financial position across all portfolios is shown in the table below:

5.1.3 Table 1 – Portfolio Summary

Portfolio/ Committee	2023/2024 Revised Revenue Budget	2023/2024 Forecast Outturn @ 31 Dec 2023	Favourable/ (Adverse) Variance	Favourable/ (Adverse) Variance <i>(after Net transfers to/from Reserves)</i>	Favourable/ (Adverse) Variance <i>(after Net transfers to/from Reserves)</i> As at Qtr. 2	Appendix ref:
	£m	£m	£m	£m	£m	
Corporate Services & Financial Management & Strategy	18.07	16.61	1.46	1.68	1.57	1a
Social Services	54.40	54.82	(0.42)	(0.30)	(0.69)	1b
Education & Leisure	73.57	73.41	0.16	0.16	0.09	1c
Economy	1.98	1.82	0.16	0.17	0.01	1d
Environment	34.57	33.85	0.72	0.68	0.48	1e
Planning	1.54	1.74	(0.19)	(0.04)	(0.04)	1f
Licensing	0.15	0.15	0	0	0	1f
Sub-Total	184.28	182.40	1.89	2.35	1.42	
FSM Direct Payment – School Holidays	0	0.31	(0.31)	0	0	
Total	184.28	182.71	1.58	2.35	1.42	

5.1.4 The favourable variance £2.35m is mainly due to:

5.1.5 Corporate Services – A favourable variance of £1.68m (an increase of £109,000 compared to quarter 2)

This is mainly due to the Surplus on Council Tax collection forecasting a favourable variance of £143,000 compared to £68,000 at quarter 2. The current assessment of bad debt indicates a reduced requirement for the provision when compared to quarter 2.

Community hubs are now forecasting a favourable variance of £49,000 compared to £6,000 adverse at quarter 2, this is due to the identification and utilisation of grant funding to support specific workstreams within the service.

5.1.6 Education – A favourable variance of £161,000 (an increase of £72,000 compared to quarter 2)

The improved position is mainly as a consequence of updated forecasts being available with regards placements and transport contracts, together with the financial impact of delays in filling vacant posts.

5.1.7 Economy – A favourable variance of £166,000 (an increase of £158,000 compared to quarter 2)

The improvement is mainly due to the updated forecast information being available and the maximisation of grant income against the departmental budget, with a favourable variance of £157,000 compared to £51,000 at quarter 2. There has also been a favourable movement in the General Offices budget with an increase in income, partly due to a renegotiated rental agreement, resulting in a favourable variance of £42,000 compared to an adverse variance of £13,000 at quarter 2.

5.1.8 Environment – A favourable variance of £678,000 (an increase of £193,000 compared to quarter 2)

This is due to the projected increase in Welsh Government Specific Grant for Universal Free School Meals. Welsh Government have reviewed the meal rates payable from January 2024, increasing the favourable variance against the Catering budget to £642,000 from £558,000 at quarter 2.

Additionally, Traffic Orders are forecasting a favourable variance of £40,000 compared to £3,000 at quarter 2, due to additional income received in respect of road closures. The Concessionary fares and Support to Operators budget has moved to a favourable variance of £65,000 compared to £8,000 at quarter 2 as a result of additional grant income being received in-year.

5.1.9 Social Services – Adverse variance of £298,000 (an improvement of £393,000 compared to quarter 2)

The reduction in the forecast adverse variance is mainly due to the maximisation of the Families 1st Grant of £200,000 within Children's Services which has been

utilised to fund existing support worker posts within the Placement, 14+, Supporting Change and Locality Teams.

The number of residential placements has reduced by 2 to 9, one of which transferred to a living independent placement, therefore achieving a net reduction of £190,000.

5.1.10 The remaining portfolios are forecasting small variances that remain consistent with the previous forecast.

5.1.11 **Use of Reserves**

5.1.12 The forecast draw from general and specific reserves total £2.6m (compared to the agreed £4.5m), this includes:

General Reserve

- £313,000 supplementary budget to fund the Free School Meals direct payment through the 2023 summer holidays.

Specific Reserves

- £75,000 contribution from South East Wales Collaboration Reserve
- £53,000 – displaced grant funding from 2022/2023
- £215,000 contribution from Supporting Capacity, Community Safety, Resettlement Reserve and Business Support Hybrid Model
- £99,000 – ICT Reserve towards costs for Planning software
- £57,000 contribution from the Building Control Reserve
- £1.85m - 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. Based on the current forecast, the draw from these reserves will be £1.85m after taking into consideration the draw from alternative specific reserves (as detailed above).

There is also an appropriation to Specific Reserves:

- £42,000 contribution to the Tai Calon Highways Maintenance Reserve in relation to commuted sums.

5.1.13 Except for the use of reserves identified in 5.1.12, 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) and forecast cost pressures are funded from within underspending budgets, and not specific reserves.

5.1.14 **In Year Cost Pressures**

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

5.1.16 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, these are attached at Appendix 2 for Social Services.

- 5.1.17 Action Plans have not been included for cost pressures within underspending Portfolios as they are being managed within the overall portfolio budget.
- 5.1.18 **Budget Virements**
- 5.1.19 Budget virements are actioned to address in year overspends, cost pressures or to realign budgets to reflect service needs.
- 5.1.20 The Constitution requires budget virements in excess of £250,000 to be approved by Cabinet, during the period October to December no virements over this amount were required.
- 5.1.21 **Bridging the Gap – Forecast Achievement 2023/2024**
- 5.1.22 In setting the 2023/2024 budget, Members approved bridging the gap proposals totalling £3m. The table, attached at Appendix 3 shows the current assessed achievement against the target.
- 5.1.23 It is currently forecast to achieve £2.2m against the overall programme. A number of proposals will not deliver against the initial target and these are:
- Review of Electronic Document Management & Retention (£103,630) – This project is ongoing but will not deliver efficiencies in the current financial year. In year efficiencies have been identified against other system expenditure to mitigate in part this cost pressure and further work is ongoing to identify further opportunities.
 - Fortnightly Green Waste Collection (£75,000) – Due to demand for green waste collection, this service was reinstated. However, the cost pressure is currently being funded within the overall waste budget.
 - Legal Fees Children’s Services (£175,000) – The need to use external legal services has continued during the current financial year for existing cases whilst transitioning services over to Caerphilly CBC.
 - Prevention & early Intervention (£416,000) – The establishment of the MYST team was an invest to save project to reduce the number of children looked after (CLA) going into care. Whilst this has been successful in delivering cost avoidance by preventing CLA entering into care, numbers have remained stable within residential placements. It is anticipated that numbers will reduce early in the financial year 2024/25.
 - Review of Operational Buildings (£250,000) – A review of property and assets is underway, however it is not anticipated that it will deliver cost efficiencies during the current financial year.
- 5.1.24 The estimated shortfall of £0.8m is included with the overall forecast favourable variance of £2.35m and is being mitigated from within existing resources.

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 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.

5.2.3 Welsh Government have indicated that there will be an overall reduction in the specific grant for 2023/2024 to fund the roll out of universal free school meals to assist in mitigating in year cost pressures. This has been based on the current overall forecast underspend and is not expected to impact upon the amount received by Blaenau Gwent.

Grant claims will be submitted monthly based on actual take up. Should any shortfall in funding be identified this will be reported as part of the budget monitoring process and discussions will take place with WG.

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***

6.1.1 The overall forecast outturn across all Portfolios as of 31 December 2023, is a favourable variance £2.35m after utilising £2.62m from reserves. Whilst there is a significant use of reserves forecast, this is an improving position compared to quarter 2 when the forecast was a favourable variance of £1.42m including a forecast use of reserves of £3.5m.

6.1.2 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***

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)***

CLT have considered the forecast financial position for 2023/2024 (as at 31 December 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***

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 (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

Appendix 3 – Bridging the Gap Proposals 2023/24 – Progress on Financial Achievement