

Committee: **Executive Committee**
 Date of meeting: **11th March 2020**
 Report Subject: **Revenue Budget Monitoring - 2019/2020, Forecast
 Outturn To 31 March 2020 (As at 31st December
 2019)**
 Portfolio Holder: **Cllr Daniels, Leader / Executive Member Corporate
 Services**
 Report Submitted by: **Rhian Hayden – Chief Officer Resources**

Reporting Pathway								
Directorate Management Team	Corporate Leadership Team	Portfolio Holder / Chair	Audit Committee	Democratic Services Committee	Scrutiny Committee	Executive Committee	Council	Other (please state)
	18/02/2020	26.02.20			09/03/2020	11/03/2020		

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 2019/2020 (as forecast at 31st December 2020) and to review the actions taken forward to move towards a balanced out turn position.

2. Scope and Background

- 2.1 This report provides details on the following:

- Forecast financial position to the end of March 2020 across all portfolios
- Details of significant adverse variances
- Forecast outturn for Fees & Charges
- Progress on the achievement of the Financial Efficiency Projects for 2019/2020
- Action Plans developed to address significant adverse variances

- 2.12 This report forms part of the quarterly financial reporting framework to Members.

3. Options for Recommendation

3.1 Option 1 (Recommended Option)

Members of the Executive Committee consider and approve the report and

- Provide appropriate challenge to the financial outcomes in the report
- Consider the action plans attached at Appendix 4 developed to address the forecast adverse variances at the end of December 2019.

3.2 Option 2

Members of the Executive do not accept the report.

4. **Evidence of how does this topic supports the achievement of the Corporate Plan / Statutory Responsibilities / Blaenau Gwent Well-being Plan**

4.1 This report supports the Council Priority, “Efficient Council”, as it is part of the financial planning and reporting arrangements which support the Councils’ financial resilience.

5. **Implications Against Each Option**

5.1 **Impact on Budget**

5.1.1 The overall forecast outturn as at September 2019, was a small adverse variance of £7,200. Two portfolios were reporting significant adverse variances (Education - £64,000 and Environment - £259,000), however, these were offset by the forecast underspends, Social Services being the most significant at £180,000.

5.1.2 The forecast overall financial position across all portfolios at 31 December 2019 is shown in the table below:

Portfolio/ Committee	2019/2020 Revised Revenue Budget	2019/2020 Forecast Outturn @ 31 December 2019	Favourable/ (Adverse) To 31 March 2020	Append ref:
	£m	£m	£m	
Underspending Portfolios				
Corporate Services & Financial Management & Strategy	14.718	14.711	0.007	2a
Social Services	44.915	44.841	0.074	2b
Education	55.477	55.455	0.022	2c
Economy	1.516	1.467	0.049	2d
Sub Total (1)	116.626	116.474	0.152	

Overspending Portfolios				
Environment	29.53	29.73	(0.20)	2e
Planning	1.056	1.061	(0.005)	2f
Licensing	0.065	0.076	(0.011)	2f
Sub Total (2)	30.651	30.867	(0.216)	
Total	<u>147.277</u>	<u>147.341</u>	<u>(0.064)</u>	

5.1.3 The table indicates that the provisional outturn is higher than the budget by £64,000 (across all services). This is after the application of £0.6m from specific reserves to address “one-off” in year planned expenditure.

5.1.4 **PORTFOLIO ANALYSIS**

5.1.5 Overall, the forecast end of year adverse variance has increased by £57,000 since the quarter 2 forecast position.

There are four portfolios forecasting adverse variances totalling £0.216m, however there are a number of cost pressures identified across all portfolios. Appendix 1 identifies those services where the adverse variance exceeds £15,000, and Action Plans to address these cost pressures are attached at Appendix 4.

5.1.6 **Corporate Services – Movement in variance from £75,000 favourable to £6,000 favourable**

5.1.7 The main reason for the reduction in the adverse variance is due to an increase in forecast expenditure for Council Tax Reduction Scheme and an increase in Resources Departmental expenditure due to early termination costs. Further detail is included within the Action Plan attached at Appendix 4.

5.1.8 **Social Services – Movement in variance from £175,000 favourable to £74,000 favourable**

5.1.9 The forecast favourable variance at September 2019 has reduced by £109,000 for Children’s Services and this is mainly due to an increase in the number placements with Independent Fostering Agencies.

5.1.10 Despite this fact, there are no significant adverse variances greater than £15,000, and therefore no action plan has been developed. However, expenditure and budgets will continue to be monitored closely.

- 5.1.11 **Education – Movement in variance from £64,000 adverse to £22,000 favourable**
- 5.1.12 The Welsh Government Education Maintenance Grant recently awarded has enabled £100,000 of revenue spend on maintenance to be funded from this grant which has contributed to reducing the forecast adverse variance. Reasons for the movement in the significant adverse variances and actions taken can be seen in the Action Plan attached at Appendix 4.
- 5.1.13 **Economy – Movement in variance from £78,000 favourable to £48,000 favourable**
- 5.1.14 There are no significant adverse variances within the portfolio, however the Estates Management departmental Budget has moved from a £15,000 favourable variance to a £12,000 adverse variance position. The increased cost is due to the temporary solicitor post being extended from September to March 2020.
- 5.1.15 **Environment – Movement in variance from £259,000 adverse to £200,000 adverse**
- 5.1.16 The forecast adverse variance has decreased due to additional fees & charges and the reallocation of costs for asbestos works at Pond Road to capital expenditure. Reasons for the movement in the significant adverse variances and actions taken can be seen in the Action Plan attached at Appendix 4.
- 5.1.17 **Fees & Charges**
- 5.1.18 The 2019/2020 portfolio estimates include income budgets in relation to fees & charges (excluding Council Tax) of £14.8m across all portfolios. Attached at Appendix 3 is an analysis of income received against budget for the financial year for individual portfolios, and current forecast indicates an improved adverse variance against this target of £0.3m (£0.57m as at September 2019), primarily relating to charges within Social Services.
- 5.1.19 Whilst this analysis 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.
- 5.1.20 **Financial Efficiency Projects (FEP)**
- 5.1.21 In setting the 2019/2020 budget, Financial Efficiency Projects (FEPs) were approved to deliver savings of £3.34m. Of this target £3.33m (99.4%) is forecast to be achieved, with a shortfall of £20,000, and this is due to 2 projects:

- Full cost recovery of premises related costs for Community & Town Councils (£10,625) – This is included within the Action Plans attached at Appendix 4.
- Management Review (£12,590) – This is due to a delay in the implementation of the Senior Management review. The savings is fully achieved for 2020/2021.

5.1.22 This shortfall forms part of the overall portfolio out turn position and a summary of progress against the FEPs is attached at Appendix 5.

5.1.23 The Council continues to be successful in delivering the planned level of savings, and the achievement of 99% demonstrates the Council's ability to implement and deliver the approved savings as part of the budget setting process.

5.2 **Risk including Mitigating Actions**

5.2.1 (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.

A grants register have been developed and is being maintained and will be considered as part of the Medium Term Financial Strategy.

(2) Action Plans do not address the cost pressures identified.

5.2.2 The Action Plans will be monitored as part of the Budget Monitoring and Reporting Framework and the impact reported to the Joint Budget Scrutiny Committee, Executive Committee and the Cost Pressure Sub Group.

(3) There is a risk of increase costs for food, fuel and other essential goods and services following the ongoing situation regarding Brexit.

5.2.3 Brexit has been added as an organisational risk to the corporate risk register, whilst a separate, more detailed Brexit high level action plan has been developed and is being monitored by the Brexit Core planning 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 2a to 2g.

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.

6.2.2 If overspends continue into the medium term, resources will be diminished and this may impact on the Council's ability to provide services to the public.

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

6.3.1 CLT have considered the forecast financial position for 2019/2020 (as 31st December 2019).

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 be required to produce Action Plans which should 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.

6.4.2 Cost Pressures are also considered as part of the Medium Term Financial Plan.

6.5 **Preventative focus**

6.5.1 Budget holders have developed Action Plans which should mitigate the forecast adverse variance during the financial year. Whilst Action Plans have had some impact on the overall cost pressures, it will be necessary to implement further actions including maintaining vacant posts and limiting non-essential spend during the final quarter of the financial year, where it is possible to do so, to prevent any unplanned draw from reserves at the year end.

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 **EqlA(screening and identifying if full impact assessment is needed)**

6.9 All Financial Efficiency Projects that were approved as part of the budget setting process had gone through the EqlA process.

7. **Monitoring Arrangements**

State how the work will be monitored e.g. through scrutiny or directorate performance management arrangements

- 7.1 Financial reporting to Joint Scrutiny and the Executive 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 Pressure Sub Group, on a quarterly basis.

Background Documents /Electronic Links

Appendix 1 – Summary of Main Variances

Appendix 2 – Portfolios

Appendix 3 – Fees and Charges

Appendix 4 – Action Plans